



**BERENBERG**  
PARTNERSHIP SINCE 1590

BERENBERG WEALTH AND ASSET MANAGEMENT

# IMPACT REPORT

## BERENBERG SUSTAINABLE WORLD EQUITIES

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September 2021





## **Berenberg**

Established in 1590, today Berenberg is one of the leading private banks and one of the most dynamic banks in Europe. Our business is based on client focus, responsibility, first-class knowledge and solution-orientated thinking. Our Wealth Management, Asset Management, Investment Banking and Corporate Banking divisions offer solutions for private and institutional investors, companies and organisations.

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## Foreword

**Generating measurable positive impact on society and the environment – this is what we look for in companies and issuers when investing for our impact-focused investment funds.**

We live in a time where we face massive economic, social, and environmental challenges. This includes finite resources, a growing world population, increasing inequality and climate change. With the rise of these challenges, we recognise and appreciate clients' desire to use their investments as a tool to facilitate solutions to these issues.

Therefore, we consider ESG aspects to be one of the key factors in our investment decision-making. By considering ESG factors, we are able to identify and monitor risks arising from controversial business practices as well as identifying responsible and sustainable business models with good corporate governance. In addition, through our active dialogue, we encourage and support companies and issuers in meeting their responsibilities towards society and the environment.

In our impact-focused investment funds, we complement the integration of ESG factors with the inclusion of companies and issuers that help to solve global challenges with their products and services. These funds invest in companies and issuers whose business models or dedicated projects create added value for the environment and society based on structural growth trends and sustainable profitability, both in terms of its nature and longevity.

This added value – the impact – is what we aim to showcase with this report. We have developed a proprietary approach to measure impact by which we capture the positive effect as well as potential negative externalities that our invested portfolio holdings generate. This is the first year in which we publicly report on our findings based on our proprietary impact approach and, going forward, we will update the report annually.

Matthias Born  
*Co-Head Wealth and Asset Management*  
*Berenberg Wealth and Asset Management*



Dr Rupini Deepa Rajagopalan  
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*Berenberg Wealth and Asset Management*

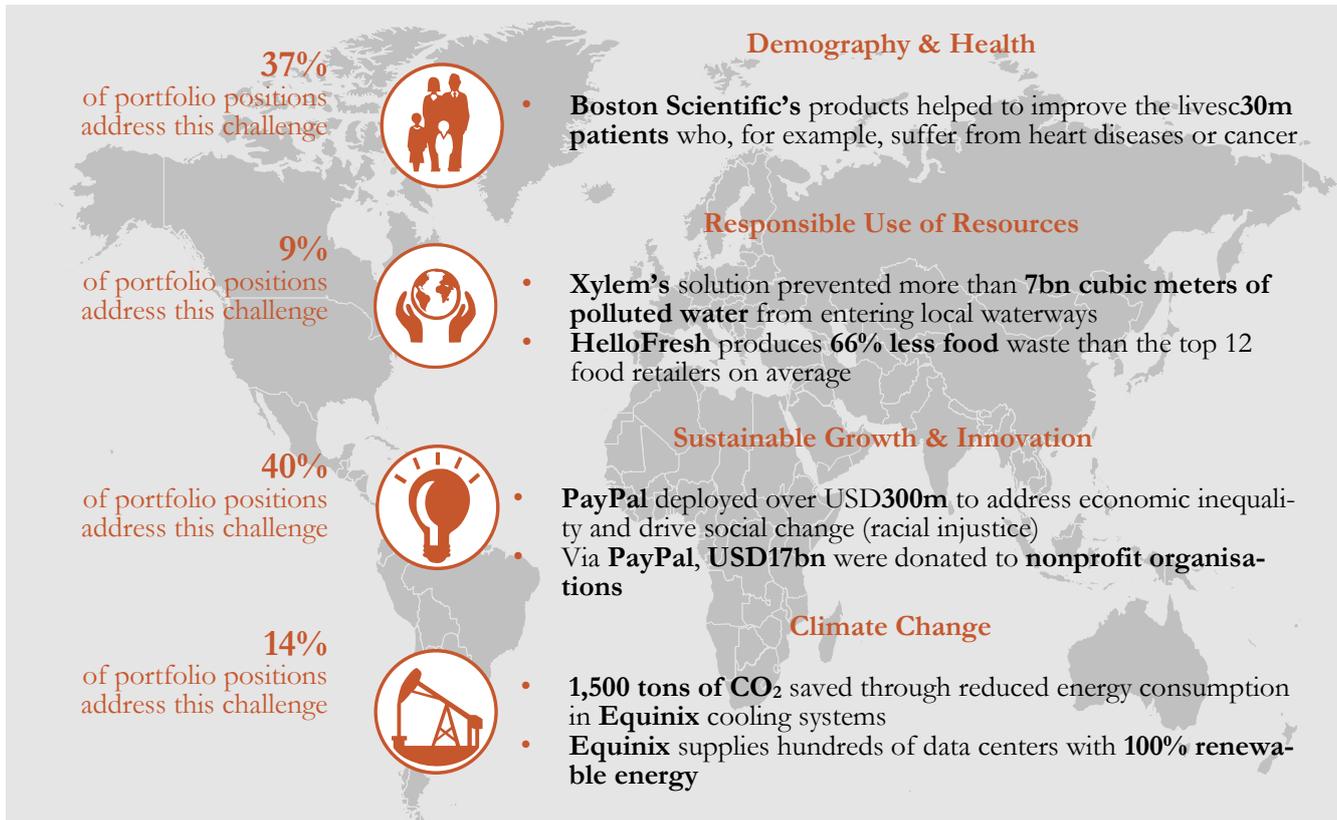




## Impact Spotlights<sup>1</sup>

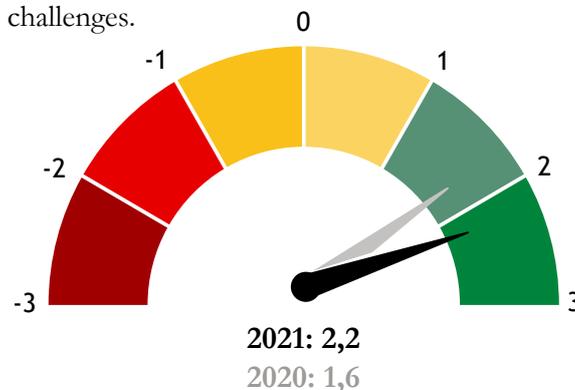
### The Four Global Challenges

Via its products or services, every portfolio position contributes to the solution of one of the four defined global challenges within our impact framework.



### The Berenberg Net Impact Score<sup>2</sup>

Via the Berenberg Net Impact Model application, we obtain a Net Impact Score at the portfolio level, which can range from -3 to 3. A score higher than 0 indicates a net positive impact in relation to the four defined global challenges.



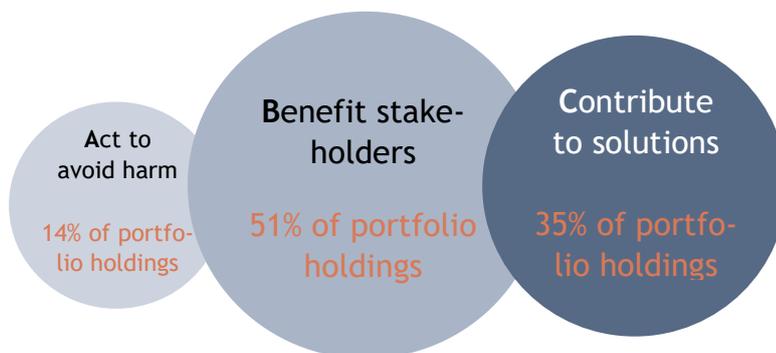
<sup>1</sup> The Berenberg Net Impact Model is applied to the portfolio as of 31 March 2021. All calculations and graphic representations are our own.

<sup>2</sup> We showcase the comparison between the Net Impact Scores as of the portfolios from 31 March 2021 and 31 March 2020.



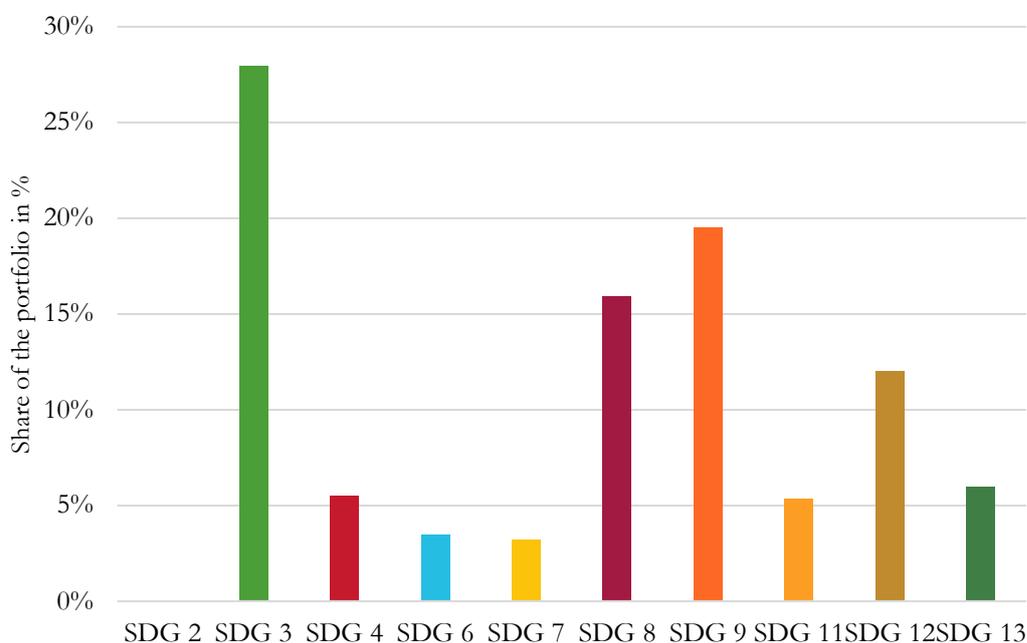
## The ABC Model

Within the classification scheme of the ABC model by the Impact Management Project (IMP)<sup>3</sup>, we evaluate the criticality of companies' or issuers' solutions and classify them into the categories "Act to avoid harm" (A), "Benefit stakeholders" (B) and "Contribute to solutions" (C), with C being the category generating the strongest impact.



## The Sustainable Development Goals

We map our portfolio holdings according to their contribution to 10 of the most investible Sustainable Development Goals by the United Nations. More information on the SDGs can be found in the dedicated SDG chapter.



<sup>3</sup> See "IMP – A Guide to Classifying the Impact of an Investment", available at <https://impactmanagementproject.com/impact-management/how-enterprises-manage-impact/>.



## Impact at Berenberg – An Introduction

At Berenberg Wealth and Asset Management, our impact-focused investment funds apply a holistic approach to sustainability, and we combine several investment process elements to provide a sound approach to impact. Firstly, we integrate strong ESG aspects in our investment process via exclusions and analysis. Secondly, we make use of active ownership activities such as engagement. Finally, as an additional step exclusive to our impact-focused strategies, we apply an impact framework. The following sections go into further detail.

### The Baseline: ESG Integration

As a solid foundation, our impact-focused investment funds use ESG integration tools such as exclusions, screening and ESG analysis. Generally, we recognise that the integration of ESG helps our portfolio management to adequately analyse risks and returns. We incorporate ESG criteria by analysing ESG risks and opportunities using our own research and via third-party providers. The open dialogue between our investment and ESG professionals allows us to integrate their industry experience and knowledge into our ESG approach and to develop and strengthen it continuously. In addition to our standard ESG exclusions, which apply to the entire Berenberg Wealth and Asset Management platform<sup>4</sup>, the impact-focused investment funds apply additional exclusion criteria in order to further mitigate the risk of potential adverse effects and to avoid clear negative impact investments. For more information, see our ESG Policy and our Exclusion Policy, which is available at [www.berenberg.com/esg](http://www.berenberg.com/esg).

### Inducing Positive Change via Active Ownership

Active ownership activities such as direct company engagement are part and parcel of our ESG and impact-focused approach and key tools in understanding company behaviour when it comes to sustainability issues. Having an open dialogue with companies and other issuers encourages transparency and allows us to gain better insights. We regularly engage with companies and consistently monitor our engagement results. Through our engagement, we are not only able to make investment decisions in regards whether we buy, sell or hold – as an active investor, we also help to improve the sustainability profile of companies in the long term and reduce risks. We believe that our active ownership approach can create positive change in the issuer or company and can, ultimately, benefit society or the environment and help to overcome global challenges. For more information, see our Engagement Policy as well as our Active Ownership Report, which is available at [www.berenberg.com/esg](http://www.berenberg.com/esg).

<sup>4</sup> Further information on the application scope of our exclusions can be found in our publicly available Berenberg WAM Exclusion Policy, available at [www.berenberg.com/esg](http://www.berenberg.com/esg).



## The Value Add: Our Approach to Impact

For our impact-focused investment funds, we apply an additional impact framework, which consists of targeting specified global challenges with our investments as well as a proprietary impact measurement and analysis tool. We use this impact approach to exclusively invest in portfolio holdings that generate a measurable positive impact on the environment and society.

Our impact approach has developed over time, reflecting our long-standing experience within this segment. Apart from continuously monitoring ongoing market developments, we conduct our own studies and compose white papers on relevant ESG- and impact-related topics, which has helped to form our approach and confirmed our impact-related perspectives. We strive to further evolve our approach and do not shy away from challenging our views.

Confirmed by the findings of our study<sup>5</sup> from 2018 and its update from 2021<sup>6</sup>, we identified the United Nations' Sustainable Development Goals (SDGs) that are investible as well as important. Based on these findings, we developed a set of four key global challenges, namely:

- ❖ Demography & Health;
- ❖ Climate Change;
- ❖ Sustainable Growth & Innovation; and
- ❖ Responsible Use of Resources

These four challenges are at the heart of our impact framework and every portfolio holding in our impact-focused investment funds undergoes in-depth impact analysis, within which we assess the portfolio holdings' contributions to the respective challenges. We also map them to the Sustainable Development Goals based on their contribution.

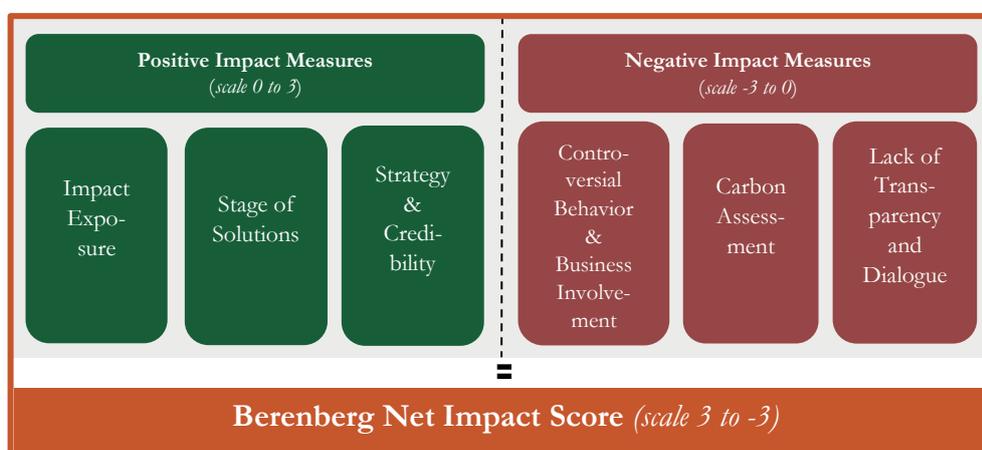
A further aspect within our impact-related framework is the development of a proprietary Berenberg Net Impact Model, in which we holistically analyse and assess the positive as well as potentially negative impact of our portfolio holdings. We discuss the details and methodology in the next chapter.

<sup>5</sup> See Berenberg ESG Office Study on the SDGs "Understanding the SDGs in Sustainable Investing", available at [www.berenberg.de/en/esg](http://www.berenberg.de/en/esg)

<sup>6</sup> See Berenberg Wealth & Asset Management Study "Berenberg ESG Survey: Exploring investor sentiment", available at [www.berenberg.de/en/esg](http://www.berenberg.de/en/esg)

## Berenberg Net Impact Model – Our Methodology

We use our proprietary Berenberg Net Impact Model to comprehensibly quantify the positive and potentially negative impact that our portfolio holdings generate in relation to the four defined global challenges of Demography & Health, Climate Change, Sustainable Growth & Innovation and Responsible Use of Resources. We defined specific measures in the positive as well as the negative impact space, with which we aim to holistically capture the net impact of our portfolio holdings. For each holding, every impact measure is analysed individually and given a score, which is summed up at the issuer or company level and finally aggregated at the portfolio level. These scores are based on quantitative and qualitative measures.



The positive impact measures do not only capture the contribution of the business model to one of the four global challenges, but also consider the stage of impact as well as the company's strategy and credibility. In our view, this provides a more holistic and forward-looking view on a company's positive impact. Within specified assessment frameworks for each pillar, we award scores between 0 and 3.

- ❖ The pillar *Impact Exposure* quantifies the extent to which a portfolio holding addresses one of the four global challenges via its product and service offering. The measure relies on several financial metrics such as revenue exposure to one of the global challenges, and accounts for adjustments that capture future-orientated efforts such as R&D spending, capex investments and sector-specific key performance indicators.
- ❖ The pillar *Stage of Solutions* integrates the ABC approach as defined by the Impact Management Project (IMP)<sup>7</sup>. The criticality of a company's or issuer's solutions are analysed and classified into the categories "Act to avoid harm" (A), "Benefit stakeholders" (B) and "Contribute to solutions" (C), with C being the category generating the strongest impact.

<sup>7</sup> See "IMP – A Guide to Classifying the Impact of an Investment", available at <https://impactmanagementproject.com/impact-management/how-enterprises-manage-impact/>



- ❖ On a company level, the pillar *Strategy & Credibility* considers the depth and ambition of ESG-related commitments and targets as well as achieved performance that underline the company's credibility. In a forward-looking way, this pillar seeks to capture how far companies have embedded their sustainability and impact-related efforts into their cultures, their DNA and overall business strategy. This measure relies on publicly available information regarding the company's sustainability key performance indicators.

Similarly, the negative impact measures seek to quantify the negative externalities of the issuer or company. Within specified frameworks, we award scores between -3 and 0.

- ❖ In the pillar *Controversial Behaviour & Business Involvement* we analyse (potentially) existing controversial behaviour and conflicts as well as involvements in and exposure to controversial business sectors and activities. The measure relies on the data and analysis framework from our external data provider, which is complemented with our own research as well as potential adjustments such as productive engagement activities.
- ❖ The pillar *Carbon Assessment* quantifies and evaluates a company's CO<sub>2</sub> impact as well as possibly existing countermeasures such as carbon reduction initiatives. We rely on data from our external data provider and use publicly available company information. The specified framework for this measure accounts for benchmark comparisons and sector-specific CO<sub>2</sub> levels.
- ❖ The pillar *Lack of Transparency & Dialogue* assesses the overall level of company transparency regarding ESG and impact data as well as openness to dialogue in the context of engagement activities.

The result of the model application is a Net Impact Score in a range of -3 to 3, whereas a score higher than 0 indicates a net positive impact in relation to the four global challenges. The maximum Net Impact Score of 3 demonstrates a strong positive impact and no or sufficiently offset negative impact.

Comprehensive and valid data is crucial to our Berenberg Net Impact Model. We rely on publications from portfolio holdings and data from our external ESG data provider. We additionally integrate information which we gather through our engagement activities, from sell-side research or other relevant sources.

For our assessments and scoring methodology, we specify clear scoring frameworks to arrive at objective and comprehensible scoring results. However, there remains a discretionary part within the model for which we, at this point, cannot establish specified and reasonable thresholds. We realise that this could be a potential shortcoming of the model, however, we also see benefits in establishing a methodology which is not entirely rigid and thus able to reflect the unique opportunities or challenges in specific business models. We discuss our view on this and our envisioned outlook for future developments in the "Outlook" section.



## Demography & Health



### The challenge of Demography & Health

The United Nations' Sustainable Development Goal 3 aims at improving the life-long health and well-being of all people. Although major advances in medicine have been made over the past decades, inequality regarding the healthcare levels of different countries remains high, and new challenges arise as the global population becomes wealthier and lives longer. Similarly, the Goal of ending hunger and malnutrition (SDG 2) persists and its hurdles change throughout the decades.

The trend is clear: The World Health Organisation estimates that the share of people aged 60 years and older will rise from 12% in 2015 to 22% of the world's population in 2050.<sup>8</sup> With it, typically age-related diseases such as cancer, dementia and cardiovascular diseases now represent the by far most common causes of death. Chronic diseases such as type 2 diabetes and hypertension, which are often lifestyle-related, are also on the rise.<sup>9</sup> At the same time, medical treatments and innovations need to be distributed more equally. Regarding nutrition, the United Nations estimates that, in 2019, an estimated 2bn people did not have regular access to safe, nutritious and sufficient food.<sup>10</sup>

### Contributing to the Solution – Our Portfolio Holdings

In the face of these challenges, there is a strong need for innovative solutions, which are of high quality but also affordable. Many companies have specialised in offering exactly that. For example, new technologies in the space of pharmaceuticals and data-driven solutions already contribute to a better understanding of diseases and allow for more accurate diagnoses as well as personalised and potentially less invasive treatments. Further, companies offering healthcare services and elderly care solutions are important facilitators to overcome challenges, as are companies focusing on healthy and environmentally sustainable nutrition.

#### Our portfolio positions<sup>11</sup> addressing the challenge:

Addlife	Ambu	Boston Scientific	Cellavision
Chemometec	Danaher	Dechra	Evotec
Grifols	Idexx Laboratories	LHC Group	Ryman Health Care
Teladoc	Thermo Fisher Scientific	Trupanion	Wuxi Biologics

<sup>8</sup> <https://www.who.int/news-room/fact-sheets/detail/10-facts-on-ageing-and-health>

<sup>9</sup> <https://ourworldindata.org/causes-of-death>

<sup>10</sup> <https://www.un.org/sustainabledevelopment/hunger/>

<sup>11</sup> As of 31 March 2021



## A Case Study – LHC Group



### Company Overview

Founded in 1994, the US-based healthcare services company LHC Group (LHC) mainly provides in-home health, hospice and community-based services. A minor part of its activities is facility-based services and healthcare innovations. LHC has 30,000 employees and operates in 35 states throughout the US.

### Positive Impact

With 537 Home Health Service Locations, 120 hospice Service Locations and 114 Home & Community-based Service locations, LHC offers its services to 525,000 patients p.a. and reaches c60% of its targeted US population aged 65-plus. All of its revenues are thus focused on solutions addressing the global challenge of Demography and Health.

Homecare is one of the key solutions to overcome the challenges that come with the strong growth in the number of senior citizens as a share of the overall population, as these generally have a higher need for care and healthcare services. Home care at LHC is not only c70% less expensive than that provided in traditional institutional settings, the company has also industry-leading patient care quality scores. This leads to better patient outcomes at lower costs. The company is able to drive positive change and provide a solution to pressing matters.

### Potentially Adverse Impact

Besides carbon emissions generated mainly through transport activities and energy usage, LHC does not generate strong adverse environmental impacts. LHC reduced its carbon emissions by decreasing the car miles per visit and the usage of telehealth services. LHC's transparency regarding environmental metrics is currently limited, but it plans to extend this in the near future. LHC does not face controversies relating to problematic behaviour and is not involved in any controversial business activities.

### Summary

<b>Berenberg Net Impact Score</b>	<b>2,7</b>	
<b>Sustainable Development Goals</b>	<b>3</b>	
<b>ABC Classification</b>	<b>C</b>	



## Climate Change

### The Challenge of Climate Change



Climate change is humanity's greatest challenge. Its consequences pose risks for specific sectors, companies, and countries. These include physical risks caused by natural disasters and changing weather patterns as well as more frequent and more extreme weather events, but also so-called transition risks, which relate to the ability of companies to transition to low-carbon or climate-neutral business models. In addition to the direct impacts, progressive climate change and the associated global warming have potentially significant negative effects on the achievement of the United Nations Sustainable Development Goals.

The report of the Intergovernmental Panel on Climate Change (IPCC) published in 2018 stresses the relevance of achieving the goal to limit global warming to 1.5°C, since the risks arising from climate change become even greater beyond this.<sup>12</sup> Annual greenhouse gas (GHG) emissions are now more than 50% higher than in 1990. While all countries experience the effects of climate change, countries that are not accountable for high emissions are often hit harder due to missing resources to withstand negative effects.<sup>13</sup>

### Adding to the Solution – Our Portfolio Holdings

We recognise our responsibility to contribute to the fight against climate change through our investment decisions and collaboration with our portfolio companies and other investors. We believe that the necessary transition to a low-carbon economy also offers opportunities. For example, we welcome innovations in the renewable energy and energy efficiency sectors. Especially in industrial applications or the real estate sector, these can induce meaningful positive change. Also, new technologies that optimise the control and regulation of cooling systems in data centres or research in renewable natural gas positively contribute to mitigating climate change.

#### Our portfolio positions<sup>14</sup> addressing the challenge:

Carel	Equinix	Infineon
Sika	Siteone Landscape	Xebec

<sup>12</sup> See "Global warming of 1.5°C. An IPCC Special Report on the impacts of global warming of 1.5°C above pre-industrial levels and related global greenhouse gas emission pathways, in the context of strengthening the global response to the threat of climate change, sustainable development, and efforts to eradicate poverty, available at: <https://www.ipcc.ch/sr15/chapter/spm/>

<sup>13</sup> <https://ourworldindata.org/greenhouse-gas-emissions>

<sup>14</sup> As of 31 March 2021



## A Case Study – Infineon

### Company Overview

Founded in 1999, Infineon is one of the largest semiconductor manufacturers worldwide. The German company offers solutions for electromobility, renewable energy and energy efficiency. Infineon has c47,000 employees in Europe, Asia-Pacific and the Americas.

### Positive Impact

The global trend towards renewable energy production and sustainable mobility increases the demand for components such as semiconductors. Infineon’s semiconductors are used in applications that generate electricity from renewable sources and increase efficiency at all stages of the value chain in the energy sector.

During their use phase, Infineon’s products help to cut CO<sub>2</sub> emissions by c56m tons of CO<sub>2</sub> equivalents and, thus, have a positive carbon balance.<sup>15</sup> Further, Infineon provides innovative solutions to electromobility, wherein charging points become highly productive and vehicles (depending on their capacity) only need to stop for 10 minutes in order to achieve a battery charge of 80%.

### Potentially Adverse Impact

Infineon’s operations are emission intensive, which is why its overall GHG emissions are high. However, Infineon has defined the ambitious target of becoming carbon-neutral by the end of 2030 in terms of its Scope 1 and 2 emissions through significant reductions in energy consumption and the increased use of renewable energies. It comprehensively reports on its environmental metrics. Infineon does not face controversies relating to problematic behaviour and is not involved in any controversial business activities.

### Summary

<b>Berenberg Net Impact Score</b>	<b>2,4</b>	
<b>Sustainable Development Goals</b>	<b>7 &amp; 13</b>	 
<b>ABC Classification</b>	<b>C</b>	

<sup>15</sup> See “Sustainability at Infineon – Supplementing the Annual Report 2020”, available at <https://www.infineon.com/cms/en/about-infineon/sustainability/>



## Sustainable Growth & Innovation



### The Challenge of Sustainable Growth and Innovation

While economic growth might not be an end in itself, it has significant effects on global levels of poverty. However, against the background of climate change and finite natural resources, economic growth needs to be environmentally sustainable while at the same time adhering to and promoting social standards such as fair and inclusive labour practices. As defined by the United Nations' Sustainable Development Goal 8, the aim is to achieve sustained, inclusive, and sustainable economic growth with full and productive employment and decent work for all.

Innovation is one of the fundamental factors when it comes to both an individual company's success and stable and sustainable economic growth. Creating and fostering corporate cultures that accelerate highly innovative ideas requires ongoing effort – yet only those companies making this effort remain economically viable and can, ultimately, solve global challenges and induce positive change.

Further, education and, in a wider sense, social enablement and empowerment are essential aspects in achieving the goal of smart, green and fair growth for the global population. Although major advancements have been made in recent decades, achieving inclusive and equitable quality education, as aimed for by the United Nations' Sustainable Development Goal 4, is still a long way off.

### Contributing to the Solution – Our Portfolio Holdings

Companies offering solutions to this challenge contribute, among other things, to financial inclusion, access to and affordability of public transportation, or the reduction of dependence on non-renewable resources. Easily accessible and low-cost technologies can advance education and skills or help small businesses create jobs sustainably. Further, affordable housing and solutions that advance inclusive, sustainable cities are needed. Generally, R&D expenditure and strong innovation capabilities can lead to the development of much needed solutions.

#### Our portfolio positions<sup>16</sup> addressing the challenge:

Addtech	AIA Group	Alibaba	ASML
Charter	Intercontinental	Learning Technologies	Mastercard
Microsoft	NetCompany	PayPal	ServiceNow
StoneCo	Tencent Holding	Transunion	Wix
Xero			

<sup>16</sup> As of 31 March 2021



## A Case Study – PayPal



### Company Overview

Founded in 1998, US-based PayPal provides an online payments system and offers an electronic alternative to traditional paper-based payment methods. PayPal has c27,000 employees and 392m active user accounts worldwide.

### Positive Impact

PayPal aims to create a more inclusive payment system by offering its typical services such as sending money or paying merchants in a secure way for free to its users. PayPal facilitates the participation in the financial system in a secure and transparent environment. In addition, it specifically supports small and medium-sized businesses (SMBs). The company is used by over 15m SMBs, which account for nearly 50% of the company’s total revenue. PayPal granted USD4.6bn in capital to SMBs through specific loan products. These were especially relevant in the context of COVID-19 pressures. PayPal puts a focus on supporting Black-owned and women-owned SMBs through grant funding and training. Further, PayPal operates a growing charitable platform, which enabled more than 50m donors to contribute cUSD17bn to non-profits, education organisations and crowdfunding initiatives. Connecting individuals and merchants via digital payment platforms benefits the stakeholders and is a helpful contribution to the challenge of Sustainable Growth & Innovation. Ultimately, it supports equal opportunities and makes society more inclusive.

### Potentially Adverse Impact

PayPal’s environmental impacts come from its offices and its data centres. As all of its facilities are significantly increasing their use of renewable energies, total GHG emissions were reduced substantially. PayPal has implemented ambitious science-based GHG emission targets in support of the Paris Agreement’s 1.5°C target and comprehensively reports on environmental metrics. PayPal faces some minor controversies relating to Privacy & Data Security.

### Summary

<b>Berenberg Net Impact Score</b>	<b>2</b>	
<b>Sustainable Development Goals</b>	<b>8 &amp; 9</b>	
<b>ABC Classification</b>	<b>B</b>	



## Responsible Use of Resources

### The challenge of a Responsible Use of Resources



The planet's natural resources are finite. Yet they are central to human wellbeing, as they form the basis of our health and prosperity. Over time, the global use of resources has increased, accelerated by industrialisation and globalisation. At this point, some natural resources are overexploited. This in turn threatens livelihoods and jeopardises whole ecosystems.<sup>17</sup>

Numbers can give a sense of the extent of this. The global use of freshwater has increased almost sixfold since 1900 to c4trn m<sup>3</sup> in recent years.<sup>18</sup> Globally, c368m tons of plastics were produced in 2019<sup>19</sup>, but only 9% of the plastics manufactured between 1950 and 2015 was recycled.<sup>20</sup>

To mitigate the adverse effects of the overuse of natural resources, a drastic change of consumption and production patterns is required. Resource efficiency during production processes is often a starting point. Further, innovative technologies that decouple natural resource use and environmental impact from economic activity are needed. Measures that mitigate scarcity, reduce losses, and optimise resource management systems can positively induce change and accelerate a transition towards a circular economy.

### Contributing to the Solution – Our Portfolio Holdings

Companies offering solutions to this challenge contribute, among other things, to a drastic reduction of resources used and advance their recycling capabilities.

This can, for example, include: avoiding and reducing packaging or replacing it with innovating packaging solutions; cutting the amount of food waste; and protecting and managing water as well as optimising its use. Further, sustainable solutions to treat and manage waste and new recycling technologies are much needed.

### Our portfolio positions<sup>21</sup> addressing the challenge:

Alphabet

HelloFresh

Lanxess

Xylem

<sup>17</sup> <https://www.iisd.org/articles/sustainable-use-natural-resources-governance-challenge>

<sup>18</sup> <https://ourworldindata.org/water-use-stress>

<sup>19</sup> <https://www.statista.com/topics/5401/global-plastic-waste/>

<sup>20</sup> <https://www.oecd.org/environment/waste/policy-highlights-improving-plastics-management.pdf>

<sup>21</sup> As of 31 March 2021



## A Case Study – Xylem



### Company Overview

Founded in 2011, US-based Xylem provides water technologies for public, residential and commercial uses. The products offer solutions for water infrastructure, such as wastewater transport and treatment as well as water-related measurement and control devices and building services. Xylem has c17,000 employees worldwide and operates in 150 countries.

### Positive Impact

In 2020, Xylem’s treatment solutions helped its customers to reuse 4.3bn m<sup>3</sup> of water, while its efficient products and solutions helped to reduce their carbon footprint by 0.7m metric tons of CO<sub>2</sub>. Through dewatering and digital technologies, its customers were able to prevent 1.4bn m<sup>3</sup> of polluted water from entering local waterways. Partly in collaboration with non-profit partners, Xylem has provided 4.1m people in developing countries with access to clean water and educated 3.6m people to improve their awareness of water challenges.

With its highly efficient and innovative solutions along the entire water cycle, Xylem contributes to solving the global challenge of water scarcity and affordability. Additionally, it focuses on providing its products and services in emerging markets, where water can be scarce. The company is thus able to drive positive change and provide a solution to pressing matters.

### Potentially Adverse Impact

Via reducing energy consumption and increasing investments in renewable energy at its facilities, Xylem has significantly lowered its carbon emissions. It is highly transparent regarding its performance on environmental metrics and commitments to them. Xylem does not face controversies relating to problematic behaviour and is not involved in any controversial business activities.

### Summary

**Berenberg Net Impact Score**

3



**Sustainable Development Goals**

6 & 12



**ABC Classification**

C



## The Sustainable Development Goals

In our 2018 Berenberg ESG Office study “Understanding the SDGs in Sustainable Investing”<sup>22</sup> and its 2021 update “A Berenberg ESG Survey 2021”<sup>23</sup>, we highlighted the SDGs that survey participants found most important on the one hand and most investible on the other hand. Based on this analysis, we developed the four key global challenges, namely Demography and Health, Climate Change, Sustainable Growth and Innovation and Responsible Use of Resources. They are at the heart of our impact framework.

Another part of our impact framework is the mapping of our portfolio holdings with respect to their contribution to some of the SDGs. As a first step, we assigned 10 investible SDGs to our four core global challenges (Figure 1).



Figure 1: Core Global Challenges and the SDGs  
Source: Berenberg

In a second step, we mapped our portfolio holdings to the respective SDGs of the specific global challenge (see step one). Based on its primary contribution, each portfolio position is assigned to 1-3 of the SDGs. We show portfolio weights alongside the respective SDGs – if an investment contributes to several SDGs, the portfolio weight is allocated proportionately (Figure 2).

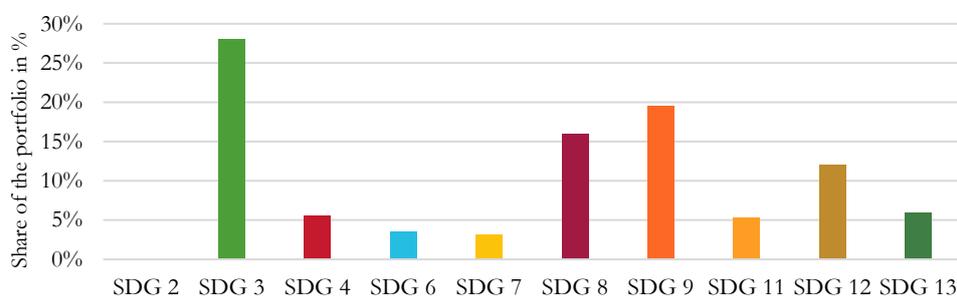


Figure 2: The portfolio holdings mapped to the SDGs  
Source: Berenberg

<sup>22</sup> Berenberg ESG Office Study on the SDGs “Understanding the SDGs in Sustainable Investing”, available at [www.berenberg.de/en/esg](http://www.berenberg.de/en/esg)

<sup>23</sup> See Berenberg Wealth & Asset Management Study “Berenberg ESG Survey: Exploring investor sentiment”, available at [www.berenberg.de/en/esg](http://www.berenberg.de/en/esg)



Finally, as an additional view on the fund's contribution to the SDGs, we compare the Alignment Scores of the fund's portfolio with those of its regular benchmark as well as a sustainability benchmark, as shown in Figure 3. We use SDG Net Alignment Scoring data from an external data provider and combine this with our own Net Impact Score data. For constituents not covered by our internal analysis, we only use data from the external provider.

The graph shows the fund's relative positive SDG net alignment compared to that of the respective benchmark. It is important to note that the two methodologies, namely our own as well as the external data providers', are not identical. However, both are based on a similar approach of considering positive and negative contributions and scoring those respectively. We believe this to be a valuable further indication of the fund's performance when it comes to the SDGs.

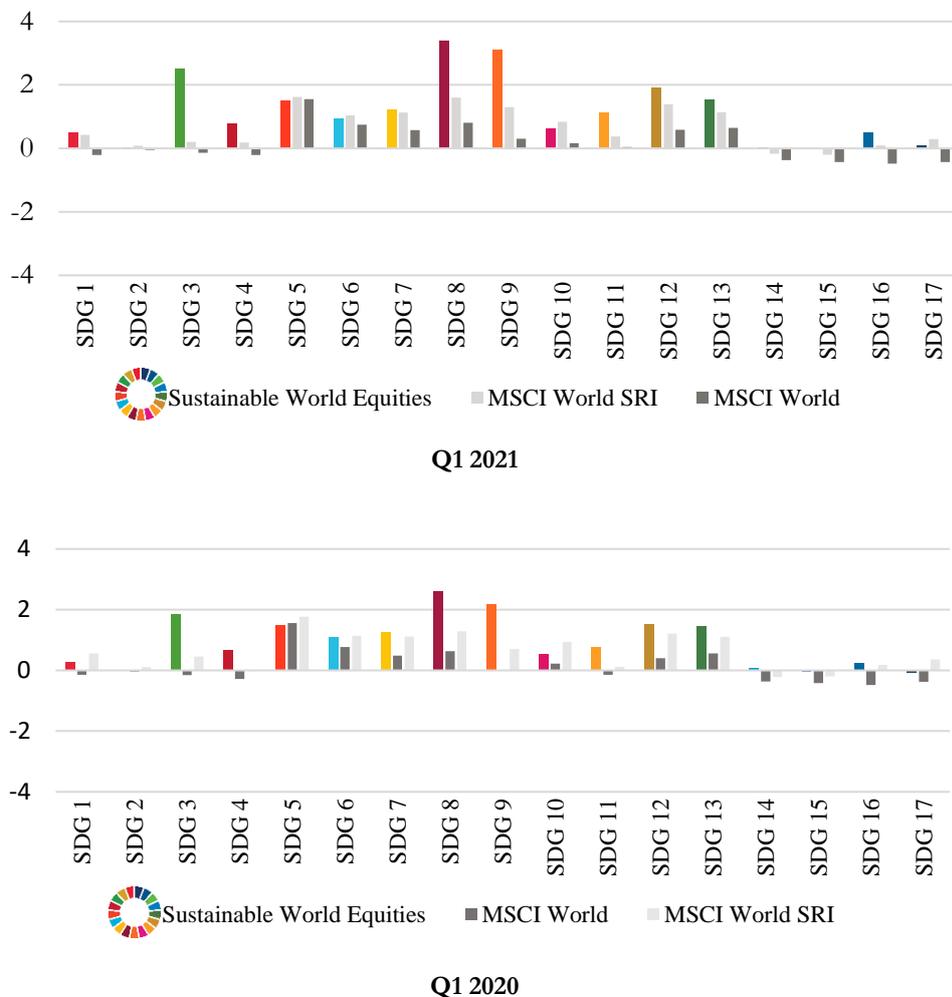


Figure 3: MSCI ESG Net Alignment of SDG Scores compared to two benchmarks  
 Source: MSCI ESG, own calculations and presentation. Certain information © 2021 MSCI ESG Research LLC. Reproduced by permission. Portfolio as of 31 March 2021 and 31 March 2020. MSCI Data as of 31 July 2021.

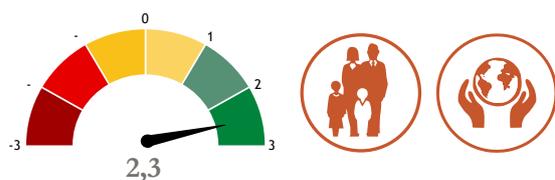


## Additional ESG and Impact-Related Information

### Average Net Impact Score per Global Challenge

Additional to the portfolio level as shown within our “Spotlights” section, we measure and showcase the average Berenberg Net Impact Score per global challenge.

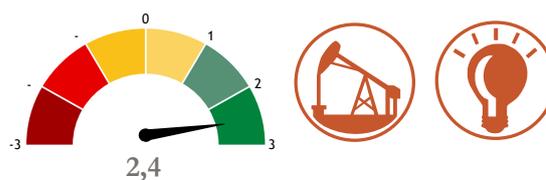
#### Demography & Health



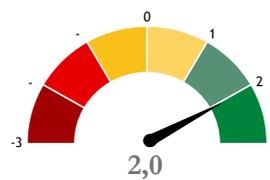
#### Responsible Use of Resources



#### Climate Change

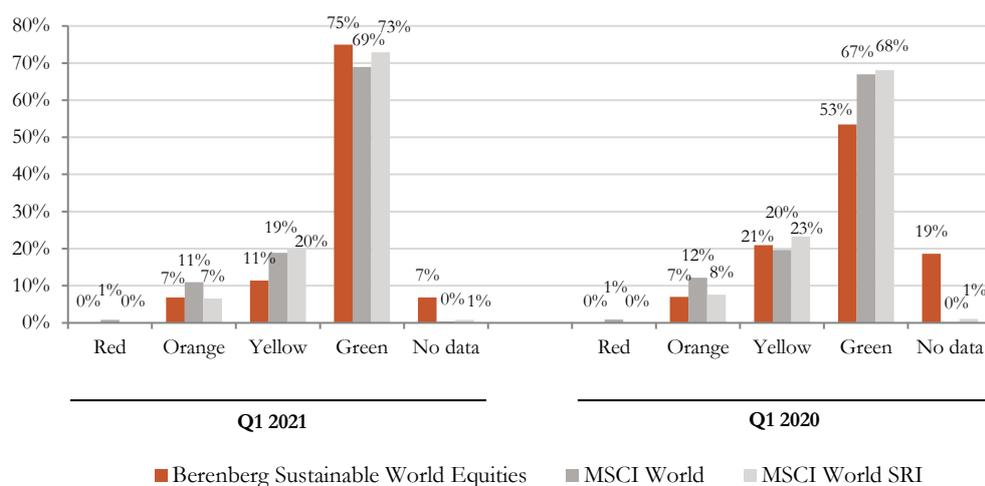


#### Sustainable Growth & Innovation



### ESG Controversies Screen

Investments in the fund are monitored for ESG controversies and, with the help of MSCI ESG data, flagged according to their severity. We compare this with the regular benchmark and with a sustainability benchmark.

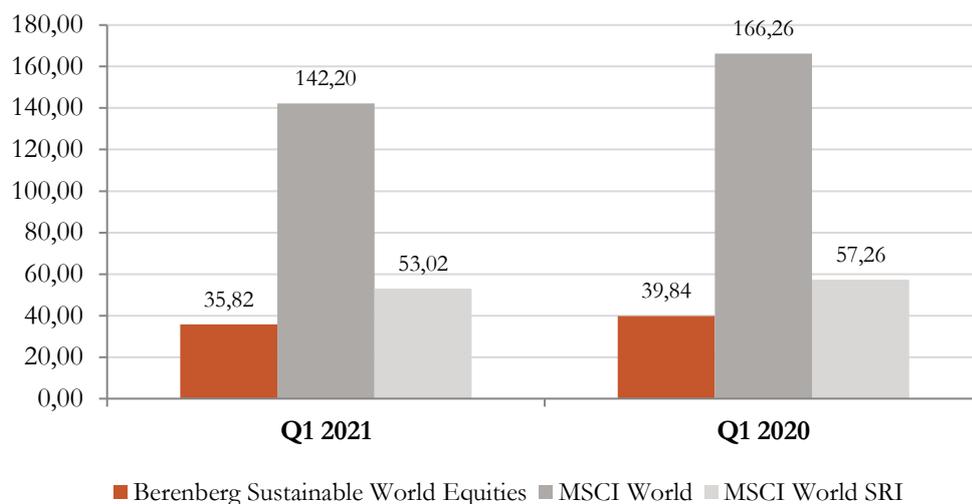




## CO<sub>2</sub> Intensity

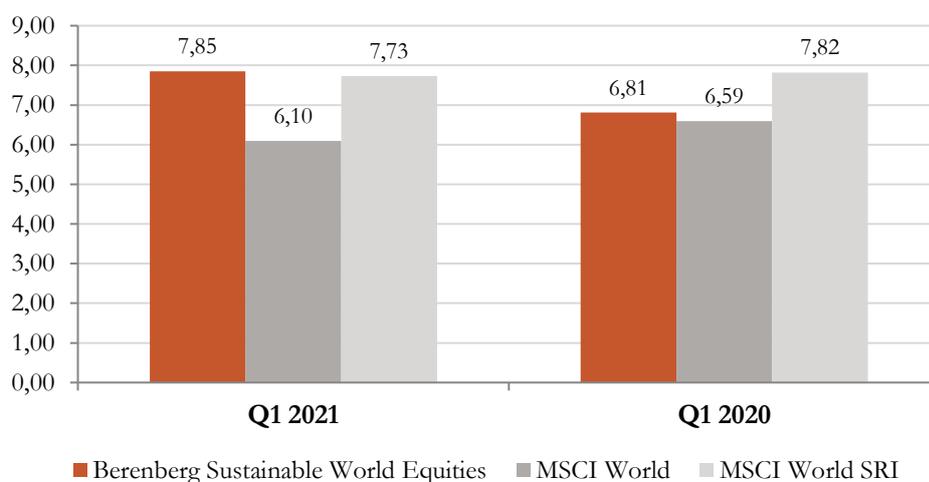
The fund does not actively manage its carbon footprint; however, emissions data such as CO<sub>2</sub> intensity are relevant parameters which can be used to assess the efficient management of a company and the extent of transition risks. We compare this with the regular benchmark and a sustainability benchmark.

*Weighted average CO<sub>2</sub> intensity,  
in tons of CO<sub>2</sub> per USD1m revenues*



## ESG Score

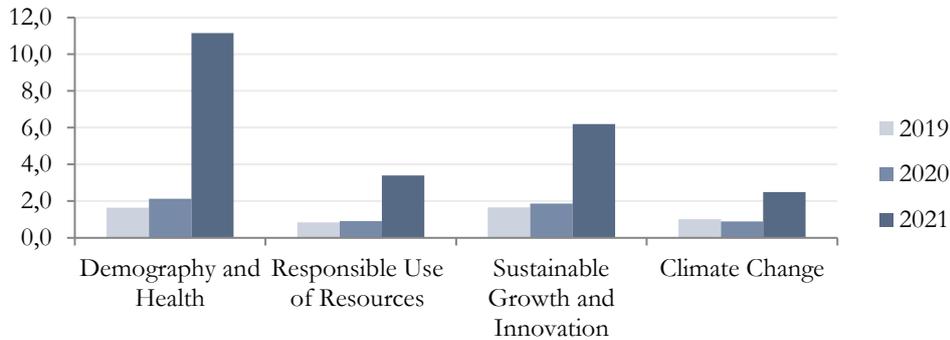
Data provider MSCI ESG uses an ESG score of 0 (lowest) to 10 (highest) to assess portfolio holdings' management of material ESG risks compared to that of competitors. We compare this with the regular benchmark and a sustainability benchmark.





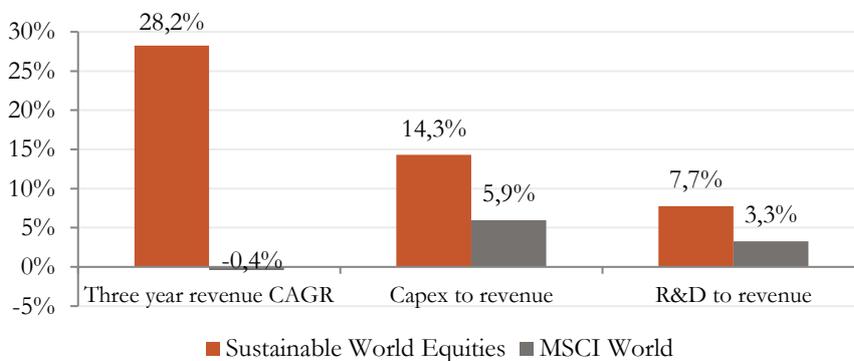
## Revenue Exposure

We showcase the aggregated added value through products and services provided by our portfolio holdings per key structural theme in million euros over time.



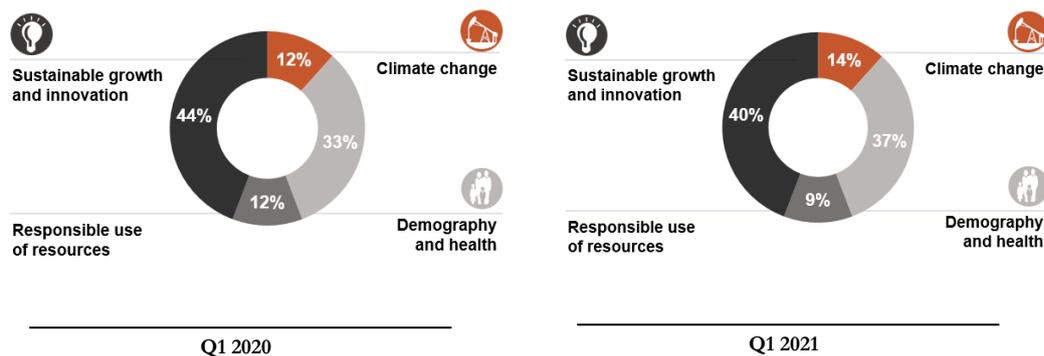
## Sustainability Key Performance Indicators

Sustainability indicators are used to gauge a company's financial viability and long-term profitability as well as how the business is achieving this profitability in a non-harmful and ultimately positive way. The companies held by the fund (as at 31 March 2021) demonstrated significantly higher growth rates over the past three years, higher investments (capex) and R&D expenditures, compared to the companies in the benchmark. As a result, there is a greater opportunity for constituent companies to add value to the environment and society.



## The Four Global Challenges

As presented earlier in the report, every portfolio position contributes to the solution of one of the four defined global challenges within our impact framework. Here we present the share of investments within the challenges over time.





## Outlook

We will keep developing the Berenberg Net Impact Model, taking into account the evolving landscape of impact-related data providers and numerous impact measurement initiatives. We aim to constantly review our methodology to improve our scoring framework, to increase its objectivity and clarity and to align it with best-practice standards.

We also closely watch market, regulatory and academic developments in the impact measurement space. For example, we are excited to see how the EU taxonomy for sustainable activities will influence impact measurement practice and will dynamically react to upcoming best-practice standards.



## Appendix – Methodology

Below, we detail our methodology to calculate mentioned parameters.

### Chapter “Spotlights”

#### Four Global Challenges

The proportion of each key structural theme in the fund is calculated via the total percentage-weighted portfolio share of the companies that primarily address each key challenge.

#### The ABC Model

Depending on the relevant business activity, each of the fund’s holdings is classified to one of the three categories “Act to avoid harm” (A), “Benefit stakeholders” (B) or “Contribute to solutions” (C). We calculate the percentage-weighted portfolio share of the companies within each category.

#### The Sustainable Development Goals

In a first step, we set a framework in which we assigned 10 investible SDGs to our four core global challenges. In a second step, depending on the relevant business activity, each of the fund’s holdings is mapped to the SDGs of the respective specific global challenge that the holding addresses. Based on its primary contribution, each investment is assigned 1-3 goals. Portfolio weights are shown along with the respective SDGs – in the case of investments that contribute to several SDGs, the portfolio weight is allocated proportionately.

### Chapter “Additional ESG and Impact-Related Information”

#### ESG Controversies Screen

MSCI ESG analyses controversial business practices in the five areas Environment, Human rights, Labour rights and Supply chain, Customers as well as Governance. The controversies are rated according to their reputational risk as well as the operational handling by a flagging system. Green indicates no or weak controversies, yellow indicates moderate controversies, orange indicates severe controversies and red indicates very severe controversies. We show the share of the portfolio holdings within each controversy flag. This is compared to the benchmark.



## CO<sub>2</sub> Intensity

The CO<sub>2</sub> intensity per company (Scopes 1 and 2) is multiplied by the portfolio weight of the company (current value of the investment divided by current fund value) and summed up. This weighted average CO<sub>2</sub> intensity provides an indication of the portfolio's exposure to CO<sub>2</sub> emission-intensive companies.

The calculation of emissions data is based on indicators recommended by the G20's Task Force on Climate-related Financial Disclosures (TCFD).

## ESG Score

Using a score between 0 (lowest) and 10 (highest), MSCI ESG assesses the ability of portfolio holdings to identify and manage environmental, social and governance-related risks compared to peers. This score is aggregated at the portfolio level and compared to the benchmark.

## Revenue Exposure

The turnover of each portfolio company is allocated to the key structural themes on a percentage basis, multiplied by the share held by the fund's constituents and summed up accordingly for the fund. This is provided in absolute euro values.

## Sustainability Key Performance Indicators

- *Three-year revenue CAGR*: The sales growth rate over the past three fiscal years is calculated for each company, weighted by portfolio share and summed up.
- *Capex to revenue*: Capex is set in relation to the company's revenues, weighted according to portfolio share and summed up.
- *R&D to revenue*: R&D expenditure is set in relation to the company's sales, weighted according to portfolio share and summed up.



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