Julius Bär

SUSTAINABLE FINANCE

Your convictions matter



MARKETING MATERIAL

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Please find important legal information at the end of this document.
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Sustainable investing – an ever-evolving topic



Nicolas de Skowronski, Head of Wealth Management Solutions and Member of the Executive Board

Sustainable finance in the 2020s

Sustainability has long been in focus when it comes to making investment decisions at Julius Baer. Nicolas de Skowronski, Head of Wealth Management Solutions, explains why the journey matters.



Sustainable investing is becoming an ever-more important topic. National and supranational institutions are increasingly introducing regulations in the field of sustainable finance, and the role of the financial industry in transforming the economy into a more sustainable system is a topic that is very much in the public eye. 'Sustainability' and 'corporate social responsibility' have indeed become everyday terms, but they do not just relate to the way in which we lead our daily lives. They are also important in terms of how we make investment decisions, both on an individual and an institutional level.

Julius Baer prides itself on empowering its stakeholders to make a positive impact on the world – something that began with the establishment of the Julius Baer Foundation more than half a century ago. Since then, we have signed the United Nations' Principles for Responsible Investment (in 2014) and Principles for Responsible Banking (in 2019).

Having already embedded sustainability into our core business, as is evidenced by our 16-year track record in sustainable discretionary mandates, we are now taking matters one step further by making it easier for our clients to express their sustainability preferences with regard to their investment endeavours.

The ability to integrate sustainability factors into investment management and advisory processes and to quantify them is not just important for us and our investors but also for our regulators. In the European Union (EU), the Green Deal established in December 2019 sets goals to reach net-zero greenhouse gas emissions by 2050 and provides a framework to encourage the orientation of capital flows towards sustainable investments. And although Switzerland is not a member of the EU, it shares many of the sustainable development goals contained in the Green Deal and is in the process of reflecting them in its own sustainability, environmental, climate, and energy policies.

In light of these efforts, and with the desire to enable our clients to make informed investment decisions, it is vital to us that our clients understand Julius Baer's approach towards integrating environmental, social, and governance (ESG) considerations into our investment decisions.

That said, we also need to be humble enough to admit that ESG-related investing alone will not save the planet. Financial considerations can indeed incentivise companies to act in the best interests of the planet, but the bars for companies to become part of the ESG universe are still very low. For instance, certain sectors may enjoy high ESG ratings on their low greenhouse emissions due to the nature of their business or because they pursue carbon reduction or removal measures, while at the same time their behaviour towards customers or employees, and hence their corporate citizenship credentials, may be debatable at best. Thus, a particular ESG-related methodology could leave plenty of questions unanswered, and it is clear that the field will need to evolve further over time. And while ESG investing is sometimes presented as the route to superior long-term performance, this view may be too simplistic, as hard proof for the overlap between purpose and profit is in many instances still challenging to find.

Therefore, our main aim is to provide transparency about how we handle sustainable finance at Julius Baer: we explain the way in which we integrate sustainability into our daily business. Our experts describe how and why we have developed our own proprietary methodology for sustainable investing and how we are now adapting it to give clients a clearer picture of the extent to which their own portfolio is sustainably invested. Finally, we provide a glimpse into how the new rules and regulations outlined in the EU's 'Sustainable Finance Action Plan', which is part of the Green Deal, will practically impact the advice that we give our clients on sustainable investing in the future.

We are all looking forward to taking the next steps in the sustainability journey with you.



Caring about your sustainability values

Eight questions for Diego Würgler, our Head of Investment Advisory

Diego Würgler, Head of Investment Advisory, explains the benefits of having a Julius Baer mandate, especially now that we are in the process of integrating environmental, social, and governance (ESG) factors into our advisory and discretionary services.



Diego Würgler, Head of Investment Advisory

Why should a client consider a mandate with Julius Baer?

Diego: I could fill a whole brochure with arguments, of course, but for me, the most obvious reasons to maintain a mandate with Julius Baer, be it discretionary or advisory, are that we help our clients to achieve their goals in terms of risk-adjusted performance as well as keep them up-to-date regarding the latest market developments. And over the years, our services have become ever-more client-centric, thanks to the strong backbone of highly sophisticated data that we are able to access and, of course, a motivated and global-thinking team of local professional relationship managers, advisors, and money managers.

With sustainable investing becoming more popular over the past years, how did you ensure that Investment Advisory was brought up to speed to provide professional advice in this field too?

Diego: To me, it felt like a natural process. As investment advisors, we are in the field of sensing evolving investment trends – and in this case, we felt the growing need of our clients to learn more about how to invest, not only to create value over the short term but also for future generations. At the end of the day, including ESG scores in the investment process adds a new dimension to investing: while the generated return remains key for most, investors can also see how sustainably it was generated. In order to keep our advisory teams up to speed within this fast-evolving field, we make sure to harness our in-house capabilities and combine them with targeted external education to maximise the added value for our clients.

With so much going on across the sustainable finance landscape, how are ESG factors being integrated into Julius Baer's client offering?

Diego: It is a journey. With the help of our proprietary ESG rating methodology, and with more data points available almost by the day, we are already in a position to classify many products and securities across asset classes and instrument types into four categories, namely 'sustainable', 'responsible', 'traditional', or 'ESG risk' investments.

What impact does this have on our offering?

Diego: The main impact is that any instrument considered to be an ESG risk will be excluded from the portfolios in our discretionary mandates, and we will not provide advice on them in our advisory mandates. We will also be able to show the proportion of any portfolio allocated to traditional, responsible, and sustainable investments.

How can clients see the ESG performance of their portfolio?

Diego: Julius Baer is launching a new ESG report that will be rolled out to clients across select Julius Baer locations over the coming months. This extensive report will contain information on the classification of a portfolio's instruments based on their ESG contribution in accordance with our Julius Baer ESG investment rating methodology.

Does this then mean that clients will be able to express an ESG preference for their portfolios?

Diego: Ultimately, yes. We are approaching clients directly to ask them for their sustainability investment preferences. Clients can then actively opt to have their portfolios treated as either 'traditional', which remains the base solution for those who want access to the whole investment universe, or as 'responsible' or 'sustainable', both of which naturally incorporate a smaller investment universe. That said, I think it is important to mention here that classifying a portfolio as 'traditional' does not imply an investment strategy that excludes 'responsible' or 'sustainable' investments.

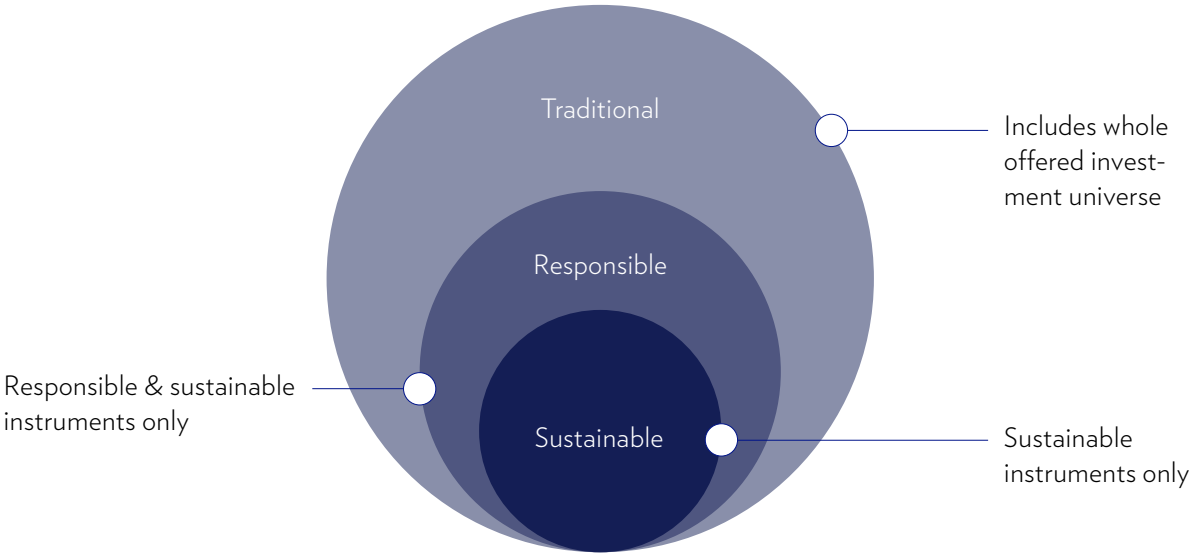
What if a client has not yet been contacted but would like to proactively voice their ESG investment preferences?

Diego: All clients can, of course, request that their relationship manager or advisor help them to invest as sustainably as they wish, even if they have not yet been invited to inform us of their preferences.

Any final words of advice for our clients?

Diego: The best advice I can give our clients is, as always, to engage with their contact at Julius Baer. If they receive an ESG report and are asked for their investment preferences, they may discuss their sustainability goals with us too. Our relationship managers can give them guidance on how their preferences are likely to impact their investment opportunities, as well as on the benefits that responsible and sustainable investments bring to society.

Choices to make



Source: Julius Baer Investment & Wealth Management Solutions
Note: For definitions of the terms used in this infographic, please see the Appendix.



Assessing sustainability

Our sustainability framework and methodology

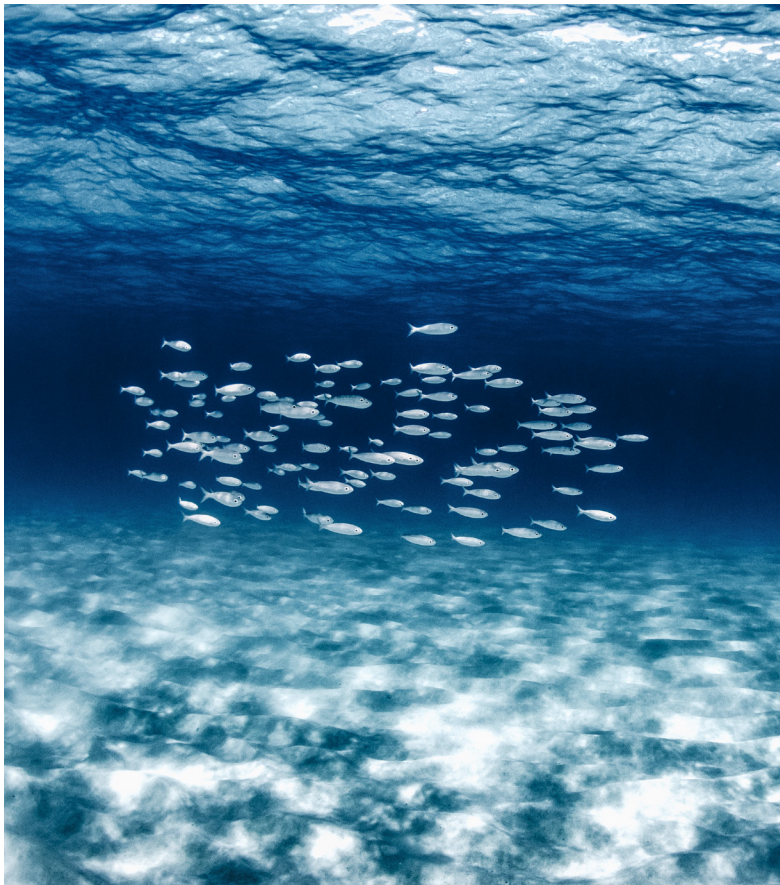
Julius Baer has developed its own proprietary framework to achieve its sustainable investment goals. Here we explain how we use our methodology to arrive at our ESG investment categories.

Any framework based on environmental, social, and corporate governance (ESG) factors must overcome various challenges, two of which are particularly salient. First, sustainability is not an objective concept but rather a subjective one, mirroring individual beliefs and cultural mindsets. Second, when we analyse ESG data, we always need to bear in mind that we are looking at mainly qualitative information expressed in numbers and ratios. The fact that there is hardly a common denominator across regions, countries, or even sectors tremendously complicates the interpretation of such data. Despite the introduction of regulatory guidelines, mainly in Europe so far, the standardisation of investment frameworks has its limits and will not lead to a global benchmark any time soon.

In order to tackle these challenges and design a framework that aims to fulfil investors' needs, we have leveraged our own experience. For example, our Responsible Investment Committee has been managing ESG risk cases among companies for many years. This experience has taught us that, to be credible, we must own and control the rating process. Thus, instead of only using top-level input, such as 'official' ESG ratings, we dig much deeper and leverage various bottom-level ESG data points as well. Far from being wholly reliant on external providers, we engage with our in-house experts to also validate public ESG data against our own proprietary methodology.

Our Next Generation franchise has also been screening companies through the lens of structural change for a long time. This has taught us that investment themes can make investing both emotional and tangible, as such themes offer a wide range of solutions to match different views, beliefs, and opinions. Moreover, our Next Generation specialists can match any company's exposure to a theme with a quantitative score. This visibly separates leaders from laggards and makes the expertise comparable and scalable, enabling us to gain more thorough insights.

At the core of our rating framework are the five Julius Baer ESG scores, namely the Julius Baer Climate Score, the Julius Baer Natural Capital Score, the Julius Baer Human Capital Score, the Julius Baer Values Score, and the Julius Baer Governance Score. Together, they cover all three ESG dimensions and help answer questions such as whether a portfolio



is aligned with the Paris Agreement to mitigate climate change (the Climate score) or whether a portfolio offers equal opportunities and is aligned with the United Nations Sustainable Development Goal 8 on decent work and economic growth (the Human Capital score), to name just two use cases.

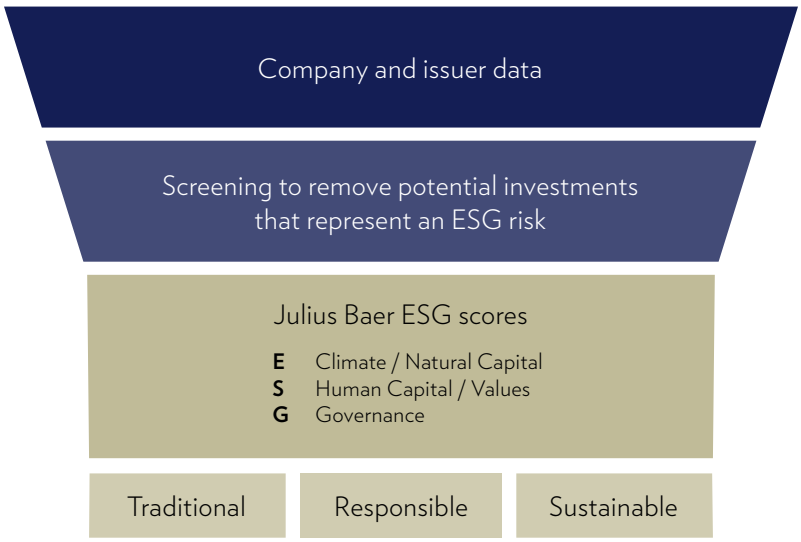
Taken together, the five scores allow us to classify investments into four categories according to their ESG performance. These categories are (highest to lowest): 'sustainable', 'responsible', 'traditional', and 'ESG risk'.

Investments classified as 'sustainable' and 'responsible' are those that, according to our ESG scores, qualify as 'strong' and 'above average', respectively. Both sustainable and responsible investments comply with the European Union's Sustainable Finance Disclosure Regulation (SFDR). The default category of 'traditional' investments is used for all financial instruments in scope that do not meet the SFDR requirements with regard to being sustainable or responsible.

Investments classified as 'ESG risk' severely violate certain ESG factors (e.g. human rights) and are considered harmful. Therefore, such investments are excluded from Julius Baer's product offering. In exceptional circumstances, and always based on a strict protocol, the bank's Responsible Investment Committee may overturn a company's classification as an 'ESG risk'.

ESG factors will continue to evolve. Data availability should improve as regulation advances and more countries follow Europe's steps in defining their strategy for sustainable development. The regulatory framework offers sufficient flexibility to adapt to an ever-changing environment. Thus, our own sustainability framework and methodology are constantly evolving too, and they are reviewed and adjusted on a regular basis.

The Julius Baer ESG rating methodology



Source: Julius Baer Investment & Wealth Management Solutions
Note: For definitions of the terms used in this infographic, please see the Appendix.



From niche to mainstream

An interview with Silvia Wegmann, our sustainable investing pioneer

Our Head of Sustainability Mandates, Silvia Wegmann, explains the origins and investment process of what is now called the 'Julius Baer Sustainability Boutique'.



Silvia, a lot of people think of sustainable investing as the new kid on the block, but you started this style of investing at Julius Baer over a decade ago. How did your pioneering role begin?

Silvia: Well, I was working in a department at the time where clients could request specific restrictions with regard to their portfolios, such as asking to focus on a particular geographical region. One day, a client came to me and asked me to implement certain exclusions in his portfolio, so that he would not invest in companies that had no sustainable strategy in place. I had to do my homework to be able to implement this, since there was no roadmap for sustainable investing available to us at that time. We put on our thinking caps, did some research, initiated some new processes to allow us to get started, and, in the process, garnered more client interest, which enabled us to realise that investing in such a manner was both an achievable and attractive prospect.

In 2005, the top-down investment process for investing sustainably at Julius Baer was born. Nevertheless, it was not all plain sailing. It took quite a lot of time for this style of investing to achieve acceptance within the investor world – back then, sustainable investing did not even amount to being a niche product. Over time, we have seen an escalation in interest from clients eager to embrace an investment style that takes the next generation into consideration. This aligns with our own sustainability philosophy – that we do not just focus on generating returns but also consider how those returns are generated. As more voices have been added to the drive towards sustainability, this investment style has become more mainstream, and it has really gained momentum in the past three to four years.

What methods do you employ to ensure that the investments you select for Julius Baer's Sustainability Mandates genuinely conform to a sustainable label?

Silvia: To put it simply, our Sustainability Mandates take a thematic approach, which includes three environmental themes (water, low carbon, and resource efficiency) and three social themes (economic empowerment, nutrition, and health).



Silvia Wegmann, Head of Sustainability Mandates

In using this thematic approach, we focus on structural issues and opportunities within the economy and society, with the intention of supporting the transition to a low-carbon economy and fighting against social inequalities. For example, our Sustainability Mandate only invests in what we consider to be forward-thinking, responsible, and sustainable companies that believe in the need to innovate for the prosperity of future generations. These companies must also have a leadership that demonstrates a duty of care to both the well-being of the environment and individuals. Furthermore, as part of our investment process, strict corporate governance filters are applied as additional investment-risk criteria on top of rigorous financial analysis.

At the moment, at least 10% of the investments in our Sustainability Mandates also contribute to environmental or social objectives, as defined by the new European Sustainable Finance Disclosure Regulation (SFDR). This percentage is expected to increase over time as sustainability-related reporting obligations lead to the availability of more corporate data and transparency.

You are clearly an advocate of this style of investing. What would you say to investors who are nervous that this approach might deliver worse returns?
Silvia: Today, there are still many misconceptions about sustainable investing. Some people think that sustainable investing is still nascent, emotionally motivated, or intangible. However, in my view, the opposite is true, as sustainable companies are often more innovative. They are the ones that have the products in place to address the challenges ahead. Our Sustainability Mandates empower clients to make investments with a specific contribution in mind in terms of environmental, social, and governance (ESG) factors and have shown consistent long-term financial performance over the years.

Finally, Silvia, what is next for the world of sustainable investing?
Silvia: The development of a number of guidelines has helped sustainable finance to emerge from its niche status and take its place as a well-established investment style. These guidelines include the United Nations' Principles for Responsible Investment (PRI), which offer signatories, such as asset owners, investment managers, and service providers, a means to align their investments with the United Nations' 17 Sustainable Development Goals (SDGs). In addition, further transparency for investors was created through the European Union's Taxonomy Regulation, which entered into force in July 2020 and established a list of environmentally sustainable economic activities, as well as through the European SFDR mentioned above. Following these guidelines means that investments commonly classified as sustainable will now be obliged to report on a clear sustainable objective.


Today – and
tomorrow too

Sustainability at Julius Baer

Our sustainability ambition is to empower clients, employees, and other stakeholders to make a positive impact on society and the environment.

At Julius Baer, we pursue a holistic sustainability strategy, and to this end, we have defined a framework that tackles two key areas: responsible wealth management and responsible citizenship.

Responsible wealth management encompasses various approaches to taking environmental, social, and governance (ESG), as well as sustainability, factors into account in business and investment activities. These approaches include: the exclusion of unsustainable companies (responsible investing), investment strategies focused on sustainability leaders (sustainable investing), investments that go one step further and intentionally seek to create a measurable positive social or environmental impact (impact investing), and purely philanthropic endeavours.

"Our new climate strategy sets the ambition to achieve net-zero emissions in our treasury, lending, and mortgage books by 2050 and in our own operations by 2030. We want to focus on the areas where we can take the most concrete action to help reach the goals of the Paris Agreement."

Yvonne Suter, Head of Sustainability

Responsible citizenship encompasses Julius Baer's commitments across a range of its own activities as a corporation. Operating with integrity and taking a responsible approach to risk is key to our approach, as is the bank's role as a caring employer that takes into account topics such as diversity, inclusion, and employees' physical and mental well-being.

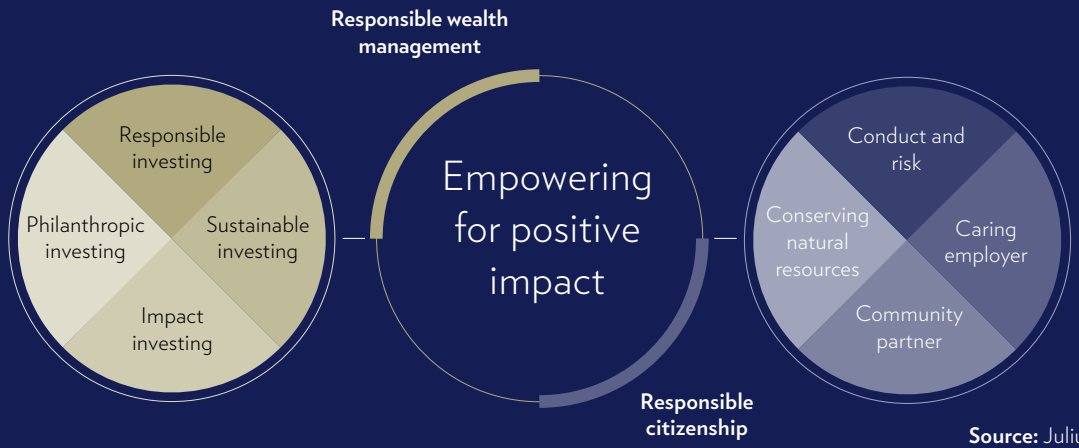
As a community partner, Julius Baer works together with local organisations to support social and environmental causes, and, in the space of environmental sustainability, we recognise and address the imperative to conserve natural resources and reduce greenhouse gas emissions. A key recent development in this area was the introduction of a new climate strategy in early 2022, which lays out the bank's commitment to net-zero greenhouse gas emissions in its own operations by 2030 and in its treasury, lending, and mortgage books by 2050 (with a 2030 interim target).

Responsibility for the development and implementation of the strategy lies with the Sustainability Team, under the lead of Yvonne Suter, Head of Sustainability and member of the Sustainability Board at Julius Baer.



Yvonne Suter, Head of Sustainability

Our strategic framework for sustainability

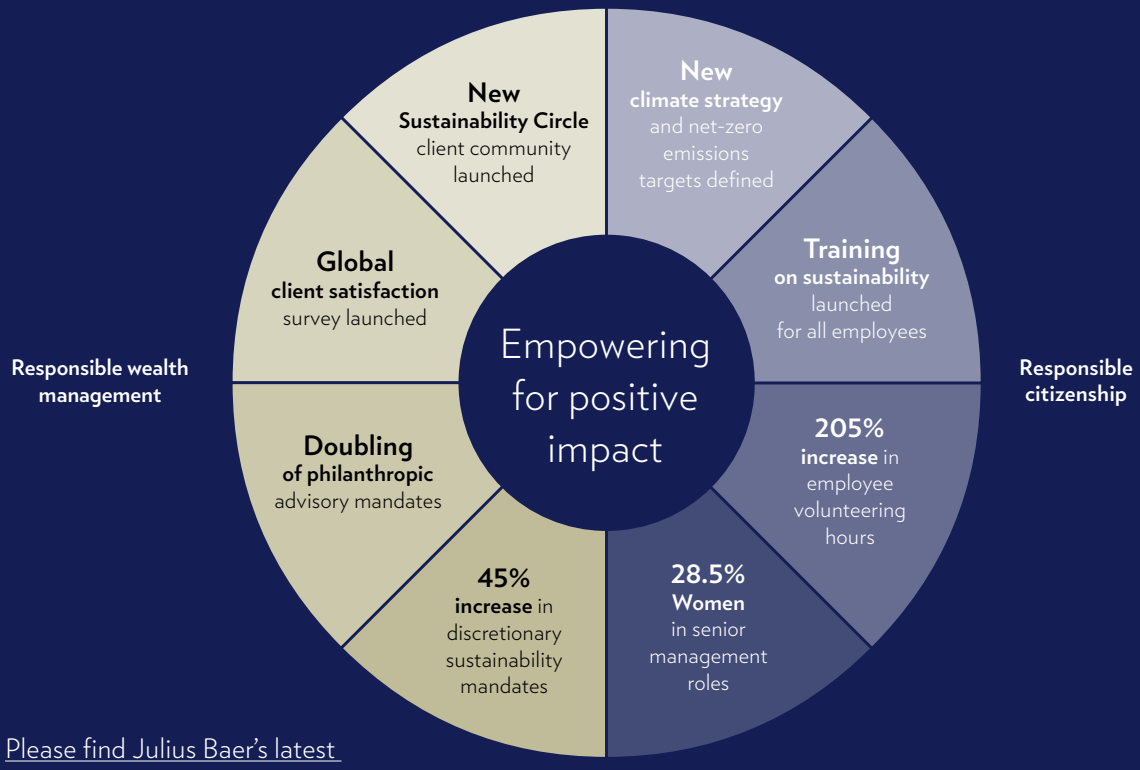


Source: Julius Baer

Other highlights from 2021 and early 2022 include increased sustainability training for Julius Baer employees and the launch of the new Sustainability Circle client community for engaged investors, philanthropists, entrepreneurs, and business leaders committed to accelerating sustainable capital shifts.

The infographic below illustrates just some of the sustainability highlights from financial year 2021.

Selected highlights of 2021



Please find Julius Baer's latest Sustainability report here.

Source: Julius Baer



Appendix

ESG terms, categories, and regulations

Environmental, social, and governance (ESG) criteria

ESG criteria are a set of standards for a company's operations that socially conscious investors may use to screen potential investments.

- 'Environmental' criteria consider how a company performs as a steward of nature, e.g. in terms of measuring greenhouse gas emissions, resource efficiency, biodiversity, and waste management.
- 'Social' criteria examine how a company manages relationships with its employees, suppliers, customers, and the communities in which it operates.
- 'Governance' deals with a company's leadership and transparency, business ethics, executive pay, audits, internal controls, and shareholder rights.

Julius Baer ESG categories

ESG-risk investments: investment instruments that severely violate certain environmental, social, and governance (ESG) factors (e.g. human rights). Such investments are excluded from Julius Baer's product offering.

Traditional investments: investment instruments that do not meet the criteria for being 'sustainable' or 'responsible'. 'Traditional' investing refers to the act of investing capital in financial products with the sole purpose of achieving financial returns. The 'traditional' investment category is the default category in Julius Baer locations where client preferences are gathered but clients do not explicitly express a preference.

Responsible investments: investment instruments that meet all the standards that are defined as 'not causing significant harm' but that do not meet the criteria to be 'sustainable'. 'Responsible' investing does not attempt to generate positive effects in terms of sustainability-related matters but rather to avoid severe negative effects or PAIs[1].

Sustainable investments: investment instruments with the highest ESG standards, and thus the highest Julius Baer ESG scores, with some leeway for Next Generation leaders in themes relating to sustainability (e.g. Clean Energy, Circular Economy) and for companies undergoing a positive transition. 'Sustainable' investing attempts to make financial gains while also generating a positive social or environmental effect.

[1] Principal adverse impacts (or PAIs) are the negative, or potentially negative, effects of investment advice and decisions on sustainability factors (e.g. environmental, social, or employee matters).

The five Julius Baer ESG scores

Environment

1) Julius Baer Climate Score: addresses greenhouse gas emissions and a company's exposure to the shift towards a net-zero-emissions world.

2) Julius Baer Natural Capital Score: considers biodiversity and various forms of pollution. It helps identify companies with a significant exposure to (and impact on) environmental issues beyond climate.

Social

3) Julius Baer Human Capital Score: measures human capital development opportunities and employee conditions, including diversity and inclusion, harassment prevention, and health and safety practices.

4) Julius Baer Values Score: measures a company's revenue exposure to controversial industries (currently only revenue exposure to conventional weapons).

Governance

5) Julius Baer Governance Score: measures the business behaviour of a company and covers topics such as: a) exposure to fraud and corruption, b) board structures and committee independence, and c) ownership structures, including shareholder rights and corporate transparency.

European Green Deal

The European Union (EU) pioneered efforts for sustainable development with the launch of the Green Deal. In 2019, all EU member states agreed on an overarching sustainability framework, with the goal of reaching net-zero greenhouse gas emissions by 2050.

The Green Deal contains sub-elements and legislation that focuses on different industries. For the financial sector, these efforts are compiled in the European Commission's 'Sustainable Finance Action Plan', which aims to:

- reorient capital flows towards sustainable investments
- manage the financial risks arising from climate change
- foster transparency and long-term thinking in financial activities

Similar programmes and regulations are being developed on a regional level in other parts of the world, such as Singapore, Hong Kong, and China.

European Union's new Taxonomy Regulation

The EU's Taxonomy Regulation, which entered into force in July 2020, is designed to support the transformation of the EU economy to meet its Green Deal objectives, including the 2050 climate-neutrality target. It is primarily a classification system that, by means of definitions and rules, as well as predefined technical screening criteria, seeks to provide companies, capital markets, and policymakers with clarity on which economic activities are environmentally sustainable. In doing so, the regulation seeks to support investment flows into those activities.

The Taxonomy Regulation was created to address 'greenwashing' (i.e. providing misleading information about how a company and/or its products are more environmentally sound than they actually are) by enabling market participants to identify and invest in sustainable assets with more confidence. However, the regulation also places new Taxonomy-linked disclosure obligations on companies and on financial market participants.

Sustainable Finance Disclosure Regulation

The EU Sustainable Finance Disclosure Regulation (SFDR) is a set of EU rules that aims to make the sustainability profile of selected financial products (e.g. funds) more comparable and better understood by end investors.

The SFDR – together with a range of other EU sustainable finance initiatives – is intended to support the Green Deal, which envisions a European economy that is both climate neutral by 2050 and positive for biodiversity.

To achieve this, the SFDR focuses on disclosures. There is a general belief that enabling end investors to better understand the impact that their investments have on society and the environment through increased transparency will encourage them to shift capital towards activities that are less harmful and, potentially, even positive.

SFDR classifications

SFDR category	What it means for Julius Baer funds and mandates ...	... and what it means for clients in terms of ESG investing
SFDR Article 6 Article 6 covers instruments that do not integrate any kind of sustainability considerations into the investment process.	• Investment instruments categorised as an 'ESG risk' are excluded from all discretionary mandates and funds managed by Julius Baer. ESG-risk investments are also excluded from the Julius Baer investment universe overall. • ESG risk relates to an event or condition that could cause an actual or potential material negative impact on a financial instrument. • Examples include companies involved in severe controversies or violations of global norms.	• SFDR Art. 6 products are referred to as 'traditional' at Julius Baer. • A 'traditional' product can only be sold to clients with an ESG preference that corresponds to the same category ('traditional'). • 'Traditional' products are therefore not recommended to clients with a higher ESG preference ('responsible' or 'sustainable').
SFDR Article 8 Article 8 applies where a financial product promotes ESG considerations, among others.	• These are discretionary mandates or funds with ESG characteristics that are in line with good governance practices. • A minimum portion of the discretionary mandate or fund must be invested in financial instruments of a certain ESG quality. In the case of Julius Baer, this minimum portion is set at 70% of the investments.	• SFDR Art. 8 products are referred to as 'responsible' at Julius Baer. • A 'responsible' product may be recommended to clients with an ESG preference that corresponds to the same category ('responsible') or to clients with the lower preference 'traditional'.
SFDR Article 8+ (This is not a formal category but only a definition used at Julius Baer.)	• In addition to the requirements for SFDR Art. 8, these discretionary mandates or funds have a high allocation to financial instruments with a strong ESG quality, as well as the required minimum portion of 10% in investments in so-called 'sustainable' investments (investments with a specific environmental or social objective)	• SFDR Art. 8+ products are referred to as 'sustainable' at Julius Baer. • A 'sustainable' product may be recommended to clients with an ESG preference that corresponds to the same category ('sustainable') or to clients with the lower preferences of 'responsible' or 'traditional'.
SFDR Article 9 Article 9 applies where a financial product has sustainable investing as its objective.	• These are discretionary mandates or funds that pursue one or more sustainable investment objectives. • The objectives are specifically environmental (e.g. climate-change mitigation, sustainable use of water) or social (e.g. decent work, adequate living standards) in nature. • SFDR Art. 9 discretionary mandates or funds must also ensure that they do not violate any of the other objectives that are not targeted.	• SFDR Art. 9 products are referred to as 'sustainable' at Julius Baer. • A 'sustainable' product may be recommended to clients with an ESG preference that corresponds to the same category ('sustainable') or to clients with the lower preferences of 'responsible' or 'traditional'.

United Nations Principles for Responsible Investment

The UN Principles for Responsible Investment (PRI) are an initiative to promote the incorporation of environmental, social, and corporate governance (ESG) factors into investment decision-making. The core philosophy behind the PRI is that environmental and social considerations are relevant factors in investment decision-making and should therefore be considered by responsible investors.

Some 4,000 organisations around the world are now signatories to the PRI. Apart from meeting the requirements to become a signatory, the companies also take part in the largest global reporting project on responsible investments.

Signatories agree to uphold the following six principles:

Principle 1: we will incorporate ESG issues into investment analysis and decision-making processes.

Principle 2: we will be active owners and incorporate ESG issues into our ownership policies and practices.

Principle 3: we will seek appropriate disclosure on ESG issues by the entities in which we invest.

Principle 4: we will promote acceptance and implementation of the principles within the investment industry.

Principle 5: we will work together to enhance our effectiveness in implementing the principles.

Principle 6: we will each report on our activities and progress towards implementing the principles.

Source for the PRIs: United Nations Environment Programme

United Nations Principles for Responsible Banking

The UN Principles for Responsible Banking (PRBs) are a unique framework for ensuring that signatory banks' strategy and practice align with the vision society has set out for its future in the Sustainable Development Goals and the Paris Climate Agreement.

Over 270 banks representing over 45% of banking assets worldwide have now joined this movement for change, leading the way towards a future in which the banking community makes the kind of positive contribution to people and the planet that society expects. This is a journey of unprecedented scale and scope at a time when such ambition is urgently needed.

Signatories agree to uphold the following six principles:

Principle 1: Alignment – we will align our business strategy to be consistent with and contribute to individuals' needs and society's goals, as expressed in the Sustainable Development Goals, the Paris Climate Agreement, and relevant national and regional frameworks.

Principle 2: Impact & Target Setting – we will continuously increase our positive impacts while reducing the negative impacts on, and managing the risks to, people and environment resulting from our activities, products and services. To this end, we will set and publish targets where we can have the most significant impacts.

Principle 3: Clients & Customers – we will work responsibly with our clients and our customers to encourage sustainable practices and enable economic activities that create shared prosperity for current and future generations.

Principle 4: Stakeholders – we will proactively and responsibly consult, engage and partner with relevant stakeholders to achieve society's goals.

Principle 5: Governance & Culture – we will implement our commitment to these Principles through effective governance and a culture of responsible banking.

Principle 6: Transparency & Accountability – we will periodically review our individual and collective implementation of these Principles and be transparent about and accountable for our positive and negative impacts and our contribution to society's goals.

Source for the PRBs: United Nations Environment Programme

The Paris Agreement

The Paris Agreement, often referred to as the Paris Accords or the Paris Climate Accords, is an international treaty on climate change, adopted in 2015. It is the first international treaty that sets concrete goals for tackling climate change. Its goal is to limit global warming to well below 2° Celsius, preferably to 1.5° Celsius, compared to pre-industrial levels. Emissions should be reduced as soon as possible and reach net-zero by the middle of the 21st century.

The United Nations 17 Sustainable Development Goals

The Sustainable Development Goals (SDGs), or Global Goals, are a collection of 17 interlinked global goals that were adopted by all United Nations member states in 2015. They are designed to be a "blueprint to achieve a better and more sustainable future for all", and the intention is to achieve them by 2030.

The goals are:

1. **No poverty:** end poverty in all its forms everywhere.

2. **Zero hunger:** end hunger, achieve food security and improved nutrition and promote sustainable agriculture.

3. **Good health and well-being:** ensure healthy lives and promote well-being for all at all ages.

4. **Quality education:** ensure inclusive and equitable quality education and promote lifelong learning opportunities for all.

5. **Gender equality:** achieve gender equality and empower all women and girls.

6. **Clean water and sanitation:** ensure availability and sustainable management of water and sanitation for all.

7. **Affordable and clean energy:** ensure access to affordable, reliable, sustainable and modern energy for all.

8. **Decent work and economic growth:** promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.

9. **Industry, innovation and infrastructure:** build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation.

10. **Reduced inequalities:** reduce inequality within and among countries.

11. **Sustainable cities and communities:** make cities and human settlements inclusive, safe, resilient and sustainable.

12. **Responsible consumption and production:** ensure sustainable consumption and production patterns.

13. **Climate action:** take urgent action to combat climate change and its impacts.

14. **Life below water:** conserve and sustainably use the oceans, seas and marine resources for sustainable development.

15. **Life on land:** protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss.

16. **Peace, justice and strong institutions:** promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels.

17. **Partnerships for the goals:** strengthen the means of implementation and revitalize the global partnership for sustainable development.

Source for the SDGs: United Nations Development Programme Oslo Governance Centre

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