

# Julius Bär

## Stewardship framework

### Bank Julius Baer & Co. Ltd.

Sustainability is a key enabler of Julius Baer's strategy. Its climate strategy is an integral part of it, and includes long-term net-zero goals, complemented by near-term targets validated by the Science Based Targets initiative ("SBTi").

Julius Baer's stewardship activities are a critical element to trigger sustainable changes, specifically related to climate targets and climate transition plans. They contribute to Julius Baer's responsible investment approach and are built around engagement discussions with companies, voting, and dialogues with public stakeholders to generate long-term financial, environmental, and societal value, and to achieve positive and long-term sustainable outcomes.

This framework outlines Julius Baer's approach to stewardship in all entities.

### 1. Introduction

Sustainability is a key enabler of the Julius Baer Group Ltd. ("Julius Baer") strategy. Its climate strategy is an integral part of it, and includes long-term net-zero goals, complemented by SBTi-validated near-term targets. Julius Baer's stewardship activities are a critical element to trigger sustainable changes, specifically related to climate targets and climate transition plans. They contribute to Julius Baer's responsible investment approach and are built around engagement discussions with companies, voting, and dialogues with public stakeholders.

This framework is in accordance with the Swiss Stewardship Code published by Swiss Sustainable Finance (SSF) and the Asset Management Association Switzerland (AMAS). It outlines how Julius Baer approaches stewardship in all entities, in terms of its guiding principles, governance, activities, conflicts of interest, reporting and disclosure. This framework may evolve over time to reflect changes in business practices, business structures, and regulations.

This stewardship framework is approved by the Sustainability Committee – a committee of the Executive Board of Julius Baer Group Ltd. – and is reviewed annually by the Stewardship Council.

### 2. Guiding principles

Julius Baer views stewardship as an important means by which it meets its sustainability and climate commitments (for more details refer to the Julius Baer [climate strategy](#)). Recognising the need to conserve natural resources and the urgency to reduce greenhouse gas emissions, Julius Baer has put 'climate change mitigation' and 'net-zero targets' at the core of its stewardship activities.

Stewardship is an effective way to protect and enhance shareholder value for both Julius Baer and its clients, while driving change within companies. Julius Baer is conscious of its shared responsibility to mitigate climate change. It acknowledges the active role it can take in engaging companies on the mitigation of climate impacts and the management of climate-related risks and opportunities. Therefore, Julius Baer aims to collaborate with companies and broader stakeholder groups to create long-term value and reach positive long-term sustainable outcomes for clients, while addressing sustainability-related risks. Julius Baer's stewardship activities are built around engagement with companies, voting and public policy engagement:

**Engagement with companies:** Julius Baer engages in an active and constructive dialogue with selected companies to generate long-term financial and societal value and to reach positive and long-term, sustainable outcomes. Where appropriate, Julius Baer collaborates with other investors to increase engagement impact.

**Voting:** Julius Baer commits to active and informed voting at annual and extraordinary general meetings (AGM/ EGM) of listed investee companies included in its Julius Baer funds to foster long-term sustainable value creation.

**Public policy engagement:** In a highly dynamic sustainability-related regulatory environment, Julius Baer aims to engage directly or indirectly with public stakeholders such as industry associations and policy makers on issues that affect responsible investment with the aim of generating long-term financial, environmental and societal value and of reaching positive and long-term sustainable outcomes.

### 3. Governance

Stewardship activities are fully integrated within Julius Baer's governance. The Sustainability Committee – a committee of the Executive Board of Julius Baer Group Ltd. – approves and supervises the stewardship strategy and activities as defined by the Stewardship Council.

The Stewardship Council acts as supervisory and decision-making body for Julius Baer's stewardship activities to ensure that the activities as laid out in this framework support progress towards Julius Baer's climate targets and aligns with Julius Baer's investment activities.

The main responsibilities of the Stewardship Council include:

- Approval of annual selection of engaged companies and objectives of these engagements, and engagement escalation requests, if required
- Approval of deviations from voting guidelines on engaged companies as per proposal of Engagement Leads
- Acknowledgement of the annual sustainability review of Julius Baer's memberships and participation in industry associations or groups
- Acknowledgement of communication activities around stewardship
- Annual review of the stewardship framework
- Identification and management of possible conflicts of interest from a stewardship perspective, in line with Julius Baer's conflicts of interest policy
- Annual review of delegated stewardship activities, if applicable

The Chair of the Stewardship Council is the Head of Sustainability, and its members are representatives from various departments across sustainability, investment management, research, public policy, and communications.

### 4. Engagement with companies

Julius Baer defines engagement as a constructive dialogue with companies, either individually or collaboratively with other investors. Typically, these dialogues might include any topic, e.g., strategy and operational or financial performance. The engagement activities described in this framework support Julius Baer's progress towards its climate targets, improve the risk-return profile of Julius Baer's and its clients' investments, while having a positive impact on the engaged company and society at large. If required, escalation measures might be taken to achieve the defined engagement objectives.

In its engagement activities, Julius Baer advocates in particular for the following topics, for which it defines relevant and measurable key performance indicators (KPI) with the engaged companies:

- Reporting climate disclosures in line with the Task Force on Climate-Related Financial Disclosures (TCFD)
- Adopting ambitious climate targets that are in line with the latest available science
- Demonstrating a credible transition plan to achieve climate targets

#### 4.1 Selection of companies

Julius Baer's engagement activities focus primarily on climate change mitigation. It prioritises high greenhouse gas-emitting companies that are relevant for Julius Baer's and its clients' investments, in a limited number of sectors. Sectors where regulatory and market standards are lagging are preferred, as the added value of engagement activities tends to be higher.

#### 4.2 Conducting dialogues

Julius Baer aims to have constructive and solution-oriented discussions with companies about key sustainability issues they might face. Two approaches are followed:

**Individual engagement:** Julius Baer performs an independent engagement, with sole discretion of the selection of companies, setting engagement objectives and KPIs.

**Collaborative engagement:** Julius Baer joins forces with an engagement partner or participates

in a collective initiative (e.g., Climate Action 100+) to have greater weight in discussions with companies and increase engagement outcomes, while avoiding conflicts of interest or acting in concert<sup>1</sup> activities.

Engagement Leads are responsible for driving engagement activities with the selected companies to progress towards the pre-defined engagement objectives. They report their progress at least annually to the Stewardship Council and, if necessary, are responsible for proposing escalation steps. The Engagement Leads are also responsible for documenting the progress of engagement activities.

#### 4.3 Escalation

At the beginning of the engagement process, Julius Baer sets clear expectations with the engaged companies, outlining relevant, measurable and time bound KPIs. If a company lacks responsiveness to the addressed issues, Julius Baer may apply escalation measures on a case-by-case basis. Possible escalation measures include involving the senior management of the company, using voting rights, making public statements, or adjusting the investment recommendation of the company. This might lead to the exclusion of the company from the investment universe. Escalation decisions are proposed by the Engagement Leads and approved by the Stewardship Council.

## 5. Voting

### 5.1 Voting on Julius Baer funds

Voting on equity holdings of in-house funds where Julius Baer acts as the investment manager is an effective means of engaging with those investee companies. Funds in scope include those with fund management companies Three Rock Capital Management and Carne. Stock lending and empty voting are out of scope as these practices are not material to Julius Baer. Julius Baer receives, from a third-party proxy-voting advisor, voting recommendations for upcoming AGM/ EGM of a selection of its in-house funds' equity holdings.

Additionally, voting is a powerful way to support engagement activities and helps to encourage investee companies to adopt more sustainable business practices. For the funds managed by the fund management company Three Rock Capital Management, the voting recommendations are based on a pre-defined sustainability voting policy, which seeks to promote a responsible investment approach towards environment and climate change mitigation, fair labour practices, non-discrimination of stakeholders, and the protection of human rights.

Julius Baer retains full discretion over its voting decisions and reserves the right to deviate from the third-party voting recommendations. For example, for engaged companies, Julius Baer systematically reviews the voting recommendations. Upon receiving a written and detailed deviation request from the Engagement Leads, the Stewardship Council may approve to deviate from the voting recommendation, e.g., if it conflicts with Julius Baer's stewardship objectives, its expectations regarding the long-term performance of the company, or due to local requirements. Deviations are always made with the objective to increase long-term value as shareholders and towards its clients. The execution of the vote is outsourced to the third-party proxy-voting advisor.

### 5.2 Voting on discretionary mandates

By default, and unless otherwise agreed, clients in discretionary mandates are responsible for exercising their own voting rights.

## 6. Public policy

Julius Baer's stewardship responsibility goes beyond its investments. Julius Baer also engages directly or indirectly (e.g., through industry associations) in an active dialogue with relevant public stakeholders such as industry associations and policy makers on issues that affect responsible investment with the aim of generating long-term financial, environmental and societal value and of reaching positive and long-term sustainable outcomes. Amongst others, Julius

---

<sup>1</sup> In line with applicable regulation, such as ESMA Whitepaper ESMA/2014/677-REV.

Baer advocates for the financial sector to strive for pragmatic approaches and solutions. This is particularly relevant in today's highly dynamic sustainability-related regulatory environment. Julius Baer participates in various industry and thematic working groups, and responds to consultations, as appropriate. Before entering into a new association or membership in the scope of the Swiss Stewardship Code, Julius Baer considers whether it contributes to generating long-term financial, environmental and societal value. The main existing associations and memberships in the same scope are also reviewed annually. The outcome is shared with the Stewardship Council for its acknowledgement.

## 7. Conflicts of interest

Julius Baer has defined a policy to deal with conflicts of interest, which also applies to its stewardship activities. The policy is designed to prevent actual or potential conflicts of interest, or the appearance of such a conflict and potential abuse of an individual's position of trust and responsibility. It sets out an overall approach to the identification and management of conflicts of interest, provides escalation mechanisms, and defines recording and documentation requirements. Further information about conflicts of interest management at Julius Baer can be found [here](#).

## 8. Reporting and disclosure

Julius Baer maintains a record of fund voting and engagement activities. Regular updates of Julius Baer's stewardship activities are provided to the Stewardship Council. Julius Baer publishes its stewardship activities internally and externally at least annually and as appropriate. Julius Baer's stewardship activities will evolve over time, as will their disclosure.

## IMPRINT

The information and opinions expressed were produced by Bank Julius Baer & Co. Ltd., Zurich, which is authorised and regulated by the Swiss Financial Market Supervisory Authority FINMA.

## GLOSSARY

If you are unsure about the meaning of any term or abbreviation used in this content, please visit the 'Glossary' section of the Julius Baer website: <http://www.juliusbaer.com/en/glossary>

## IMPORTANT LEGAL INFORMATION

**The information and opinions expressed were valid at the date of writing, and may be based on numerous assumptions and, thus, subject to change without notice.** This content serves for information purposes only and is not intended as a legal, accounting, or tax advice, or an offer, or an invitation to buy or sell any financial instruments and/or products. Furthermore, it **does not constitute a personal recommendation or take into account specific personal circumstances** (e.g. investment or wealth planning objectives, financial situation, or investment strategies). Although the information is trusted to be accurate and complete and data has been obtained in good faith from sources believed to be reliable, no representation or warranty, expressed or implied, is made in this respect. **To the extent permitted by applicable laws and/or regulations, Julius Baer accepts no liability whatsoever for any claims for loss or damages of any kind arising directly or indirectly from this content** (including acts or omissions by third parties such as auxiliary persons and/or agents of Julius Baer).

## THIRD PARTY INFORMATION

This content may contain information obtained from third parties, including ratings from rating agencies such as Standard & Poor's, Moody's, Fitch, and other similar rating agencies, and

research from research providers such as MSCI ESG Research LLC or its affiliates, as well as from index providers such as Bloomberg (as defined below). Issuers mentioned or included in any MSCI ESG Research LLC materials may be a client of, or affiliated with a client of, MSCI Inc. (MSCI) or another MSCI subsidiary. 'Bloomberg' refers to Bloomberg® and Bloomberg indices which are service marks of Bloomberg Finance L.P. and its affiliates, including Bloomberg Index Services Limited (BISL), as well as the administrator of the index. Bloomberg is not affiliated with Julius Baer. The reproduction and distribution of third-party content in any form is prohibited, except with the prior written permission of the related third party. Third-party content providers do not guarantee the accuracy, completeness, timeliness, or availability of any information, including ratings or research, and are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, or for the results obtained from the use of such content. Third-party content providers give no express or implied warranties, including, but not limited to, any warranties of merchantability or fitness for a particular purpose or use.

Third-party content providers shall not be liable for any direct, indirect, incidental, exemplary, compensatory, punitive, special, or consequential damages, costs, expenses, legal fees, or losses (including lost income or profits and opportunity costs) in connection with any use of their content, including ratings or research. Third-party content providers do not approve, endorse, review, or recommend any financial instruments and/or services mentioned. In particular, credit and/or research ratings are statements of opinions and are not statements of fact or recommendations to purchase, hold, or sell securities. They do not address the market value of securities or the suitability of securities for investment purposes and should not be relied on as investment advice.

Sustainalytics ©. All rights reserved. The information, data, analyses, and opinions contained herein: (i) include the proprietary information of Sustainalytics and/or its content providers; (ii) may not be copied or redistributed except as specifically authorised; (iii) do not constitute investment advice nor an endorsement of any product or project; (iv) are provided solely

for informational purposes; and (v) are not warranted to be complete, accurate, or timely. Neither Sustainalytics nor its content providers are responsible for any trading decisions, damages, or other losses related to it or its use. The use of the data is subject to conditions available on the Sustainalytics website in the Legal Disclaimers section at the following link:  
<https://www.sustainalytics.com/legal-disclaimers>

## IMPORTANT DISTRIBUTION INFORMATION

This content and any market data contained therein shall not be redistributed to any third party unless Julius Baer or the source of the relevant market data gives their approval. This content is not directed to any person in any jurisdiction where (on the grounds of that person's nationality, residence, or otherwise) such content is prohibited. This content may be distributed by the entities listed under the country headings below, with reference to the paragraphs that apply to the entity from which it has been received.

**External Asset Managers (EAM)/External Financial Advisors (EFA):** In case this content is provided to EAM/EFA, Julius Baer expressly prohibits its redistribution or any other way of making it available to clients and/or third parties. The content is of a purely abstract and general nature and is not intended for, nor directed at, client portfolios in general or clients domiciled in the European Economic Area in particular. By receiving any information, the EAM/EFA confirms that they will make their own independent analysis and investment decisions, where applicable.

**Switzerland:** This content is distributed by Bank Julius Baer & Co. Ltd., Zurich, authorised and regulated by the Swiss Financial Market Supervisory Authority FINMA.

**UNITED STATES:** NEITHER THIS CONTENT NOR ANY COPY THEREOF MAY BE SENT, TAKEN INTO OR DISTRIBUTED IN THE UNITED STATES OR TO ANY US PERSON.

© Julius Baer Group, 2024