



BERENBERG

PARTNERSHIP SINCE 1590

BERENBERG WEALTH AND ASSET MANAGEMENT

ACTIVE OWNERSHIP REPORT 2022



—
June 2023



ESG Office

Our ESG Office is responsible for defining our ESG guidelines and strategy, positioning of ESG investments, further developing our ESG products and ESG integration into the investment process for Berenberg's Wealth and Asset Management (WAM) division.

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-oriented thinking. Our Wealth Management, Asset Management, Investment Banking and Corporate Banking divisions offer solutions for private and institutional investors, companies and organisations.

CONTACT:

ESG Office
Wealth and Asset Management
Joh. Berenberg, Gossler & Co. KG
ESGOffice@berenberg.com



Contents

Foreword	1
Berenberg and Wealth & Asset Management (WAM)	2
ESG at Berenberg WAM	2
<i>ESG: Our Approach</i>	2
<i>Active Ownership: Our View</i>	3
Active Ownership at Berenberg WAM	4
<i>Overview of 2022</i>	4
<i>Active Ownership: Governance Structure, Guidelines & Processes</i>	5
Engagement at Berenberg WAM	8
<i>Our Approach</i>	8
<i>Our Progress</i>	12
<i>Engagements in 2022</i>	12
<i>Engagement as an Active Risk Management Tool</i>	15
<i>Engagement: Case Studies</i>	16
<i>Third-party fund ESG analysis and asset manager engagement</i>	19
Proxy Voting at Berenberg WAM	20
<i>Our Approach</i>	20
<i>Our Progress</i>	23
<i>Proxy Voting in 2022</i>	24
Collaboration	28
Disclaimer	29



Foreword

Actively working together with companies and issuers as an investor is an essential part of our investment and ESG approach.

This year marks the third year of our active ownership reporting, and we are proud to provide our clients with a transparent view of our approach and activities in this important area. Since our first report was published in 2021, we have included further information, for example on our governance structure, guidelines and processes related to active ownership and highlighted key developments of the respective reporting years, while keeping the general structure intact for comparison across years. In this year's report we describe, among others, our ESG analysis and engagement approach with third-party asset managers.

“Active ownership” for us means to have an active, open and constructive dialogue with companies and issuers, which are invested or plan to invest in. Our two main channels are individual engagements and the provision of vote recommendations at companies' general meetings. With this, we aim to gain insights, share our views, encourage transparency and other positive developments of corporate strategies, policies, processes and behaviour. To meet our own responsibility regarding transparency, we publicly report on our approach and related activities on an annual basis.

We have been providing voting recommendations since 2019, starting with 92 German holdings, and since then have regularly extended the scope of countries and the number of holdings, covering 21 countries and 223 holdings with 260 meetings in 2022.

The active exchange with companies has been important for us for a long time. Over recent years, we have worked on defining policies and processes to further structure our approach, while attempting to broaden the breadth and depth of engagements. We believe we should not attempt to increase the pure number of engagements, if this would mean that the quality of the conversations suffers. Accordingly, we have seen the absolute number of engagements fluctuate over the last years (111 in 2020, 95 in 2021, 96 in 2022).

We hope you enjoy reading our report and discovering background information, statistics and case studies on our engagement and proxy voting activities.

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

Dr Rupini Deepa Rajagopalan
Head of ESG Office
Berenberg Wealth and Asset Management



Berenberg and Wealth & Asset Management (WAM)

At Berenberg, we have a long 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 maintained our deep commitment to clients and have a strong presence in the global financial centres of Frankfurt, London and New York.

It has always been part of our tradition to adapt to changing markets and to actively take future-oriented topics into account – both in the market and in society. Our willingness to embrace change and the courage to always question our own actions to create new perspectives are what uphold such a long tradition at Berenberg.

At Berenberg Wealth and Asset Management (WAM), we recognise the importance that environmental, social and governance (ESG) factors have in value creation. In our view, the social and environmental sustainability of business models and the integrity of management teams are crucial factors for creating long-term value. We endeavour to be long-term holders and take a long-term approach when investing, both in equities and fixed income.

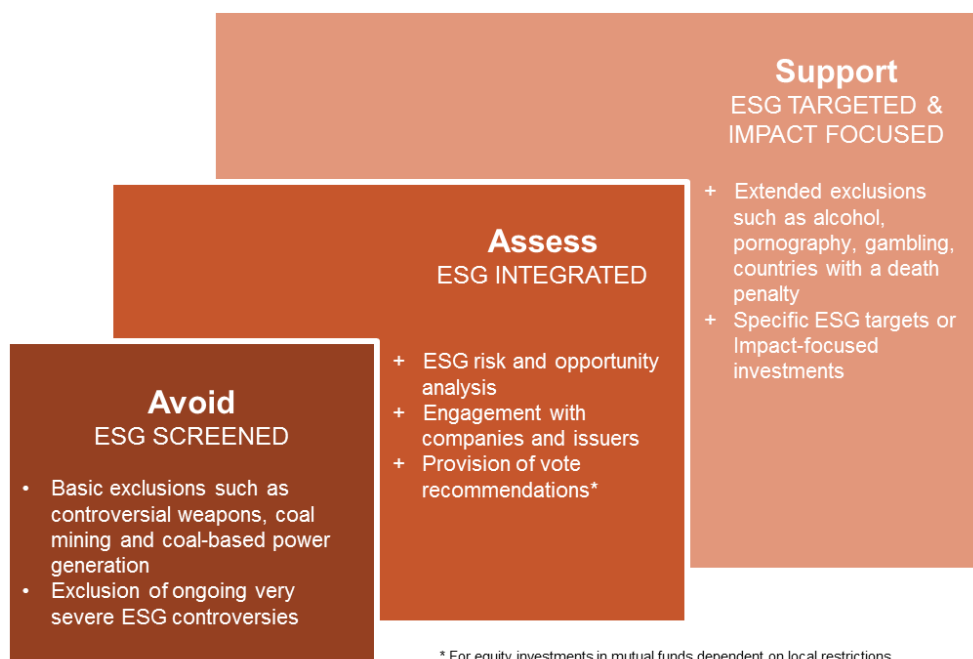
ESG at Berenberg WAM

ESG: Our Approach

At Berenberg WAM, we believe that taking ESG factors into account needs to go hand in hand with fundamental analysis to adequately assess the risk and return of investments. We incorporate ESG factors by analysing ESG risks and opportunities using our own research and third-party providers. This needs to be based on regular, goal-oriented collaboration, both between our investment and ESG professionals as well as with the companies and issuers we invest in. Thus, we proactively engage with issuers' and companies' management teams and have open conversations regarding their ESG capabilities. Internally, we also discuss ESG issues openly, building on our culture of supportive collaboration among all teams. This dialogue among our investment and ESG professionals allows us to integrate their industry experience and knowledge into our ESG approach and to continuously develop and strengthen it further.

We offer various ESG investment strategies with different degrees of ESG considerations to account for diverse client needs across equity, fixed income and multi asset. We currently distinguish between the categories *ESG screened*, *ESG integrated*, and *ESG targeted & Impact focused*. Active ownership activities are particularly relevant in funds and strategies in the categories *ESG integrated* and *ESG targeted & Impact focused*.

Graphical illustrations in this report are Berenberg's own. Figures in "Engagement at Berenberg WAM" are collected internally, figures in "Proxy Voting at Berenberg WAM" are collected via platform Glass Lewis Viewpoint.



Active Ownership: Our View

By excluding companies and countries that do not meet our ESG criteria, we aim to explicitly avoid investments with a negative impact on the environment or society or which pose a risk from a sustainability perspective. Building on this, we actively incorporate ESG opportunities and risks into our investment process through analysis and direct contact with companies. Engagement and provision of vote recommendations are two key components of this process and constitute our active ownership approach.

We view the exercising of voting rights as an important tool to positively influence companies regarding corporate governance structures and, at the same time, to strengthen shareholder rights.

Engagement enables us to gain deep insights into the behaviour, strategies and processes of companies and issuers. In addition, we can address relevant areas for improvement such as increased transparency. In this way, we can help as an active investor to improve the long-term sustainability profile of companies and issuers as well as reduce potential risks. Therefore, the engagement process is a central element of our investment decisions and its results feed into long-term, successful investments.

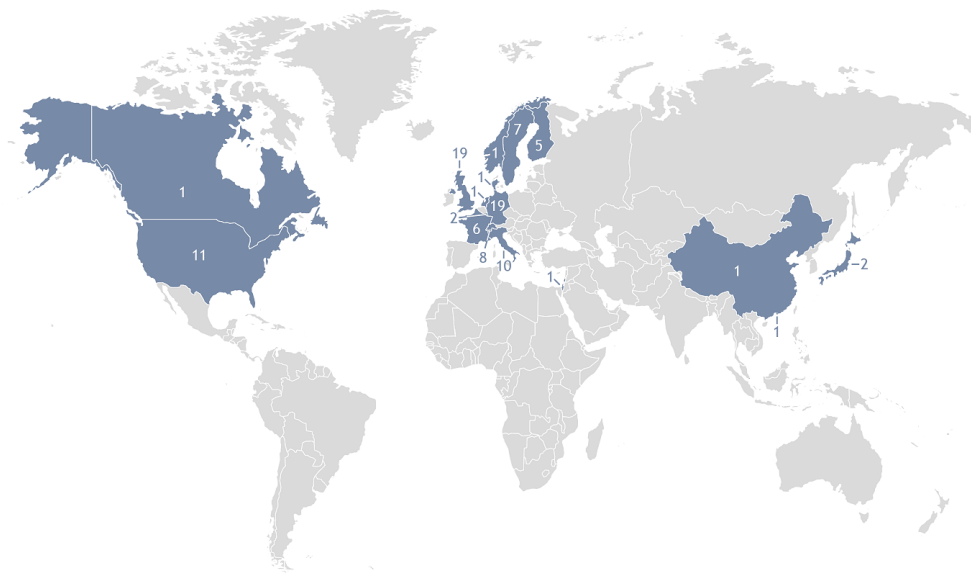
Participation and collaboration in sector and investor initiatives form the third component of our active ownership approach. Through this we can exchange with other like-minded investors, access relevant resources, engage jointly “with one voice” and, ultimately, support positive change.



Active Ownership at Berenberg WAM

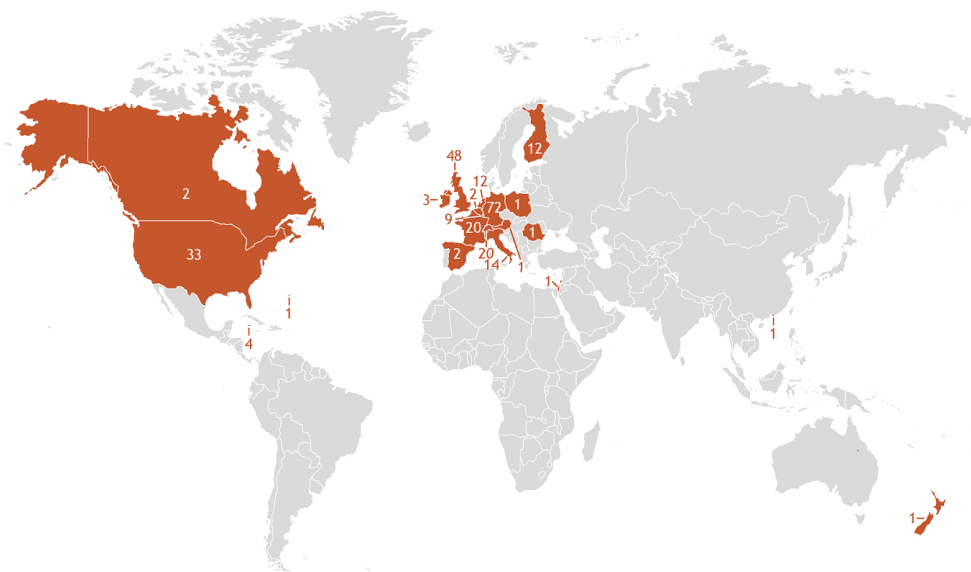
Overview of 2022

Number of engagement activities in 2022 by country



Total: 96
Germany: 19
UK: 19
USA: 11
Italy: 10
Switzerland: 8
Sweden: 7
France: 6
Finland: 5
Japan: 2
Luxembourg: 2
China: 1
Denmark: 1
Hong Kong: 1
Israel: 1
Canada: 1
Netherlands: 1
Norwegian: 1

Number of company meetings for which we provided voting recommendations in 2022, by country



Total: 260
Germany: 72
UK: 48
USA: 33
France: 20
Switzerland: 20
Italy: 14
Finland: 12
Netherlands: 12
Luxembourg: 9
Caymans: 4
Ireland: 3
Belgium: 2
Canada: 2
Spain: 2
Austria: 1
Bermuda: 1
Hong Kong: 1
Israel: 1
New Zealand: 1
Poland: 1
Romania: 1



Active Ownership: Governance Structure, Guidelines & Processes

Governance structure

At Berenberg WAM, the ESG Office and the ESG Committee are responsible for the development, implementation and monitoring of our ESG strategy, including our active ownership approach.

The ESG Committee forms the ESG governance and oversight body within Berenberg WAM, meets at least quarterly and is composed of WAM employees and executives. ESG Committee meetings are organised and chaired by the ESG Office. The ESG Committee reviews the progress of our ESG activities and discusses their further development, considering current trends as well as regulatory changes in the market. Key tasks of the ESG Committee include reviewing and approving ESG policies, evaluating our active ownership activities as well as monitoring and discussing external developments and resulting opportunities. In 2022, the ESG Committee convened four times and exchanged on an ad-hoc basis.



The ESG Office is responsible for our ESG strategy and integration, verifies ongoing compliance with current policies across WAM and is responsible for internal knowledge building regarding ESG-related topics within WAM. Our Head of ESG Office reports to the Head of Investments. For the further development and implementation of our ESG strategy and investment approach, the ESG Office collaborates with our portfolio management and our sales entities, so that a close connection to the investment process and client demands can be achieved. In addition, the ESG Office works closely with portfolio managers to engage with companies and issuers and to define vote recommendations for company general meetings. In the event of disagreement between the ESG Office and portfolio management regarding the further course of action, both for engagement and proxy voting activities, the issue is escalated to the ESG Committee, either as part of its regular meetings or on an ad-hoc basis.



ESG guidelines

Our overall ESG strategy, ESG processes and our beliefs on specific ESG aspects are set out in our publicly available ESG guidelines. This includes our Berenberg WAM ESG Policy, ESG Exclusion Policy, Proxy Voting Policy and Engagement Policy. These policies are reviewed at least annually and updated on a need basis to reflect our latest thinking on and our current approach to ESG-related issues. Guideline and process reviews and updates are carried out by the ESG Office, with input from the portfolio management teams to reflect investment process necessities and from sales to reflect client needs. All updates to ESG guidelines are sent to the ESG Committee for revision and final approval.

Our ESG guidelines are available via www.berenberg.de/en/esg-publications.

Conflicts of interest

We strive to act in the best interest of all our clients when investing and engaging with companies and issuers, as well as when providing vote recommendations. Conflicts of interest may arise from time to time, such as in cases where our vote recommendations apply to companies that have further business relations with us. We endeavour to carry out our active ownership activities in a manner that is beneficial for the long-term sustainable development of the companies and issuers. We seek to identify and manage all conflicts arising in our active ownership process objectively and fairly. Should significant conflicts arise, the issue may be escalated to the ESG Committee.

General information on the handling of conflicts of interest at Berenberg are available via www.berenberg.de/en/legal-notice.

Usage of third-party data and review of service providers

We believe that external third-party ESG analysis and ratings must complement but cannot replace in-depth internal ESG analysis and direct interaction with companies and issuers by our portfolio management. The combination of these aspects, carried out in close collaboration with our ESG Office, enables our portfolio management to gain a deeper understanding of ESG risks and opportunities.

The same holds for our active ownership approach, in which we employ third-party data as an input factor at different steps of the process. We use analysis by the ESG data provider MSCI ESG to alert us of ESG controversies that invested portfolio holdings are (allegedly) involved in. This triggers further internal analysis and engagement. In addition, detailed analysis of companies' annual general meeting agendas by the proxy voting service provider IVOX Glass Lewis serves as a starting point for our internal discussion and decision-making process regarding the provision of vote recommendations.

We regularly review the third-party providers used in our process as part of contract renewals, aim to maintain a good overview and understanding of the evolving



external data landscape, and engage on an ongoing basis as part of our day-to-day usage on the quality and accuracy of the analysis and information we receive.

Monitoring & reporting

We monitor the progress of our active ownership activities in internal systems and tools, including the proxy voting platform Viewpoint from our service provider IVOX Glass Lewis, the financial research platform Sentio and an internal ESG engagement tracking system. In addition, our active ownership approach, our progress, and specific activities are discussed during our quarterly ESG Committee meetings.

We report to clients on an ad-hoc basis on our active ownership approach and on activities relevant to their respective portfolios. With our 2020 Active Ownership Report we have, for the first time, reported publicly on an aggregated level in 2021, and have updated this report in 2022 and 2023.



Engagement at Berenberg WAM

Our Approach

Engagement with companies and issuers has been an integral part of our investment process for many years. We believe that targets and milestones are helpful to conduct effective engagement. Our publicly available Berenberg WAM Engagement Policy provides the guidelines for our active dialogue and enables us to measure progress.

Motivation for engagement

The motivations for starting an engagement can be manifold. On the one hand, we hope to obtain relevant information for our investment decisions; on the other hand, we aim to have a positive impact on companies and issuers, be it in terms of their reporting or their activities and strategies regarding material ESG issues.

There are four main ESG-related reasons for us to enter into engagement with a company or issuer:

- to **support our investment decision** by exchanging on material ESG risks and opportunities;
- to gather information on a **severe ESG controversy** a company is linked to, understand the company's view and actions and develop our own view on the matter;
- during the **proxy voting process**, where further clarification on agenda points is required or where we want to communicate our view on corporate governance topics to the company; and/or
- as part of the investment approach of our Impact focused funds and strategies, to work with companies and issuers where we are not able to identify all impact-relevant metrics or where we require further information regarding the impact of their products, services or of financed projects on the environment and society ("**impact engagement**").

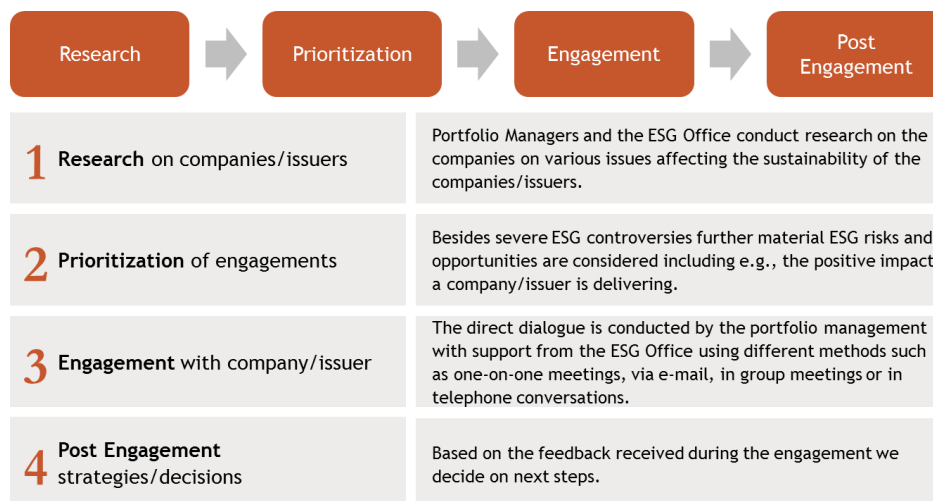
In addition, engagement may be initiated by portfolio companies actively seeking our and other shareholders' views. We welcome these efforts and try to seize these opportunities for a constructive dialogue whenever feasible.

Engagement process

Our engagement process, just like our ESG approach in general, is based on collaboration between investment and ESG professionals. This collaboration covers research of engagement topics, the actual dialogue with companies and issuers as well as the post-engagement discussions on the outcome and next steps to take.



Our engagement process



We access different sources of information which we use to identify topics for engagement and prioritise accordingly. These sources include company publications and past dialogues, brokers' and analysts' research, internal exchanges among investment professionals and external ESG data providers. In the prioritisation of engagements, we aim to take a holistic approach and focus on the ESG risks and opportunities we deem material to the investment case.

Third-party analysis may feature into the analysis or even trigger an engagement; however, we do not outsource any active engagement activities. External analysis that may trigger engagement includes severe ESG controversies that companies are connected with, according to analysis by our external ESG data provider MSCI ESG, or corporate governance issues that arise in the proxy voting process based on research by our external proxy voting service provider IVOX Glass Lewis. While these analyses can trigger engagement with companies, we do not limit our research to this input factor, but rather scrutinise the analysis and exchange with our providers in case questions arise as well as to understand certain conclusions.

The actual engagement is conducted directly by portfolio managers, who are closest to the respective companies, in collaboration with the ESG Office, and can take different forms, such as one-on-one meetings with company representatives, e-mails, group meetings or telephone conversations.

We seek to engage in a confidential and constructive manner with companies and issuers without making these efforts necessarily public. We generally believe that we can profit from good relationships with our portfolio companies, which are often open to our engagement efforts. However, if we are unable to receive adequate answers from companies, we may express these concerns to corporate representatives, attempt to work with other industry bodies or shareholders in the form of collaborative engagements or adjust our voting recommendations for company's general meetings. While we do not necessarily rule out public escalation measures such as issuing public statements, submitting shareholder proposals or speaking at general



meetings, we do generally not make use of these public measures in the usual course of our approach. Exiting the investment is used as a measure of last resort in the event an engagement is deemed as having failed.

Collaborative engagements with other investors can be used as an escalation mechanism. However, we rather selectively join these if we assess the collaborative approach as more promising than the individual dialogue, in order to build expertise through the exchange with other like-minded investors and to enhance influence to ultimately induce positive change. We joined collaborative engagements with portfolio companies in 2020, 2021 and 2022, facilitated by engagement initiatives including KnowTheChain, Access to Medicine Foundation and ShareAction.

Engagement across asset classes

Active ownership – and with it, engagement approaches – have traditionally been focused on listed equities and our approach has been developed with equity as a starting point as well. On the one hand, a major component of active ownership, proxy voting, is only available to equity investors. On the other hand, through our active stock-picking approach, we traditionally always had good and close interactions with company management.

Nevertheless, we strive to develop and implement an active ownership approach that covers and is consistent across the asset classes most important to us, with the overarching target of encouraging the adoption of sustainable business practices to protect and enhance long-term financial value. Thus, over the last years, we have been working to extend the scope of our approach to fixed income, both corporate and sovereign, as well as the third-party funds we invest in. However, we still encounter significant obstacles when engaging with sovereign issuers. This is, among other reasons, because direct contact points such as investor relations divisions are often not yet established and escalation measures available for corporate and listed issuers do not exist for sovereign issuers. In addition, investors engaging with sovereign issuers and, in this context, with policymakers need to be cautious not to cross the line into lobbying.

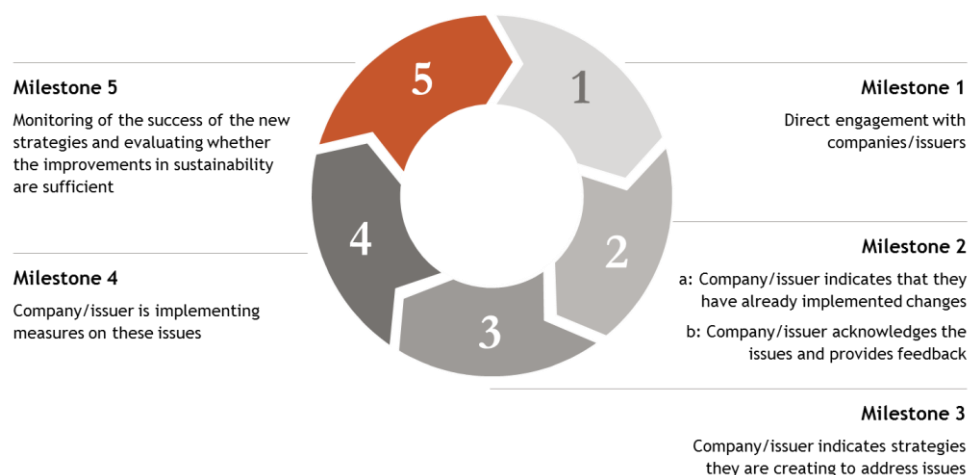
In the reporting year, we finalized the process for integrating ESG criteria into the selection process for third-party funds. As an addition to a qualitative review, an internally developed comprehensive questionnaire will be used for a systematic review of the extent to which a third-party fund considers the central elements of our ESG criteria in its investment process. Among other things, topics such as the general sustainable orientation of the asset manager, the ESG exclusion criteria or the handling of active ownership are included in the ESG assessment. If third-party funds do not meet the exclusion criteria for target funds defined in our ESG process during the review phase prior to the initial purchase, if violations are identified during the year or if we identify potential for improvement, we actively address this with the respective companies in the form of an engagement dialogue. Even without a concrete engagement case, we are in a regular exchange with the fund managers, in which further developments in ESG are discussed.

Engagement monitoring & reporting

We systematically track our engagements with individual companies and issuers as well as respective results in our internal ESG Engagement Tracker. This allows us to monitor on an ongoing basis the status and results of our engagement efforts. In addition, the engagement progress is regularly discussed during our quarterly ESG Committee meetings, both in terms of individual engagements as well as in terms of our overarching process and potential further developments and areas of focus.

We may report on an ad-hoc basis to clients on engagement activities relevant to their particular portfolios and report publicly on our approach and activities on an aggregate basis annually since our first Active Ownership Report published in 2021.

Our engagement milestones



We have defined internal engagement milestones to guide our active dialogues with companies and issuers. It will not always be possible to assign an engagement to a single milestone or to claim a direct causal relationship between our engagement and a company's actions in relevant areas. Even if positive change occurs in an area we addressed with a company, this might not be directly due to our efforts. That is why our engagement milestones serve as general guideposts and not as strict checkpoints each engagement needs to pass. Along with our overall approach, we strive to further develop our monitoring and reporting processes.

You can find further information in our Berenberg WAM Engagement Policy at www.berenberg.de/en/esg-publications.

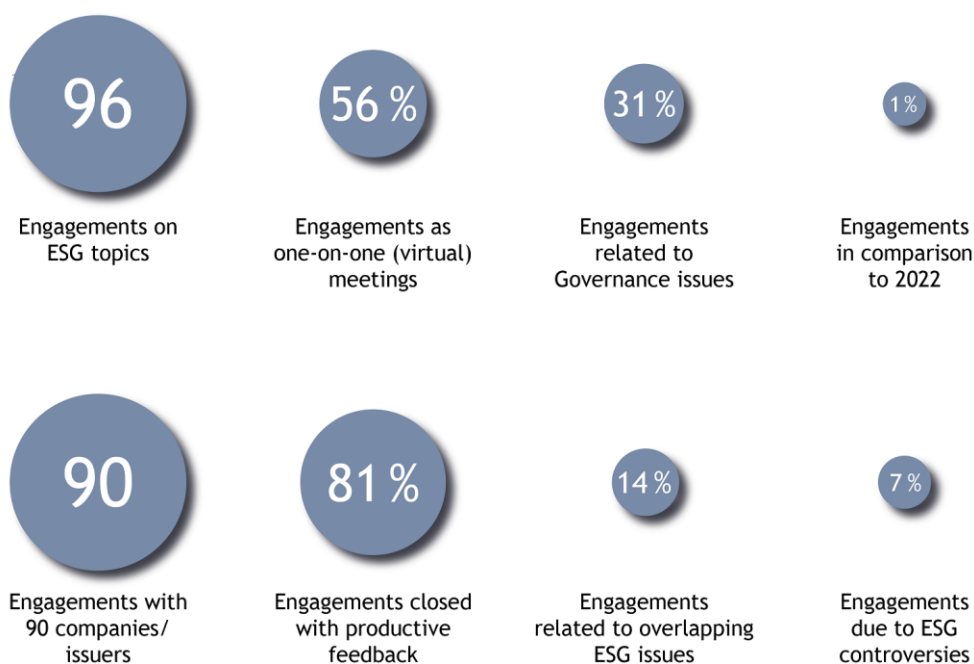


Our Progress

In 2022 we rolled out a process for a comprehensive ESG analysis of third-party funds, which includes an engagement component with the respective asset managers. Apart from the regular activities for individual engagements, we increased our activities within industry and sector initiatives. We endorsed the stewardship initiative Advance, launched by the PRI in November 2022, and will evaluate taking on a more active role. Furthermore, we joined collaborative engagement efforts through different initiatives in 2022: with a UK consumer staples company via ShareAction, with a German health care company via the Access To Medicine Foundation and with a French consumer discretionary company via KnowTheChain. In addition, we started the preparation for a further collaborative engagement via KnowTheChain as a co-lead, which we will further pursue in the course of 2023.

Engagements in 2022

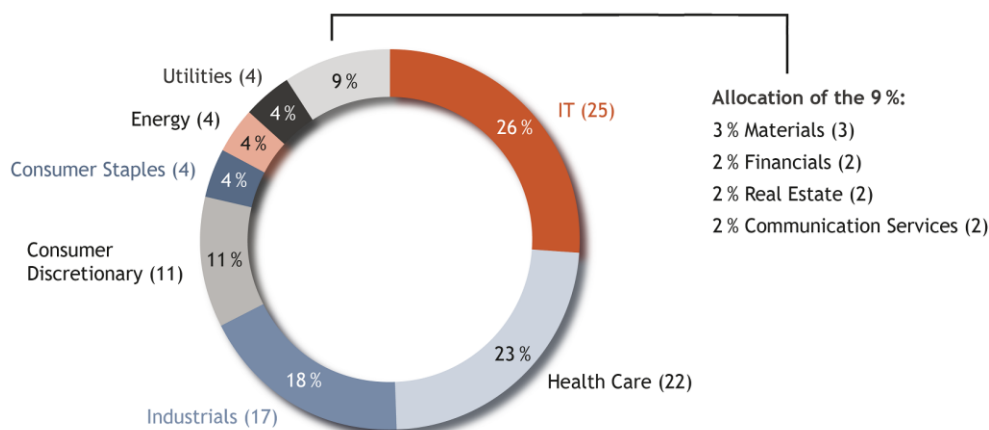
Engagement in 2022: overview¹



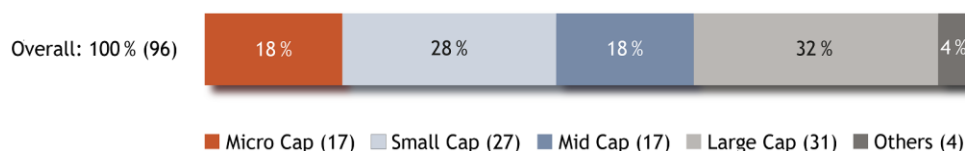
¹ The difference between the total number of engagements (96) and the total number of companies/issuers with which we conducted engagement (90) is due to repeated engagements with specific companies on different topics.



Engagements by sector²



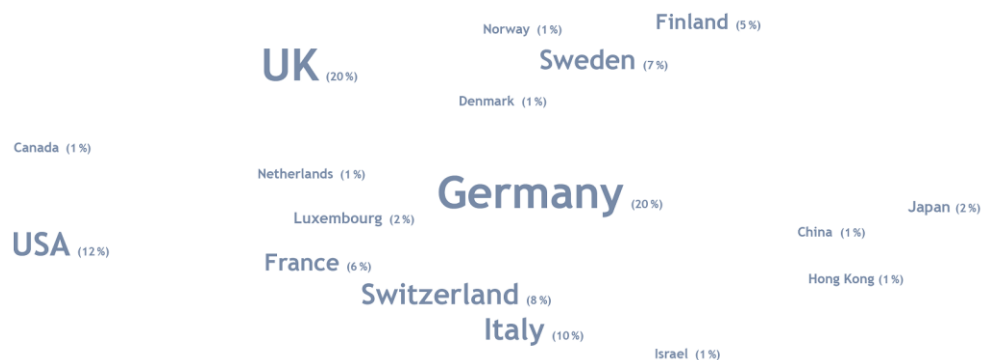
Engagements by company size³



Engagements by asset class⁴



Engagements by country



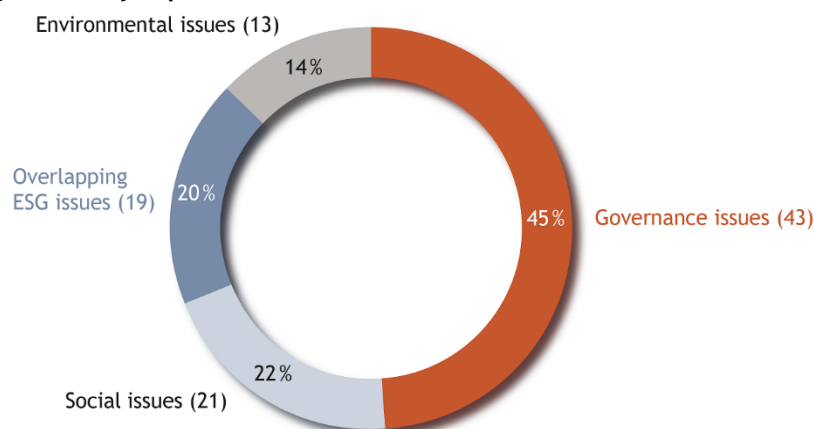
² Due to rounding, percentage figures may add up to more than 100% here and in following graphs.

³ For the purpose of this report, we classify companies with a market capitalization under €300 million as Micro Cap, between €300 million and €2 billion as Small Cap, between €2 billion and €10 billion as Mid Cap and above €10 billion as Large Cap. "Others" includes those companies or issuers without market capitalization, such as state-owned companies.

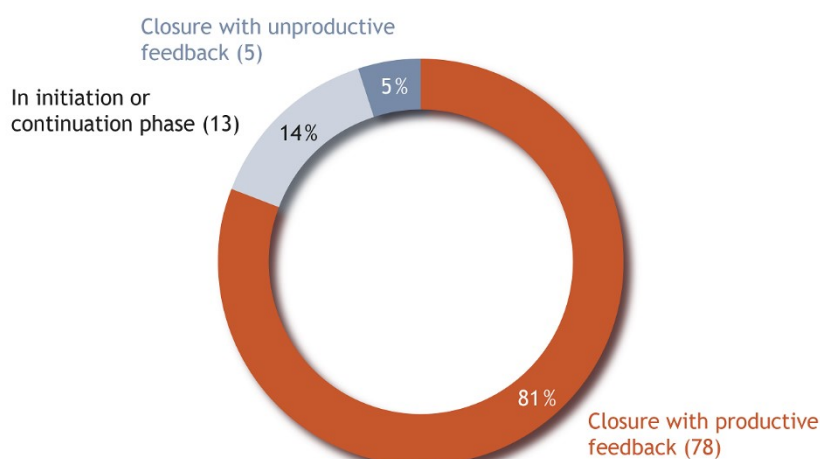
⁴ We may hold both equities and corporate bonds of a company we engage with, thus an engagement may not have been conducted exclusively for one asset class. The disclosed figures for "Engagements by asset class" thus refer to the asset class which primarily motivated the engagement.



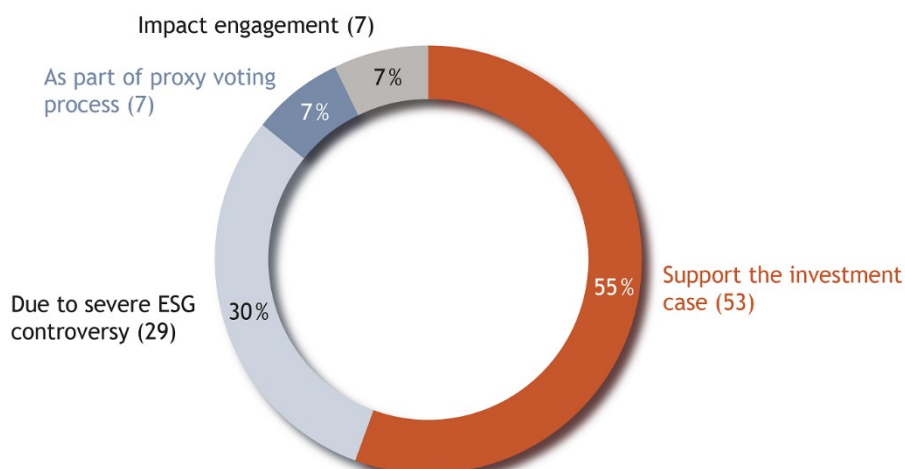
Engagements by topic



Engagements by status



Engagements by motivation



We incorporate our evaluation of the engagement and the feedback we receive into our investment decisions and regular reviews of investment cases. Based on this, we decide whether to remain invested and/or monitor changes as well as follow up on or sell the investment or even exclude it from our investment universe.



Engagement as an Active Risk Management Tool

The integration of ESG factors helps our portfolio managers to better analyse risk and return. Through our ESG controversy monitoring, we monitor investments in companies based on MSCI ESG data and can identify controversies and associated risks when they arise. Such ESG controversies can include but are not limited to alleged company violations of existing laws, single incidents such as environmental pollution, accidents, regulatory action, or allegations linked to, for example, health and safety fines or related lawsuits. We follow up on any indications that show a severely high level of controversy and, potentially as a result, an increased level of risk.

The severity of a controversy is evaluated based on a flag/traffic-light system. A green or yellow flag indicates that a company is linked to no or only moderate controversies. An orange flag indicates severe, and a red flag indicates very severe controversies. Investments in companies with a red flag are generally excluded from investment in our Wealth and Asset Management products and strategies. We actively engage companies with severe controversies (orange flag) about the controversies, both in the case of existing holdings and in the case of potential new investments. In this way, we analyse the controversies and give the company the opportunity to share its perspective. After completion of the engagement, we make our final investment decision, depending on the outcome and success of the engagement.

The active engagement of companies with severe controversies is carried out in our *ESG integrated* as well as our *ESG targeted & Impact focused* products and strategies.

1

Flagging

No or Minor controversies
Moderate controversies

2

Active engagement

No analysis of controversies
If controversies arise, we undertake further research and, if applicable, we start active engagement with the relevant companies.

3

Assessment & follow-up

✓ Not excluded
○ Discussion between portfolio management and ESG Office to decide whether to keep/sell the position. Ongoing monitoring of closed controversies.
✗ Excluded



Engagement: Case Studies



Engagement Motivation: Support Investment Decision

Sector: Energy

Action: One-on-one

Focus: S and G

Region: Europe

Status: Continuation

The company, a German wind farm operator and project developer, had a surprisingly low ESG assessment by our data provider on areas of social and governance. Particularly, it was assessed as below average regarding its board structure, as well as on its lacking robust employee engagement and training frameworks. Our portfolio management and ESG office exchanged with the CEO to discuss the company's perspective on the raised topics and its outlook on how to improve in those areas. During the meeting, we received insights on how they address employee satisfaction, recruiting, and retention. From our point of view the current strategy is appropriate and able to tackle future employee workforce challenges. All questions were answered in detail by the company representative and valuable insights were provided with regard to the company's efforts to enhance its corporate culture and employee engagement. We will continue to monitor the development in this area. Further, we addressed the weak board structure and communicated our interest in a future reconsideration. As the company's response to this issue was unsatisfactory, we aim to take this up in our analysis of the company's 2023 annual general meeting and reflect our views in our vote recommendations.



Engagement Motivation: ESG Controversy

Sector: Industrials

Action: E-Mail

Focus: S and G

Region: Europe

Status: Closed with productive feedback

The Ireland-based company is engaged in manufacturing insulation and building envelope solutions. MSCI ESG issued an orange controversy flag for the company due to an inquiry by the UK government regarding whether its products, along with other suppliers of cladding and insulation, contributed to the Grenfell Tower fire in 2017. After reviewing the controversy internally, we entered into a direct engagement with the company. Our portfolio management and ESG office exchanged with the company representative to clarify the controversies' background and the company's approach to tackle this and prevent these kind of incidents in the future. We exchanged with the company's investor relations department via e-mail over the course of several months in an open and detailed dialog. In the course of this, we received further insights into the company's role in the ongoing legal inquiry, what it perceived to be inaccuracies in public perception, developments in testing procedures and protocols as well as regarding governance of risk management. From this dialogue, we concluded that the company has implemented



meaningful measures in the aftermath of the incident and, among others, established further relevant governance structures for risk management and product compliance, to mitigate the risks of future incidents. We will continue to monitor the developments in this area.



Engagement Motivation: Proxy Voting Process

Sector: Health Care

Action: E-Mail, One-on-one

Focus: G

Region: Europe

Status: Closed with productive feedback

The Swiss company is active in the health care sector with a focus on markets across Europe, North America and Asia. After the company had not disclosed relevant documents for its 2022 annual general meeting (AGM) within the deadline, we reached out to the company representatives to receive information relevant for the provision of vote recommendations. The meeting had the purpose to address the issue of not-in-time filed documents and to receive further information regarding the remuneration policy, overboarding of directors and related party transactions while communicating our own views on these topics. As an outcome of the discussions, we assessed that the issues with the organization of the annual general meeting mainly came down to the small size and the recent IPO of the company. Our impulses on the addressed governance issues were taken up by the investors relations department and were communicated directly to the board. We will monitor the developments in these matters and the disclosure continuously and in the run up to the next AGM.



Engagement Motivation: Impact Engagement

Sector: Industrials

Action: One-on-one

Focus: E

Region: North America

Status: Closed with productive feedback

The company, a Canada-based integrated solid waste services company that offers non-hazard waste collection, transfer and disposal services along with resource recovery through recycling and renewable fuels generation, has a high carbon emissions intensity in its operations, as compared within our portfolios. In addition, external analysis suggested that the company lags industry peers in addressing this issue. To assess the company's awareness, strategy and actions regarding transition risks stemming from their emissions, we engaged with the company's CFO in a one-on-one discussion. We took from the in-depth discussion, that the company is aware of its challenges and is working to address these, both in terms of concrete actions as well as overarching developments regarding its strategy and transparency. Scope 1 emissions constitute the largest part of the company's emissions, which result from their landfills where their customers' waste breaks down and produces landfill



gas. This implies that an extension of the company's core business necessarily leads to additional absolute carbon emissions. The company takes several concrete actions to tackle the issues, such as, first and foremost, collecting landfill gas for use at gas-to-energy facilities, recycling, and carbon sequestration which avoids carbon emissions—turning the company's operations net negative/climate positive in terms of carbon emissions. Despite this, the company achieved a low two-digit reduction in emissions intensity over the last two years and introduced emission reduction targets in 2022, both for absolute emissions and intensity. Its reporting, already based on established frameworks such as the Global Reporting Initiative (GRI), was further developed by disclosure in line with the recommendations by the Task Force on Climate-related Financial Disclosures (TCFD). While the company faces specific challenges due to its emission-intensive business model and external analysis paints a rather negative picture of its efforts in the area, our in-depth discussions with the company make us confident in their approach – both on a level of concrete actions as well as further strategic developments. We will monitor its progress going forward.



Collaborative Engagement

Sector: Consumer Staples

Action: Letter

Focus: S

Region: Europe

Status: Closed with productive feedback

The company is a UK-based consumer staples producer operating across multiple segments. Share Action, an initiative that aims to build and work with broad coalitions of investors to engage with the companies in which they invest, identified the company as an engagement target. The overarching aim of the collaborative engagement was to unlock the company's potential to impact the food and beverage industry by setting a standard in terms of transparency and disclosure. As such a commitment might encourage other companies in the sector to take similar measures, an increased access to nutrition and a positive impact on public health may be achieved. In support of the shareholder resolution on healthy diets, we sent a letter to the company representatives expressing our interest in the company disclosing the percentage of its sales derived from healthier products and to publish a long-term strategy to increase this percentage. The company since then, has reported the performance of its portfolio against six government-endorsed nutrient profiling models as well as its performance both by volume of product and by sales revenue. Given the company's plan to continue to set stretching nutrition targets and to publish the portfolio assessment on annual basis, we positively wrapped up the engagement case and continue to keep an eye on the development regarding the healthy nutrition transparency and health targets.



Third-party fund ESG analysis and asset manager engagement

In 2022 we rolled out a process for an ESG analysis of third-party funds, which includes an engagement component with the respective asset managers.

A case for engagement in fund selection arises, when third-party funds do not meet the exclusion criteria for target funds defined in our ESG process during the review phase prior to the initial purchase if violations are identified during the year or if we identify potential for improvement.

Case Studies: Adjustment of fund exclusions & reporting setup

As part of the ESG analysis, it was found that a convertible bond fund of a large hedge fund manager did not exclude companies that violate the UN Global Compact (UN GC) as part of its investment policy provided to us. This violation of our selection criteria triggered an engagement from our side. The discussions with the company produced two main outcomes: Firstly, at the time of the engagement, the fund did not hold any convertible bonds of companies in breach of the UN GC in its portfolio. Secondly, we received a commitment that in the future no companies may be included in the portfolio that violate the UN GC and that this will be recorded in the portfolio management system.

An Asian bond fund also did not formally exclude companies that violate the UN GC, leading to a violation of our selection criteria. During the engagement, we learned that a change of the exclusion criteria mentioned in the fund prospectus would only be possible at the level of the entire asset manager platform. However, the asset manager confirmed that a selection of companies in violation of the UN GC was extremely unlikely and that there were no violations of our exclusion criteria at the time of the engagement. As an adjustment at the level of the entire asset manager platform was not a feasible option so that, to ensure compliance with our criteria and as part of our transparency requirements, a monthly reporting was implemented to inform us regarding compliance with our selection criteria.

A manager of a global bond fund was not willing to change its exclusion criteria to align with our criteria or give sufficient reassurance of current and future compliance. Due to this lack of willingness, the only option left was to initiate the sale of the fund to preserve its interest.

Asset manager engagements in 2022

34 questionnaires sent out

9 engagements

8 successful engagements



Proxy Voting at Berenberg WAM

Our Approach

Guidelines for proxy voting

Our Berenberg WAM Proxy Voting Policy, published for the first time in 2019 and regularly updated since then, is a guideline for our proxy voting activities. Based on this policy, we define and provide our vote recommendations. Our policy has been developed and is updated considering current corporate governance standards, environmental and social guidelines, industry standards and the potential impact of the proxy voting decisions on the investments.

You can find our Berenberg WAM Proxy Voting Policy at www.berenberg.de/en/esg-publications.

Key areas of our Proxy Voting Policy

1 Board-related issues	4 Company control issues
2 Audit-related issues	5 Operational and business issues
3 Capital structure issues	6 Environmental and social issues

Scope

The scope of our proxy voting approach covers a large portion of the equity investments in our mutual funds. Since the voting rights for these holdings are legally held by our mutual funds' investment management company (administrator) Universal Investment, we pass on our vote recommendations to the management company, which takes them into account when voting.

Certain countries/jurisdictions in which portfolio companies are located have specific legal or procedural requirements regarding the exercise of voting rights. These requirements include, for example, powers of attorney, required physical presence at meetings or share blocking around the time of meetings. These may lead to our capital management company currently not being able to exercise its voting rights in these jurisdictions, which in turn limits our geographical scope for the provision of voting recommendations. Restricted jurisdictions in 2022 included Sweden, Norway, Denmark, and others. We continuously work with our capital management company on extending this geographical scope and including further countries in our process. In 2022, we added Finland and Switzerland.

In addition, not all our public funds are already fully in scope of our proxy voting approach, so that holdings in these funds are only included in the approach if they fulfil the following conditions: in case of German holdings and/or in case the fund's ownership in the holding exceeds 0.5%.



The scope of our proxy voting approach does not extend to our wealth management or our asset management in special funds and mandates, as the voting rights reside across a large and diverse client base. We do not exercise voting rights for our clients, nor do we provide voting recommendations to them on a standardised basis. On specific occasions we may provide recommendations to clients with special funds and special mandates on an informational basis in instances where portfolio holdings overlap with those of our mutual funds for which we provide recommendations within our regular scope.

We do not carry out stock lending in our mutual funds subject to our proxy voting process per the respective funds' prospectus; hence, we did not formalise an approach to stock lending in terms of recalling lent stock for voting or on how to mitigate "empty voting".

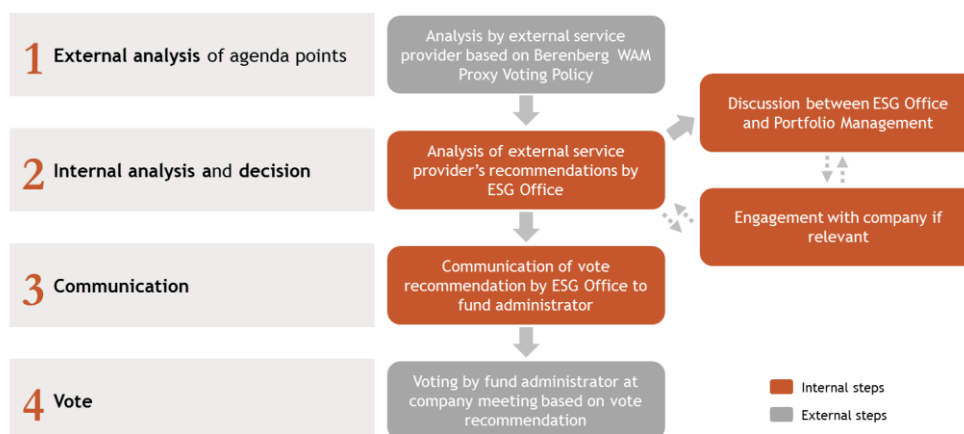
Proxy voting process

Our Proxy Voting Policy is not to be thought of as a hard set of rules, but a set of guidelines on which we base our analysis and final definition of vote recommendations.

Every vote recommendation is preceded by an initial analysis through our external proxy voting service provider, IVOX Glass Lewis, and a further in-depth analysis by our ESG Office and the responsible portfolio management entities. If questions arise during this analysis, we take them up directly with the company as part of our engagement process and, if possible, incorporate our findings into our final recommendation. Thus, all final vote recommendations are to our full discretion and no final decision is outsourced to a third party.

The final vote recommendations are then passed on to the mutual funds' management company, which takes them into account when voting.

Our proxy voting process





Proxy voting communication & disclosure

We may communicate with companies as part of our proxy voting process if:

- we require further information to adequately analyse an agenda point and develop our vote recommendation;
- we identify agenda points and underlying corporate governance topics that do not comply with our proxy voting guidelines or our broader thinking regarding good corporate governance and recommend voting against these agenda points; or
- we identify agenda points where we see room for improvement in terms of good corporate governance but recommend voting for these agenda points.

In addition, companies also approach us directly for discussions about corporate governance topics, often before annual general meetings, such as in the form of shareholder consultations or governance roadshows to understand investors' views. We appreciate companies actively seeking investors' input and aim to take up the offers whenever possible.

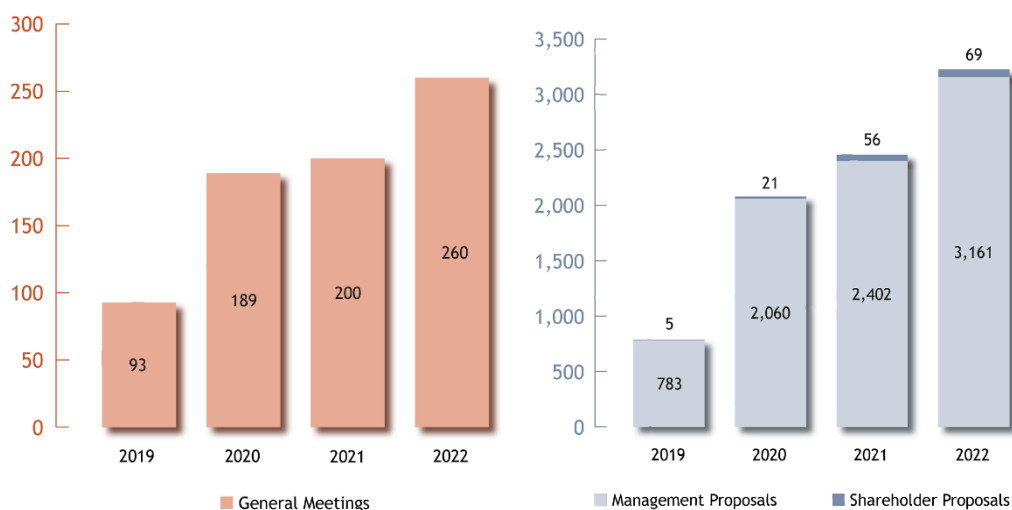
Direct communication with companies may lead us to adjust our vote recommendation if the company sufficiently demonstrated that it has or will address the issue of concern or, alternatively, if the issue of concern was, for example, based on a lack of disclosure and the company committed to improved disclosure. While the tight time- and deadlines of the global proxy voting season do not always leave sufficient room for exchange with companies prior to annual meetings, we believe this approach can create room for discussion and can help companies to further develop sustainably.

As for engagement activities, we may report on an ad-hoc basis to clients on proxy voting activities relevant to their portfolios and report publicly on our approach and activities on an aggregate basis annually since our first Active Ownership Report published in 2021.



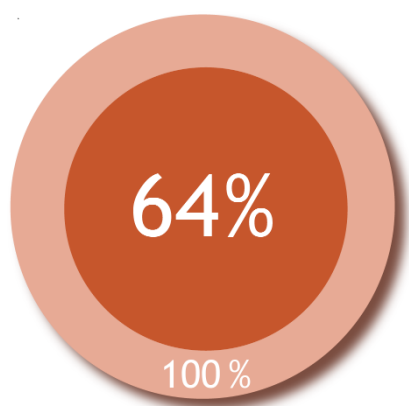
Our Progress

Proxy voting from 2019 to 2022: meetings and proposals



In addition to expanding our approach to include more funds and companies, we are also continuously working on further expanding our approach from a process perspective. In particular, we attempt to communicate our voting recommendations even more transparently to portfolio companies and explain the reasons for our recommendations against management proposals in a comprehensible way. This gives us the opportunity to enter into an exchange with companies on relevant corporate governance and other proxy-voting-related topics beyond the mere voting recommendation.

Proportion of mutual fund equity holdings for which voting recommendations were provided in 2022



The proportion of shares for which voting recommendations were provided for a given year needs to be approximated, for example due to portfolio turnover leading to holdings being invested after or being divested before annual general meetings were held in a given year. We approximate a proportion of 64% of equity portfolio holdings for which vote recommendations were provided in 2022, by comparing the total of company meetings for which we provided voting recommendations in 2022 to the equity portfolio holdings in our mutual funds at year-end 2022.

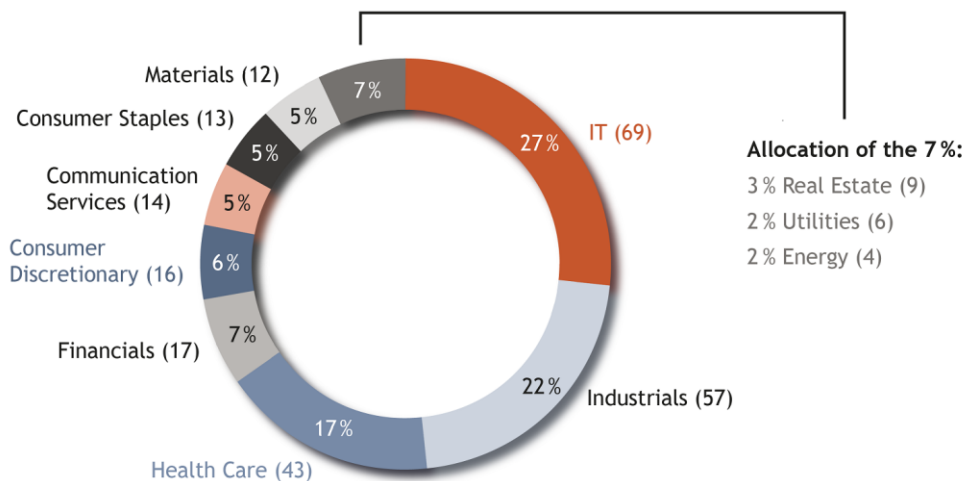


Proxy Voting in 2022

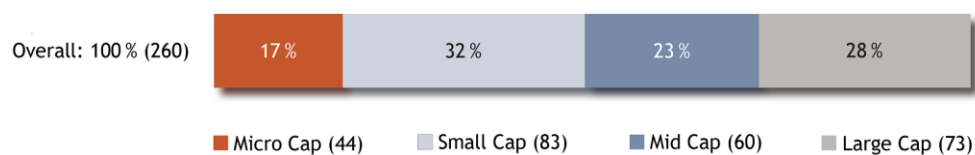
Proxy voting in 2022: overview⁵



Proxy voting by sector



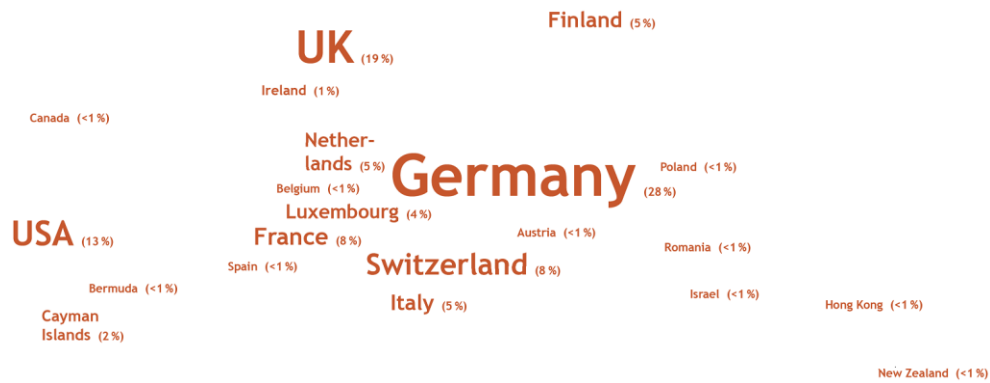
Proxy voting by company size



⁵ The difference between the total number of recommendations provided and the sum of recommendations with and recommendations against management is due to 8 recommendations not being assignable to either category.

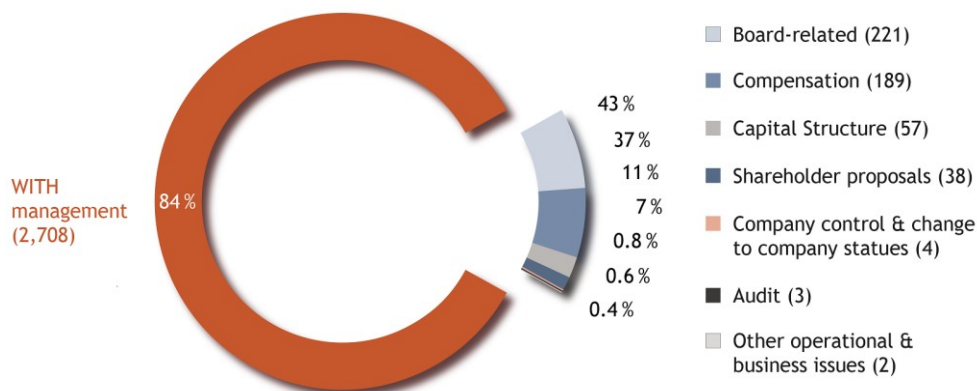


Proxy voting by country

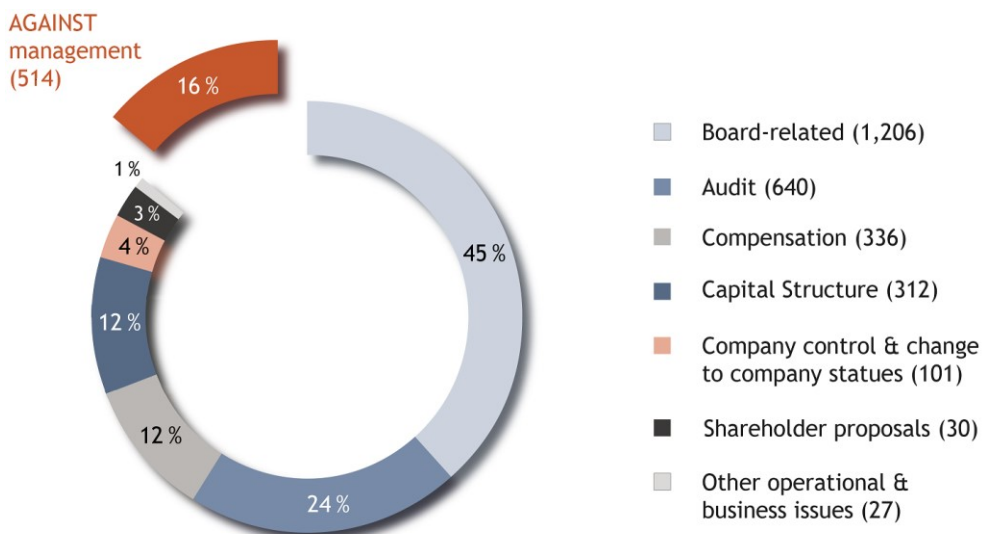


Proxy voting by topic

Split of voting recommendations WITH management by topic



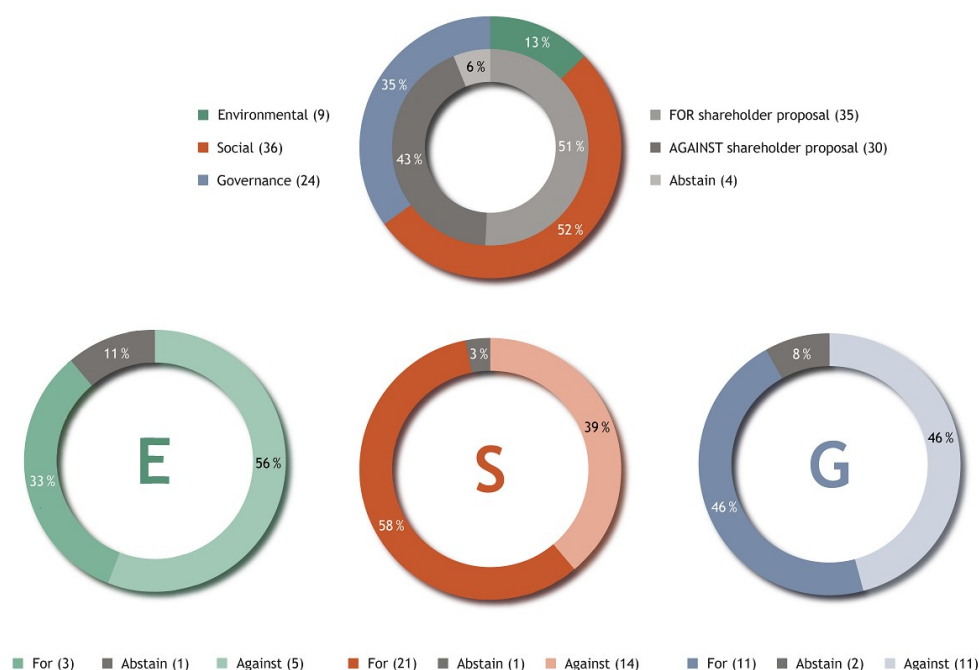
Split of voting recommendations AGAINST management by topic





Voting recommendation highlights

Recommendations on shareholder proposals: Proposals initiated by shareholders make up only a small part of all proposals on which we provide vote recommendations (2% of all proposals in 2022). Such proposals are analysed in the same manner as management proposals, in that we receive external analysis on the respective agenda points based on our Proxy Voting Policy and analyse these internally between the ESG Office and portfolio management. We recommend voting for a shareholder proposal if we believe that it sufficiently promotes good corporate governance structures, expands or strengthens shareholder rights and contributes to a company's ability to operate sustainably in the long term, insofar as we believe the company has not yet taken sufficient action in that area.



Recommendations against board (re-)elections: When analysing proposals on board (re-)elections, we pay particular attention to the board's ability and capacity to execute independent oversight. For this, we review aspects such as independence of board members, constitution of board committees, diversity and mandates in other similar bodies. In 2022, board-related proposals made up about 44% of all proposals and we recommended voting against 15% of board-related proposals.







Recommendations against compensation reports and systems/policies: Our Proxy Voting Policy sets out aspects of good remuneration practices for executive and non-executive board directors. On one hand, remuneration systems and respective remuneration reports need to contain a sufficient level of disclosure detail for shareholders to make an informed assessment about the company's practices. On the other hand, remuneration systems should be designed in such a manner that they appropriately balance short- and long-term incentives as well as fixed and variable compensation and contain necessary elements to align remuneration with shareholder interests. In 2022, compensation-related proposals made up about 16% of all proposals and we recommended voting against 35% of compensation-related proposals.



Collaboration

Participation in sector and investor initiatives is important for us to exchange with other like-minded investors, access relevant resources, engage jointly “with one voice” and, ultimately, to support positive change. We view collaboration as a way to further develop and strengthen our own ESG approach. We are part of overarching initiatives such as the Principles for Responsible Investment (PRI) and the International Corporate Governance Network (ICGN), and also support initiatives that address specific aspects of sustainable business. In 2020, we signed the investor statement of the KnowTheChain initiative, underpinning our expectation for companies to address forced labour in their global supply chains, and in 2021 the investor statement of the Access to Medicine Foundation to further engage on the issue of access to medicine in developing countries. In 2022, we endorsed the PRI stewardship initiative “Advance”.

Initiative	Description	Since
<p>Signatory of:</p> 	<p>The UN-backed initiative PRI has been signed by and works with a wide range of international investors to put its six principles of responsible investing into practice. It aims to understand the impact of ESG factors on investment decisions and help signatories integrate them into their strategies and activities.</p> <p>We are a signatory to the PRI and endorsed their stewardship initiative “Advance”.</p>	2018
	<p>The ICGN consists primarily of members from the asset management industry and works to define and promote effective standards of corporate governance and investor stewardship.</p> <p>We are a member of the ICGN.</p>	2018
	<p>KnowTheChain is a partnership of the Business & Human Rights Resource Centre, Humanity United, Sustainalytics and Verité, and is supported by investors and companies. The initiative provides supporters with resources to understand and address forced labour risks in supply chains.</p> <p>We are a signatory to its investor statement and participated in collaborative engagements via the initiative.</p>	2020
	<p>The Access to Medicine Foundation is an independent non-profit organisation dedicated to advancing the engagement of the pharmaceutical industry in low- and middle-income countries.</p> <p>We have signed the initiative’s investor statement, its 2021 call for a fair, equitable and global response to the COVID-19 pandemic and participated in collaborative engagements via the initiative.</p>	2021



Disclaimer

This information is a marketing communication. This information and references to issuers, financial instruments or financial products do not constitute an investment strategy recommendation pursuant to Article 3 (1) No. 34 Regulation (EU) No 596/2014 on market abuse (market abuse regulation) nor an investment recommendations pursuant to Article 3 (1) No. 35 Regulation (EU) No 596/2014, both provisions in connection with section 85 (1) of the German Securities Trading Act (WpHG). As a marketing communication this document does not meet all legal requirements to warrant the objectivity of investment recommendations and investment strategy recommendations and is not subject to the ban on trading prior to the publication of investment recommendations and investment strategy recommendations. This document is intended to give you an opportunity to form your own view of an investment. However, it does not replace a legal, tax or individual financial advice. Your investment objectives and your personal and financial circumstances were not taken into account. We therefore expressly point out that this information does not constitute individual investment advice. Any products or securities described may not be available for purchase in all countries or only in certain investor categories. This information may only be distributed within the framework of applicable law and in particular not to citizens of the USA or persons resident in the USA. The statements made herein have not been audited by any external party, particularly not by an independent auditing firm. Any future returns on fund investments may be subject to taxation, which depends on the personal situation of the investor and may change in the future. Returns on investments in foreign currencies may increase or decrease due to currency fluctuations. A fund investment involves the purchase of shares in an investment fund, but not a specific underlying asset (e.g. shares in a company) held by that fund. The statements contained in this document are based either on own company sources or on publicly accessible third-party sources, and reflect the status of information as of the date of preparation of the presentation stated below. Subsequent changes cannot be taken into account in this document. The information given can become incorrect due to the passage of time and/or as a result of legal, political, economic or other changes. We do not assume responsibility to indicate such changes and/or to publish an updated document. Please refer to the online glossary at www.berenberg.de/glossar for definitions of the technical terms used in this document. Date 14.06.2022



BERENBERG

PARTNERSHIP SINCE 1590

