



SARASIN



SUSTAINABILITY REPORT 2005

## **Mission Statement of Bank Sarasin & Co. Ltd**

Bank Sarasin & Co. Ltd is a highly respected and successful Swiss private bank with offices in Europe, the Middle East and Asia. Its core activities include investment advisory and asset management services for private and institutional clients, as well as an investment funds business. Its complementary services extend to corporate finance, brokerage and financial analysis.

As an autonomous company we are committed to operating in an open, competitive market economy. We view sustainability as a key ingredient of a successful business philosophy.

Our emblem, the oak tree, stands for enduring tradition and healthy growth.

All our activities are focused on our clients, to whom we provide high-quality, personal, individual and professional services based on trust and discretion. We expect a fair market return for these services.

Staff at all levels of our organisation have excellent professional qualifications and social skills. We value innovation and dedication to performance. These high expectations are reflected in fair remuneration and sound benefit schemes for our employees. We emphasise the importance of continuous training and education to realise the full potential of our staff.

The Bank's future financial stability is built on its solid earnings power, a competitive return on invested capital and attractive dividends for its shareholders.

# CONTENTS

<b>Foreword</b>	2
<b>Key Information at a Glance</b>	4
<b>Overview of the Sarasin Group</b>	5
<b>Sustainability Policy</b>	6
<b>Sustainability Management</b>	7
<b>Clients</b>	8
<b>Employees</b>	9
<b>Society</b>	11
<b>Corporate Governance</b>	13
<b>Products</b>	13
<b>Internal Environmental Management</b>	16
<b>Communications and Stakeholder Relations</b>	23
<b>Outlook</b>	25
<b>About this Report</b>	26
<b>Assurance</b>	29
<b>Contacts</b>	31
<b>Literature</b>	32

**Note:**

For the sake of convenience, this report generally uses the plural form when speaking of employees, clients, shareholders, etc. to denote persons of either sex.

## FOREWORD



For the Sarasin Group, sustainability is a key part of our everyday business. This is reflected not least in our slogan *Responsibly yours*, which sums up our business culture in two words. It means that, in our day-to-day dealings with all our stakeholders, we remain fully alert to our responsibilities. We always honour our obligations towards clients, employees, shareholders and society. To live up to these principles, we must consistently practise what we preach and always keep these values at the forefront of our minds. With this in mind, we held a series of staff seminars during 2005 at all Bank Sarasin locations in Switzerland and abroad, to explain the values behind *Responsibly yours* and raise awareness of the issues involved.

But enough about our business culture. What did we actually do in 2005 to promote sustainability at Bank Sarasin? This sustainability report tells you what we did and explains the results we achieved.

I would first like to mention our financial position: The operational earnings power and profitability of the Sarasin Group improved sharply during 2005. Apart from booming capital markets, initiatives introduced to improve profitability under the “SaraChange” project also helped bring about a substantial improvement in earnings. The favourable performance of our business operations led to a 10% overall increase in operating income to CHF 503.3 million. This increase is all the more gratifying from an operational point of view, in that the figure for other ordinary income in 2004 included extraordinary income of CHF 35 million resulting from the sale of participating interests. Our group profit rose by 39% to CHF 116 million (2004: CHF 83 million). Although the market environment is still extremely

competitive – as banks vie for the favour of private and institutional clients alike – our assets under management rose by CHF 9.7 billion to CHF 63.5 billion in 2005. Moreover, thanks to successful acquisitions made in the second half of 2005, net new money inflows reached CHF 1.1 billion. Sustainably managed assets increased by more than average, in fact by around a quarter, rising to CHF 3.8 billion in 2005.

In the previous year an employee survey revealed a desire for better internal communication. Based on this finding, we introduced regular question & answer sessions with senior management for our staff. These are particularly important bearing in mind the changes involved in the business development project SaraChange, launched with a view to improving profitability and efficiency. The SaraChange initiatives are aimed at simplifying and rationalising our work processes. This entails a new management structure and other organisational changes affecting all areas of the Bank. Some of the major structural changes to be introduced pose great challenges for our staff.

The devastating hurricanes in the USA or the floods in Switzerland, to mention just two of the natural disasters which occurred last year, once again made us think about the complex interactions within our ecosystem. It is not just when these events happen that we should think about using natural resources more responsibly and limiting harmful emissions; rather, we should be thinking about them all the time. Bank Sarasin accepts this challenge and takes its responsibility in this regard seriously. We have been collecting environmental impact data on our business for nearly ten years now. We seek to monitor the effects of our operational processes and

activities, critically analyse them and continually reduce them on the basis of our findings. We are proud that our eco-efficiency increased by over 12% in 2005. At the same time we realise from our environmental impact data that there are still areas where we can and must improve in order to achieve our own ambitious targets. Several institutions specialising in sustainability assessment regularly carry out appraisals of Bank Sarasin. Our environmental management and sustainable asset management consistently achieve top scores. We can also be proud of our ratings in the social domain, though here too there is scope for improvement: In future we plan to give people even more help in balancing their professional and private lives. Although we have achieved a great deal on environmental protection, we want to do even better in this area. For that reason, last year we set ourselves new environmental goals to be met by 2010. We regard protecting the climate and saving resources as our most important environmental challenges in the long term. We are happy to look back on a very successful 165<sup>th</sup> year for our Bank. This applies both to the financial side and also to the progress we have achieved in the social and environmental aspects of our business. But in a world of rapid change and keen competition, we cannot rest on our laurels. Therefore we continually strive to improve the quality of our advice, extend the range of products we offer, optimise our processes, make ourselves more attractive as an employer and further reduce the environmental impact of our activities.

In 2005 we published our first sustainability report. In the ranking of sustainability reporting by Swiss companies produced by the University of Applied Sciences in Aargau, Switzerland, among the 16 banks taking part,

we achieved third place. This is a result to be proud of – and our success will spur us on to do even better. The 2005 sustainability report is a first step in this direction and, with its new look, is outwardly recognisable as part of our business reporting.

Finally, I would like to thank all our staff for their sustained commitment, upon which the Sarasin Group relies, and will continue to rely on in the future.

Respectfully yours



**Peter E. Merian**

Chief Executive Officer

## KEY INFORMATION AT A GLANCE

- > Bank Sarasin & Co. Ltd is a respected and successful private Swiss bank with locations in Europe and Asia. Our core activities include investment advisory services and asset management for private and institutional clients, as well as investment fund management. The Sarasin Group employs more than 1,100 staff.
- > Bank Sarasin is openly committed to sustainability. Many of the aspects that today fall under the heading of sustainability have already been part of our corporate culture for some time. These include our social commitment, our internal environmental management and our sustainable asset management.
- > The Bank has a dedicated Sustainability Committee which is responsible for its sustainability policy.
- > We have set ourselves concrete goals for implementing this policy. In our drive for continuous improvement, we draw up a plan of action every year and monitor the subsequent success of these measures.
- > Bank Sarasin published its first Sustainability Report in the 2004 financial year.
- > In FY 2005 Sarasin's group profit climbed 39% to CHF 116 million, while our cost-income ratio improved from 70% (2004) to 67% (2005). Assets under management rose CHF 9.7 billion to a total of CHF 63.5 billion.
- > In 2005 the assets under sustainable management in the Sarasin Group rose almost 25% to CHF 3.8 billion. This increase was due on the one hand to price gains on the back of strong stock market performance in 2005, and to net new money inflows on the other.
- > Our SaraChange business development project is designed to improve the Bank's profitability and efficiency. As part of this project, the number of business divisions has been cut from seven to four.
- > Rapidly changing legislation and regulation was once again a key feature in 2005 and necessitated numerous changes to our internal directives and control mechanisms in areas such as the prevention of money laundering.
- > We have also tried to improve our internal communication, in response to feedback from staff surveys. One of our innovations here has been the introduction of SaraTalks, regular question & answer sessions with members of senior management.
- > As part of our personnel development activities, we introduced assessments in professional development planning for senior managers.
- > In a move to further develop and adapt our existing environmental goals to the current standard, "VfU Indicators 2005", the Sustainability Committee has approved environmental goals for the period up to 2010 ([www.sarasin.ch/AboutSarasin](http://www.sarasin.ch/AboutSarasin) > Sustainability > EnvironmentalGoals). These are based on the goals defined by the Kyoto Protocol and also Switzerland's laws on carbon dioxide (CO<sub>2</sub>) emissions.
- > When defining our environmental goals, it was decided to compensate for our CO<sub>2</sub> emissions by buying the relevant emission certificates on an ad-hoc basis if it looks as if we could fall short of our goals in this area.
- > The success of our efforts in internal environmental management is reflected in the overall picture for our environmental indicators. We managed a slight improvement (-0.05%) in overall performance measured in environmental impact points, despite a sharp increase in the volume of business travel (+20%).
- > Giving consideration to environmental criteria and factors is now an established part of our procurement process.

## OVERVIEW OF THE SARASIN GROUP

Founded in 1841, Bank Sarasin is today one of Switzerland's leading private banking institutions. Its sustainable success is based on trust, confidentiality, expertise and dedication. Bank Sarasin's core activities include investment advisory and asset management services for private and institutional clients, as well as an investment funds business. Its complementary services extend to investment foundations, corporate finance, brokerage and financial analysis. The Sarasin Group is headquartered in Basel (Switzerland) and employs over 1,100 people. Apart from its headquarters in Basel, the Bank also has Swiss offices in Zurich, Geneva and Lugano. The Sarasin Group has international subsidiaries in Dubai, Guernsey, Hong Kong, London, Luxembourg, Munich, Paris, and Singapore. Bank Sarasin is a public limited company whose shares are listed on the SWX Swiss Exchange.

### Key indicators for the Sarasin Group (conforming to IFRS)

	Unit	2005	2004	Change %
<b>Net operating profit</b>	CHF m	<b>503</b>	457	10.2
of which				
Deposit and lending		<b>66</b>	60	10.5
Commissions and services		<b>345</b>	304	13.5
Trading		<b>63</b>	49	29.3
Other income		<b>30</b>	44	-33.1
<b>Operating expenses</b>	CHF m	<b>336</b>	321	4.5
of which				
Employees		<b>237</b>	225	5.2
Running costs		<b>98</b>	96	2.8
<b>Gross profit</b>	CHF m	<b>168</b>	135	23.9
<b>Group profit</b>	CHF m	<b>116</b>	83	39.2
<b>Balance sheet total</b>	CHF m	<b>8,491</b>	7,571	12.2
<b>Assets under management</b>	CHF m	<b>63,532</b>	53,840	18.0
of which				
Private clients		<b>38,493</b>	31,896	20.7
Institutional clients		<b>16,212</b>	14,737	10.0
Investment fund assets		<b>8,827</b>	7,207	22.5
<b>Number of employees</b> (adjusted for part-time working)	Number	<b>1,134</b>	1,145	-0.9

## SUSTAINABILITY POLICY

To paraphrase the words of a Thomas Mann character: “Engage to the full in your daytime business, but make sure it doesn’t make you lose sleep”. This scene from the great novel “Buddenbrooks”, in which Consul Johann Buddenbrook gives advice to his son, is set in the middle of the 19th century. If the son had actually listened to his father’s advice, the fictional company of Johann Buddenbrook might have survived up to this day – just as our Bank has done.

Social cohesion and an intact environment are essential prerequisites for our prosperity, quality of life and fully functioning economy. Since this is the basis of our commercial activity, we view sustainability as a key component of a successful corporate philosophy. As a pioneer and leading provider of sustainable asset management in Continental Europe, we combine sustainability with credibility and commercial success.

Bank Sarasin sees itself as bound to traditional values such as fair business practices. Trustworthiness and dependability are the cornerstones of our core business, asset management. We are also deeply committed to the public good. Environmental awareness was incorporated into our business processes and internal work procedures at a very early stage.

Since then, we have integrated the social and environmental aspects of our business activity into the wider context of sustainability. The Bank’s Sustainability Committee holds specialist responsibility for all aspects of sustainability within the Sarasin Group. It is responsible for producing and implementing a sustainability policy for the entire Group. The Committee comprises the two division heads of Private & Institutional Clients and Asset Management, Products & Sales, as well as the heads of the staff functions Services and Human Resources, the head of the department Sustainable Investment and the head of the staff function Corporate Communications.

Our sustainability policy is directed at all relevant stakeholders.

Stakeholder	Key themes
Clients	Product and advisory quality, sustainable products
Employees	Working conditions, remuneration and social benefits, training and professional development
Shareholders	Corporate governance, financial stability
Society	Compliance with legislation, internal environmental management, commitment to the public good
Competitors	Fair business practices towards competitors

Bank Sarasin’s sustainability activities also extend to a dialogue with our stakeholders (see the section “Communications & Stakeholder Relations”). The purpose of our Sustainability Report is to provide a comprehensive and accurate picture of our policy, the organisation of our sustainability management, planning and control processes, and the practical measures undertaken in this area. To ensure our reporting is of an adequate standard, we have our Sustainability Report audited by independent experts (Independent Assurance Report).

Our sustainability policy has been produced by the Sustainability Committee and approved by the Group Executive Board (GEB). The policy is set out in the following documents which can be downloaded from the Internet at [www.sarasin.ch](http://www.sarasin.ch), in the section “About Sarasin”:

- > **Mission statement and key values**
- > **Social policy**
- > **Environmental policy**

## SUSTAINABILITY MANAGEMENT

The Group Executive Board has agreed upon goals for the realisation of the sustainability policies in the social and environmental areas. These are published on the Internet at [www.sarasin.ch](http://www.sarasin.ch), under the section “About Sarasin”.

Every year the Sustainability Committee prepares a catalogue of concrete measures to enable us to achieve these goals. The plan is part of the regular annual budget. The staff function Human Resources is responsible for implementing measures in the personnel domain. Group Legal & Compliance is the staff function responsible for all legal matters. The staff function Corporate Communications is in charge of communications, as well as donations and sponsorship. Product sustainability is the main focus of the Sustainable Investment department. In the field of environmental management, central tasks such as environmental controlling or coordinating internal environmental management measures are the responsibility of the Head of Environmental Management. At our locations in Geneva, London, Luxembourg and Zurich he enjoys the support of local environmental managers to assist him with the continuous optimisation of the Bank’s internal environmental processes and the implementation of the concrete goals set by the Sustainability Committee.

The realisation of the proposed measures is a component of the objectives set for the employees responsible for implementation. The Sustainability Committee reports annually to the Group Executive Board and informs employees about goal achievement.

### Sustainability – costs and benefits?

According to our mission statement, sustainability is an essential component of a successful corporate philosophy. But in addition to the positive feeling this gives of belonging to a “reputable company” and being proud of one’s own work, we also view sustainability as a key factor for commercial success. We can only be successful in the long term if we inspire the confidence of all our stakeholders.

### Sustainability milestones at Bank Sarasin

- 1989** Asset management geared towards environmental criteria
- 1993** New head office building in Basel with the biggest solar energy system in N.W. Switzerland
- 1994** Launch of Sarasin OekoSar Portfolio, a fund based on eco-efficiency
- 1996** Sarasin signs UNEP Declaration of Banks for Sustainable Development
- 1997** Environmental mission statement, recording of environmental performance indicators
- 1998** Social criteria included in sustainable asset management
- 1999** First environmental report published
- 2000** New Sustainable Investment business unit set up
- 2001** First Environmental Report published
- 2003** Sustainability Committee formed, company environmental policy published
- 2004** Company social policy published
- 2005** First Sustainability Report published

All the main business processes are governed by directives, such as those on security or the prevention of money laundering. Rules applying to employees are set out in the staff regulations, SaraRules.

It is extremely hard to quantify the costs and benefits of sustainability management. An untarnished reputation is essential for client retention and staff loyalty. But how much is a brand worth in monetary terms? The steady increase in the assets we manage according to sustainable criteria is at least one yardstick on the revenue side. On the cost side, the savings made (such as in energy consumption) point to the way forward. However, these benefits are in turn offset by investments and personnel costs for sustainability management.

## CLIENTS

Our clients are private and institutional investors. They are central to all our activities. We serve our clients personally, individually and professionally, offering high-quality services based on trust and discretion.

The market environment for asset management is an extremely competitive one. Nevertheless, in 2005 our assets under management increased by 18% to CHF 63.5 billion. In the world of asset management, quality of advice and quality of service are crucially important. We are delighted that our products and services are in such great demand and have won numerous accolades. In addition to the awards won by our investment products, which have now become almost routine (though never taken for granted), the newspapers “*Die Welt*” and “*Welt am Sonntag*” gave us the highest possible score for the quality of our client service for the third consecutive year. 262 banks and asset managers were tested. In a survey of the quality of advice for foundations, we occupy a leading position among 150 service providers. The result was published in a report entitled “*The Elite Among Foundation Specialists*”. The “*Wealth Management Survey*” of the magazine “*Euromoney*” also named us the “*Best for Ethical Investment*” among all the investigated private banks in Western Europe.

Our clients have changing needs. For that reason we constantly seek to launch innovative products. In 2005 we extended our product range to include, among others, the following products:

- Sarasin Investment Funds – Sarasin GLOBALSAR OPTIMA (EUR) follows a thematic investment approach and aims for long-term capital appreciation through optimal risk diversification.
- Sarasin Investment Funds – SARASIN BONDSAR ABSOLUTE RETURN (EUR) provides investors with a positive return whether interest rates rise or fall.
- SaraZert DYNaMiX is a new product generation (momentum strategy based on the SMI® in certificate form).

Besides developing our existing business, we also entered new markets in 2005: We have been active in the Middle Eastern growth market since the second quarter of 2005 through our joint venture Bank Sarasin-Alpen (ME) Limited based in Dubai. In Germany, our market presence was altered to comply with new regulations. The existing fund distribution company was converted into a securities trading bank with limited company status in the summer of 2005. Finally, we increased our stake in the asset management company Colombo Gestioni Patrimoniali SA, thereby enabling us to strengthen and expand our Lugano branch.

Targeted initiatives to optimise our processes were a key aspect of the business development project SaraChange in Switzerland. This will be noticeable to our clients in the form of simpler account opening procedures, for example. The number of signatures required of the customer has been substantially reduced.

## EMPLOYEES

### Human resources policy and management

The principles of our staff policy are expressed in our Mission Statement: “Staff at all levels of our organisation have excellent professional qualifications and social skills. We value innovation and dedication to performance. These high expectations are reflected in fair remuneration and sound benefit schemes for our employees. We emphasise the importance of continuous training and education to realise the full potential of our staff.”

The staff function Human Resources is responsible for personnel matters in Switzerland. Its responsibilities include the implementation of the Human Resources policy, staff recruitment and care, training and salaries administration. The Human Resources departments of our subsidiaries are answerable to the managements of those subsidiaries.

In Switzerland, there are regulations called SaraRules which define the terms of employment agreed between Bank Sarasin and its employees. These cover the responsibilities of the employees, working hours and holiday entitlement, social benefits and security measures. The employee regulations are part of the employment contract and apply to all staff employed in Switzerland.

All new employees are familiarised with our Key Values and management principles when they join the Bank. These are available to all staff via the Intranet. They serve as guidelines for our activities and our day-to-day work.

SaraDialog is an important management tool. It involves annual employee appraisals with performance evaluations, professional development activities and agreement of individual objectives as part of the MbO process. The SaraDialog interview guide was updated in 2005.

The employee representatives look after the common interests of employees in Switzerland.

### Personnel indicators

	Unit	2005	2004	2003
<b>Number of employees on 31 December</b>	Employees <sup>1</sup>	<b>1,134</b>	1,145	1,110
of which				
Switzerland		<b>756</b>	756	755
Abroad		<b>378</b>	389	355
<b>Number of employees</b>	Employees <sup>2</sup>	<b>1,178</b>	1,186	1,160
<b>Fluctuation rate</b> <sup>3</sup>	%	<b>9.1</b>	10.6	10.8
<b>Personnel costs</b>	CHF m	<b>237</b> <sup>4</sup>	225 <sup>4</sup>	215 <sup>5</sup>
of which social benefits and contributions to pension funds		<b>28</b> <sup>4</sup>	26 <sup>4</sup>	29 <sup>5</sup>

<sup>1</sup> adjusted for part-time working

<sup>2</sup> not adjusted for part-time working

<sup>3</sup> Parent bank only, excluding retirements

<sup>4</sup> Conforming to IFRS

<sup>5</sup> Conforming to BAG-SFBC

## EMPLOYEES

continued

### **SaraChange project**

The business development project SaraChange was launched in December 2004. Its aim is to improve profitability and efficiency. This requires basic streamlining of procedures and rationalisation of work processes. The Bank's management structure was modified in June 2005. As a result, the number of business units was reduced from seven to four.

The reorganisation has far-reaching consequences for all areas of the Bank. It means that all staff must be willing to embrace change. Should we have to cut jobs, this will be done largely through natural fluctuation of staff. Otherwise, the affected staff will be offered another position within the Bank if at all possible. Any unavoidable redundancies will be dealt with in a socially responsible manner according to our Bank's usual practice. The bonus model will be modified in the context of SaraChange. In future, bonuses will depend more on the attainment of individual targets.

### **Training and professional development**

The right to training and professional development is defined in separate regulations covering Switzerland. The Swiss locations hold annual internal training courses on topics such as banking expertise, leadership, time management and communication. There is considerable emphasis on courses dealing with internal control and supervision, as ever increasing demands are being made on banks in this area.

In addition, the bank supports numerous individual continuing education programmes leading to qualifications such as Chartered Financial Analyst (CFA) or Master of Business Information Systems, and various post-graduate courses (management, business administration, information technology etc.).

On most courses of the internal professional development programme a final examination is taken, particularly when it comes to courses dealing with legal and regulatory topics.

Within the framework of the Management Development Concept for staff in Switzerland, a development centre has been set up to carry out assessments. The aim is to test management potential and look for management qualities in existing staff.

In Switzerland we had 23 trainees in 2005, six of whom successfully completed their training. All those who finished were given salaried positions (some temporary).

### **Social benefits**

We claim to offer employees attractive terms of employment, which include not only market-oriented and performance-linked salaries, but also social benefits and other incentives. The Group has developed welfare plans (pension plans, disability and surviving dependants' pensions) for employees in Switzerland and in our foreign subsidiaries – especially Luxembourg, Singapore, Hong Kong and London – which satisfy the legal requirements of each country. All such welfare programmes are contribution-based and financed by contributions from both the employee and the employer. Swiss employees receive an annual statement of their insurance benefits. As the retirement pension from a defined contributions pension fund depends on how much interest is earned in the future, employees in Switzerland can obtain illustrations using the "LOB Calculator" now available on the Intranet.

The retirement age for employees in Switzerland is 63. From age 58 it is possible to retire early or partially. Employees may claim an AHV bridging pension until the legal retirement age (65) has been reached. The AHV bridging pension is financed by the pension fund.

Staff benefits include special conditions for banking services as well as (for employees of Swiss branches) holiday discount vouchers and half-price rail travel.

## SOCIETY

### Support for initiatives to promote sustainability

The Sarasin Group takes an active part in initiatives to promote sustainability. The Swiss Association for Environmentally Responsible Corporate Management (ÖBU) brings together around 300 Swiss companies of different sizes and backgrounds which share a commitment to promote sustainability in their businesses. Bank Sarasin is a long-standing and active member of the ÖBU.

## ö b u

The Energy Agency for Business (EnAW) is an initiative by the Swiss business community to find efficient ways of achieving the energy and climate goals imposed by the Swiss CO<sub>2</sub> Act. The goal is to reduce CO<sub>2</sub> emissions in Switzerland by 2010 to 90% of their 1990 value. A target agreement to that effect was concluded in 2004 between the group of banks belonging to EnAW and the Swiss federal government. Bank Sarasin is a member of EnAW and takes an active part in the Banking focus group. Although we have already reduced our CO<sub>2</sub> emissions by a substantial amount in the last few years, we have set ourselves the goal of a further 10% reduction in the 2004 figure by 2010.



Since 1996 we have been a member of the Finance Initiative of the United Nations Environment Programme (UNEP FI), a global partnership between banks and the UN Environment Programme.

The debate about the link between sustainability and shareholder value has gained further momentum. Bank Sarasin is represented in the United Nations Global Compact working group “Best Practices in Financial Analysis”. In 2004 this group made 25 recommendations on the integration of sustainability aspects into asset management, securities trading and financial research. The report entitled “Who Cares Wins – Connecting Financial Markets to a Changing World”, co-signed by

Bank Sarasin, was presented in New York in 2004 at the UN Global Compact Leaders Summit initiated by UN General Secretary Kofi Annan. The first progress report was prepared in 2005 under the title “Who Cares Wins: One Year On”.

From time to time we also participate in the social initiatives of institutional investors. In 2005 we took part in the Social Research Analyst Statement on Corporate Sustainability Reporting. This is a campaign by 23 institutional investors who specialise in sustainable asset management. Its aim is to encourage listed companies to improve their reporting on sustainability aspects.<sup>1</sup>

Since 2003 we have supported the Carbon Disclosure Project. This is an initiative currently involving 211 institutional investors who wish to draw attention to the risks and opportunities associated with climate change. As part of the Carbon Disclosure Project, every year the world’s largest companies are asked to publish their CO<sub>2</sub> emissions and their risk management policies in this regard. 350 companies fulfilled this request in 2004.<sup>2</sup>

The Sarasin Group has also signed the Investors’ Statement on Transparency in the Extractives Sector. This is an appeal by institutional investors for greater transparency among companies concerned with raw material extraction in emerging and developing countries and is intended to combat bribery and corruption. The Investors’ Statement supports the Extractive Industries Transparency Initiative (EITI)<sup>3</sup> launched by the British Prime Minister Tony Blair in 2003. Since then, 65 institutional investors have declared their support for the Investors’ Statement.

<sup>1</sup> See [www.siran.org](http://www.siran.org) for further information.

<sup>2</sup> Further information about the Carbon Disclosure Project and the results of the three surveys carried out so far can be found at [www.cdproject.org](http://www.cdproject.org).

<sup>3</sup> For further information about the EITI, see [www.eitransparency.org](http://www.eitransparency.org).

## **SOCIETY**

continued

### **Legal and regulatory aspects**

Laws and regulations continued to change rapidly in 2005. Naturally it is vital that we should comply with all requirements. The growing demands being made on banks in the area of internal control and supervision mean that banks' internal regulations (rules, directives etc.) are more important than ever. It is quite a challenge to keep these internal regulations permanently up to date and to formulate them in such a way as to preserve maximum scope for entrepreneurial action.

The growing complexity of regulations also means that developing and distributing new products and services makes heavy demands on our human and financial resources. The training of staff in this area has also become increasingly important.

One of the main topics of 2005 was the implementation of the agreement between Switzerland and the EU on the taxation of savings income, which came into effect on 1 July 2005.

In the field of money laundering prevention, Bank Sarasin & Co. Ltd and its foreign subsidiaries implemented extensive control mechanisms supported by automatic transaction monitoring to prevent misuse of the Bank by money launderers. All in all, huge efforts are being made across the group to combat money laundering.

### **Social commitment**

Bank Sarasin is active in numerous social institutions in the areas of culture, medicine, sport, heritage, religion and social work. This includes company memberships and regular donations. Members of the Board of Directors and General Executive Board of Bank Sarasin sit on the management boards, boards of trustees and committees of numerous social institutions. As well as regular donations, numerous one-off contributions are made to various good causes in response to the many appeals we receive. For example, the Bank made a donation to help families directly affected by the flood disaster which struck the town of Brienz in August 2005.

## CORPORATE GOVERNANCE

The principles and regulations of Bank Sarasin & Co. Ltd for Corporate Governance are laid down in the Articles of Association<sup>1</sup>, the Business and Organisational Regulations and the regulations of the Board of Directors' committees. As required by the regulations, they are regularly reviewed and submitted to the Board of Directors and the Annual General Meeting for approval. The principles adhere to the guidelines and recommendations set out in the "Swiss Code of Best Practice for Corporate Governance" by Economiesuisse. As a bank incorporated under Swiss law, Bank Sarasin & Co. Ltd is obliged to submit its Articles of Association and Business & Organisational Regulations to the Swiss Federal Banking Commission for approval. The annual Corporate Governance report is part of the Annual Report and describes the principles of the Bank's business management in accordance with the "Guidelines Concerning Information on Corporate Governance" issued by the SWX Swiss Exchange. It gives detailed information on the company structure and main shareholders, the capital structure, the Board of Directors and Group Executive Board, compensation, interests and loans, shareholders' participation rights, monitoring and defensive measures, auditing and the information policy.

<sup>1</sup> The Articles of Association are available on the Internet at [www.sarasin.ch](http://www.sarasin.ch), in the section "About Sarasin".

## PRODUCTS

Bank Sarasin specialises in asset management for private and institutional clients, as well as in investment funds. Corporate finance, brokerage and financial analysis complete our range of services. To a lesser extent, we also provide mortgage and Lombard lending. Corporate finance, commerce and loans are only a minimal part of our business in comparison to asset management. Thus, in this section, we concentrate on asset management and the investment funds business.

### Sustainable products

According to the U.N. World Commission on Environment and Development, sustainability means "meeting the needs of the present without compromising the ability of future generation to meet their own needs". We can describe as sustainable those products and services for asset management and investment funds for which investment decisions are not made on a purely economic basis, but on the basis of values that are geared to ensuring environmentally and socially compatible long-term growth in the future.

### Sarasin Sustainable Investment®

Our expertise in sustainable asset management is incorporated in our Sustainable Investment department. Our Sustainability Research team analyses sectors, companies, institutions and countries with respect to environmental and social criteria, based on a proprietary concept. The results of this analysis – together with those of traditional financial analysis – provide the basis for our investment decisions, which are taken by a portfolio management team that specialises in sustainability. For our retail funds we have advisory councils comprising external experts from diverse backgrounds who provide advice in the areas of investment concepts and selection criteria. Sarasin Sustainable Investment® has been a registered trademark since 2005.

## PRODUCTS

continued

### Sustainable products

Our range of sustainable investment products includes investment funds for private and institutional investors and client-specific asset management mandates.

Private investors interested in sustainability can choose from an equity fund<sup>1</sup>, a bond fund<sup>2</sup> and a balanced fund<sup>3</sup>. We have a balanced fund and a bond fund specially tailored to institutional clients from Germany. Sarasin Investment Foundation (SAST) also offers a total of five subfunds, with different risk profiles, for recognised pension investments in Switzerland.

We also act as advisors to other providers of (“own-label”) sustainable funds. These include one fund for renewable energies, two equity funds, a balanced fund and a sustainability fund-of-funds.

Finally, we also look after customised sustainable asset management mandates for both institutional and private investors.

Our Paris-based subsidiary Sarasin Expertise manages two equity funds for French investors. In the UK, Sarasin Chiswell provides sustainable asset management for institutional clients.<sup>4</sup>

New energies invest Ltd. is a private equity company founded by Bank Sarasin that provides capital to unlisted companies in the field of renewable energies.

### Assets under sustainable management

As of 31 December 2005, the Sarasin Group managed assets worth CHF 3.845 billion (2004: CHF 3.086 billion) in accordance with environmental and social criteria. This increase was due on the one hand to price gains on the back of strong stock market performance in 2005, and to net new money inflows on the other. At the end of 2005 the proportion of assets managed according to sustainable criteria as a percentage of total assets managed by Bank Sarasin was 6.1% (2004: 5.7%). As a percentage of assets invested under a management mandate, the proportion of Bank Sarasin’s sustainably managed assets came to 13.7% (previous year: 13.5%). An increasing part of the assets in our company’s own pension fund for Swiss employees is also managed according to sustainability criteria. On the reporting date of 31 December 2005 this percentage was 7.9% (2004: 4.9%).

### Shareholder engagement

Increasingly, institutional investors are using their influence on listed companies to encourage sustainability aspects in their business. Bank Sarasin’s Sustainability Research team is in direct contact with firms and attends analysts’ presentations, thus forging a basis for dialogue with the companies rated. In 2005, we introduced a new building block to encourage dialogue with companies: in collaboration with Investor Shareholder Services (ISS), a US company specialising in shareholder engagement, we use our shareholder rights in the form of active voting in the companies in which e.g. OekoSar Portfolio and ValueSar Equity hold investments. ISS analyses the agenda of the relevant AGM to ensure compliance with current corporate governance practice. We basically follow the voting recommendations of ISS when it comes to corporate governance matters. If the voting is on issues that could potentially have an environmental or social impact, our voting is based on the opinions of our sustainability analysts. We exercised in voting rights at a total of 62 AGMs in 2005.

In addition to this, we participate in the public initiatives of institutional investors. These activities are described in the section on Society.

<sup>1</sup> Sarasin Investment Fund – SARASIN SUSTAINABLE EQUITY (formerly SARASIN VALUE\$AR EQUITY)

<sup>2</sup> Sarasin Investment Fund – SARASIN SUSTAINABLE BOND EURO

<sup>3</sup> Sarasin Investment Fund – SARASIN Oeko\$AR PORTFOLIO

<sup>4</sup> At Sarasin Chiswell, sustainable portfolios are put together mainly using exclusion criteria.

## Sustainable investment products

### Sarasin Investment Funds

- > Sarasin OekoSar Portfolio
- > Sarasin Sustainable Equity\*
- > Sarasin Sustainable Bond Euro
- > One balanced fund for German Institutional clients
- > One bond fund for German Institutional clients
- > Two equity funds for French clients

### SAST Sustainability

- > BVG Sustainability
- > Sustainable Equities CH
- > Sustainable Equities International ex. CH
- > Sustainable Bonds CHF
- > Sustainable Bonds International ex. CHF

### Own-Label Funds

- > One Luxembourg renewable energy fund
- > Two Austrian equity funds
- > One German balanced fund
- > One German sustainable fund-of-funds

### Managed Accounts & Special Funds

- > Equities
- > Balanced
- > Bonds

### Private Equity

- > new energies invest Ltd

### Advisory and Co-Management

\* Originally Sarasin ValueSar Equity. Renamed on 29 September 2005

## Transparency

Our sustainability analysts demand a high degree of transparency from companies in whose securities we invest. By the same token, we want to provide comprehensive and accurate information on our sustainable funds. For this reason, Bank Sarasin has been one of the first providers of sustainability funds in Europe to commit to publishing information on its sustainability funds in accordance with the transparency guidelines<sup>5</sup> provided by the European Sustainable and Responsible Investment Forum (EUROSIF). These guidelines require not only key data on the funds but also details of the investment criteria, the voting rights policy and the assessment and application of sustainability research. Details are available on the Internet at [www.sarasin.ch/sustainability](http://www.sarasin.ch/sustainability), under the section “Transparency”.

<sup>5</sup> Bank Sarasin is a member of EUROSIF and last year took an active part in developing the contents of the pilot version of the transparency guidelines.

**More information on sustainable investment management at Bank Sarasin is available on the Internet at [www.sarasin.ch/sustainability](http://www.sarasin.ch/sustainability).**

# INTERNAL ENVIRONMENTAL MANAGEMENT

## Overview

### VfU 2005 Indicators

Indicator	Unit	VfU 2005 Indicator	2005	2004	2003	Change 2005 vs. 2004 %
<b>Electricity consumption</b>	MJ/employee	1a)	<b>20,013</b>	20,328	23,454	-1.5
<b>Energy consumption, fossil fuels</b>	MJ/employee	1b)	<b>5,505</b>	5,566	4,728	-1.1
<b>Other energy consumption (district heating)</b>	MJ/employee	1c)	<b>3,250</b>	3,328	4,411	-2.3
<b>Business travel</b>	km/employee	2)	<b>4,831</b>	4,039	4,336	+19.6
<b>Paper consumption</b>	kg/employee	3)	<b>158</b>	150	205	+5.3
<b>Water consumption</b>	l/employee per day	4)	<b>92</b>	73	77	+26.0
<b>Waste</b>	kg/employee	5)	<b>275</b>	251	285	+9.6
<b>Direct and indirect energy consumption</b>	MJ/employee	6)	<b>74,770</b>	72,873	81,321	+2.6
<b>CO<sub>2</sub> emissions</b>	kg CO <sub>2</sub> -equivalent/employee	7)	<b>2,705</b>	2,660	2,858	+1.7

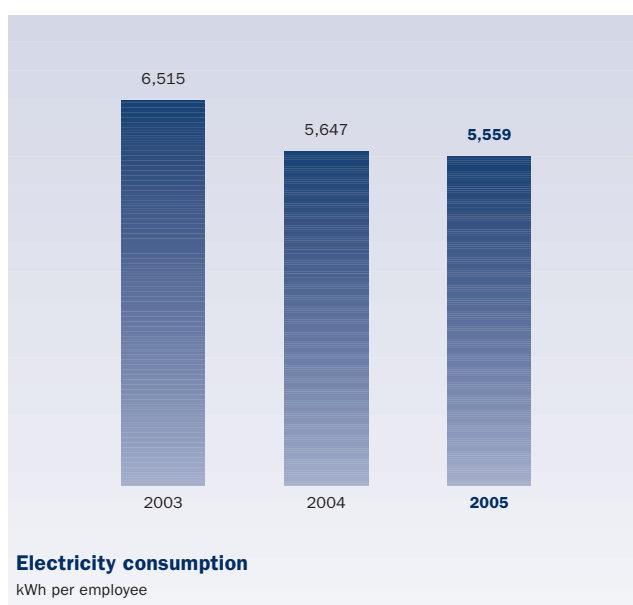
MJ = Megajoule (1 MJ = 0,278 kWh)

Our internal environmental management is a reflection of the impact all our business activities have on the environment. Building-related aspects (e.g. the quality of the façades of office buildings or the effectiveness of technical installations inside them) also influence environmental indicators, just as the way in which each employee uses resources such as electricity, water, paper, etc.

Bank Sarasin accepts that it has a responsibility towards the environment and sets itself specific environmental goals, based on its mission statement. Since 1996 we have been using indicators to ensure that we achieve these goals. This system enables us to continuously monitor, assess and adjust our internal environmental performance. As in 2004, the present report is based on the current standard for financial service providers “VfU 2005 Indicators”.

### Electricity

The downward trend in electricity consumption continues (-1.6%). We are aware of the fact that this cannot be reduced indefinitely. Nevertheless, we are confident that we can stabilise electricity consumption at an even lower level as we have not yet exhausted one major potential reduction that can be achieved by not having large numbers of office machines and installations on stand-by mode.



Conclusion: The measures taken to date at organisational level (consciously switching off electrical devices that are not needed, etc.) and at infrastructure level (replacing equipment that has reached the end of its useful life with new, lower-consumption models, etc.) have proved worthwhile and we will continue to consistently apply them. With regard to electricity, we will in future increasingly be focusing particular attention on the energy sources used to produce electricity. With the introduction of the requirement to certify electricity<sup>1</sup> and the increasing deregulation of the electricity market, it will be up to electricity consumers in future to decide whether to buy electricity from renewable or non-renewable resources. Already today, for example, our Zurich office buys 150,000 kWh of green electricity<sup>2</sup> (this represents almost 12% of this office's total electricity consumption). At our Basel office our own photovoltaic system on the roof of the main building generated over 25,000 kWh of electricity from solar energy in 2005.

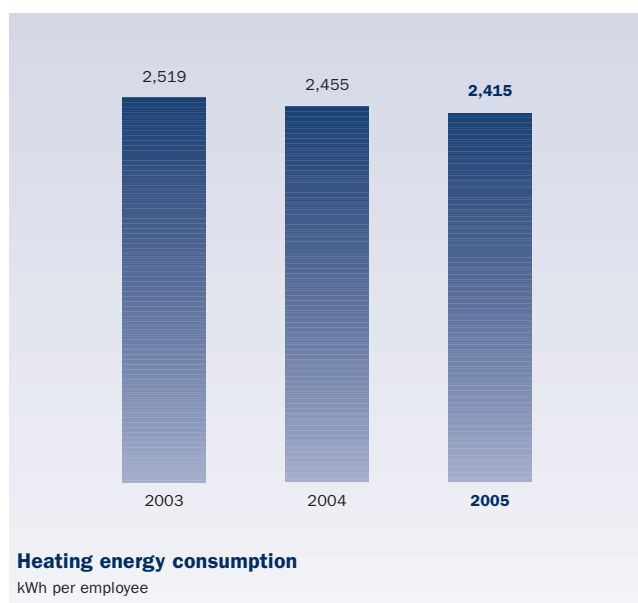
### Green electricity

Electricity from power stations in which generation is based on renewable sources (hydroelectric power, biomass, wind power, solar energy, geothermal power) is described as green electricity.

A generator of green electricity feeds the electricity produced into the power supply system to which his customers are connected. At the same time many other power stations are feeding electricity into the same system. Both green electricity customers and customers who prefer electricity from conventional generation (e.g. nuclear power), get their electricity from the same grid. In purely physical terms, it is therefore impossible to tell the difference between green electricity and conventional electricity. The deciding factor when buying green energy is therefore the contract between the electricity consumer and generator. In a suitable contractual arrangement the customer undertakes to purchase and pay for the desired product (e.g. electricity from photovoltaic systems) while the electricity supplier guarantees that he will feed the same quantity of environmentally friendly electricity into the grid as his green electricity customers buy from him.

### Heating energy

Heating energy consumption per employee fell slightly compared with the previous year (-1.6%). If the individual locations are considered separately, taking into account the Heating Degree Days, a varied picture emerges. For example, whereas in the Basel office the climate-adjusted heating energy consumption fell by around 5% compared with 2004, it increased by almost 6% in the Geneva office, which has the same office floor space, over the same period.



Conclusion: Even though the higher consumption in the Geneva office can probably be attributed to the fact that the colder temperatures experienced this year when the heating was switched on meant that heating could not be reduced by as much at night and weekends as in the previous year, we will be using the knowledge gained from our indicators to carry out further detailed analyses at the Geneva office and take any measures required.

<sup>1</sup> The Swiss Energy Ordinance (EnV) lays down that from 2006 end consumers must be informed retrospectively by their electricity suppliers where all the electricity they purchased the previous year originated and how it was generated.

<sup>2</sup> "Premium Water" (100,000 kWh) and "Premium Solar" (50,000 kWh) are two products designated with the green electricity label "nature-made star" of the local electricity supplier, Elektrizitätswerke der Stadt Zürich (EWZ).

## INTERNAL ENVIRONMENTAL MANAGEMENT

continued

### Heating Degree Days

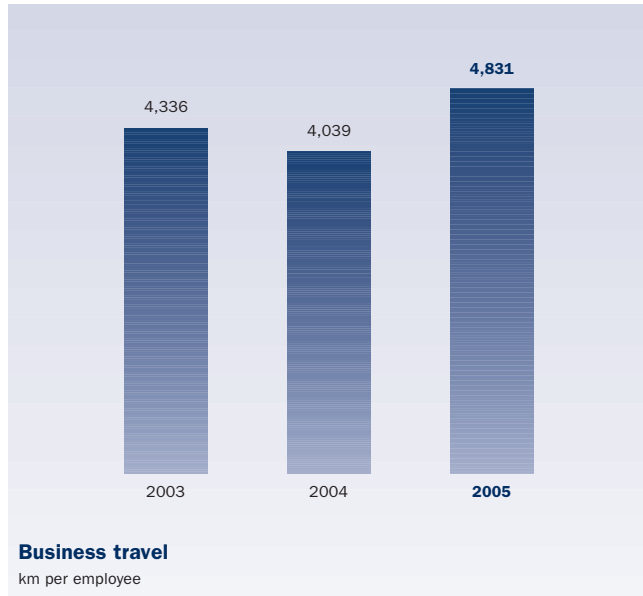
Heating Degree Days are used to make it possible to compare heating energy requirements during heating periods of different degrees of coldness (climate adjustment). The following definition is used in Switzerland: a day on which the average daytime temperature is below 12°C is a heating day. The total of the difference between 20°C (optimal, realistic indoor -temperature) and the average daytime temperature on each heating day produces the number of Heating Degree Days.

Heating Degree Days vary from locality to locality, thereby making it possible to compare the heating energy requirements of buildings in regions with very different temperatures.

### Business travel

The fact that each Bank Sarasin employee covered on average 20% more kilometres while travelling on business than in the previous year should not come as a surprise in view of the Bank's increased international focus. However, what appears all the more astonishing at first glance is the fact that the CO<sub>2</sub> emissions resulting from this business travel only increased by about 1.7%. How is this possible? A breakdown of business travel shows that the increase in business kilometres was mainly down to long-haul flights and train journeys. By contrast, both short-haul flights and business trips by car show a substantial decrease. As short-haul flights (distances up to 500 km) are, relatively speaking, considerably more fuel-intensive than long-haul flights (distances over 500 km)<sup>1</sup>, they also cause significantly higher emissions. Similarly, kilometres travelled by car have a much greater impact in terms of emissions than those travelled by train.

<sup>1</sup> The most fuel-intensive phases of a flight are at take-off and landing. Once the ideal flying altitude has been reached, fuel consumption per kilometre falls to its lowest possible level.



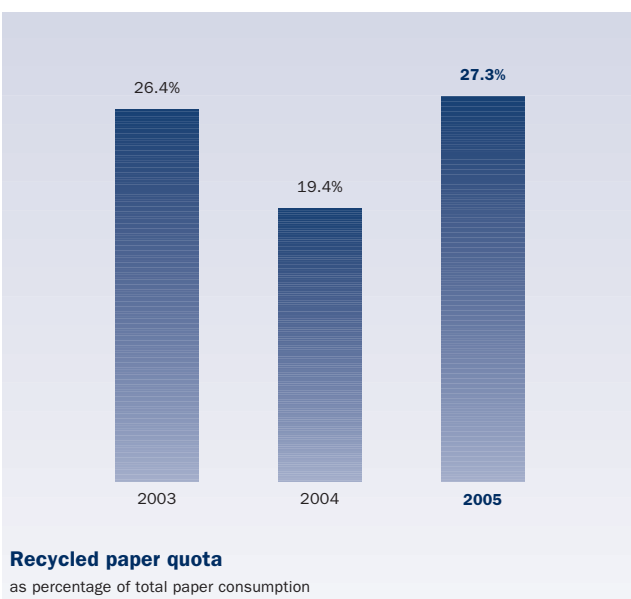
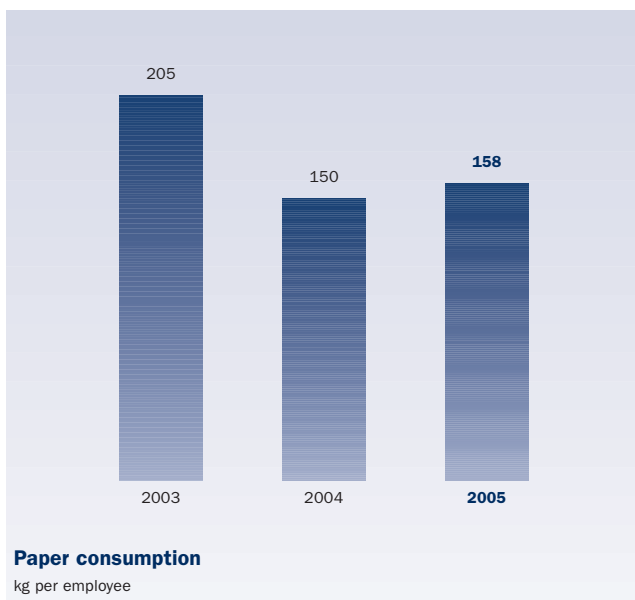
Conclusion: The fact that an increased focus on the international market necessarily results in an increase in business travel is hardly surprising. Our goals in this regard are therefore not quantitative but qualitative in nature: "We try to use the most environmentally friendly form of transport for business travel" (see our Environmental Goals). Detailed analysis shows that business travel by train has increased and journeys by both car and short-haul flights have decreased. The latter two are less environmentally friendly than rail travel and at first sight we do seem to have met our goal. However, we must not overlook the fact that the recording of business travel presents a number of difficulties (there is no uniform system for recording business travel) which have a negative effect on data quality. It is therefore only possible to interpret the time series to a very limited degree. Attempts are being made to improve the quality of data relating to business travel.

One option not to be overlooked for limiting business travel to the necessary minimum is the existing and widely used facilities for video and telephone conferencing between the various Bank Sarasin offices.

## Paper

There are a number of reasons why paper consumption per employee rose by 5.3% in 2005 compared with the previous year: new stationery in London and a corresponding amendment of publications on the one hand and printing errors in completed publications and mass mailings printed but not yet sent out had a significant effect.

One positive note is the substantial increase, by almost 8 percentage points, in the proportion of recycled paper used. Whereas all the Swiss offices use almost nothing but recycled paper for internal purposes, no recycled paper is yet in use in either London or Luxembourg.



Conclusion: Although paper consumption per employee is at a low level, it can be reduced still further if all employees are even more careful in their use of this resource. The London and Luxembourg offices are currently evaluating a suitable recycled paper for internal use, so it should be possible to increase the use of recycled paper in the near future.

## Recycled paper

Recycled paper is paper that consists of 100% “post-consumer waste”.

“Post-consumer waste” describes waste paper which has actually been in circulation, as opposed to paper waste which is produced during paper manufacture and does not therefore originate from household waste collections. This is known as “pre-consumer waste”.

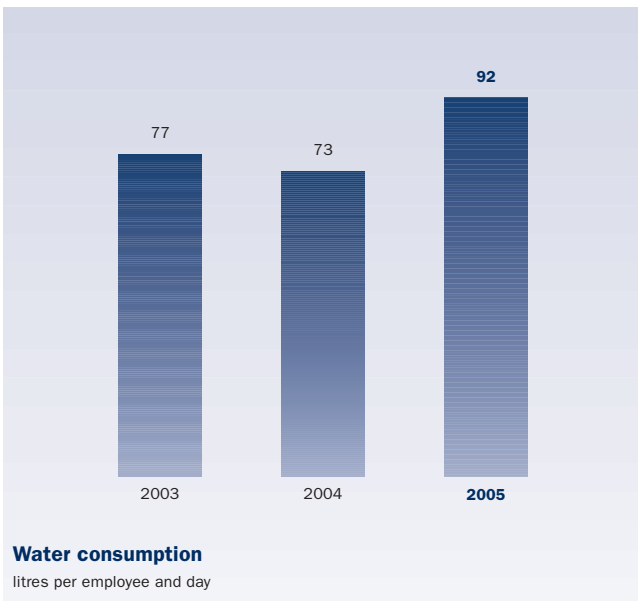
Where the origin of the raw material of recycled paper is not known or is known not to consist of “post-consumer waste”, it has been classified as virgin-fibre paper in this report.

# INTERNAL ENVIRONMENTAL MANAGEMENT

continued

## Water

In May 2005 an additional mainframe computer came into operation at the Basel office. The cooling system used for this and for the existing system uses normal drinking water, which sent water consumption in the Basel office rocketing by two-thirds compared with the previous year. By contrast, all the other offices registered lower water consumption in 2005 than in the previous year, with the exception of Luxembourg (+3.4%).



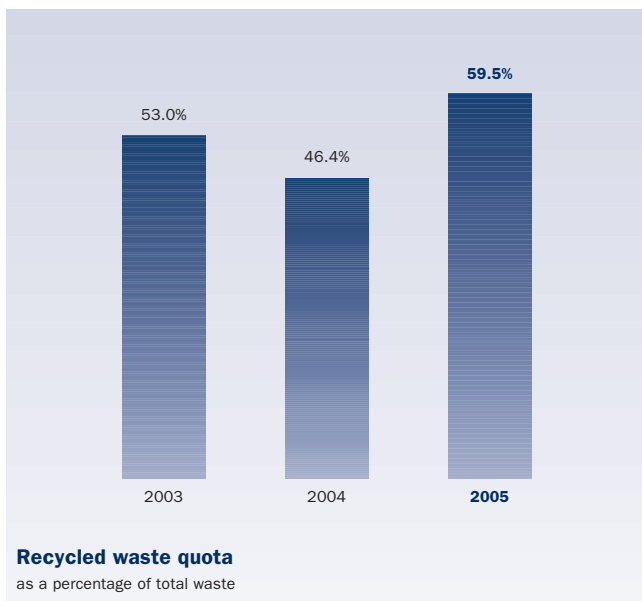
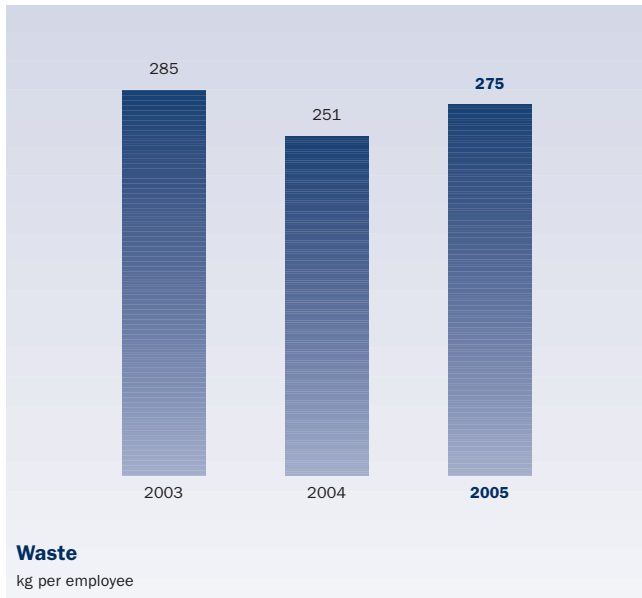
Conclusion: It had been planned from the outset to limit the Basel office's exceptional additional drinking water requirement to around one year. In 2006 a new cooling system will become operational in the building containing the above-mentioned additional IT infrastructure. Thereafter it should be possible to reduce water consumption to the 2004 level or even lower. At the same time, however, it is conceivable that the additional cooling system in the Basel office will result in higher electricity consumption.

## Waste

Compared with 2004 the total waste volume has increased by 9.6%. This increase was essentially due to the fact that a substantial number of documents were released for destruction in 2005 which regulations had required to be kept until 2004.

It is gratifying to report the approx. 13 percentage points increase in the proportion of waste sent for recycling. A

substantial contribution to this good result was made by the London office, where a waste separation system was introduced in 2005.

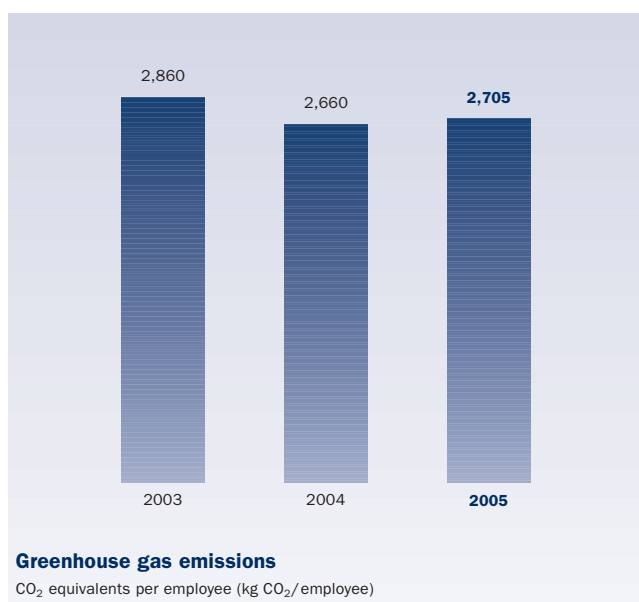


Conclusion: Because of archiving regulations the waste volume is, to a certain extent, subject to cyclical fluctuations. Our efforts in the area of internal environmental management are therefore less evident in terms of total waste volume than in terms of recycled waste as a percentage of total waste volume.

## Greenhouse gas emissions

Our operational processes and activities result in greenhouse gas emissions either directly (e.g. heating of buildings) or indirectly (e.g. consumption of paper whose manufacture caused emissions). Greenhouse gas emissions are not therefore independent markers, but to a certain extent they provide an overall picture of consumption and impacts of all our operational processes. This makes them useful in shedding light on our overall environmental performance. An increase or decrease in greenhouse gas emissions can be traced back to electricity, heating energy, paper and water consumption and business travel.

In 2005 greenhouse gas emissions per employee increased by 1.7% compared with the previous year.



Conclusion: Guided by the Kyoto Protocol<sup>1</sup> and the Swiss Federal Reduction of CO<sub>2</sub> Emissions Law (the CO<sub>2</sub> Act)<sup>2</sup> the Sarasin Group has set itself the target of reducing its own CO<sub>2</sub> emissions per employee by 10% compared with 2004 by the year 2010. We would prefer to achieve this target through savings. If this is unsuccessful, any shortfall in the target will be made good by offsetting the CO<sub>2</sub> emissions resulting from business travel and by buying green electricity instead of electricity generated from fossil fuels.

## CO<sub>2</sub> equivalents

The global warming potential of greenhouse gases (e.g. carbon dioxide, methane, nitrogen oxide) differs from one gas to the next. For example, methane has 21 times the effect on the climate that carbon dioxide has, i.e. an emission of 1 kg of methane has the same effect as 21 kg of carbon dioxide (CO<sub>2</sub>). The greenhouse effect is usually measured in carbon dioxide equivalents. As the name suggests, the warming potential of carbon dioxide is used as a benchmark or unit of measurement.

<sup>1</sup> On the occasion of the conference of member states of the UN Framework Convention on Climate Change in Kyoto in 1997 an agreement (the Kyoto Protocol) was drawn up in which the international community set a mandatory upper limit for greenhouse gas emissions.

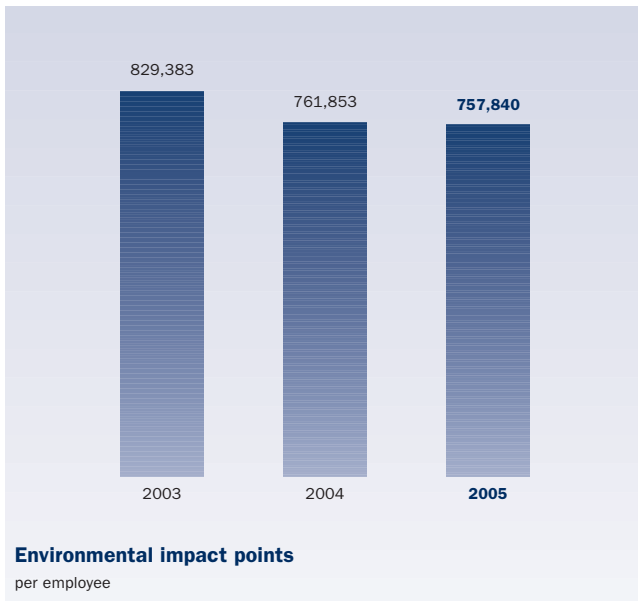
<sup>2</sup> Section 1, Art. 2 of the CO<sub>2</sub> Act states that "The CO<sub>2</sub> emissions resulting from the use of fossil fuels to produce energy must be reduced overall by 10 percent compared with 1990 by the year 2010. A key element in achieving this target is the average of the years 2008 to 2012".

## INTERNAL ENVIRONMENTAL MANAGEMENT

continued

### Environmental impact points

Like CO<sub>2</sub> emissions, environmental impact points are also an indicator of the Sarasin Group's environmental performance. They are likewise calculated from electricity, heating energy, paper and water consumption and from business travel.



Conclusion: Because of the slightly different emphasis when calculating environmental impact points compared with CO<sub>2</sub> emissions or even compared with direct and indirect energy consumption (VfU 2005 Indicator 6) they show a slight improvement in overall environmental performance (-0.5%) compared with 2004. The fact that despite the massive increase in business travel this overall balance is tending to the positive side, can once again be attributed to reduced internal energy consumption (see VfU Indicators 1a-c).

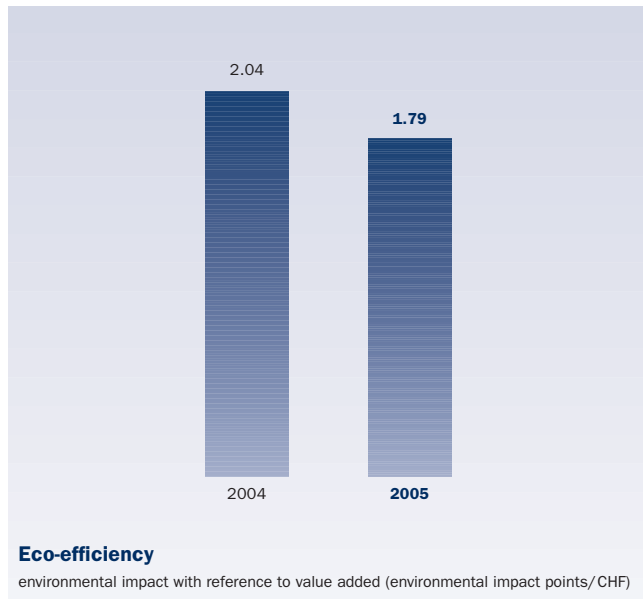
### Environmental impact points

Environmental impact points are a measure of the environmental relevance of different emissions and the use of resources. These are compared directly with each other (irrespective of the different units of measurement, such as kg, kWh, etc.).

Environmental impact points are based on the assessment of environmental audits using the Ecological Scarcity Method (BUWAL 1998), which determines the weighting of environmental impacts. This defines the environmental impacts in relation to the maximum permissible impacts (in terms of the viability of ecosystems) within the context of environmental policy aims.

### Eco-efficiency

If the environmental impact (measured in environmental impact points) of our operational processes and activities is related to productivity<sup>1</sup> this provides an indicator of our eco-efficiency.



On the one hand the environmental impact of our processes and activities was slightly less than in the previous year, while on the other hand productivity showed a significant increase. Combining these two elements means that our eco-efficiency has improved by an impressive 12.4%.

<sup>1</sup> The key measure for productivity is the gross value added (operating income less operating expenses).

## COMMUNICATIONS AND STAKEHOLDER RELATIONS

The Sarasin Group sends comprehensive information to shareholders, employees, clients and the public simultaneously and regularly. This ensures that all stakeholders are treated equally.

### Communication with our clients

Information about our products and services is disseminated mainly via personal advisory sessions, client events, brochures, prospectuses and advertisements. Product and service information is also available on our website [www.sarasin.ch](http://www.sarasin.ch). For clients with a special interest in sustainability and sustainable asset management, a wide range of information is provided:

- > A separate area of our website is devoted to sustainable products at [www.sarasin.ch/sustainability](http://www.sarasin.ch/sustainability). This also contains information about our retail funds in accordance with the transparency guidelines of the European Sustainable and Responsible Investment Forum (EUROSIF).
- > The newsletter SarStainable informs our clients about our sustainable products and our sustainability research.
- > For our institutional clients, we publish a quarterly Sustainability Research Review. This contains, among other things, brief reports on sustainability trends, methods of sustainability research and a summary of new sustainability ratings.
- > In some cases we make the findings of our sustainability research available to the public. In 2005, we presented our annual analysis and forecast of the development of the global solar energy market for the seventh time.<sup>2</sup> We also published the following reports:
  - Always Read the Label – An analysis of the social and environmental aspects of the pharmaceutical industry
  - The Sustainability of Covered Bonds
  - Emerging Country Sovereign Bonds: A Sustainable Investment?
  - The Sustainability of Public Financial Institutions.

These studies can be found on our website at [www.sarasin.ch/sustainability](http://www.sarasin.ch/sustainability).

- > To make the market for sustainable investment funds more transparent, we support the website [www.nachhaltiges-investment.org](http://www.nachhaltiges-investment.org), where interested investors can find up-to-date information on all sustainable investment funds available in the German-speaking area.

### Communication with our employees

On joining our Bank, employees in Switzerland take part in introductory training seminars where they learn about our Mission Statement, Sarasin's Key Values as the basis of our corporate identity, the SaraRules employee regulations, our environmental and social policies, relevant legal and regulatory requirements and rules on safety and security. Information about these topics is also available on our Intranet.

The new slogan "*Responsibly yours*" and the various elements of our corporate identity were presented to staff at the beginning of 2005 during a series of presentations to all our Swiss and international offices.

A survey carried out in 2004 among our Swiss offices showed that our staff would like to see better internal communication. That is the reason why we launched SaraTalk. These open question & answer sessions are now held regularly at all locations. They give employees the opportunity to put questions directly to members of the GEB and get first-hand information. The questions and answers are subsequently made available to all staff via the Intranet.

<sup>2</sup> Solar Energy 2005 – Bridging the gap between shrinking natural resources and booming demand.

## COMMUNICATIONS AND STAKEHOLDER RELATIONS

continued

Annual staff interviews based on the SaraDialog guideline make employee appraisals as objective as possible. These interviews take place within the context of our management-by-objectives (MBO) process. The SaraDialog system was completely overhauled in 2005.

The latest information about new developments and events at Bank Sarasin is provided via the Intranet and also through information seminars. The staff newsletter “The Oak Tree” appears twice a year. As well as articles on banking matters and staff news, it also reports on environmental protection, ergonomics, social events, sports and art in the Bank.

### **Communication with our shareholders and the public**

By institutionalising processes and procedures and by maintaining good relationships, our communications policy seeks on the one hand to develop and maintain a relationship of trust with the financial world, the media and all other information recipients, and on the other hand to guarantee equality of opportunity and transparency.

The most important sources of information for our shareholders, analysts and the interested public are the annual report, the sustainability report, the semi-annual report, letters to shareholders, media releases, the media and financial analysts’ conference and the AGM. These items and others besides, such as our Mission Statement and Articles of Association, can be downloaded from our website [www.sarasin.ch](http://www.sarasin.ch).

The first sustainability report of Bank Sarasin appeared in 2005, replacing the earlier environmental reports. As a result, we took part for the first time in the annual comparison of sustainability reporting of Swiss companies carried out by the Institute for Sustainable Management at the University of Applied Sciences Aargau, and out of 16 Swiss banks we achieved third place. In the general evaluation of all 109 companies examined, we came 20<sup>th</sup>. Our communications strategy also includes rules for crisis communications. True to our Responsibly yours slogan and as part of our reputation management, we aim to deal with critical and sensitive subjects both directly and promptly. We strive for openness in our internal and external communications, arguing on the basis of factual information.

By means of conferences and through our involvement in trade associations and industry initiatives, we take an active part in the debate over sustainability issues (see the “Society” section).

For more information on investor relations, media relations, sustainability policy and management, sustainable products, staff matters and environmental management, please refer to the “Contacts” section.

### **Communication with rating institutions**

Assessments by outside parties are a valuable source of ideas on how to develop our sustainability policy. Several institutions which specialise in sustainability assessment (INrate, INVERA, SiRi, Stiftung Ethos, Zürcher Kantonalbank) assess Bank Sarasin regularly with regard to sustainability. We provide them with the necessary information, go through the rating reports carefully and see where there is potential for improvement.

## OUTLOOK

- > In 2005 the management direction of the Sarasin Group was revised and measures were introduced under the SaraChange project to improve the Bank's profitability. We will continue along this route and in 2006 will build on our experiences in Switzerland to enhance efficiency and profitability in our international locations as well.
- > An initial employee survey was conducted in Switzerland in 2004. A follow-up survey in 2006 should tell us what the measures introduced since then have achieved and what more we can do to increase job satisfaction among our staff. Staff in our international locations will also be polled for the first time.
- > We are planning campaigns to promote health in the workplace.
- > We are working to improve protection against sexual harassment and are examining measures to prevent discrimination in the workplace.
- > Environmental activities planned for 2006 include a campaign to motivate staff to cycle to work more.
- > We will seek to raise employee awareness of environmental issues. We would like to get staff more involved in environmental management processes. With this in mind, we are planning to award an annual prize for the best employee suggestion leading to a genuine environmental gain – and ideally an economic one as well.
- > In analysing corporate governance performance in the context of sustainable asset management, from 2006 onwards we will be working with a specialist service provider.

## ABOUT THIS REPORT

This report is directed at clients, employees and shareholders of the Sarasin Group, as well as analysts and the interested public. Our sustainability reporting is governed by the following principles: relevance, accuracy, technically correct boundaries, completeness within system boundaries, and comparability over time and with other financial service providers.

### System boundaries

Bank Sarasin's Sustainability Report covers all the Sarasin Group. Sections informing about employee matters concentrate mainly on Swiss locations, as certain measures were only carried out there, or because information for the foreign locations is not currently available. Details of which locations the information applies to are provided in the relevant texts.

Internal environmental management covers the locations Basel, Geneva, London, Luxembourg and Zurich, which equates to around 84% of the entire workforce (same as 2004). The environmental performance indicators reported refer solely to the locations mentioned and are not extrapolated to a system covering the entire workforce.

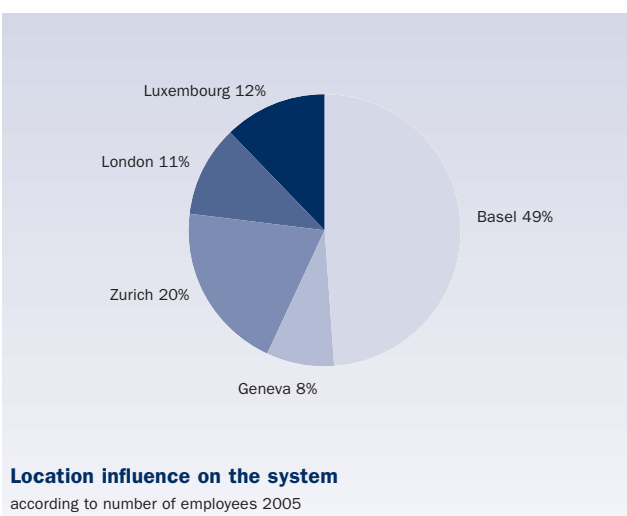
It makes no sense to include Sarasin's Hong Kong and Singapore offices in our environmental management system at the moment, mainly because the lack of suitable infrastructure at these locations makes it impossible, for example, to separate and recycle waste at these locations – which is now standard practice at all our European offices. Since Bank Sarasin is also housed in very large buildings in these two locations, while only occupying a very small proportion of the total floor space, it is impossible for us to regulate or influence our own electricity or heating energy consumption.

The Lugano subsidiary and the subsidiaries in Guernsey, Munich and Paris are also excluded from our environmental reporting, and this situation is unlikely to change in future due to their relatively small size. The same applies for the time being for our Dubai subsidiary, which was founded in 2005.

### System boundaries for environmental reporting

Location	Employees included*		
	2005	2004	2003
Basel	464	484	473
Geneva	78	79	87
London	107	104	59
Luxembourg	116	120	–
Zurich	191	182	173
<b>Total</b>	<b>956</b>	<b>968</b>	<b>792</b>

\* Adjusted for part-time working, as at 31 December



### Calculation of the Environmental Indicators

#### > VfU Indicators 2005 (VfU 2005):

The calculation of consumption values and environmental indicators is based on the current standard "VfU Indicators 2005" of the Association for Environmental Management in banks, building societies and insurance companies.

#### > Software for internal environmental auditing ("SoFi"):

For recording and documenting all consumption data, Bank Sarasin uses "SoFi", specialised environmental auditing software developed for the financial services industry. SoFi is based partly on the VfU Indicator systems on the one hand, but also includes a module for calculating the environmental impact points in accordance with the "Assessment of environmental audits using the ecological scarcity method" (Federal Office of the Environment, BUWAL 1998).

### Data sources and quality

For this year's reporting, the internal environmental data published in the 2004 Sustainability Report were submitted to another internal quality assurance check to ensure effective comparability when applying the "VfU Indicators 2005" standard. It became clear that significant adjustments are necessary in different areas in order to achieve the required data quality:

- > In a number of buildings Bank Sarasin is not the owner, but only the tenant. The data on electricity, heating energy, water and waste in these buildings are generally based on information and calculations provided by the landlord.
- > One obstacle to the collection of consumption data is the fact that no separate meters are available in many cases. The allocation of costs and the consumption of the various tenants is based on estimates calculated using the proportion of leased office space to total office area.

In cases where consumption data can be methodically collected or apportioned more accurately since the 2005 reporting year, we have therefore decided to apportion and record the figures for the previous year retrospectively using the same methodology. This measure is intended to ensure comparability of consumption data and environmental indicators over a number of years.

The quality assurance check at our Luxembourg location also discovered the following errors:

- > To calculate the amount of waste paper, the number of emptied containers was multiplied by an average full container weight supplied by the waste disposal company in question. This company subsequently adjusted his original figure by just over 50%.
- > The electricity consumption reported in 2004 related to the entire property and not just to the office area rented by Bank Sarasin.
- > The heating energy consumption did show the correct figure for gas consumption, but quoted the wrong unit (m<sup>3</sup> instead of kWh).

This year's sustainability reports shows the adjusted figures for 2004 in both the table "VfU Indicators 2005" and also in the sections on electricity, heating energy, water, waste, CO<sub>2</sub> emissions and environmental impact points.

These adjustments have the following impact on the 2004 key data for the overall system:

Indicator	Percentage correction to consumption per employee
Electricity	-7.0
Heating energy	+23.0
Water	-1.4
Waste	-6.0
CO <sub>2</sub> emissions	-0.6
Environmental impact points	+2.5

## ABOUT THIS REPORT

continued

### Data sources and quality

Indicator	Data source	Data quality <sup>1</sup>
Business performance indicators	Sarasin Annual Report 2005	3
Indicators of sustainable products	Asset Management, Products & Sales division Annual Report 2005	3
Personnel indicators	Annual Report 2005, HR staff function	3
Electricity	Electricity meters and bills	3
Heating energy	District heating meters and bills	3
Water	Water meters and bills	3/2*
Paper consumption and percentage of recycled paper used	Purchasing dept, printers' bills, own estimates	2
Quantity of waste produced and percentage recycled	Bills from waste disposal companies, own estimates	2/3
Business travel	Travel expenses forms and own estimates (cars), statements from travel agents (flights), own estimates (rail travel)	1**
CO <sub>2</sub> emissions	Calculation according to VfU 2005	2
Environmental impact points	Calculation in accordance with BUWAL 1998, PE Europe GmbH (SoFi)	2

<sup>1</sup> Assessment of data quality in accordance with VfU Indicators 2005:

Data quality	Description
3	Data are based on exact calculations, e.g. utility bills, meter reading
2	Data are based on a calculation or exact estimate
1	Data are based on rough estimates
0	Data not collected

\* At some locations and a few premises, the following limitations must be noted: due to a lack of individual water meters the values for water consumption which are attributable to more than one tenant must be assumed, as they are based on a supposition (i.e. on the energy supply area or number of employees).

\*\* For the Geneva and Zurich locations, it was possible to calculate the values for air and rail travel exactly, using expenses forms. For the Basel location, the data available on air travel was of very high quality but only related to flights booked through a specific travel agency. Flights booked elsewhere were extrapolated from this figure. The same principle applies for rail travel for the Basel location.

## ASSURANCE REPORT

Independent Assurance Report to the General Executive Board of Bank Sarasin & Co. Ltd, Basel, on the Sustainability Report 2005



We have been engaged to perform an assurance engagement on the Sustainability Report 2005 of Bank Sarasin & Co. Ltd, Basel (“Bank Sarasin & Co.”), for the year ended December 31, 2005.

We have performed evidence-gathering procedures on (hereafter jointly referred as the “subject matter”):

- The environmental data in the table “Indicators according to VfU 2005” on page 16 of the 2005 Sustainability Report of Bank Sarasin & Co.;
- The employee data in the table “Employee related Indicators” on page 9 of the 2005 Sustainability Report of Bank Sarasin & Co.;
- The internal sustainability reporting guidelines and its application to the sustainability reporting; and
- The management and reporting procedures in relation to the sustainability reporting and the preparation of the environmental and employee data.

We have evaluated the subject matter against the following criteria (the “evaluation criteria”) described on page 26 and 27 of the sustainability report:

- Industry practices on environmental reporting “VfU Indicators 2005”, published by the Association for Environmental Management in Banks, Saving Banks and Insurance Companies in February 2005;
- The defined procedures by which the environmental and social data are prepared, collated and aggregated internally as part of the data management of Bank Sarasin & Co.; and
- The defined control environment over the accuracy and completeness of the environmental and social data as part of the data management of Bank Sarasin & Co.

Bank Sarasin & Co. is responsible for both, the subject matter and the evaluation criteria. Our responsibility is to report on the internal reporting processes and data 2005 based on our evidence-gathering procedures in accordance with International Framework Standards for Assurance Engagements, approved December 2003 by the International Auditing and Assurance Standards Board (IAASB).

We planned and performed our evidence-gathering procedures to obtain a basis for our conclusions in accordance to the International Standard on Assurance Engagements (ISAE) 3000 “Assurance Engagements other than Audits or Reviews of Historical Information”, approved December 2003 by the IAASB. However, we have not performed an audit according to International Standards on Auditing. Accordingly, we do not express such an opinion.

Our statement should be read in conjunction with the inherent limitations of accuracy and completeness for environmental and social data, as well as in connection with the scope of reporting detailed on page 26.

Our evidence-gathering procedures included the following work:

- Visiting the offices of Bank Sarasin & Co. at the headquarters in Basel and the branch in Zurich;
- Interviewing at the sites visited the responsible staff for data collection and the environmental and social reporting;
- Assessing the internal sustainability reporting guidelines on conformity with the industry practices on environmental reporting “VfU Indicators 2005”, published by the Association for Environmental Management in Banks, Saving Banks and Insurance Companies in February 2005;
- Observing, on a sample basis, the application of the internal sustainability reporting guidelines to the sustainability reporting;

- Reviewing the procedures and the documentation by which environmental and social data 2005 are prepared, collated and aggregated internally and the control environment over the accuracy and completeness of the data; and
- Performing, on a sample basis, specific procedures to review the environmental and social data 2005.

In our opinion:

- The internal sustainability reporting guidelines are in line with the industry principles defined in the “VfU Indicators 2005”;
- The internal sustainability reporting guidelines are applied properly in all material aspects, based on the sampling; and
- The management and reporting procedures in relation to the sustainability reporting and the preparation of the environmental and social data are functioning as designed, in all material respects.

Based on our work described in this report – with the qualifications regarding the traceability and assessability of the business travel data, as described and mentioned on page 18 of the Sustainability Report –, nothing has come to our attention that causes us not to believe that the procedures by which the environmental data 2005 in the table “Indicators according to VfU 2005” and the employee data 2005 in the table “Employee related Indicators” were prepared, collated and aggregated are based on established and accepted measurement and analytical methods and give a fair picture of the performance of Bank Sarasin & Co. in all material respects, based on the evaluation criteria.

PricewaterhouseCoopers AG



Thomas Scheiwiller

Markus Nöthiger

Zurich, 31 March 2006

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Bank Sarasin is listed in the Kempen SNS Smaller Europe SRI Index, the first sustainability index for medium-sized European companies.

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## Disclaimer

The Sustainability Report 2005 is intended to complement Bank Sarasin's standard Annual Report and forms part of the company's business reporting. It gives interested parties a concise overview of the Bank's sustainability initiatives in the financial year 2005. More detailed information on the Bank's financial results and corporate governance aspects can be found in our Annual Report 2005.

Bank Sarasin & Co. Ltd undertakes all reasonable measures to ensure the reliability of the information published in its Sustainability Report. The information and opinions contained in this report constitute neither an invitation nor an offer or recommendation to use a service or to buy/sell investment instruments, nor an invitation or an offer to perform any other transaction. In addition, the information is not intended for distribution to or for use by individuals or legal entities that are citizens of or have their domicile or registered offices in a country where the distribution, publication, provision or use of such information would violate applicable laws or regulations, or in a country in which Bank Sarasin & Co. Ltd would have to comply with registration or approval requirements.

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**The Great War, 1964**

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