



**BERENBERG**  
PARTNERSHIP SINCE 1590

BERENBERG WEALTH AND ASSET MANAGEMENT

# Engagement Policy



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July 2020



## Our View on Engagement

It goes without saying that engagement is part and parcel of Environmental, Social and Governance (ESG). Engagement is also a key tool in understanding company behaviour when it comes to ESG issues. Having an open dialogue with companies encourages transparency and also allows us to gain better company insights. Through our engagement, we are able to make investment decisions in regard to whether we buy, sell or hold a company in our portfolios. Nevertheless, we endeavour to be long-term holders and take a long-term approach when investing in companies.

Engaging with companies on ESG issues in our view improves not only the companies' sustainability but also their management and risk/return profiles. We believe that it is important to have clear objectives and milestones in order to have effective engagements. Therefore, this policy provides us with guidelines when it comes to our dialogues with companies and how we measure our engagement process and investment decisions.

## Our Engagement Process

At Berenberg, we have a four-step process which we follow in our engagement process:

1. **Research** on companies
2. **Prioritization** of engagements
3. Entering **the dialogue** with companies
4. **Post Engagement** strategies and decisions

Our engagement is conducted either directly by the Portfolio Managers or by the ESG Office.

Figure 1: Berenberg's four step engagement process





- **Research:**

Portfolio Managers and the ESG Office conduct research on the companies on various issues affecting the sustainability of the companies. The sources used to gain information are obtained either directly from the company, broker's research, analysts, during exchanges internally between teams and even from data providers such as MSCI ESG.

- **Prioritization:**

In order to gain a balanced view, we examine both ESG risks and opportunities. Thus, as stated in our ESG policy, we will conduct engagement with companies that we deem to have severe ESG controversies. This identifies companies with a high level of controversies, potentially having higher level of risks as well. Such ESG controversies include alleged company violations of existing laws, single incidents such as a spill, an accident, regulatory actions, or a set of closely linked events or allegations such as health and safety fines or even multiple lawsuits. Nonetheless, we also engage with companies directly on other non-controversial ESG questions as it is also just as important for us to know the opportunities and sustainability direction of the company. Additionally, for impact related funds, we engage with companies if we are unable to ascertain their relevant impact metrics and if we need further information on the benefits their products and services generate to the environment and society.

- **Engagement:**

Once we deem engagement is needed, we will conduct a dialogue directly with the company using various different methods either face to face, via e-mail, in group meetings or in telephone conversations.

- **Post-Engagement:**

Engagement with companies can bear many different results. However, in the end we endeavour to receive feedback that will help us in our decision making process. A more detailed description of our engagement measurement is outlined in detail in the next section of this policy.



## Measurement of our Engagement

We measure the progress of engagement activities based on the following milestones:

- Milestone 1: Direct engagement with companies
- Milestone 2a: Companies indicate that they have already implemented changes
- Milestone 2b: Companies acknowledge the issues and provide feedback
- Milestone 3: Companies indicates strategies they are creating to address issues
- Milestone 4: Companies are implementing measures on these issues
- Milestone 5: Monitoring of the success of the new strategies and evaluating whether the improvements in sustainability are sufficient

However, reaching the different milestones would depend on the type of issue raised and the feedback provided by the company. We incorporate our satisfaction with the feedback from the companies into our investment decisions. Progress on the engagement will be discussed during ESG committee meetings which are conducted quarterly. Included in these meetings are for instance the success of the implementation of the companies' new strategies and the final results of the engagement (i.e. staying invested, to divest or to exclude). We aim to publish yearly reports about our engagement activities.

## Expectations of Invested Companies

We believe that it is important that companies are able to showcase their commitment and progress towards their sustainability strategies. For example, this could include us encouraging companies to report measurable and quantifiable sustainability metrics, implementing policies and strategies and even improving executive remuneration structures. Nevertheless, we understand that at times, smaller companies are constrained in resources to disclose their sustainability footprint. Thus, we expect this to be a journey that we go through together with the companies as we engage with them on material environmental, social and governance issues.



## Collaboration

At Berenberg, we have good relationships with our invested companies, and most of them are open to our engagement. However, if we are unable to receive adequate answers from companies when engaging directly, we will attempt to work with other industry bodies or shareholders as part of our institutional engagement for example with the Principles for Responsible Investment, KnowtheChain and others.

## Shareholder Rights and Voting

At Berenberg, we believe that proxy voting is an effective way to communicate our views on ESG related issues to companies and to directly influence corporate policies. Though we do not carry the rights to vote, we have a comprehensive proxy voting policy which we are able to use to provide our voting recommendations for our funds. The idea and notion of voting is to ensure that companies are continuously sustainable and that they adhere to good corporate governance standards. Therefore, this maximizes not only shareholder but also stakeholder value.

We endeavour also to engage with companies prior to voting if there are issues on the agenda where we would need further clarification directly from the companies. Additionally, we are able to provide the reasoning of our recommendations if requested by the companies. Please refer to our Proxy Voting Policy for further details.

## Communication

As a stakeholder we are aware of not only our responsibility to engage with companies but also to showcase our transparency of the engagements we have conducted. Thus, we aim to report publicly on our engagement activities and on our voting recommendations annually. In these reports we will disclose specific engagement themes and showcase case studies.



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