

BERENBERG WEALTH AND ASSET MANAGEMENT

ACTIVE OWNERSHIP REPORT 2021

May 2022





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.

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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 second 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. With our first report published in 2021, we were shortlisted for the ICGN Global Stewardship Awards, which was positive confirmation that we are heading in the right direction with our stewardship disclosure and we endeavour to improve continuously. In this year's report, we have included even more information on our governance structure, guidelines and processes related to active ownership. We also outline our very first ESG engagement with a sovereign country, present highlights from last year's proxy voting season, and disclose figures on our activities aligned with and comparable to last year's reporting.

By "active ownership" we refer to having active exchanges with companies and issuers through engagements as well as communicating our views by providing voting recommendations at companies' general meetings. These activities allow us to gain valuable insights, to share our views concerning ESG aspects, to encourage transparency, and to positively influence corporate policies and behaviour. To meet our responsibilities 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 13 countries and 189 holdings with 200 meetings in 2021.

While engagement with companies has long been an integral part of our investment approach, we have been steadily expanding and further developing our activities over recent years, attempting to broaden both the breadth and depth of our engagements. While we had fewer engagements in 2021 than in 2020, the quality of the engagements matters more to us than the quantity (111 engagements in 2020 compared to 95 in 2021).

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 one's own actions in order to create new perspectives are what uphold such a long tradition at Berenberg.

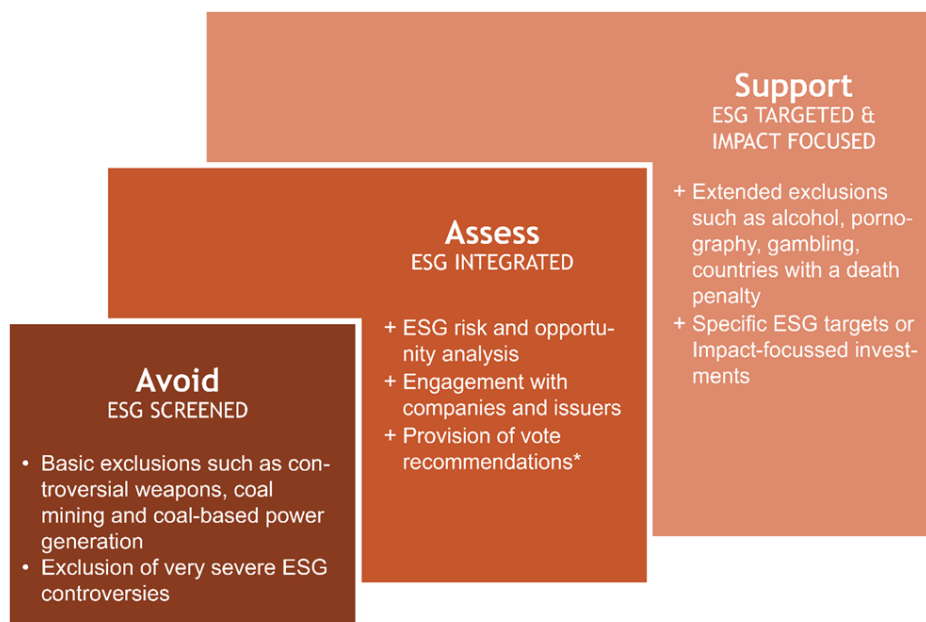
At Berenberg Wealth and Asset Management (WAM), we recognise the importance that environmental, social and governance (ESG) factors have in value creation. In our view, the social and environmental sustainability of business models and the integrity of management teams are crucial factors for creating 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 in order 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*.



* For equity investments in public funds dependent on local restrictions.

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 and constitute our active ownership approach.

We view the exercising of voting rights as an important tool for positively influencing companies with regard to corporate governance structures and, at the same time, for strengthening shareholder rights. We want 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, as an active investor, we can help to improve the sustainability profile of companies in the long term as well as reduce risks. Therefore, the engagement process and its results are central elements of our investment decisions and are the basis of long-term, successful investment in companies and issuers.

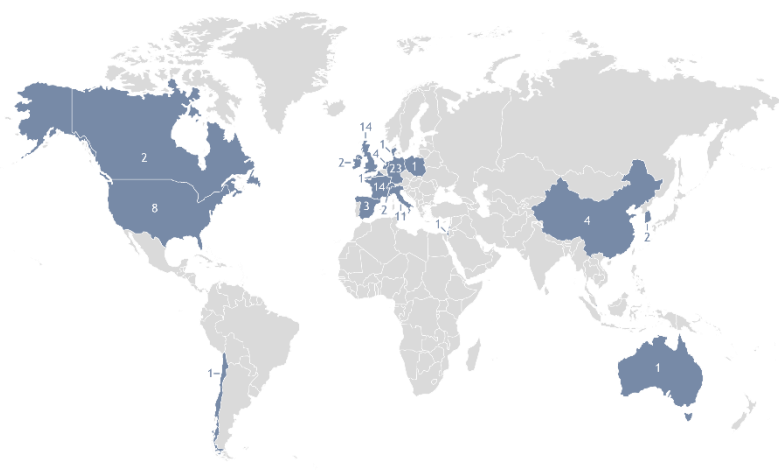
Participation and collaboration in sector and investor initiatives form the third component of our active ownership approach. It is important for us, in order to hold exchanges with other investors and companies, to engage jointly “with one voice” and, ultimately, to support positive change.



Active Ownership at Berenberg WAM

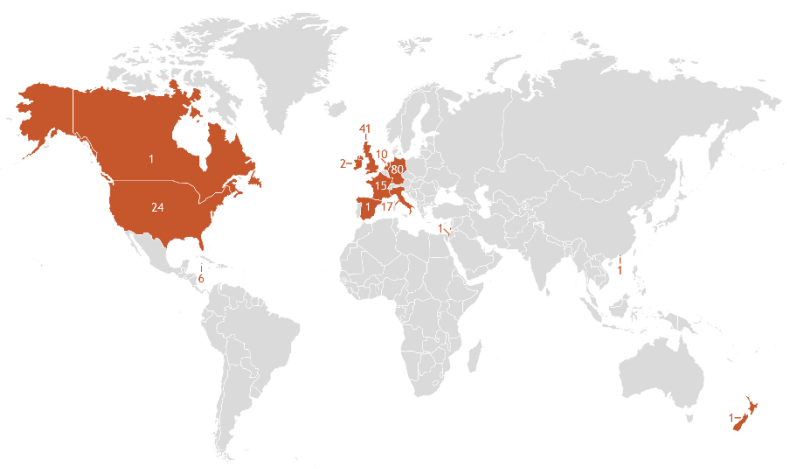
Overview of 2021

Number of engagement activities in 2021 by country



Total: 95
Germany: 23
UK: 14
France: 14
Italy: 11
USA: 8
Netherlands: 4
China: 4
Spain: 3
Canada: 2
Ireland: 2
Switzerland: 2
South Korea: 2
Australia: 1
Chile: 1
Denmark: 1
Israel: 1
Luxembourg: 1
Poland: 1

Number of company meetings for which we provided voting recommendations in 2021, by country



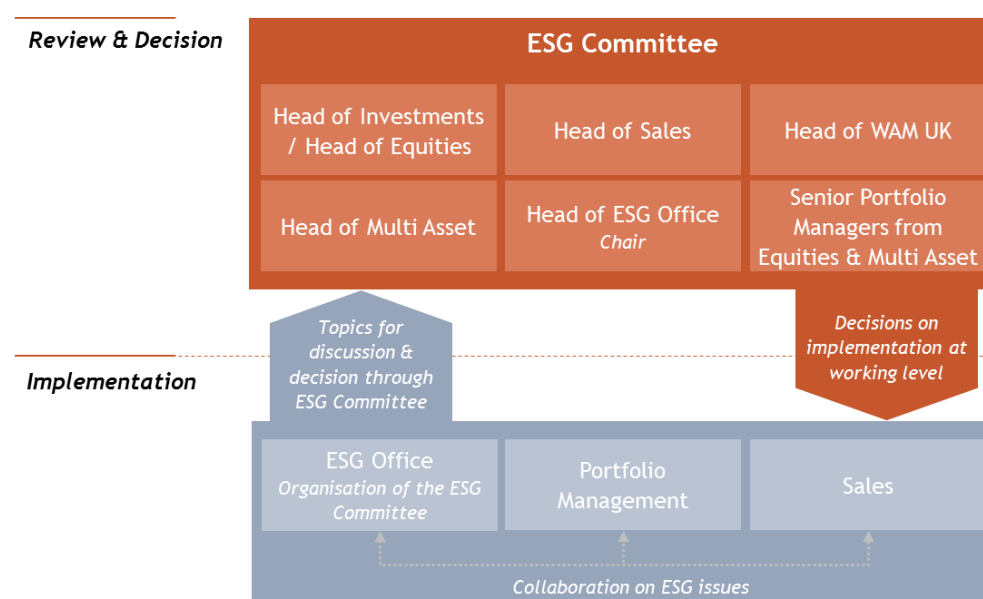
Total: 200
Germany: 80
UK: 41
USA: 24
Italy: 17
France: 15
Netherlands: 10
Caymans: 6
Ireland: 2
New Zealand: 1
Spain: 1
Canada: 1
Hong Kong: 1
Israel: 1

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 members and executives. ESG Committee meetings are organised by the ESG Office. The committee reviews the progress of our ESG activities and discusses their further development, taking into account current trends as well as regulatory changes in the market. Key tasks of the ESG Committee include reviewing and approving ESG policies and reviewing our active ownership activities, as well as the monitoring and discussion of external developments and resulting development opportunities. In 2021, 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 compliance with the set standards and is responsible for internal knowledge building regarding ESG 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 secured. In addition, the ESG Office works closely with portfolio managers on company/issuer engagement and defining voting recommendations. In the event no agreement can be reached between the ESG Office and portfolio management for a 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, our ESG Exclusion Policy, our Proxy Voting Policy and our Engagement Policy. These policies are regularly reviewed and updated in order to reflect our latest thinking on and 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 ESG guideline updates 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 voting recommendations. Conflicts of interest may arise from time to time, such as in cases where our voting 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.

For general information on the handling of conflicts of interest at Berenberg, please refer to [Information regarding the Handling of Conflicts of Interest at Berenberg](#).

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 cooperation with our ESG Office, enables our portfolio management to gain a deep understanding of ESG risks and opportunities. The same holds for our active ownership approach, whereby 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 voting 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.

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 clear targets and milestones are needed for effective engagement. Our publicly available Berenberg WAM Engagement Policy provides guidelines for active dialogue with companies 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:

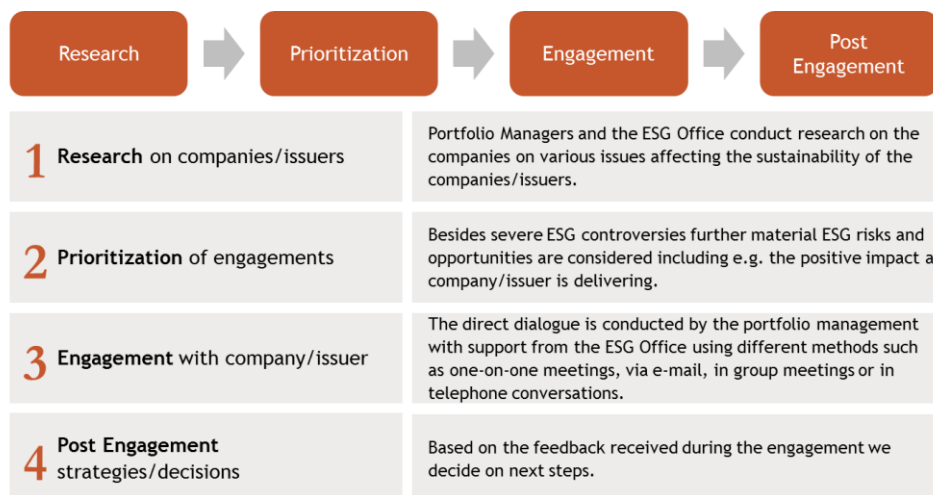
- to **support our investment decision** by identifying and analysing material ESG risks and opportunities;
- to gather information on a **severe ESG controversy** a company is linked to, understand the company's view and actions and develop our own view on the matter;
- during the **proxy voting process**, 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 with regard to 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 use a variety of sources to gain 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 our engagement has failed.

Collaborative engagements with other investors may be an escalation mechanism; however, we selectively join these if the collaborative approach is assessed 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 both 2020 and 2021, facilitated by the initiatives KnowTheChain and Access to Medicine Foundation respectively.

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.

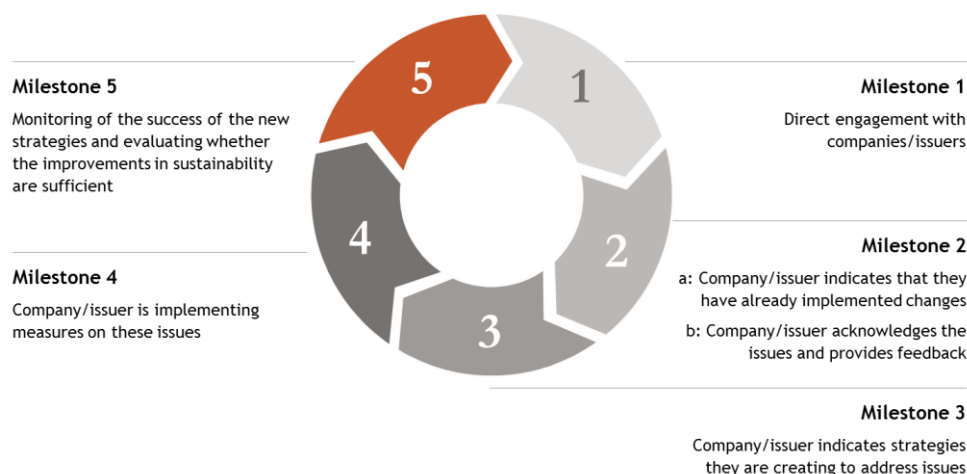
Nevertheless, we strive to develop and implement an active ownership approach that covers and is consistent across the asset classes most important to us, with the overarching target of encouraging the adoption of sustainable business practices to protect and enhance long-term financial value. Thus, 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. While we have significantly increased the number of engagements with corporate fixed income issuers over recent years, we still encounter major 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.

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.

As mentioned above, we may report on an ad-hoc basis to clients on engagement activities relevant to their particular portfolios and have, for the first time, reported publicly on our approach and activities on an aggregate basis in our 2020 Active Ownership Report.

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.

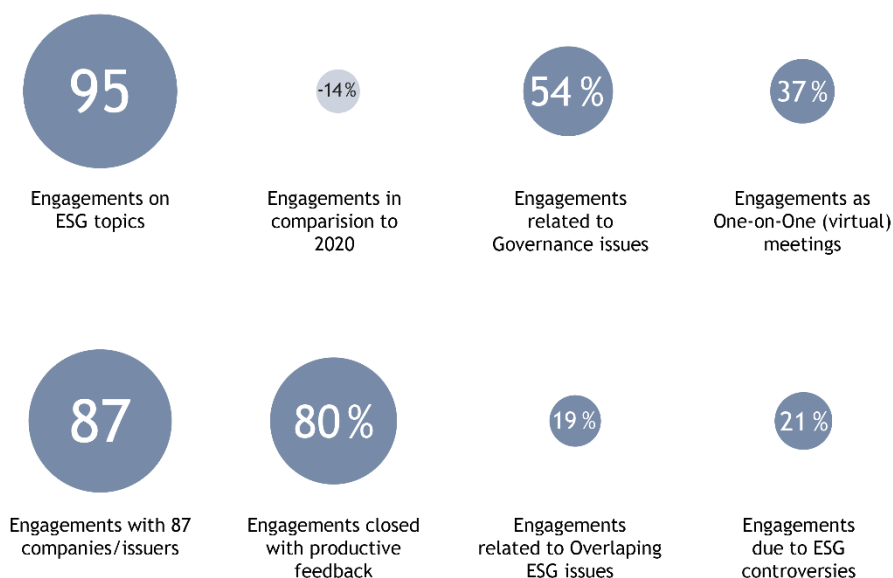
You can find further information in our Berenberg WAM Engagement Policy at www.berenberg.de/en/esg-publications.

Our Progress

In 2021 we worked on further extending our approach to also engage with asset managers of third-party funds we invest in as part of a comprehensive ESG analysis of this sub-asset class and are currently rolling out this approach. In addition, we conducted a successful engagement with a sovereign issuer which we had started in 2020. After having signed the Access to Medicine Foundation's 2021 call for a fair, equitable and global response to the COVID-19 pandemic, we then in 2021 became a full supporter of the Access to Medicine Foundation by signing its investor statement. Participation in this additional initiative allows us access to resources and exchanges with other investors on engaging pharmaceutical companies on the issue of access to medicine in developing countries. We joined the first collaborative exchange with one of our portfolio companies through the initiative as an observer.

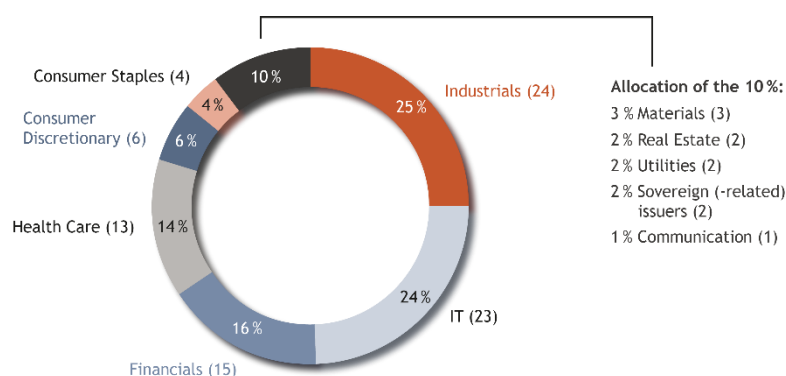
Engagements in 2021

Engagement in 2021: overview¹



While the total number of engagements conducted in 2021 decreased compared to 2020 (95 in 2021 versus 111 in 2020), we continuously work on our engagement approach to increase not only the number but also the depth of dialogues. In 2021 we increased our efforts around engagement with asset managers of third-party funds we invest in. We have not yet included these engagement activities in our quantitative disclosure of engagements within this report, as this process is currently being systematically implemented.

Engagements by sector²

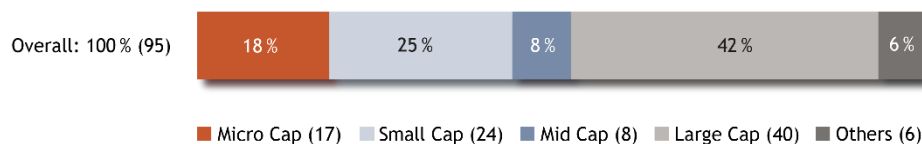


¹ The difference between the total number of engagements (95) and the total number of companies/issuers with which we conducted engagement (87) is due to repeated engagements with specific companies on different topics.

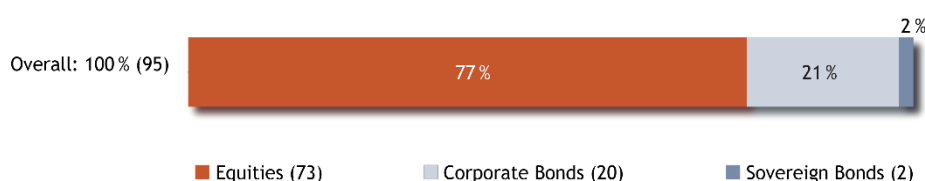
² Due to rounding, percentage figures may add up to more than 100% here and in following graphs.



Engagements by company size³

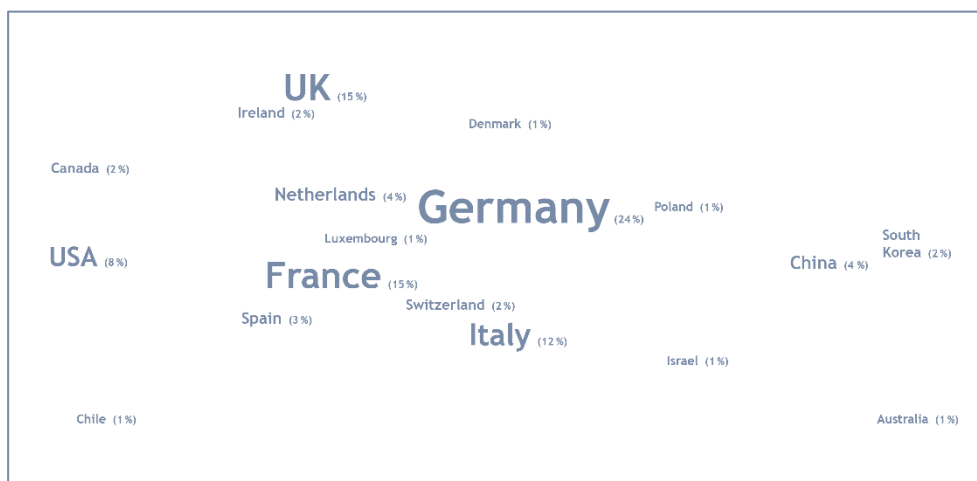


Engagements by asset class



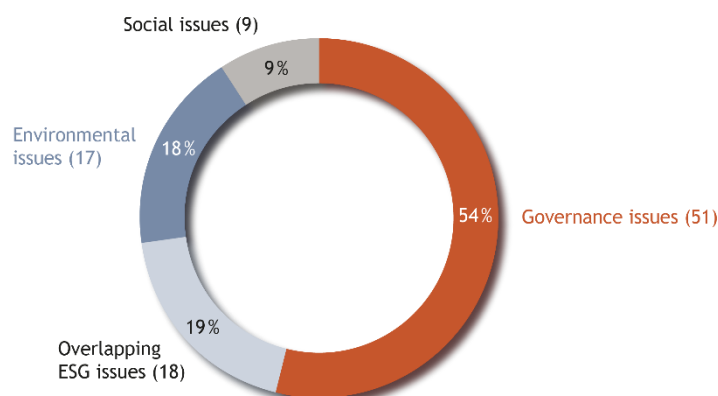
We may hold both equities and corporate bonds of a company we engage with, thus an engagement may not have been conducted exclusively for one asset class. The disclosed figures for “Engagements by asset class” thus refer to the asset class which primarily motivated the engagement.

Engagements by country

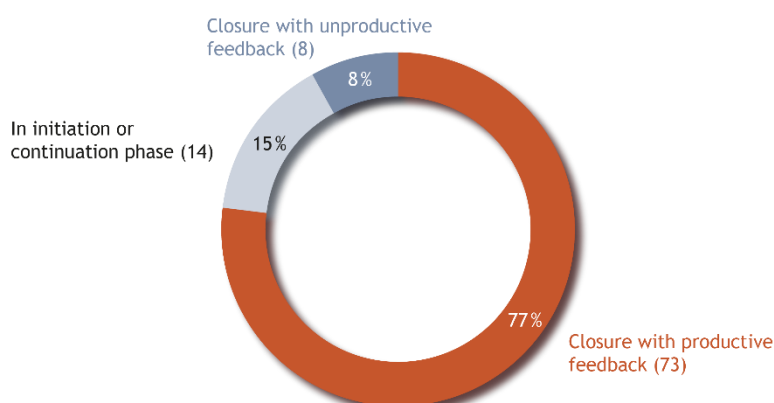


³ “Others” includes companies/issuers without market capitalisation, such as state-owned companies.

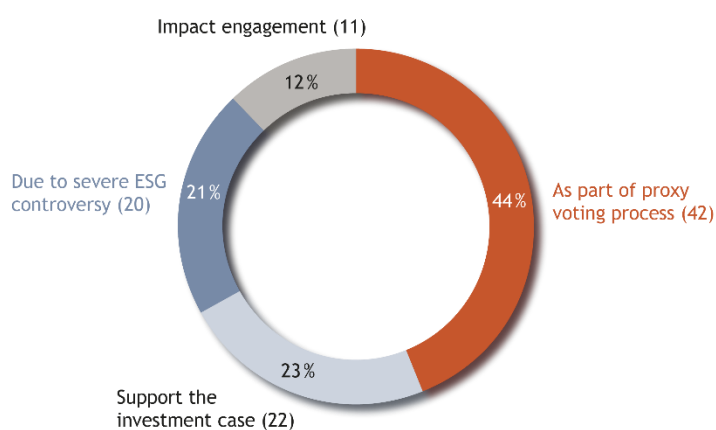
Engagements by topic



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: Sovereign *Action:* One-on-one, E-Mail *Focus:* E and S
Region: South America *Status:* Closed with productive feedback

Against the background of an investment in government bonds of a South American state, the portfolio management identified various critical points in the social and environmental area as part of its due diligence. An engagement meeting was therefore held as part of a European roadshow by representatives of the state's finance ministry. Concrete topics of the discussion were the current economic situation and development of the country, the Green Bond Framework and a planned issuance, as well as social inequalities and unrest in the country. In an open and constructive dialogue, a clear and consistent sustainability strategy was communicated with regard to environmental aspects. From Berenberg's point of view, social aspects in particular were not dealt with sufficiently and transparently enough in the discussion, which is why further questions were subsequently posed in writing to the representatives of the Ministry of Finance. All questions were answered in detail and valuable insights were provided with regard to general investments as well as upcoming emissions in particular.



Engagement Motivation: ESG Controversy

Sector: Health Care *Action:* One-on-one, E-Mail *Focus:* S
Region: North America *Status:* Continuation

The company is a leading manufacturer of specialised medical devices for areas such as radiology, cardiac surgery and gynaecology. MSCI ESG issued an orange controversy flag for the company, after it was involved in several lawsuits since 2012 relating to one of its gynaecology products. Between 2012 and 2019, the company dealt with many product recalls and quality issues. After reviewing the controversy internally, we entered into a direct engagement with the company. Our portfolio management and ESG Office exchanged with the head of quality assurance and investor relations to discuss the company's perspective on the product quality issues and its approach to preventing such quality insufficiencies in the future. During the meetings, the company representatives gave us an insight into how they were able to increase the product quality and reduce the number of recalls in recent years. The company uses a centralised global quality management structure, with stewards who are responsible for supervising and improving quality management processes. By 2019, the company had resolved 70% of its gynaecology product-related cases. The company meetings assured us that it is strongly investing in its product/quality standards. We will continue to monitor the developments in this area.

Sector: Consumer Discretionary *Action:* E-Mail *Focus:* E and S
Region: Europe *Status:* Closed with productive feedback

The company, a multinational consumer goods producer, has repeatedly been criticised for profiting from child labour in its supply chain. This issue affects large parts of the industry and has multiple causes, including low input prices and the resulting poor economic situation of smallholder farmers. In addition, a recent ESG controversy occurred when factory workers were fatally injured in a fire at a supplier factory, allegedly caused by a lack of adequate fire safety measures and improperly stored chemicals. We initiated contact with the company on the allegations and received extensive written statements from the company on both issues, in which the company described its continued work with local organisations to address the root causes of child labour and its regular evaluations of the progress of its own implementation systems and initiatives. In addition, it confirmed its commitment to the ongoing investigation in the factory fire, its cooperation with the authorities and the expansion of its regular review of fire safety measures in factories. The company confirmed that it no longer conducts business with the affected supplier, demonstrated a high level of awareness on both issues and has taken credible actions and initiatives to improve the situation. We continue to monitor developments closely to ensure that adequate actions are taken and will maintain the dialogue, particularly on the issue of child labour. Overall, we see progress as positive, as the company sets itself ambitious goals at material levels and has been reporting transparently on developments for many years.



Engagement Motivation: Proxy Voting Process

Sector: IT *Action:* E-Mail *Focus:* G
Region: Europe *Status:* Continuation

Two governance issues caught our attention as we analysed the proposals for the company's 2021 annual general meeting. Firstly, the company's board of directors (BoD) did not comprise a sufficient share of independent directors. Secondly, the CEO, who occupied his position for 21 years, moved to the chairman position without a cooling-off period. The guidelines set out in our Proxy Voting Policy stipulate majority independence for boards and a cooling-off period of two years for transition between CEO and chair. In contact with the company's CFO, we were assured that the company plans to introduce new independent directors to its board as part of its M&A activity. Secondly, before the CEO was allowed to become chairman, the executive board engaged in an extensive discussion with major shareholders to ask for their approval, which it clearly received. Given the company's plan to increase the board's independence, as well as the shareholders' appreciation for the CEO's continuity, we positively wrapped up the engagement case and continue to keep an eye on developments regarding the board's level of independence.



Sector: Industrials

Action: One-on-one, E-Mail

Focus: G

Region: Europe

Status: Continuation

The company is a leading provider of energy-efficient control units for air conditioning and refrigerator systems. One of the management proposals for its annual general meeting raised questions with regard to our Proxy Voting Policy guidelines, as it proposed a large increase to the CEO's fixed salary, without disclosing the rationale behind the proposal. During a direct exchange with the company's investor relations, the proposal was justified by putting the CEO's salary in context with the company's recent IPO and peer group. During the company's IPO in 2018, an external advisor/consultancy adjusted the company's incentive structure plan. The new incentive plan included a series of annual increases of the CEO's fixed salary until 2021, to gradually align it with the executive compensation at comparable companies. During the exchange, we were assured that 2021 would be the last year during which the CEO's fixed salary increases. Additionally, compared to the executive compensation at the company's peer group, the salary proposal was still relatively humble. Hence, after an internal discussion, we decided to recommend to vote for the respective proposal and will monitor the developments for the upcoming proxy voting season.



Engagement Motivation: Impact Engagement

Sector: Financials

Action: Group Meeting

Focus: E and S

Region: Europe

Status: Closed with productive feedback

The company is a financial institution dedicated to sustainable banking and lending with a positive impact. The bank decided to issue its first-ever green bond in 2021. The green bond appeared on our radar as a potential investment for our impact-focused strategies; however, we wanted to ensure that the bond framework, including its use of proceeds, complies with our Berenberg net impact model and our wider ESG approach. We engaged in a group meeting with the bank's management to receive further information on the planned issuance, the underlying framework and targeted projects as well as to probe the management about its business model and long-term sustainability targets. We learned that the bank calculates and publishes the CO2 footprint of its loan book and aims to reduce it to net zero by 2035, making the company a pioneer in this area. The exchange confirmed that the bank's new green bond and sustainability ambitions do in fact comply with our impact model and ESG standards. We wrapped up the engagement, concluding that both the green bond and the bank's sustainability approach are best-in-class, and initiated an investment in its green bond.

Proxy Voting at Berenberg WAM

Our Approach

Guidelines for proxy voting

In 2019 we published our Berenberg WAM Proxy Voting Policy, which is a guideline for our voting activities and represents our philosophy and beliefs regarding ESG issues in companies. Based on this policy, we are able to provide our voting recommendations. Our policy is regularly updated and has been developed taking into account 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
2 Audit-related issues	5 Other operational and business-relevant issues
3 Capital Structure	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 voting 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 2021 included Sweden, Finland, Norway, Denmark, Switzerland and others. We continuously work with our capital management company on extending this geographical scope and including further countries in our process.

In addition, not all of 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".

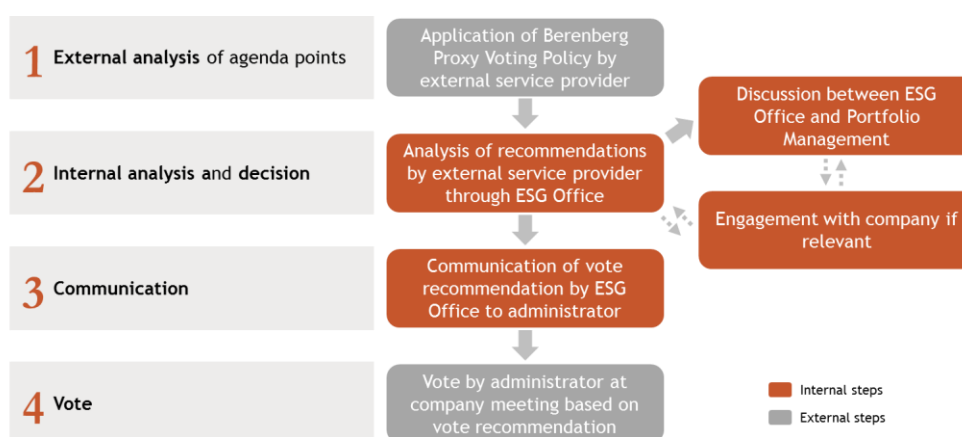
Proxy voting process

Our Proxy Voting Policy is, 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 voting 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 voting recommendations are to our full discretion and no final decision is outsourced to a third party.

The final voting 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 voting recommendation;
- we identify agenda points and underlying corporate governance topics that do not comply with our proxy voting guidelines and principles or our broader thinking with regard to 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.

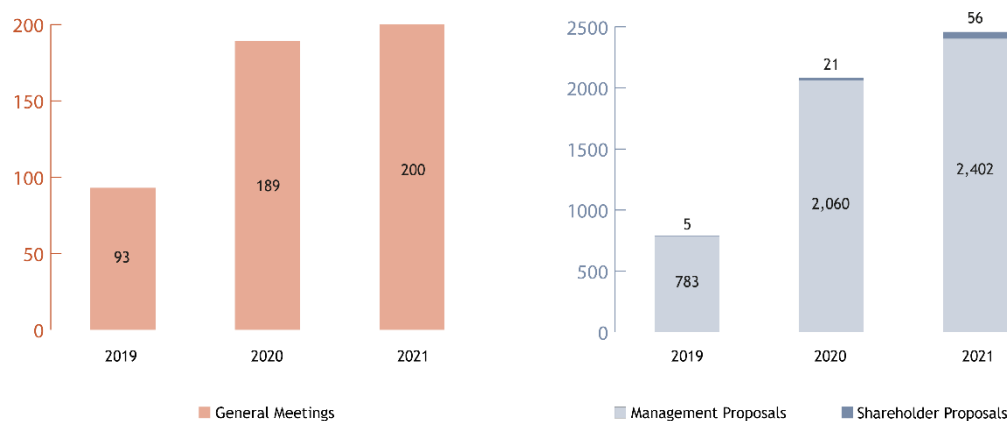
In addition, companies also approach us directly for discussions about corporate governance topics, often before annual general meetings, such as in the form of shareholder consultations or governance roadshows to understand investors' views. We appreciate companies actively seeking investors' input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

Direct communication with companies may lead us to adjust our voting 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 seasons 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 particular portfolios and have, for the first time, reported publicly on our approach and activities on an aggregate basis in our 2020 Active Ownership Report.

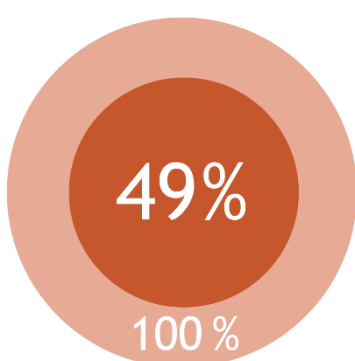
Our Progress

Proxy voting from 2019 to 2021: 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 voting recommendation.

Proportion of mutual fund equity holdings for which voting recommendations were provided in 2021



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 49% of equity portfolio holdings for which voting recommendations were provided in 2021, by comparing the total of company meetings for which we provided voting recommendations in 2021 to the equity portfolio holdings in our mutual funds at year-end 2021.

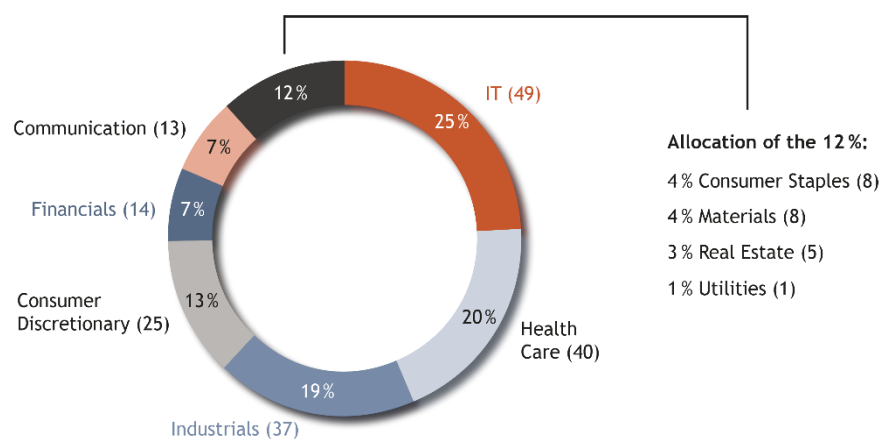


Proxy Voting in 2021

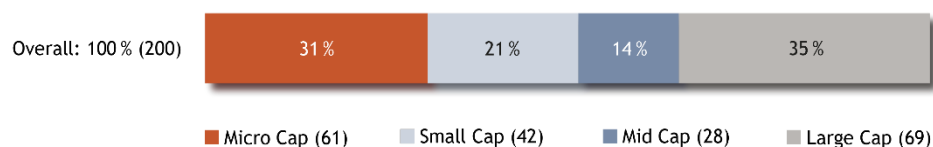
Proxy voting in 2021: overview⁴



Proxy voting by sector



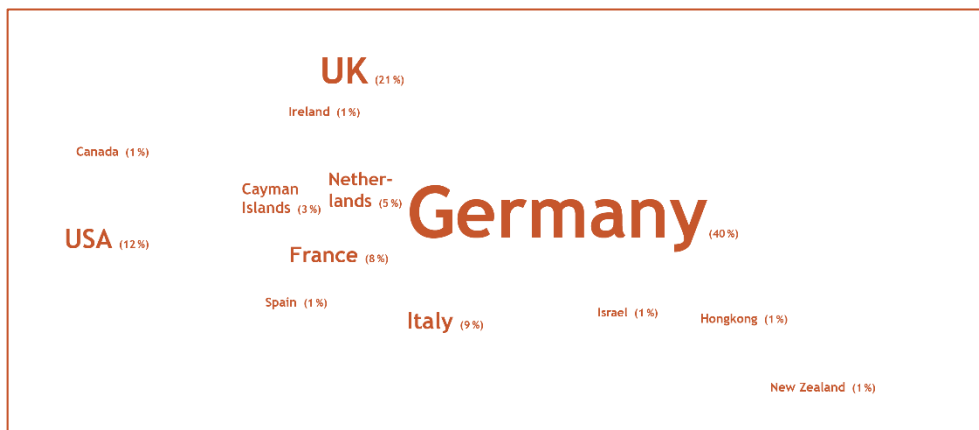
Proxy voting by company size



⁴ The difference between the total number of recommendations provided and the sum of recommendations with management and recommendations against management is due to 20 recommendations not being assignable to either category.

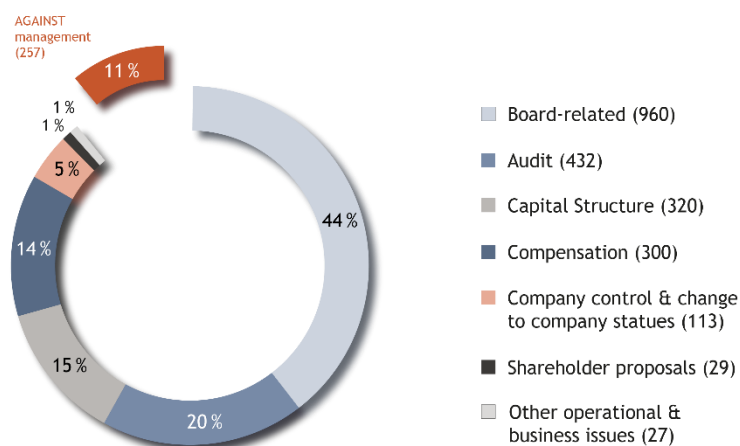


Proxy voting by country

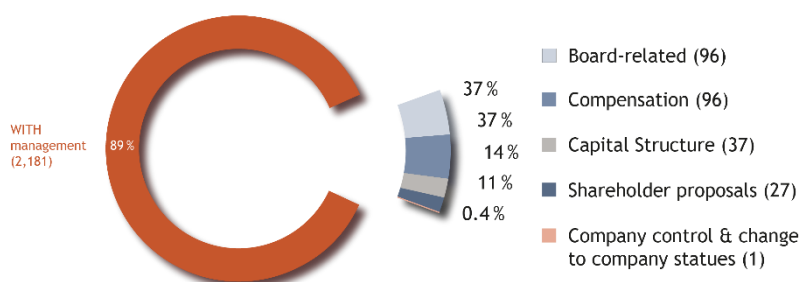


Proxy voting by topic

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 2021). 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.

In 2021, we recommended voting against 52% of all shareholder proposals, including:

- a proposal regarding removal of directors and election of dissident board members; and
- proposals requesting increased disclosure on different issues such as regarding management of competition and antitrust or plastic waste management, where we believed existing disclosure to be sufficient or proposed disclosure to not add sufficient value.

Shareholder proposals for which we recommended voting in favour included:

- a proposal regarding increased disclosure on political spending and lobbying activities; and
- proposals on general meeting organisation increasing shareholder access.

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 2021, we recommended voting against 9% of board-related proposals.

Recommendations against capital measures: Our Proxy Voting Policy sets out limits in relation to capital measures such as equity issuances. These limits serve as guides when analysing individual capital measure-related proposals and we review individual proposals in the context of the company's positioning and development. If we believe a proposal to unnecessarily exceed these limits without sufficient justification or if proposed issuances do not bear sufficient amounts of subscription rights for existing shareholders, we will recommend voting against such proposals.

Proxy voting on shareholder proposals



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 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. In 2021, we signed the investor statement of the Access to Medicine Foundation to further engage on the issue of access to medicine in developing countries.

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 investor statement as well as its 2021 call for a fair, equitable and global response to the COVID-19 pandemic.</p>	2021

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