



**BERENBERG**  
PARTNERSHIP SINCE 1590



# 2017

Sustainability report  
for the financial year 2017

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*The Managing Partners (from left to right): Dr Hans-Walter Peters and Hendrik Riehmer*

### **Dear clients and business associates,**

»Accountability is our guiding principle« – this is the overarching motto of our company, which has been in existence for 428 years now. Being successful on the market for over four hundred years requires a value creation process that is geared to the long term. In our view, responsible governance encompasses forward-looking corporate governance combined with the assumption of social responsibility. We adhere to these principles in the interests of our clients, business associates, shareholders, employees and company.

We are delighted to present to you our first sustainability report, where we take a closer look at the principles of our accountability. This publication is based on the principles of the UN Global Compact on advanced reporting.

As a stakeholder on the global financial and capital markets, we monitor the longer-term social and ecological impact of our actions in the course of our business activities. We also promote societal and social matters. To continue to uphold this obligation throughout the entire Group, we specifically included these matters in the strategy of the Berenberg Group in 2017.

Our Infrastructure & Energy department in the Corporate Banking business division advises project developers on topics such as photovoltaics and wind energy. In this way, we promote the sustainable development of our economy.

We have consistently expanded this area in recent years. We are also taking measures to protect natural resources within our banking operations.

The most important resource for the success of our company is our employees. Our headcount has been steadily increasing for the past 19 years. At the end of 2017, the Berenberg Group had 1,576 employees. In order to recruit and retain the best staff for our Bank, we have been successfully investing in systematic personnel development for many years.

Berenberg has a long tradition of involvement in cultural, scientific and sporting events, and the Berenberg Bank Foundation of 1990 promotes young artists in particular. We are delighted to see the dedication of our employees who are involved in the BerenbergKids Foundation for children and young people.

The will to constantly develop further without losing sight of our historical roots has made us what we are today. More than just a bank, Berenberg is an advisor and trusted partner that addresses client needs with responsibility, insight, vision and expertise. In brief, accountability is our guiding principle.



Dr Hans-Walter Peters  
Spokesman



Hendrik Riehmer



Business model and environment

## Organisational profile

Berenberg was established in 1590, and today we are one of Europe's leading privately owned banks, focusing on the business divisions Wealth and Asset Management, Investment Banking and Corporate Banking. Roughly 1,600 employees carry the Bank's long tradition of success into the future.

Berenberg's head office is in Hamburg. In Germany, we have branch offices in Düsseldorf, Frankfurt, Münster, Munich and Stuttgart. Outside Germany, we are represented by branch offices in London, Luxembourg, Paris and Vienna, as well as representative offices in Geneva and Zurich. Our subsidiaries and their branch offices are located in Hamburg, Boston, Chicago, Geneva, New York, San Francisco and Zurich.

### Locations



Since its founding 428 years ago, Berenberg has only had 38 managing partners. Today's partners, Dr Hans-Walter Peters and Hendrik Riehmer, have also both been working for Berenberg for more than 20 years. Alongside the Berenberg family, they are two of the main shareholders:

- 30.4% Berenberg family
- 26.1% PetRie Beteiligungsgesellschaft mbH  
(Dr Hans-Walter Peters [Managing Director] and Hendrik Riehmer)  
and Dr Hans-Walter Peters
- 1.5% Former managing partners
- 15.0% Christian Erbprinz zu Fürstenberg
- 15.0% Professor Dr Jan Philipp Reemtsma
- 12.0% Compagnie du Bois Sauvage S. A.

As at: 1. 1. 2018

## Strategy and business divisions

Our long history, our responsible handling of the wealth entrusted to us, our competent employees and a focus on the needs of our clients today form the basis for the trust-based working relationship with our clients and business partners that we enjoy today. If you are personally liable, you will not allow yourself to be steered by short-term success and emotions, but will act responsibly.

Our actions are informed not by quarterly figures but by a long-term approach. We help our clients to expand on their investments, achieve their goals and meet their challenges, and we do this as expert advisors and long-standing service providers. We address the areas where we feel confident that we can offer our clients exceptional value.

Berenberg offers its individual services in the following business divisions:

#### **Wealth and Asset Management central business unit**

**Wealth Management:** Providing advice to high-net-worth individuals is a complex and responsible challenge that we accept with our special expertise and award-winning advisory approach. To this end, we are constantly refining our special Berenberg centres of competence for entrepreneurs, foundations and family offices. In addition, we are reinforcing professional portfolio management as one of our core services.

We wish to further increase our client assets under management, through a strong performance of existing management mandates on the one hand and by winning new clients on the other. We also want to expand our interdisciplinary collaboration in order to be able to develop exclusive offerings for our clients from the areas of Real Estate and Infrastructure & Energy among others.

**Asset Management:** Our clients' investment goals are varied and specific. We work to meet these individual needs in the best way possible. Experienced portfolio strategists and investment experts develop actionable strategies, which we execute in special mandates and retail funds. Our investment expertise includes discretionary and quantitative investments as well as professional risk management strategies.

We want to make the entire asset management product range even more accessible to our institutional clients than before, and we will extend our national and international sales structures further in this regard.

#### **Investment and Corporate Banking central business unit**

**Investment Banking:** The broad-based Investment Banking division focuses on service and client operations in the segments of Equities, Corporate Finance and Financial Markets. At year-end 2017, our Research team regularly analysed more than 770 shares, and continues to expand its coverage. In addition, we support Initial Public Offerings (IPOs), capital increases and secondary placements, and provide advice on mergers and acquisitions in the Equity Capital Markets segment (ECM).

We expect that we will be able to enforce our leading position in the ECM business and in M&A transactions in the German-speaking countries and build on the success of 2017 in other regions and markets, particularly in the United Kingdom (UK).

We are making the necessary adjustments to our business in preparation for the UK exiting the European Union. As a consequence, we do not expect a material impact on our business model.

**Corporate Banking:** We assist and advise companies, financial investors and single family offices on transactions and day-to-day activities. We maintain specific expertise in specialist segments such as Infrastructure & Energy, Shipping, and Real Estate.

Especially in the area of structured finance (on account of the increasing role played by private debt funds) and in shipping (through the decreasing number of traditional ship financing banks), we see very good growth prospects for us with the structuring of alternative financing solutions. We also want to expand our activities in the traditional corporate client business, both with companies geared to the capital market and in selected regions such as the UK and Scandinavia.

#### **Cross-divisional services**

**Real Estate:** We assist buyer-side and seller-side transactions in the residential and commercial sectors. We also offer value-based asset management of real estate portfolios through our subsidiary Berenberg Real Estate Asset Management as well as the initiation, structuring and management of open-end and closed-end real estate funds regulated by the German Investment Code (Kapitalanlagegesetzbuch, KAGB).

**External Asset Management Office:** We support independent asset managers with a combination of strategic advice and operating activities. These include among others accompanying the start-up and BaFin approval processes, a variety of services related to accounts and deposits, private label funds, marketing and sales support as well as accompanying the corporate succession process.

## Significant changes in the reporting year

The transition, completed over the past few years, from a northern German private bank into an international advisory firm has continued to pay off. The business model, centred on the service-oriented business divisions, is working and future-proof.

The financial sector is currently undergoing major change. Banks will have to contend with low interest rates, new customer needs as part of digitalisation and increasingly in-depth regulatory requirements in the long term. In particular the entry into force of the European financial markets directive MiFID II on 3 January 2018 brought with it far-reaching changes for areas such as investment advisory, portfolio management and research. In the reporting year, many of our existing clients and the vast majority of our new clients decided in favour of a portfolio management mandate. We see this as confirmation of the path we have taken that we have considerably more clients and assets in portfolio management than in investment advisory.

In connection with this, we are continuing to expand our active equities competence. We want to become one of the leading providers of active investment solutions for German and European equities. In 2017, we succeeded in recruiting a whole range of proven experts to help us achieve this goal.

We are currently already taking the necessary measures to prepare our Bank for the UK's departure from the European Union, and we assume that Brexit will not have any serious consequences for our business.

In ECM (in particular IPOs, capital increases and secondary placements), we assisted 28 transactions in the German-speaking countries as well as 17 transactions in the UK. This reflects our increasing internationalisation, which is ensuring that our business diversifies further.

Berenberg will continue to make every effort to address challenges in a timely and proactive manner. As a medium-sized bank, we are well equipped in this respect. We are of sufficient size, while maintaining the flexibility to react quickly. Therefore, in recent years we have repeatedly adjusted our business model to meet the respective requirements.

## Our business environment

The upswing in the global economy gained momentum in 2017. With growth of 2.5% in 2017, the Eurozone again exceeded the previous-year result of 1.8%. The ongoing decline in unemployment to the current figure of 8.6% is shoring up consumer confidence and thus private spending. After the »lost years« of the euro crisis in 2011/2012, during which the region suffered a second recession while the USA and most other countries outside of Europe remained on a growth trajectory, the currency union recovered some ground in 2017.

Germany continued its robust recovery in the reporting year, seeing its economic output grow by 2.5% adjusted for seasonal effects (previous year: 1.9%). This was driven by increasing exports, as well as private consumption and capital expenditure. Despite higher government spending, Germany once again enjoyed a healthy government surplus on the back of surging tax receipts and a robust labour market.

The financial market crisis has had a lasting impact on the business environment of banks. Not only must they cope with tightening regulatory requirements and historically low or even negative interest rates, they also have to face the additional challenges of digitalisation. Changes in customer behaviour, the requirements for banks in terms of agility and efficiency, intensifying competition from companies with innovative, IT-based business models (FinTechs) as well as increased investment needs for IT security and data protection are upping the competitive and cost pressure.

In our view, these framework conditions will lead to further consolidation within the industry. We consider ourselves to be very well prepared with a future-proof business model, and we want to win further market share.

The trust that was lost due to the financial market crisis in 2008/09 has not yet been fully restored. Even the extensive regulation of the financial sector has not been able to change this. According to the Edelman Trust Barometer 2017, German banking customers are particularly sceptical. On a scale of 0 to 100, the level of trust amongst these customers only reaches a value of 35% according to the survey. Ireland is the only place in the world with an even lower value of 33%. By contrast, 45% of banking customers in the UK trust their banks, while this figure

even reaches 60% in the USA. A representative study by the Association of German Banks (Bundesverband deutscher Banken) carried out in October 2017 concludes that clients trust their own bank more than they do the industry: 58% of Germans have a good opinion of the banking industry. Confidence in one's own bank is significantly higher: it is 85%.

Demographic change is also challenging us as an employer, as the number of highly qualified young employees on the labour market is constantly falling. At the same time, employees are becoming more demanding in terms of achieving a work/life balance. To meet our social and corporate responsibility, we offer our employees framework conditions that allow for a balance between career progression and the demands of their personal life. We have developed various measures to maintain the motivation and health of our employees on a continuous basis.

## Risk management

As presented in our Risk Report,<sup>1)</sup> management has overall responsibility for the risk management process and defines the general conditions for managing the various risk types. The Risk Controlling unit acts independently of the various front offices in organisational terms, in accordance with the Minimum Requirements for Risk Management (MaRisk) for banks and financial services institutions. This unit works closely with the other central staff areas to ensure a constant and timely flow of information to the Bank's Management and Advisory Board, and is responsible for developing and overseeing the systems used in overall bank and risk management.

The main risk types that we analyse in our risk management processes are counterparty, market price, operational and liquidity risks. Reputational risks are evaluated as part of the management of operational risk. In addition, we take into account the possibility of a fall in earnings directly by only recognising the budgeted profit of a negative scenario («scenario of earnings collapsing») in the risk cover.

Our risk management of the operational risk comprises systematic scenario analyses, which are conducted on a regular basis. Experts from all areas of the Bank are asked once a year about a wide-ranging list of possible scenarios during

<sup>1)</sup> [www.berenberg.de/en/riskreport](http://www.berenberg.de/en/riskreport).

structured workshops. As an ex-ante method, the scenario analysis supplements the existing internal loss data with information regarding potential hazards for the Bank due to serious risk events. The scenario-based assessment is carried out by experts at the Bank in workshops facilitated by Risk Controlling (potential incidences and amounts of loss).

Operational risk is limited by a wide-ranging set of instructions, process descriptions, and authority rules (single rule book). The various division heads have direct responsibility for compliance and the ongoing updating of these rules and regulations. The Process & Organisation Development group responsible for process descriptions for the overall bank within the Bank Management central business unit provides assistance in this regard. The Internal Auditing department audits the conformity of business activities with these rules and regulations at regular intervals.

A key aspect of our risk management approach for operational risk involves sensitising all employees to this type of risk. The values of our business activity are defined within the overall bank strategy. With respect to the risk culture, these values are particularly oriented to the three central points of risk appetite, risk monitoring and employee incentivisation (as per the Capital Requirements Directive IV).

A database to systematically record operational losses (internal loss data collection) that enables us to analyse losses incurred and to draw up appropriate countermeasures is vitally important. This database is used as the foundation for informing management about the development of operational losses on a regular basis.

As part of our first non-financial reporting, we have subjected our opportunities and risks in relation to the environment, employees, society, human rights and anti-corruption and bribery to further scrutiny. In addition to the existing definition of risks, we have used the extended materiality assessment of the internationally accepted GRI<sup>2)</sup> guidelines for sustainability reporting. In addition to the potential impact on the Bank's business and situation, we also considered the impact on the environment and on society as well as the relevance of the respective topics for the Bank's stakeholders. The opportunities and risks identified in this regard as well as the material reporting topics are presented in the respective sections of this report.

<sup>2)</sup> GRI stands for Global Reporting Initiative.

## Development of selected key performance indicators

		2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Net profit for the year	€ million	47	65	62	56	60	66	40	104	161	90
Total assets	€ million	4,279	3,389	3,242	3,953	4,279	4,525	4,514	4,738	4,716	4,741
Business volume	€ million	4,450	3,552	3,357	4,062	4,383	4,623	4,586	4,801	4,790	4,807
Equity	€ million	177	212	213	217	221	223	219	234	265	296
Receivables from clients/loans	€ million	663	573	559	531	794	642	750	1,013	934	929
Liabilities to clients/deposits	€ million	3,236	2,456	2,326	2,874	3,083	3,390	3,199	3,570	3,721	3,736
Return on equity (before taxes)	%	37.5	53.0	45.3	40.1	43.8	46.9	28.8	67.3	95.8	43.0
Cost-income ratio	%	66.9	61.9	74.2	75.9	76.5	78.1	85.7	72.2	63.9	72.7
Assets under management including subsidiaries	€ billion	20.3	21.9	25.5	26.0	28.2	30.1	36.1	40.1	40.7	41.5
Employees including subsidiaries		837	894	977	1,110	1,116	1,147	1,250	1,331	1,506	1,576



Environment

## Management approach

Protection of the environment is a fundamental pillar in all sustainability strategies. It is our objective to reduce our ecological footprint further. As a bank, we adopt a two-pronged approach: How can we reduce the environmental impact of our company through accountability, and how can we positively influence investment patterns to promote climate protection?

### 1. Material topics

As a tenant in our real estate, we only have a limited influence on facility management. Nevertheless we make use of the possibilities available to keep our consumption of resources as low as possible. However, energy and resource consumption in banking is not just influenced by technical solutions. One key aspect is how we work on a day-to-day basis. In light of this fact, we encourage our employees to behave in an even more environmentally aware manner. We have identified the treatment of natural resources and measures to reduce carbon emissions as material topics in relation to the environment.

Another material topic for us is project financing to promote sustainable technologies. We are finding that buyers and investors are increasingly interested in sustainable financial products and services. Alongside traditional earnings targets, this means that other criteria must also be included in product development. The Infrastructure & Energy department in the Corporate Banking business division was set up at the end of 2014 and expanded in 2017 in order to respond to the renewed increase in demand for investment possibilities in this area. We see strong opportunities for further growth in this business segment thanks to our specific expertise.

### 2. Management concepts and processes

#### Directives

As a company, we are subject to the EU Energy Efficiency Directive 2012/27/EU, which was transposed into German law by means of the Law on Energy Services and other Energy Efficiency Measures (Energiedienstleistungsgesetz, EDL-G). Under this law, we are obliged to carry out an energy audit every four years, which is commissioned by the Facilities department to TÜV-Nord.

*In our treatment of environmental matters, we observe the Principles of the United Nations Global Compact:*

- *We support a precautionary approach to environmental challenges.*
- *We undertake initiatives to promote greater environmental responsibility.*
- *We encourage the development and diffusion of environmentally friendly technologies.*

### Objectives

With the Berenberg Green Energy Junior Debt Funds I and II created and advised by us, we want to continue to co-finance renewable energy projects going forward. Our objective is to co-finance and thus realise projects with a total output of more than 200 megawatts worldwide once again in 2018. Producing this amount of electricity could power roughly 90,000 four-person households from environmentally friendly renewable energy sources.

### Responsibilities

Several units at Berenberg are responsible for the environmental aspect: The Facilities department is responsible for facility management, while the Accounts group is responsible for purchasing office equipment, furniture and fixtures. In the front office, the Infrastructure & Energy department develops investment opportunities in the field of sustainable technologies and renewable energy.

### 3. Risks

As a bank, we have a limited direct environmental impact compared to the manufacturing sector. We also have a comparatively low level of resource consumption. No material environmental risks were identified in the course of risk management.

As a bank and advisor, our customer relationships extend to all industries in our core business territory of Europe and the United States. This initially includes all companies that operate on the basis of the statutory framework conditions (for example energy suppliers, car manufacturers). We closely monitor the development of our business partners with respect to all relevant aspects (see also the section on anti-corruption and bribery). If we detect negative indicators that could also impact our reputation under certain circumstances, we carry out a substantive test involving management as necessary.

## Outcomes and performance indicators

We can reduce the environmental impact of our company by means of accountability. This principle applies to the Bank as a whole as well as to the conduct of each individual employee.

### Treatment of natural resources

In a bank, it is printer and photocopier paper that accounts for the largest share of consumables. In light of this fact, we only use paper in our printers and photocopiers that meets the environmental standards FSC (Forest Steward Council) or PEFC (Programme for the Endorsement of Forest Certification Schemes). The paper used for our business correspondence is also FSC certified. These seals of quality mean that the paper stems from sustainably managed forests and that social aspects such as payment of the minimum wage are also taken into consideration in the production process.

When communicating with our clients, we reduce paper consumption wherever possible and desired. Since mid-2014, our clients can opt out of receiving paper versions of account statements and deposit statements for example as part of online banking. Roughly 18% of clients have chosen this option (end of 2016: 12.6%) – and we want to increase this percentage continuously. Up until the end of 2013, we sent printed copies of our Equities Research reports to our clients, until we started to switch to an electronic copy sent by e-mail. This allowed us to cut the number of printed copies from approximately 56,000 reports in 2013 to roughly 19,500 at the end of 2017. However, there are limits to reducing printed media in communication with clients. For example, statutory obligations require us to provide extensive records of consultations to our clients. Sending information to our clients in relation to the European financial markets directive MiFID II led to the consumption of over 71,000 sheets of paper.

We also succeeded in reducing paper consumption from buying printed newspapers and magazines: From 2013 to 2017, the number of subscriptions fell by somewhere in the region of 25%, while subscriptions to ePapers rose four-fold over the same period.

## 100%

of our paper for office supplies, printers and photocopiers is FSC certified.

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## 18%

of our clients have opted out of receiving paper documents in online banking.

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### Measures to reduce carbon emissions

Our efforts to keep the environmental impact as low as possible range from environmentally friendly mobility to energy-efficient facility management.

To cut our carbon emissions, we have been using an electric vehicle to run errands and deliver post in Hamburg since April 2017. In addition, our clients have access to a fast-charging station for electric cars in the underground parking lot. Our invitation to the podium discussion »Zeitenwende für unsere Automobilbranche« (»A time of transition for our automotive industry«) met with a great deal of interest, evidencing the fact that the mobility of the future is an issue that interests our clients. In mid-June 2017, 200 guests attended the discussion between executive board members from well-known manufacturers such as Mercedes-Benz and automotive suppliers like Bosch or ElringKlinger concerning the future of the combustion engine and of alternative drive units.

The technical possibilities afforded by phone and video conferencing helped us to reduce mobility-related carbon emissions. We also encourage our employees to use alternative means of transport for their daily commute. Berenberg offers an incentive in the form of a subsidy for public transport. Around 830 of the 1,031 employees at our German locations availed of this offer in the reporting year. For those who prefer to cycle to work, there is an option to receive financial assistance for leasing a bicycle instead of using the job ticket.

We use mainly regional produce in our client restaurant and staff canteen at our headquarters. The free drinks for our employees are delivered in recyclable glass bottles and are also sourced from the region where possible.

As part of our facility management, we take advantage of the options that we have as tenants to conserve resources. For example, we have been using electricity from ecological sources since 2013, thus saving 1,000 metric tons of carbon emissions per year at our head office in Hamburg alone. Furthermore, we carried out an energy efficiency audit in our computing centre in Hamburg in 2012 with the assistance of the Hamburg Environmental Agency, after which we replaced the air-conditioning system with a more energy-efficient system. Combined with cold aisle containment to optimise the air conditioning, we cut our energy consumption in our computing centre by up to 30% each year.

## 97.5%

of the electricity used at our German locations stems from environmentally friendly renewable energy sources.

### Project financing to promote sustainable technologies

By financing green infrastructure and energy projects, we as a bank support the promotion of sustainable technologies and the expansion of renewables. Our Infrastructure & Energy department advises project developers with a focus on photovoltaics and wind energy. Berenberg provides support in structuring and raising funding (debt capital) or in attracting investors, and thus makes a key contribution to the realisation of the projects. The projects currently advised by us cover the energy requirements of more than 200,000 households. In 2017, Berenberg offered institutional and private investors the possibility for the first time to invest in the setting up and operation of wind and solar parks through the Berenberg Green Energy Junior Debt Fund I and II. Client interest far exceeded our expectations, with Fund I closing at €53.5 million above plan at the end of June 2017. Fund II also noted a successful first closing of over €140 million in November 2017.

Additionally, we are committed to a sustainable and efficient expansion of renewable energy in Germany through our membership and support of the German Renewable Energy Federation (BEE, Bundesverband Erneuerbare Energie e.V.).

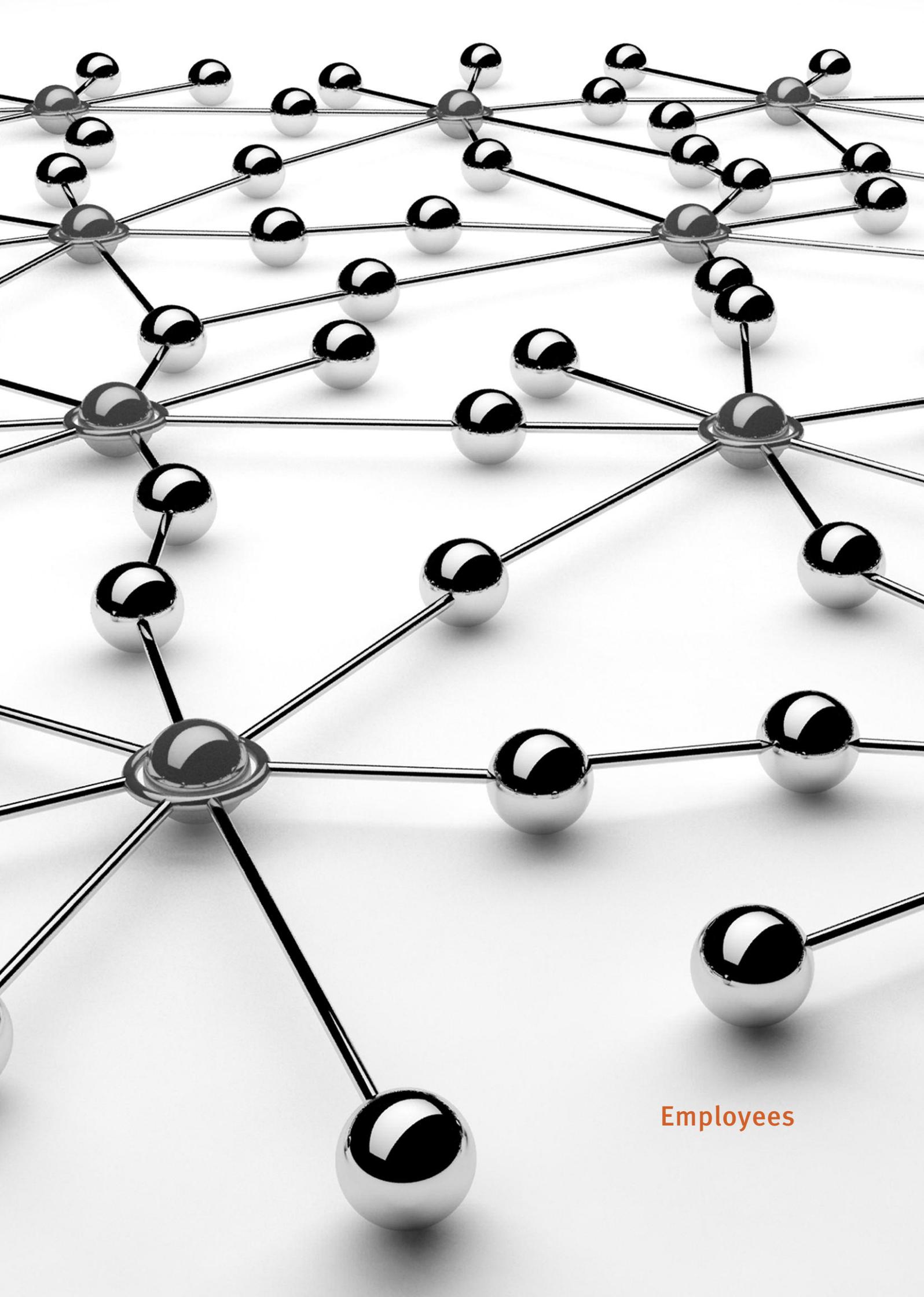
When accompanying acquisition financing transactions, as a bank we also have the possibility to have a positive impact on the development of companies focusing on sustainable technologies. As part of a structured corporate financing transaction back in 2016, Berenberg – in a syndicate with BayernLB – enabled PURAGLOBE to build the world's first plant for processing used oil into superior Group III base oils. By processing used oil into base oils, PURAGLOBE saves roughly 100,000 metric tons of CO<sub>2</sub> per year compared with traditional waste oil combustion. By achieving a higher quality grade, it improves the running of engines and also extends the technical useful life of the base oil.

In the section on society, we also discuss sustainable investments in our portfolio management and in assisting institutional clients.

## 8

green infrastructure and energy projects were assisted and co-financed by us in 2017.

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Employees

## Management approach

Berenberg's strong international growth has led to a continuous and sustainable rise in our headcount over the past 19 years. When recruiting new staff, we always ensure that they feel committed to our corporate philosophy of »accountability«. With their dedication, skills and experience, our employees form the most important pillar for our corporate success.

### 1. Material topics

We focus our activities to promote the health and performance of our workforce on

- securing the supply of the next generation of employees
- goal-based personnel development
- offering attractive employee benefits together with a consistent health management policy
- achieving a work/life balance
- diversity

### 2. Management concepts and processes

#### Directives

Berenberg respects and protects the rights of its employees. Upholding high standards for a safe and healthy working environment, fair working conditions, the right to freedom of association as well as the promotion of equal opportunities and equal treatment of employees are core elements of our corporate responsibility. We emphatically reject forced labour and child labour. For us, compliance with the labour standards of the International Labour Organization (ILO) is a matter of course.

#### Objectives

One of the things at the core of our *strategic alignment* and our *HR goals* is the desire to recruit the best staff for the respective tasks. We also want our employees to be loyal to Berenberg over the long term in a constantly changing working and banking market environment.

*In our treatment of employees and employee rights, we observe the Principles of the United Nations Global Compact:*

- *We recognise freedom of association and the right to collective bargaining.*
- *We do not tolerate any form of forced and compulsory labour.*
- *We support the abolition of child labour.*
- *We support the elimination of discrimination in respect of employment and occupation.*

### Measures

To manage our strategic personnel approach, a regular exchange takes place between the Head of Human Resources (HR), the management and the division heads. This constant exchange allows us to adjust our employee-related offerings and processes continuously, to carry out an ongoing comparison with the overall bank strategy and to react to market-related necessities. In addition, in Germany we have a very constructive and trusting working relationship with our Works Council as well as our representative body for young workers and trainees.

### Responsibilities

35 Human Resources colleagues are responsible for the employee aspect. In 2017 we established our own »Projects and Policies« team to be able to implement the increasing amount of regulatory requirements on time. Examples include MiFID II, the General Data Protection Regulation (GDPR), the German Transparency of Remuneration Act (Entgelttransparenzgesetz, EntgTranspG) as well as the German Regulations Governing Supervisory Requirements for Institutions' Remuneration Systems (Institutsvergütungsverordnung, InstitutsVergV).

## 3. Opportunities and risks

### Opportunities

Even with a headcount of 1,576 employees, the Berenberg Group has remained true to the idea of consistently developing further and being able to react quickly to new market realities. Our flat hierarchy encourages this dynamic environment and supports our committed employees in making their own ideas a reality and thus contributing personally to our shared success. We see this entrepreneurial way of thinking and acting as an opportunity to position Berenberg as an attractive employer brand.

### Risks

As part of our risk management, we have in particular three scenarios for assessing potential HR-related risks: The expected incidence of loss is below one percent for »Workplace discrimination«. The second scenario involves »Compliance with industrial health and safety regulations«. We carefully meet all of these requirements, so there are no potential risks in this area. We document our com-

pliance with industrial safety regulations at all locations by means of risk assessments that span several pages. The third scenario relates to the »Key Man Risk«. Some of our services are so complex that they can only be provided by employees with special skills, characteristics and experience. These specialists are very sought after on the labour market. With our strong brand, our excellent market position, intensive university marketing and a professional website, we can continue to defend our specialist position successfully. Additionally we are realigning the strategic direction of our recruiting in order to provide support that is even more targeted for our front office and functional units in recruiting staff. We also endeavour to keep these highly qualified employees loyal to Berenberg. This is why we place a major emphasis on a trusting relationship between Human Resources and the employee as well as between the executive and the employee. Our assessment systems support this approach. This allows us to react in a timely manner for potential improvement in the workplace. Personal meetings with the employee after a three-month induction period also help us to compare our own perception of the Bank as an employer with a »fresh« view from new colleagues.

## Outcomes and performance indicators

In the interest of our sustainable HR management and meeting our HR objectives, we want to offer our employees an attractive and healthy working environment and to give them the best support possible for their further development and their different life phases. The following focus areas derive from this aim:

### Securing the supply of the next generation of employees

In view of demographic change, maintaining and improving our attractiveness as an employer is an important success factor. As the number of highly qualified young talents on the labour market is set to decline in the future, we already started more than ten years ago to establish a *systematic university marketing programme*. As a result, we now have strong contacts to over 100 universities in Germany and abroad. We appreciate being able to establish links to students at an early stage, and hire roughly 120 student interns and temporary employees each year. We like

to maintain long-term links to exceptional students and, in a best case scenario, we make them an attractive offer of entry-level employment after they have completed their studies. We also recruit between 20 and 30 university graduates each year for our challenging *Berenberg International Graduate Programme*. The programme is extremely popular, with more than 2,000 applicants. The 15-month programme includes tasks at several international locations, for example work shadowing in the USA, and comprises a six-week introductory phase as well as 430 training hours per graduate, 90 hours of preparing for the Chartered Financial Analyst (CFA) exam and constant liaising with mentors and decision makers. We are delighted to report that 93% of the graduates accepted a qualified entry-level position at Berenberg after successfully completing the programme in the reporting year.

Our efforts to secure the supply of the next generation of employees in 2017 also encompassed training 24 school-leavers in the professions of bank clerk, office management clerk and IT specialist with a focus on application development and system integration as well as preparing 13 cooperative education students for professional life.

### Goal-based personnel development

The success of our company hinges on our employees, whose professional and personal development is extremely important to us. We offer a wide range of options to promote employee development, for example onboarding programmes and a varied offering of in-house training. In our *executive programme*, we also provide our executives with a practical ›toolkit‹. These tools are tailored to our corporate principle of ›accountability‹ and assist these employees in personnel management and their day-to-day work in a situation-appropriate and needs-based manner. In 2017, 54 employees made use of the programme, accounting for 26% of all executives.

Systematic personnel development also includes the regular assessment of all employees. Our *assessment systems* are designed differently depending on the structure, function and division. All of the assessment systems serve among other things to give feedback on performance and to highlight development needs and opportunities for the employee. Human Resources ensures that the requirements for documenting proper staffing in qualitative terms in accordance with MaRisk

## 430

hours of training per graduate as well as 90 hours of preparing for the CFA exam are offered as part of our International Graduate Programme.

## 100%

of employees receive regular performance evaluation.

(minimum requirements for risk management) are met. Human Resources thus carefully reviews the return of the evaluation form.

### Attractive employee benefits

We want to offer our employees an attractive working environment, thus actively contributing to their well-being and workplace satisfaction. Depending on the location, there are differences in the wide range of benefits such as a fair and performance-based remuneration system (detailed description in the Disclosure Report)<sup>3)</sup>, a company pension scheme and insurance benefits, an accident insurance offering as well as a comprehensive health management system. The health of our employees is our most-valued asset. With our *health management system*, with which we provide different offerings to the individual locations, we want to help keep our employees healthy, effective and motivated. Examples at our head office in Hamburg include regular appointment slots with our company doctor as well as other components described in more detail:

**Exercise:** Berenberg offers a wide range of company sporting options and supports employees in taking part in joint sporting events and company runs, which are generally held to raise funds for charitable causes. On-site showers and changing rooms mean that our staff can get physical exercise near to the office.

**Prevention:** We offer in-house courses such as running training, spinal gymnastics, presentations on the topics of nutrition and way of living or yoga and physiotherapy. Ergonomic office furniture allows workstations to be adjusted to individuals' needs. Our executives also receive comprehensive health checks.

**Mental health:** In the reporting year, we used a survey of 60 employees to carry out a mental health risk assessment and are deriving division-specific measures from that survey.

We are very pleased about our low rate of absenteeism of 7.7 days on average in the reporting year as well as the small number of occupational integration cases after long-term illness (2017: 1). This constantly motivates us to continue to work on our health management system.

## 100%

of employees have access to a company pension plan.

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## 7.7

days is the absenteeism rate.

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<sup>3)</sup> See Disclosure Report on our website: [www.berenberg.de/en/publications/](http://www.berenberg.de/en/publications/).

### Work/life balance

To meet our social and corporate responsibility, we want to offer our employees framework conditions that allow for a balance between career progression and the demands of their personal life. Our aim is to promote employee satisfaction and willingness to work, also in their function as a parent or carer for family members.

We support a work/life balance by means of flexible working time arrangements and the option to work from home subject to agreement with superiors. We also offer various part-time working models. The percentage of part-time staff at Berenberg is continuously increasing, totalling 10.26% in the reporting year. Further options such as »Altersteilzeit« (special German phased retirement scheme) and sabbaticals are regulated in company agreements.

Furthermore, in Germany parental leave can be extended by a further six months after the statutory period of three years, taking into account the prerequisite of the collective bargaining agreement. We support employees returning to work after their parental leave. More and more fathers are availing of the option to take two months' paternal leave. In the USA and the UK, we have a Maternity Leave Policy for our staff.

With the assistance of a service provider, we offer our employees in Germany emergency childcare services, kids' camps during school holidays, general advisory services for family-related issues as well as life coaching. This service can be used anonymously and is supported financially, or even offered for free, by Berenberg. In the UK, we support our employees with a comparable Employee Assistance Programme.

### Diversity

One of the central principles of our company is not to discriminate against people based on their ethnicity, nationality, skin colour, gender, age, religion, world view, marital status, sexual orientation, or disability. For example, we employ people from 45 countries thanks to our international gearing. We see this diversity as an opportunity, and feel that the healthy mix of different values, experiences and approaches enriches our corporate culture. Training on the German General Act on Equal Treatment (Allgemeines Gleichbehandlungsgesetz, AGG) is mandatory for all employees in Germany.

**10.26%**

of our staff work part time.

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**45**

countries are represented  
in our workforce.

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**Employees** including subsidiaries

	<u>31 Dec. 2012</u>	<u>31 Dec. 2017</u>	<u>Increase</u>
Germany	838	1,031	23.03%
Other countries	278	545	96.04%
<b>Total</b>	<u><u>1,116</u></u>	<u><u>1,576</u></u>	<u><u>41.22%</u></u>



Society

## Management approach

For Berenberg, sustainable governance also means assuming social responsibility. This has a long tradition and huge relevance for us. Our first commitment to the common good dates back to the 17<sup>th</sup> century, when our founders first supported the Niederländische Armen-Casse (Dutch Poor-Relief Fund).

### 1. Material topics

Pursuant to our corporate strategy and as a stakeholder on the global financial and capital markets, we monitor the longer-term social and ecological impact of our own actions in the course of our business activities. We therefore also offer our clients sustainable investments and products that benefit society. Together with our social involvement, these are the material topics for the aspect of society.

### 2. Management concepts and processes

#### Directives

The established Berenberg sustainability standards are vital for our actions in relation to sustainable investment. These standards are disclosed to clients and also continuously refined.

#### Objectives

We want to hire more staff to expand our sustainable investment competency and to refine the corresponding processes. In this regard, we focus especially on good corporate governance at the companies in which we invest. This means that we concentrate within our investment process on companies with responsible corporate governance and want to contribute to an improvement of governance. Additionally, we plan to set up new strategies and funds with a strong focus on sustainability, such as sustainable emerging market bonds for example.

#### Measures

Berenberg offers a tried-and-tested sustainability approach for private and institutional clients. Our clients can have their portfolio put together individually using exclusion criteria (e.g. exclusion of controversial business fields) and/or the

best-in-class approach, meaning that only particularly sustainable companies are selected as part of the investment universe. In our investment process we use the expertise of MSCI ESG Research. The information service provider has the world's largest database for sustainability analyses of countries and companies.

Our social involvement is reflected in our two own foundations: *The Berenberg Bank Foundation of 1990* promotes art and culture (in particular young up-and-coming talents), science and research. The *BerenbergKids Foundation* uses its own aid projects and campaigns to focus on providing financial and other support to children and young people who are socially disadvantaged and in need.

### Responsibilities

Several units at Berenberg are responsible for the aspect of society: Our Portfolio Management in Wealth and Asset Management compiles the sustainable client portfolios. Corporate Communications coordinates the fundamental direction of our social involvement. The respective members of the foundations' Management Boards are responsible for the activities of the Berenberg Bank Foundation of 1990 and the BerenbergKids Foundation.

## 3. Opportunities and risks

### Opportunities

We are seeing increasing demand from private and institutional investors for sustainable capital investments. Our expertise in this field opens up further business opportunities. As an institution with centuries-old tradition, we are also a credible representative on the topic of sustainability. This is an important image factor for us.

### Risks

The risk that we fail to act in the interest of Environmental, Social and Governance (ESG) criterias when putting together sustainable client portfolios is minimised among other things by involving the reputable external service provider MSCI ESG Research. No other relevant risks were identified for the society aspect.

## Outcomes and performance indicators

### Sustainable cash investments and products that benefit society

The interest amongst our customers in products and services that connect economic, ecological and social criteria is continuously rising. More and more private clients, charitable foundations, churches, non-profit organisations and institutional clients such as pension funds want to combine financial returns with sustainability aspects. Our approach is to integrate sustainability aspects into the investment portfolios, sustainable investment products, impact investing and a special advisory service for foundations and non-profit organisations.

Portfolio Management in Wealth and Asset Management uses a tried-and-tested *sustainability approach for all asset classes* for private and institutional clients. The approach involves excluding controversial areas of business such as the arms industry as well as companies that fail to observe sustainable behaviour. We also pursue a best-in-class approach, whereby we select companies that act in a particularly sustainable manner and perform well as part of a fundamental analysis, for example in terms of their profitability. Both for the exclusion criteria and the best-in-class approach, Berenberg uses the data from the reputable service provider MSCI ESG Research. More than €800 million was invested sustainably at the end of 2017. Furthermore, we endeavour to identify companies that offer long-term added value for society and the environment. For example, these can include electromobility firms or companies that are responding to the demographic challenges.

In 2018, we will set up the first bond fund to invest in emerging markets with a sustainability focus, namely *Berenberg Sustainable EM Bonds*. The investment strategy of this mutual fund is based on four key factors: return, fundamental strength, liquidity and sustainability. Alongside corporate or financial securities, mostly government bonds will be considered. An average investment grade rating will be ensured at the level of the overall portfolio. Securities will be selected using a combination of strict exclusion criteria as well as a multi-stage best-in-class approach. Our selection process will be based on analyses and ratings by the service provider MSCI ESG Research related to environment, social and governance factors.

More than **€800 million** is invested sustainably in our portfolio management.

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*Impact investing* and social entrepreneurship are globally popular investment themes in asset management for private clients, charities and foundations. Impact investing denotes investments in social and ecological projects. In partnership with LGT Venture Philanthropy, Berenberg launched the Impact Ventures UK (IVUK) fund in 2012 to promote this asset class. IVUK selects social businesses that want to make positive changes in the UK and internationally. The fund raised GBP 36 million pounds (approx. €50 million) and we were delighted IVUK was awarded the »Investment Product or Service Innovation PAM Award« in 2014. It has invested in nine companies with business models focused on social infrastructure, health and well-being, and fulfilling potential. In addition to this fund, Berenberg also offers a variety of events to help customers understand the strategies that social entrepreneurs, charities and companies pursue to achieve positive impact.

Back in 2013, Berenberg commissioned Beyond Philanthropy GmbH to carry out a study on the topic of Impact Investing in order to raise awareness in Germany of this type of sustainable investing and to elucidate trends and potential.

*Foundations* have special requirements for investing their money: Their primary focus is not on maximising profit but on maintaining the capital of the earmarked funds to meet the purpose of the foundation. Sometimes foundations will also attach special significance to a sustainable gearing of the investment portfolio. We respond to these needs with a Competence centre for foundations and non-profit organisations which takes an interdisciplinary approach and is dedicated to the specific issues of foundations.

### **Social involvement**

Social involvement has always been a matter of course for the Bank and for its employees.

### **Company involvement**

Patronage is a tradition in families and companies based in Hamburg. Berenberg has supported numerous initiatives throughout its long history. Cultural diversity and a rich intellectual life are vital for a vibrant city, but they require qualified and talented newcomers. This is why our owners founded the *Berenberg Bank Foundation of 1990* on the occasion of the Bank's 400<sup>th</sup> anniversary. As a partner to art

and culture, the foundation aims to use its charitable work to contribute to the attractiveness of Hamburg, but also to that of the other locations of the Bank. Supporting young and gifted artists is at the heart of what the foundation does. The foundation awards the annual *Berenberg Culture Prize*, one of the most generously endowed prizes for up-and-coming talents in Northern Germany. The prize is awarded to artists or ensembles, projects or institutions. It covers the entire spectrum of cultural activity, ranging from the fine arts and the performing arts to literature, music and film. Berenberg Bank Foundation of 1990 also supports the artistic development of gifted up-and-coming talents by awarding scholarships. In its 28 years of existence, the foundation has helped more than 120 young artists.

In 2014 and 2017, we awarded the *Berenberg Prize for Corporate Responsibility* to one German family-owned company each year, that demonstrate in exemplary fashion how to combine the business purpose with social involvement. The first award-winner was Faber-Castell AG, which won the prize for a project that converts barren grazing land to woodland in Colombia using sustainable methods. In doing so, the company promotes environmental and climate protection as well as the social issues locally, while also producing raw materials for the production of pencils. The winner in the reporting year was pharmaceuticals firm Orthomol, which is involved in various projects to promote a balanced diet and a healthy lifestyle through the »Orthomol mit Herz« (»With love from Orthomol«) initiative.

### **Employee involvement**

In 2007 our employees started the »BerenbergKids initiative. They wanted to use the privileges they had enjoyed or achieved, like a good education, financial security and strong networks, to help children and young people who are disadvantaged and in need. The great success and sustained dedication of the employees encouraged the Bank's Partners to turn the initiative into a foundation, leading to the establishment of the *BerenbergKids Foundation* in late 2009.

The BerenbergKids Foundation focuses on supporting social institutions and organisations as well as schools in Germany. The five-member Management Board, which is made up solely of employees, comes up with different ideas for projects every year where our employees can get involved at a personal level.

In the Ronald McDonald House in Hamburg, they cooked a 4-course meal for parents staying there temporarily while their seriously ill children received treatment in the Altona Children's Hospital. Last summer, we provided a rather unusual home on the roof of our main building on the banks of the Alster River to two bee populations, which produced roughly 80 kg of honey there. Employees and clients bought up the jars of honey in no time. The income from this campaign went to the BerenbergKids Foundation. One particularly successful event in the reporting year was the BerenbergKids Beach-Cup, where teams of employees competed in different disciplines after working hard to raise donations. This event was held for the seventh time already. The Foundation recorded a fantastic total of €95,000 from the event.

The »leftover cents« donation (»Restcent-Spende«) has been a constant source of income for the BerenbergKids Foundation since 2016. Employees can voluntarily round down their salary and donate the corresponding cents or euros of their net salary. 342 employees now make use of this option, resulting in a charitable donation of €7,743.86 in the reporting year.

Our London-based colleagues were also active in a variety of ways as part of a BerenbergKids initiative to help disadvantaged children. For example, seven staff members cycled from the Thames River to the Alster River, donating the funds they raised to the UK children's hospice Shooting Star Chase. Other donations came from an event where various London-based teams took over the running of a charity shop by the same organisation for a day and proved their worth as talented salespersons. Some employees even braved the »Tough Mudder« obstacle race to raise further funds for the children's hospice.

# 33%

of our employees in Germany take part in the »leftover cents« donation each month.



Human rights

## Management approach

We are aware that every economic and business activity has the potential to have a positive or negative impact on human rights. As a bank, our possibilities for influencing compliance with human rights are in the following areas: our employees, service providers, financed projects, granting of loans, capital investments and other financial products.

### 1. Material topics

Against this backdrop, the »equal treatment of our employees« (anti-discrimination) and »compliance with minimum standards in the supply chain« are the most important topics with regard to the aspect of human rights.

### 2. Management concepts and processes

#### Directives

Berenberg is committed to internationally accepted human rights standards such as the Principles of the United Nations Global Compact, the conventions of the International Labour Organization (ILO) and the United Nations Universal Declaration on Human Rights. In this regard we act in accordance with the recommendations of the OECD Guidelines for Multinational Enterprises. At the same time we have undertaken to observe the UK Modern Slavery Act. We respect and protect the high standards of employee rights: a safe and healthy working environment, fair working conditions, the right to freedom of association as well as the promotion of equal opportunities and equal treatment of employees. Berenberg observes the country-specific statutory requirements for the avoidance of discrimination. As we only have locations in Europe and the United States, issues such as child labour and forced labour as well as association bans are not a focus for us.

#### Measures

In the reporting year, Berenberg Procurement introduced new social, ecological and ethical minimum standards for the procurement of IT services, hardware and software that are a component of our standard contracts. These items account for by far the largest procurement volumes.

*In our actions, we ensure compliance with human rights in accordance with the Principles of the United Nations Global Compact:*

- *We support and respect the protection of internationally proclaimed human rights.*
- *We make sure that we are not complicit in human rights abuses.*

When awarding a contract to produce a work in relation to construction measures, we ensure that social standards such as the minimum wage are observed. The same applies to services relating to facilities management (for example cleaning firms and freight forwarders).

We follow the principles of the German General Act on Equal Treatment (Allgemeines Gleichbehandlungsgesetz, AGG) at our German locations, as well as the equivalent country-specific statutory requirements in France, Luxembourg, Austria and Switzerland. We have established anti-discrimination policies in the UK and the United States. Employees can report any instances of discrimination to their superiors, to Human Resources, Group Compliance or to the Works Council. Additionally, our employees have access to the anonymous and certified whistleblowing system BKMS (see the section on corruption, p. 40). Any reports of this nature by employees are examined immediately and confidentially by Human Resources. After the matter has been clarified and the assertion has been confirmed, if applicable, corresponding punitive measures are taken against the person responsible in line with the country-specific labour law framework conditions.

External parties with concerns surrounding our handling of human rights issues can use the following complaints channels: getting in touch in person or by phone, filling in the contact form on our website or submitting a written complaint. Depending on the matter at hand, these reports are processed by the units charged with control.

### **Responsibilities**

At Berenberg, it is primarily our executives who are responsible for respecting human rights. It goes without saying that each and every employee is also obliged to take this aspect into consideration in his or her day-to-day work. Human Resources also provides assistance by taking this aspect into account in its employment contracts and guidelines.

Compliance with minimum standards in the supply chain is the task of the Accounts (office supplies such as headed paper or business cards for example), Facilities (office equipment, contracts to perform a work in relation to construction measures, services relating to facility management) and Procurement (purchasing of IT services, hardware and software, telecommunications) units.

### 3. Risks

Berenberg has a high degree of vertical integration compared with the rest of the industry. Accordingly, outsourcing is only done in isolated instances under the responsibility of a centralised outsourcing management function. All outsourced activities are evaluated, rated, and documented. We also analyse scenarios involving potential difficulties with cooperation partners or suppliers. The results make it possible to assess future operational risk potential and gain an additional perspective on this type of risk.

## Outcomes and performance indicators

### Equal treatment of our employees

For us, it is a given that all employees must receive equal treatment as regards the following: ethnicity, nationality, skin colour, gender, age, religion, world view, marital status, sexual orientation, or disability. Web-based training on the German General Act on Equal Treatment (Allgemeines Gleichbehandlungsgesetz, AGG) is mandatory for all employees in Germany when they join the Bank. Our branches and representative offices abroad have individual arrangements on equal treatment or rules in the Employee Handbooks to which every employee must adhere. In addition, our executives receive specific written instruction re-garding this topic during their induction period.

**100%**

of our new recruits are informed of the topic of anti-discrimination using the measures described in this report.

### Compliance with minimum standards in the supply chain

Our focus in the area of procurement is on purchasing office equipment and office supplies, IT services, hardware and software. The office equipment and office supplies for our German locations are procured from service providers who commit to the aforementioned standards of employee rights and to observing the minimum wage. The same applies to the print jobs from our London office, which procures part of its office supplies locally. In our Supplier Code of Conduct, which is used for the procurement of IT services, hardware and software, our business partners undertake among other things to recognise human rights and to ensure appropriate working conditions for their employees. This Code is mandatory as an appendix to a framework agreement when starting a new business relationship and when updating pre-existing agreements.



Anti-corruption and bribery

## Management approach

Trust in the lending business suffered considerably in the wake of the 2008 financial crisis. In light of this fact, it is important for banks and insurance companies in particular to guarantee that they are acting in accordance with the law. We attach a great deal of importance to effective corporate governance. In particular, this means ensuring legal compliance, managing risks appropriately and protecting the reputation of our Bank. At Berenberg, Group Compliance ensures that our Bank always conducts its business in the interests of our clients and in line with the applicable statutory regulations as well as our internal rules.

### 1. Material topics

As a bank, statutory requirements alone mean that we play a major role in the prevention of corruption and bribery. Moreover, we see this as our special responsibility, because we are aware that criminal offences harm every society, hinder economic growth and prevent sustainable development. Berenberg pursues a zero tolerance approach in relation to this matter. One of the core elements of effective prevention of fraud and money laundering involves implementing the »Know Your Customer (KYC)« principle in conjunction with a risk assessment as well as the ensuing duties of care vis-à-vis new clients and existing clients. This serves simultaneously to reduce the risk for the Bank of becoming embroiled in corruption and bribery. As a result, the client perspective (KYC) as well as the employee perspective (corruption prevention at employee level) are the two material topics for this aspect.

### 2. Management approach and processes

#### Directives

Alongside national statutory regulations on the prevention of fraud and corruption (German Criminal Code), relevant international provisions have also been stepped up in recent years. Examples include the UK Bribery Act 2010 as well as the US Foreign Corrupt Practices Act (FCPA). Our internal guidelines for implementing these requirements provide the staff with binding standards for dealings with clients and business partners.

## Objectives

We want to minimise the risk of becoming involved in corruption and bribery through our employees or third parties and thus to protect our clients and Berenberg from criminal acts. Our goal is to uphold the trust placed in us and protect our reputation. This is because our corporate culture is based on integrity, which cannot tolerate corruption or bribery in any form.

## Measures

The Head of Group Compliance in his function as the compliance officer (WpHG)<sup>4)</sup>, MaRisk compliance officer and money laundering reporting officer, he reports directly and regularly to management, the Extended Management Board as well as the Chairman of the Advisory Board, and regularly exchanges information with the Head of the Internal Auditing department. In addition, the Head of Legal assesses all relevant matters from a legal perspective (criminal law).

Our employees are subject to principles and rules for appropriate conduct in dealings with clients, business partners and colleagues. Like our remuneration system based on regulatory requirements, these serve to avoid conflicts of interest.

At Berenberg, business relationships are entered into based on certain framework conditions set out by management within the context of the existing strategies. This means that certain countries (for example those with a high Corruption Perceptions Index)<sup>5)</sup>, industries and services are prohibited under our business policy or are subject to approval. Ongoing comparisons with corresponding databases, including PEP<sup>6)</sup> status, are used to research whether there are any negative indications of criminal acts including corruption/bribery.

With a corresponding training concept and control mechanisms, Group Compliance ensures that the applicable standards and guidelines are observed.

## Responsibilities

At Berenberg, Group Compliance is responsible for the area involving the prevention of fraud and money laundering as well as securities compliance. Consequently, it is focused particularly on the topics of fighting corruption and bribery,

<sup>4)</sup> WpHG: Wertpapierhandelsgesetz (Securities Trading Act).

<sup>5)</sup> The politically independent organisation Transparency International is active in the global fight against corruption in close cooperation with governments, businesses and citizens. Transparency International prepares an annual Corruption Perceptions Index (CPI).

<sup>6)</sup> Politically exposed person.

including the prevention of conflicts of interest, combatting money laundering and terrorist financing, implementing financial sanctions and embargoes, preventing other criminal acts as well as monitoring trade, the ban on insider trading and the rules on employee transactions.

### 3. Opportunities and risks

#### Opportunities

A bank's reputation is extremely precious. Over more than four centuries, Berenberg has built an outstanding reputation, and our brand gives us a strong competitive edge. Our compliance system makes sure that we can detect misconduct at an early stage. This allows us to ensure that we are complying with the statutory regulations and at the same time avoiding reputational and financial risks for the Bank.

#### Risks

As part of our risk management, we monitor various scenarios for assessing potential risks relating to the issues of corruption and fraud: Among others, these include »transactions with deliberate manipulation«, »unauthorised employee access to client assets« and »arrangements with external service providers (accepting undue advantages)«. During risk analysis, the respective risk situations are identified and assessed considering the following factors: size of the institution, industry, international nature and business activities. This also includes a catalogue of measures as to how the fundamental risks can be mitigated.

Internal and external audits evaluate the effectiveness of the precautions integrated in the processes, allowing any necessary modifications to existing measures to be made. The flat hierarchies as well as our centralised and unbureaucratic organisational structure make it easier overall to manage the risks described above.

## Outcomes and performance indicators

We support efforts at national and international level to fight financial crime. In addition to corruption and bribery, this includes infringements such as money laundering, fraud, terrorist financing and circumventing embargoes and sanctions. In the area of corruption prevention, we consider the KYC<sup>7)</sup> principle in conjunction with our risk assessment to be the key basis for deriving corresponding duties of care.

### Client perspective: Know Your Customer

Our KYC regulations serve to protect the Bank from abuse for criminal means. As part of our client acceptance process, an extensive review of personal details and business details is carried out. The list of questions includes a detailed description of the potential account holder as well as, where applicable, the beneficial owner, the planned business activities with Berenberg as well as a presentation of the economic situation (source and origin of assets). In the case of politically exposed persons (PEPs), we also examine their function, the location where they perform their function as well as any negative press.

As soon as the client acceptance process is successfully completed, the customer list is regularly reviewed automatically on the basis of internal and external criteria. Pre-existing negative reporting or a change in PEP status are some of the factors that play a role here. A negative vote can lead to special monitoring of the client relationship, further security measures or even to the termination of the client relationship.

### Employee perspective: Protection of employees

At employee level, the key elements of corruption prevention include guidelines for dealing with invitations and gifts, our training concept as well as the BKMS whistleblowing system.

*Dealing with invitations and gifts* is regulated in internal bank guidelines that provide guidance on the circumstances in which it is permissible to accept invitations and gifts from or offer invitations or gifts to third parties. The guidelines specify criteria for when invitations to events can be accepted as customary and

**100%**  
of our locations have rules to  
prevent corruption and bribery.

<sup>7)</sup> Know your Customer.

appropriate based on current assessments. The guidelines also describe reporting and approval processes as well as clear rules in dealings with public officials for example.

Our employees receive regular *mandatory training* on topics such as the prevention of fraud and money laundering. Consequently, our training rate for all employees was virtually 100% in the reporting year. Depending on the employee's role, the web-based awareness training is supplemented with face-to-face training. In addition, each new employee is given a set of compliance guidelines that also provide guidance on preventing corruption and bribery. We have established a concept for follow-up training for our workforce.

Our staff are obliged to report suspicious matters in order to uncover irregularities at an early stage. These include infringements of legal provisions and/or internal rules, cases of fraud, corruption or other criminal acts and cases of discrimination or harassment. With the *BKMS whistleblowing system* in place, our employees can choose to make an open report or to report anonymously. This means that they can use the system to report potentially criminal acts while keeping their identity confidential. All reports received are subject to an independent review.

Furthermore, we work with an IT monitoring system so that we can identify suspicious transactions – also from the aspect of corruption.

**Almost 100%**  
of our employees participate in the training sessions provided in the field of anti money laundering and fraud prevention.

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**0%**  
of our income was generated by locations of the Berenberg Group in 2017 in countries with a corruption index <60 based on the CPI from Transparency International.<sup>8)</sup>

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<sup>8)</sup> The CPI scores countries based on their level of public-sector corruption (amongst public officials and politicians), and lists these in accordance with their level of corruption. A CPI of <60 (based on CPI 2017) is an indicator that the country in question is highly susceptible to corruption. Berenberg has no locations in such countries.

## ABOUT THIS REPORT

### Reporting principles

This publication is our first sustainability report and meets the requirements of the EU Directive on the disclosure of non-financial information. It describes the activity of Berenberg as well as the impact of the Bank on people and the environment and documents relevant performance indicators. The report covers the period from 1 January to 31 December 2017. All of the information refers to Joh. Berenberg, Gossler & Co. KG. Information on the Berenberg Group is designated as such.

The report will be accessible for the next ten years using the following link: [www.berenberg.de/en/csr-report2017](http://www.berenberg.de/en/csr-report2017)

### Frameworks and selection of reporting topics

We provide comprehensive and transparent information on all non-financial topics of relevance to us and our stakeholders. This publication is based on the principles of the UN Global Compact on advanced reporting. In addition, we determined the material reporting topics and relevant ratios based on the indicators of the Global Reporting Initiative (GRI) as well as on the performance ratios of the Sustainability Accounting Standards Boards (SASB) and of the German Association for Financial Analysis and Asset Management (DVFA, Vereinigung für Finanzanalyse und Asset Management) and/or the European Federation of Financial Analysts Societies (EFFAS).

To prepare our first sustainability report and select the material reporting topics, we carried out a materiality assessment with the involvement of stakeholders. The selection is based on a three-step process: identifying, prioritising and examining the material topics. We first analysed the non-financial topics in international and industry-specific frameworks such as GRI, SASB, DVFA/EFFAS. At the same time, we carried out a benchmark analysis in order to identify possible reporting topics. The relevant topics for each aspect were prioritised and finally determined in the course of a one-day workshop and personal discussions with internal stakeholders. All four business divisions and relevant staff areas were involved. The reporting topics selected were validated by the divisions.

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