Julius Bär

INFORMATION ON THE TREATMENT OF CONFLICTS OF INTEREST BY THE JULIUS BAER GROUP

1 Introduction

As a provider of a wide range of financial services, the Julius Baer Group (Julius Baer) faces inherent actual or potential conflicts of interest in its day-to-day business activities.

Conflicts of interest may occur when business interests are contrary to one another. If not mitigated, they may result in a financial disadvantage for the client.

As reflected in its Code of Ethics and Business Conduct, it is Julius Baer's aspiration to act with the utmost professional expertise and integrity.

As a company, Julius Baer puts its clients' best interests before its own – and the interests of Julius Baer before the personal interests of its employees.

Therefore, Julius Baer seeks to identify and avoid any conflicts of interest that could arise with regard to the services offered. Where they are unavoidable, Julius Baer makes them transparent in order to retain the trust of its stakeholders.

2 Types of potential conflicts of interest

Various constellations bear potential conflicts of interest, such as between an entity of Julius Baer and its clients, between one client and another client, or between employees of the entity and its clients.

The following is a non-exhaustive list of situations in which conflicts of interest may occur; all of these situations are covered within Julius Baer's conflicts of interest framework:

- Julius Baer's own (revenue) interest in selling and trading financial instruments, including instruments issued by an entity of Julius Baer or another affiliated entity;
- the receipt of compensation from third parties;
- employees accepting gifts and/or invitations from clients;
- performance-based compensation of employees and compensation granted to intermediaries (where applicable and permitted);
- relationships that Julius Baer may have with issuers of financial instruments that are offered or recommended to clients (e.g. service, collaboration, or revenue-sharing agreements);
- preparing financial analyses regarding securities offered for sale to clients;
- information that is not publicly known;
- personal relationships between Julius Baer's staff or management and persons associated with them;
- the participation of employees on supervisory or advisory boards;
- employees privately holding substantial shares in a (or in another) financial services company;
- proprietary and client securities trading.

3 Measures employed by Julius Baer to manage conflicts of interest

Although Julius Baer makes every effort to identify and consequently manage any conflicts of interest right from the beginning, it is not always possible to avoid them.

Julius Baer has implemented an overall conflicts of interest policy with minimum standards and operates a number of other policies and procedures to assist in the identification and management of actual or potential conflicts of interest. Employees of Julius Baer are obliged to comply with these policies at all times.

Julius Baer's overall approach to handling (potential) conflicts of interest consists of four key steps: identification, avoidance, mitigation, and disclosure of (potential) conflicts of interest.

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Identification of potential conflicts of interest

Julius Baer endeavours to properly identify any potential conflicts of interest in order to manage them. Therefore, Julius Baer keeps a register of all identified situations where an involved party

- is likely to make a financial gain, or avoid a financial loss, at the expense of the client;
- has an interest in the outcome of a service provided to a client or of a transaction carried out on behalf of a client, which is distinct from such client's interest in that outcome;
- has a financial or other incentive to favour the interests of a client or group of clients over the interests of another client or group of clients; or
- carries on the same business as the client and/or receives compensation in relation to a service provided to the client.

Avoidance and mitigation of potential conflicts of interest

Furthermore, Julius Baer has put a broad range of organisational measures in place in order to avoid and mitigate conflicts of interest, as illustrated by the following, non-exhaustive overview:

- organisational procedures to safeguard clients' interests for Advisory and Discretionary Mandates (e.g. confidentiality areas, information barriers, separation of responsibilities, technical separation);
- rules on accepting, giving, and disclosing compensation (including gifts and/or invitations);
- rules with regard to employee account transactions;
- rules on the monitoring and reporting of transactions which might constitute market abuse (i.e. insider dealing, market manipulation);
- keeping an insider list or watch list that helps monitor the traffic of sensitive information and prevent misuse of insider information;
- providing independent financial research;
- rules regarding the placement and allocation of initial public offerings and new issues;
- rules concerning the aggregation of orders as well as the allocation of block orders;
- effective arrangements which guarantee the best possible result for clients in terms of best execution;
- approval and review process for external mandates and secondary occupations of staff members;
- strict disclosure rules on employees with substantial shareholdings in other financial services companies;
- raising internal awareness regarding staff members who could become involved in conflicts of interest due to their role;
- ongoing staff training.

Controls employed by Julius Baer regarding conflicts of interest

Julius Baer has implemented a number of controls at the level of business units as well as independent control functions to ensure its measures and policy regarding conflicts of interest are adequate and adhered to. Specifically, Julius Baer has:

- an independent Compliance department that is directly responsible to management and whose duty is to monitor the identification, avoidance, and management of conflicts of interest by the business units; and
- a transaction and trade surveillance and reporting framework, supported by automated and state-of-the art rule engines, to identify abusive or even illegal transaction and/or trading patterns.

Disclosure of conflicts of interest and consent to proceed

Julius Baer makes every effort to avoid any conflicts of interest that could arise with regard to the services offered to clients, and to effectively mitigate any unavoidable potential conflicts in order to prevent them from having adverse effects on the interests of clients. However, due to the nature and complexity of the business, situations may still arise where Julius Baer cannot rule out with reasonable confidence that the interests of a client or third party may not be adversely affected. In such situations, Julius Baer will manage the conflict of interest in question in an alternative way by, e.g., declining to perform the service or by adequately informing the affected client/third party of the existence and nature of the conflict of interest.