



**BERENBERG**  
PARTNERSHIP SINCE 1590

BERENBERG WEALTH AND ASSET MANAGEMENT

# ESG Exclusion Policy

---

June 2021  
Version 2.0





## Introduction

At Berenberg Wealth and Asset Management (WAM), we believe that it is important to integrate Environmental, Social and Governance (ESG) issues into the investment process. This includes, as a basic instrument, the exclusion of investments in companies (i.e. equities and corporate bonds) and countries (i.e. sovereign debt) based on our ethical and moral beliefs. We have continuously developed our exclusion criteria at Berenberg over the last years.

In accordance with different international jurisdictions and conventions, we generally exclude producers of controversial weapons. We also exclude any soft commodities, as our aim is not to speculate on food prices. Additionally, we avoid investments in further products, sectors and countries as well as business activities, which we describe in further detail below.

Some of our clients define their own exclusion criteria based on their individual ethical and moral understanding. Therefore, we offer to manage special mandates and funds from clients that request specific types of ESG restrictions.



## ESG exclusion approach

### Scope and implementation<sup>1</sup>

Our ESG exclusion approach is applied to all funds and mandates in Berenberg WAM on the level of single investments (equities, corporate bonds, sovereign bonds, respective derivatives) and excludes investments in critical sectors, products, business and governmental activities, which we describe in further detail below. This approach is not applied to funds and mandates in the areas of Currency Overlay and Systematic Multi Asset Solutions as well as for mandates in case of specific client preferences.<sup>2</sup>

We apply extended exclusion criteria for investments in our funds and mandates with dedicated ESG or positive impact focus (“ESG-dedicated”), to, among others, support positive impact.

Beyond our own ESG exclusion approach, we can provide clients with detailed exclusion filters following their individual requests on various screening criteria. This is a starting point and clients are able to define individual exclusion criteria/parameters. Our experienced ESG experts support our clients by providing them with advice on how to define and implement individual ESG exclusion criteria in their dedicated discretionary mandates.

Our own as well as our client’s specific ESG exclusion criteria are implemented through automated data feeds into our internal systems via our third-party data provider MSCI ESG Research.

### Exclusion criteria for equities and corporate bonds

#### Energy

In the light of progressing climate change and in order to achieve the goals of the Paris Climate Agreement, a far-reaching energy transition towards low-emission energy sources and uses is needed. As part of this necessary transition, we exclude companies that generate more than 5% of their revenues from the **mining of thermal coal** or more than 25% (for all funds and mandates<sup>3</sup>) and 5% (for ESG-dedicated funds and mandates) of their revenues from **thermal coal power generation**. Due to the particularly detrimental impact on the environment of so-called **unconventional oil & gas** (e.g. oil sand extraction), we exclude companies with more than 5% of their revenue derived from these sources. In our ESG-dedicated funds and mandates we fully exclude these companies (i.e. without a revenue threshold).

<sup>1</sup> The transition period ends on June 30<sup>th</sup> of 2021.

<sup>2</sup> In the area of Systematic Multi Asset Solutions ESG exclusion criteria are applied based on individual client preferences. In the area of Currency Overlay application of exclusion criteria of this sort is currently not feasible.

<sup>3</sup> For funds in application for or awarded with the FNG label the revenue threshold from thermal coal power generation is at 10%.



Nuclear energy represents a low-carbon energy source, however, it is widely viewed as critical from a societal and political perspective due to concerns about reactor safety and the disposal of remaining residues. Considering this, we exclude companies which derive more than 5% of their revenues from **nuclear power** activities (incl. uranium mining).

### Arms and Weapons

We fully exclude in all funds and mandates producers of **controversial weapons** as well as suppliers of critical components. Furthermore, we exclude companies that derive more than 5% of their revenues from the production of **conventional weapons and weapons systems**. We apply a total exclusion in our ESG-dedicated funds and mandates on all companies that produce **weapons for retail purposes** i.e. for civilians.

### Tobacco, Alcohol, Adult Entertainment and Gambling

Tobacco has significant long-term individual and public health implications, particularly because of its addictive potential and the externalities it creates. Therefore, we exclude in all funds and mandates companies that derive more than 5% of their revenues from manufacturing **tobacco products** such as cigarettes, cigars and chewing tobacco. We fully exclude tobacco producers in our ESG-dedicated funds and mandates. In addition, we exclude in our ESG-dedicated funds and mandates all companies that derive more than 5% of their revenues from **alcohol production, adult entertainment or gambling**.

### Controversial Behaviour

To respond to or to prevent, among other things, violations of human rights, labour and environmental concerns or corruption, we exclude in all funds and mandates companies that violate the **United Nations Global Compact Principles** (UNGC) as well as companies that exhibit a red ESG controversy flag as marked by MSCI ESG Research and are thus linked to **very severe ESG controversies**. In our ESG-dedicated funds and mandates we additionally exclude companies that violate the standards of the **International Labor Organizations** (ILO) **Conventions**.



**Table 1: Exclusion criteria – general and for equities and corporate bonds**

Our exclusion criteria	Parameter	
	All funds & mandate <sup>4</sup>	ESG-dedicated funds & mandates <sup>5</sup>
<b>Commodities</b>		
Soft commodities	Fully excluded	Fully excluded
<b>Weapons</b>		
Controversial weapons	Fully excluded	Fully excluded
Weapons / Defence	>5% share of revenues	>5%
Weapons for retail		Fully excluded
<b>Energy</b>		
Nuclear power incl. uranium mining	>5%	>5%
Thermal coal mining	>5%	>5%
Thermal coal power generation	>25% <sup>6</sup>	>5%
Unconventional oil & gas	>5%	Fully excluded
<b>Addiction</b>		
Tobacco production	>5%	Fully excluded
Pornography		>5%
Alcohol production		>5%
Gambling		>5%
<b>Norms</b>		
UN Global Compact principles	Violation	Violation
International Labor Organization standards		Violation
ESG controversies	In case of <b>red flag</b>	In case of <b>red flag</b>

<sup>4</sup> Except funds & mandates in the areas of Currency Overlay and Systematic Multi Asset Solutions; additional exceptions might apply in case of specific client requests/restrictions. In the area of Systematic Multi Asset Solutions ESG exclusion criteria are applied based on individual client preferences. In the area of Currency Overlay application of exclusion criteria of this sort is currently not feasible.

<sup>5</sup> Extended exclusion criteria are applied to funds and mandates with dedicated ESG or positive impact focus, to, among others, support positive impact.

<sup>6</sup> For funds in application for or awarded with the FNG label the revenue threshold from thermal coal power generation is at 10%.



## Exclusion criteria for sovereign bonds

At Berenberg WAM, we consider ESG exclusion criteria when investing in sovereign bonds based on the following aspects:

### Freedom

In ESG-dedicated funds and mandates, we exclude countries that exhibit severe violations of **civil liberties and political rights**<sup>7</sup> or of **religious freedom**<sup>8</sup>.

### Environment

In ESG-dedicated funds and mandates, we exclude countries that have not ratified or are in violation of one or more international climate and environmental agreements such as the **Paris Climate Agreement**, the **Kyoto Protocol**, the **UN Biodiversity Convention** or the **Basel Convention**. Additionally, we do not invest in countries that generate more than 33% of their **electricity from nuclear energy**.

### Political situation

In ESG-dedicated funds and mandates, we exclude countries that lack **political stability and peace**<sup>9</sup> or exhibit high levels of **corruption**<sup>10</sup>. In addition, in ESG-dedicated funds and mandates, we exclude countries that still practice the **death penalty** or possess **nuclear weapons**.

### General

In all funds and mandates, we exclude countries that have a **Government ESG Rating by MSCI ESG Research of CCC**<sup>11</sup> and thus present high risks in terms of socioeconomic and political factors as well as their use of resources.

---

<sup>7</sup> “Not free” based on analysis and benchmarks from Freedom House, provided by our ESG data provider.

<sup>8</sup> “Tier 1 Country of Particular Concern” based on analysis and benchmarks from the US Commission on International Religious Freedom, provided by our ESG data provider.

<sup>9</sup> “Weak management” based on analysis and benchmarks from the Worldbank Worldwide Governance Indicators, provided by our ESG data provider.

<sup>10</sup> According to “Corruption Perception Index” based on analysis and benchmarks from Transparency International, provided by our ESG data provider.

<sup>11</sup> Seven-level scale from AAA to CCC



**Table 2: Exclusion Criteria for Sovereign Debt in our Dedicated ESG Funds/Portfolios**

Our exclusion criteria	Parameter	
	All funds & mandate <sup>12</sup>	ESG-dedicated funds & mandates
<b>Freedom</b>		
General freedom		<b>Not free</b> <i>according Freedom House Index</i>
Religious freedom		<b>Particular concern</b> <i>according US Commission on International Religious Freedom</i>
<b>Environment</b>		
UN Biodiversity Convention		<b>Not ratified</b>
Paris Climate Agreement		<b>Not ratified</b>
Kyoto Protocol		<b>Not ratified</b>
Basel Convention		<b>Not ratified</b>
<b>Politics</b>		
Ownership of nuclear weapons		<b>Yes</b>
Nuclear energy		<b>&gt;33%</b> <i>of electricity production</i>
Legality of death penalty		<b>Yes</b>
Corruption		<b>High</b> <i>according to Transparency International</i>
Political stability & peace		<b>Weak</b> <i>based on Worldbank Worldwide Governance Indicators</i>
<b>General</b>		
MSCI Government ESG Rating	CCC	CCC

<sup>12</sup> Except funds & mandates in the areas of Currency Overlay and Systematic Multi Asset Solutions; additional exceptions might apply in case of specific client requests/restrictions. In the area of Systematic Multi Asset Solutions ESG exclusion criteria are applied based on individual client preferences. In the area of Currency Overlay application of exclusion criteria of this sort is currently not feasible.



## Definition of our exclusion criteria

At Berenberg WAM, we have a dedicated process of defining and updating our exclusion criteria. This process involves the Berenberg WAM ESG Office, portfolio management and the Berenberg WAM ESG Committee. The ESG Committee forms the Berenberg WAM ESG governance body, meets at least quarterly, and is composed of Wealth and Asset Management members and executives.

The ESG Office discusses with the portfolio management if or when a criteria/parameter needs to be updated or changed. Together, the portfolio management and the ESG Office examine the rationale behind the exclusion of companies and countries, taking into account sustainable, ethical and moral reasons as well as examining ESG aspects such as investment risk and also the benefits for clients. The reviewed screen is then sent to the ESG Committee for a final approval before implementation.



## Disclaimer

This document 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. The statements contained in this document are based either on the company's own 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](http://www.berenberg.de/glossar) for definitions of the technical terms used in this document. Date 15.06.2021



---

**BERENBERG**

PARTNERSHIP SINCE 1590



**ESG Office**

Wealth and Asset Management

Joh. Berenberg, Gossler & Co. KG  
Neuer Jungfernstieg 20  
20354 Hamburg  
Phone +49 40 350 60-0  
Fax +49 40 350 60-900  
[www.berenberg.de/en](http://www.berenberg.de/en)