



BERENBERG
PARTNERSHIP SINCE 1590

BERENBERG WEALTH AND ASSET MANAGEMENT

Engagement Policy

October 2023
Version 2.0





Contents

Engagement approach	2
Engagement trigger, motivation and objectives	2
Engagement Process	3
<i>Pre-Engagement</i>	3
<i>Engagement</i>	3
<i>Post-Engagement</i>	4
<i>Excursus: Engagement in different asset classes</i>	4
Measuring the engagement progress	5
Conflicts of interest	5
Reporting	5



Engagement 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 its results feed into long-term, successful investments.

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.

Engagement trigger, motivation and objectives

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

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

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

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

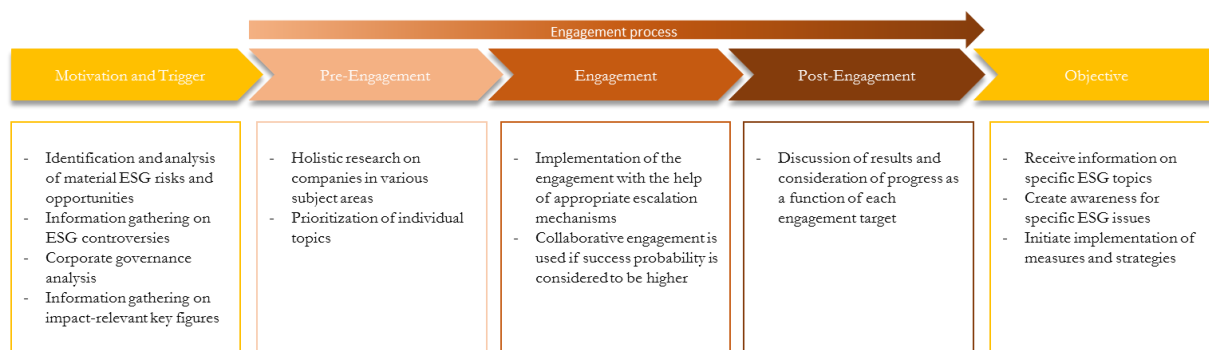
Just as underlying triggers and motivations vary, so do the objectives sought with engagements. The main objectives of engagements are:

- Obtain information on specific ESG issues from the company/issuer.
- Create awareness of specific ESG issues at the company/issuer.
- Encourage implementation of measures and strategies by company/issuer.



Engagement Process

Our engagement process, just 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 which we use 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 feature 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 ESG Office, and can take different forms, such as one-on-one meetings with company representatives, e-mails, group meetings or telephone conversations.

Escalation mechanisms

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 do not



receive sufficient answers, we raise these concerns with company representatives, work with industry bodies or other shareholders through collaborative efforts or adjust our voting recommendations for the companies' annual 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 a measure of last resort in case an engagement is deemed as having failed.

Collaborative Engagement

Collaborations with other investors can be used as an escalation mechanism or in case the collaborative approach is considered more promising than the individual interaction. Through dialog 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 specific sector and investor initiatives.

Post-Engagement

Through engagement with companies, many different outcomes can be achieved, which often only materialize over a longer time horizon. Therefore, regular assessment of the situation by portfolio managers or the ESG Office is necessary. We monitor the progress of our engagement activities using internal systems and tools, including the Sentieo 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, both in relation to individual engagements and to our broader process and potential further developments and focus areas.

Excursus: Engagement in different asset classes

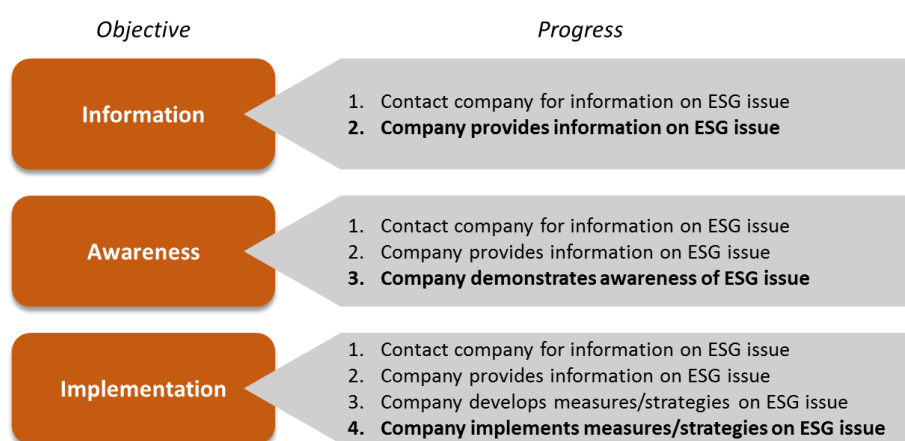
Our target is to develop a consistent active ownership and engagement approach that covers all relevant asset classes in a meaningful way and promotes sustainable business practices to protect and enhance long-term financial value. In addition to equities, this includes investments in corporate bonds, government bonds, and third-party funds. 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 and, in this context, often with 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 dialog. Even in the absence of a specific engagement case, we are in regular contact with the fund managers to discuss further developments regarding ESG.



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 committed to further developing our processes around monitoring and reporting.

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. In some cases, we may be exposed to potential conflicts of interest, e.g., when we define voting recommendations for companies with which we have further business relationships. We strive to enter into a dialogue with companies that is conducive to the long-term and sustainable development of the company and in this way takes into account the interests of our customers.

Reporting

We report on an aggregate Wealth and Asset Management level in our annual Active Ownership Report on, among other things, our engagement activities. In addition, we can report on engagement activities relevant to individual portfolios upon request. Our Active Ownership Report is available at <http://www.berenberg.de/en/esg-publications>.



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ESG Office

Wealth and Asset Management

Joh. Berenberg, Gossler & Co. KG

Neuer Jungfernstieg 20

20354 Hamburg

Telefon +49 40 350 60-0

Telefax +49 40 350 60-900

www.berenberg.de/en