

BERENBERG WEALTH AND ASSET MANAGEMENT

ACTIVE OWNERSHIP REPORT 2020

March 2021





ESG Office

Our independent ESG Office is responsible for the ESG policy, strategy, investment positioning, integration, product offering and innovation 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.

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Foreword

Actively working together with companies and issuers as an investor – for us, this is an essential part of our investment and our ESG approach.

We consider ESG aspects to be one of the key factors in our investment decision-making. ESG factors are an integral component in the analysis of risk and return. Ideally, we would like to invest indefinitely. This is only possible if companies and issuers are managed well and with integrity in a socially and environmentally responsible manner. It is rarely the case for the companies and issuers we invest in to have already achieved perfection. What is important for us is the direction of travel. We work proactively with the management teams of companies and issuers, monitor how controversial topics are dealt with over time and motivate them to take on their responsibility towards the environment and society.

Active engagement via direct and open dialogue with companies and issuers allows us to gain valuable insights and to encourage more transparency – before and after the investment decision. Additionally, proxy voting, through the provision of vote recommendations to our administrator, is an effective way to communicate our views concerning good corporate governance and other ESG aspects as well as to directly and positively influence corporate policies.

While engagement with companies has long been an integral part of our investment approach, we have been steadily expanding our activities around direct dialogue on ESG topics over recent years – this is how our “Active Ownership” approach has emerged. In 2019, we provided vote recommendations for our German holdings for the first time; in 2020, we provided recommendations for holdings in 15 different countries.

In order to meet our responsibilities regarding transparency, we are publicly reporting on our approach and related activities for the first time this year, and will update this report annually in the future.

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

ESG at Berenberg

ESG: our approach

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

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. Building on this, we actively incorporate ESG opportunities and ESG risks into our investment process through extensive analysis and direct contact with companies. Engagement and proxy voting are two key components of this process.

We view the exercise of voting rights as an important instrument for influencing companies with regard to corporate governance structures and at the same time strengthening shareholder rights. Our voting recommendations are also intended to encourage companies to operate sustainably in the long term.

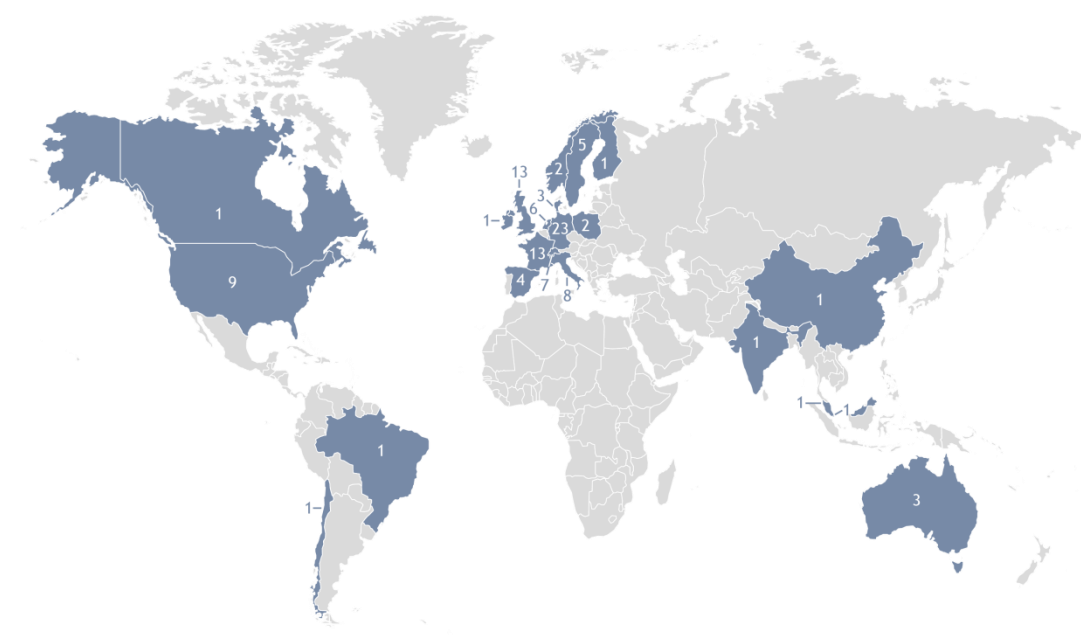
Engagement enables us to gain deep insights into the behaviour, strategies and processes of companies and issuers. In addition, we can address relevant and critical improvements and increase transparency. In this way, we can help as an active investor to improve the sustainability profile of companies in the long term and reduce risks. Therefore, the engagement process and its results are central elements of our investment decisions and the basis of long-term, successful investment in companies.



Active Ownership at Berenberg

Overview of 2020

Number of engagement activities in 2020 by country



Total: 111

Germany: 23

UK: 13

US: 9

France: 13

Italy: 8

Switzerland: 7

Netherlands: 6

Sweden: 5

Luxembourg: 4

Spain: 4

Australia: 3

Poland: 2

Brazil: 1

Canada: 1

Chile: 1

China: 1

Denmark: 1

Finland: 1

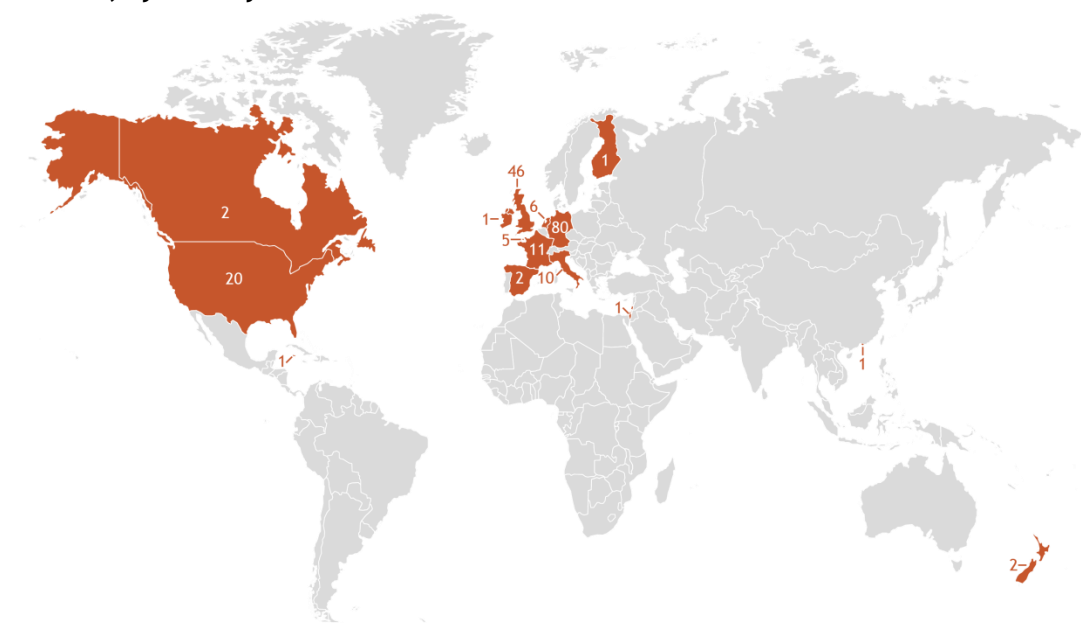
India: 1

Ireland: 1

Malaysia: 1

Singapore: 1

Number of company meetings for which we provided vote recommendations in 2020, by country



Total: 189

Germany: 80

UK: 46

US: 20

France: 11

Italy: 10

Netherlands: 6

Caymans: 5

New Zealand: 2

Spain: 2

Canada: 2

Finland: 1

Hong Kong: 1

Ireland: 1

Jersey: 1

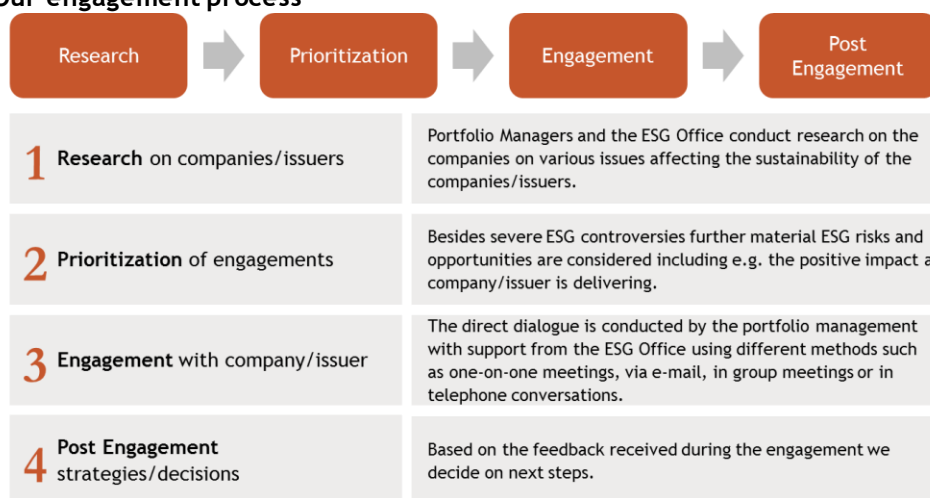
Israel: 1

Engagement at Berenberg

Our approach

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

Our engagement process



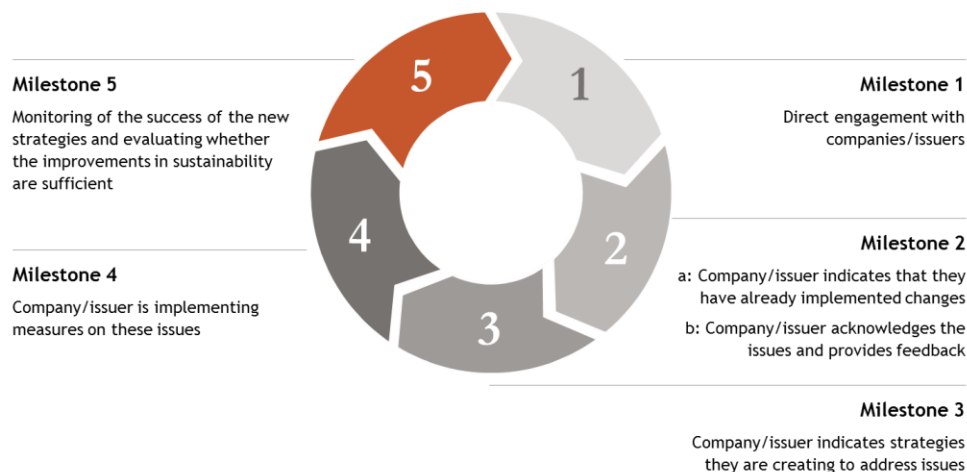
The motivations for starting an engagement can be manifold. On the one hand, we hope to obtain relevant information for our investment decisions; on the other, we would like to have a positive impact on companies and issuers, be it in terms of their reporting or their activities and strategies on material ESG issues. Furthermore, as part of our ESG controversy monitoring, we enter into active dialogue with companies that are associated with severe ESG controversies (see page 8). Critical aspects that come up in the course of exercising voting rights can also prompt engagement. As part of the investment approach of our impact funds and strategies, we work with companies and issuers where we are not able to identify all impact-relevant metrics or where we require further information with regards to the impact of their products or services on the environment and society.

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

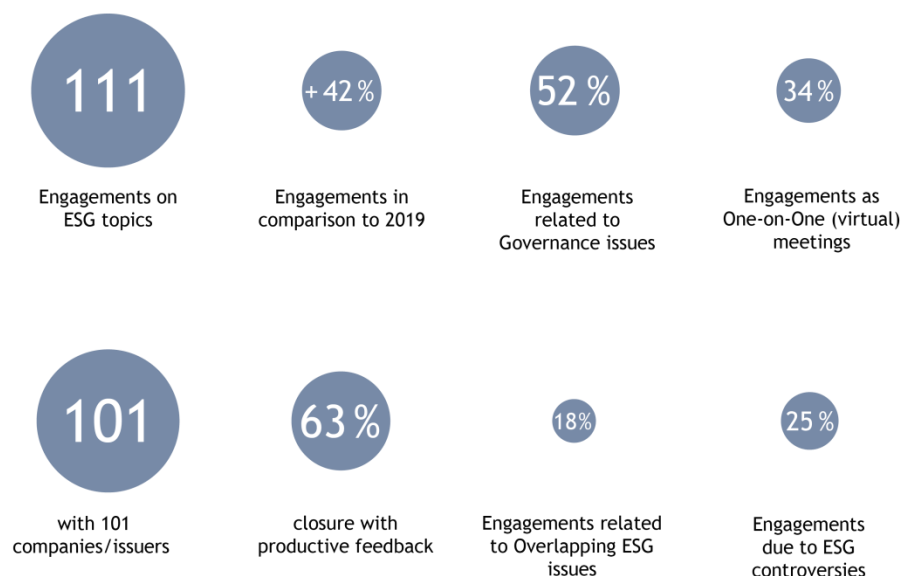
Our progress

In 2020 we published our Engagement Policy and further standardised our engagement process. Furthermore, we conducted our first collaborative engagement – an important and effective instrument, which we want to further integrate into our Active Ownership approach in the future.

Our engagement milestones



Engagement in 2020: overview¹



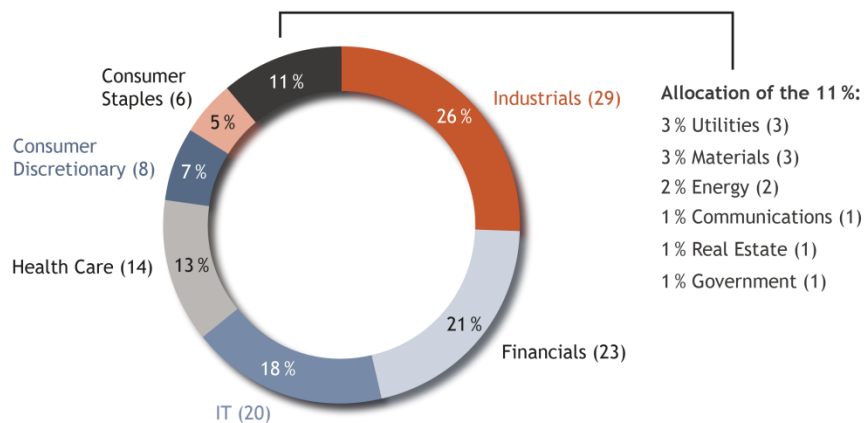
We are continuously expanding our engagement approach to increase not only the number but also the depth of dialogues. In particular, we increased the number of engagements in 2020 compared to the previous year through increased active exchanges with bond issuers and engagements as part of our proxy voting activities.

¹ The difference between the total number of engagements (111) and the total number of companies/issuers with which we conducted engagement (101) is due to repeated engagements with specific companies on different topics.

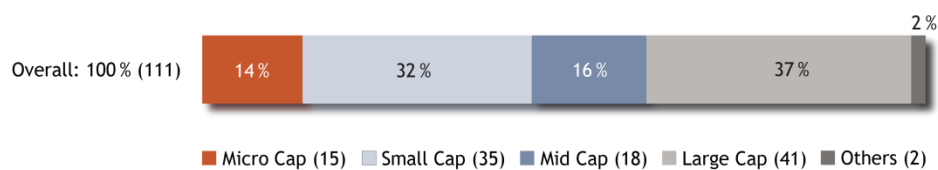


Engagements in 2020

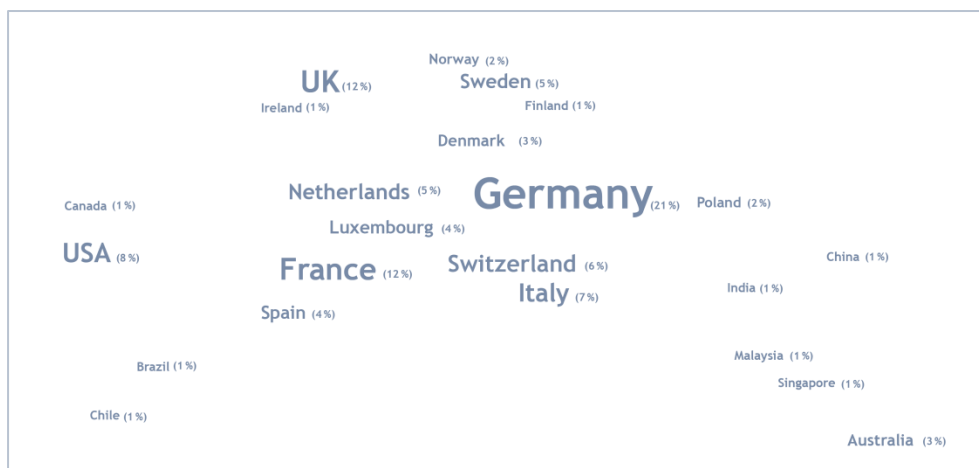
Engagements by sector



Engagements by company size²

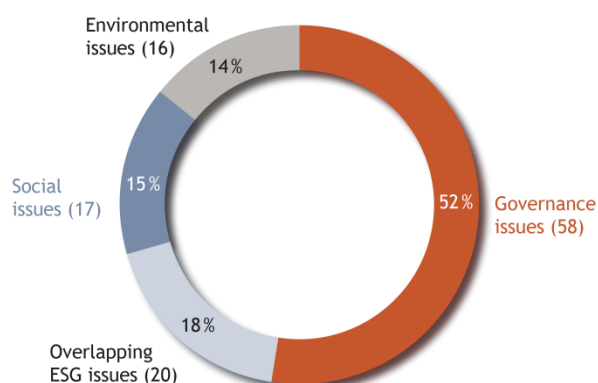


Engagements by country

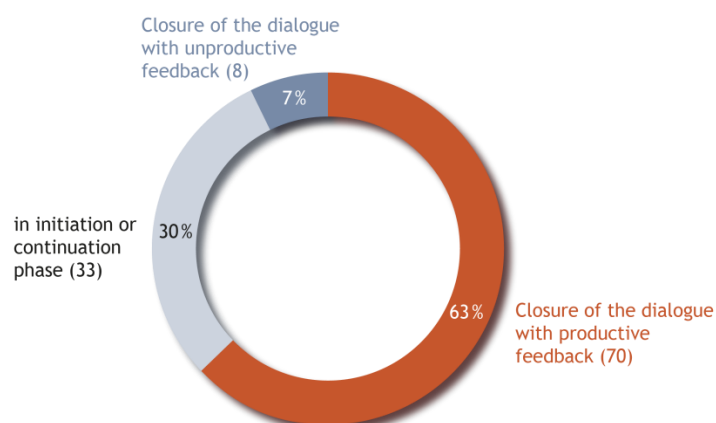


² “Others” includes companies/issuers without market capitalisation such as state-owned companies.

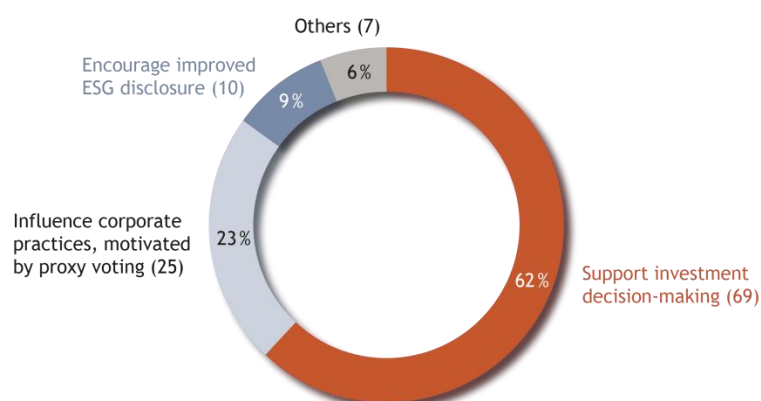
Engagements by topic



Engagements by motivation



Engagements by status



We incorporate our evaluation of the engagement and the feedback we received into our investment decisions. 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 the 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 include 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 very severe controversies. Investments in companies with a red flag are excluded in our ESG-dedicated and ESG-integrated products and strategies. We actively engage companies with serious 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 take a stand. After completion of the engagement, we make our final investment decision, depending on the outcome and success of the engagement.

| I. Flagging | II. Active engagement | III. Assessment and follow-up |
|---|---|--|
| <ul style="list-style-type: none"> Minor controversies Moderate controversies | No analysis of controversies | Not excluded |
| <ul style="list-style-type: none"> Severe controversies | If controversies arise, we undertake further research and, if applicable, we start active engagement with the relevant companies. | Discussion and assessment if position is removed from the portfolio. Ongoing monitoring of investments in the portfolio. |
| <ul style="list-style-type: none"> Very severe controversies | No analysis of controversies | Excluded |

Engagement: case studies



Environment: green bond issuance and framework

Company field: Real estate financing

Action: One-on-one meetings

Country: Germany

Outcome: Negative

The company is a leading European specialist bank for commercial real estate. The specific motivation for engagement was the company's first issuance of a green bond, which had the objective of financing sustainable and energy-efficient buildings in order to reduce the negative impact of buildings on the environment.

The real estate sector has a particularly high carbon and ecological footprint. Specifically older and technically outdated buildings contribute to environmental damage and the high carbon emissions of the sector. Thus, the development of new energy-efficient buildings and the refurbishment of existing buildings require large amounts of investment for the sector to contribute to the achievement of the Paris Agreement's goals and green bonds play an increasingly important role in financing these investments.

Green bonds, with their goal of directly financing projects with a positive ecological impact, are a relevant instrument in our ESG-dedicated fixed income and multi asset funds and strategies.

Action

We are in regular contact with the company's management. Even before the company's first green bond issuance, we had already discussed this topic. In order to assess whether this particular green bond issuance of the company was consistent with our ESG and impact approach, we analysed bond-related information and conducted a one-on-one meeting with the company's management. In the course of this exchange we, besides discussing other topics, specifically voiced criticism and proposed changes regarding the following aspects.

- *The use of funds:* The company's green bond framework defined sustainable and energy-efficient buildings that would be in scope of the green bond proceeds. Although several criteria were applied for eligibility, we concluded that they were – to a certain extent – less strict than the criteria of several peers and other green bonds in the real estate segment.
- *The look-back period:* No maximum look-back period was defined within the framework, which indicates the maximum age of a project to be refinanced. This could potentially increase the risk that the green bond proceeds would be allocated to historical loans/financed buildings that by chance fit the framework's criteria but could be several years old and were not intended for this purpose. We see a clearly defined maximum look-back period as an important component of a green bond in order to po-

tentially achieve a future positive impact and to improve the prospect of additionality.

In addition, we analysed the company's overall sustainability strategy and found that, while recognising the importance of sustainability considerations, the company had, as of that time, not yet further formalised or integrated them into its strategy. The efforts to integrate sustainability criteria in the lending process appeared fairly vague and not properly formalised, and no specific targets for new business had been defined with regards to the sustainability and energy-efficiency of newly financed buildings.

Outcome

We had an open and transparent exchange with the company's management. However, we concluded that for the time being the issued green bond was not fully compatible with our ESG and, especially, impact approach and was thus not a fitting investment for relevant strategies. We will continue to have regular exchanges with the company and monitor further developments in terms of its green bond framework and future issuances, as well as its sustainability strategy.



Social: discrimination or diversity issues?

Company field: Technology

Action: One-on-one meeting

Country: US

Outcome: Positive

The company is a leading developer of software and consumer electronics, among other products. Diversity and inclusion have been long-standing issues for the global tech industry, and many companies have been adjusting their strategies and developing initiatives in order to tackle them. However, these have not yet comprehensively delivered the intended results. Due to their ever-growing importance in the global economy and their far-reaching value chains, global tech companies are in a position to make an important contribution in the pursuit for more diverse and inclusive workplaces. Furthermore, we view this as an important aspect for attracting talented employees in the future.

Through our ESG controversy monitoring (see page 8), we noted that the company was connected with a severe controversy regarding discrimination & workforce diversity. In particular, the local authority found the company to be in violation of its regulations regarding equal employment opportunities, based on analysis of the company's hiring practices.

Action

We internally analysed the alleged controversy and the MSCI ESG criticism, based on information provided by MSCI ESG and other data sources. Following internal analysis by portfolio management and the ESG Office, we initiated direct engagement with the company and received a response without delay. In a follow-up call, we received transparent insights into the company's view of the alleged controversy and the broader issues of diversity and inclusion, as well as into the corporate strategy for tackling them.

Outcome

During our transparent and open exchange, the company recognized the problems faced both by the industry and by itself, as well as the fact that previous initiatives and actions had not yet delivered the intended results. The company described the current status of initiatives, as well as past and future actions, and assured us of its strong commitment to diversity, inclusion and non-discrimination. Current actions include broadening the recruiting scope/talent pool by, for example, opening up a tech platform/centre in a new location and further developing recruiter training. We are invested in the company and will continue to monitor the described issues, as well as the success of the company's various initiatives and strategies.



Governance: allegations of price fixing

Company field: Salmon farming

Action: Email exchange

Country: Norway

Outcome: Negative

The company is a leading producer of seafood, with a focus on salmon farming. Companies in the salmon farming industry face a variety of issues such as price wars and strengthening environmental regulations, as well as risks from climate change, such as warming sea temperatures, while at the same time playing a potentially key role in developing a sustainable protein sector.

The company was subject to an investigation by the regulator regarding alleged price-fixing, including increasing and stabilising the spot price in the salmon market, as well as other possible violations of antitrust rules.

Action

While the controversy was assessed as moderate by MSCI ESG, we viewed the investigation into alleged price-fixing as potentially very critical and thus decided to engage with the company.

In order to obtain a better understanding of the allegation and the company's perspective, the responsible portfolio manager prepared a comprehensive set of questions and shared it with a company representative. Included questions concerned the specific allegation, the potential effects on the company's business and finances, relations to other involved parties and the strategy for preventing such controversies in the future.

We held exchanges with the company over the course of a few weeks in written form.

Outcome

While we received answers on the questions that we raised in our initial questionnaire, as well as in a follow-up, the content and detail of the disclosures were not sufficient to clear up the controversy and did not convince us that the company had sufficient control mechanisms in place to prevent the recurrence of such incidents.

Portfolio management, in an exchange with the ESG Office, made the decision to close this engagement and sell the position.

Proxy voting at Berenberg

Our approach

In 2019 we published our Berenberg WAM Proxy Voting Policy, which represents our philosophy and beliefs regarding ESG issues in companies. On the basis of this policy we are able to provide our vote recommendations. Our policy is regularly updated and considers current corporate governance standards, ecological and social issues, industry standards and the proxy decision's potential impact on the investment.

Key areas of our Proxy Voting Policy

| | |
|-------------------------------|---|
| 1 Board-related issues | 5 Other operational and business-relevant issues |
| 2 Audit-related issues | 6 Shareholders and voting mechanisms |
| 3 Capital Structure | 7 Environmental and social issues |
| 4 Company Control | |

Even though the voting rights for our portfolio holdings reside with our administrator, we are able to provide our recommendations based on our policy, and our administrator takes them into account when carrying out the proxy vote.

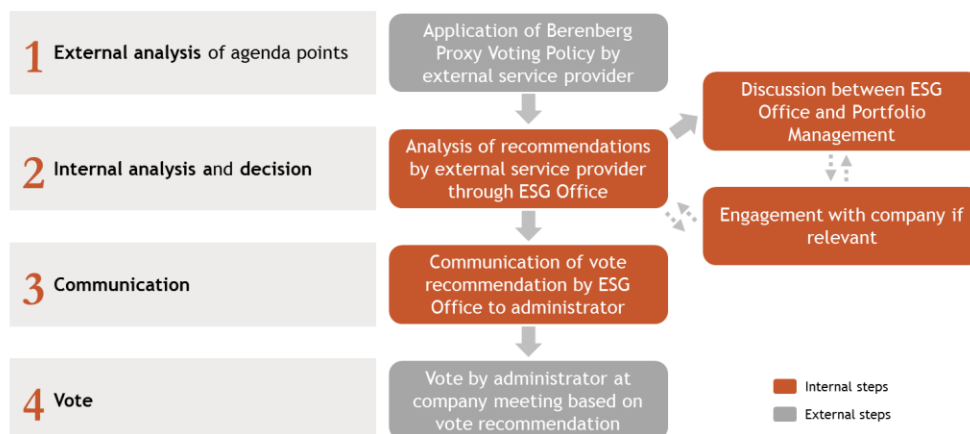
Our Proxy Voting Policy is, deliberately, not to be thought of as a hard set of rules, but rather a set of guidelines on which we base our analysis. Every vote recommendation is preceded by an initial analysis through our external proxy voting service provider, IVOX Glass Lewis, and a further in-depth 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 and, if possible, incorporate the findings obtained into our final recommendation.

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

Our progress

Having implemented our proxy voting approach in 2019, we are working to further expand the proportion of funds and invested companies to which we apply this approach.

Our proxy voting process



Proxy voting in 2020: overview³



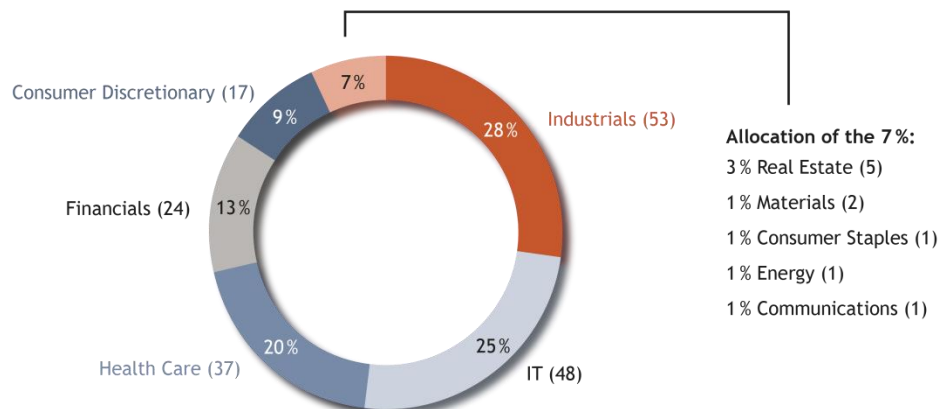
In addition to expanding our approach to include more funds and companies, we are also continuously working on further expanding our approach from a process perspective. In particular, we attempt to communicate our voting recommendations even more transparently to portfolio companies and explain the reasons for our recommendations against management 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 voting recommendation.

³ The difference between the total number of recommendations provided and the sum of recommendations with management and recommendations against management is due to five recommendations not being assignable to either category.

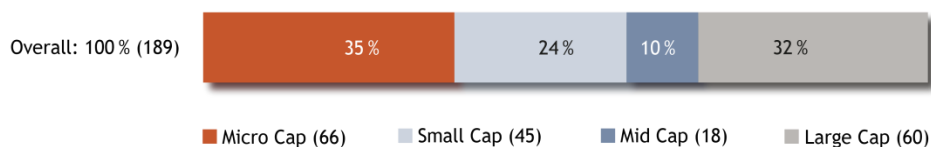


Proxy voting in 2020

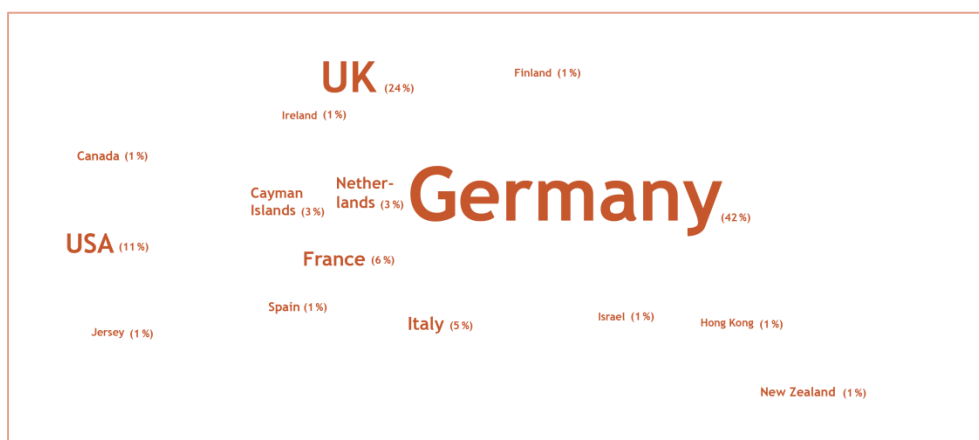
Proxy voting by sector



Proxy voting by company size



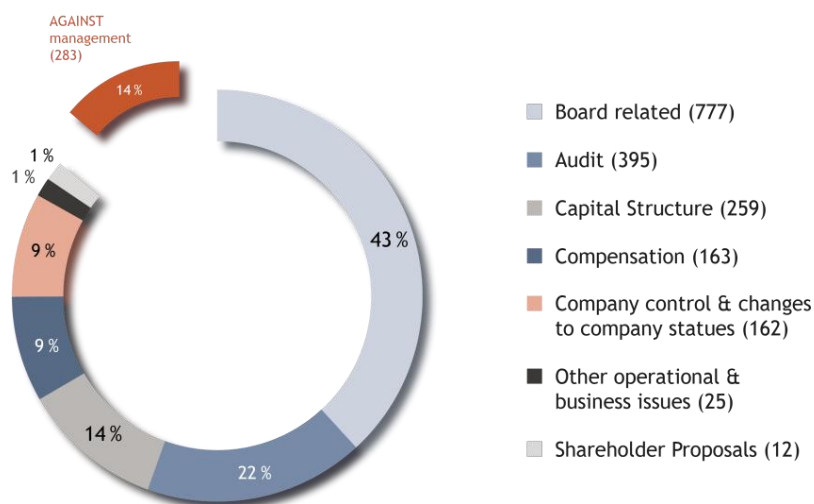
Proxy voting by country



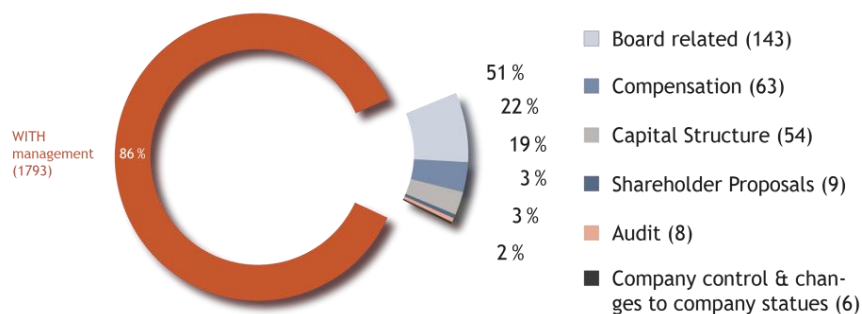


Proxy voting by topic

Split of vote recommendations WITH management by topic






Split of vote recommendations AGAINST management by topic



Collaboration

Participation in sector and investor initiatives is important for us in order to hold exchanges with other investors and companies, to engage jointly “with one voice” and, ultimately, to support positive change. We see 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), but also support initiatives that address specific aspects of sustainable business. In 2020, for example, we signed the investor statement of the KnowTheChain initiative, underpinning our expectation for companies to address forced labour in their global supply chains. Building on this, we were part of a collaborative engagement with one of our portfolio companies to specifically address human and labour rights abuses against Uighurs in the Xinjiang Uyghur Autonomous Region.

| Initiative | Description | Since |
|--|--|-------|
|  <p>Signatory of: PRI Principles for Responsible Investment</p> | <p>The UN-backed PRI initiative 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.</p> | 2018 |
|  <p>ICGN International Corporate Governance Network</p> | <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</p> | <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 supporter of the initiative, signed its 2020 investor statement and participated in a collaborative engagement via the initiative.</p> | 2020 |
|  <p>access to medicine FOUNDATION</p> | <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 2021 investor statement for a fair, equitable and global response to the COVID-19 pandemic.</p> | 2021 |



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