



BERENBERG
PARTNERSHIP SINCE 1590

BERENBERG WEALTH AND ASSET MANAGEMENT

ESG Policy



August 2019



Our Values

At Berenberg, we have a strong history of tradition, dating back to 1590 when our bank was founded in Hamburg, Germany. Being the second oldest bank in the world and Germany's oldest private bank, we have continued to carry on our strong commitment to clients and have a strong presence in the financial centres of Frankfurt, London and New York.

Over the last 20 years, Berenberg has managed the transition from a Hamburg based private bank to an international operating organization focusing on the business divisions Wealth and Asset Management (WAM), Investment Banking and Corporate Banking. Over the years, we have been quick to react to change and flexible to market conditions, thus constantly realigning the company. The willingness to embrace change and the courage to always question one's own actions to create new things are what uphold such a long-tradition at Berenberg. Our core values such as accountability, responsibility, insights, vision, expertise and stability which is shown over the years, indicate our strength and drive to advance in the community.

Our ESG Philosophy

Considering our strong tradition, it comes at no surprise that it is our philosophy to adapt to growing trends market wise but also in society. It is our belief that in order to continue to grow and be successful, we should always make full use of the changes around us to understand how to react in order to gain advantages in this growing economy. In short we are guided by our accountability. This direct accountability guides us to act in responsible ways across everything we do and thus allows us to be sustainably positioned in the future.

Therefore, we recognize the growing importance Environmental, Social and Governance (ESG) factors have in value creation. In order to be an asset manager in this environment, we believe that taking ESG factors into account goes hand in hand with fundamental analysis in order to assess risk and return.

"Integrating ESG factors is key especially from a risk perspective and will be beneficial for our investments in the long-term"

Matthias Born – CIO Equities, Wealth and Asset Management

Our ESG Approach

We at Berenberg WAM, consider incorporating ESG factors as one of the key factors in decision making. We recognize that the integration of ESG helps our portfolio managers to better analyse risk and return. We incorporate ESG by analysing ESG risks and opportunities using our own research and via third party providers. At times, we do not only rely on data provided by other



providers but we also have access to company management where we have open conversations regarding their ESG capabilities.

We often discuss ESG issues openly as we have a culture which is built upon supportive collaboration amongst all teams. We believe the open dialogue amongst our own investment professionals strengthens our ESG integration as we are also tapping into their industry experience and knowledge. We have a broad range of methods when it comes to ESG investing.

This includes negative/exclusionary screening, supporting companies with sustainable growth drivers/impact investing, positive/best-in-class screenings and even ESG-integration techniques within fundamental assessments.

Our Engagement

It goes without saying that engagement is a part and parcel of 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. At times we engage with companies and consistently monitor our engagement results. Through our engagement, we are able to make investment decisions in regards 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.

Our Proxy Voting Policy

At Berenberg WAM, we believe that proxy voting is an effective way to communicate our views 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. 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. Please refer to our Proxy Voting Policy for further details.



Our Exclusion Policy

At Berenberg WAM, based on our ethical and moral reasoning we believe that it is important that there are certain companies that we should generally exclude such as the producers of cluster munitions and anti-personal mines in all our listed funds/discretionary strategies and mandates. Our stand is strong on this as the production of cluster munitions and anti-personal mines is illegal in many jurisdictions around the world and is also unacceptable in certain international conventions. We also exclude any soft commodities, as our aim is not to speculate on food prices.

Additionally, we avoid other certain types of products, companies and countries as part of our ESG exclusions which are generally applied throughout all our dedicated ESG funds/portfolios (unless specified otherwise by clients). We have clients that define their own exclusion criteria based on their individual ethical and moral understanding. Therefore, we are also able to manage special mandates from clients that requests for other types of ESG restrictions. Please refer to our ESG Exclusion Policy for further details.

ESG Integration by Strategies

Our integration of ESG is implemented across different asset classes (i.e. equity and corporate bonds) and countries (i.e. sovereign debt). Through our in-house research and external data, we are able to implement ESG in both our quantitative and discretionary strategies. Our ESG strategy ensures that at the end we select companies that create a sustainable portfolio.

Dedicated Sustainable Mandates/ESG Funds

On all our dedicated ESG products, we will exclude companies whose ESG controversies are considered **very severe** and we will engage directly with companies with **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 action, or a set of closely linked events or allegations such as health and safety fines or even multiple lawsuits.

On top of taking into account traditional fundamental issues such as micro- and macroeconomic information, our approach towards equity and fixed income integration in our dedicated ESG products involves a four step process. The first three steps always apply for both approaches:



Discretionary approach

1. The first step involves a **negative screening process** based on our Berenberg ESG Exclusion criteria or on client's preferences.
2. Exclusion of companies **with very severe** ESG controversies.
3. Engagement with companies with **severe** ESG controversies.
4. The fourth step involves the **analysis of material ESG criteria** using in depth research and close interaction/engagement with companies.

Quantitative approach

1. We also apply the four step process whereby the first step is a **negative screening process** based on our Berenberg ESG Exclusion criteria or on client's preferences.
2. Exclusion of companies **with very severe** ESG controversies.
3. Engagement with companies with **severe** ESG controversies.
4. The fourth step is based on **positive/best-in-class processes** and/or **techniques of ESG integration**.

Furthermore, we also integrate a minimum standard for the majority of our products, which do not have an explicit ESG approach:

1. Investment of companies **with very severe** ESG controversies is not permitted.
2. Engagement with companies with **severe** ESG controversies.

“The increasing availability and disclosure of ESG issues has allowed for better understanding of non-financial information in our selection process”

Boris Jurczyk, CFA – Head Quant Selection

Moving Forward

We believe that material ESG factors play an important role when it comes to our selection process. We understand it may be at times difficult to directly measure or quantify the impact ESG has on valuations. However, companies that portray good governance especially those having boards/management that are effective will have a positive effect on the overall performance of the company. Thus, the positive influence of ESG will be particularly apparent here.

As we develop and strengthen our ESG strategies, we will continuously evolve and provide our clients with investment advice and portfolios that are not only aligned with their preferences but are also in the long-term, sustainable.



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