BERENBERG
PARTNERSHIP SINCE 1590

BERENBERG WEALTH AND ASSET MANAGEMENT

IMPACT REPORT

BERENBERG SUSTAINABLE EURO BONDS

September 2022

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Berenberg

Established in 1590, today Berenberg is one of the leading private banks and one of the most dynamic banks in Europe. Our business is based on client focus, responsibility, first-class knowledge and solution-oriented thinking. Our Wealth Management, Asset Management, Investment Banking and Corporate Banking divisions offer solutions for private and institutional investors, companies and organisations.

CONTACT:

Alina Finkmann
Wealth and Asset Management
Joh. Berenberg, Gossler & Co. KG
Alina.Finkmann@berenberg.com

Contents

Impact Spotlights[1]

The Four Global Challenges

Via its products or services, every portfolio position contributes to the solution of one of the four defined global challenges within our impact framework.

8 %
of portfolio positions address this challenge

Demography & Health

- Proceeds of **Icade Sante's social bond** contributed to the development, acquisition and extension of medical care facilities and nursing homes providing a total of **4,013 beds and places**

44 %
of portfolio positions address this challenge

Climate Change

- In 2021, **Statkraft generated 63TWh from hydropower**
- **Drax** more than doubled the production **of sustainable wood pellets to 3.1Mt** (from 1.5Mt) and substantially increased its **share of renewable generation to 93.8%** (from 77%), **generating 12% of the UK's total renewable electricity**.

34 %
of portfolio positions address this challenge

Sustainable Growth & Innovation

- Proceeds of the **ICO social bond** were allocated to 7,177 projects with an estimated impact of **61,826 jobs** created / retained
- Proceeds of **Hypo Tirol's social covered bond** were used to finance a total of **12,988 social housing units** and units to further social and family-oriented policies

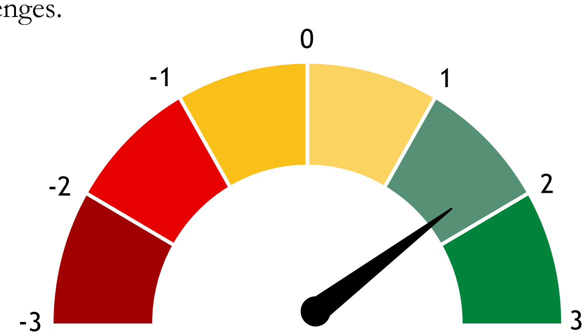
12 %
of portfolio positions address this challenge

Responsible Use of Resources

- In 2021, **Acea processed 779M m³ of waste water**, supplied **481M m³ of drinking water** and generated **356GWh by waste-to-energy**
- In 2021**, Paprec recycled 9.3Mt** of waste and **recovered 1.2Mt of materials**

The Berenberg Net Impact Score

Via the Berenberg Net Impact Model application, we obtain a Net Impact Score at the portfolio level, which can range from -3 to 3. A score higher than 0 indicates a net positive impact in relation to the four defined global challenges.

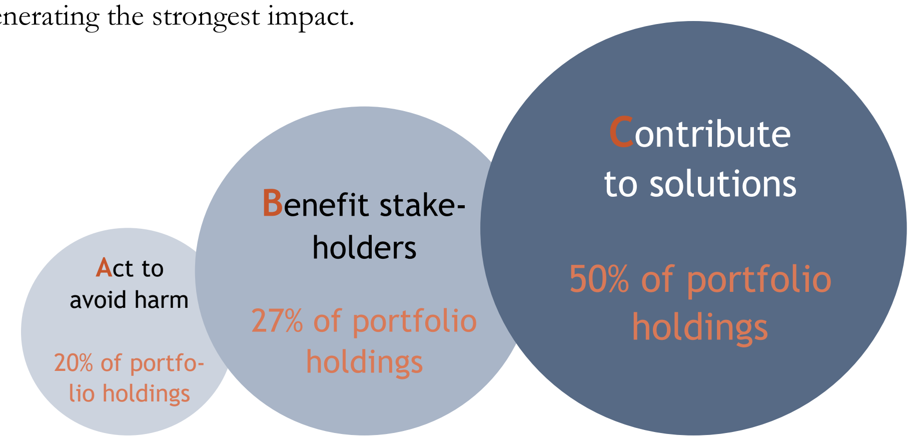


2022: 1,8
2021: 1,9

[1] The Berenberg Net Impact Model is applied to the portfolio as of March 31st 2022. All graphic representations are our own.

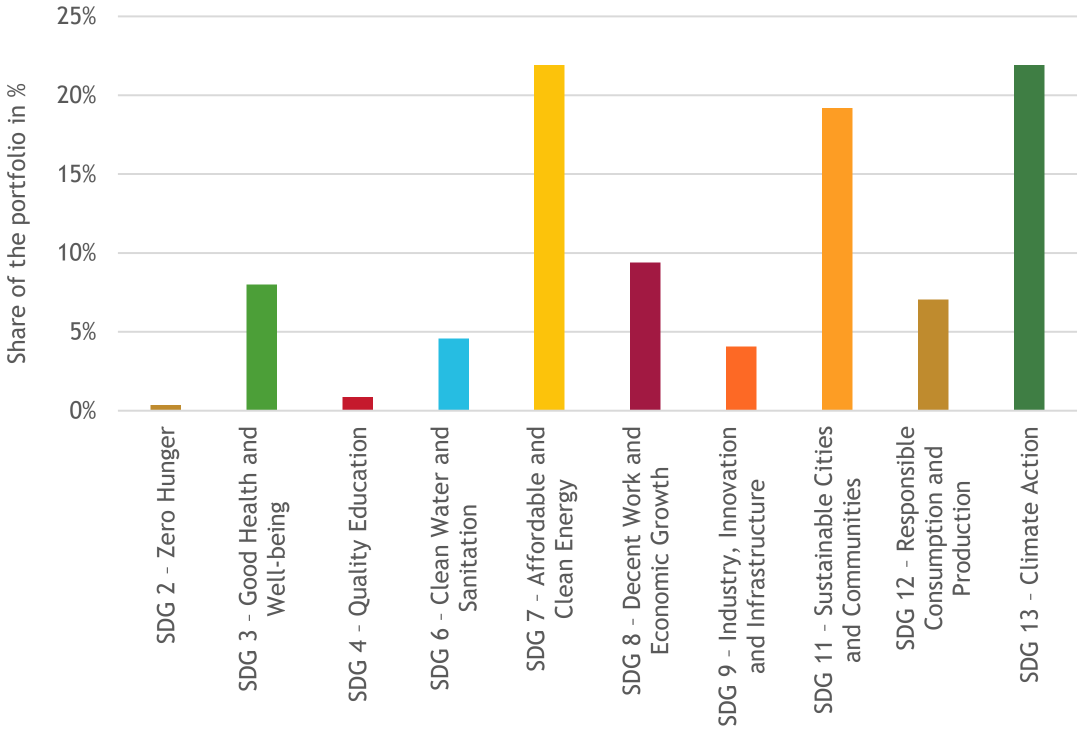
The ABC Model

Within the classification scheme of the ABC model by the Impact Management Project (IMP)[2], we evaluate the criticality of companies' or issuers' solutions and classify them into the categories "Act to avoid harm" (A), "Benefit stakeholders" (B) and "Contribute to solutions" (C), with C being the category generating the strongest impact.



The Sustainable Development Goals (SDGs)

We map our portfolio holdings according to their contribution to ten of the most investible Sustainable Development Goals by the United Nations. More information on the SDGs can be found in the dedicated SDG chapter.



[2] See "IMP – A Guide to Classifying the Impact of an Investment", available at https://impactmanagementproject.com/impact-management/how-enterprises-manage-impact/.

Impact at Berenberg – An Introduction

At Berenberg Wealth and Asset Management, the funds in our category *"Impact focused"* apply a holistic approach to sustainability, and we combine several ESG instruments to provide a sound approach to impact[3]. We integrate ESG aspects in our investment process through exclusions, analysis and active ownership activities such as engagement. As an additional step exclusive to the funds in our *"Impact focused"* category, we apply an impact framework.

The Baseline: ESG Integration

As a solid foundation, the funds in our category *"Impact focused"* use ESG integration tools such as exclusions, screening and ESG analysis. Generally, we recognise that the integration of ESG helps our portfolio management to adequately analyse risks and returns. We incorporate ESG criteria by analysing ESG risks and opportunities using our own research and third-party providers. The open dialogue between our investment and ESG professionals allows us to integrate their industry experience and knowledge into our ESG approach and to develop and strengthen it continuously. In addition to our general ESG exclusions, which apply to the Berenberg Wealth and Asset Management product platform[4], the impact-focused investment funds apply additional exclusion criteria in order to further mitigate the risk of potential adverse effects and to avoid clear negative impact investments.

Inducing Positive Change via Active Ownership

Active ownership activities such as direct company engagement are part and parcel of our ESG and impact-focused approach and key tools in understanding company behaviour when it comes to sustainability issues. Having an open dialogue with companies and other issuers encourages transparency and allows us to gain better insights. We regularly engage with companies and consistently monitor our engagement results. Through our engagement, we are not only able to make investment decisions in regards whether we buy, sell or hold – as an active investor, we also help to improve the sustainability profile of companies in the long term and reduce risks. We believe that our active ownership approach can create positive change in the issuer or company and can, ultimately, benefit society or the environment and help to overcome global challenges.[5]

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[3] For further information on our internal ESG categories please refer to our Berenberg WAM ESG Policy and our website www.berenberg.de/en/esg-publications.

[4] Further information on the application scope of our exclusions can be found in our publicly available Berenberg WAM Exclusion Policy, available at www.berenberg.de/en/esg-publications.

[5] For more information, see our Engagement Policy as well as our Active Ownership Report, available at www.berenberg.de/en/esg-publications.

The Value Add: Our Approach to Impact

For the funds of our category *"Impact focused"*, we apply an additional impact framework, which consists of targeting specified global challenges with our investments as well as a proprietary impact measurement and analysis tool. We use this impact approach to exclusively invest in portfolio holdings that generate a measurable positive impact on the environment and/or society.

Our impact approach has developed over time, reflecting our long-standing experience within this segment. Apart from continuously monitoring ongoing market developments, we conduct our own studies and compose white papers on relevant ESG- and impact-related topics, which has helped to form our approach and confirmed our impact-related perspectives. We strive to further evolve our approach and do not shy away from challenging our views.

Confirmed by the findings of our survey from 2018[6] and its updates from 2021[7] and 2022[8], we identified the SDGs that are investible as well as important. Based on these findings, we developed a set of four key global challenges, which are at the heart of our impact framework:

- Demography & Health;
- Climate Change;
- Sustainable Growth & Innovation; and
- Responsible Use of Resources

Every portfolio holding in our impact-focused investment funds undergoes in-depth impact analysis, within which we assess the portfolio holdings' contributions to the respective challenges. We also map them to the Sustainable Development Goals based on their contribution.

A further aspect within our impact-related framework is the development of a proprietary Berenberg Net Impact Model, in which we holistically analyse and assess the positive as well as potentially negative impact of our portfolio holdings. We discuss the details and methodology in the next chapter.

This report entails information on our approach to impact as well as portfolio-related information for the Berenberg Sustainable Euro Bonds fund, a European fixed income fund that was launched in 2020.

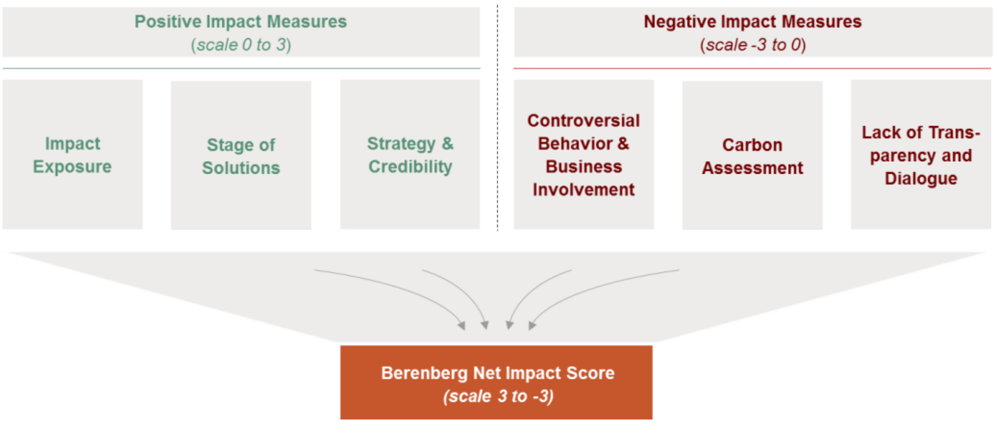
[6] See Berenberg Wealth & Asset Management Study "Understanding the SDGs in Sustainable Investing", available at www.berenberg.de/en/esg-publications

[7] See Berenberg Wealth & Asset Management Study "Berenberg ESG Survey: Exploring investor sentiment", available at www.berenberg.de/en/esg-publications

[8] See Berenberg Wealth & Asset Management Study "Berenberg ESG Survey: SDG and Climate Investing – Exploring Investor Sentiment", available at www.berenberg.de/en/esg-publications

Berenberg Net Impact Model – Our Methodology

We use our proprietary Berenberg Net Impact Model to comprehensibly quantify the positive and potentially negative impact that our portfolio holdings generate in relation to the four defined global challenges of Demography & Health, Climate Change, Sustainable Growth & Innovation and Responsible Use of Resources. We defined specific measures in the positive as well as the negative impact space, with which we aim to holistically capture the net impact of our portfolio holdings. For each holding, every impact measure is analysed individually and given a score, which is summed up at the issuer or company level and finally aggregated at the portfolio level. These scores are based on quantitative and qualitative measures.



The positive impact measures do not only capture the contribution of the business model to one of the four global challenges, but also consider the stage of impact as well as the company's strategy and credibility. In our view, this provides a more holistic and forward-looking view on a company's positive impact. Within specified assessment frameworks for each pillar, we award scores between 0 and 3.

- The pillar *Impact Exposure* quantifies the extent to which a portfolio holding addresses one of the four global challenges via its product and service offering. The measure relies on several financial metrics such as revenue exposure to one of the global challenges, and accounts for adjustments that capture future-orientated efforts such as R&D spending, capex investments and sector-specific key performance indicators.
- The pillar *Stage of Solutions* integrates the ABC approach as defined by the Impact Management Project (IMP)[9]. The criticality of a company's or issuer's solutions are analysed and classified into the categories "Act to avoid harm" (A), "Benefit stakeholders" (B) and "Contribute to solutions" (C), with C being the category generating the strongest impact.
- On a company level, the pillar *Strategy & Credibility* considers the depth and ambition of ESG-related commitments and targets as well as achieved

[9] See "IMP – A Guide to Classifying the Impact of an Investment", available at https://impactmanagementproject.com/impact-management/how-enterprises-manage-impact/

performance that underline the company's credibility. In a forward-looking way, this pillar seeks to capture how far companies have embedded their sustainability and impact-related efforts into their cultures, their DNA and overall business strategy. This measure relies on publicly available information regarding the company's sustainability key performance indicators

Similarly, the negative impact measures seek to quantify the negative externalities of the issuer or company. Within specified frameworks, we award scores between -3 and 0.

- ❖ In the pillar *Controversial Behaviour & Business Involvement* we analyse (potentially) existing controversial behaviour and conflicts as well as involvements in and exposure to controversial business sectors and activities. The measure relies on the data and analysis framework from our external data provider, which is complemented with our own research as well as potential adjustments such as productive engagement activities.
- ❖ The pillar *Carbon Assessment* quantifies and evaluates a company's CO_2 impact as well as possibly existing countermeasures such as carbon reduction initiatives. We rely on data from our external data provider and use publicly available company information. The specified framework for this measure accounts for benchmark comparisons and sector-specific CO_2 levels.
- ❖ The pillar *Lack of Transparency & Dialogue* assesses the overall level of company transparency regarding ESG and impact data as well as openness to dialogue in the context of engagement activities.

The result of the model application is a Net Impact Score in a range of -3 to 3, whereas a score higher than 0 indicates a net positive impact in relation to the four global challenges. The maximum Net Impact Score of 3 demonstrates a strong positive impact and no or sufficiently offset negative impact.

Within the fixed income segment, certain adjustments to the Berenberg Net Impact Model presented above are required to capture the characteristics of fixed income investments fully and correctly. For this purpose, we differentiate between:

1. regular bonds, for which the proceeds are not exclusively tied to specific projects or assets and for which we consequently apply the model presented above based on the issuer's impact; and
2. use-of-proceeds bonds, such as green, social or sustainability bonds for which we apply an adjusted model.

In case of green, social and sustainability bonds (and similar structures), certain adjustments in the evaluation and scoring of the net impact are required[10]. These bonds are issued under dedicated frameworks that govern the exact use of proceeds and include further requirements on their allocation and impact reporting. Investing in a green, social or sustainability bond means that the investor is directly providing

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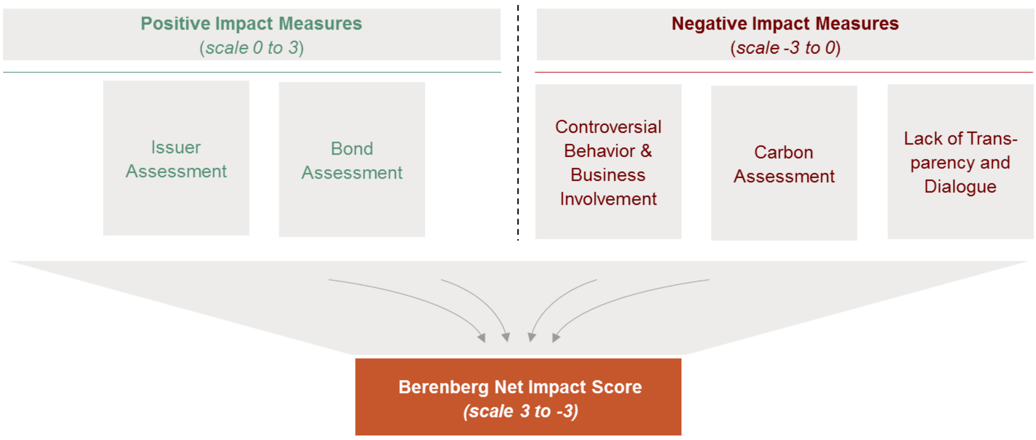
[10] For definitions on Green Bonds (G), Social Bonds (S) and Sustainability Bonds (ST), please refer to https://www.icmagroup.org/sustainable-finance/.

funds to finance a specific environmentally or socially beneficial project – this may include the financing of a new wind park or the development of a rare disease treatment. Consequently, we incorporate the direct positive impact the investment in a green, social or sustainability bond has into our scoring approach. This also implies that the current impact of the issuer and its business model must be evaluated differently. Particularly, green and sustainability bonds are often issued by companies that we would describe as transition stories or as issuers that play a vital role in the transition to a low-carbon economy. Therefore, the most relevant factor for these issuers is not the impact they already have through their current business activities, but the successful transition to being a more sustainable issuer, their future positive impact as well as the direct impact we can have through the use-of-proceeds feature of green, social and sustainability bonds.



Consequently, the positive impact pillar is adjusted, and we assess and score the issuer as well as the bond itself as below.

- The pillar *Issuer Assessment* only scores the strategy and credibility of the bond issuer and neglects the (potential) current impact of the business model itself. We focus on the sustainability strategy, transition ambitions and what role the issued green, social or sustainability bond plays within the issuer's overall business activities and strategy.
- The pillar *Bond Assessment* evaluates the direct positive impact of the green, social or sustainability bond that results from the financed projects and assets. We focus on the actual value-add from the projects or assets (*Impact Exposure*), the consistency and quality of the *Bond Framework* as well as the allocation and impact reporting (*Transparency & Impact Reporting*). Additionally, we apply the ABC approach mentioned above to score the *Stage of Solution* that the specific projects provide.

Similar to the presented standard model, we also include the negative impact and externalities that the issuer of a green, social or sustainability bond may have on the environment or society. Hence, the negative impact pillar ("Negative Impact Measures") always refers to the issuer and is identical to the negative impact measurement we have already introduced.

Comprehensive and valid data is crucial to our Berenberg Net Impact Model. We rely on publications from portfolio holdings and data from our external ESG data provider. We additionally integrate information which we gather through our engagement activities, from sell-side research or other relevant sources.

For our assessments and scoring methodology, we specify clear scoring frameworks to arrive at objective and comprehensible scoring results. However, there remains a discretionary part within the model for which we, at this point, cannot establish specified and reasonable thresholds. We realise that this could be a potential shortcoming of the model, however, we also see benefits in establishing a methodology which is not entirely rigid and thus able to reflect the unique opportunities or challenges in specific business models. We discuss our view on this and our envisioned outlook for future developments in the "Outlook" section.

Demography & Health

The Challenge of Demography & Health

The United Nations' Sustainable Development Goal 3 aims at improving the lifelong health and well-being of all people. Although major advances in medicine have been made over the past decades, inequality regarding the healthcare levels of different countries remains high, and new challenges arise as the global population becomes wealthier and lives longer. Similarly, the Goal of ending hunger and malnutrition (SDG 2) persists and its hurdles change throughout the decades.

The trend is clear: The World Health Organisation estimates that the share of people aged 60 years and older will rise from 12% in 2015 to 22% of the world's population in 2050.[11] With it, typically age-related diseases such as cancer, dementia and cardiovascular diseases now represent the by far most common causes of death. Chronic diseases such as type 2 diabetes and hypertension, which are often lifestyle-related, are also on the rise.[12] At the same time, medical treatments and innovations need to be distributed more equally. Regarding nutrition, the United Nations estimates that, in 2019, an estimated 2bn people did not have regular access to safe, nutritious and sufficient food.[13]

Contributing to the Solution — Our Portfolio Holdings

In the face of these challenges, there is a strong need for innovative solutions, which are of high quality but also affordable. Many companies have specialised in offering exactly that. For example, new technologies in the space of pharmaceuticals and data-driven solutions already contribute to a better understanding of diseases and allow for more accurate diagnoses as well as personalised and potentially less invasive treatments. Further, companies offering healthcare services and elderly care solutions are important facilitators to overcome challenges, as are companies focusing on healthy and environmentally sustainable nutrition.

Our portfolio positions[14] [15] addressing the challenge:

Amplifon	Corporacion Andina (S)	Danone (S)	Essity
Icade Sante (S)	LBBW (S)	Motability (S)	Municipality Finance (S)
Wellcome Trust			

[11] https://www.who.int/news-room/fact-sheets/detail/10-facts-on-ageing-and-health
[12] https://ourworldindata.org/causes-of-death
[13] https://www.un.org/sustainabledevelopment/hunger/
[14] As of 31 March 2022
[15] Supplements behind portfolio positions: (G) = Green Bond, (S) = Social Bond, (ST) = Sustainability Bond

A Case Study – Municipality Finance

Company Overview

Municipality Finance (MuniFin) is a Finnish development bank that was established in 1989 with the purpose of developing the Finnish welfare strategy. Through its lending activities (primarily to Finnish municipalities), MuniFin promotes the environmentally and socially sustainable development of the country.

Positive Impact

Municipality Finance provides diverse financial services to the municipal and social housing sector to promote the sustainable development. As a public sector entity MuniFin and the substantial lending capacity play an integral role in also achieving the national sustainability targets. End of 2021, MuniFin had a total of EUR 29.2bn of long-term customer financing in place and provided EUR 9.4bn in new funding during the year. In 2020, MuniFin started issuing social bonds to fund a range of projects with substantial positive social impact. The social bond proceeds are used to (partially) fund 59 social projects in the areas welfare, social housing and education. The majority of committed capital is allocated to the construction or extension and improvement of hospitals and healthcare facilities as well as to other facilities that directly improve the health and well-being of the Finnish population. While not solely financed through social bonds (funding share of 94.8%), the supported welfare projects benefit a total of almost 2.6mn people.[16] The lending activities therefore improve the access to and quality of health care and contribute to UN SDG 3 (Good Health & Well-Being) and our challenge of Demography & Health.

Potentially Adverse Impact

Given its business activities, MuniFin has a low carbon footprint and no material negative environmental impact from its operations. Additionally, lending activities take into account the environmental impact of financed projects. MuniFin transparently reports on sustainability aspects and is not involved in material controversies.

Summary

Berenberg Net Impact Score	2,9
Sustainable Development Goals	3
ABC Classification	C

[16] Municipality Finance Social Impact Report 2021 https://www.kuntarahoitus.fi/app/uploads/sites/2/2022/03/MuniFin_Social-Impact-Report_2021_.pdf

Climate Change

The Challenge of Climate Change

Climate change is humanity's greatest challenge. Its consequences pose risks for specific sectors, companies, and countries. These include physical risks caused by natural disasters and changing weather patterns as well as more frequent and more extreme weather events, but also so-called transition risks, which relate to the ability of companies to transition to low-carbon or climate-neutral business models. In addition to the direct impacts, progressive climate change and the associated global warming have potentially significant negative effects on the achievement of the United Nations Sustainable Development Goals.

The report of the Intergovernmental Panel on Climate Change (IPCC) published in 2018 stresses the relevance of achieving the goal to limit global warming to 1.5°C, since the risks arising from climate change become even greater beyond this.[17] Annual greenhouse gas (GHG) emissions are now more than 50% higher than in 1990. While all countries experience the effects of climate change, countries that are not accountable for high emissions are often hit harder due to missing resources to withstand negative effects.[18]

Adding to the Solution — Our Portfolio Holdings

We recognise our responsibility to contribute to the fight against climate change through our investment decisions and collaboration with our portfolio companies and other investors. We believe that the necessary transition to a low-carbon economy also offers opportunities. For example, we welcome innovations in the renewable energy and energy efficiency sectors. Especially in industrial applications or the real estate sector, these can induce meaningful positive change. Also, new technologies that optimise the control and regulation of cooling systems in data centres or research in renewable natural gas positively contribute to mitigating climate change.

[17] See "Global warming of 1.5°C. An IPCC Special Report on the impacts of global warming of 1.5°C above pre-industrial levels and related global greenhouse gas emission pathways, in the context of strengthening the global response to the threat of climate change, sustainable development, and efforts to eradicate poverty, available at: https://www.ipcc.ch/sr15/chapter/spm/.

[18] https://ourworldindata.org/greenhouse-gas-emissions

Our portfolio positions[19] [20] addressing the challenge:

Abanca (G)	AIB (G)	Generali (G)	Banco Sabadell (G)
Bankinter (G)	BFCM (G)	Ceska Sporitelna (G)	Commerzbank (G)
CPI Property (G)	CTP (G)	DeVolksbank (G)	Digital Realty (G)
DNB (G)	Drax	EBRD (G)	ERG (G)
ESB (G)	Eurogrid (G)	Graanul	Greenko (G)
Groupama (G)	Jsyke Bank (G)	KfW (G)	Kommunekredit (G)
LeasePlan (G)	mBank (G)	Mediobanca (G)	NIB (G)
NordLB (G)	NRW Bank (G)	Ontario Teachers Finance (G)	Orsted (G)
Raiffeisen Bank AS (G)	RBI (G)	Shinhan Bank (G)	Signify
Société Générale (G)	Sparebank 1 (G)	Sparebank Vest (G)	Statkraft
Sumitomo (G)	Tatra Banka (G)	Technip Energies	Telia (G)
Triodos Bank (G)	VGP (G)	Volvo (G)	

[19] As of 31 March 2022

[20] Supplements behind portfolio positions: (G) = Green Bond, (S) = Social Bond, (ST) = Sustainability Bond.

A Case Study - ERG

Company Overview

ERG SpA is an Italian utility company focussed on the renewable energy segment. The company is primarily active in onshore wind farms and solar with a total installed renewable capacity of 2.4GW (as of FYE21) across Italy and Europe.

Positive Impact

ERG is an important player in the European renewable energy space. Over the past decade the company quickly transformed itself from a fossil fuel / oil-based energy company to a primarily renewable-focused company. Through its clean energy generation ERG for example helped to avoid approx. 3mn tones of CO2e emissions - equivalent to more than 800,000 round-trip Rome/New York flights.[21] In its most recent strategic plan for 2022-2026, ERG targets to almost double its renewable energy capacity to 4.6GW (from 2.4GW in 2021) and to spend 100% of its Capex for activities consistent with the UN SDGs. Additionally, ERG has the ambitious goal of becoming Net Zero by 2040.[22] To fund the further growth in the renewable segment and expand across Europe, ERG frequently issues green bonds. Proceeds of the green bond issued in 2020 were used to finance a total of 48 wind and solar plants with a total capacity of 533MW. In 2021 the already operation plants generated 418GWh of clean energy leading to CO_2 savings of 242k tonnes of CO_2e.

Potentially Adverse Impact

ERG comprehensively reports on its sustainability metrics and does not face any material controversies. ERG has been additionally generating energy from a thermoelectric plant in Sicily over the past years which substantially increased the carbon footprint of the company and led to negative environmental externalities. However, the company plans to fully divest its natural gas business by the third quarter of 2022 and, through its ambitious business and sustainability strategy, plays an essential role in increasing Europe's clean energy capacity.

Summary

Berenberg Net Impact Score	2,3
Sustainable Development Goals	7 & 13
ABC Classification	C

[21] https://www.erg.eu/en/sustainability/planet
[22] https://www.erg.eu/en/sustainability/esg-at-the-core-of-erg-strategy

Sustainable Growth & Innovation

The Challenge of Sustainable Growth and Innovation

While economic growth might not be an end in itself, it has significant effects on global levels of poverty. However, against the background of climate change and finite natural resources, economic growth needs to be environmentally sustainable while at the same time adhering to and promoting social standards such as fair and inclusive labour practices. As defined by the United Nations' Sustainable Development Goal 8, the aim is to achieve sustained, inclusive, and sustainable economic growth with full and productive employment and decent work for all.

Innovation is one of the fundamental factors when it comes to both an individual company's success and stable and sustainable economic growth. Creating and fostering corporate cultures that accelerate highly innovative ideas requires ongoing effort – yet only those companies making this effort remain economically viable and can, ultimately, solve global challenges and induce positive change.

Further, education and, in a wider sense, social enablement and empowerment are essential aspects in achieving the goal of smart, green and fair growth for the global population. Although major advancements have been made in recent decades, achieving inclusive and equitable quality education, as aimed for by the United Nations' Sustainable Development Goal 4, is still a long way off.

Contributing to the Solution — Our Portfolio Holdings

Companies offering solutions to this challenge contribute, among other things, to financial inclusion, access to and affordability of public transportation, or the reduction of dependence on non-renewable resources. Easily accessible and low-cost technologies can advance education and skills or help small businesses create jobs sustainably. Further, affordable housing and solutions that advance inclusive, sustainable cities are needed. Generally, R&D expenditure and strong innovation capabilities can lead to the development of much needed solutions

Our portfolio positions[23] [24] addressing the challenge:

Adif (G)	Auckland Council (G)	BNG (ST)	CaixaBank (S)
Caja Rural (ST)	Cassa Depositi (S)	Chile (G)	Council of Europe (S)
Credito Agricola (S)	Deutsche Bahn	EU (S)	Eurofima (G)
Eurocaja Rural (ST)	Ferrovie (G)	Gewobag (S)	Hamburger Hochbahn (G)
Hypo Tirol (S)	ICO (S)	Islandsbanki (ST)	Korea Housing Finance (S)
Kookmin (ST)	KutxaBank (S)	Madrid (G)	Municipality Finance (G)
NatWest (S)	NWB (S)	Poland (G)	Yorkshire Building Society (S)
West African Development Bank (ST)	World Bank (ST)		

[23] As of 31 March 2022
[24] Supplements behind portfolio positions: (G) = Green Bond, (S) = Social Bond, (ST) = Sustainability Bond

A Case Study - IBRD

Company Overview

The International Bank of Reconstruction and Development (IBRD), part of the World Bank Group, is a large global development bank owned by its 189 member countries. IBRD is focussed on providing financing solutions with the aim of supporting the sustainable development of middle and low-income countries.

Positive Impact

The sustainability mandate is deeply embedded in the institution's DNA, as the World Bank Group pursues the dual-target of 1) ending extreme poverty (by reducing the share of the global population that lives in extreme poverty to 3 percent) and 2) promoting shared prosperity (by increasing the incomes of the poorest 40 percent of people in every country). IBRD provides financial resources as well as advisory services in order to find solutions to global challenges and foster social and sustainable economic change in its member countries. Additionally, the institution provides technical assistance in the execution of financed projects. Thereby, IBRD also positively contributes to achievement of several UN SDGs. Issuing Sustainable Development Bonds is an essential tool in providing the required funding and supporting the World Bank's efforts. The latest Impact Report[25] indicates that the raised funding (e.g. USD 75bn in 2020) supported a total of 599 projects with a wide range of positive contributions towards a more sustainable economic and social development. Examples include the provision of enhanced access to transportation services to around 3mn people, provision of financial services to more than 500k people and improving urban living conditions for around 5mn people.

Potentially Adverse Impact

Due to its business activities as a development bank, IBRD itself has a relatively low carbon footprint, while financed projects can vary with regards to their environmental impact. In order to further mitigate its indirect impact, the World Bank Group launched a Climate Change Action Plan 2021-2025 to aims to further advance the funding efforts towards Climate Finance. The institution comprehensively reports on its sustainability strategy, performance and relevant metrics.

Summary

Berenberg Net Impact Score	**2,6**
Sustainable Development Goals	**8 & 11**
ABC Classification	**B**

[25] World Bank Sustainable Development Bonds – Impact Report 2020: https://treasury.worldbank.org/en/about/unit/treasury/impact/impact-report

Responsible Use of Resources

The Challenge of a Responsible Use of Resources

The planet's natural resources are finite. Yet they are central to human wellbeing, as they form the basis of our health and prosperity. Over time, the global use of resources has increased, accelerated by industrialisation and globalisation. At this point, some natural resources are overexploited. This in turn threatens livelihoods and jeopardises whole ecosystems.[26]

Numbers can give a sense of the extent of this. The global use of freshwater has increased almost sixfold since 1900 to c4trn m^3 in recent years.[27] Globally, c368m tons of plastics were produced in 2019[28], but only 9% of the plastics manufactured between 1950 and 2015 was recycled.[29]

To mitigate the adverse effects of the overuse of natural resources, a drastic change of consumption and production patterns is required. Resource efficiency during production processes is often a starting point. Further, innovative technologies that decouple natural resource use and environmental impact from economic activity are needed. Measures that mitigate scarcity, reduce losses, and optimise resource management systems can positively induce change and accelerate a transition towards a circular economy.

Contributing to the Solution – Our Portfolio Holdings

Companies offering solutions to this challenge contribute, among other things, to a drastic reduction of resources used and advance their recycling capabilities. This can, for example, include: avoiding and reducing packaging or replacing it with innovating packaging solutions; cutting the amount of food waste; and protecting and managing water as well as optimising its use. Further, sustainable solutions to treat and manage waste and new recycling technologies are much needed.

Our portfolio positions[30] [31] addressing the challenge:

Acea (G)	FCC Aqualia	FCC Medio Ambiente (G)	Iteylum
JFM (G)	Landsbankinn (G)	Mondi	Paprec (G)
Thames Water (G)	UPM-Kymmene (G)	Veolia	Xylem

[26] https://www.iisd.org/articles/sustainable-use-natural-resources-governance-challenge
[27] https://ourworldindata.org/water-use-stress
[28] https://www.statista.com/topics/5401/global-plastic-waste/
[29] https://www.oecd.org/environment/waste/policy-highlights-improving-plastics-management.pdf
[30] As of 31 March 2022
[31] Supplements behind portfolio positions: (G) = Green Bond, (S) = Social Bond, (ST) = Sustainability Bond

A Case Study — UPM-Kymmene

Company Overview

UPM-Kymmene (UPM) is a Finnish forest industry company, primarily focussing on the production of wood-based products and solutions. The company is active in 46 countries globally with around 17k employees.

Positive Impact

UPM is a leading company in the forest-based bioindustry and delivers renewable and responsible solutions (e.g. sustainable packaging or biochemicals for textiles or pharmaceuticals). The company is actively looking for renewable and recyclable alternatives to fossil-based materials through innovation. Wood is UPMs most import resource and used in most business segments. Therefore, the company has a strong focus on sustainable wood sourcing and forest management. Sustainability is the main pillar of the company's current business model and strategy going forward. Regarding the sustainability strategy, UPM ambitiously commits to 1) climate-positive forestry, 2) 65% less CO_2 emissions (Scope 1&2) by 2030 vs. 2015 and 3) the innovation of new sustainable products, e.g. targeting 100% products with an eco-label by 2030. In order to fund the sustainability strategy and overall growth in the business, UPM issues green bonds. The bond proceeds are primarily used for sustainable forest management to achieve the company's target of climate positive forestry (i.e. planting more trees than harvested for the production of sustainable products) as well as for the development (R&D) of innovative climate friendly products.

Potentially Adverse Impact

As a producing company UPM has a relatively high GHG-intensity, however, according to MSCI ESG, UPM's carbon emissions performance is in the top quartile within the forestry & paper sector, given the focus on sustainability and sustainable forest management. Furthermore, to mitigate the negative environmental impact, the company pursues ambitious climate and emissions targets. Additionally, UPMs Energy segment is, to a small extent, active in nuclear power, since nuclear power is an integral part of Finland's energy and climate strategy. UPM does not face material controversies relating to problematic behaviour and transparently reports about its sustainability performance.

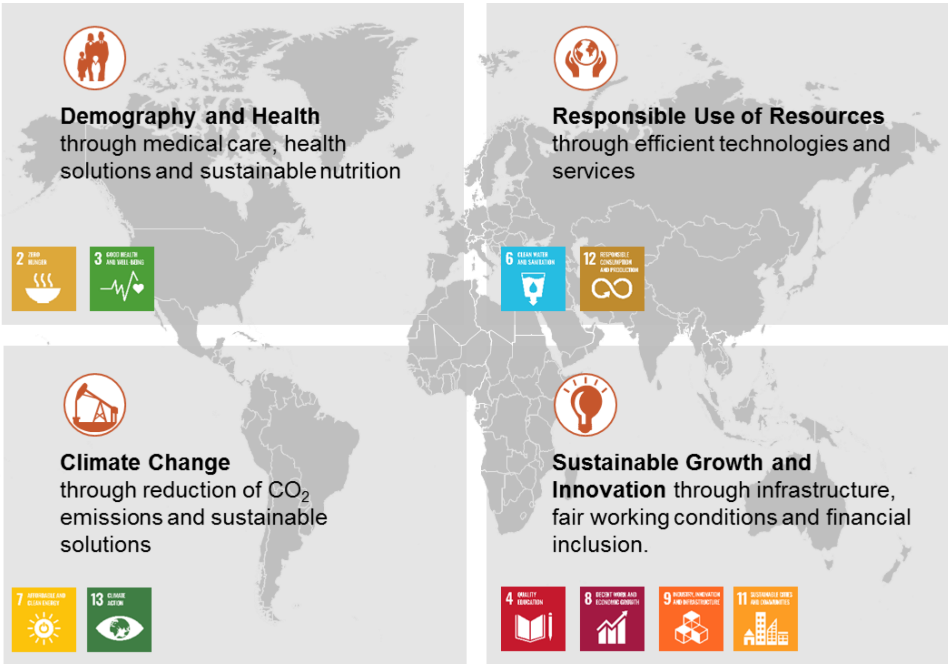
Summary

Berenberg Net Impact Score	1,8	
Sustainable Development Goals	12	12 RESPONSIBLE CONSUMPTION AND PRODUCTION
ABC Classification	C	

The Sustainable Development Goals

Confirmed by the findings of our survey from 2018[32] and its updates from 2021[33] and 2022[34], we identified the SDGs that are investible as well as important. Based on these findings, we defined the four key global challenges Demography and Health, Climate Change, Sustainable Growth and Innovation and Responsible Use of Resources. These challenges are at the heart of our approach to impact.

An additional part of our impact framework is the mapping of our portfolio holdings with respect to their contribution to some of the SDGs. As a first step, we assigned 10 investible SDGs to our four core global challenges, as per the graphic below.[35]



The four global challenges and the SDGs
Source: Berenberg

In a second step, we mapped our portfolio holdings to the respective SDGs of the specific global challenge (see step one). Based on its primary contribution, each portfolio position is assigned to 1-3 of the SDGs. We show portfolio weights alongside the respective SDGs – if an investment contributes to several SDGs, the portfolio weight is allocated proportionately:

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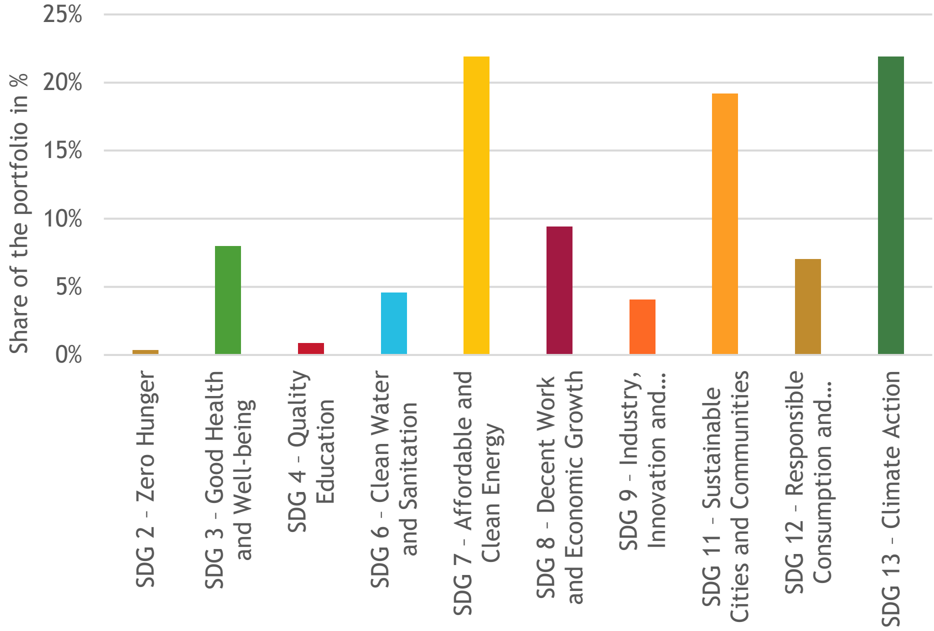
[32] See Berenberg Wealth & Asset Management Study "Understanding the SDGs in Sustainable Investing", available at www.berenberg.de/en/esg-publications.

[33] See Berenberg Wealth & Asset Management Study "Berenberg ESG Survey: Exploring investor sentiment", available at www.berenberg.de/en/esg-publications.

[34] See Berenberg Wealth & Asset Management Study "Berenberg ESG Survey: SDG and Climate Investing – Exploring Investor Sentiment", available at www.berenberg.de/en/esg-publications.

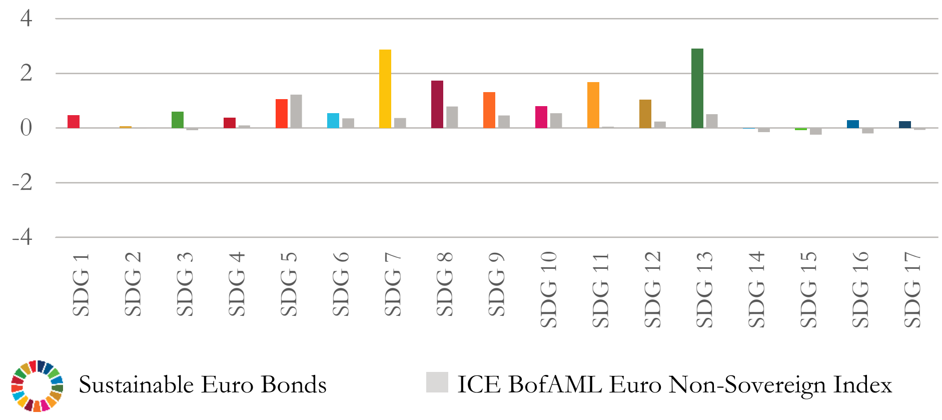
[35] An overview of all SDGs can be found in the appendix.



The portfolio holdings mapped to the SDGs as per March 31st of 2022
Source: Berenberg

Finally, as an additional view on the fund holding's contribution to the SDGs, we compare the so-called "SDG Net Alignment Scores" of the fund with its regular benchmark as well as a sustainability index. We use SDG Net Alignment Scoring data from an external data provider MSCI ESG and combine this with our own Net Impact Score data. For constituents not covered by our internal analysis, we only use data from the external provider.

The graph shows the fund's relative positive SDG net alignment compared to that of the respective benchmark. It is important to note that the two methodologies, namely our own as well as the external data providers', are not identical. However, both are based on a similar approach of considering positive and negative contributions and scoring those respectively. We believe this to be a further valuable indication of the fund's performance when it comes to the SDGs:



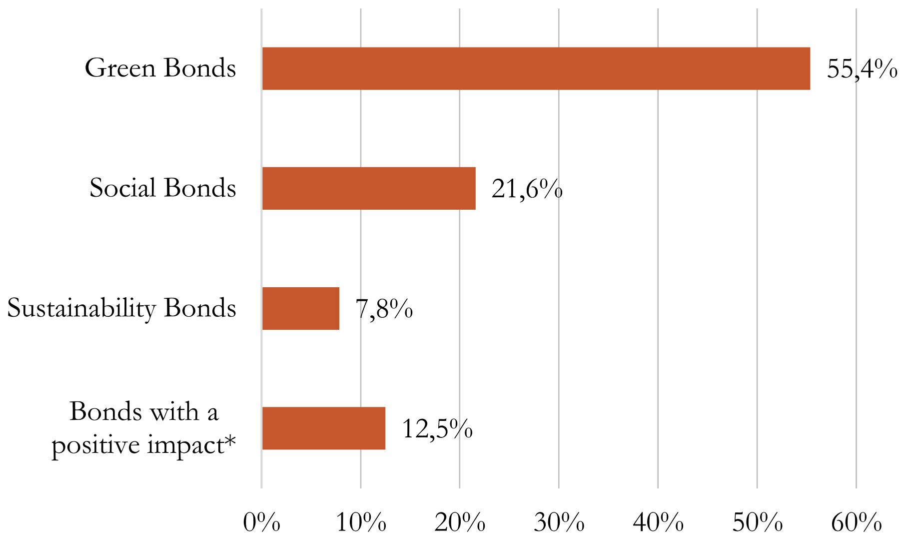
Q1 2022

MSCI Net Alignment of SDG Scores compared to benchmark as per March 31st 2022
Source: MSCI ESG, own calculations and presentation. Certain information © 2021 MSCI ESG Research LLc. Reproduced by permission

Additional ESG and Impact-related Information

Use of Green, Social and Sustainability Bonds

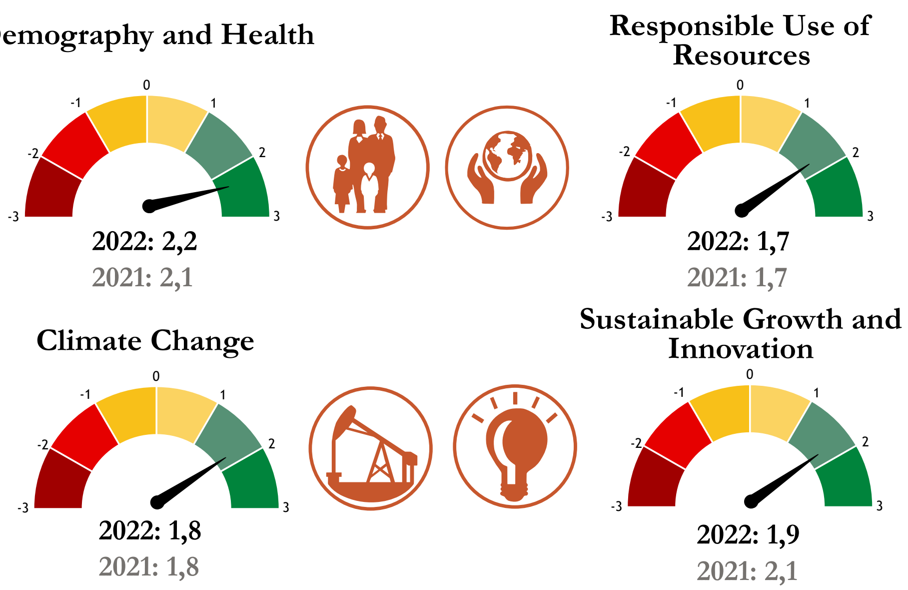
Share of Green, Social and Sustainability Bonds in the Portfolio



* Bonds from issuers that have a positive impact on the environment and society through their business model and offered products and services
Source: Bloomberg
Based on holdings as of 31 March 2022

Average Net Impact Score per Global Challenge

Additional to the portfolio level as shown within our "Spotlights" section, we measure and showcase the average Berenberg Net Impact Score per global challenge.



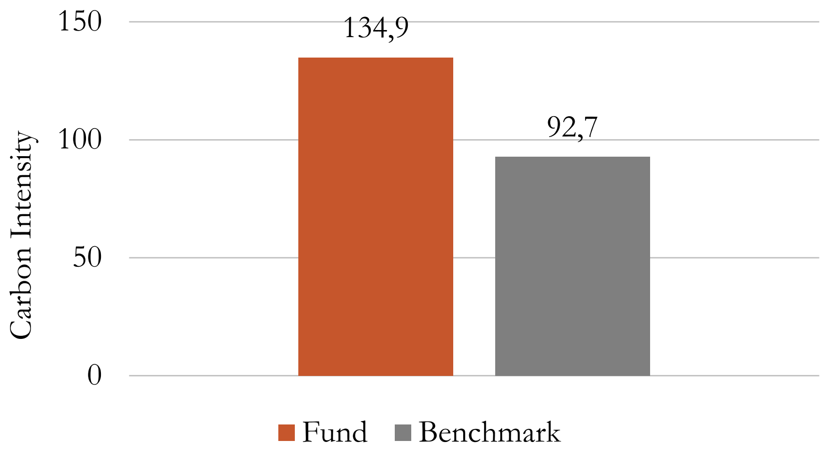
Carbon Intensity

As reported above, the Berenberg Sustainable Euro Bonds funds uses an impact-approach in which we aim to positively contribute to our four global challenges and consequently also the SDGs with all portfolio holdings.

While the fund does not specifically target to minimize its carbon intensity, we recognize the importance of our companies' carbon exposure and climate impact, which is also why we explicitly incorporate the introduced *Carbon Assessment* pillar in our proprietary Berenberg Net Impact Model.

Additionally, we report on the carbon intensity of the portfolio compared to its benchmark (ICE BofAML Euro Non-Sovereign Index) in the following section. Please note that the following analysis and carbon data only refers to non-sovereign bond issuers within the fund and the benchmark. Hence, sovereign issuers (and certain sovereign-related issuers such as local authorities or supra-nationals) are not included in the analysis. Hence, in the carbon intensity analysis, 75.1% of the total fund portfolio, and 63.1% of the total benchmark are considered.

Carbon Intensity – Fund vs. Benchmark



The CO_2 Intensity (Scope 1 & 2 emissions in tonnes per USD million of revenue) per holding is multiplied by its scaled portfolio weight (current value of the investment relative to the current portfolio value excluding sovereign issuers and issuers for which no comparable data is available) and aggregated.
Source: MSCI ESG Data, ICE
Based on holdings as of 31/03/2022

This weighted average CO_2 Intensity provides an indication of the portfolio's exposure to CO_2 -emission intensive companies. As indicated, the carbon intensity of the Berenberg Sustainable Euro Bonds stands at 134.9 tonnes / USD million in revenues and is thereby substantially higher than the carbon intensity of the fund's benchmark.

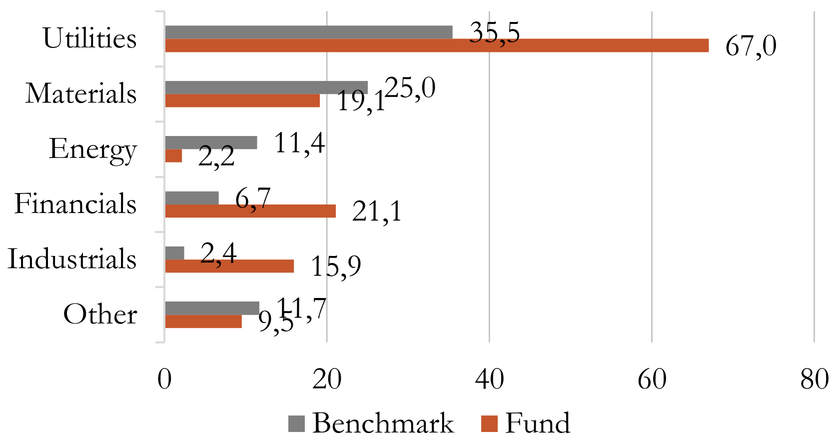
This fact is explained by the impact-approach of the fund. Specifically, our impact-approach, amongst others, focusses on investments into transition stories and green bonds that provide a positive impact and enable the transition to a more sustainable economy and society by contribute to one of our four global challenges.

Particularly, green and sustainability bonds are often issued by companies that we would describe as transition stories or as issuers that play a vital role in the transition to a low carbon economy. This may for example include companies from the utility sector that currently start their transition (or are already in the process) towards a more sustainable business model by refocusing from oil, coal or gas to renewable energies. Another (even though less pronounced) example are real estate companies: the real estate sector is responsible for a material share of global CO_2 emissions and real estate companies can substantially contribute by investing in green buildings and energy efficiency improvement of existing buildings. All these companies face substantial investment requirements to successfully transition and green and sustainability bonds can play a material role in this task. To have a positive impact on the environment and society, the fund invests in these green and sustainability bonds that enable a transition as well as in companies that follow an ambitious sustainability and climate strategy and positively contribute to the environment through innovative and sustainable products and services. Investing in green and sustainability bonds and transition stories in general, however results in a specific sector exposure within the portfolio. These sectors and bond issuers typically have a high carbon intensity and therefore to some extant have a negative environmental impact, which is specifically why the financing of a quick and smooth transition is essential. Among the sectors with the highest carbon intensity in the fund as well as in the benchmark are for example utilities or real estate companies.[36]

Looking at the contribution of different industry sectors (Bloomberg Industry Classification Systems – BICS) to the total carbon intensity of the fund, the utility sector makes up the majority contribution of the total CO_2 intensity: with a contribution of 67.0 (tonnes / USD million revenue), utility companies make up around 50% of total carbon intensity in the portfolio. Hence, the total and relative contribution of utilities is substantial higher than in the fund's benchmark. The reason for the higher CO_2 intensity contribution is the materially higher weight of the utility sector within the Berenberg Sustainable Euro Bonds fund vs. the benchmark (12.5% vs. 5.8%) – As mentioned before, the fund actively focusses on transition stories (that often take place in the utilities sector) and green bonds (for which utilities are a large issuer group). Taking a closer look, the utility companies invested in the fund actually have a 12% lower average CO_2 intensity than companies in the benchmark. Consequently, the high utility sector weight is the primary factor for the higher carbon intensity of the fund.

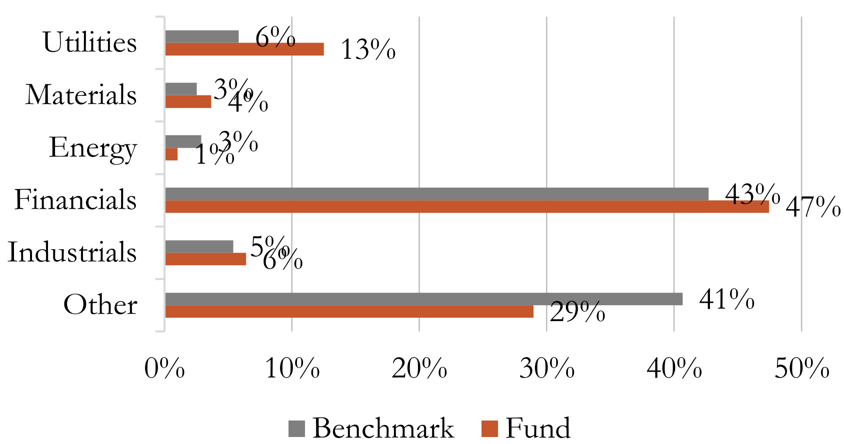
[36] Real Estate companies are classified as "Financials" according to the BICS classification that is used for the analysis and following charts

Carbon Intensity – Contribution by BICS Sector



The CO_2 Intensity (Scope 1 & 2 emissions in tonnes per USD million of revenue) is aggregated by sector (BICS sector classification is used) for the fund and benchmark, using the carbon intensity of each relevant holding and its scaled portfolio weight per holding (current value of the investment relative to the current portfolio value excluding sovereign issuers and issuers for which no comparable data is available).
Source: MSCI ESG Data, ICE
Based on holdings as of 31/03/2022

BICS Sector Weights – Fund vs. Benchmark



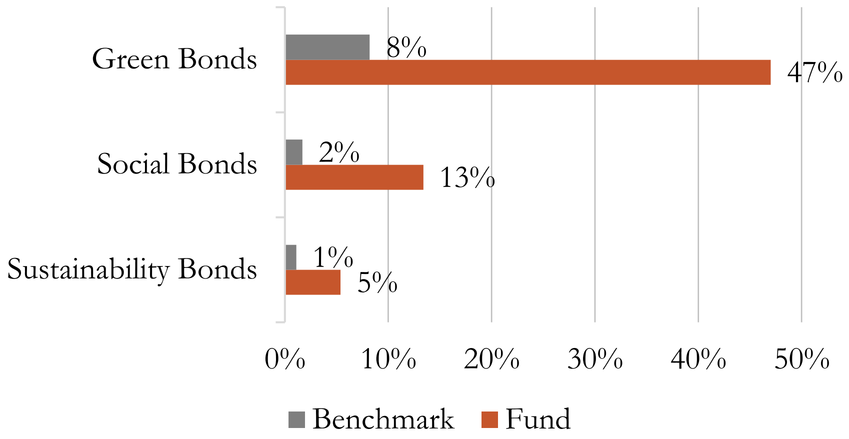
The scaled portfolio weights of relevant holdings (current value of the investment relative to the current portfolio value excluding sovereign issuers and issuers for which no comparable data is available) are aggregated by sector (BICS sector classification is used) for the fund and benchmark.
Source: ICE
Based on holdings as of 31/03/2022

An additional aspect that should be considered it the focus on green, social and sustainability bonds and their direct impact that is generated by financing environmentally or socially beneficial projects and assets. As indicated below, around 66% of the relevant holdings[37] of the fund are invested in green, social or sustainability

[37] All holdings that are relevant for the calculation of the carbon intensity (i.e. excluding sovereign (-related) issuers)

bonds, while only 11% of the relevant benchmark holdings consists of these bond structures.

Share of Green, Social and Sustainability Bonds[38]



The scaled portfolio weights of relevant holdings (current value of the investment relative to the current portfolio value excluding sovereign issuers and issuers for which no comparable data is available) are aggregated by the bond category Green Bond, Social Bond or Sustainability Bond. Weights to not necessarily sum up to 100%. sector (BICS sector classification is used) for the fund and benchmark.
Source: ICE, Bloomberg
Based on holdings as of 31/03/2022

The following two example from the utility and real estate sector give a brief insight and indication that we should additionally keep in mind the direct positive impact from green bonds and not exclusively focus on the carbon intensity of the underlying bond company:

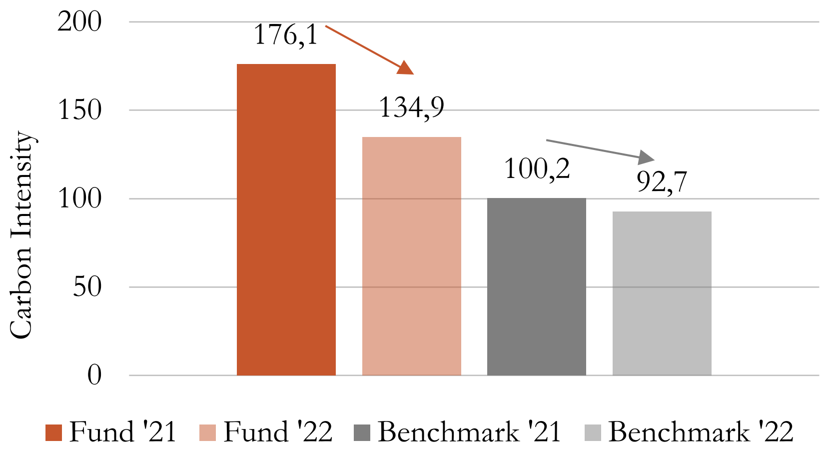
- **Utilities:** Orsted is a Danish utility company that focusses on renewable energy generation (especially offshore wind). The company rapidly transitioned from coal to primarily wind energy over the past decade. Nevertheless, a small share of the energy is still generated from one remaining coal-fired plant, and additionally Orsted generates some energy from sustainable biomass - a more sustainable but still carbon-emitting technology. Both aspects contribute to a relatively high carbon footprint despite the clear focus on clean energy. Orsted plans to phase-out the last remaining coal-plant by 2023 and to achieve carbon neutral operations and energy transition by 2025. In order to finance this ongoing transition, Orsted for example issues green bonds that directly finance the expansion of the wind energy capacity and will contribute to substantial CO_2 savings going forward.
- **Real Estate:** The real estate sector is highly energy-intensive and therefore is a major contributor to overall global CO_2 emissions. CTP is a European

[38] Please note that the share of green, social and sustainability bonds is only based on portfolio holdings that are relevant for the carbon intensity calculation (for example excluding sovereign bonds) and consequently does not necessarily match with the share of green, social and sustainability bonds for the total fund, as presented on page 22.

real estate company that focusses on logistic real estate. In order to minimize the environmental impact and carbon emissions of the owned and managed properties, CTP established a sustainability strategy with the goal the establish a net-zero footprint for its Scope 1,2 & 3 by the end of 2025. In order to achieve this goal, the company issued green bonds that finance for example the construction (or improvement) of energy-efficient buildings, installation of smart metering or the construction of on-site renewable energy generation capacity, which will eventually reduce the energy demand and the CO_2 intensity of the energy usage.

Lastly, we report on the change in the portfolio's carbon intensity since the publication of the first Impact Report in 2021. The carbon intensity of the Berenberg Sustainable Euro Bonds as well the benchmark decreased over the period. The fund's carbon intensity substantially decreased from 176.1 to 134.9, even outperforming the benchmark in terms of carbon footprint improvement (fund: -23% fund vs. benchmark: -7%). One major contributor to the lower carbon intensity of the fund was the lower weight of the utility sector, which is on average highly carbon-intensive (sector weight: 12.5% vs. 18.0%). Additionally, the carbon intensity of the invested companies decreased within most of the carbon-relevant sectors (such as Utilities or Financials incl. Real Estate) compared to the previous year and reporting, helping to improve the carbon footprint.

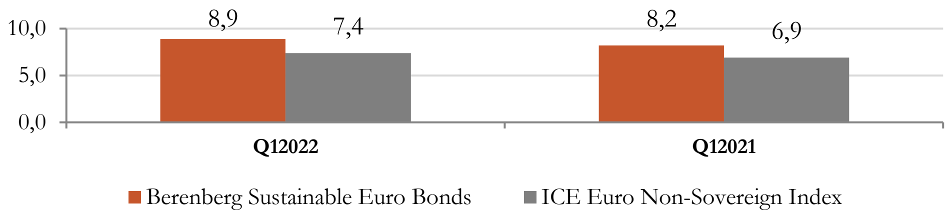
Historical Comparison of the Carbon Intensity – Fund vs. Benchmark



The CO_2 Intensity (Scope 1 & 2 emissions in tonnes per USD million of revenue) per holding is multiplied by its scaled portfolio weight (current value of the investment relative to the current portfolio value excluding sovereign issuers and issuers for which no comparable data is available) and aggregated.
Source: MSCI ESG Data, ICE
Based on holdings as of 31/03/2022 and holdings as of 31/03/2021 (i.e. the last Impact Report)

ESG Score

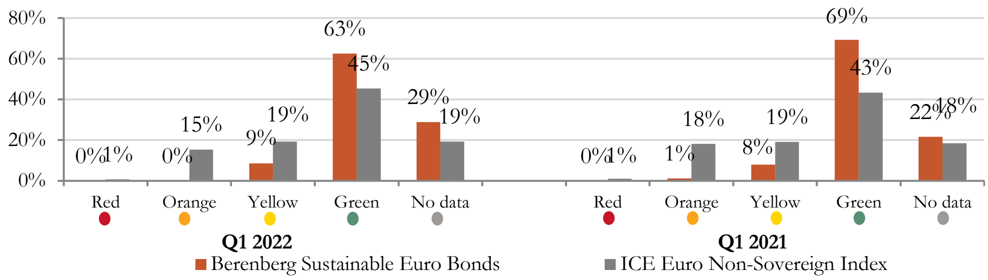
Using a score between 0 (lowest score) and 10 (highest score), MSCI ESG assesses the ability of portfolio holdings to identify and manage environmental, social and governance-related risks compared to peers.



Source: MSCI ESG, own calculations and presentation. Certain information © 2021 MSCI ESG Research LLc. Reproduced by permission. Portfolio as of 31 March 2022 and 31 March 2021.

ESG Controversies Screen

Investments in the fund are monitored for ESG controversies and, with the help of MSCI ESG data, flagged according to their severity.

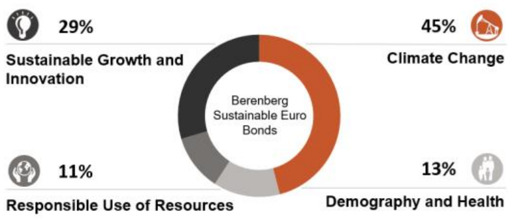


Source: MSCI ESG, own calculations and presentation. Certain information © 2021 MSCI ESG Research LLc. Reproduced by permission. Portfolio as of 31 March 2022 and 31 March 2021

Historical Data – Q1 2021

The Four Global Challenges

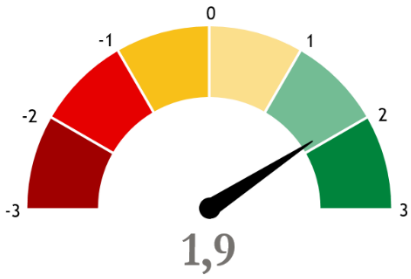
(for comparison: Q1 2022 on page 1)



Q1 2021

Berenberg Net Impact Score

(Q1 2022 on page 1)



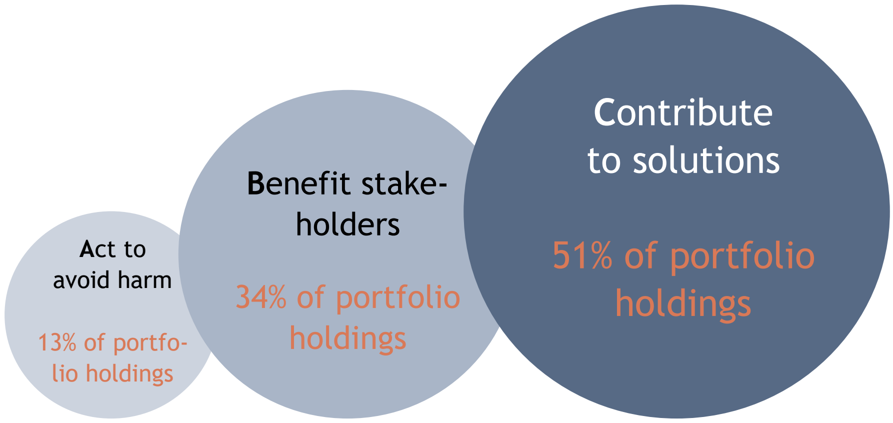
Q1 2021

Source: own calculations and presentation. Portfolio as of 31 March 2021.

The ABC Model

(Q1 2022 on page 2)

Within the classification scheme of the ABC model by the Impact Management Project (IMP)[39], we evaluate the criticality of companies' or issuers' solutions and classify them into the categories "Act to avoid harm" (A), "Benefit stakeholders" (B) and "Contribute to solutions" (C), with C being the category generating the strongest impact.

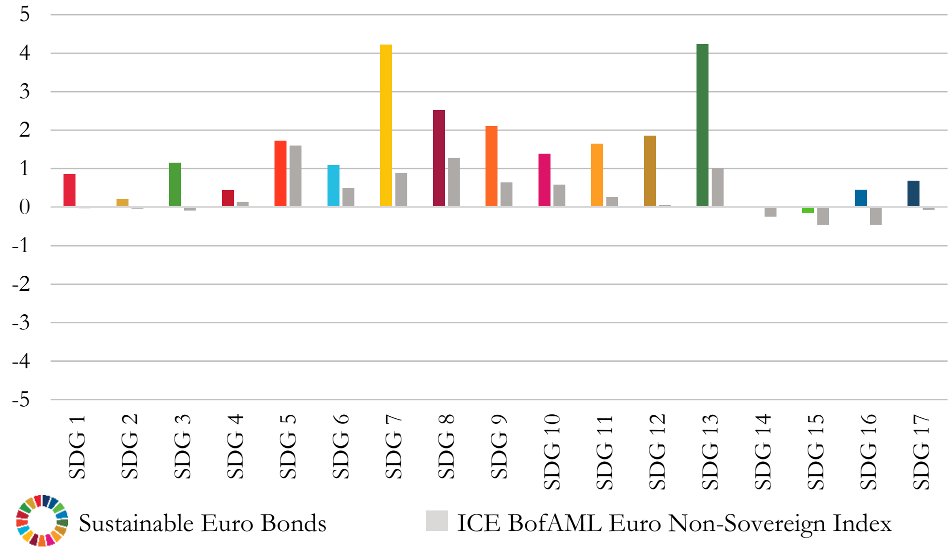


Q1 2021

Source: own calculations and presentation. Portfolio as of 31 March 2021.

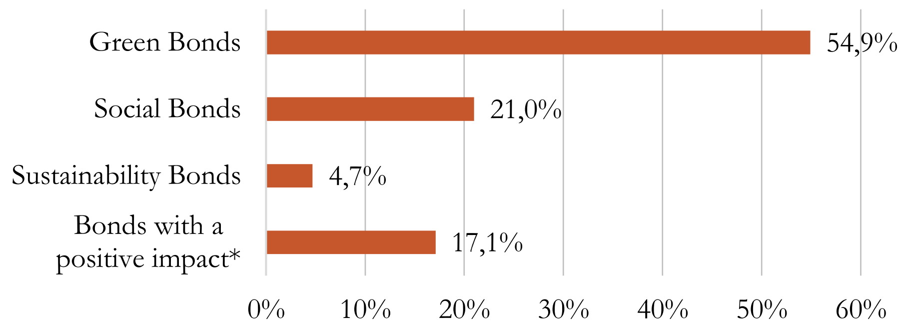
[39] See "IMP – A Guide to Classifying the Impact of an Investment", available at https://impactmanagementproject.com/impact-management/how-enterprises-manage-impact/.

SDG Net Alignment Score – MSCI ESG as of Q1 2021 *(Q1 2022 on page 21)*



Source: MSCI ESG, own calculations and presentation. Certain information © 2021 MSCI ESG Research LLc. Reproduced by permission. Benchmark: ICE BofAML Euro Non-Sovereign Index. Portfolio as of 31 March 2021.

Share of Green, Social and Sustainability Bonds in the Portfolio
(Q1 2022 on page 22)



*Bonds from issuers that have a positive impact on the environment and society through their business model and offered products and services

Q1 2021

Source: Bloomberg. Portfolio as of 31 March 2021

Progress and Outlook

Since last year's Impact Report, we have integrated an additional data provider for timely controversy monitoring into the methodology of our Net Impact Model, namely RepRisk. This data provider identifies ESG risks and controversies by daily analysing systematically on the basis of artificial intelligence and machine learning a vast quantity of sources on a daily basis. With this, we were able to enrich the database within the pillar "*Controversial Behaviour and Business Involvement*" and have, thus, further enhanced our overall approach.

We aim to constantly review our methodology to improve our Berenberg Net Impact Model, to increase its objectivity and clarity and to align it with best-practice standards. We will keep developing the Berenberg Net Impact Model, taking into account the evolving landscape of impact-related data providers and numerous impact measurement initiatives.

We also closely watch market, regulatory and academic developments in the impact measurement space. For example, we are excited to see how the EU taxonomy for sustainable activities will influence impact measurement practice and will dynamically react to upcoming best-practice standards.

Appendix

1. Methodology

Below, we detail our methodology to calculate mentioned parameters.

Chapter "Spotlights"

Four Global Challenges

The proportion of each key structural theme in the fund is calculated via the total percentage-weighted portfolio share of the companies that primarily address each key challenge.

The ABC Model

Depending on the relevant business activity, each of the fund's holdings is classified to one of the three categories "Act to avoid harm" (A), "Benefit stakeholders" (B) or "Contribute to solutions" (C). We calculate the percentage-weighted portfolio share of the companies within each category.

The Sustainable Development Goals

In a first step, we set a framework in which we assigned 10 investible SDGs to our four core global challenges. In a second step, depending on the relevant business activity, each of the fund's holdings is mapped to the SDGs of the respective specific global challenge that the holding addresses. Based on its primary contribution, each investment is assigned 1-3 goals. Portfolio weights are shown along with the respective SDGs – in the case of investments that contribute to several SDGs, the portfolio weight is allocated proportionately.

Chapter "Additional ESG and Impact related Information"

Share of Green, Social and Responsibility Bonds

Each portfolio holding is classified as a green bond, social bond, sustainability bond or 'regular' bond without any use-of-proceeds features, based on publicly available information (e.g. Bloomberg, issuer documents or Second Party Opinions). Individual bond weights are then aggregated on a portfolio level.

CO_2-Intensity

The CO_2 intensity per company (Scopes 1 and 2) is multiplied by the portfolio weight of the company (current value of the investment divided by current fund value) and summed up. This weighted average CO_2 intensity provides an indication of the portfolio's exposure to CO_2 emission-intensive companies.

The calculation of emissions data is based on indicators recommended by the G20's Task Force on Climate-related Financial Disclosures (TCFD).

2. Sustainable Development Goals (SDGs)

- SDG 1 – No Poverty
- SDG 2 – Zero Hunger
- SDG 3 – Good Health and Well-being
- SDG 4 – Quality Education
- SDG 5 – Gender Equality
- SDG 6 – Clean Water and Sanitation
- SDG 7 – Affordable and Clean Energy
- SDG 8 – Devent Work and Economic Growth
- SDG 9 – Industry, Innovation and Infrastructure
- SDG 10 – Reduced Inequality
- SDG 11 – Sustainable Cities and Communities
- SDG 12 – Responsible Consumption and Production
- SDG 13 – Climate Action
- SDG 14 – Life Below Water
- SDG 15 – Life on Land
- SDG 16 – Peace, Justice and Strong Institutions
- SDG 17 – Partnership to achieve the Goals

BERENBERG
PARTNERSHIP SINCE 1590