



Julius Bär

SUSTAINABILITY  
REPORT 2018

JULIUS BAER GROUP

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# ABOUT JULIUS BAER

## WHO WE ARE

Julius Baer is the leading Swiss wealth management group. We focus on providing personal advice to private clients around the world, powered by high-end services and expertise. As pioneers, we actively embrace change to remain at the forefront of our industry – as we have done for nearly 130 years.

We manage our company for the long term and with an exclusive strategic focus on wealth management.

Our strategy is built on three principles: delivering a best-in-class experience to our clients, being the most admired and respected firm in our sector and pursuing sustainable profitability.

We help our clients achieve their financial aspirations through holistic solutions that take into account what truly matters to them – in their business and personal life, today and for future generations.

With more than 6,500 employees, we stand for:

**SOLID FOUNDATIONS**

**PURE WEALTH MANAGEMENT**

**PERSONAL CONNECTIONS**

**INTERNATIONAL NETWORK**

The Julius Baer Group, headquartered in Zurich, ranks among the largest publicly listed financial service providers in Switzerland. Bank Julius Baer & Co. Ltd. is the Group's main operating entity. It is complemented by a number of specialised companies essential to providing our international clientele with a full array of state-of-the-art wealth management services. Julius Baer Group Ltd. is the Group's parent and a blue chip company, whose shares are listed on the SIX Swiss Exchange and form part of the Swiss Market Index (SMI).

Key figures

	2018	2017
<b>Assets under management (CHF bn)</b>	382.1	388.4
<b>Number of employees</b>	6,693	6,292
<i>Number of relationship managers</i>	1,501	1,396
<b>BIS total capital ratio (%)</b>	18.7	21.2 <sup>1</sup>
Moody's long-term deposit rating of Bank Julius Baer & Co. Ltd.	Aa2	Aa2
MSCI ESG rating of Bank Julius Baer & Co. Ltd.	A	BBB

<sup>1</sup> Basel III fully-applied

**Listing**

Zurich, Switzerland	SIX Swiss Exchange under the securities number 10 248 496 Member of the Swiss Market Index SMI
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**Ticker symbols**

Bloomberg	BAER:SW
Reuters	BAER.S

**WHAT WE DO**

Based on a modern investment approach and an open product platform, Julius Baer offers clients holistic advice and comprehensive services in the areas of wealth management, wealth planning and wealth financing.

**Core investment solutions**

*Discretionary Mandates*

At Julius Baer, we manage assets on behalf of our clients. We provide professional knowledge, a global network, and a broad range of globally diversified, regionally focused, and asset-class-specific mandates to meet clients' needs.

*Investment Advisory Offering*

Our Investment Advisory Offering provides personal investment advice. Clients can choose from various service models and discuss their investment decisions with dedicated relationship managers and/or investment advisors on a regular basis as well as on request.

## **Complementary services**

### Wealth Planning

We help our clients navigate the complex world of wealth planning. By employing a holistic advisory process, we can provide solutions for asset structuring, financial planning, succession planning, taxation, relocation, retirement and philanthropy, based on the Julius Baer open product platform.

### Financing

We offer a wide range of credit solutions, from Lombard lending and mortgages right through to structured financing transactions.

### Trading/Administration and Safekeeping

We facilitate clients' trading in foreign exchange, precious metals, and securities as well as their handling, administration, and safekeeping. We are also a centre of expertise for derivatives and structured products as well as e-trading solutions.

## **Research**

### Proprietary Research

Our proprietary research provides clients with extensive fundamental and technical analysis on economics, equities, fixed income, investment funds, currencies and commodities. In addition, Julius Baer Next Generation research takes a thematic approach, focusing on the structural trends that will shape the future.

### Investment Insights App

Our optimised app gives clients round-the-clock access to Julius Baer research, chief investment office, and other investment content.

GLOBAL PRESENCE

Europe



Switzerland



Our locations in other parts of the world



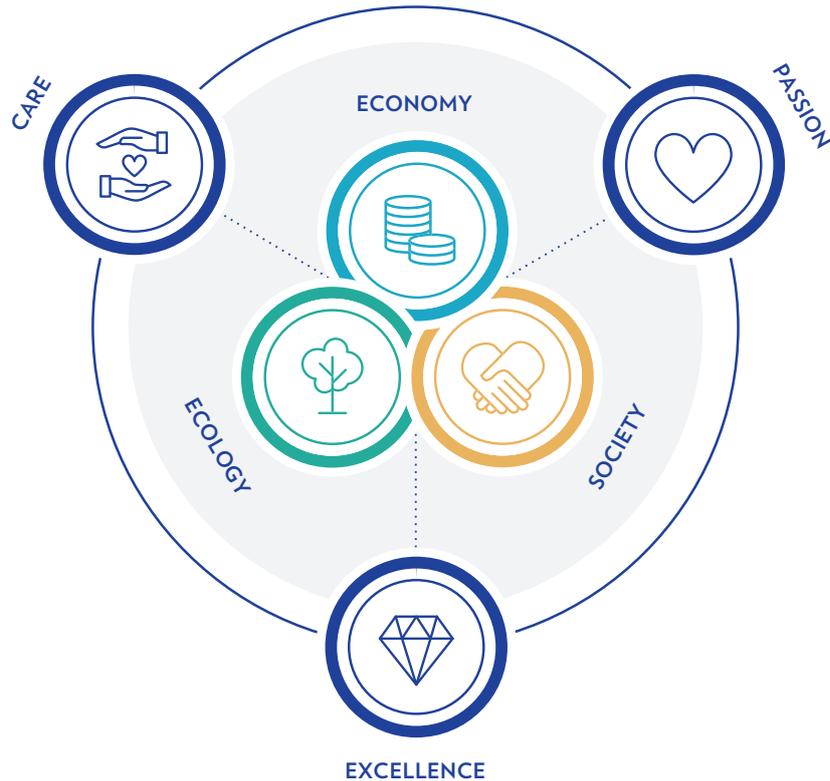
- Location
- Booking centre
- GPS, a fully owned subsidiary
- Reliance Group, majority participation of 95% and fully consolidated subsidiary
- NSC Asesores, strategic minority participation of 40%
- Strategic partnerships: In Bangkok, Thailand, with Siam Commercial Bank and in Tokyo, Japan, with Nomura Holdings Inc.
- Kairos Investment Management S.p.A., a fully owned subsidiary  
Julius Baer is present in Milan with Julius Baer Fiduciaria S.p.A.

<sup>1</sup> Additional advisory locations in Bangalore, Chennai, Kolkata and New Delhi

CORE VALUES

Long-standing core values of Julius Baer – care, passion, excellence (the ‘Core Values’) – form the foundation for all our activities and are at the heart of what we do and how we work:

- We **care** about personal connections.
- We bring **passion** to wealth management.
- We empower teams to deliver **excellence**.



**Care**

We cultivate mutual respect, understanding and sustainable relationships with our clients, employees and the communities in which we do business.

EMPATHY – INTEGRITY – PARTNERSHIP

**Passion**

We are passionate about our business in all its facets and strive for continual betterment. We shape a culture of openness, enthusiasm and curiosity that inspires entrepreneurship.

ENTREPRENEURSHIP – FOCUS – HERITAGE

**Excellence**

We take a client-centric approach in everything we do and provide best-in-class services. We empower our employees and invest in their further development to ensure a consistent level of excellence. As a result, we are the international reference in private banking.

GLOBAL EXPERTISE – PERFORMANCE – INNOVATION

## FOREWORD

Dear stakeholders,

On behalf of the Board of Directors and the Executive Board, we are pleased to introduce you to the Corporate Sustainability Report of Julius Baer Group Ltd. for 2018.

It has been an eventful year for sustainability-related topics. The European Union is in discussion to make environmental, social and governance (ESG) risk reporting to clients' mandatory as part of duty of care for financial institutions, including banks. This is just one of several global regulatory responses to the United Nations (UN) Sustainable Development Goals and the 2015 Paris Climate Agreement. We have also seen national level sustainability initiatives such as the ban on diesel cars in a number of German city centres. Further, we experienced one of the hottest and driest summers on record in the Northern hemisphere, leading to water shortages in otherwise water-rich areas, an increase in forest fires, and other impacts on human health, agriculture, eco-systems and infrastructure.

Beyond its rise to the top of the public agenda, sustainability is becoming increasingly important to our clients. During the past year, we continued to embed sustainability practices into our business, meeting a number of notable milestones in our pursuit of long-term value creation for clients, shareholders and society as a whole. In 2018, we established a Sustainability Board to oversee the prioritisation, alignment and coordination of the Julius Baer corporate sustainability and responsible investment roadmap.

**‘In 2018, we established a Sustainability Board to oversee the prioritisation, alignment and coordination of the Julius Baer corporate sustainability and responsible investment roadmap.’**

We remain committed to the UN Principles for Responsible Investment. In 2018, we further expanded our thematic sustainable investment offering and organised multiple client events, combining the global megatrends (as defined by our signatory Next Generation approach) with a specific responsible investment lens. In addition, our public campaign around the Formula E race in Zurich, Switzerland was centred on the idea of investing in a more sustainable future, promoting the idea that “how we invest today, is how we live tomorrow”.

Our ambition to be the employer of choice in wealth management inspired new initiatives such as a reverse mentoring programme (where younger generations mentor older ones) and workshops to unleash the strengths of our diverse workforce.

We have also moved into a new office in Singapore that has a BCA Green Mark Platinum rating, as well as a LEED Platinum rating. And we are planning to move into a LEED certified building in Dubai in 2019. Both BCA Green Mark and LEED are renowned sustainable building standards.

Our responsibility towards long-term economic and societal value creation will not stop there. In the years ahead, we plan to make corporate sustainability, in particular our approach to responsible investment practices, a much more prominent element of how we do business. We will intensify engagement with clients and other stakeholders on the topic of ESG in financial decision-making, as well as their lifestyles. We will also expand our participation in recognised sustainability platforms and eco-systems, leveraging our existing networks.

‘We will intensify the engagement with clients and other stakeholders on the topic of ESG in financial decision-making, as well as their lifestyles.’

With the establishment of our Sustainability Board, we have reviewed our programme, business practices and messaging throughout the organisation and we are excited to report our first results here. We hope you enjoy reading our report.

Best regards,



**Daniel J. Sauter**  
Chairman

A handwritten signature in black ink, appearing to read 'D. Sauter', written in a cursive style.



**Bernhard Hodler**  
Chief Executive Officer

A handwritten signature in black ink, appearing to read 'B. Hodler', written in a cursive style.

## OUR OPERATING ENVIRONMENT

We operate in a complex environment and recognise several important social, economic and environmental trends currently affecting us:

- *Social expectations:* There is increased focus on companies' role in society. The private sector – particularly the financial sector – is increasingly expected to mobilise resources needed to tackle issues such as climate change and global wealth inequality.
- *Investing for impact:* In addition to sound financial returns, a growing number of investors also want to achieve positive social and environmental impact. More than 50% of our clients, surveyed in 2018, say they already use, or are interested in, sustainable investing. For clients aged 34 or younger, this figure increases to over 60%.
- *New wealth and changing demographics:* In many countries, people are living longer – and spending more of their lifetime in retirement. Even so, baby boomers have considerable unspent assets. Over the next twenty years, there will be a significant wealth transfer to younger generations, generally estimated at around USD 30 trillion. At the same time, we are seeing the emergence of new wealth in some of our markets – in Asia, for example, as a result of economic growth.
- *Regulation:* In recent years, significant additional regulation in financial services has been adopted. Much of this regulation is a legacy of the 2007-2008 financial crisis, and as a result is aimed at increasing transparency and strengthening consumer protection. Current regulatory issues include EU market access, new capital rules for banks under Basel IV and an increased need for sustainable finance definitions and guidelines.
- *New digital technologies:* With technology, clients demand quick, seamless service. For banks to continue to attract and retain customers, they will have to offer a more individual, customised and reimagined experience.
- *Climate change:* The effects of climate change are felt around the world, with increased droughts, floods and other extreme weather events. Climate change will affect all businesses. For the financial industry, there is a risk some investments will lose value. However, new opportunities will also open up, particularly in climate change mitigation and adaptation. E-mobility and renewable energy are two possible examples.

### MATERIALITY ANALYSIS

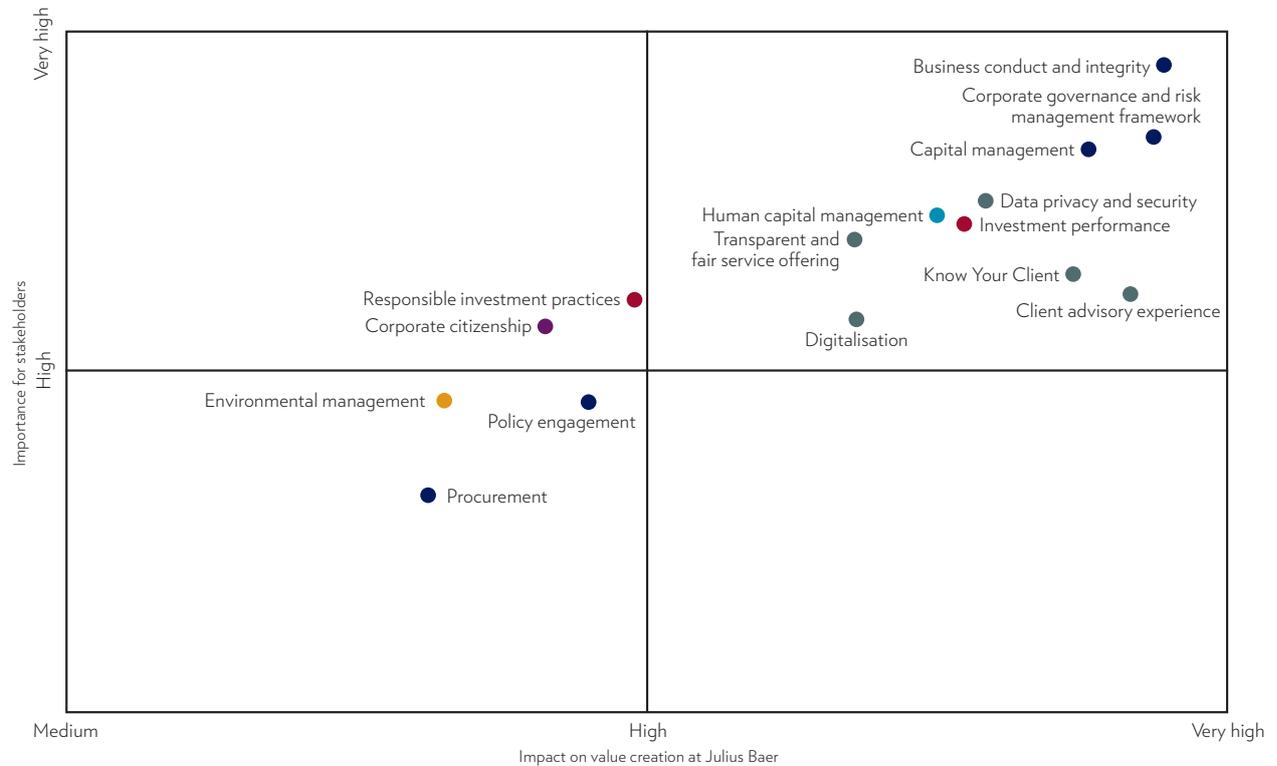
To manage and make the most of these global trends, we regularly identify topics most material to our long-term success as a global wealth management group. In 2017, we carried out a formal assessment, involving both internal (Julius Baer's management and employees) and external stakeholders (clients, investors, political representatives and sustainability consultants<sup>1</sup>). This assessment involved interviews, a stakeholder panel discussion as well as surveys. For 2018, we retained the results of this assessment; we believe they are still relevant to our current environment and long-term success. However, to find further focus in our sustainability strategies, we have grouped certain topics together. The results may be found in the materiality matrix below; they are also addressed in 'Our strategic framework', elsewhere in this report and in the Business Review chapter 'Corporate sustainability'.<sup>2</sup>

<sup>1</sup> In line with the GRI Standards' Core reporting option.

<sup>2</sup> Further information on our material aspects, management approach and stakeholder engagement may be found in Julius Baer's 2018 Annual Report, Business Review and on our website.

In summary:

Materiality assessment



Aspect <sup>3</sup>	Relevance to our long-term success	Location of content
<b>Business conduct and integrity</b>	<ul style="list-style-type: none"> <li>• Creating a sustainable corporate culture for our employees</li> <li>• Fulfilling the trust of our clients</li> <li>• Being a responsible corporate citizen</li> </ul>	Sustainability Report 2018, 'Business conduct and integrity'
<b>Capital management</b>	<ul style="list-style-type: none"> <li>• Running a capital-efficient business that meets regulatory requirements and optimises the company's capital and leverage structure to create value for our shareholders and ensure a reputable credit rating</li> </ul>	Annual Report 2018, 'Capital structure'; Annual Report 2018, 'Comment on risk and capital management'
<b>Corporate governance and risk management framework</b>	<ul style="list-style-type: none"> <li>• Protecting our activities and relations in the markets in which we operate</li> <li>• Maintaining sound risk management and control to create sustainable value for shareholders and other stakeholders.</li> </ul>	Sustainability Report 2018, 'Business conduct and integrity'; Annual Report 2018, 'Corporate governance'
<b>Policy engagement</b>	<ul style="list-style-type: none"> <li>• Being well prepared for future regulation and supporting the growth of our business and ensure that the regulatory environment in our key markets is business-friendly.</li> <li>• Contributing to a competitive framework for the Swiss financial centre</li> </ul>	Sustainability Report 2018, 'Business conduct and integrity'
<b>Procurement</b>	<ul style="list-style-type: none"> <li>• Taking responsibility for our impact on activities in our direct and indirect operations</li> </ul>	Sustainability Report 2018, 'Business conduct and integrity'

<sup>3</sup> GRI 102-47

Aspect <sup>3</sup>	Relevance to our long-term success	Location of content
<b>Client advisory experience</b>	<ul style="list-style-type: none"> <li>Ability to acquire and retain clients</li> <li>Sustainable competitive advantage</li> </ul>	Sustainability Report 2018, 'Responsibility to our clients'; Business Review 2018, 'Developments in 2018'
<b>Data privacy and security</b>	<ul style="list-style-type: none"> <li>Fulfilling the trust of our clients</li> </ul>	Sustainability Report 2018, 'Responsibility to our clients'
<b>Digitalisation</b>	<ul style="list-style-type: none"> <li>Enhancement of client experience</li> <li>Operational efficiency and effectiveness</li> <li>Enabling new business opportunities</li> </ul>	Sustainability Report 2018, 'Responsibility to our clients'; Business Review 2018, 'Developments in 2018'
<b>Know Your Client</b>	<ul style="list-style-type: none"> <li>Being able to fully comprehend the needs of our clients</li> <li>Managing our risks related to money laundering and other illegal practices</li> </ul>	Sustainability Report 2018, 'Responsibility to our clients'
<b>Transparent and fair product and service offering</b>	<ul style="list-style-type: none"> <li>Fulfilling the trust of our clients</li> <li>Treating our clients fairly and acting in good faith to meet their specific needs</li> </ul>	Sustainability Report 2018, 'Responsibility to our clients'; Business Review 2018, 'Developments in 2018'
<b>Investment performance</b>	<ul style="list-style-type: none"> <li>Creating value for clients, shareholders and the organisation</li> </ul>	Sustainability Report 2018, 'Responsible investment'; Business Review 2018, 'Julius Baer's scope of investment, advisory and execution competence'
<b>Responsible investment practices</b>	<ul style="list-style-type: none"> <li>Integration of ESG into our investment selection process can help us identify companies with better perennial profitability and creditworthiness</li> <li>Being a positive contributor to the economies in which we operate</li> </ul>	Sustainability Report 2018, 'Responsible investment'
<b>Human capital management</b>	<ul style="list-style-type: none"> <li>Being able to recruit and retain talent through motivation and engagement</li> </ul>	Sustainability Report 2018, 'Responsibility to our employees'
<b>Corporate citizenship</b>	<ul style="list-style-type: none"> <li>Fulfilling our responsibility to create a positive impact beyond our core business</li> <li>Supporting staff engagement</li> </ul>	Sustainability Report 2018, 'Responsibility to society'
<b>Environmental management</b>	<ul style="list-style-type: none"> <li>Proactively addressing climate change risks and opportunities</li> <li>Operational efficiency and effectiveness</li> </ul>	Sustainability Report 2018, 'Environmental responsibility'

<sup>3</sup> GRI 102-47

**STAKEHOLDER ENGAGEMENT**

Continuous dialogue with our various stakeholder groups is an important element of ensuring the sustainability of our business; stakeholder relationships have a significant impact on our business success. Our engagement focuses on issues that are material to our strategy and long-term value creation and that matter to particular

stakeholders. We have various approaches to stakeholder engagement; these include regular bilateral meetings with stakeholders, as well as surveys, research and membership of local and international organisations in areas such as climate change, responsible investment and policy engagement.<sup>4</sup>

**Key stakeholder groups engaged**

<b>Key stakeholder group</b>	<b>Top 3 material aspects of interest to the stakeholder group</b>	<b>Main dialogue mechanisms and frequency</b>
<b>Clients</b>	<ul style="list-style-type: none"> <li>• Client advisory experience</li> <li>• Data privacy and security</li> <li>• Investment performance</li> </ul>	<ul style="list-style-type: none"> <li>• Ongoing dialogue with our relationship managers</li> <li>• Client events and conferences</li> </ul>
<b>Employees</b>	<ul style="list-style-type: none"> <li>• Business conduct and integrity</li> <li>• Corporate governance and risk management framework</li> <li>• Human capital management</li> </ul>	<ul style="list-style-type: none"> <li>• Team meetings and discussions</li> <li>• Intranet</li> <li>• Town hall meetings (at least once a year at Group, department and/or location level)</li> <li>• Annual performance review discussions</li> </ul>
<b>Investors</b>	<ul style="list-style-type: none"> <li>• Business conduct and integrity</li> <li>• Capital management</li> <li>• Corporate governance and risk management framework</li> </ul>	<ul style="list-style-type: none"> <li>• Annual General Meeting of shareholders</li> <li>• Regular road shows and participation in conferences</li> <li>• Dialogue with Investor Relations and Corporate Sustainability</li> </ul>
<b>Local communities</b>	<ul style="list-style-type: none"> <li>• Business conduct and integrity</li> <li>• Corporate citizenship</li> <li>• Human capital management</li> </ul>	<ul style="list-style-type: none"> <li>• Grant proposal discussions with non-profit partners of the Julius Baer Foundation</li> <li>• Support from employees for local community causes</li> <li>• Sponsorships</li> </ul>
<b>Regulators</b>	<ul style="list-style-type: none"> <li>• Business conduct and integrity</li> <li>• Capital management</li> <li>• Corporate governance and risk management framework</li> </ul>	<ul style="list-style-type: none"> <li>• Direct discussions with regulators</li> <li>• Engagement with industry associations by our Public Policy team and internal risk, legal and compliance specialists</li> </ul>

**Memberships**

We believe that working with international organisations can support sustainability efforts in the financial industry and beyond.

**Sustainability memberships**

 <p>Principles for Responsible Investment www.unpri.org</p>	<p>Julius Baer became a signatory to the UN-supported Principles for Responsible Investment in 2014 and is committed to progressively integrating ESG considerations into its investment approach.</p>
 <p>Swiss Sustainable Finance www.sustainablefinance.ch</p>	<p>Swiss Sustainable Finance (SSF) promotes sustainability in the Swiss financial market and brings together financial and non-financial service providers, investors, academia, public sector entities and other interested organisations. SSF provides a platform to foster the integration of sustainability principles into all financial services. Julius Baer joined the organisation in 2014 and is an active participant in broader discussions within SSF; this includes the work stream on integrating sustainability into the investment process within the wealth management and asset management sector.</p>

<sup>4</sup> GRI 102-40, 102-42, 102-43, 102-44



www.klimastiftung.ch

The Swiss Climate Foundation is a non-profit organisation that provides funding to small and medium-sized enterprises (SMEs) in Switzerland and Liechtenstein. The Foundation's funding helps SMEs improve their energy efficiency and develop climate-friendly products. In addition, the foundation supports SMEs that agree voluntary energy-efficiency goals with either Energy Agency Swiss Private Sector or Cleantech Agency Switzerland. Julius Baer became a member in 2015 and contributes a significant portion of net gains received from redistributed Swiss CO<sub>2</sub> levies to the Foundation.



www.energiemodell-zuerich.ch

Energy Model Zurich is based on the idea that increased energy efficiency and reduced CO<sub>2</sub> levels are easier to achieve if companies jointly and voluntarily commit to ambitious goals. In agreement with the province of Zurich and the Swiss federal government, members have set the collective goal to increase energy efficiency by 43% by 2020 (compared with 2000). Julius Baer has been a member since 2016 and participates in various work streams, where member companies discuss strategies and new technologies.

Through this business practice, Julius Baer contributes to UN Sustainable Development Goal:



Public policy memberships

Swiss Bankers Association (SBA)	This umbrella organisation represents the interests of Swiss banks in the political process. We are represented on its board by our CEO. In addition, Julius Baer participates in various expert committees and working groups of the SBA.
Association of Swiss Asset Wealth Management Banks (VAV)	This association comprises 26 independent banks that are focused mainly on wealth management and domiciled in Switzerland. VAV represents these banks' shared interest in the governing bodies and committees of the SBA and vis-à-vis the authorities, giving them a voice in matters of banking policy. Our CEO is a member of the Board and Vice-President of the VAV. Our Head of Public Policy is its Managing Director.
Employer Association of Banks in Switzerland	This association represents the interests of its members relating to employment conditions. Julius Baer is a member of this association. Our Head of HR is a member of the Board.
World Economic Forum (WEF)	Julius Baer actively collaborates with the WEF by participating in a working group focusing on the topic of the future of financial services, by participating in the analysis of how disruptive innovation is reshaping the way financial services are structured, provisioned and consumed.
Avenir Suisse	The foundation Stiftung Zukunft Schweiz, also known as Avenir Suisse, is an independent think tank based on the Anglo-Saxon model. It develops ideas for Switzerland's socio-political and economic development, and consistently represents a market economy perspective and liberal views of society and the world. Our Chairman is a member of its Board of Trustees.
Institute of International Finance (IIF)	The IIF is the global association for the financial industry. Its mission is to support the financial industry in the prudent management of risks, to develop sound industry practices, and to advocate for regulatory, financial and economic policies that are in the broad interests of its members and foster global financial stability and sustainable economic growth. Julius Baer participates in various IIF working groups.

Through this business practice, Julius Baer contributes to UN Sustainable Development Goals:



## OUR STRATEGIC FRAMEWORK

Our corporate sustainability strategy helps us respond to trends and changes in clients' and society's expectations; it also ensures the incorporation of sustainable business practices into our daily investment and operational decisions.

At Julius Baer, we pursue long-term value creation for our clients, employees, shareholders and society. We do this by managing our organisation and offering responsibly, in line with our own and our clients' values. Our vision is to be the world's most personal and pioneering pure wealth manager:

- **Personal:** we will expand Julius Baer's influence in global eco-systems by *connecting* like-minded clients and key experts in corporate sustainability and responsible investment.
- **Pioneering:** we will provide *thought leadership* and drive innovation in corporate sustainability and responsible investment topics.
- **Pure wealth management:** we will continue to *focus* our efforts on client impact, and achieving positive change for stakeholders.

Julius Baer has been gradually improving its management of sustainability topics, showing thought leadership along the way. True to our vision to be pioneering, we manage the oldest Swiss bank-owned grant foundation. In addition, our Sustainability Mandate has been part of our offering since 2006 and our Next Generation investment approach has been a leading global megatrend-based solution in the market. Throughout the organisation, we have embedded environmental, social and governance (ESG) factors into our corporate governance, advisory and investment management in response to social and economic change.

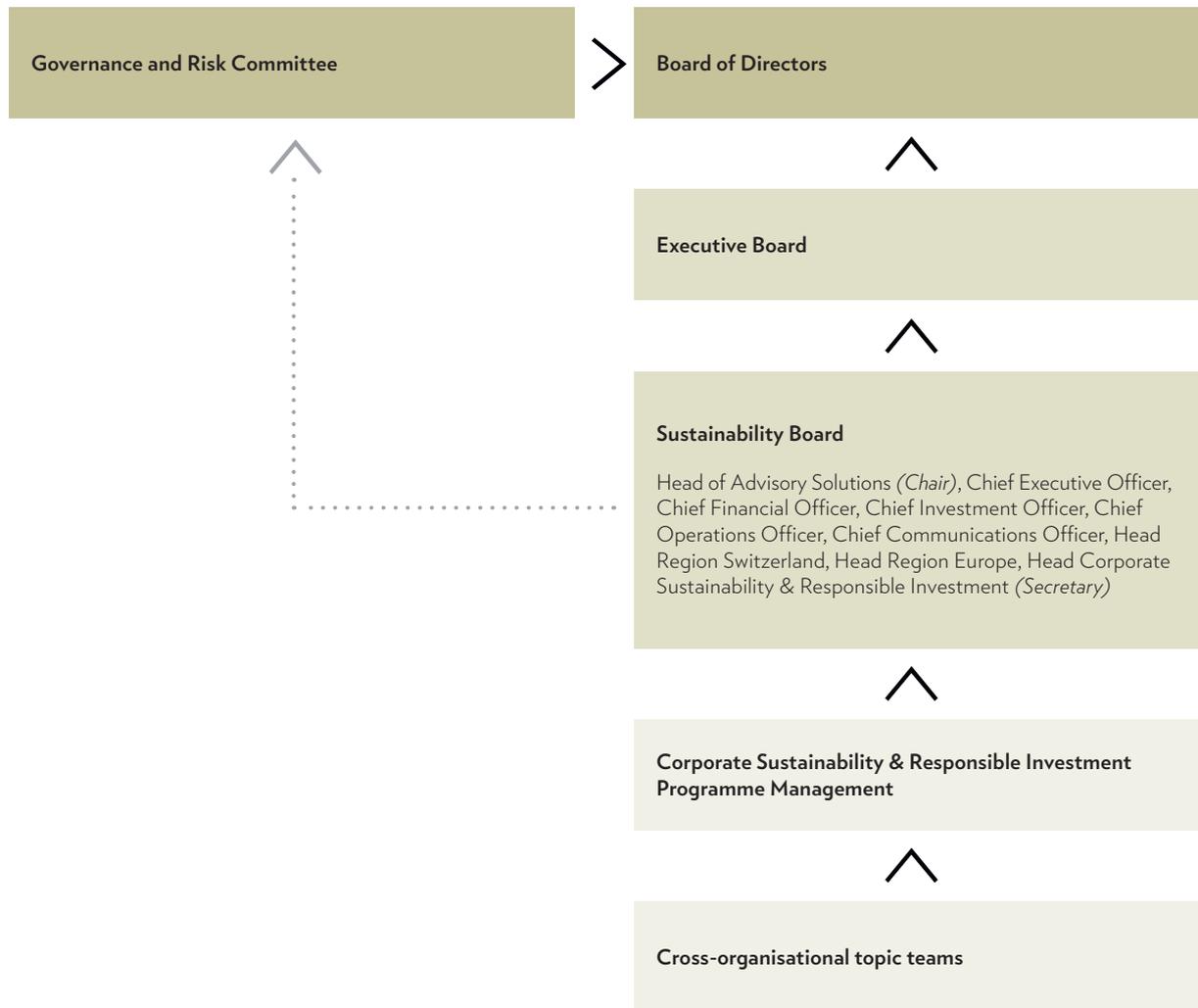
The corporate sustainability department is responsible for the development and implementation of Julius Baer's corporate sustainability and responsible investment strategy. This department is part of the CEO Office. On matters of strategy, the department reports to the Sustainability Board, an Executive Board-level committee created in 2018 as a steering body for corporate sustainability and responsible investment.

Where possible, the different aspects of our corporate sustainability strategy are managed decentrally and it has been adopted across all business units and regions, with the support of corporate sustainability and responsible investment staff.

Following the establishment of the Sustainability Board in 2018, Julius Baer carried out a strategic review with the aim of further integrating sustainability programmes into the bank's client offering and daily business practice. Within the revised framework, we will prioritise five key areas: responsible investment, business conduct, human capital management, corporate citizenship and management of our carbon footprint. Progress in these areas will be measured through pre-defined targets. Some of these targets are included in this report; the rest will be finalised during the first half of 2019. With the new strategy, we will continue to:

- Embed sustainability principles into our operational activities;
- Integrate ESG factors into our investment processes;
- Maintain a culture of responsible leadership and a supportive working environment that promotes diversity and inclusion;
- Play an active role in society, beyond our direct business activities;
- Proactively reduce Julius Baer's environmental footprint.

Sustainability governance framework



## BUSINESS CONDUCT AND INTEGRITY

For nearly 130 years, our clients have trusted in our ability to manage their wealth not only because of our deeply rooted values and integrity, but also because we have always put the interests of our clients at the centre of our activities. We base our work on the principles of integrity, trust, respect and responsibility through our corporate values: care, passion and excellence.

Our corporate values and principles are integral to long-term value creation and stakeholder management, and are therefore the basis for our business conduct, corporate governance, risk management and compliance frameworks. How we manage these areas defines everything else Julius Baer is and does; they are, in effect, the frame of our house. Managing these areas according to industry and regulatory best practice allows us to keep the trust and commitment of our clients and shareholders, to attract and retain talented staff, and to avoid risk to our business or reputation. To do this, Julius Baer has clear policies and processes, and a working culture that adapts to changes in Julius Baer's operating environment.

### CORPORATE GOVERNANCE

Julius Baer Group's corporate governance framework, definitions and reporting are in accordance with the Swiss Financial Market Supervisory Authority's new circular 2017/1 entitled 'Corporate governance – banks' (FINMA circular), as well as the Directive Corporate Governance of the SIX Swiss Exchange, guidelines and recommendations of the 'Swiss Code of Best Practice for Corporate Governance' and the Federal Council's 'Ordinance against excessive compensation in listed companies'.

As a result, we have the necessary structures, policies and processes in place to ensure strong governance. Julius Baer has an independent Board responsible for the company's strategy, its effective risk management and controls, and incentive-based remuneration. Ultimately, strong governance helps the Group maintain a strong financial position.

For the 2018 financial year, the Group decided to implement the FINMA circular, effective 1 January 2018<sup>5</sup>. With this circular, we were required to transfer responsibility for risk management from the Board's Audit Committee to the Governance and Risk Committee (formerly Chairman's & Risk Committee). The charters of these two committees were amended accordingly to reflect the new responsibilities. Consequently, corporate sustainability has now become part of the Governance and Risk Committee's responsibilities.

We also started to report a more comprehensive profile of Julius Baer Group Ltd.'s Board of Directors in the corporate governance section of the Annual Report. This now provides additional details of directors' skills, and stresses the importance of diversity in the Board's culture, ethnicity and opinion. Julius Baer's Board has reiterated its commitment, over time, to work towards more gender balance in its membership.

In 2018, the Board of Directors was assessed externally for the first time. This assessment confirmed that the Board and its committees are working effectively and are meeting the requirements of modern-day corporate governance.

More detailed information on our corporate governance framework as well as our compensation governance and framework may be found in our 2018 Annual Report and on the dedicated webpage.

### COMPLIANCE AND RISK MANAGEMENT

In pursuing its strategy and activities, Julius Baer is exposed to events that may have an impact on its financial, business, regulatory and reputational standing. As a result, risk management and compliance are an integral part of Julius Baer's business model and are designed to protect its franchise and reputation through prevention and mitigation measures.

<sup>5</sup> Final implementation deadline: 1 July 2018.

**Risk Management**

**Risk Management and Risk Tolerance Framework**

Following the latest FINMA circular, Julius Baer reviewed its approach to risk management. This review resulted in a re-aligned, further improved comprehensive risk management framework, which covers risk identification, analysis, monitoring and reporting.

We also reviewed our risk tolerance framework in 2018; the purpose of this review was to ensure that risk-taking remains in line with the Group’s strategic objectives, as well as its capital and liquidity planning. This is established via a complementary set of qualitative statements and quantitative metrics that concern the risk capacity and risk tolerances of the Group and are organised according to the Julius Baer’s risk taxonomy.

Social and environmental risks and their impact on risk capacity and reputational risk tolerance are part of our risk management approach.

Both the risk management framework and the risk tolerance framework are reviewed and approved by the Board of Directors each year.

**Internal control system and global minimum controls**

To ensure good management of risks and regulatory requirements, Julius Baer assigns clear accountability in identifying, managing and

controlling risks. The ‘three lines of defence’-model has been adopted as a guiding organisational framework to manage risk across the Group.

Ultimately, our aim is to maintain a strong risk culture. Therefore, the responsibility for risk management resides at all levels within the Group, from the Board of Directors and the Executive Board through the organisation to each line manager, functional head and employee.

Julius Baer applies global standards and controls set out in a series of internal policies, applicable across the Group. Besides global minimum controls, entities also have local key controls adapted to their business model and operating environment. Key controls carried out by the first line of defence are reviewed by the second line to provide assurance that business practice is safe and sustainable, both at entity and Group level.

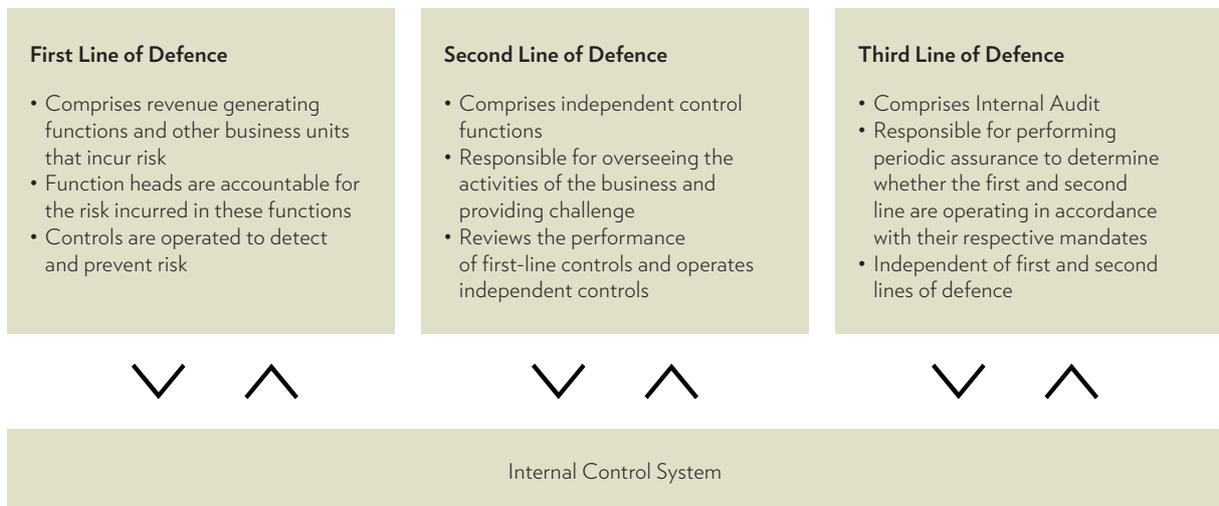
Further information on risk management may be found in our 2018 Annual Report.

**Compliance framework**

Julius Baer’s compliance framework consists of distinct pillars: (1) a global compliance programme, approved each year by Bank Julius Baer & Co. Ltd.’s Executive Board (ExB), (2) global compliance policies containing global standards that must be implemented at all Group entities, (3) periodic compliance training,

**Risk management framework: three lines of defence**

Functions operating across the Group



(4) global minimum controls, (5) periodic risk assessments and (6) regular reporting and communication.

The 'Global Compliance Programme' defines the compliance risk framework and summarises major ongoing projects and initiatives. It also defines the global compliance standards, whereof the key focus areas are the prevention of corruption, money laundering and terrorist financing, tax compliance, regulatory and cross-border risks, and market conduct. Global compliance standards are translated into policies that provide a uniform and consistent approach to compliance risks, processes and issues.

Anti-corruption and anti-money laundering (AML) processes form an integral part of the Code of Business Conduct and corresponding policies. Dedicated compliance policies include, but are not limited to, the client acceptance policy defining client risk categories and corresponding approval processes, a know your client (KYC) policy, an AML policy, an anti-corruption and anti-bribery policy, and a sanctions and embargoes policy.

High-quality KYC information serves various purposes: (1) meeting regulatory requirements, such as AML standards, (2) managing potential client-related risks to reputation, (3) providing services tailored and appropriate to individual client needs.

Julius Baer has established a client tax compliance framework. Under this framework, we expect clients to meet their fiscal obligations as a condition to entering into and continuing a client relationship. We have also put in place the necessary frameworks to comply with recent regulation in this area, such as the United States' Foreign Account Tax Compliance Act and Automatic Exchange of Information, as well as tax offences seen as a predicate to money laundering, based on the Financial Action Task Force standard.

Furthermore, Julius Baer has cross-border country manuals, training programmes and monitoring in its main markets to ensure compliance with local regulations when offering financial services and interacting with clients from those countries.

We also comply with market conduct rules that prohibit the misuse of inside information, fraudulent trading and other market-abusive activities. All client orders in financial instruments are handled in accordance with 'Best Execution' standards, applying the respective selection criteria. Our control framework is aimed at preventing market manipulation such as insider dealing, front, parallel, and after-running, and addresses potential conflicts of interests.

Our in-house training facility, Julius Baer Academy, offers comprehensive training to employees on compliance topics. Preventing money laundering is included in refresher training for all business staff. Besides regular compliance training for all front office staff, the Executive Board members of Bank Julius Baer also receive specific training on money-laundering prevention.

We constantly monitor compliance with our global standards and controls. We also have a comprehensive reporting system, so that major issues or incidents can be escalated quickly and to ensure management has the information it needs to react to developments. Lessons learnt are considered in our periodic risk assessment and enable continuous improvement in standards and controls. In addition, we continuously monitor all relevant regulatory developments in our various markets to ensure our policies and processes remain up-to-date.

Compliance reporting tasks comprise exception reporting for a timely escalation of major issues or incidents, and statistical information to provide key figures to identify and react on undesirable developments in due time.

## PUBLIC POLICY ENGAGEMENT

At Julius Baer, policy engagement acts as a radar. It allows us to prepare for future policy implementation, to support the growth of our business and ensure that the regulatory environment in our key markets is as business-friendly as possible. This is particularly critical in the financial services industry, which in recent years has seen a significant increase in regulation.

To achieve our goals, we engage with public authorities, regulators and political party representatives. In addition, Julius Baer is a member of various business and industry associations that represent members' shared interests and help shape opinion on issues affecting the financial industry.

Due to the wide scope of regulatory developments, the public policy function within Julius Baer has a global remit. Recently, the European Union has taken a lead in financial regulation, often in collaboration with global institutions such as the Financial Stability Board (FSB) and the Organisation for Economic Co-operation and Development (OECD). As the EU is a key market for Julius Baer and Switzerland often follows suit of EU regulation, we are currently prioritising public policy engagement in Switzerland and at EU-level, and have therefore stepped up our EU-related activities. Furthermore, our membership of the IIF ensures a coverage of regulatory developments on global level.

In Switzerland, we often engage through the Swiss Association of Asset and Wealth Management Banks (VAV). Julius Baer hosts VAV's Secretariat. In addition, our CEO Bernhard Hodler is currently VAV's Vice Chairman; our Head of Public Policy is the Association's Managing Director and several of our business functions are part of working groups within the VAV and other business associations. This engagement allows us to advocate shared interests together with other wealth managers in governing bodies and commissions of the Swiss Bankers' Association (SBA).

As a way of supporting Switzerland's direct democratic system, Julius Baer encourages its staff to participate in local politics. To facilitate this, an internal policy enables flexible time management for employees to take part in politics, at all levels, and to engage with any established Swiss political parties.

Over the past year, we focused on several issues, including: market access to the EU, proportionality in regulation (impact on wealth management as banking sub-sector, including Basel IV), Brexit (and

the position of the Swiss financial centre), developments in the automatic exchange of information, implementation of investor protection, and political developments related to sustainable finance.

In 2018, Julius Baer's total membership contributions and other spending for public policy engagements totalled approximately CHF 2.4 million (compared with CHF 2.5 million in 2017).

Over 75% of this amount went to five organisations: SBA, the World Economic Forum, the Swiss Structured Products Association, Avenir Suisse and IIF. Direct political contributions in Switzerland were limited to a low six-digit amount in 2018.

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Through this business practice, Julius Baer contributes to UN Sustainable Development Goal:




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## BUSINESS CONDUCT

Led by our Core Values – care, passion and excellence – Julius Baer's daily activities are governed by a set of guiding principles and professional standards for ethical business conduct. These principles and standards cover topics such as tax, conflicts of interest, combating financial crime, confidentiality, human rights, diversity and environmental protection and are summarised in our Group-wide Code of Business Conduct (Our Professional Standards or the Code), which is available on our website.

Further internal policies and regulations governing business conduct and prevention tools are implemented at both Group and local levels. A selection of these policies and the Code is part of the on-boarding process for every Julius Baer employee. There is also a manual providing hands-on tips and detailed examples of how to put our Core Values into practice; this manual is available on our Intranet. Additionally, we have regular training for topics covered in the Code, particularly topics related to compliance.

Julius Baer’s reputation for integrity is one of its most important assets. While the Code focuses on the most important issues, it cannot cover all circumstances. Therefore, we rely on the good judgment and responsibility of our staff at all times. If an employee is in doubt or has a conflict that cannot be resolved bilaterally, supporting channels are provided for employees to raise their concerns confidentially. These channels include line management, Human Resources, the Julius Baer Integrity Platform and the Group’s Ombudsman.

The ‘Julius Baer Integrity Platform’ (the Platform) complements our internal whistleblowing and reporting channels. The Platform allows anonymous reporting of incidents by employees; and beyond compliance with internal policies, laws and regulations, the Platform also addresses issues such as HR concerns. The reporting system can be used to report suspected misconduct relating to categories such as improper behaviour or misconduct of fellow employees (including harassment), as well as fraud, information security breaches, money laundering, terrorism, bribery, corruption, violation of laws, conflicts of interest and misconduct related to environmental and corporate citizenship topics.

Depending on the gravity of the reported issue, we take disciplinary or other measures, including the termination of employment and/or the initiation of legal proceedings against wrongdoers. During 2018, internal reports were made relating to embezzlement, fraud, disloyal management of business and improper conduct or unethical behaviour. Such investigations are conducted in line with internal policies, standards and response procedures.

## RESPONSIBLE PROCUREMENT

Julius Baer’s procurement practices are aligned to Julius Baer’s strategic priorities and are governed by a global process and purchasing policy. Our procurement process is based on three principles: high quality standards, best value for money and local needs, local application.

In addition, we have been implementing responsible procurement measures for over ten years. We ask our suppliers to comply with the Julius Baer Code of Business Conduct, as well as international norms on human rights, labour rights, and health and safety. Anti-corruption prevention is also an integral part of our process. We also encourage our suppliers to have social and environmental measures in place. In 2018, we further strengthened provisions relating to diversity and equal opportunity for outside consultancy teams and other contractors.

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Through this business practice, Julius Baer contributes to UN Sustainable Development Goals:



## RESPONSIBILITY TO OUR CLIENTS

Julius Baer focuses on private clients, providing them with holistic wealth management solutions. Continuing the vision of our founder from 1890, we strive always to provide the best possible client experience, based on trust and integrity. Today, we uphold Julius Baer's founding philosophy by serving clients to the highest standards of quality and expertise in the field of wealth management. To do this, we are constantly adapting to changing customer expectations, demographics and new technological trends. This begins with the interaction between relationship managers (RMs) and clients, but is also reflected throughout the client journey: from on-boarding, offering suitable products and services, and data and information security. To keep our leading role as a trusted advisor, it is important we maintain an open dialogue both with our clients and with the regulators protecting our clients, and that we go beyond expectations in the products and services we offer.

More information on Julius Baer's investment, advisory and execution activities is available in our 2018 Business Review and on our website.

### CLIENT EXPERIENCE

Within the wealth management industry, client experience is a crucial differentiating factor; products and services are becoming increasingly commoditised. Tailoring our client experience to the changing needs and expectations of our clients is therefore vital. Though state-of-the-art digital services are now considered a basic requirement, the importance placed on personal relationships has not diminished – in fact, clients, including the digital native millennial generation, value them more than ever.

Through interaction, relationship managers are able to take into account clients' personal situations and preferences. Consequently, all investment recommendations are the result of a carefully controlled process, which combines expert advice and quality control from Julius Baer with the client's own personal goals and investment objectives.

In addition, we have harmonised client touchpoints across Julius Baer to ensure a consistent client experience from start to finish. Launched in early 2018, our holistic advisory approach 'Your Wealth' plays a central role in this, ensuring our advice is tailored to the needs of our clients at every stage of their life. 'Your Wealth' covers wealth planning, wealth management and wealth financing. In addition to enabling us to recommend the products and services best suited to our clients' requirements, applying 'Your Wealth' also deepens our understanding of clients' needs. This allows us to offer additional services where required, including responsible investment, where we are eager to grow our market share.

### Client feedback

To maintain strong relationships with our clients, ensure loyalty, and ultimately attract new clients through positive referrals, uncensored feedback on our services and our clients' ever-changing requirements is essential. In 2018, we surveyed approximately 14,000 clients in the Swiss and European markets. The response rate was 27%, which without further analysis already signals to us a good client engagement level. Our survey showed that client satisfaction is very high; this is primarily due to the importance we place on relationship management, which helps create trust in Julius Baer. With the data, we can determine whether age, nationality or wallet band has a bearing on (among other things) a client's interest in sustainable investing; we can then use the results of the survey to tailor our information and services accordingly. Given the success of our survey in 2018, further client surveys are planned across the regions.

### Client protection

Over the past decade, regulators have put in place measures to increase transparency in financial markets, improve protection for investors (mostly private individuals), harmonise implementation of business rules and increase competition between financial services providers.

Most recently, these measures included both MiFID II (Markets in Financial Instruments Directive) and MiFIR (Markets in Financial Instruments Regulation) in the EU and FIDLEG (the Swiss Financial Services Act) in Switzerland.

Julius Baer believes it is important to implement such requirements in a manner that benefits clients beyond the immediate regulatory purpose. For us, this means ensuring clients continue to receive the best possible advice, given their personal situation, knowledge and individual capacity for financial risk. Following our measures, our clients are getting transparent investment advice directly in their inbox or e-banking account, ensuring that they are able to make informed decisions before each trade. Furthermore, clients also receive an immediate report explaining how our advice suited their needs.

In response to these changes, we have launched the Julius Baer Digital Advisory Suite (DiAS). DiAS will help guide relationship managers through advice and investment decisions, and provide regular notifications, research content and other updates; whilst keeping our service model promise. Initially, this enhanced solution will help maintain efficiency, protect our profitability, and at the same time embrace the future of ever-growing complexity and new regulatory requirements associated with suitability and MiFID II standards both for clients domiciled in the European Economic Area (EEA) and those with a Swiss Relationship Manager. DiAS also implements other suitability regulations, for example those effective in Switzerland.

We remain on track to implement all client protection related regulations. In the coming year, the outcomes of the EU Action Plan for Sustainable Finance are expected to take an important role in ongoing and new initiatives to keep our client protection promise.

### Digitalisation

With accelerating technological change, digitalisation is an increasingly important aspect of the client experience. At Julius Baer, it is driven by three main factors: client experience, operational efficiency and innovation. We also take into account that both

clients and employees use digital technologies in their daily lives and expect similar solutions when dealing with Julius Baer. Finally, our environmental footprint is a factor we consider in our digitalisation efforts, particularly the reduction of paper. In 'Key figures', at the end of this report, you will find the decreasing trend of our paper consumption in recent years.

In 2018, Julius Baer developed what we call the 'Client journey of the future' to complement existing physical touchpoints with digital touchpoints to increase client engagement and create seamless client experiences. Taking a phased approach, the journey will be rolled out in the coming years. As a first step, we will deliver customised digital content and interaction features in Switzerland and introduce a new digital banking solution in Asia.

During 2018, we made progress with digitalisation in several key areas:

- The continued growth of our e-banking platform: more than half our clients served in Switzerland – or 72% of all Swiss-booked assets under management – are using the digital channel and one in four clients now receives electronic documents only.
- The launch of our new mobile banking solution with features such as login by face and touch ID. Around 60% of e-banking logins are now made via tablet or mobile.
- Julius Baer launched its first data analytics start-up with the support of F10 FinTech Incubator & Accelerator (F10). Throughout the year, we continued to work with a number of partners in this area, including both F10 and digitalswitzerland.

### INFORMATION AND DATA SECURITY

Our clients need to trust that we will protect their personal data with care. With rising cyber threats in recent years, there is increased risk of fraud, identity theft and system downtimes. In our approach, we focus among other things on client confidentiality and system security to maintain trust and ensure continuity of service.

To keep our promise, Julius Baer operates a strong, state-of-the-art information security programme. This is a formal part of the overall risk management framework. The programme addresses current risks and prepares us for future threats. This ensures sound, effective and efficient protection of data as well as continuous operation. The information security risk management framework covers three main lines of defence: at the strategic level, at the tactical level and at the operational level.

Key to our information security framework are the notions of ‘do-it-right-the-first-time’, transparency, assume breach (being prepared if a breach happens) and ‘people-centric’ security risk culture. This last aspect, in particular, is important in maintaining and strengthening information security. Through internal campaigns, we raise awareness among staff of the importance of data security. Access to critical (client) data is provided according to the ‘need-to-know/need-to-do’ principle. Access to data by administrators and power users is monitored and logged. Security incidents are handled according to security incident processes, involving the affected departments. These processes are well established and are constantly refined, using both real incidents and contingency management exercises.

To measure our effectiveness, we carry out regular assessments through internal and external audit; these assessments include penetration testing. Julius

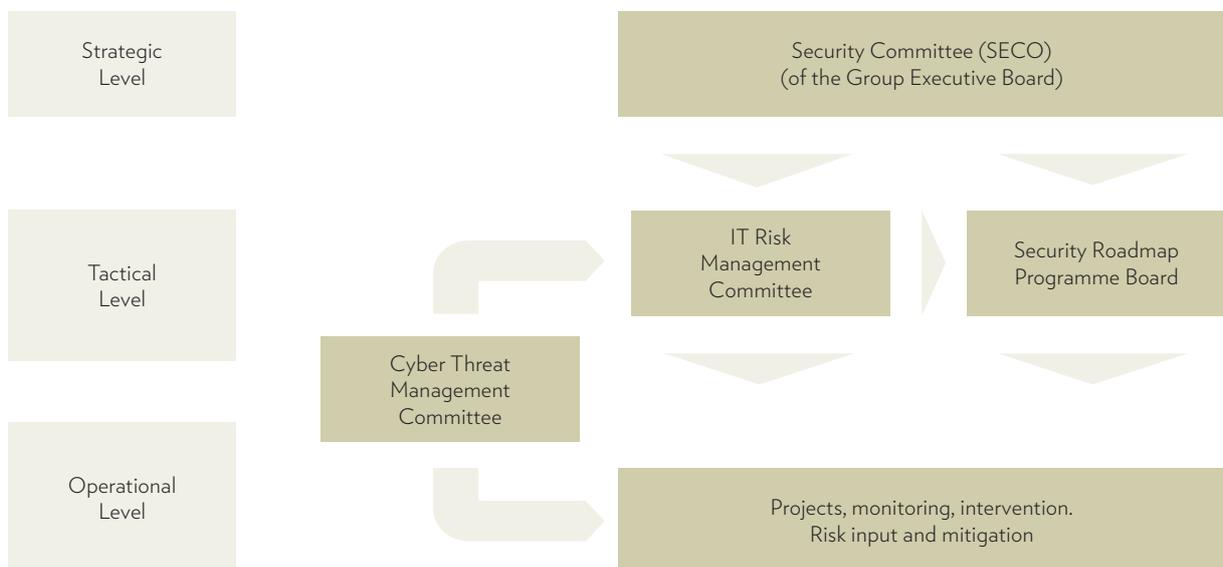
Baer also has a strong internal control system and dedicated IT and Information Security Risk Management framework.

Although, information and data security is primarily about risk prevention, we find opportunities to differentiate ourselves where possible. For example, relationship managers for our Swiss-based clients receive a message through our e-banking helpdesk whenever the client connects to our e-banking platform with a malware-infected device. With this, we aim to provide the client with a service, including the notion of ‘Care’.

As information and data security issues are constantly changing, our programmes have to evolve and adapt. In 2018, we completed a number of programme improvements, including:

- Finalising implementation of the EU’s General Data Protection Regulation (GDPR) and establishing a new data privacy governance and organisation.
- Implementing new identity and access governance with all necessary technology, allowing Julius Baer to allocate access rights automatically.
- Continuing to work with a start-up company from the Swiss Federal Institute of Technology (ETH) in Zurich, developing a new, fully dynamic (no signatures or blacklists) threat and malware detection and prevention technology for e-mails.

Information security management framework



## RESPONSIBLE INVESTMENT

The Julius Baer investment approach is about accepting the world for what it is today whilst recognising the major shifts taking place over several years that are transforming both the economic and political landscape. Increasingly, investment is affected by political and social trends – by climate change, for example, or by the growing use of digital technologies. To deal with these trends, we are fully integrating environmental, social and governance (ESG) risks and opportunities into both our investment approach and our products and services.

In 2018, Julius Baer created a dedicated portfolio management team to manage our new Next Generation Fund. Additionally, we have started to explore the use of structured products as a tool to offer responsible investment (RI) options to our clients. In doing so, we have so far taken a thematic approach. Given our open architecture business model, we collaborate with external experts in developing new products and services where we can.

The 2018 client survey showed that currently more than 50% of our clients use, or are interested in, sustainable investing. This increases to over 60% for clients aged 34 or younger. These results show that clients are becoming more aware of sustainability issues and are willing to integrate sustainability in their approach to investment.

During 2019, we will focus on broadening and deepening our responsible investment strategy, concentrating on client and front staff engagement, product and services, and governance. Pioneering and personal, through pure wealth management, are the key words.

How we invest today, is how we live tomorrow.

### APPROACH

Julius Baer's overall investment process considers financially material ESG risks in order to achieve long-term economic benefits for our clients, and raise

awareness of these risks. Using both financial and corporate culture as deciding factors allows us to capture the full range of risks. We are convinced that this holistic approach improves our ability to uncover risk and detect new opportunities, ultimately yielding a superior investment performance for our clients.

The United Nations Principles for Responsible Investment (PRI)<sup>6</sup>, which we signed in 2014, served as our initial guiding principles to responsible investment, allowing us gradually to improve our ability to uncover risks and detect opportunities for our clients. Among other things, this led to the creation of our RI Board; this Board comprised members of Bank Julius Baer's Executive Board, and focused on the integration of ESG into our investment and advisory processes, as well as educational programmes for our relationship managers. In 2018, we absorbed the RI Board into our newly-created Sustainability Board to fully align Julius Baer's corporate sustainability programme with responsible investment and to broaden the strategic relevance of the overarching topic.

Given that the final investment decision lies with the client, our approach to responsible investment centres on creating long-term value for our clients. To make responsible investment as tangible as possible to our clients, we focus on personal, tailored advice – we begin with: 'what matters to you?'

### Research, investment and advisory solutions

Our responsible investment approach is integrated into our investment process across all asset classes in portfolio management, research and investment solutions, advisory and fund solutions. These include fixed income, equities and funds. Government bonds, alternative investments, funds of funds and trackers are not yet covered. Julius Baer provides employees working in research, investment and advisory solutions with access to training materials, internal and external experts and comprehensive ESG research.

<sup>6</sup> As a PRI signatory, we submit yearly reports that provide an overview of our responsible investment activities. These reports are publicly available on [www.unpri.org](http://www.unpri.org).

**Relationship managers**

Relationship managers (RMs) are Julius Baer’s window to the clients. It is crucial that our RMs are open to new investment styles, and trained on the topics and client signals that may indicate an interest in responsible investment. To do this, Julius Baer offers internal events and e-learning opportunities, on demand support, sustainable investment and impact investment recommendations, access to research and marketing material, access to external responsible investment eco-systems, and so on.

**Clients**

We have been reaching out to our clients to engage them in responsible investment; this has been through the selection of responsible investment-related topics for client events, through committed RMs, as well as through central marketing efforts. In 2018, we held a number of client conferences across our sales regions. These focused on different sustainability topics, ranging from future social or environmental trends to sustainable business practices.

with ESG ratings in research reports and marketing material, all internal parties have access to the raw data for research purposes to assist them in identifying financially material ESG risks.

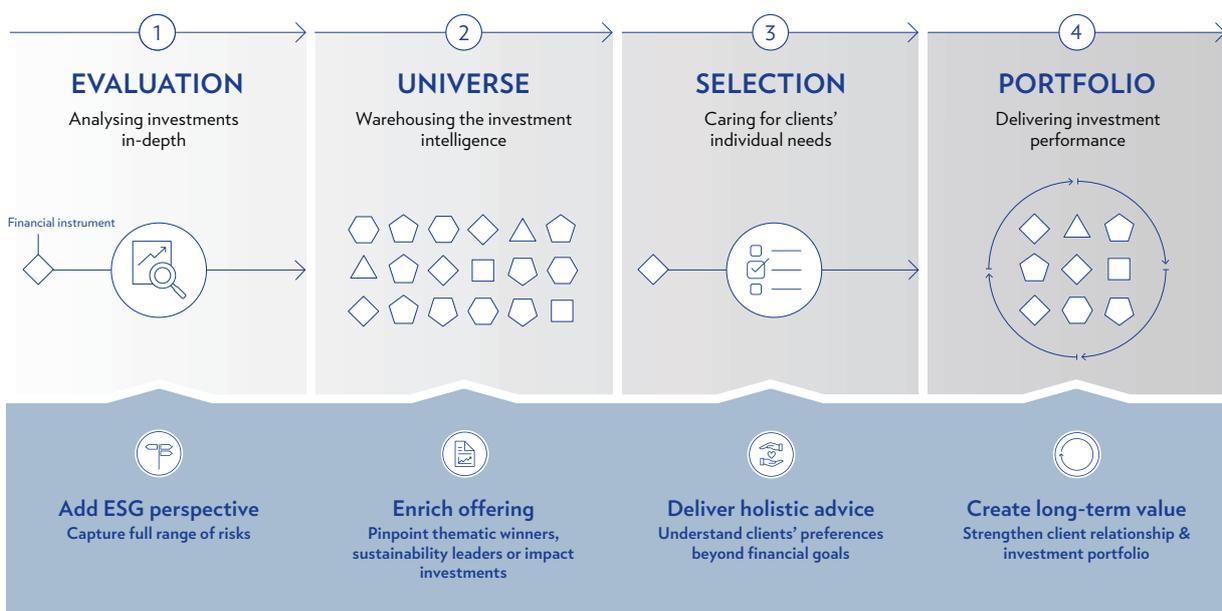
**In-house research and portfolio management**

At Julius Baer, integrating ESG factors into investment analysis is both a top-down and a bottom-up process. Top-down, it is a matter of mapping industry-specific opportunities and threats, and understanding how the latter impact an industry’s long-term prospects. The business environment is highly dynamic and influenced by factors beyond fluctuations in the economic cycle; these factors include changing consumer preferences, innovation or government regulation. Bottom-up, integrating ESG factors is a matter of uncovering a company’s strengths and weaknesses, and understanding how the company manages its specific operating environment. ESG issues can shed light on corporate culture, which is the defining ‘soft’ element separating winners from losers and determining business success. Including such non-financial information means we are more able to evaluate investment risk rationally and without pre-judgment, improve our ability to identify risks and opportunities, ultimately yielding superior investment performance for our clients.

**ESG INTEGRATION PROCESS**

At the core of Julius Baer’s integration process are ESG ratings. As well as providing research analysts, portfolio managers, investment advisors and clients

Julius Baer Responsible Investment Process



Central to our ESG integration process is our ESG Integration Committee. This Committee engages and challenges analysts and portfolio managers who want to invest in companies below ‘ESG investment grade’ (MSCI ESG Rating CCC). Our experience shows that we need to question externally-sourced ESG information to validate its quality and significance. Rather than excluding companies from investment, our approach focuses on risk control and sound investment advice.

**Julius Baer ESG Fund Rating**

Since 2015, we have rated all Julius Baer recommended funds (excluding hedge funds, private equity funds, funds of funds, passive indices and factor-based products) on ESG through our Julius Baer Responsible Investment Fund Rating (JB RIFR). The JB RIFR is based on a seven-point scale that ranges from AAA (best) to CCC (worst). The rating covers:

- Financially material risks and opportunities arising from ESG factors (from the fund provider);
- Investment process and fund strategy with regard to the inclusion of ESG factors, using our in-house questionnaire (from the fund manager).

**Assets from RI-related offering<sup>1</sup>**

in CHF m	2018	2017
Assets with ESG integration <sup>2</sup>	43,537	45,881
As percentage of total assets under management (%)	11.4	11.8
Discretionary sustainability mandates <sup>3</sup>	973	736
Recommended sustainable and impact investment funds <sup>4</sup>	435	215

<sup>1</sup> More detailed assets under management and financial data may be found at the end of this report in the section ‘Key Figures’.

<sup>2</sup> Based on assets under management in central mandates (only front regions, excluding intermediaries).

<sup>3</sup> Including various asset classes and currencies.

<sup>4</sup> Total assets under management invested through Julius Baer in recommended Sustainable Investment and Impact Investment funds on the open product platform.

**RI PRODUCTS AND SERVICES OFFERING**

Evaluating assets using non-financial metrics allows us to identify investment risks and opportunities that, using financial data alone, might not have been uncovered. It also enhances our holistic approach to client advice. Responsible investment serves as a basis for numerous specialised products and services. For these we have five main categories: ESG integration (covered in the previous section), thematic investing through our Next Generation themes, sustainable investment, impact investment and philanthropy advisory. Exclusions are not considered as a responsible investment product or service strategy, but are offered as a portfolio overlay.

**Next Generation**

At its core, Next Generation is a thematic approach, with a focus on long-term structural growth. The objective is to seek out attractive growth opportunities by identifying companies with a competitive advantage within structurally growing markets, and thus harness broader social and economic megatrends to deliver superior investment returns.

Straddling our research offering and investment management capabilities, Next Generation aims to provide growth-focused equity investment products and services, alongside cutting-edge research for our clients.

Next Generation integrates ESG risk monitoring in the broader investment process; it focuses mainly on industry growth, competitive advantage, economic returns and equity valuations. Next Generation follows global trends across five key investment themes:

- *Arising Asia*: the structural trends at play in Asian emerging markets place the region at the forefront of global value and wealth creation; these trends include growing economies, increasing innovation, expanding middle classes and changing consumer demand.
- *Digital Disruption*: digitalisation, driven by increases in computing power and greater internet connectivity, is affecting every corner of our lives.
- *Energy Transition*: global challenges such as air and water pollution, as well as climate change and new environmental regulation, are driving the transition to new forms of energy production and human mobility.

Julius Baer RI offering overview



<sup>1</sup> Adapted from 'Lessons from the Social Impact Investment Taskforce: Asset Allocation Working Group', 12 December 2014.

- *Feeding the World*: the challenge of food production is about overcoming finite natural resources and the adverse impacts of climate change to feed an increasingly populous world (an additional 2.4 billion people by 2050) both affordably and efficiently.
- *Shifting Lifestyles*: population ageing, extended life expectancy and changing lifestyles mean that youthful minds, active lifestyles, health and education will be more important than ever.

With the creation of a dedicated portfolio management team, 2018 was a landmark year for Next Generation. In its first year, the single-asset-class equity investment management boutique reached over CHF 750 million in assets under management.

#### Sustainability Mandate

Since 2006, the Julius Baer Sustainability Mandate has offered clients the possibility of investing sustainably across different asset classes and currencies; in line with clients' individual requirements. The mandate is built on the understanding that key factors such as the environment, society, corporate governance and politics have a significant influence on a company's strategy and financial performance. As a result, the Sustainability Mandate applies a best-in-class filter in addition to ESG integration, and offers clients the opportunity to invest in forward-thinking, responsible and innovative companies within a globally diversified universe. Only the top 30% of companies within their respective sub-sectors are part of the investable universe. These companies stand out through their superior leadership, and demonstrate a duty of care to the environment and individual well-being. More importantly, they are well prepared to deal with growing social and environmental challenges. Investments are made according to specific ESG themes, such as energy efficiency, education, mobility, biodiversity or water. On top of rigorous financial analysis, a strict filter for good corporate governance is applied as an additional investment risk criteria.

#### Impact investments

Impact investments focus on generating social and environmental impact alongside financial return. At Julius Baer, we offer third-party micro-finance solutions and green bonds. Through micro-finance, we give clients the opportunity to invest in projects and initiatives that provide income for poorer families and communities, or extend access to basic financial services. These recommended funds mostly engage worldwide in less liquid, short to medium-term income-bearing debt contracts issued by micro-finance institutions (MFIs) domiciled in emerging and developing countries.

Our green bond offering is suitable primarily for risk-averse investors who wish to invest sustainably and responsibly. Green bonds finance environmentally friendly projects such as climate change adaptation and mitigation.

#### Third-party funds

Julius Baer's fund selection is based on an open architecture approach. Our fund selection team handpicks funds by asset class, region and investment style. Selection is based on an analysis of the fund's approach to sustainable investment, the drivers behind historical performance and risk trends (including a qualitative assessment of how likely these trends are to persist and how they fit with varying client needs).

With this approach, we have offered third-party responsible investment products for many years. These products cover three core responsible investment areas: thematic, sustainability investing and impact investing (across equity, fixed income, multi-asset and real estate asset classes). Within this offering, we cover themes such as best-in-class sustainability investing, water, energy, agriculture as well as micro-finance and green bonds.

### Philanthropy advisory

Our philanthropy advisory offering is not an investment solution with a financial return, but one where the social and environmental impact is often easiest to see. Established in 2017 and further built up in 2018, the Julius Baer Foundation offers clients philanthropy advisory services, i.e. support in setting up a foundation, developing a foundation strategy, designing governance structures and management tools and dealing with the operational risks and challenges facing a foundation.

### Exclusions

We offer clients the possibility of applying an exclusion overlay to their portfolios. We do not make moral judgments on behalf of our clients and do not consider exclusions as a responsible investment product or service strategy. Norm-based screening as well as ethical exclusions can be offered to clients as a portfolio overlay, for in-house solutions. Finding third-party funds with such requirements is also possible.

In addition, in line with international conventions, our home market Switzerland (and increasingly other markets as well) requires us to exclude prohibited war material producers (nuclear and bio-chemical weapons, landmines and cluster bombs). As such, Julius Baer does not directly or indirectly finance the development, production or purchase of controversial weapons by companies falling under the ‘Swiss Federal Act on War Materials’.

Through these business practices, Julius Baer contributes to all UN Sustainable Development Goals:



## RESPONSIBILITY TO OUR EMPLOYEES

Operating in a human relationship driven environment, our employees are at the heart of everything we do. Our employees enjoy long-term career opportunities within Julius Baer, and our goal is to retain our talent as much as possible, so that the Group as an employer can develop and grow sustainably. Julius Baer has a concept – the employment life cycle; this is based on our people and our underlying Core Values of care, passion and excellence. Hence, the well-being of our employees, the creation of a progressive working environment, and the development and retention of our staff are of utmost importance in continuing to deliver a best-in-class experience to our clients, being the most admired and respected firm in our sector and pursuing sustainable profitability.

At the same time, we recognise that we need to modify our human resources approach to reflect, among other factors, changing demographics, new technologies and increased regulation in financial services.

For all these reasons, our human resources (HR) department has a strategic as well as a functional role within Julius Baer. This means managing typical HR topics such as hiring, learning and development,

diversity, engagement and well-being, remuneration, as well as supporting our governing bodies in defining and implementing overall company strategy. To support this dual role, the Executive Board of Bank Julius Baer receives monthly updates on HR key performance indicators such as turnover, tenure, illness and diversity.

Our ambition is to maintain a position as an employer of choice in wealth management. This section elaborates on the measures we take to achieve our goal. A summary of our quantitative HR figures is given in the section ‘Key figures’ at the end of this report.

### CULTURE

To us, culture represents a combination of emotional attachment to Julius Baer, shared identity and solidarity. A strong, effective culture is a prerequisite to strengthening our position as employer of choice and being a successful wealth manager over the long term.

In our view, a good culture nourishes empowerment, collaboration, engagement, loyalty, learning and leadership. It also unleashes an individual’s potential,

### Our people<sup>1</sup>

	2018	2017
Total headcount (total workforce excl. externals) <sup>2</sup>	6,985	6,586
<i>Of which regular staff</i>	6,738	6,394
Number of employees (FTE) (total workforce excl. externals) <sup>2</sup>	6,692.5	6,291.8
<i>Of whom in Switzerland (%)</i>	52.8	54.4
<i>Of whom in rest of Europe (%)</i>	17.4	16.8
<i>Of whom in Asia-Pacific (%)</i>	21.4	21.4
<i>Of whom in Latin America (%)</i>	5.5	4.7
<i>Of whom in Middle East and Africa (%)</i>	2.8	2.7
Part-time employees (% of total regular staff headcount)	10.5	10.4
<i>Male part-time employees (% of total male staff)</i>	3.7	3.8
<i>Female part-time employees (% of total female staff)</i>	19.9	19.8

<sup>1</sup> More detailed HR data may be found at the end of this report in the section ‘Key Figures’.

<sup>2</sup> Total workforce includes regular staff (employees with an ordinary open-ended Julius Baer contract on a full or part-time basis), temporary staff, trainees, apprentices and graduates.

Employee tenure<sup>1</sup>

	2018	2017
Total net employee turnover (%) <sup>2</sup>	8.8	8.9
Total voluntary turnover (%) <sup>3</sup>	7.2	6.9
Average employee tenure (years)	7.6	7.6

<sup>1</sup> More detailed HR data may be found at the end of this report in the section 'Key Figures'.  
<sup>2</sup> Fluctuation rate / net turnover of regular staff in %, including resignations and terminations.  
<sup>3</sup> Resignations as a percentage of regular staff.

creates a willingness to 'go the extra mile', be the best risk manager and depicts the inner beauty of an organisation.

In Julius Baer, we promote initiative and entrepreneurship, and encourage employees to broaden their involvement beyond the direct goals of their team to create a more conducive working environment. We further elaborate on this in the 'Training and development' section of this chapter.

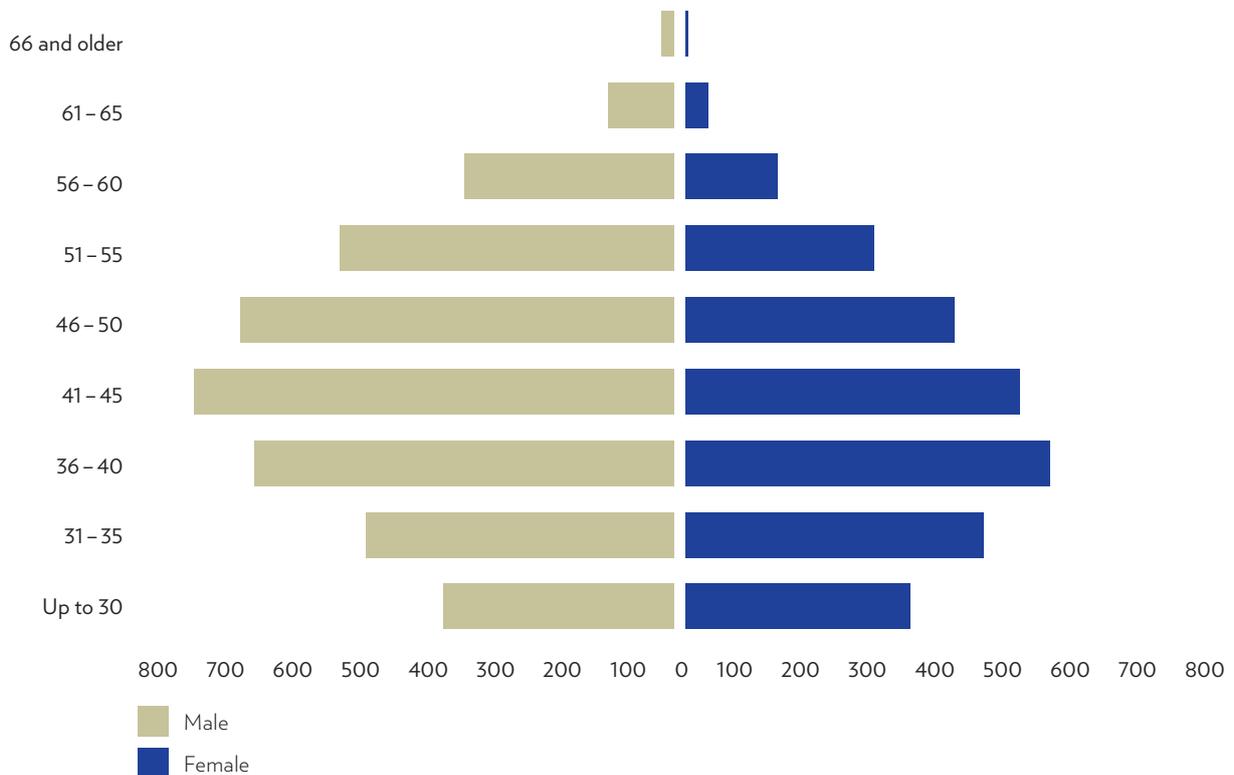
We also recognise cultural differences between departments and countries in which we operate. In our view, this is natural and contributes to a productive and strong culture by providing diversity.

These efforts seem to pay off, as in 2018, in continuation of previous years' trend, approximately half of our employees had been with the company for more than five years.

DIVERSITY

Julius Baer is committed to diversity throughout all levels of management. Top-down as well as bottom-up, we believe that it leads to better decision-making, improves the innovation of our business, increases employee satisfaction and retention, makes us more attractive to potential employees and ultimately has a positive impact on our financial results.

Staff age and gender distribution



To us, these are the most important contributors to maintaining our position as an employer of choice in wealth management. It is for that reason that in 2018 Julius Baer committed to making diversity a priority in its sustainability strategy. As part of this, we have set a goal – to have at least 30% women in senior management (Director, Executive Director, Managing Director Senior Advisor and Managing Director). Additionally, Julius Baer has dedicated resources for diversity management in place to leverage local efforts and tap into the full potential of its workforce.

To understand our position and progress, we regularly perform detailed analysis on diversity topics. The last review was performed in 2018 and reconfirmed that with women making up 27.1% of senior management and an overall well-balanced gender distribution up to the age of 35, our trend continuous to improve. The review also showed that the mix of age and gender differs across the regions in which we operate, as well as across functions. We are committed to work on this where possible.

We also engage an independent third party to conduct an annual gender comparison to ensure equal pay. This comparison considers factors such as the employee’s function, role, seniority and location. Any discrepancies are addressed on a case-by-case basis.

Gender and age diversity were the centre of Julius Baer’s diversity programmes in 2018 through a number of initiatives, such as the kick-off of a reverse mentoring programme (younger employees mentoring more senior employees) and the second year of our Senior Women Mentoring Programme.

We also offered other initiatives to our business units such as unconscious bias workshops for over 70 senior managers, including Executive Board members, and a personal branding training for more than 160 nominated employees.

Finally, we are committed to equal opportunities for our employees and applicants, as is specifically addressed in the Group’s Code of Business Conduct. Any direct or indirect discrimination on age, gender, sexual orientation, affiliation to an ethnic group, nationality, religion or belief, marital status, pregnancy, disability or other circumstances or characteristics worthy of protection is regarded as gross misconduct. Proceedings and sanctions in case of discrimination apply as described in the section ‘Business conduct’ of this report.

Through this business practice, Julius Baer contributes to UN Sustainable Development Goal:



### Key diversity indicators<sup>1</sup>

	2018	2017
Ratio of women (% of total regular staff headcount)	41.9	41.2
Women in senior management (% of total senior management headcount) <sup>2</sup>	27.1	26.3
Women on the Executive Board (%) <sup>3</sup>	13.3	13.3
Women on the Board of Directors (%) <sup>4</sup>	10.0	20.0
Promotions of women in all ranks (% of total promotions)	40.2	42.9
Promotions of women in senior management (% of total promotions)	21.6	27.7
Number of nationalities employed	105	106
Average age of employees (years)	42.6	42.4

<sup>1</sup> More detailed HR data may be found at the end of this report in the section ‘Key Figures’.

<sup>2</sup> Julius Baer defines senior management as all employees with the rank of Director to Managing Director.

<sup>3</sup> This number includes members of both the Group’s Executive Board and the Bank’s Executive Board.

<sup>4</sup> Out of 10 Board of Directors members in 2018. On 14 January 2019, two women were nominated for election to the Board of Directors at the Annual General Meeting in April 2019. If elected, they will replace one male and one female board member.

# BABY BOOMERS MEET GENERATION Y: NOT YOUR AVERAGE MENTORING PROGRAMME

In today's competitive environment, employers need to offer a working environment that improves employees' well-being, as well as increasing their commitment and willingness to stay. Involvement and empowerment, respect and equality are just some of the keywords that describe a modern workplace.

To create such a workplace, we actively seek out new initiatives and venture beyond the tried and tested. One of these initiatives is reverse mentoring. In our programme, an executive mentee from the baby-boomer generation or generation X (typically 45 years of age or older) is matched up with a young mentor of generation Y or Z (typically 30 years of age or younger). In its first year, the programme proved very popular, with 60 pairs around the world, and positive feedback from both mentors and mentees.

## LEARNING FROM THE YOUNGER GENERATION

At Julius Baer, mentoring plays an important role – thanks to its positive impact on the individual and organisational culture at large. Reversing roles in this way helps participants learn new skills and understand different views and perspectives. Over

the course of twelve months, mentoring pairs are encouraged to meet regularly and engage in dialogue, exchanging views on personal expectations and attitudes, but also on technological and social innovations, such as social media. We believe that it is key that the mentoring pairs come from different business departments.

## BENEFITS TO THE ORGANISATION

In this programme, both parties want to learn from each other as well as share skills and ideas. As a result, not only do both gain insight into the value and importance of intergenerational collaboration within a company, but senior executives learn more about emerging trends and behaviours, and younger employees get a great opportunity to spend time with experienced professionals.

‘Sharing know-how and answering questions not only helps solidify knowledge, but also allows you to see developments from a new point of view – through the eyes of someone from a different generation, with a different background and more life experience.

In short, the programme allows us to bridge the generational gap.’

Esteban Lea, Business Audit Zurich, mentor

‘The programme offers a great opportunity to connect across departments, areas of focus and expertise, but most importantly, hierarchy. I am very impressed by our millennial generation at Julius Baer. Position, experience and age do not always take centre stage. It is curiosity, passion and self-motivation that drive our know-how and success.’

Beatriz Sanchez, Head of Latin America, Member of the Executive Board, mentee

**EMPLOYEE ENGAGEMENT AND WELL-BEING**

A healthy workforce is key for productivity and performance of the whole company. Well-being and engagement lead to increased loyalty and commitment. We encourage employees to strike a healthy work-life balance through health and lifestyle initiatives:

- We offer employees in Switzerland flexible working arrangements to suit individual lifestyles through an ‘HR Toolbox’ and make sure this has no negative impact on employees’ risk insurance coverage or personal development.
- We strive to create a productive working environment by continuously taking steps to create and maintain a modern office infrastructure, as well as advantageous layout and materials for offices, plants, ergonomic furniture and office tools.
- We conduct regular awareness campaigns. In 2018, for example, we focused on skin cancer in Switzerland and mental health in the United Kingdom.
- We support sports and leisure activities that are organised bottom-up by employee associations, including yoga and meditation sessions. Where this is not possible, Julius Baer contributes to an annual fitness membership for employees.
- In Asia, we joined the AIA Vitality programme, which encourages its participants to pursue a healthy lifestyle by offering insurance rewards.
- We offer regular free health checks for employees over 40 years of age, as well as free yearly flu vaccinations in Switzerland, Hong Kong, Singapore and the United Kingdom.
- Staff in Switzerland have access to an external advisory centre to discuss personal or social problems, free of charge and in confidence.
- We offer physical therapist and/or massage sessions in the United Kingdom and Luxembourg.

Through this business practice, Julius Baer contributes to UN Sustainable Development Goal:



**Engagement**

To measure the engagement and satisfaction levels of our employees, we performed an engagement survey in some of our business areas in 2018, involving approximately 32% of all employees. We believe that these surveys benefit employee and employer equally; the surveys provide a formal platform to exchange feedback and help us identify business risks and opportunities, including voluntary turnover and cultural alignment. The response rate of the survey was 66% and the measured average engagement score was 72%.

**TRAINING AND DEVELOPMENT**

Given longer life expectancy and increased disruption in many industries – including financial services – people have to constantly adapt and learn throughout their careers; they may also have to work longer and change jobs more frequently than in the past. Through the Julius Baer Academy (JB Academy), we ensure that we are ready to address this shift in required workforce skills (focusing on upskilling, un-learning and re-learning activities), that business needs are addressed and that individual development goals are met. Furthermore, talent and leadership development support strong fundamental cultural and ethical behaviour, as well as general business excellence. We favour self-directed learning, where employees define their priorities; we nurture a culture of self-reliance and continuous learning. When done well, we will have a distinct competitive advantage by employing a more skilled, agile, motivated and engaged workforce.

**Training and development**

	<b>2018</b>
Average number of classroom training sessions per employee (incl. virtual classroom)	4.4
Average hours of internal training per employee	13.2
<i>Of which internal classroom training</i>	10.3
<i>Of which internal online training</i>	2.9
Share of total internal training sessions using digital platforms (%)	48
Number of employees using Coursera <sup>1</sup>	461

<sup>1</sup> Coursera is the MOOC (massive open online course) solution that Julius Baer employs to source external online learning programmes.

The JB Academy curriculum includes mandatory employee on-boarding, a ‘learning for all’ offering via our MOOC (massive open online courses) platform, graduate and apprentice programmes, as well as leadership and front development. Part of the curriculum is developed in-house; where beneficial, we might outsource development and delivery of all or parts of a programme to well-known vendors and institutions.

The JB Academy measures the impact of a programme on the level of individual employee development as well as on the organisation’s success. It does so by defining learning outcomes in close collaboration with management, by measuring the quality of courses through surveys at the end of a session and by tracking participation numbers. The surveys are collected after each course and cover standard metrics such as learning transfer into the business (applicability to one’s job), personal learning, content quality and training quality. We require high quality standards and constantly monitor and update development approaches to refine our offering.

**Development offering**

To meet distinct development needs of our employees, our offering covers leadership competencies (e.g. team head, management and senior manager programmes), professional skills (e.g. banking knowledge, technical skills, personal effectiveness, communication, negotiation and project management) and dedicated programmes for young talents (e.g. graduate and apprentice programmes). The development programmes are a combination of in-person or virtual sessions and e-learning modules.

**Mandatory training**

We also provide mandatory training; this training usually relates to regulations or new management and business tools. Mandatory training includes annual re-certification for relationship managers, compliance training – such as cross border and country manuals, and sales and advisory skills training. Particular efforts are made to ensure that employees are aware of the risks and regulations in the wealth management business and comply with all relevant rules. Every new employee has to pass web-based training related to compliance and risk, covering topics such as anti-money laundering and information security.

Relationship managers (RMs) are by the very nature of their profession the employee group with extensive needs in terms of risk and compliance-related training. Julius Baer has a robust curriculum in place in line with local and international regulatory requirements, and we ensure that our RMs are always aware of their responsibilities in this regard. A growing number of countries require the certification of RMs, and approximately 95% of our Swiss-based advisors have been awarded the ‘Certified Wealth Management Advisor’ (CWMA) recognition in line with the ISO 17024 norm. With CWMA certification, Julius Baer is implementing the highest quality standard in Switzerland and has prepared the RMs for the requirements of the upcoming law on financial services (FIDLEG)<sup>7</sup>. RMs in Singapore, Hong Kong and the United Kingdom are also licensed and adhere to training requirements, examination and personal development standards as set out by local regulators; this is in addition to internal training requirements.

Through this business practice, Julius Baer contributes to UN Sustainable Development Goal:



**REWARDS AND BENEFITS**

Over the years and in parallel with the company’s organic and inorganic growth, Julius Baer has developed an attractive market-oriented, performance-based compensation system. Our salary structures are matched to an individual’s competencies as well as level of responsibility. Global role classification models are used to determine salary ranges for employee functions. We routinely benchmark against the market and offer competitive pay in all our locations.

Julius Baer rewards employees for excellent performance, which includes contributing to financial success, ensuring regulatory compliance and displaying exemplary behaviour that is in line with our corporate values and promotes the long-term success of the organisation. Our preferred employee performance evaluation tool is ‘management by objectives’. Specific and individually agreed goals enable employees to prioritise and align individual behaviour to the achievement of team and company goals.

<sup>7</sup> Detailed information about FIDLEG – or the Financial Services Act (FinSA) – is available at [www.efd.admin.ch](http://www.efd.admin.ch) (Federal Department of Finance).

Our overall performance management framework includes feedback on employees’ achievements (including a self-assessment), identification of development needs and growth potential, as well as support for employees’ career goals.

For further details, please refer to the remuneration section of the 2018 Annual Report.

Our employment package in Switzerland (valid for over 50% of Julius Baer employees), acts as the Group’s guiding framework. It includes equity participation plans, fringe benefits and innovative pension solutions, as well as competitive benefits concerning insurance coverage, health care, paid holidays (e.g. minimum of 25 days for our employees in Switzerland), parental leave and discounts for public transport. The majority of part-time employees (those with an employment contract of at least 40%) enjoy the same fringe benefits as full-time employees.

Parental leave is offered in accordance with local legislation, but we frequently offer more than the statutory minimum. For example, in Switzerland, we offer maternity leave of twenty weeks at full pay (the legal requirement is fourteen weeks at 80% pay) and paternity leave of one week at full pay (there is currently no national regulation in place), as well as adoption leave for sixteen weeks at 80% pay (again, there is no national regulation currently in place). As local requirements differ, Swiss regulations for parental leave serve as a guiding principle for our locations abroad.

**EMPLOYEE RELATIONS**

Julius Baer is committed to being a responsible employer in a world full of complexity and uncertainty. To maintain good employee relations, Julius Baer has regular interaction with work councils in Luxembourg and Monaco, employee representative bodies in Switzerland (including the Association of Swiss Banking Employees and Swiss Association of Commercial Employees) and the United Kingdom as well as other social partners.

Julius Baer intends to focus on preventive employability activities, such as training sessions and workshops in the context of career review and

**Parental leave<sup>1</sup>**

	2018	2017
Total number of employees taking parental leave	245	236
<i>by women</i>	138	135
<i>by men</i>	107	101
Parental leave in average total days taken		
<i>by women</i>	110.7	111.4
<i>by men</i>	5.9	5.8
Share of women on maternity leave the previous year still employed (%) <sup>2</sup>	79	84

<sup>1</sup> More detailed HR data may be found at the end of this report in the section ‘Key Figures’.

<sup>2</sup> Please note that some women on maternity leave in any given year started their leave the previous year.

coaching. In 2018, we introduced ‘Career Manager’ across the bank, based on a successful pilot conducted two years previously. This tool provides staff with a thorough ‘employability check’.

In October 2018, we set up a new social plan that replaces the 2016 plan and provides for the possible event that collective lay-offs may occur as a result of restructuring. The social plan was signed by the Association of Swiss Banking Employees and the Swiss Association of Commercial Employees. Formulated for Switzerland, the social plan applies in other countries as well (adjusted for local legislation and market practices).

In 2018, the social plan was applied to fewer than twenty employees globally. The plan offers benefits such as severance pay, external outplacement services and financial support for training to improve individual employability. In Switzerland, in particular, employees whose position is eliminated in line with the social plan and who are eligible for early retirement are given a deposit/injection into their pension fund savings; this is aimed at reducing any losses in pension benefits.

Julius Baer is part of collective bargaining agreements in Austria, Luxembourg, Monaco, Spain and Switzerland.<sup>8</sup> No significant proportion of our workforce is employed in the low-wage segment.

<sup>8</sup> GRI 102-41

# RESPONSIBILITY TO SOCIETY

Active corporate citizenship has always been an important part of Julius Baer’s company culture. It engages employees and clients, and strengthens our licence to operate in the communities in which we are located. With over 50 locations globally, Julius Baer places strong emphasis on engaging with local communities.

## COMMUNITY INVESTMENT

### Julius Baer Cares

Julius Baer has a vibrant community engagement movement emanating from its employees. Carrying the name Julius Baer Cares (JB Cares), the organisations in different countries are run by employees on a voluntary basis. At the end of 2018, JB Cares chapters were active in the Bahamas (new chapter), Guernsey, Hong Kong, Ireland, Panama, Singapore, Switzerland, the United Kingdom and Uruguay.

## UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS

In 2015, the United Nations (UN) launched its 2030 Sustainable Development Goals (SDGs)<sup>9</sup>. This global framework consists of 17 Goals, including 244 targets, ranging from environmental and social issues to political and global partnership topics. The aim of the SDGs is to achieve a better and more sustainable future for all. In committing to the Goals, nations have called on companies, particularly multinationals and financial services companies, to support them.

To combat issues like climate change and poverty, governments realise they need help from the private sector. In the financial sector, we have a key role to play – to help mobilise private funds in support of the global development agenda. For us, this involves:

- Ensuring we integrate ESG considerations into investment decisions as far as possible, and provide clients with sustainable investment options.
- Strengthening our position as a good corporate citizen in our local communities, by abiding by local legislation, creating economic value and collaborating with local stakeholders.
- Engaging our clients on the SDGs, educating them and showing them what Goal(s) might be investable for them.

Throughout this report, business areas where Julius Baer contributes to Sustainable Development Goals have been marked with the relevant SDG logo. We will continue to actively engage on and invest in the different Goals.



<sup>9</sup> <https://www.un.org/sustainabledevelopment/>

Structurally independent from one another, the JB Cares organisations have a shared vision:

- To support fund-raising initiatives for charitable purposes by staff (for projects in the local communities and worldwide);
- To promote charitable initiatives and to increase their visibility within Julius Baer.

Most JB Cares chapters organise both recurring annual initiatives and other one-off events, as well as fundraising and in-kind giving. Such initiatives include longer-term commitments such as annual support to SEMO (the motivational semester for Swiss high school students) in Switzerland, educating youth on life after school, or focusing on hunger reduction projects by joining the Asia Philanthropy Circle in Singapore. Other chapters select annual focus topics or organisations. For example, in 2018, JB Cares UK focused on mental health, including several different events with a link to the topic. At other chapters, such as Hong Kong, Guernsey and the Bahamas, we focused on supporting children’s development. In Hong Kong, for example JB Cares supported at-risk children through the Chicken Soup Foundation.

Julius Baer Cares organisations may request the matching of funds by the Julius Baer Foundation.

Through these business practices, Julius Baer contributes to UN Sustainable Development Goals:



**Corporate volunteering**

As an employer, Julius Baer encourages volunteering by offering employees two paid days a year to work with local communities. Previously, these two days were mostly used for JB Cares activities in, for example, Hong Kong, Switzerland and the United Kingdom. In 2018, we started building a formal corporate volunteering programme. To find the right platform and format, we piloted a number of events in Switzerland. During the year, we held events such as a ‘cleaning day’ in the Swiss mountains with operations employees and a day in which Basel-based front staff supported an animal

shelter. Our goal by 2021 is to have a global volunteering programme, with standardised and customisable offerings through a centralised platform. In 2019, we will invest further in building this platform.

**Julius Baer Foundation**

The Julius Baer Foundation (the Foundation) is Julius Baer’s non-profit grant foundation. For more than 50 years, its purpose has been to make meaningful and impactful contributions to society. When Walter J. Baer established the Foundation in 1965, its aim was to provide support to all forms of art, culture and science, along with carefully selected charitable causes in Switzerland. The Foundation’s reach has since extended along with the growth of the Group, and today we collaborate with partner organisations worldwide in three core areas: ‘Vocational Training’, ‘Recycling PLUS’ and ‘Wealth Inequality’.

In the ‘Vocational Training’ programmes, we are committed to providing guidance to underprivileged youth; our projects teach self-reliance and responsibility, and help young people earn a living and give back to communities.

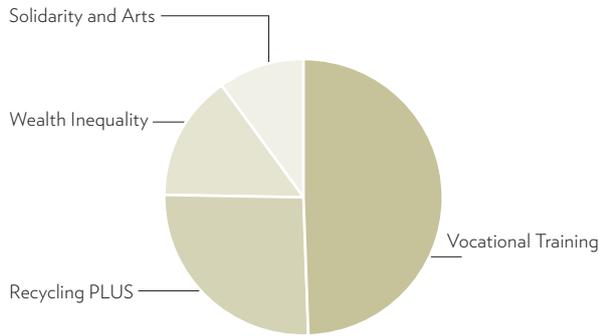
We also promote a sustainable approach to natural resources through ‘Recycling PLUS’ projects geared towards re-using materials in innovative and sustainable ways within a circular economy.

Through our ‘Wealth Inequality’ programme, we encourage dialogue between social groups to tackle inequality of both means and opportunity. We invest in inspiring initiatives that are created jointly by people from the top and bottom of the social ladder, and are aimed at reducing the wealth gap. We focus our programme on the top twenty most unequal countries in the world based on recognised wealth inequality measures: the GINI coefficient and the Palma Ratio.

In line with its motto ‘we walk the talk’ and to make sure that there is no conflict with its purpose, the Foundation’s capital is invested entirely in the Julius Baer Sustainability Mandate.

Cultural heritage remains an important part of the Foundation’s works and the Foundation supports a number of art awards.

Julius Baer Foundation grant distribution 2018



The Julius Baer Foundation’s overall grant budget totalled approximately CHF 2.4 million in 2018. The majority was allocated to Vocational Training projects, followed by Recycling Plus and Wealth Inequality. A final piece of the pie was granted to solidarity and arts projects, including the grant matching of our JB Cares fundraisers around the world.

Bank Julius Baer is currently the largest donor to the Foundation. In order to gain greater leverage in our three core areas, however, we are keen to grow and offer both clients and employees the opportunity to support the Foundation through donations.

For more information about the Julius Baer Foundation, including its latest Annual Report and overview of engagements, please visit our website.

Through these business practices, Julius Baer contributes to UN Sustainable Development Goals:



SPONSORING

Julius Baer sponsors a number of first-class institutions. We focus on projects that have a sense of tradition and are willing to be innovative. Our partners are thought leaders in the realm of sports and culture. We support, for example:

- *ABB FIA Formula E Championship*: we are the founding Global Partner of the world’s first fully electric racing series. Our pioneering spirit has paid off; it is now one of the most important racing series in the world, and it plays a substantial role in shaping the future of mobility. The series serves as a framework for research and development related to electric vehicles, with the aim of increasing interest in e-cars and promoting the innovative technologies that will move us tomorrow.
- *Elbphilharmonie & Laeiszhalle Hamburg*: we are the Principal Sponsor of this institution that offers an extremely high degree of diversity with regard to formats and music styles. Major stars direct, sing and play in a building with the most extraordinary acoustics. This remarkable institution presents itself as architectural art with its vitrified avant-garde.

Through this business practices, Julius Baer contributes to UN Sustainable Development Goals:



### JULIUS BAER ART COLLECTION

For over 35 years, the Julius Baer Art Collection has specialised in works by contemporary Swiss artists or artists who live in Switzerland. The objective of Julius Baer's Art Committee – responsible for the acquisitions – is to promote young talents. At the time of a first acquisition, artists are often at the beginning of their careers. The Art Committee follows these artists and purchases more works as their careers develop. In 2018, the Art Committee started to collect young artists such as Kevin Aeschbacher (born 1988) and Camillo Paravicini (born 1987); the Committee also acquired important works by Shahryar Nashat (born 1975), Mai-Thu Perret (born 1976) and Shirana Shahbazi (born 1974), among others.

Art is something to be experienced daily. By displaying art in the workplace, we provide a conversation starter between people. Through acquisitions, Julius Baer aims to promote and preserve visual art in Switzerland. Today, our collection contains over 5,000 works, including pieces by leading Swiss artists. Most of the artworks are on display for employees and clients in meeting rooms, offices, canteens, foyers and corridors at Julius Baer premises around the world.

From time to time, we lend certain works of art to museums for their exhibitions. In 2018, for example, we lent works by Terry Adkins (1953-2014) to a New York-based gallery and to the Institute of Contemporary Art in Miami, the United States.

## WINDOW TO THE FUTURE

Julius Baer has been involved in Formula E since the first season in 2014, making us a pioneer in Formula E sponsoring. Since 2014, the electric racing series has gained momentum. The highlight for Julius Baer this season was a race in its home market, the first city street-racing event on Swiss soil in over 60 years.

### JULIUS BAER AND FORMULA E

We believe that Formula E is an investment in our society's future. The racing series serves as a test bed for innovations that advance mobility and 'smart cities'; it also opens up the communities in which these races are hosted to new ideas about transport and the environment. In recent years, e-mobility has become a pressing issue for business, the scientific community and wider society, not least since the diesel emissions scandal broke and air pollution in big cities hit disastrous levels.

As a bank, we are tasked with managing assets; this includes finding investments that create long-term value. In doing so, Julius Baer forges links between assets on the one hand and the worlds of science and business on the other. With its Formula E sponsorship, we engage in visionary thinking, pioneering spirit, sustainability and forward-looking investment trends. As a result, Julius Baer became one of Formula E's founding partners and took a notable stake in the racing series.

### JULIUS BAER EPRIX ZURICH

On 10 June 2018, Formula E visited Zurich at the Julius Baer ePrix. Given Switzerland's flair for innovation, we knew that hosting a race in our home market would generate great interest. The result: around 150,000 spectators.

For the Zurich ePrix, we acted as an intermediary between the FIA (Fédération Internationale de l'Automobile), Formula E and local organisers. We also contributed our own Formula E expertise. In addition, the race enabled our clients, employees and local community to be part of the Formula E experience.

### CAMPAIGN 'WINDOW TO THE FUTURE'

The well-being of our society hinges on investment decisions that we make now. Alongside preparations for the race, we launched the campaign 'Window to the Future' showing what the city of Zurich will look like in 30 to 50 years.

The starting point for our campaign is Formula E's higher purpose: we see the series as a testing lab for technologies that will shape our future. The emphasis is on the megatrends 'energy transition' and 'shifting lifestyles'. In highlighting these trends, we are also highlighting the reason for our own investment in Formula E and building a bridge to our Next Generation offering.

How we invest today, is how we will live tomorrow.



# ENVIRONMENTAL RESPONSIBILITY

Management of Julius Baer’s environmental footprint is a fundamental part of our corporate sustainability strategy. As well as bringing environmental and social benefits, managing and reducing our operational footprint increases efficiency, leads to cost savings, and mitigates climate change risks. There may be other benefits: locking in lower prices by buying renewable energy now, for example, or reducing exposure to fluctuations in prices for other natural resources. This aligns with our overall objective of productivity and long-term profitability.

## CLIMATE CHANGE

Because we are a services-based business, our highest climate change risk exposure originates in our and our clients’ investment portfolios. We have a global presence, often in coastal areas and locations with extreme weather risk. However, in these locations, our offices are mostly rented, reducing possible financial losses. Consequently, the physical risk of climate change that is likely to arise is expected to be limited to energy prices. The expectation is that in the mid to long-term, fossil fuel prices will continue to rise. At the same time, there are some forecasts that suggest renewable energy prices will fall below the price of fossil fuels. As a result, there is a risk-based incentive for Julius Baer to switch to renewable energy where possible.

## FRAMEWORK

### 2020 goals

In 2015, we set goals to optimise the efficiency of our infrastructure and to operate an environmentally conscious corporate culture by 2020. The key goals are listed below.

To make sure these targets are met, we continue to invest time and resources in environmental initiatives. In 2018 for example, our office in Israel abolished PET bottle waste, following other locations such as Switzerland and Uruguay.

### Energy:

- Reduce total consumption by 10%
- Purchase 100% of electricity from renewable sources (wherever possible)

### Water:

- Reduce total consumption by 5%

### Waste, recycling and cleaning:

- Establish and implement a comprehensive waste management and recycling concept; based on that, set up respective waste management and cleaning guidelines

In Zurich, Julius Baer collaborated with a local start-up to install a new type of smart LED in some of our car parks; this lighting consumes 90% less energy than normal lighting and 70% less than regular LED. Julius Baer Singapore moved into an award-winning green building, and Julius Baer Spain undertook initiatives that together will significantly reduce its environmental footprint. In addition, from 2019, all our Swiss locations will source 100% European renewable electricity. Globally, we will make this switch gradually: whenever an electricity contract comes up for renewal, we will move, if possible, to renewable energy.

We continue to offset all our CO<sub>2</sub> emissions through a certification scheme. To do so, we use the scope 1, 2 and 3 emissions included in this report (approximately 80% of our business, based on FTEs) extrapolated to cover 100% of our workforce.

More detailed reporting on our environmental indicators may be found in the data tables at the end of this report.

**Outlook 2021**

As part of the strategy review process in 2018, we analysed Julius Baer’s environmental impacts. Using this analysis, we decided that we will focus on two areas with the highest operational environmental impact going forward: business travel and energy consumption.

**Business travel**

Covering half of Julius Baer’s carbon footprint, we will take measures to reduce our business travel where possible. An example is the car leasing policy in Luxembourg, where an employee is rewarded for selecting a vehicle that is more efficient. However, the nature of our relationship-based business does not allow us to bring business travel to zero. Therefore, we will continue to offset all remaining emissions.

**Key environmental indicators<sup>1,2,3</sup>**

	2018	2017
Energy consumption (MWh)	32,575	32,518
Greenhouse gas emissions (tCO <sub>2</sub> e) <sup>4</sup>	18,397	18,153
<i>Of which business travel (tCO<sub>2</sub>e)<sup>5</sup></i>	12,917	12,418
Water consumption (m <sup>3</sup> )	120,323	122,994

<sup>1</sup> More detailed environmental data may be found at the end of this report in the section ‘Key Figures’.  
<sup>2</sup> Unless stated otherwise, the numbers in this table are based on information from Julius Baer’s main business locations. These are Zurich, Geneva, Lugano, Basle and Bern in Switzerland, as well as our locations in Germany, the United Kingdom, Guernsey, Hong Kong, Singapore, India and Uruguay. These locations cover approximately 80% of our total employees.  
<sup>3</sup> GRI 102-48: 2017 data was restated to include additional business locations and updated emission factors.  
<sup>4</sup> Greenhouse gas emissions were calculated according to guidelines issued by the WRI/WBCSD Greenhouse Gas Protocol.  
<sup>5</sup> Business travel figures are a sum of emissions from air, rental car and train travel data provided by our central Global and Hong Kong Travel Offices (covering all employees globally), as well as emissions from company cars used at sites specified under footnote 1. 2017 emissions were restated based on the availability of more granular data for the calculation of GHG emissions from air travel, and the use of updated emission factors.

**Renewable energy consumption**

Our second largest direct environmental impact comes from energy consumption – electricity, heating and cooling – in our offices. Besides installing more energy-efficient equipment and machinery, we will continue to switch to renewably sourced energy wherever possible.

**ENGAGEMENT**

To show our broader commitment to environmental protection, Julius Baer actively engages employees and clients on environmental topics and continues its active membership of the Swiss Climate Foundation.

In 2018, we introduced a new waste management system in two of our Zurich offices. This helps reduce our environmental footprint and cleaning costs; more importantly, it makes our employees aware of how much waste is produced each day, and how easily it can be recycled.

This Swiss Climate Foundation helps fund CO<sub>2</sub>-reduction projects brought forward by small and medium-sized enterprises in Switzerland and Liechtenstein, and supports climate innovation projects. As part of its membership, Julius Baer donates a considerable portion of the net gains received from redistributed CO<sub>2</sub> levies in Switzerland to the Foundation.

Additionally, Julius Baer is also a participant in energy saving programmes promoted by local governments in the cantons of Geneva (eco21) and Zurich (Kantonale Zielvereinbarung) in Switzerland. Both programmes encourage companies to reduce their energy consumption progressively. In this context, we are committed to decreasing energy consumption in all our main buildings in Zurich by 1.3% annually.

Through these business practices, Julius Baer contributes to UN Sustainable Development Goal:



## A RESPONSIBLE OFFICE RELOCATION IN SINGAPORE

In June 2018, Julius Baer moved into new and bigger offices in the heart of Singapore's central business district. It was a move two years in the making. At 100,000 square feet (sqft), the office is a sprawling 30,000 sqft larger than its predecessor. The building boasts state-of-the-art sustainable design, with Green Mark Platinum and LEED Platinum certification.

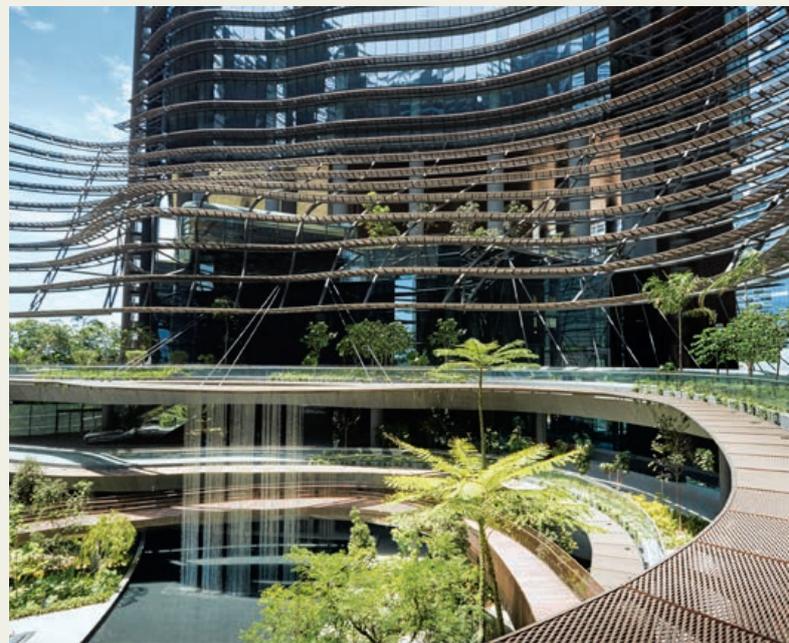
Julius Baer occupies two office spaces in Singapore. With Julius Baer Singapore's continued growth prospect in Asia, we needed a larger space to replace at least one of the two offices. Several factors played a part in our choice: size (long-term growth), price (cost stability), location and access to public transportation, and sustainability.

### GREEN BUILDING CERTIFICATION

Opened to occupants in 2018, Marina One is a mixed-purpose complex. This complex has LEED Platinum certification – perhaps the best-known sustainable building standard. It is also recognised under Singapore's own Green Mark Platinum Award Scheme. The requirements for these standards include factors such as energy and water efficiency, indoor environmental quality, site biodiversity, use of sustainable materials and resources, as well as access to public transport.

When moving in, Julius Baer recycled old office furniture where possible, and brought in ergonomic, flexible desks. We also replaced the old IT with more energy-efficient equipment (mini PCs and monitors, using 30% and 45% less energy, respectively). We also installed LED lights at all non-workplace spaces (these will lead to approximately 44% energy reduction), and special water fittings that will cut water consumption by at least 50%.

For its employees in Singapore, the new premises will provide greater interaction space and promote healthy living. Besides work desks that allow for alternation between sitting and standing, the office design is balanced between open areas (a large assembly area in the pantry and a spacious business



lounge area) and private space (sound-proof quiet rooms and meeting rooms of varying sizes), as well as welcoming greenery in the building's courtyard.

### DONATION OF OLD HARDWARE

Sustainability goes beyond the new building. We also have a responsibility to the office ware we leave behind. We donated all former office IT hardware to a local charity, allowing it to be re-used in schools and community care centres for adults with disabilities.

Through this business practice, Julius Baer contributes to UN Sustainable Development Goal:



# APPROACH TO REPORTING

## ABOUT THIS REPORT

This Corporate Sustainability Report centres on topics that are relevant to Julius Baer’s business strategy and long-term success, and that represent areas relevant to our stakeholders. By doing so, our report covers all aspects of corporate sustainability – environmental, social and governance. Content has been determined through a materiality assessment (see pages 8-10), conducted in accordance with the GRI Standards Core reporting option.

Unless indicated otherwise, this report covers the Julius Baer Group and all Group companies (also see Annual Report 2018, Note 27A)<sup>10</sup> for the financial year ending 31 December 2018.

Data in this report has been collected through internal processes in collaboration with all relevant subject matter experts (SMEs).

Content has been reviewed and approved by relevant SMEs, the Executive Board of Julius Baer Group Ltd. and the Governance and Risk Committee of the Board of Directors.

All disclosures in this report, including the management approaches, are based on the 2016 GRI content requirements. References to key GRI standards are made throughout the report.

This report also refers to Julius Baer’s contribution to the United Nations Sustainable Development Goals.

Julius Baer’s 2018 Corporate Sustainability Report is available in digital copy only. We discourage printing of this document.

This report forms part of the Corporate Publications suite of Julius Baer Group Ltd. This suite also includes:

- Our *Annual Report and Half-year Report*, which provide information on the financial results for the period under review. Specifically, the Annual Report also provides details on corporate governance, risk management and remuneration framework of the Group.
- Our *Business Review*, which provides a comprehensive overview of business developments in the reporting period, including corporate sustainability, and is published every six months as part of full-year and half-year financial results.

## RECOGNITION

With our reporting on our most material business practices, we have been able to maintain a continuous improvement in external sustainability ratings.

## Recognition

	2018	2017
MSCI ESG <sup>1</sup>	A	BBB
SAM Percentile Rank <sup>2</sup>	78	75
FTSE4GOOD <sup>3</sup>	Developed Index and Europe Index constituent	Developed Index and Europe Index constituent

<sup>1</sup> MSCI ESG Ratings provide insight into ESG risks and opportunities within multi-asset class portfolios. Source: <https://www.msci.com/esg-ratings>.

<sup>2</sup> The SAM Corporate Sustainability Assessment (CSA) is an annual evaluation of companies’ sustainability practices. The resulting ESG rating is used, among others, to create the Dow Jones Sustainability Index. Source: <https://www.robecosam.com/csa>.

<sup>3</sup> Created by the global index provider FTSE Russell, the FTSE4Good Index Series is designed to measure the performance of companies demonstrating strong environmental, social and governance (ESG) practices. The FTSE4Good indices are used by a wide variety of market participants to create and assess responsible investment funds and other products. Source: <https://www.ftse.com/products/indices/ftse4good>.

<sup>10</sup> GRI 102-45, 102-46, 102-49

# GRI STANDARDS CONTENT INDEX

The table below sets out our compliance with all relevant GRI indicators (including Material Aspects, identified as part of Julius Baer’s materiality assessment process).

<b>102 GENERAL DISCLOSURES</b>		
<b>Organisational profile</b>		
102-1	Name of the organisation	Sustainability Report 2018, 'About Julius Baer', p. 1
102-2	Activities, brands, products and services	Sustainability Report 2018, 'About Julius Baer', pp. 1-3
102-3	Location of headquarters	Sustainability Report 2018, 'About Julius Baer', p. 1
102-4	Location of operations	Sustainability Report 2018, 'About Julius Baer', p. 4
102-5	Ownership and legal form	Annual Report 2018, 'About Julius Baer', p. 1
102-6	Markets served	Sustainability Report 2018, 'About Julius Baer', pp. 2-4,
102-7	Scale of the organisation	Sustainability Report 2018, 'About Julius Baer', p. 2
102-8	Information on employees and other workers	Sustainability Report 2018, 'Responsibility to our Employees', pp. 29-31, 35; 'Key figures', pp. 51-52
102-9	Supply chain	Sustainability Report 2018, 'Business conduct and integrity', p. 19
102-10	Significant changes to the organisation and its supply chain	No significant changes
102-11	Precautionary principle or approach	Sustainability Report 2018, 'Our operating environment', pp. 8-10; 'Our strategic framework', p. 13; 'Business conduct and integrity', p. 16; 'Responsible investment', pp. 23-24
102-12	External initiatives	Sustainability Report 2018, 'Our operating environment', pp. 11-12
102-13	Membership of associations	Sustainability Report 2018, 'Our operating environment', pp. 11-12; 'Responsibility to our employees', p. 35
<b>Strategy</b>		
102-14	Statement from senior decision-maker	Sustainability Report 2018, 'Foreword', pp. 6-7
<b>Ethics and integrity</b>		
102-16	Values, principles, standards and norms of behaviour	Sustainability Report 2018, 'About Julius Baer', pp. 1, 5; 'Business conduct and integrity', pp. 15, 18-19; 'Responsibility to our employees', pp. 29-30
102-17	Mechanisms for advice and concerns about ethics	Sustainability Report 2018, 'Business conduct and integrity', pp. 18-19
<b>Governance</b>		
102-18	Governance structure	Sustainability Report 2018, 'Our strategic framework', p. 13; Annual Report 2018, 'Group structure and shareholders', p. 9; 'Board of Directors', pp. 13, 23-30, 33-34
102-19	Delegating authority	Sustainability Report 2018, 'Our strategic framework', p. 13
102-20	Executive-level responsibility for economic, environmental, and social topics	Sustainability Report 2018, 'Our strategic framework', p. 13

102-22	Composition of the highest governance body and its committees	Annual Report 2018, 'Group structure and shareholders', p. 9; 'Board of Directors', pp. 13-22
102-23	Chair of the highest governance body	Annual Report 2018, 'Board of Directors', pp. 13, 16-18
102-24	Nominating and selecting the highest governance body	Annual Report 2018, 'Board of Directors', pp. 18-22
102-25	Conflicts of interest	Annual Report 2018, 'Board of Directors', p. 13
102-26	Role of highest governance body in setting purpose, values, and strategy	Sustainability Report 2018, 'Our strategic framework', p. 13;
102-29	Identifying and managing economic, environmental, and social impacts	Sustainability Report 2018, 'Our operating environment', pp. 8-11; 'Our strategic framework', p. 13
102-32	Highest governance body's role in sustainability reporting	Sustainability Report 2018, 'Approach to reporting', p. 44
102-33	Communicating critical concerns	Annual Report 2018, 'Comment on risk and capital management', pp. 108-110
102-35	Remuneration policies	Annual Report 2018, '2018 remuneration highlights', pp. 48-49; 'Executive Board and senior management compensation', p. 60
102-36	Process for determining remuneration	Annual Report 2018, '2018 remuneration highlights', p. 49; 'Compensation governance', pp. 50-53
102-37	Stakeholders' involvement in remuneration	Annual Report 2018, 'Compensation governance', pp. 52-53
<b>Stakeholder engagement</b>		
102-40	List of stakeholder groups	Sustainability Report 2018, 'Our operating environment', p. 11
102-41	Collective bargaining agreements	Sustainability Report 2018, 'Responsibility to our employees', p. 35
102-42	Identifying and selecting stakeholders	Sustainability Report 2018, 'Our operating environment', p. 11
102-43	Approaches to stakeholder engagement	Sustainability Report 2018, 'Our operating environment', p. 11
102-44	Key topics and concerns raised	Sustainability Report 2018, 'Our operating environment', p. 11
<b>Report practice</b>		
102-45	Entities included in the consolidated financial statements	Sustainability Report 2018, 'Approach to reporting', p. 44; Annual Report 2018, 'Additional information', pp. 183-186
102-46	Defining report content and topic boundaries	Sustainability Report 2018, 'Our operating environment', pp. 8-10; 'Approach to reporting', p. 44
102-47	List of material topics	Sustainability Report 2018, 'Our operating environment', pp. 9-10
102-48	Restatements of information	Sustainability Report 2018, 'Environmental responsibility', p. 44; 'Key figures', p. 53
102-49	Changes in reporting	There are no significant changes in the list of material topics and topic boundaries compared with previous reporting periods.
102-50	Reporting period	01.01.2018-31.012.2018
102-51	Date of most recent report	March 2018
102-52	Reporting cycle	Annual
102-53	Contact point for questions regarding the report	Sustainability Report 2018, 'Corporate contacts', p. 54
102-54	Claims of reporting in accordance with the GRI Standards	This report has been prepared in accordance with the GRI Standards: Core option
102-55	GRI content index	Sustainability Report 2018, 'GRI Standards content index', pp. 45-49
102-56	External assurance	Not externally assured

**Specific Standards Disclosure**

**201 ECONOMIC PERFORMANCE**

103-1/2/3	Management Approach	Sustainability Report 2018, 'Our operating environment', p. 9; 'Our strategic framework', p. 13; Business Review 2018, 'Our strategy', pp. 21-23
201-1	Direct economic value generated and distributed	Sustainability Report 2018, 'Key figures', p. 50; Business Review 2018, 'Financial performance in 2018', pp. 5, 8-9; Annual Report 2018, 'Financial statements Julius Baer Group 2018', pp. 82-206
201-2	Financial implications and other risks and opportunities due to climate change	Sustainability Report 2018, 'Our operating environment', p. 8; 'Responsible investment', pp. 23-28; 'Environmental responsibility', p. 41
201-3	Defined benefit plan obligations and other retirement plans	Sustainability Report 2018, 'Responsibility to our employees', p. 35; Annual Report 2018, 'Remuneration report', pp. 166-170

**203 INDIRECT ECONOMIC IMPACTS**

103-1/2/3	Management Approach	Sustainability Report 2018, 'Our operating environment', p. 9; 'Responsibility to society', p. 36
203-1	Infrastructure investments and services supported	Sustainability Report 2018, 'Responsibility to society', pp. 36-38

**205 ANTI-CORRUPTION**

205-2	Communication and training about anti-corruption policies and procedures	Sustainability Report 2018, 'Business conduct and integrity', pp. 16-19
205-3	Confirmed incidents of corruption and actions taken	Sustainability Report 2018, 'Business conduct and integrity', p. 19; Annual Report 2018, 'Information on the consolidated balance sheet', pp. 159-162

**206 ANTI-COMPETITIVE BEHAVIOUR**

206-1	Legal actions for anti-competitive behaviour, anti-trust and monopoly practices	Annual Report 2018, 'Information on the consolidated balance sheet', pp. 159-162
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**301 MATERIALS**

301-1	Materials used by weight or volume	Sustainability Report 2018, 'Key figures', p. 53
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**302 ENERGY**

103-1/2/3	Management Approach	Sustainability Report 2018, 'Operational responsibility', pp. 41-42
302-1	Energy consumption within the organisation	Sustainability Report 2018, 'Key figures', p. 53
302-3	Energy intensity	Sustainability Report 2018, 'Key figures', p. 53
302-4	Reduction of energy consumption	Sustainability Report 2018, 'Environmental responsibility', p. 41; 'Key figures', p. 53

**303 WATER**

303-1	Water withdrawal by source	Sustainability Report 2018, 'Key figures', p. 53
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**305 EMISSIONS**

103-1/2/3	Management Approach	Sustainability Report 2018, 'Operational responsibility', pp. 41-42
305-1	Direct (Scope 1) GHG emissions	Sustainability Report 2018, 'Key figures', p. 53
305-2	Energy indirect (Scope 2) GHG emissions	Sustainability Report 2018, 'Key figures', p. 53
305-3	Other indirect (Scope 3) GHG emissions	Sustainability Report 2018, 'Key figures', p. 53
305-4	GHG emissions intensity	Sustainability Report 2018, 'Key figures', p. 53
305-5	Reduction of GHG emissions	Sustainability Report 2018, 'Key figures', p. 53

**306 EFFLUENTS AND WASTE**

306-2	Waste by type and disposal method	Sustainability Report 2018, 'Key figures', p. 53
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**401 EMPLOYMENT**

401-1	New employee hires and employee turnover	Sustainability Report 2018, 'Facts and figures', p. 51
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	Sustainability Report 2018, 'Responsibility to our employees', pp. 34-35
401-3	Parental leave	Sustainability Report 2018, 'Responsibility to our employees', p. 35; 'Key figures', p. 52

**404 TRAINING AND EDUCATION**

404-1	Average hours of training per year per employee	Sustainability Report 2018, 'Responsibility to our employees', p. 33
404-2	Programmes for upgrading employee skills and transition assistance programmes	Sustainability Report 2018, 'Responsibility to our employees', pp. 33-34
404-3	Percentage of employees receiving regular performance and career development reviews	Sustainability Report 2018, 'Responsibility to our employees', pp. 34-35

**405 DIVERSITY AND EQUAL OPPORTUNITY**

405-1	Diversity of governance bodies and employees	Sustainability Report 2018, 'Responsibility to our employees', p. 31; 'Key figures', p. 51
405-2	Ratio of basic salary and remuneration of women to men	Sustainability Report 2018, 'Responsibility to our employees', p. 31

**406 NON-DISCRIMINATION**

406-1	Incidents of discrimination and corrective actions taken	Sustainability Report 2018, 'Business conduct and integrity', p. 19
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**413 LOCAL COMMUNITIES**

103-1/2/3	Management Approach	Sustainability Report 2018, 'Our operating environment', p. 10; 'Responsibility to society', p. 36
413-1	Operations with local community engagement, impact assessment and development programmes	Sustainability Report 2018, 'Our operating environment', p. 10; 'Responsibility to society', pp. 36-38

**415 PUBLIC POLICY**

103-1/2/3	Management Approach	Sustainability Report 2018, 'Our operating environment', p. 9; 'Business conduct and integrity', pp. 17-18
415-1	Political contributions	Sustainability Report 2018, 'Recognition and memberships', p. 12; 'Business conduct and integrity', pp. 17-18

**417     MARKETING AND LABELLING**

103-1/2/3	Management Approach	Sustainability Report 2018, 'Our operating environment', p. 10; 'Responsibility to our clients', pp. 20-21
417-1	Requirements for product and service information and labelling	Sustainability Report 2018, 'Responsibility to our clients', pp. 20-21

**418     CUSTOMER PRIVACY**

103-1/2/3	Management Approach	Sustainability Report 2018, 'Our operating environment', p. 10; 'Responsibility to our clients', pp. 21-22
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	Not disclosed  Julius Baer considers this information to be confidential

**419     SOCIO-ECONOMIC COMPLIANCE**

103-1/2/3	Management Approach	Sustainability Report 2018, 'Our operating environment', p. 10; 'Business conduct and integrity', pp. 16-17; Annual Report 2018, 'Information on the consolidated balance sheet', p. 159
419-1	Non-compliance with laws and regulations in the social and economic area	Annual Report 2018, 'Information on the consolidated balance sheet', pp. 159-162

**BUSINESS CONDUCT AND INTEGRITY**

103-1/2/3	Management Approach	Sustainability Report 2018, 'Our operating environment', p. 10; 'Responsibility to our clients', pp. 15, 18
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**CLIENT ADVISORY EXPERIENCE**

103-1/2/3	Management Approach	Sustainability Report 2018, 'Our operating environment', p. 10; 'Responsibility to our clients', p. 20
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**DATA PRIVACY AND SECURITY**

103-1/2/3	Management Approach	Sustainability Report 2018, 'Our operating environment', p. 10; 'Responsibility to our clients', pp. 21-22
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**DIGITALISATION**

103-1/2/3	Management Approach	Sustainability Report 2018, 'Our operating environment', p. 10; 'Responsibility to our clients', p. 21
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**HUMAN CAPITAL MANAGEMENT**

103-1/2/3	Management Approach	Sustainability Report 2018, 'Our operating environment', p. 10; 'Responsibility to our employees', p. 29
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**RESPONSIBLE INVESTMENT PRACTICES**

103-1/2/3	Management Approach	Sustainability Report 2018, 'Our operating environment', p. 10; 'Responsible investment', p. 23
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# KEY FIGURES

## Key financial indicators<sup>1</sup>

	2018	2017	Change in %
Assets under management (CHF m)	382,074	388,422	-1.6
<b>Responsible investment</b>			
Assets with ESG integration (CHF m) <sup>2</sup>	43,537	45,881	-5.1
<i>As percentage of total assets under management (%)</i>	11.4	11.8	-
Discretionary sustainability mandates (CHF m) <sup>3</sup>	973	736	32.2
Recommended sustainable and impact investment funds (CHF m) <sup>4</sup>	435	215	102.3
<b>Operating income (CHF m)</b>	3,367.8	3,252.2	3.6
Personnel expenses (CHF m)	1,618.8	1,549.0	4.5
General expenses (CHF m) <sup>5</sup>	681.4	626.4	8.8
Depreciation and amortisation (CHF m)	90.5	88.2	2.6
<b>Profit before taxes (CHF m)</b>	977.1	988.6	-1.2
Income taxes (CHF m) <sup>6</sup>	167.4	183.0	-8.5
<b>Adjusted net profit (CHF m)</b>	809.7	805.6	0.5
<b>Key performance ratios</b>			
Cost/income ratio (%) <sup>7</sup>	70.6	69.0	-
BIS total capital ratio (%)	18.7	21.2 <sup>8</sup>	-
Pre-tax margin (basis points)	24.8	27.3	-
Tax rate (%)	17.1	18.5	-
Dividend proposal 2018 and dividend 2017 (CHF) <sup>9</sup>	1.5	1.4	7.1
Moody's long-term deposit rating for Bank Julius Baer & Co. Ltd.	Aa2	Aa2	-

<sup>1</sup> Adjusted results derived by excluding from the audited IFRS financial statements the integration and restructuring expenses as well as the amortisation of intangible assets related to previous acquisitions or divestments and the taxes on those respective items.

<sup>2</sup> Based on assets under management in central mandates (only front regions, excluding intermediaries).

<sup>3</sup> Including various asset classes and currencies.

<sup>4</sup> Total assets under management invested through Julius Baer in recommended sustainable investment and impact investment funds on the open product platform.

<sup>5</sup> Including provisions and losses.

<sup>6</sup> For the business year 2018, Julius Baer Group reported an actual income tax expense of CHF 167.4 million, which can be split into CHF 137.8 million in current income taxes and CHF 29.6 million in deferred income taxes. In addition, approximately CHF 5.1 million capital taxes fell due. Other taxes and dues were paid, such as VAT, withholding taxes, stamp duty, etc. but these are not included in this calculation.

<sup>7</sup> Calculated using adjusted operating expenses, excluding provisions and losses.

<sup>8</sup> Basel III fully-applied

<sup>9</sup> 2018 dividend is subject to confirmation by the Annual General Meeting (10 April 2019).

## Key HR indicators

	2018	2017	Change in %
<b>Our people</b>			
Total headcount (total workforce excl. externals) <sup>1</sup>	6,985	6,586	6.1
<i>Of which regular staff</i>	6,738	6,394	5.4
<b>Number of employees (FTE) (total workforce excl. externals)<sup>1</sup></b>			
<i>Of whom in Switzerland (%)</i>	52.8	54.4	-
<i>Of whom in rest of Europe (%)</i>	17.4	16.8	-
<i>Of whom in Asia-Pacific (%)</i>	21.4	21.4	-
<i>Of whom in Latin America (%)</i>	5.5	4.7	-
<i>Of whom in Middle East and Africa (%)</i>	2.8	2.7	-
Total net employee turnover (%) <sup>2</sup>	8.8	8.9	-
Total voluntary turnover (%) <sup>3</sup>	7.2	6.9	-
Average employee tenure (years)	7.6	7.6	0.0
<b>People and diversity</b>			
Ratio of women (% of total regular staff headcount)	41.9	41.2	-
Women in senior management (% of total senior management headcount) <sup>4</sup>	27.1	26.3	-
Women on the Executive Board (%) <sup>5</sup>	13.3	13.3	-
Women on the Board of Directors (%) <sup>6</sup>	10	20	-
Promotions of women in all ranks (% of total promotions)	40.2	42.9	-
Promotions of women in senior management (% of total promotions)	21.6	27.7	-
Number of nationalities employed	105	106	-0.9

<sup>1</sup> Total workforce includes regular staff (employees with an ordinary open-ended Julius Baer contract on a full or part-time basis), temporary staff, trainees, apprentices and graduates.

<sup>2</sup> Fluctuation rate / net turnover of regular staff in %, including resignations and terminations.

<sup>3</sup> Resignations as a percentage of regular staff.

<sup>4</sup> Julius Baer defines senior management as all employees with the rank of Director to Managing Director.

<sup>5</sup> This number includes members of both the Group's Executive Board and the Bank's Executive Board.

<sup>6</sup> Out of 10 Board of Directors members in 2018. On 14 January 2019, two women were nominated for election to the Board of Directors at the Annual General Meeting in April 2019. If elected, they will replace one male and one female board member.

	2018	2017	Change in %
<b>Employee well-being and benefits</b>			
Illness days per employee <sup>7</sup>	4.3	4.6	-6.5
Part-time employees (% of total regular staff headcount)	10.5	10.4	-
<i>Male part-time employees (% of total male staff)</i>	3.7	3.8	-
<i>Female part-time employees (% of total female staff)</i>	19.9	19.8	-
Total number of employees taking parental leave	245	236	3.8
<i>by women</i>	138	135	2.2
<i>by men</i>	107	101	5.9
Parental leave in average total days taken			
<i>by women</i>	110.7	111.4	-0.6
<i>by men</i>	5.9	5.8	1.7
Share of women on maternity leave the previous year still employed (%) <sup>8</sup>	79	84	-

<sup>7</sup> This number reflects illness days in Switzerland (52.8% of our employees are based in Switzerland).

<sup>8</sup> Please note that some women on maternity leave in any given year started their leave the previous year.

Key environmental indicators<sup>1,2</sup>

	2018	2017	Change in %
Energy consumption (MWh)	32,575	32,518	0.2
Electricity (MWh)	23,711	23,498	0.9
Heating and other fuels (MWh)	8,864	9,019	-1.7
Energy intensity (MWh/FTE)	6.3	6.3	-1.0
Greenhouse gas emissions (tCO <sub>2</sub> e) <sup>3</sup>	18,397	18,153	1.3
Scope 1 (tCO <sub>2</sub> e) <sup>4</sup>	1,784	1,898	-6.0
Heating and other fuels (tCO <sub>2</sub> e)	1,394	1,446	-3.6
Volatile emissions (refrigerants) (tCO <sub>2</sub> e)	390	452	-13.6
Scope 2 (electricity and district heat) (tCO <sub>2</sub> e) <sup>5,6</sup>	3,302	3,400	-2.9
Scope 3 (tCO <sub>2</sub> e) <sup>7</sup>	13,311	12,855	3.5
Business travel (tCO <sub>2</sub> e) <sup>8</sup>	12,917	12,418	4.0
Purchased goods and waste from operations (tCO <sub>2</sub> e) <sup>9</sup>	394	437	-9.8
Greenhouse gas intensity (tCO <sub>2</sub> e/FTE) <sup>10</sup>	3.5	3.5	0.2
Business travel (km/FTE) <sup>9</sup>	16,716	17,241	-3.0
Paper consumption (t)	261	292	-10.5
Paper consumption intensity (kg/FTE)	50	57	-11.5
Water consumption (m <sup>3</sup> )	120,323	122,994	-2.2
Water consumption intensity (m <sup>3</sup> /FTE)	23	24	-3.3
Waste (t) <sup>11</sup>	728	847	-14.0
Residual office waste (t)	277	384	-27.9
Recycling (t)	397	413	-4.0
Special waste (t) <sup>12</sup>	55	49	10.6
Waste intensity (kg/FTE)	140	165	-15.0

<sup>1</sup> Unless stated otherwise, the numbers in this table are based on information from Julius Baer's main business locations. These are Zurich, Geneva, Lugano, Basle and Bern in Switzerland, as well as our locations in Germany, the United Kingdom, Guernsey, Hong Kong, Singapore, India and Uruguay. These locations cover approximately 80% of our total employees.

<sup>2</sup> GRI 102-48: 2017 data was restated to include additional business locations and updated emission factors.

<sup>3</sup> Greenhouse gas emissions were calculated according to guidelines issued by the WRI/WBCSD Greenhouse Gas Protocol. We offset all our CO<sub>2</sub> emissions through a certification scheme.

<sup>4</sup> Emissions from directly owned or controlled sources.

<sup>5</sup> Emissions from purchased electricity and district heat/cooling.

<sup>6</sup> Scope 2 emissions were calculated using the 'market-based' approach in accordance with the Greenhouse Gas Protocol Scope 2 Guidance. When reported using the 'location-based' approach, emissions totalled 5,029 tCO<sub>2</sub>e (2017: 5,092 tCO<sub>2</sub>e).

<sup>7</sup> Emissions from sources not owned or controlled by Julius Baer, but associated with Julius Baer's activities.

<sup>8</sup> Business travel figures are a sum of emissions from air, rental car and train travel data provided by our central Global and Hong Kong Travel Offices (covering all employees globally), as well as emissions from company cars used at sites specified under footnote 1. 2017 emissions were restated based on the availability of more granular data for the calculation of GHG emissions from air travel, and the use of updated emission factors. Kilometres/FTE are calculated using the same input.

<sup>9</sup> Emissions associated with the consumption of purchased paper and water, as well as emissions from treatment of waste generated by Julius Baer's operations (incl. treatment of waste water).

<sup>10</sup> Greenhouse gas intensity has been calculated using Scope 1, Scope 2 and Scope 3 (including company car data) emissions representing approximately 80% of employees. Business travel through air, rental cars and train travel has global coverage and has not been adjusted for this calculation. The FTE base used for the calculation is in line with the other intensity figures and covered approximately 80% of employees, as specified under footnote 1.

<sup>11</sup> The locations providing waste data cover approximately 75% of our total employees.

<sup>12</sup> Special waste comprises electronic scrap, toner cartridges, fluorescent lamps, street sludge and cooking oil.

## MORE INFORMATION

For more information about Julius Baer, including its approach to sustainability please visit: [www.juliusbaer.com](http://www.juliusbaer.com).

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The Annual Report 2018 of Julius Baer Group Ltd. containing the audited IFRS financial accounts of the Julius Baer Group for the year 2018 is available at [www.juliusbaer.com](http://www.juliusbaer.com).

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