Julius Bär

TAX STRATEGY

JULIUS BAER GROUP

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Strategy, Principles & Governance

This document – approved by the CFO of Julius Baer Group on 18 October 2017 – sets out Julius Baer Group's policy and approach to conducting its own tax affairs and dealing with tax risk and is made available to all Julius Baer Group's stakeholders. This document does not cover the Group's strategy on tax compliance of clients. The document will be periodically reviewed by the Group Tax team, and any amendments will be approved by the CFO of Julius Baer Group.

"*Julius Baer Group*" or the "*Group*" covers Julius Baer Group Ltd., Switzerland, and all its directly and indirectly held subsidiaries, branches of subsidiaries and representative offices registered as permanent establishments.

1 INTRODUCTION

The Julius Baer Group is the leading Swiss private banking group with a rich Swiss heritage and independence since 1890. This long history attests to our successful corporate development and commitment to sustainable long-term relationships built on mutual trust.

Our business focus continues to be on the demands of sophisticated private clients, family offices and independent asset managers from around the world. Present in over 25 countries and about 60 locations, we have a broad international network to meet our clients' local and global investment needs.

Headquartered in Zurich, Switzerland, Julius Baer Group has over the years developed a second home base in Asia. We are listed on the SIX Swiss Exchange and are a member of the Swiss Leader Index (SLI), comprising the 30 largest and most liquid Swiss stocks.

Based on the open product platform, the Group offers comprehensive services in the areas of wealth management, wealth planning and wealth financing.

Long-standing core values of Julius Baer – Care, Passion, Excellence (the 'Core Values') – form the aspirational foundation for all activities of our company.



Infused by those Core Values of Julius Baer, the daily activities of our company are governed by the four guiding principles and professional standards for ethical business conduct – Disciplined Entrepreneurship, Integrity, Excellence, and Respect. These are summarised in the Our Code of Ethics and Business Conduct (the 'Code').

2 TAX STRATEGY

There is no difference to the Core Values and the Code when it comes to taxation. Our Tax Policy is formed based on our three Core Values and infused by professional standards:

CARE

Julius Baer Group acknowledges that trustful relationships with governments and tax authorities play a key role in managing tax risks. We seek to develop **strong, mutually respectful relationships with national tax authorities based on transparency and trust**. All dealings with the tax authorities and other relevant bodies will be conducted in a collaborative, courteous and timely manner. The aim would be to strive for early agreement on disputed matters, and to achieve certainty wherever possible.

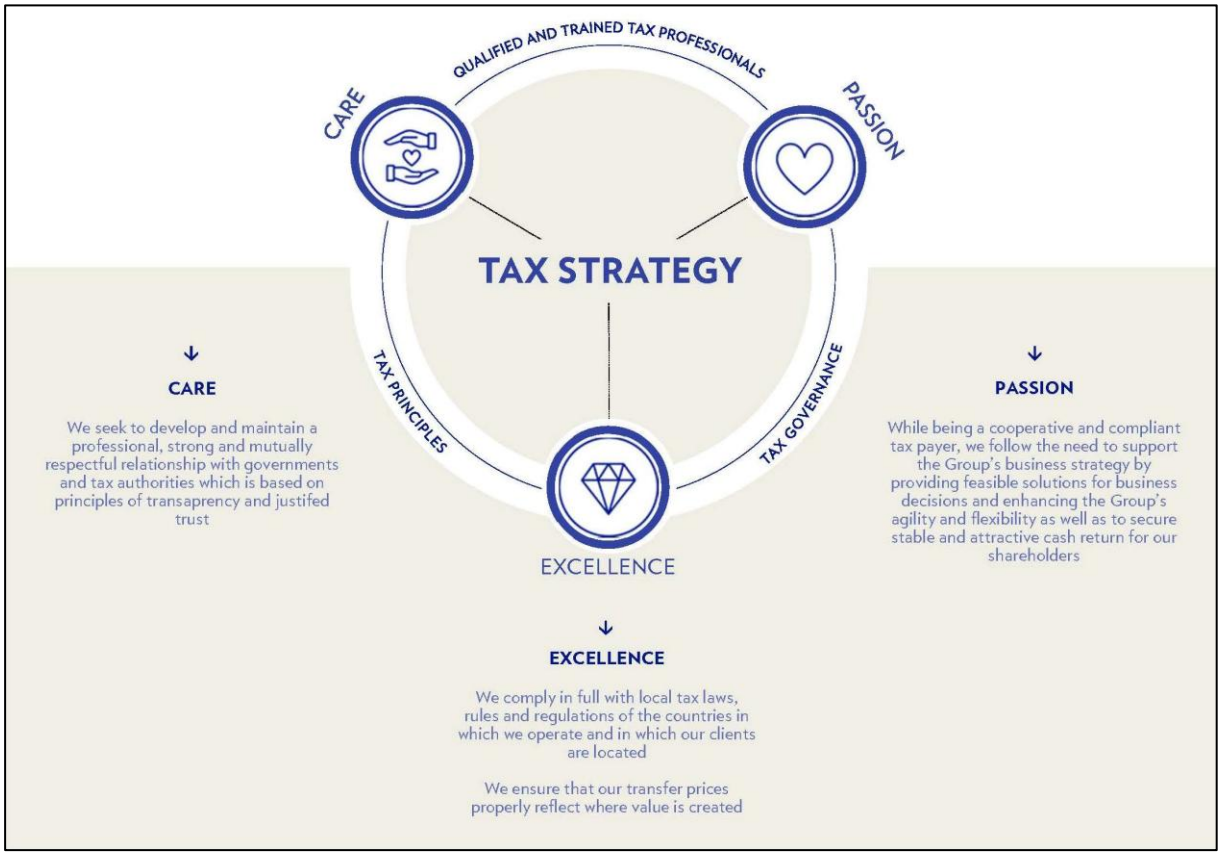
PASSION

While being a co-operative and compliant tax payer, we follow at the same time the need to **support the Group's business strategy** by providing feasible solutions for business decisions and enhancing the Group's agility and flexibility as well as to **secure stable and attractive cash return for our shareholders**.

EXCELLENCE

Julius Baer Group acknowledges that the tax it pays is an important part of our wider economic and social impact and plays a key role in the development of countries in which we operate. We have a **clear responsibility to comply in full with local tax laws, rules and regulations** of the countries in which we operate and in which our clients are located. We understand how and where the different affiliates of the Julius Baer Group contribute to creating value, and ensure **that our transfer prices** – the prices paid on transactions between group affiliates - **properly reflect where value is created**.

In order to achieve this strategy, Julius Baer Group employs **appropriately qualified and trained tax professionals** with the right levels of tax expertise and understanding of our business.



3 TAX PRINCIPLES

While implementing the Tax Strategy, the following principles are respected:

COMPLIANCE

We act at all times in accordance with all applicable laws and are guided by relevant international standards (for example OECD Transfer Pricing Guidelines). Julius Baer Group especially supports the OECD international tax reform work on Base Erosion and Profit Shifting (BEPS). We are committed to comply with the spirit as well as the letter of the law. Importantly, a dedicated tax team (Group Tax) will collaborate with the Group's businesses to provide advice and guidance necessary to ensure compliance, obtaining external advice where necessary. There are clear management responsibilities, backed up by regular monitoring and review, carried out by members of Group Tax with the necessary experience and skill set.

INFLUENCING TAX POLICIES

We lobby and seek to influence applicable industry bodies or associations, governments and other external bodies (e.g., OECD, EU) where possible and appropriate to shape future tax legislation and practice in ways that balance the Group's interest (e.g. consistency, stability, competitiveness) with those of the relevant authority or policy.

RELATIONSHIPS WITH TAX AUTHORITIES

We seek to develop strong, mutually respectful relationships with national tax authorities based on transparency and trust. Where countries have weak or poorly constructed fiscal regulation and/or institutions we support work to help develop the capability of tax authorities and systems. We are committed to the principles of openness and transparency in its approach to dealing with tax authorities wherever we operate around the world. All dealings with the tax authorities and other relevant bodies will be conducted in a collaborative, courteous and timely manner. The aim would be to strive for early agreement on disputed matters, and to achieve certainty wherever possible.

TRANSFER PRICING

We are committed to pay an appropriate amount of tax according to where value is created within the normal course of commercial activity. Any transfer pricing is always calculated using the 'arm's-length' principle. In order to comply with local transfer pricing documentation requirements, we maintain an extensive documentation set which is based on BEPS report 13 on "*Transfer Pricing Documentation and Country-by-Country Reporting*" (Master Files, Local Files, Special Files, Country-by-Country-Reporting, Intercompany Agreements). The governance framework covering the responsibility and global transfer pricing practice are
formalized in the internal "*Global Transfer Pricing Policy for Intercompany Transactions*".

OECD PILLAR TWO (GLOBAL MINIMUM TAX) COMPLIANCE

We are committed to complying with all applicable OECD Pillar Two (Global Anti-Base Erosion (GloBE)) requirements and the corresponding domestic legislation enacted in jurisdictions in which we operate. Pillar Two aims to ensure that large multinational enterprise groups are subject to an effective minimum tax rate of 15% on income arising in each jurisdiction where they conduct business.
We view compliance with OECD Pillar Two as an integral component of our broader commitment to tax transparency, responsible tax management and adherence to the letter and the spirit of the applicable tax laws.

TRANSPARENCY

We are transparent about our approach to tax and regularly put forward understandable, timely and transparent communication about our tax policy and total tax payments. We support initiatives to improve international transparency on taxation matters, including OECD measures on Country-by-Country Reporting (CbCR) and exchange of tax rulings.

TAX PLANNING

Julius Baer Group recognizes that it has a responsibility to pay an appropriate amount of tax in each of the key jurisdictions in which it operates. However, we aim to balance this at the same time with the need to support the Group's business strategy by providing feasible solutions for business decisions and enhancing the Group's agility and flexibility as well as to secure stable and attractive cash return for our shareholders. Accordingly, we may utilise tax incentives or opportunities for obtaining tax efficiencies where these are deemed to be sustainable, not considered to carry significant reputational risk or significant risk of damaging our relationship with the tax authorities in the jurisdictions in which we operate, are aligned

with the intended policy objectives of the governments which introduced the incentives, and are aligned with our business or operational objectives

TAX INCENTIVES AND RELIEFS

We believe that our Group should pay the amounts of tax legally due in any territory. There will, however, be circumstances where this amount may not be clearly defined, or where alternative approaches may result in differing tax outcomes. The Group will use its best judgement in determining the appropriate course of action, using available reliefs and incentives where possible. Tax incentives are government measures that are intended to influence business decision-making or to encourage businesses to invest in a particular way by reducing the amount of tax they have to pay. We are committed to use these incentives where they are aligned with our business and operational objectives and where they require economic substance in order for the tax incentive to be granted.

TAX EVASION

We do not tolerate tax evasion, nor do we tolerate the facilitation of tax evasion by any person(s) acting on the Group's behalf.

TAX HAVENS

Secrecy jurisdictions or so-called 'tax havens' are not used for tax avoidance.

TAX RULINGS

We only seek rulings from tax authorities to confirm the applicable treatment based on full disclosure of the relevant facts.

TAX LITIGATIONS

While we are committed to maintain a strong and respectful relationships with national tax authorities, we are at the same time willing to protect the Group from tax consequences that according to our professional assessment are technically not correct. If such unjustified tax consequences are deemed to be material to the Group or have a prejudicing character, we will in consultation with Group General Counsel and if required supported by external tax lawyers take the necessary legal action against them.

4 TAX GOVERNANCE

APPROACH

Responsibility for the Tax Strategy and the supporting Tax Principles ultimately sits with the Group Chief Financial Officer (CFO). Day-to-day responsibility for each of these areas sits with the Head of Group Tax, who reports to the CFO. Our Head of Group Tax leads a senior team based predominantly in Zurich with specific geographic and technical responsibilities, including specialists in transfer pricing and indirect taxes. The Group Tax function is organised on a global basis which ensures to have consistent tax policies, strategies and processes, and to invest in the team's continuing professional development. The professionals of the Group Tax function work on an ongoing basis together with other functions, allowing the Group Tax team to stay closely connected to Julius Baer's business and the tax developments in the various countries with a tax footprint.

Advice is sought from external advisors, but only on material transactions and whenever the necessary expertise is not available in-house.

We report to the Board Audit Committee on tax strategy and provide updates on tax regulation and key tax challenges we are facing. The Board Audit Committee receives an annual update on the group's effective tax rate, tax provisions, key tax issues for the up-coming year, and compliance with the Tax Principles.

DISCLOSURE ON TAX MATTERS

The consolidated financial statements are prepared in compliance with IFRS standards (as disclosed in Note 29 of the Section *"Notes to the Consolidated Financial Statements"*). Accounting for income taxes recognizes both the current tax consequences of transactions, including provisions for uncertain tax positions, and events and the future tax consequences of the future recovery or settlement of the carrying amount of the entity's assets and liabilities, as required by IAS 12.

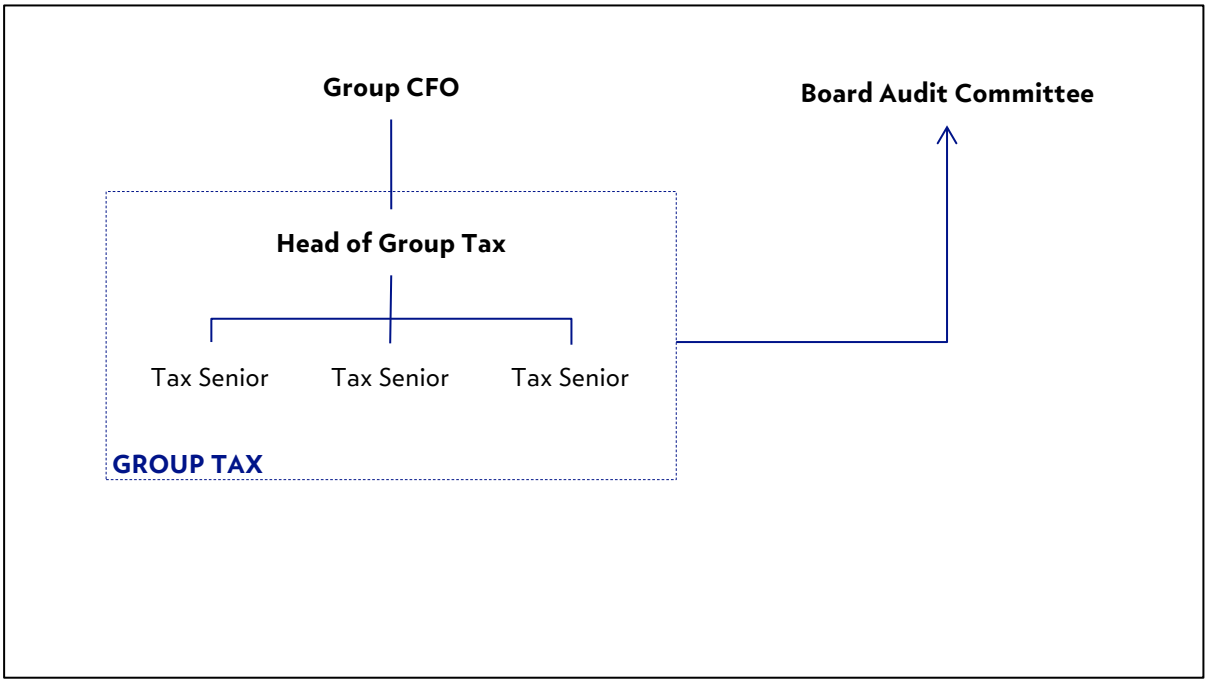
TAX RISKS

As a business, we are subject to taxation in the many countries in which we operate. The tax legislation in these countries differs and is often complex and subject to interpretation by management and the

government authorities. Recent developments in the international tax area have increased the likelihood of changes to tax systems in the countries in which we operate, and this creates added uncertainty.

TAX RISK MANAGEMENT

We recognize that tax risk is an inherent aspect of conducting business across multiple jurisdictions. Our objective is to proactively identify, assess, manage and mitigate tax risks while ensuring compliance with applicable tax laws and supporting our commercial objectives.



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The Julius Baer Group
is present in some
60 locations worldwide.
From Zurich (Head Office),
Dubai, Frankfurt, Geneva,
Guernsey, Hong Kong,
London, Lugano, Monaco,
Montevideo, to Singapore.

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