

BERENBERG WEALTH AND ASSET MANAGEMENT

# ACTIVE OWNERSHIP REPORT 2023

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June 2024





## **Berenberg**

Founded in 1590, Berenberg is one of Europe's leading privately owned banks today with its Wealth and Asset Management, Investment Bank and Corporate Banking divisions. We operate as a limited partnership with personally liable partners. The personal liability of the owners ensures a particular independence from corporate interests, stringent risk management, and management continuity. Accountability is our guiding principle. Our longevity is only possible with a business model that focuses on sustainability. We offer a proven sustainability approach for individual and institutional clients, with a dedicated ESG Office in Wealth and Asset Management.

### **Wealth and Asset Management ESG Office**

Our Wealth and Asset Management 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.

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## 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.

It is a part of our history 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. This is what made us who we are today: a trusted partner that addresses client needs with responsibility, insight, vision and expertise. In short: Accountability is our guiding principle. This principle guides us to act in responsible ways across everything we do and thus allows us to be sustainably positioned in the future.

At Berenberg Wealth and Asset Management (WAM), we believe that it is important to integrate Environmental, Social and Governance (ESG) aspects into the investment process. 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. Therefore, we believe that taking ESG factors into account needs to go hand in hand with fundamental analysis in order to assess risk and return of investments and needs to be based on continuous, goal-oriented collaboration, both between our investment and ESG professionals as well as with the companies and issuers we invest in.



## ESG at Berenberg WAM

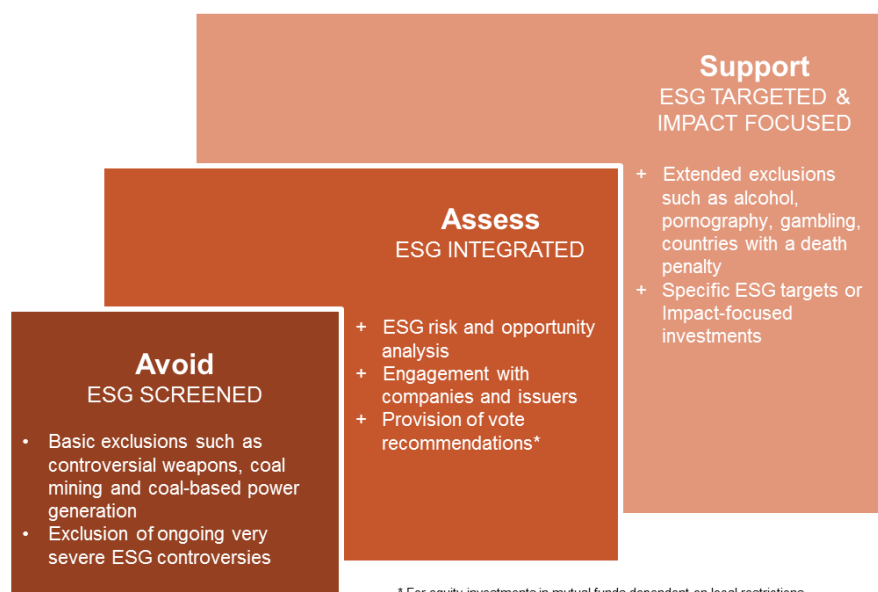
### ESG: Our Approach

At Berenberg WAM, we understand the value of integrating ESG factors into our investment decisions, as it helps us to better manage material ESG risks within our portfolios and to identify opportunities. The integration of ESG factors supports our portfolio management in adequately analysing risk and return.

To minimize certain risks arising from controversial business areas or problematic business practices, we use ESG exclusion criteria. We also place a strong focus on positive factors that promote and sustain earnings growth, such as good corporate governance. In addition to our own research, we use external ESG data to understand the sustainability profile of companies and issuers. We strive to identify material factors that are critical to improving long-term returns and the sustainability profile as part of a comprehensive ESG investment process.

Internally, we discuss ESG issues in open dialogue among our investment and ESG professionals, allowing us to integrate their industry experience and knowledge into our ESG approach and to continuously develop and strengthen it.

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



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

## Active Ownership: Our View

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

We see the exercise of voting rights (i.e., proxy voting) as an important tool to positively influence companies regarding corporate governance structures and, at the same time, to strengthen shareholder rights.

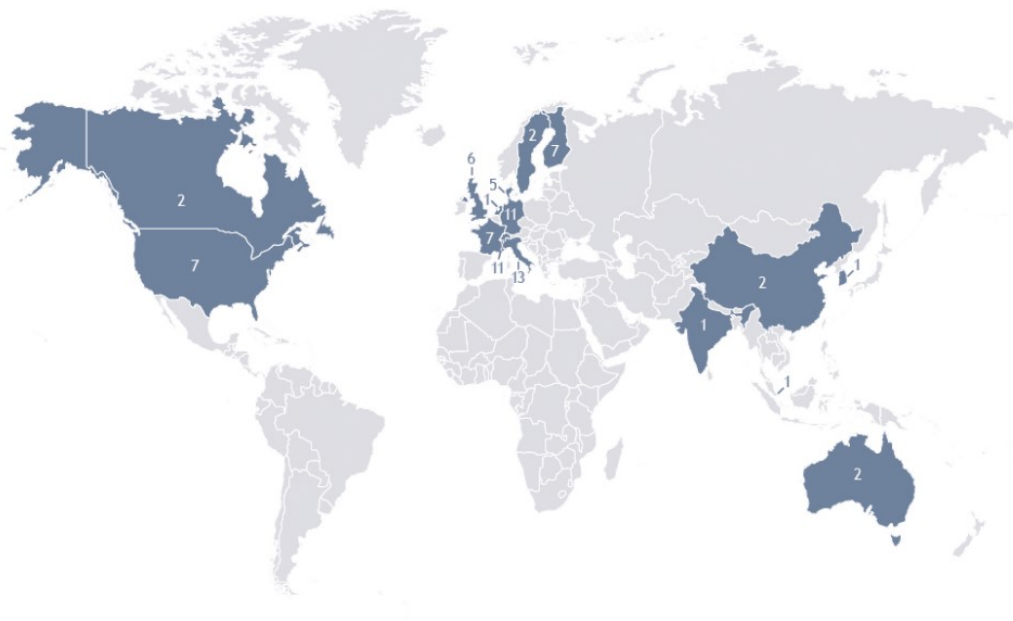
Engagement enables us to gain deep insights into the behaviour, strategies and processes of companies and issuers. In addition, we can address relevant areas for improvement such as increased transparency. In this way, we can help as an active investor to improve the long-term sustainability profile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

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

## Active Ownership at Berenberg WAM

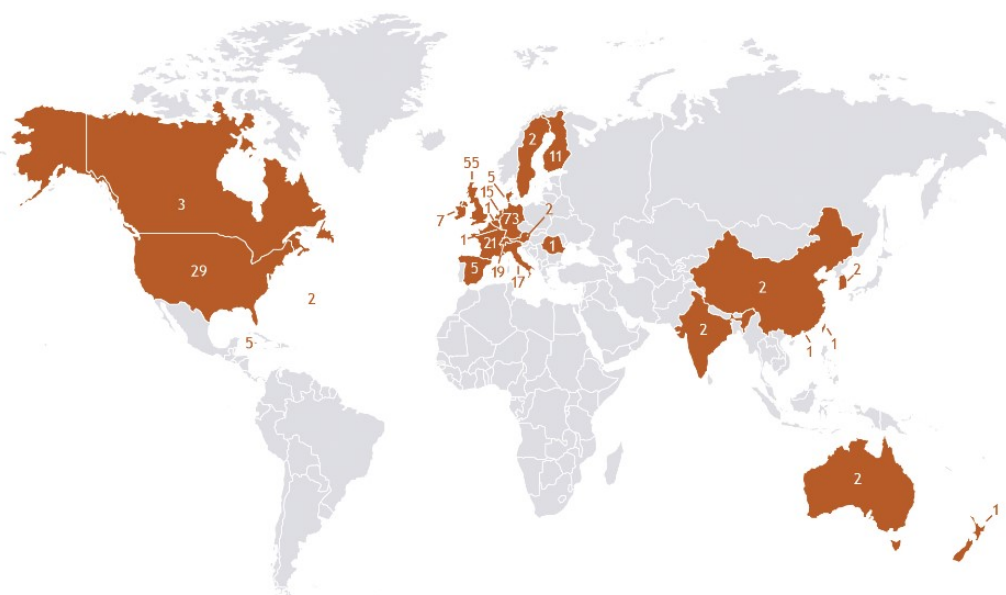
### Overview of 2023

Number of engagement activities in 2023 by country



<b>Total: 79</b>
Italy: 13
Germany: 11
Schweiz: 11
Finland: 7
France: 7
USA: 7
UK: 6
Denmark: 5
Australia: 2
Canada: 2
China: 2
Sweden: 2
India: 1
Netherlands: 1
Singapore: 1
Republic of Korea: 1

Number of company meetings for which we provided voting recommendations in 2023 by country



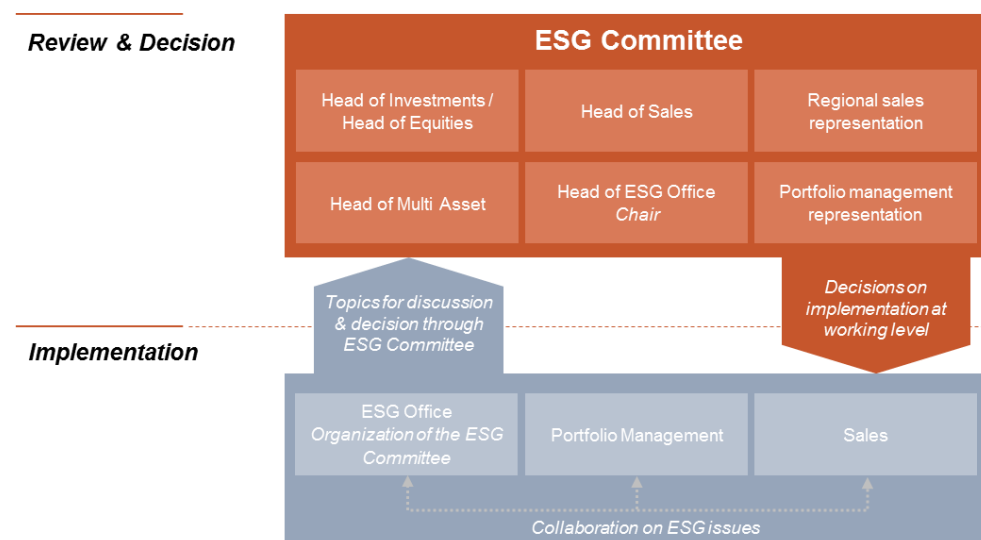
<b>Total: 283</b>
Germany: 73
UK: 55
USA: 29
France: 21
Switzerland: 19
Italy: 17
Netherlands: 15
Finland: 11
Ireland: 7
Caymans: 5
Denmark: 5
Spain: 5
Canada: 3
Australia: 2
Austria: 2
Bermuda: 2
China: 2
India: 2
Republic of Korea: 2
Belgium: 1
Hong Kong: 1
Luxembourg: 1
New Zealand: 1
Romania: 1
Taiwan: 1

## Active Ownership: Governance Structure, Guidelines & Processes

### Governance structure

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

The WAM ESG Committee forms the ESG governance and oversight body within Berenberg WAM, meets at least quarterly and is composed of WAM employees and executives. ESG Committee meetings are organised and chaired by the ESG Office. The WAM ESG Committee reviews the progress of our ESG activities and discusses their further development, considering current trends as well as regulatory changes in the market. Key tasks of the WAM ESG Committee include reviewing and approving ESG policies, evaluating our active ownership activities as well as monitoring and discussing external developments and resulting opportunities. In 2023, the WAM ESG Committee convened four times and exchanged on an ad-hoc basis.



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



## ESG guidelines

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

Our ESG guidelines are available via [www.berenberg.de/en/esg-publications](http://www.berenberg.de/en/esg-publications).

## Conflicts of interest

We strive to act in the best interest of all our clients when investing and engaging with companies and issuers, as well as when providing vote recommendations. Conflicts of interest may arise from time to time, such as in cases where our vote recommendations apply to companies that have further business relations with us. We endeavour to perform 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 WAM ESG Committee.

General information on the handling of conflicts of interest at Berenberg are available via [www.berenberg.de/en/legal-notice](http://www.berenberg.de/en/legal-notice).

## Usage of third-party data and review of service providers

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

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

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

evolving external data landscape. We also engage continuously with our providers to ensure the quality and accuracy of the analysis and information we receive.

### **CASE STUDY: Analysing a provider's Scope 3 emissions estimations**

In 2023, we engaged with one provider, among others, regarding their estimation process of Scope 3 emissions, which we suspected to be relatively overstated for companies active in the production of microinverters due to a lack of granular in sector classifications. While the provider has not changed its methodology and estimations as of the date of the reporting, we have been assured that internal investigations into the matter are carried out to potentially arrive at more precise estimates.

### **CASE STUDY: Challenging a provider's estimates of alcohol revenues**

We engaged with a provider on their revenue estimate of alcohol sales for a multinational retail and wholesale holding company, which had been changed by 10% thereby triggering a passive violation of exclusion criteria in some of our portfolios holding the stocks of the company. We inquired about the background of the sudden change in revenue share and shared our view on reasonable estimates based on the company's most recent financial reporting. The provider shared further insights into their estimation process. At the same time, we engaged with the affected issuer regarding both their own view on the matter as well as on their exchange with the provider, and received the feedback that the revenue estimate did not match actual revenues and appeared inflated. A few business days after our exchange, the estimate had been changed to a lower percentage figure, which was a closer representation of our own estimate of the company's business, and no longer triggered a violation of our exclusion criteria. Despite the timely correlation, we cannot be certain whether this change occurred due to our engagement or other factors, such as clarifications by the issuer towards the provider.

## **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 Sentieo 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 publicly reported on an aggregated level for the first time in 2021 and have updated this report yearly ever since.

## Engagement at Berenberg WAM

### Our Approach

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

We believe that through intensive fundamental analysis and long-term investing, it is possible to benefit from market inefficiencies and thus achieve above-average performance. Regular and active dialogue helps us to develop and maintain strong relations with portfolio companies and issuers and we believe that such exchange can help to highlight and reduce ESG risks while encouraging companies to consistently fulfil their responsibility towards society and the environment.

Engagement is the key component of our active ownership approach, alongside the issuance of voting recommendations as part of our proxy voting process. The third component is participation and collaboration in sector and investor initiatives. This allows us to engage with other like-minded investors, access relevant resources, collectively "speak with one voice" and, ultimately, support positive change.

### 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 engage with a company or issuer:

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

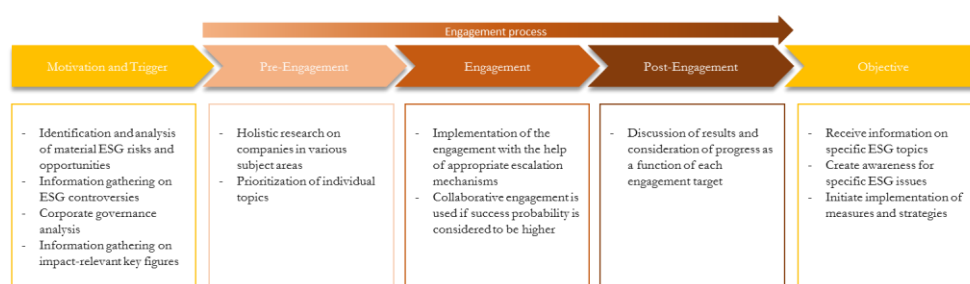
In addition, engagement may be initiated by portfolio companies actively seeking our and other shareholders' views. We welcome these efforts and try to seize these opportunities for a constructive dialogue whenever feasible.

Just as underlying triggers and motivations vary, so do the objectives sought with engagements. The main objectives of engagements are:

- Obtaining information on specific ESG issues from the company/issuer.
- Creating awareness of specific ESG issues at the company/issuer.
- Encouraging the implementation of measures and strategies by company/issuer.

## Engagement process

Our engagement process, like our ESG approach in general, is based on collaboration between investment and ESG professionals. This collaboration includes pre-engagement research, prioritization of topics, the actual dialogue, and post-engagement discussion of results and documentation.



## Pre-Engagement

We access different sources of information to identify topics for engagement and prioritise accordingly. These sources include company publications and past dialogues, brokers' research, internal exchanges among investment professionals and external ESG data providers.

Considering that the materiality of different ESG aspects vary by industry, region and company size, we aim to take a holistic approach to prioritizing engagements and focus on the ESG risks and opportunities that we consider material to the respective company or issuer.

Third-party analysis may feed into the analysis or even trigger an engagement; however, we do not outsource any active engagement activities as part of our standard process. External analysis that may trigger engagement includes severe ESG controversies that companies are directly involved in, 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 to clarify open questions and to understand certain conclusions.

## Engagement

The actual engagement is conducted directly by portfolio managers, who are closest to the respective companies, in collaboration with the WAM ESG Office, and can take different forms.

Methods of engagements include:

- Written communication with companies and issuers (typically e-mails, sometimes formal letters)
- One-on-one meetings with company representatives (virtual via telephone or VC, physical)
- Group meetings company representatives (virtual via telephone or VC, physical)

Engagements are typically carried out individually. However, we selectively join collaborative engagements if we assess the collaborative approach as more promising than the individual dialogue. Through collaborative engagements we can build expertise through exchanges with other like-minded investors and enhance our influence, ultimately striving to induce positive change. In addition, collaborative engagements with other investors can be used as an escalation mechanism.

## Post-Engagement

Through engagement with companies, numerous outcomes can be achieved, which often only materialize over a longer time horizon. Therefore, regular assessment of the situation by portfolio managers or the WAM ESG Office is necessary. We monitor the progress of our engagement activities using internal systems and tools, including our research platform and an internal ESG engagement tracking system. In addition, our active ownership approach, progress, and specific activities are discussed in the quarterly meetings of our ESG Committee, in relation to individual engagements, our broader process and potential further developments and focus areas.

Outcomes are integrated into our investment decision-making process and shared within the team, building on our culture of supportive collaboration. We incorporate our evaluation of the engagement and the feedback we receive into our investment decisions. On this basis we decide whether to remain invested, monitor changes, and consider follow-up or escalation actions such as selling the investment and excluding it from our investment universe.

## Escalation

We seek to engage in a confidential and constructive manner with companies and issuers without necessarily making these efforts 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 do not receive satisfactory answers, we intensify our follow-up, escalate further to management/C-suite level, adjust our vote recommendations for the companies' annual general meetings or work with other shareholders through collaborative efforts. While we do not necessarily rule out public escalation measures such as issuing public statements, submitting

shareholder proposals or speaking at general meetings, we generally do not make use of these public measures in the usual course of our approach. Exiting the investment is a measure of last resort in case an engagement on a relevant issue is considered to have failed.

Any escalation is generally dependent on the size of our ownership, the engaged issue and its relevance to the overall investment case, our relationship with the company's management and board, and the possibility and success potential of collaborative engagement with other investors. Our escalation approach does in general not differ between funds, equities and corporate bonds or geographies; however, the methods and access to companies available may differ due to these characteristics. Naturally, corporate bonds do not offer the escalation method of adjusting our vote recommendations for annual general meetings. Furthermore, access to and openness of management to exchange may be different due to geographical location, ownership share within a fund or other factors.

Engagement is core to our stewardship efforts as it offers a platform to provide feedback to companies on their sustainable business practices and to understand their risks. Though we do not set specific thematic engagement priorities, we engage with companies based on our ESG Controversy Monitoring strategy. We reach out directly to companies involved in a severe ESG controversy (see page 16 for further information) to better understand the controversy and if the approach is not successful, we will revert to our above-mentioned escalation strategy.

### **Engagement in different asset classes, geographies and funds**

Our target is to develop a consistent active ownership and engagement approach that covers all relevant asset classes in a meaningful way and promotes sustainable business practices to protect and enhance long-term financial value. A regular and active exchange with portfolio companies has formed an important part of our investment approach within equities for many years. The access to companies' management is often already available and we can build on established relationships and companies' awareness for investors' interest in a constructive exchange.

For a long time, active ownership was considered relevant only for equity investors, especially due to the lack of voting rights in fixed income investments. However, fixed income investors have increasingly addressed the issue and explored possibilities and mechanisms to live active ownership beyond the exercise of voting rights, as they represent an important provider of capital for many issuers.

In the exchange with bond issuers, we still encounter obstacles, particularly with sovereign issuers, as direct points of contact are often not established and escalation measures are lacking. In addition, investors who engage with sovereign issuers often involving policymakers, must be careful not to cross the line into lobbying.

ESG criteria are integrated into our selection process for third-party funds. In addition to a qualitative assessment, an internally developed comprehensive questionnaire is used to systematically review the extent to which a third-party fund takes into account the key elements of our ESG criteria in its investment process. The ESG assessment includes topics such as the general sustainable orientation of the



asset manager, the ESG exclusion criteria or the handling of active ownership. If third-party funds do not meet the exclusion criteria for target funds defined in our ESG process during the assessment phase prior to initial purchase, if violations are identified during the year, or if we identify potential for improvement, we actively address these with the respective fund managers in the form of an engagement dialogue. Even in the absence of a specific engagement case, we are in regular contact with the fund managers to discuss further developments regarding ESG.

While we employ the same engagement approach independent of geographic location of the companies, the specific issues and expectations may at times reflect geographical specifications. Due to the extent of funds and strategies with a European focus, we may have better access to companies located there. We don't shy away from engaging with companies and issuers in other geographic locations, however, we are aware that we may have to adjust our expectations in terms of access and ambition. Furthermore, the issues we address vary across geographies. For example, as part of proxy voting engagement we may address corporate governance structures, which vary even within Europe – while for example German companies typically employ a two-tier board structure with an independent supervisory board, this is less common in other countries. Such regional individualities need to be considered in the individual engagements.

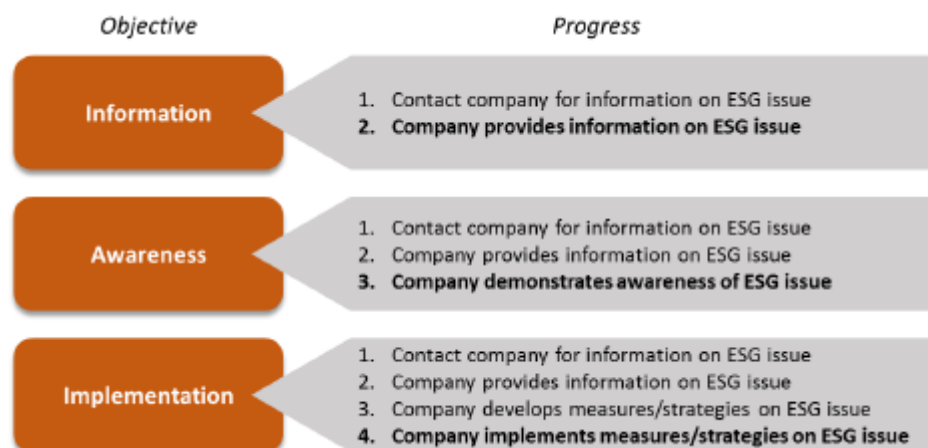
The extent to which engagement is employed differs across our fund range. This is due to differences in the investment approach of our funds and the varying degrees of ESG integration. Generally speaking, regular and active exchange with portfolio companies takes on a more dominant role in our equity funds than in multi asset and fixed income funds. Furthermore, and as laid out above, active ownership activities are particularly relevant in funds and strategies in our internal categories *ESG integrated* and *ESG targeted & Impact focused* and do not constitute a regular component of our *ESG screened* funds and strategies.

### **Measuring the engagement progress**

To measure the progress of our engagement processes and thus our achievements, we use an internal evaluation system that depends on the context of the engagement. Since engagement has different objectives depending on the motivation, the measurement of success must also be adapted individually. Based on these results, we can define our expectations and requirements for each company and track progress accordingly depending on the aspiration.

It is not always possible to attribute an engagement to a single stage of progress or to establish a direct causal link between our engagement and a company's actions in relevant areas. Even if positive changes occur in an area we have addressed with a company, this may not be directly and/or solely attributable to our efforts. Therefore, our progress stages serve as general guideposts rather than checkpoints

through which every engagement must pass. As with our overarching approach, we are aiming to further develop our processes around monitoring and reporting.



### Engagement monitoring & reporting

We systematically track our engagements with individual companies and issuers, along with their respective outcomes, using our internal ESG Engagement Tracker. This allows us to monitor the status and results of our engagement efforts on an ongoing basis. In addition, the engagement progress is regularly discussed during our quarterly ESG Committee meetings. This includes reviewing individual engagements, our overall process, and identifying potential developments and areas of focus for the future.

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

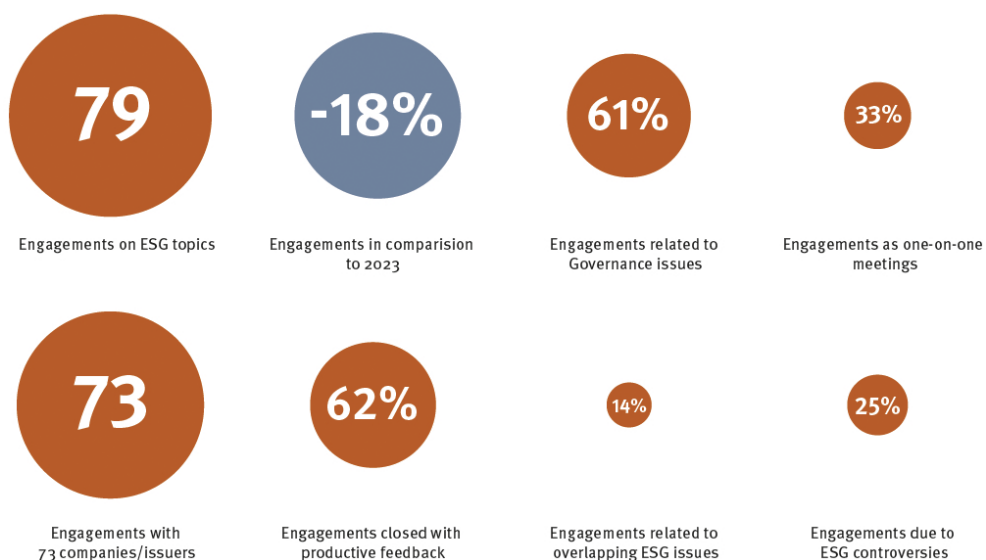
You can find further information in our Berenberg WAM Engagement Policy at [www.berenberg.de/en/esg-publications](http://www.berenberg.de/en/esg-publications).



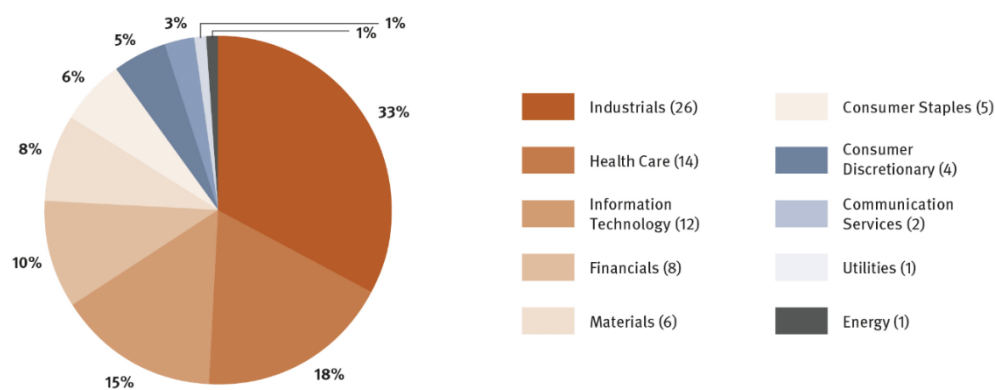


## Engagement in 2023

### Engagement in 2023: Overview<sup>1</sup>



### Engagements by sector<sup>2</sup>

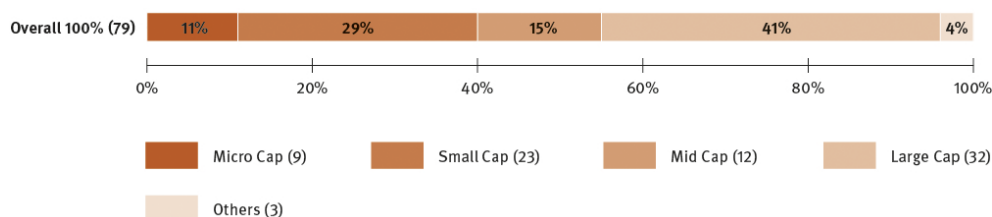


<sup>1</sup> The difference between the total number of engagements (79) and the total number of companies/issuers with which we conducted engagement (73) is due to repeated engagements with specific companies on different topics.

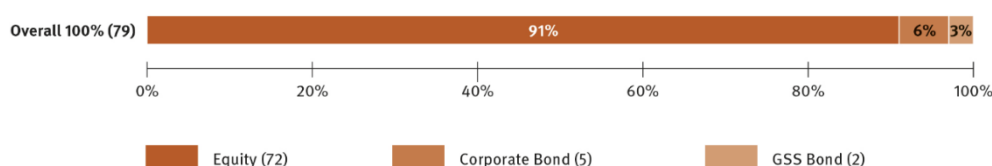
<sup>2</sup> Due to rounding, percentage figures may add up to more than 100% here and in following graphs.



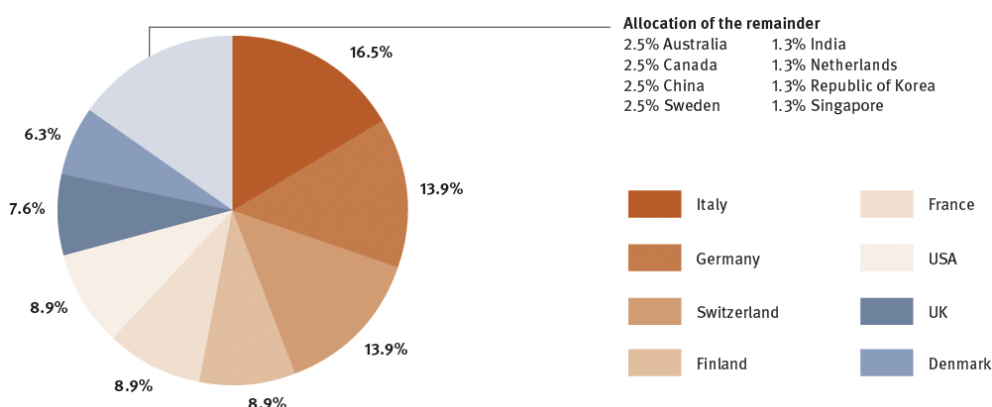
### Engagements by company size<sup>3</sup>



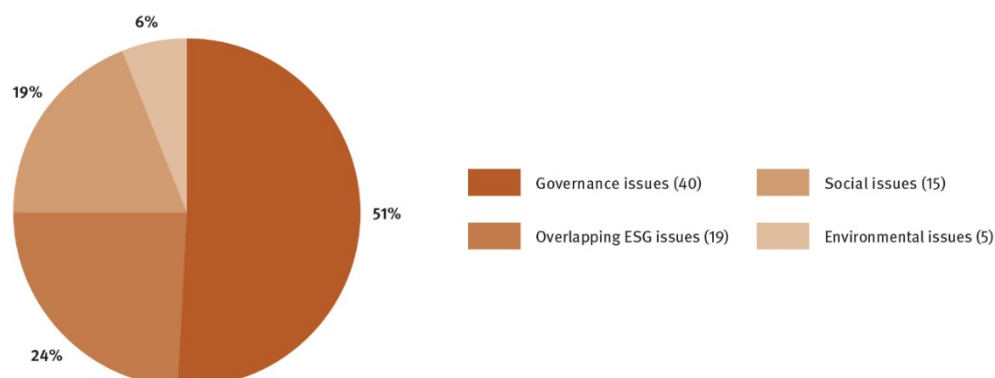
### Engagements by asset class<sup>4</sup>



### Engagements by country



### Engagements by topic

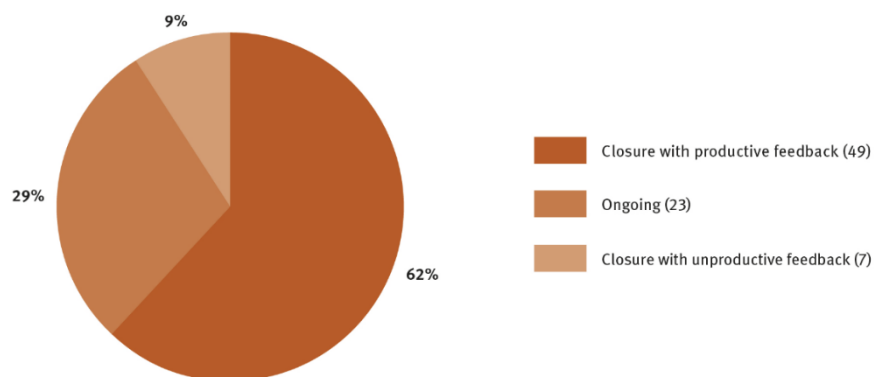


<sup>3</sup> For the purpose of this report, we classify companies with a market capitalization under €300 million as Micro Cap, between €300 million and €2 billion as Small Cap, between €2 billion and €10 billion as Mid Cap and above €10 billion as Large Cap. “Others” includes those companies or issuers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

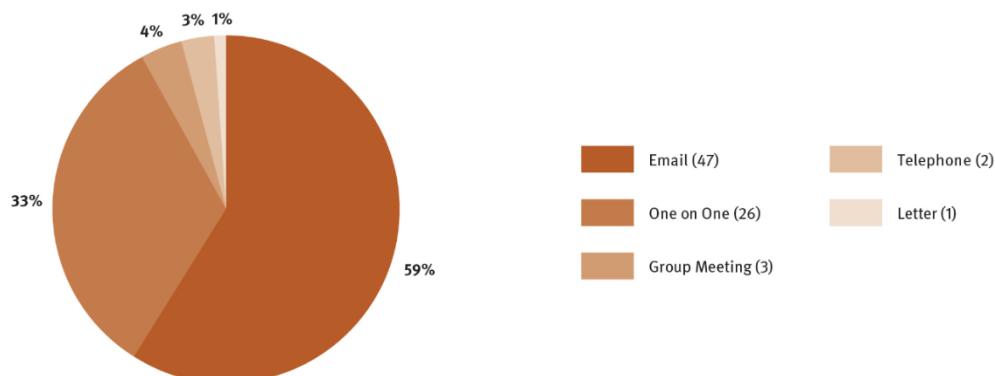
<sup>4</sup> We may hold both equities and corporate bonds of a company we engage with, thus an engagement may not have been conducted exclusively for one asset class. The disclosed figures for “Engagements by asset class” thus refer to the asset class which primarily motivated the engagement.



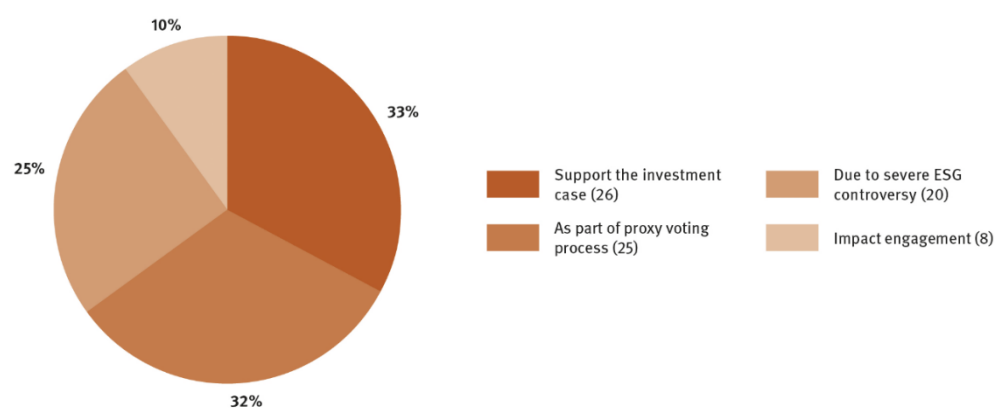
### Engagements by status



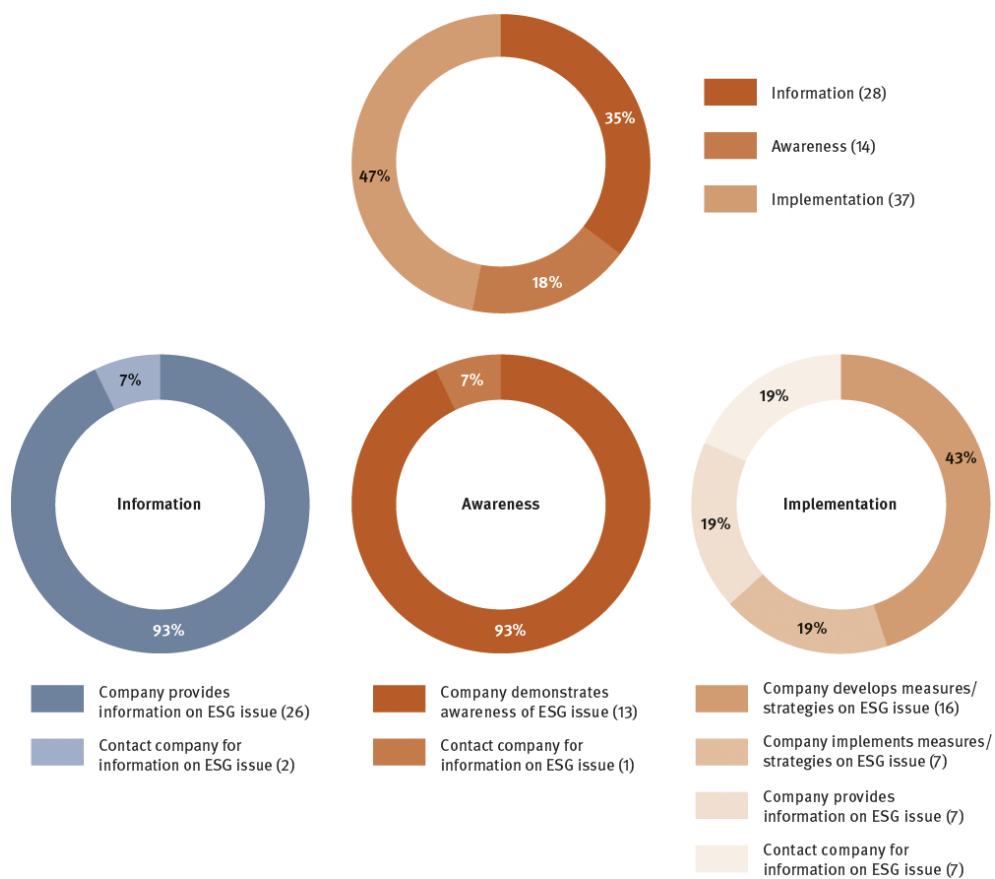
### Engagements by method



### Engagements by motivation



## Engagements by objective and progress



## Engagement as a 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 WAM 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.



## Engagement: Case Studies



### Engagement Motivation: Support Investment Decision

<b>Sector:</b> Health Care	<b>Region:</b> Europe	<b>Country:</b> Denmark
<i>Focus Areas:</i> S & G	<i>Date:</i> December 2023	<i>Method:</i> E-Mail
<i>Status:</i> Ongoing	<i>Objective:</i> Implementation	<i>Progress:</i> Company develops measures/strategies
<i>Escalation:</i> Vote recommendation against AGM proposal		

#### ***Method of engagement/ Our approach***

Portfolio management engaged with the company, a manufacturer of life science analysis equipment, as part of the proxy voting process and to support the investment case. The issues prioritized in this engagement were identified during the internal analysis of AGM proposals and during ESG analysis, namely management compensation and talent management, two crucial topics for a company dependent on human capital and R&D. The engagement took place through e-mail exchanges between the responsible portfolio manager and company CEO and CFO.

#### ***Our objective***

The objective of the engagement was to receive further information from the company on the identified areas and encourage the implementation of measures and/or strategies to address and further develop the company in these areas. We initially shared our views regarding the remuneration system and our concerns as the system was lacking a long-term incentive component. While the company reverted back with confirmation that the feedback would be shared internally, we chose to recommend to vote against remuneration-specific agenda points at the 2023 AGM, as we assessed the shortcomings as grave enough and the negative vote as proper means to further strengthen our views in this area. Later, further engagement between portfolio management and CFO followed, in which we reiterated our view on the value of formalized long-term incentive (LTI) components in remuneration systems and asked for their view and plans in this respect. In addition, we highlighted the need for disclosure on talent management schemes and efforts and their plans to source new and manage existing talent to ensure the company's long-term success.

#### ***Progress/ Outcome***

The company's CEO described that work on a new LTI share-based remuneration scheme was already ongoing and, while KPIs had not been fully defined, these would likely include qualitative aspects such as ESG targets. In addition, it was highlighted that talent development is one of the company's focus areas for 2024, with enhancements already made to their annual review process to account for professional and personal development of employees.

#### ***Next steps***

We will monitor the company's progress in the above-described areas, particularly ahead of their 2024 AGM with regards to their remuneration system, and follow-up in the course of 2024 on their approach to talent management.



## Engagement Motivation: ESG Controversy

<b>Sector:</b> Communication	<b>Region:</b> Asia	<b>Country:</b> Singapore
<i>Focus Areas:</i> S & G	<i>Date:</i> December 2022 to February 2023	<i>Method:</i> E-Mail
<i>Status:</i> Ongoing	<i>Objective:</i> Implementation	<i>Progress:</i> Company implements measures/strategies
<i>Escalation:</i> Intensified follow-up		

### ***Method of engagement/ Our approach***

Portfolio management reached out to the company, an Asian telecommunications company, due to an orange controversy flag issued by MSCI ESG. The issues prioritized in this engagement, namely cyberattacks and privacy breaches at subsidiary companies, were identified based on the assessment by MSCI ESG and substantiated by further internal research. As the first attempts of outreach to the company's investor relations was not successful, we escalated the engagement through an intensified follow-up via our WAM ESG Office, to which the company responded. The engagement took place through an e-mail exchange between our ESG Office, the responsible portfolio manager and a company Investor Relations (IR) executive.

### ***Our objective***

The objective of the engagement was to receive further information from the company on the allegations, the status of internal and external investigations, and the implementation of relevant measures and/or strategies to address these issues. Specifically, we inquired about existing and planned measures to secure good cybersecurity practices at subsidiaries to protect their operations and customers.

### ***Progress/ Outcome***

The company's IR representative provided information on defences and processes against cyber threats, the development of partnerships with vendors and regulators as well as the review and further development of advanced technology to mitigate emerging threats. However, as an investigation by an independent external reviewer and a regulatory investigation were both ongoing at the time of our initial engagement, no further information on these could be provided.

### ***Next steps***

We have followed up with the company to receive further information on the pending investigations and will monitor the implementation of relevant measures and the assessment by MSCI ESG and other sources with regards to the highlighted controversy.



## Engagement Motivation: Proxy Voting Process

<b>Sector:</b> Health Care	<b>Region:</b> Europe	<b>Country:</b> UK
<i>Focus Areas:</i> G	<i>Date:</i> March 2023	<i>Method:</i> One-on-one call
<i>Status:</i> Closure with Productive Feedback	<i>Objective:</i> Awareness	<i>Progress:</i> Company demonstrates awareness

### ***Method of engagement/ Our approach***

We engaged with the company, a UK-based veterinary pharmaceuticals business, after proactive outreach by the company to their shareholders to discuss their updated remuneration structure. The issues prioritized in this engagement were identified based on the company's outreach and further internal analysis with input from our proxy voting service provider Glass Lewis. The engagement took place through a call between our WAM ESG Office, the responsible portfolio manager, the company's Chief People Officer and a Non-Executive Director and Member of the Audit & Risk Committee.

### ***Our objective***

The objective of the engagement was to receive further information from the company on their updated remuneration policy, voice our views and assure ourselves of the company's awareness with regards to the sensitivity and importance of sound remuneration structures.

### ***Progress/ Outcome***

We discussed in detail specific aspects of their remuneration structure, in particular the relevant benchmarking as well as details on ESG metrics in long-term incentives. In our view, the company set up a sound remuneration structure with meaningful ESG integration elements and we value their proactive approach to shareholder consultation, demonstrating strong internal awareness for this important governance issue.

### ***Next steps***

As the company was no longer a portfolio holding at the time of its 2023 AGM, we did not provide vote recommendations on their updated remuneration system and no further next steps were/are planned.





## Engagement Motivation: Impact Engagement

<b>Sector:</b> Industrials	<b>Region:</b> Europe	<b>Country:</b> Switzerland
<i>Focus Areas:</i> E	<i>Date:</i> June 2023	<i>Method:</i> One-on-one meeting
<i>Status:</i> Closure with Productive Feedback	<i>Objective:</i> Information	<i>Progress:</i> Company provides information

### ***Method of engagement/ Our approach***

We engaged with the company, based in the Netherlands and active in industrial machinery, as part of the investment approach of our Impact focused funds and strategies, to acquire further information on the impact of their products on environment and society. The issues prioritized in this engagement were identified based on our internal impact analysis. The engagement was conducted in a one-on-one meeting between responsible portfolio manager and a company investor relation representative.

### ***Our objective***

The objective of the engagement was to receive further information on the impact of their products on environment and society.

### ***Progress/ Outcome***

In a personal meeting with the company's Head of IR, we asked for their assessment regarding the positive impact of their products and services. Additionally, we inquired about water efficiency targets and encouraged the company to collect data in this regard. The company's representative updated us on the current measurement system and provided an outlook on future measures.

### ***Next steps***

We believe that ESG targets and their attainment are currently adequately addressed within the company and relevant measures are being taken. We will monitor their progress in enhancing transparency on water efficiency.



## Collaborative Engagement

<i>Sector:</i> Consumer staples	<i>Region:</i> Europe	<i>Country:</i> Switzerland
<i>Focus Areas:</i> S	<i>Date:</i> September 2023	<i>Method:</i> Letter
<i>Status:</i> Ongoing	<i>Objective:</i> Implementation	<i>Progress:</i> Company provides information
<i>Escalation:</i> Collaborative engagement		

### ***Method of engagement/ Our approach***

We joined this collaborative engagement with the company, a Swiss consumer goods producer, following previous individual engagements on separate occasions. The collaborative engagement was organized by ShareAction as part of their “Healthy Markets Initiative” and asked for a shift towards healthier products in the company’s product portfolio. We chose this escalation method because we assessed the collaborative approach for this particular demand as more promising than the individual approach, especially as it was requesting implementation of a significant change in the company’s portfolio strategy. The engagement was conducted through a letter to the company management and further exchange with ShareAction and other participating investors.

### ***Our objective***

The objective of the engagement was to share our view and motivate the implementation of further targets and actions to shift the company’s product portfolio towards healthier products.

### ***Progress/ Outcome***

In reaction to the collaborative engagement, the company had engaged with the group of investors and announced new targets in 2023, which were assessed by ShareAction as falling short of expectations. As of writing of this report, the initiative had filed a shareholder proposal at the company’s 2024 AGM.

### ***Next steps***

We are currently assessing the company’s reaction to the collaborative engagement, their newly announced targets and our view on the shareholder proposal filed.

### Third-party fund ESG analysis and asset manager engagement

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

A case for engagement in fund selection may arise at different stages of our process: when third-party funds do not meet our exclusion criteria for target funds, during the review phase prior to the initial purchase, if violations are identified after investment or if we identify potential for improvement.

#### Case Studies: Adjustment of fund exclusions & reporting setup

As part of the ESG analysis, it was found that a European equity fund did not exclude companies that violate the UN Global Compact (UN GC) or that are involved in the production of controversial weapons as part of its investment policy provided to us. This violation of our selection criteria triggered an engagement from our side with the objective to motivate the implementation of these criteria. The discussions with the company produced two main outcomes: Firstly, at the time of the engagement, the fund did not hold any companies in breach of the UN GC or involved in the production of controversial weapons in its portfolio. Secondly, the asset manager implemented the criteria as binding aspects of its investment process.

A similar case arose with another European corporate investment grade fund which did not formally exclude companies that violate the UN GC, leading to a violation of our selection criteria. During the engagement, with the objective to motivate implementation of the criterion, we received a written confirmation by the asset manager that this restriction will be included and going forward monitored within their portfolio management/trading system.

Since establishing our process in 2022, we have noticed in our analyses and exchanges with asset managers that our criteria have become more widely adopted. Consequently, less cases have arisen in which we had to enter into an engagement to motivate the implementation of these criteria.

#### Asset manager engagements in 2023

**27** questionnaires sent out

**2** engagements

**2** successful engagements

## Proxy Voting at Berenberg WAM

### Our Approach

Besides engagement as laid out above, we see the exercise of voting rights (i.e., Proxy Voting) as an important tool for positively influencing companies with regard to corporate governance structures and, at the same time, for strengthening shareholder rights. By supporting the exercising of voting rights, we want to ensure that companies operate sustainably in the long term and that they adhere to good corporate governance standards. Therefore, we have created a Proxy Voting Policy, which incorporates relevant Environmental, Social and Governance (ESG) aspects.

To this end, we develop and provide recommendations for agenda items of general meetings of portfolio holdings in our public funds based on our comprehensive Berenberg WAM Proxy Voting Policy.

Since the voting rights for the holdings in our mutual funds legally reside with the fund administrator, we pass on our recommendations to the administrator, which takes these recommendations into account when voting.

### Guidelines for proxy voting

Our Berenberg WAM Proxy Voting Policy, published for the first time in 2019 and regularly updated since then, is a guideline for our proxy voting activities. Based on this policy, we define and provide our vote recommendations. The policy has been developed and is updated considering current corporate governance standards, environmental and social guidelines, industry standards as well as the potential impact of the proxy voting decisions on the investments. It is important to note that voting recommendations are subject to regional and country-specific differences and our policy is not inclusive of all considerations in each market. As a basic principle, we provide voting recommendations in accordance with local laws as well as good corporate governance standards.

This policy sets the guideposts for our voting recommendation activity, and it represents our philosophy and beliefs regarding ESG issues in companies. Our policy is, deliberately, not to be thought of as a hard set of rules, but rather as a set of guidelines on which we base our analysis. It forms the basis of any vote recommendation we define and provide, irrespective of the fund or strategy within which the company in question is held (see below for further information on the scope of our proxy voting approach).

A review of our policy takes place annually, led by the WAM ESG Office in exchange with our external service provider IVOX Glass Lewis in order to identify any potential areas for updates. The existing policy is thereby compared against relevant regional standards such as the Analysis Guidelines for Shareholder Meetings of the German Association BVI as well as against our analysis in the previous year. Any potential updates are analysed in terms of their potential impact on voting behaviour and discussed internally with the portfolio management team. In case of material updates, the updated policy is reviewed and signed off by the WAM ESG Committee.

You can find our Berenberg WAM Proxy Voting Policy at [www.berenberg.de/en/esg-publications](http://www.berenberg.de/en/esg-publications).

### Key areas of our Proxy Voting Policy

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

### Scope

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

Certain countries/jurisdictions in which portfolio companies are located have specific legal or procedural requirements regarding the exercise of voting rights. These requirements include, for example, powers of attorney, required physical presence at meetings or share blocking around the time of meetings. These may lead to our capital management company currently not being able to exercise its voting rights in these jurisdictions, which in turn limits our geographical scope for the provision of voting recommendations. Restricted jurisdictions in 2023 included Sweden, Norway, and others. We are continually working with our capital management company to expand our geographical scope, adding Denmark in 2023, and Finland and Switzerland in 2022.

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

Based on the requirements as formulated above, a weekly holdings file is generated and passed on to our external proxy voting service provider IVOX Glass Lewis. IVOX Glass Lewis monitors for all holdings on this file whether a company meeting is coming up and provides us with meeting information as well as their initial analysis via their platform Viewpoint. Our WAM ESG Office monitors all upcoming meetings and initial analysis by Glass Lewis on the platform and carries out the subsequent analysis as further described below.

The scope of our proxy voting approach does not extend to our wealth management or our asset management in special funds and mandates (i.e., separate/segregated accounts), 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. We currently do not offer clients the option of direct voting in mandates and segregated accounts, as our proxy voting process is set up to provide vote recommendations for holdings within our public mutual funds. 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".

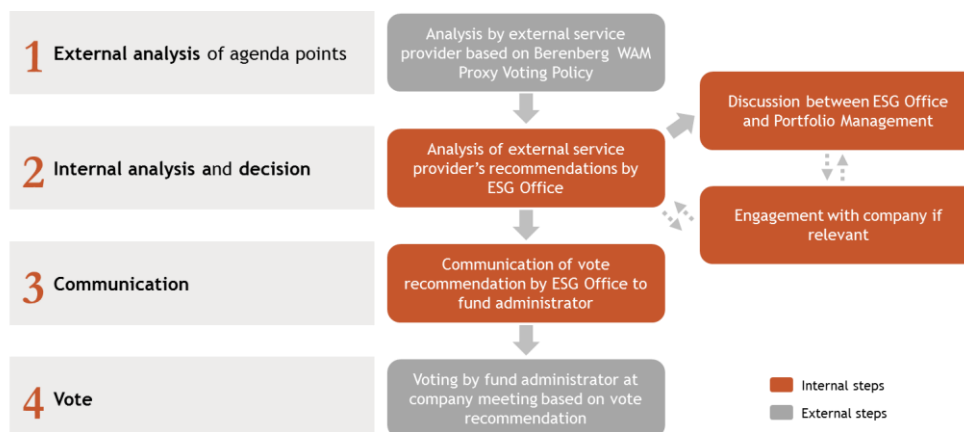
### Proxy voting process

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 WAM ESG Office and the responsible portfolio management entities. The initial analysis by IVOX Glass Lewis is based on our Proxy Voting Policy. However, as set out above, our policy is not to be thought of as a hard set of rules, but rather as a set of guidelines on which we base our further analysis. Accordingly, the same holds for the custom recommendations received from IVOX Glass Lewis, which are further analysed by our ESG Office together with the responsible portfolio managers.

If questions arise during this analysis, we take them up directly with the company as part of our engagement process and, if possible, incorporate our findings into our final recommendation. Thus, all final vote recommendations are to our full discretion, and they might divert from the initial custom recommendation received from IVOX Glass Lewis. No final decision on our vote recommendations is outsourced to a third party.

The final vote recommendations are then passed on to the public funds' management company, which adjusts their voting for the shareholdings of our public funds in accordance with our vote recommendations. Where our vote recommendation and subsequent vote diverts from how the management company would have voted otherwise, this is disclosed in the annual voting records published by the management company.

### Our proxy voting process



### Proxy voting communication & disclosure

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

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

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

Direct communication with companies may lead us to adjust our vote recommendation if the company sufficiently demonstrates 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 improve disclosure. While the tight time- and deadlines of the global proxy voting season do not always leave sufficient room for exchange with companies prior to annual meetings, we believe this approach can create room for discussion and can help companies to further develop sustainably.

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

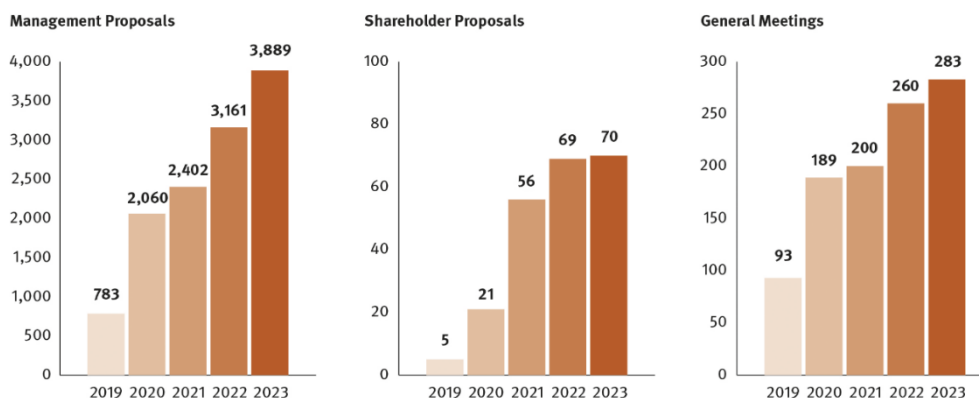


The management company of our public mutual funds publishes their consolidated voting behaviour in their annual Participation Report. Within this report, any agenda item where our vote recommendation led to a diverging vote for our funds' holdings, is highlighted. The annual Participation Report can be accessed at: <https://www.universal-investment.com/en/Corporate/Compliance/Germany/>.

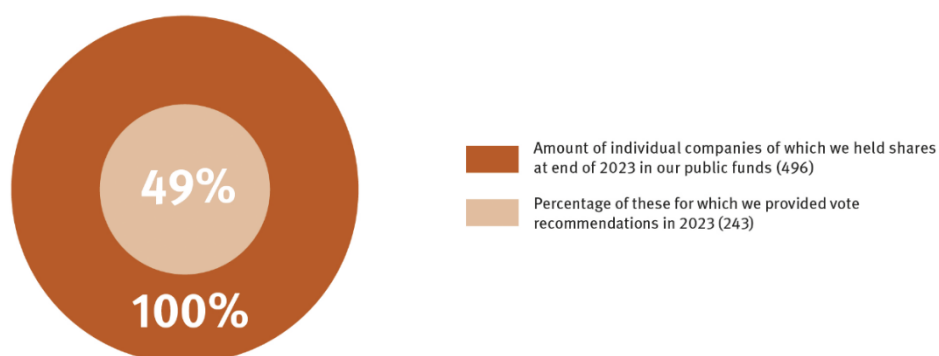


## Proxy Voting in 2023

### Proxy voting from 2019 to 2023: meetings and proposals



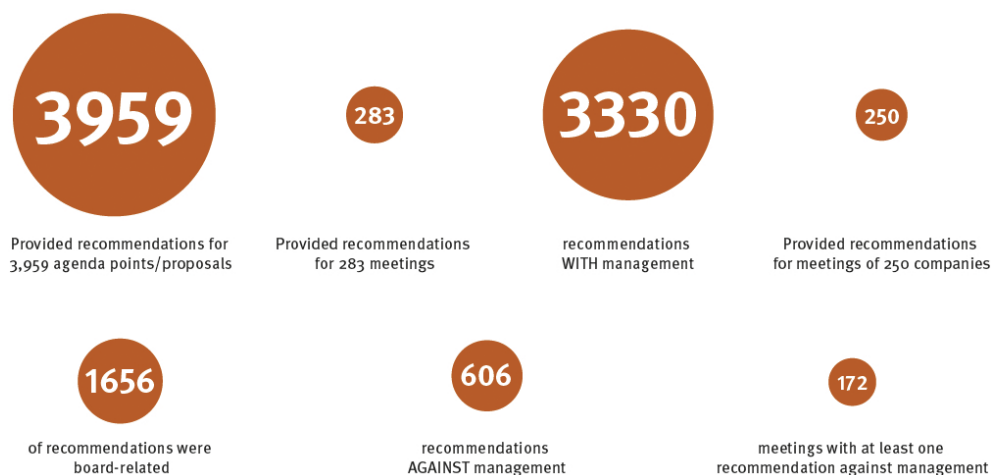
### Proportion of mutual fund equity holdings for which voting recommendations were provided in 2023



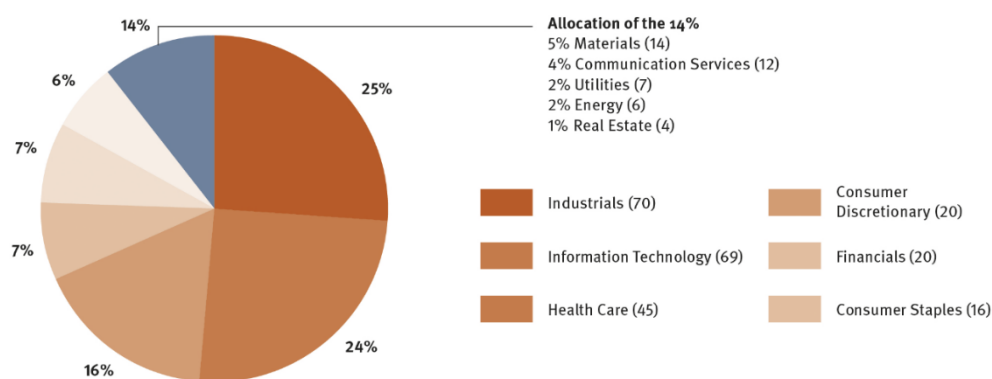
The proportion of shares for which voting recommendations were provided for a given year needs to be approximated, for example due to portfolio turnover leading to holdings being invested after or being divested before annual general meetings in a given year. We approximate a proportion of 49% of equity portfolio holdings for which vote recommendations were provided in 2023, by comparing the total of company meetings for which we provided voting recommendations in 2023 to the equity portfolio holdings in our mutual funds at year-end 2023. Equity portfolio holdings for which we provide vote recommendations are selected based on the scope as described above (see page 26).



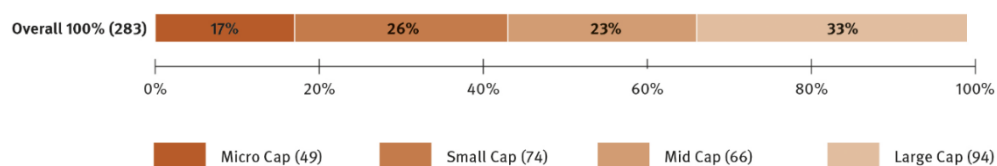
## Overview of proxy voting in 2023<sup>5</sup>



## Proxy voting by sector



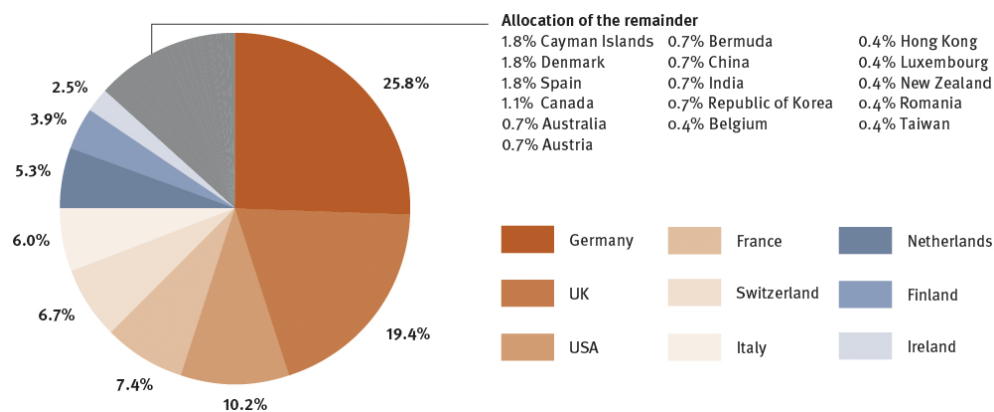
## Proxy voting by company size



<sup>5</sup> The difference between the total number of recommendations provided and the sum of recommendations with and recommendations against management is due to 23 recommendations not being assignable to either category.

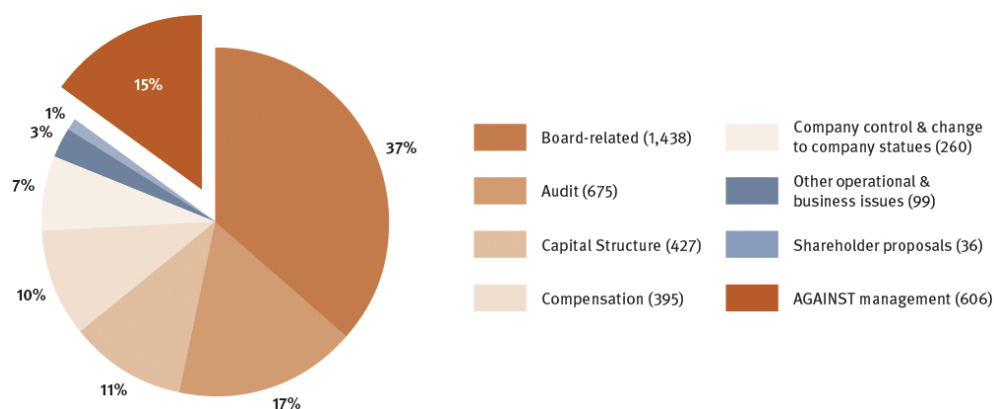


## Proxy voting by country

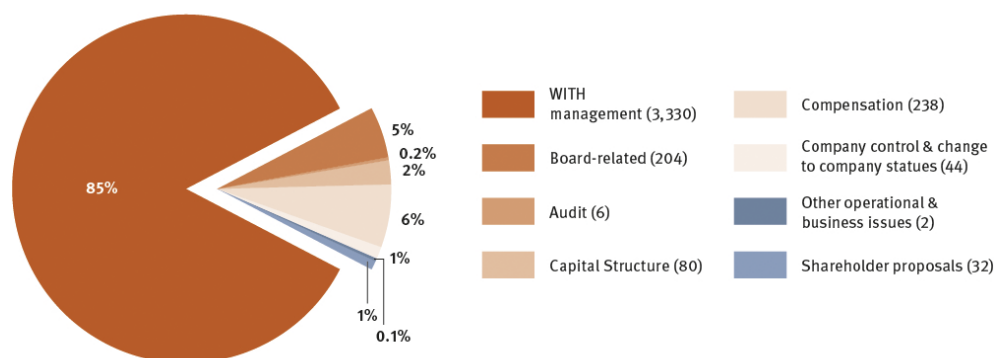


## Proxy voting by topic

### Split of voting recommendations WITH management by topic

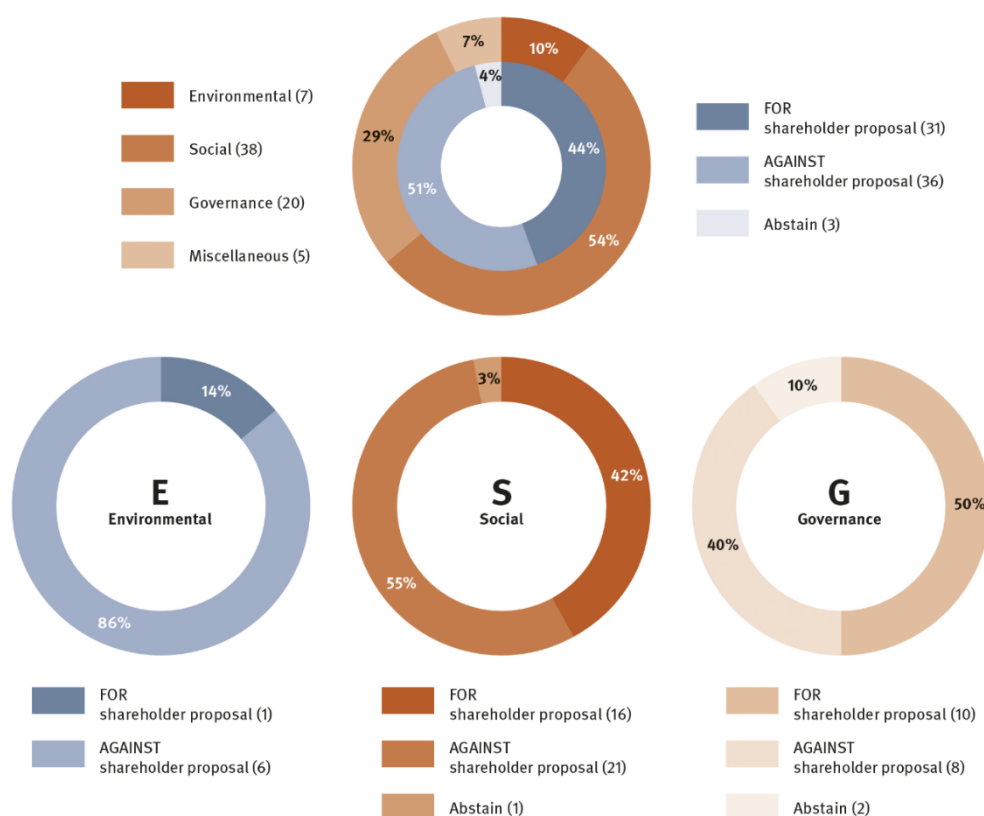


### Split of voting recommendations AGAINST management by topic



## Proxy Voting: Case Studies

**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 2023). 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 WAM 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.



### CASE STUDY: Vote Recommendation Against Shareholder Proposal

**Sector:** Health Care

**Region:** Europe

**Country:** Denmark

*Focus of proposal:* S

*Vote recommendation:* Against

*Date of AGM:* March 2023

The shareholder proposal asked for the company to reduce the prices of vital medicines, with the aim of achieving a specified reduction in operating profit.

After analysis by our external proxy voting service provider and further internal analysis, we decided to recommend to vote against this shareholder proposal. Firstly, we believe that setting a profit boundary cannot be in the interest of shareholders. Secondly, while affordability of vital medicine is a topic that among others pharmaceutical companies need to address, we believe the company had taken relevant steps in this area, e.g., by integrating an access-to-medicine strategy into its corporate strategy and engaging in capacity building initiatives, and the content of this specific shareholder proposal is not expedient to further the case of access and affordability.

**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 2023, board-related proposals made up about 42% of all proposals and we recommended voting against 12% of board-related proposals.

### CASE STUDY: Vote Recommendation Against Board Re-Elections

<b>Sector:</b> Health Care	<b>Region:</b> Oceania	<b>Country:</b> Australia
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<i>Focus of proposal:</i> G	<i>Vote recommendation:</i> Against	<i>Date of AGM:</i> November 2023
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After analysis by our external proxy voting service provider and further internal analysis, we decided to recommend to vote against the re-election of four Board of Director members, which we assessed as not independent. This decision was based on our assessment that the board as a whole as well as the audit committee were not sufficiently independent. In both cases we are looking for at least a majority independence (i.e., more than half of the members of the board and of the relevant board committees should be assessed as independent). If this is not the case, we generally opt for a recommendation to vote against the (re)election of all members that are assessed as not independent. In the case of this company, the board consisted of eight members, of which three were company insiders classified as not independent by the company and a further two members were assessed as not independent in our analysis as one member was the director and shareholder of a company with a material business relation with the firm and another member was a former executive director of the company and had in the past financial years received consultancy fees from the company.

**Recommendations against compensation reports and systems/policies:** Our Proxy Voting Policy sets out aspects of good remuneration practices for executive and non-executive board directors. On one hand, remuneration systems and respective remuneration reports need to contain a sufficient level of disclosure detail for shareholders to make an informed assessment about the company's practices. On the other hand, remuneration systems should be designed in such a manner that they appropriately balance short- and long-term incentives as well as fixed and variable compensation and contain necessary elements to align remuneration with shareholder interests. In 2023, compensation-related proposals made up about 16% of all proposals and we recommended voting against 36% of compensation-related proposals.

#### **CASE STUDY: Vote Recommendation Against Remuneration Policy**

<b>Sector:</b> Energy	<b>Region:</b> Europe	<b>Country:</b> France
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<i>Focus of proposal:</i> G	<i>Vote recommendation:</i> Against	<i>Date of AGM:</i> November 2023
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After analysis by our external proxy voting service provider and further internal analysis, we decided to recommend to vote against the proposed remuneration policies for CEO and Chair, which were assessed as lacking relevant aspects and did not sufficiently address the significant shareholder dissent communicated in the previous AGM. The decision regarding the remuneration policy of the CEO was based on our assessment that the policy lacked a definition of fixed salaries going forward, did not contain an STI plan, and had several shortcomings in the LTI component, such as short performance periods and no recovery provisions. The decision regarding the Chair's remuneration policy was primarily based on the assessment that the policy allowed for the non-executive Chair to receive equity compensation, which we assess as incompatible with the oversight role of non-executive directors in the Board of Directors. We believe that non-executive directors should receive fixed fees rather than any form of variable or performance-based remuneration, in order to sufficiently differentiate their perspective from management.

***Recommendations to abstain:*** We aim to avoid to recommend to abstain from voting as we believe that, if sufficient information is provided, the decision should be between voting for or against a proposal. That being said, we recommend to abstain from voting in cases where insufficient information has been provided before meeting, preventing a meaningful analysis of the respective agenda point, or if the company cannot provide additional information in time upon request.

In 2023, we opted for recommending to abstain from voting at the AGMs of several of our German portfolio companies on their proposals for amendments to articles with regards to virtual shareholder meetings. If the approval period for such virtual meetings extended beyond two years and no further information was provided on how and under which circumstances shareholder meetings would be conducted in a purely virtual format, we recommended to abstain from voting on the proposal. Other proposals for which we recommended to abstain from voting included, among others, elections of directors, where no sufficient information on their background was published.

***Recommendations “against” our Proxy Voting Policy:*** As described above, our policy sets the guideposts for our voting recommendation activity, and it represents our philosophy and beliefs regarding ESG issues in companies. It is not to be thought of as a hard set of rules, but rather as a set of guidelines on which we base our analysis. The possibility to recommend “against” our policy is thus a deliberate part of our approach.

In 2023, we decided to recommend to vote for a number of proposals to authorize the respective companies to issue shares with pre-emptive rights, even though these issuances by themselves or together with other current approved issuances exceeded the limit of 40% of currently issued capital as set by our policy. We chose to allow the companies this flexibility as we assessed it to be in line with their growth strategy and existing capital needs and have had no indication of any past abuse of this flexibility.



## Collaboration at Berenberg WAM

Participation in sector and investor initiatives is important for us to exchange with other like-minded investors, access relevant resources, engage jointly “with one voice” and, ultimately, to support positive change. We view collaboration as a way to further develop and strengthen our own ESG approach. We are part of overarching initiatives such as the Principles for Responsible Investment (PRI) and the International Corporate Governance Network (ICGN), and support initiatives that address specific aspects of sustainable business. In 2020, we signed the investor statement of the KnowTheChain initiative, underpinning our expectation for companies to address forced labour in their global supply chains, and in 2021 the investor statement of the Access to Medicine Foundation to further engage on the issue of access to medicine in developing countries. In 2022, we endorsed the PRI stewardship initiative “Advance”. In 2023, we joined the initiative Institutional Investors Group on Climate Change (IIGCC) as an investor member.

Collaborations with other investors can be used as an escalation mechanism in case it is considered more promising than the individual approach. Through dialogue with other like-minded investors, we hope to build expertise and strengthen our influence to ultimately bring about positive change. To this end, we make particular use of our membership in above-mentioned specific sector and investor initiatives.

Currently, we choose to participate in collaborative engagements on a case-by-case basis. See below list of sector and investor initiatives including collaborative activities over the last years, where relevant:



Initiative	Description	Collaborative activities
<p>Signatory of:</p>  <p>Principles for Responsible Investment (PRI)</p>	<p>The UN-backed initiative was founded in 2006 on six principles for responsible investment and brings together asset owners, asset managers and service providers. The aim is to better understand the impact of investments on ESG factors and to integrate these factors into investment decisions.</p> <p>We are a signatory since 2018 and endorsed their stewardship initiative “Advance” in 2022.</p>	<p>We endorsed the PRI’s collaborative stewardship initiative “Advance” in 2022 and are assessing if and how to get further involved.</p> <p>We are engaging with the initiative and other asset managers, among others through our active membership in the Sustainable Systems Investment Managers Reference Group (SSIMRG).</p>
 <p>International Corporate Governance Network (ICGN)</p>	<p>The ICGN consists primarily of members from the asset management industry and aims to define and promote effective standards of corporate governance and investor stewardship.</p> <p>We are a member since 2018.</p>	<p>We are regularly exchanging with members of the initiative and participated in their investor conferences over recent years.</p>
 <p>KnowTheChain</p>	<p>KnowTheChain is a partnership of the Business &amp; Human Rights Resource Centre, Humanity United, Sustainalytics and Verité, and is supported by investors and companies. The initiative provides supporters with resources to understand and address forced labour risks in supply chains.</p> <p>We are a signatory to its investor statement since 2020.</p>	<p>We have participated in different collaborative engagements through the initiative over recent years.</p>
 <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 in 2021.</p>	<p>Besides its investor statement, we signed the initiative’s 2021 call for a fair, equitable and global response to the COVID-19 pandemic and participated in collaborative engagements through the initiative over recent years.</p>
 <p>Institutional Investors Group on Climate Change (IIGCC)</p>	<p>The IIGCC brings together the investor community to address the long-term financial risks associated with climate change.</p> <p>We are a member since 2023.</p>	<p>We engaged with the initiative on a response to a policy consultation and are currently assessing further collaborative activities.</p>



## Examples of collaborative engagement over the last years

Initiative	Year	Focus company	Objective	Outcome
KnowTheChain	2020	German apparel and footwear company	<p>This collaborative engagement, in which we participated in a lead position, focussed on the company's alleged connections to forced labour in the Xinjiang Uyghur Autonomous Region as well as the COVID-19 pandemic's adverse impact on its supply chain workers. The objective of the engagement was to encourage the company to implement actions with regards to the protection of supply chain workers and publicly disclose on these. The engagement took place through written exchange and virtual meetings with the company and other investors.</p>	<p>The company issued official statements on its efforts to support supply chain workers during the pandemic and in reply to the initial forced labour allegations. Furthermore, the company confirmed that no contractual relationships existed with implicated suppliers. While room for improvement prevails, the company is a leader within its sector as indicated by the KnowTheChain Benchmark ratings.</p>
Access to Medicine Foundation	2021	Danish Health Care	<p>This collaborative engagement was carried out in the context of the publication of the 2021 Access to Medicine Index and focussed on the company's ranking within this index. The objective of the engagement was to get a better understanding of the company's access to medicine programs and initiatives, their outlook on future developments as well as to discuss current challenges and industry best practices. The engagement took place through virtual meetings with the company and other investors.</p>	<p>The company shared their view on the initiative's research, their ongoing activities regarding providing access to medicine, and openly received investors' feedback and insights.</p>



Initiative	Year	Focus company	Objective	Outcome
ShareAction	2022	Swiss consumer goods	<p>This collaborative engagement was carried out in the context of a special shareholder resolution on healthy diets coordinated by ShareAction. The objective of the engagement was to directly describe our views to the company and to communicate the need for stronger disclosure regarding specific health-related metrics. The engagement took place through a letter to the company's chair and non-executive director, which we shared directly with the company.</p>	<p>The company announced ahead of its 2022 AGM to set a new benchmark for healthy nutrition transparency and to publish new targets in collaboration with ShareAction. In response, the shareholder resolution was withdrawn.</p>
Shareholder Association for Research and Education (SHARE)	2022	US online retail	<p>This collaborative engagement focussed on an independent audit on freedom of association and collective bargaining. We had already supported the respective shareholder proposal at the company's 2022 AGM, which was submitted by SHARE. Since the proposal did not obtain the majority of votes, SHARE took this issue up as collaborative engagement. The objective of the engagement was to reiterate the views expressed in the shareholder proposal. The engagement took place through a letter to the company's Board of Directors, which we signed.</p>	<p>The company's response through a letter was assessed as insufficient by the initiative. We supported another shareholder proposal on the matter at the company's 2023 AGM.</p>



Initiative	Year	Focus company	Objective	Outcome
Access to Medicine Foundation	2022	German Health Care	This collaborative engagement was carried out in the context of the publication of the 2022 Access to Medicine Index and focussed on the company's ranking within this index. The objective of the engagement was to get a better understanding of the company's access to medicine programs and initiatives, their outlook on future developments as well as to discuss current challenges and industry best practices. The engagement took place through virtual meetings with the company and other investors.	The company shared their view on the initiative's research, their ongoing activities regarding providing access to medicine, and openly received investors' feedback and insights.
KnowTheChain	2022-2023	Italian luxury goods	This collaborative engagement, in which we took on a co-lead role, was carried out in the context of the publication of the 2022 KnowTheChain benchmark and focussed on the company's ranking within this. The objective of the engagement was to share our view on the matter, discuss the findings and motivate the company to actively participate in the benchmark assessment. The engagement took place through e-mail exchange.	The company shared their view on the assessment and communicated that, while they are aware of and monitoring the benchmark, they had chosen for the time being to not actively participate, given the already high number of ESG- and sustainability-related assessments they are contributing to. The company stressed that our feedback and preference was duly noted and will be taken into account in future assessments.



Initiative	Year	Focus company	Objective	Outcome
KnowTheChain	2022-2023	French luxury goods	<p>This collaborative engagement, in which we participated as a supporting investor, was carried out in the context of the publication of the 2022 KnowTheChain benchmark and focussed on the company's ranking within this. The objective of the engagement was to share our view on the matter, discuss the findings and receive further information on the company's actions in this regard as well as to motivate further action. The engagement took place through virtual meetings with the company and other investors.</p>	<p>The company shared their view on the assessment, their ongoing and planned actions in their supply chain, and openly received investors' feedback and insights.</p>
ShareAction	2023	Swiss consumer goods	<p>This collaborative engagement was organized by ShareAction as part of their "Healthy Markets Initiative". The objective of the engagement was to motivate further targets and actions for a shift towards healthier products in the company's product portfolio. The engagement was conducted through a letter to the company management and further exchange with ShareAction and other participating investors.</p>	<p>In reaction to the collaborative engagement, the company had engaged with the group of investors and announced new targets in 2023, which were assessed by ShareAction as falling short of expectations. As of writing of this report, the initiative had filed a shareholder proposal at the company's 2024 AGM.</p> <p>We are currently assessing the company's reaction to the collaborative engagement, their newly announced targets and our view on the shareholder proposal filed.</p>

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