BERENBERG WEALTH AND ASSET MANAGEMENT

# IMPACT REPORT

# BERENBERG SUSTAINABLE MULTI ASSET DYNAMIC

August 2024

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# Contents

# Impact Spotlights[1]

## The Four Global Challenges

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

### Demography & Health

**23%** of portfolio positions address this challenge

- Each year, **37 million patients,** who, for example, suffer from heart diseases or cancer, are treated with **Boston Scientific's** products.

### Climate Change

**31%** of portfolio positions address this challenge

- **SSE** will invest **£5 billion in renewables** to cut Scope 1 carbon intensity by 80% by 2030 from 2017/2018 levels.
- **Energiekontor** developed renewable energy plants with a capacity of **over 1 GW** since its establishment.

### Sustainable Growth & Innovation

**32%** of portfolio positions address this challenge

- Over **70%** of **HDFC Bank's** home loan approvals were granted to low- and middle-income customers in India.

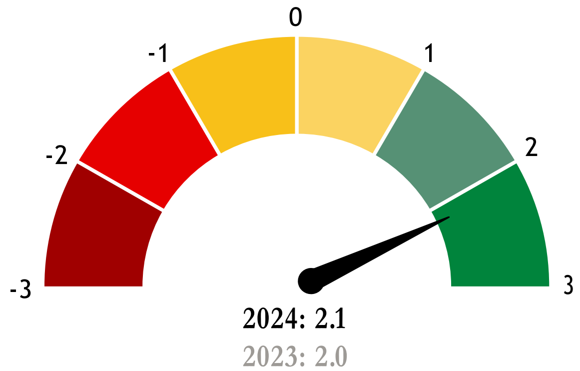
### Responsible Use of Resources

**15%** of portfolio positions address this challenge

- **Waste Connections** was able to recycle **2.3 million tons of waste**, being on track to reach their goal of recycling 50% of their collected waste until 2033.

## The Berenberg Net Impact Score[2]

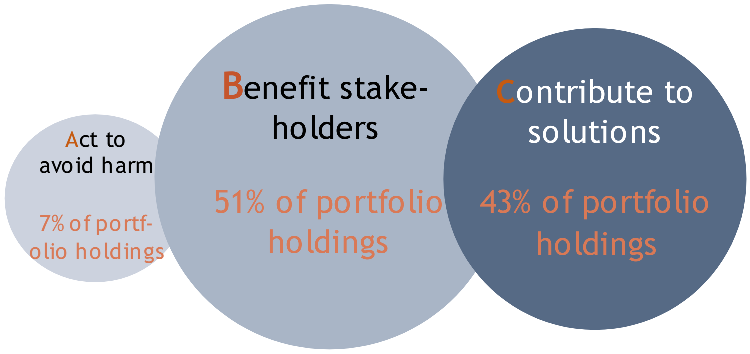
Via the Berenberg Net Impact Model application, we obtain a Net Impact Score at the portfolio level, which can range from -3 to 3. A score higher than 0 indicates a net positive impact in relation to the four defined global challenges.




[1] The Berenberg Net Impact Model is applied to the portfolio as of 31 March 2024. All graphic representations are our own.
[2] We showcase the comparison between the Net Impact Scores as of the portfolios from 31 March 2024 and 31 March 2023

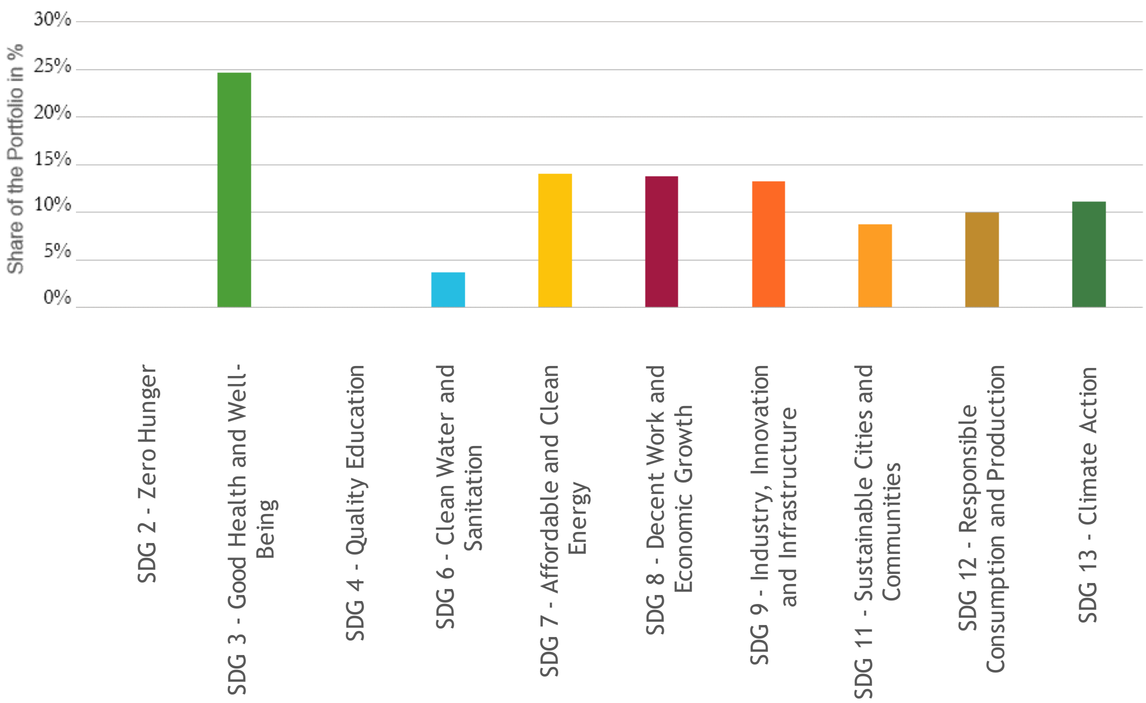
## The ABC Model

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.




[3] See "IMP – A Guide to Classifying the Impact of an Investment", available at https://impactfrontiers.org/norms/abc-of-enterprise-impact/

# Impact at Berenberg – An Introduction

At Berenberg Wealth and Asset Management (WAM), 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[4]. 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 positive selection as part of our 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 WAM product platform[5], 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.[6]

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[4] 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

[5] 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

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

## Adding a Focus on Impact: Our Approach to Positive Selection

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 through their products and services.

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 approachand 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 Sustainable Development Goals (SDGs) that are investible as well as important. Based on these findings, we developed a set of four key global challenges, which are at theheart 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 SDGs based on their contribution.

A further aspect within our impact-related framework is our 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 of the methodology in the next chapter.

This report entails information on our approach to impact as well as portfolio-related information for the Berenberg Sustainable Multi Asset Dynamic fund that was launched in 2021.

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[7] See Berenberg WAM Study "Understanding the SDGs in Sustainable Investing", available at www.berenberg.de/en/esg-publications

[8] See Berenberg WAM Study "Berenberg ESG Survey: Exploring investor sentiment", available at www.berenberg.de/en/esg-publications

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

## Navigating the Challenges of the Current Impact Landscape

Over the last years there has been an intensifying discussion around the concept of "impact investing", its definition and meaning, its standardization, its measurement as well as its effectiveness. The discussions have been fuelled, among other things, by regulatory initiatives such as the EU Sustainable Finance Disclosure Regulation (SFDR), which became effective in 2021. Although the SFDR is a disclosure regulation with the intention to increase transparency and comparability around sustainability consideration in financial products, it has, in market practice, been widely used as a label: Article 9 funds within the SFDR tend to be perceived as "dark green" or "impact products" and Article 8 funds tend to be perceived as "light green", with potential implications for fund flows.[10]

This development has led to widespread confusion and criticism regarding inhomogeneous ambition levels among funds within the same SFDR article classification. Academics and industry associations have repeatedly called for a more nuanced impact-related terminology to avoid misinterpretations[11]. We value the stakeholder discussions that can, ultimately, lead to the strengthening of impact investing.

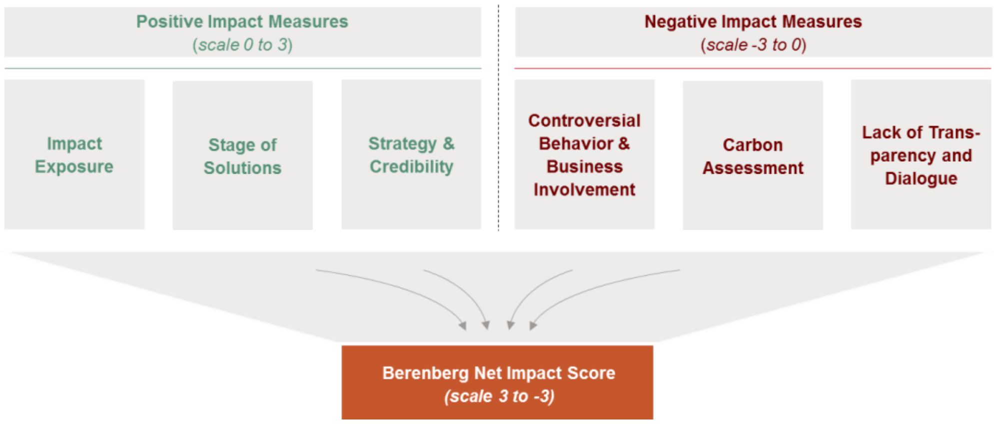
We see numerous questions. Where is the impact of impact investments actually generated? There are two ways to think about this: first, there is the impact of the investor on a company, e.g., the provision of capital and the influence exercised through active ownership activities. Second, there is the impact of the companies on society and the environment through their products and services. Usually, in public capital markets, impact refers to the second level. Once the definition of impact has been made, the next question arises: how to measure impact? Despite widespread discussions, a uniform standard is still lacking, also because impact measurement must fulfil many characteristics: impact should be considered holistically, the models should be comprehensible yet understandable, and the effort required should be in proportion to the added value offered by the information.

Albeit the lack of clarity, we want to continue to meet the challenges and contribute to the discussion with our approach, as we believe that a credible approach to impact can create substantial added value for clients. Due to ongoing and pending debates and regulatory clarifications, we chose to take a cautious approach. We believe that transparent communication on the opportunities and limits of impact investing in public capital markets is essential to avoid misleading or overpromising claims towards impact and may contribute to further developing the landscape. Within our internal categorization, we deliberately chose the classification "Impact focused", to semantically distinguish from the traditional understanding of the term impact investing, which mostly referred to investments in specific social and/or environmental projects or social enterprises with limited access to capital.

[10] See Busch (2023), "SFDR Article 9: Is It All About Impact?"
[11] See Busch et al (2022), "Classification Scheme for Sustainable Investments."

## 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, as well as future-orientated financial metrics 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)[12]. 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 sustainability-related commitments and targets as well as achieved

[12] See "IMP – A Guide to Classifying the Impact of an Investment", available at https://impactfrontiers.org/norms/abc-of-enterprise-impact/

performance that underlines 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 capture aspects on the product level as well as the company's operational level. Here, we seek to quantify the negative externalities generated by 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 frameworks of two of our external ESG data providers, which are complemented with our own research as well as potential adjustments in case of 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 sets a threshold for maximum carbon intensity, 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.

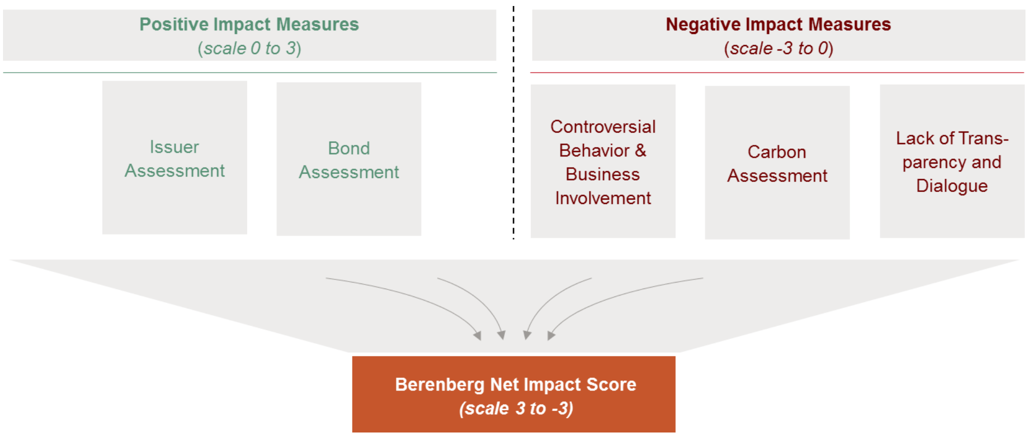
Within the fixed income segment, certain adjustments to the Berenberg Net Impact Model presented above are required to capture the characteristics of fixed income investments fully and correctly. For this purpose, we differentiate between:

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[13]. 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

[13] 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 providers. 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 life-long 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.[14] 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.[15] 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.[16]

## 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[17] [18] addressing the challenge:**

| | | | |
|---|---|---|---|
| Allianz | Alcon | AstraZeneca | Boston Scientific |
| Chemometec | Danaher | LBBW (S) | Lonza |
| Merck KGaA | Novartis | Novo Nordisk | Royalty Pharma |
| Siemens Healthineers | Straumann | Thermo Fisher | |

[14] https://www.who.int/news-room/fact-sheets/detail/ageing-and-health
[15] https://ourworldindata.org/causes-of-death
[16] https://www.un.org/sustainabledevelopment/hunger/
[17] As of 31 March 2024
[18] Supplements behind portfolio positions: (G) = Green Bond, (S) = Social Bond, (ST) = Sustainability Bond

## A Case Study – Boston Scientific

**Company Overview**

Boston Scientific Corp. is a global leader in the development, production, and marketing of innovative medical solutions. The company is active in the fields of endoscopy, interventional cardiology, neuromodulation, peripheral intervention, rhythm management, urology, and pelvic health, among others. [19]

**Positive Impact**

One of the company's goals is to improve health equity and raise access to care in underrepresented communities. To that end, the company has created access opportunities, such as the Children's HeartLink Center of Excellence Collaborative, that enables knowledge sharing among paediatric heart specialists from hospitals in developing countries such as Brazil, India, and Malaysia. Boston Scientific has served over 37 million patients, invested $1.4 billion annually in R&D, and launched approximately 90 new products. The company also had 63 active clinical trials in 2023, enrolling 23,000 patients globally.

**Potentially Adverse Impact**

To reduce packaging, over 170 tons have already been removed from the waste stream and over 1,000 tons of recycled content has been used in packaging. Boston Scientific is transparent in reporting its sustainability goals. There are moderate controversies in the area of product safety and quality, as well as in the area of anti- competitive behaviour. We regularly review these risks and act if changes occur. In addition, Boston Scientific actively contributes to climate protection with its Global Energy Management System. This has not only reduced $CO_2$ emissions by almost half between 2018 and 2022, but also increased the proportion of electricity from renewable energy sources to 76% for all production and key distribution sites at the same time. While the 100% target has already been achieved ahead of schedule in Europe and the US, Boston Scientific is on track to implement the target globally by 2024.

**Summary**

| | | |
|---|---|---|
| Berenberg Net Impact Score | 2.4 | |
| Sustainable Development Goals | 3 | 3 GOOD HEALTH AND WELL-BEING |
| ABC Classification | C | |

[19] https://investors.bostonscientific.com/

# 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.

Annual greenhouse gas (GHG) emissions are now more than 50% higher than in 1990. The third part of the report by the Intergovernmental Panel on Climate Change (IPCC) published in 2022 shows that global emissions can only increase until 2025 to limit global warming to 1.5°C. The risks arising from climate change become even greater and potentially uncontrollable beyond the 1.5°C mark.[20] 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.[21]

## 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.

**Our portfolio positions[22] [23] addressing the challenge:**

| | | | |
|---|---|---|---|
| Alliander (G) | Amprion (G) | Assicurazioni Generali (G) | Banco Sabadell (G) |
| Credit Agricole (G) | CTP (G) | EIB (G) | Energiekontor |
| ERG (G) | Fugro | Grenergy Renovables | Johnson Controls |
| Nord LB (G) | Ontario Teachers FinanceTrust (G) | Quanta Services | Schneider Electric |
| SiteOne Landscape | SSE | | |

[20] https://www.ipcc.ch/report/ar6/wg3/
[20] https://ourworldindata.org/greenhouse-gas-emissions
[22] As of 31 March 2024
[23] 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 focused 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 FY21) across Italy and Europe.[24]

**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. 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.[25] 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 $CO_2$e.

**Potentially Adverse Impact**

ERG comprehensively reports on its sustainability metrics and doesn't face any material controversies. ERG has been 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 divest its natural gas business and, through its ambitious business and sustainability strategy, plays an essential role in increasing Europe's clean energy capacity.

**Summary**

| | | |
|---|---|---|
| **Berenberg Net Impact Score** | **2.2** | |
| **Sustainable Development Goals** | **7 & 13** | |
| **ABC Classification** | **C** | |

[24] www.erg.eu
[25] 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[26] [27] addressing the challenge:**

| | | | |
|---|---|---|---|
| Andritz | ASML | BE Semiconductor | Bechtle |
| Bureau Veritas | Caja Rural de Navarra (ST) | Canadian Pacific Railway | Cassa Depositi (S) |
| Chile (G) | Comunidad Autonoma Madrid (G) | Hamburger Hochbahn (G) | HDFC |
| Intercontinental Exchange | Korea Housing (S) | London Stock Exchange | Mastercard |
| Mercadolibre | Microsoft | Motorola Solutions | Nederlandse Watersch. |
| Quanta Services | ServiceNow | | |

[26] As of 31 March 2024

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

## A Case Study – HDFC Bank

**Company Overview**

HDFC Bank is the largest private sector bank in India as measured by balance sheet and offers a comprehensive range of financial products and services to a diverse customer base. HDFC has c120,000 employees and operates in approx. 2,900 cities and towns.

**Positive Impact**

Rising income in India is driving the demand for financial services across income brackets and, as such, financial inclusion is crucial for India's sustained economic growth. As the nation's largest private bank and with its focus on rural and semi-urban areas, HDFC is offering financial services to the under-banked population of the country. 75% of HDFC clients come from the low and middle-income segments, whereas 48% of housing loans were first-time home buyers.

Through dedicated programs, HDFC facilitates livelihood enhancement opportunities, particularly for women and youth, primarily in agriculture and allied areas such as dairy and poultry. The objective is to foster formal and local jobs, enhance household income and discourage migration.

**Potentially Adverse Impact**

HDFC operates in a business, where a lack of responsible lending can lead to adverse impacts. To mitigate these risks, HDFC has dedicated policies and systems in place to address client protection. These focus, among other things, on transparency, financial literacy of customers, prevention of over-indebtedness and data privacy. Further, HDFC has an exclusion policy with regards to controversial and harmful business activities. HDFC faces some controversies relating to Governance standards, that are currently assessed as moderate but are being monitored.

**Summary**

| | | |
|---|---|---|
| **Berenberg Net Impact Score** | **1.9** | |
| **Sustainable Development Goals** | **8 & 9** | 8 DECENT WORK AND ECONOMIC GROWTH; 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE |
| **ABC Classification** | **B** | |

# Responsible Use of Resources

## The Challenge of 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.[28]

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.[29] Globally, c367m tons of plastics were produced in 2020[30], but only 9% of the plastics manufactured between 1950 and 2015 was recycled.[31]

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[32] [33] addressing the challenge:**

| | | | |
|---|---|---|---|
| Acea | Alphabet | AutoStore | FCC Servicios Medio Ambiente |
| Japan Finance | Landesbankinn | Linde | Sandvik |
| Veolia | Waste Connections | Xylem | |

[28] https://www.iisd.org/articles/sustainable-use-natural-resources-governance-challenge
[29] https://ourworldindata.org/water-use-stress
[30] https://www.statista.com/topics/5401/global-plastic-waste/
[31] https://www.oecd.org/environment/plastics/
[32] As of 31 March 2024
[33] Supplements behind portfolio positions: (G) = Green Bond, (S) = Social Bond, (ST) = Sustainability Bond

## A Case Study – Acea

**Company Overview**

Acea S.p.A. is an Italian utility company founded in 1909 and operating in the water, electricity, natural gas, and waste management sectors.

**Positive Impact**

The efficient use of natural resources is essential in the fight against climate change, environmental degradation, and biodiversity loss. With the commitment to achieve the goals related to the ecological transition, Acea is actively contributing to the development of a smart city. Specific plans such as increasing the resilience and digitalization of electricity and water networks or improving energy sources and water resources and investing in a circular economy are just a few examples. Furthermore, the company plans the expansion of the renewable energy portfolio, especially photovoltaic plants by more than 750 MW by the end of 2040, and more than 2,200 charging stations for the expansion of electromobility. In the area of waste management, the company aims to position itself as an important waste recycler, with a focus on resource-efficient handling in the recycling of paper and plastics. Innovative composting system for on-site management of organic waste should eliminate the need for waste transportation.

**Potentially Adverse Impact**

In order to minimize CO2 emissions from waste, Acea S.p.A. actively pursues projects to offset emissions, including efficient biodegradation processes and recycling of organic waste without transport to other locations. There are moderate risks in the area of anti-competitive behavior. These are regularly monitored by us. Apart from this, Acea S.p.A. does not face any material controversies. The company regularly reports extensively on its sustainability objectives.

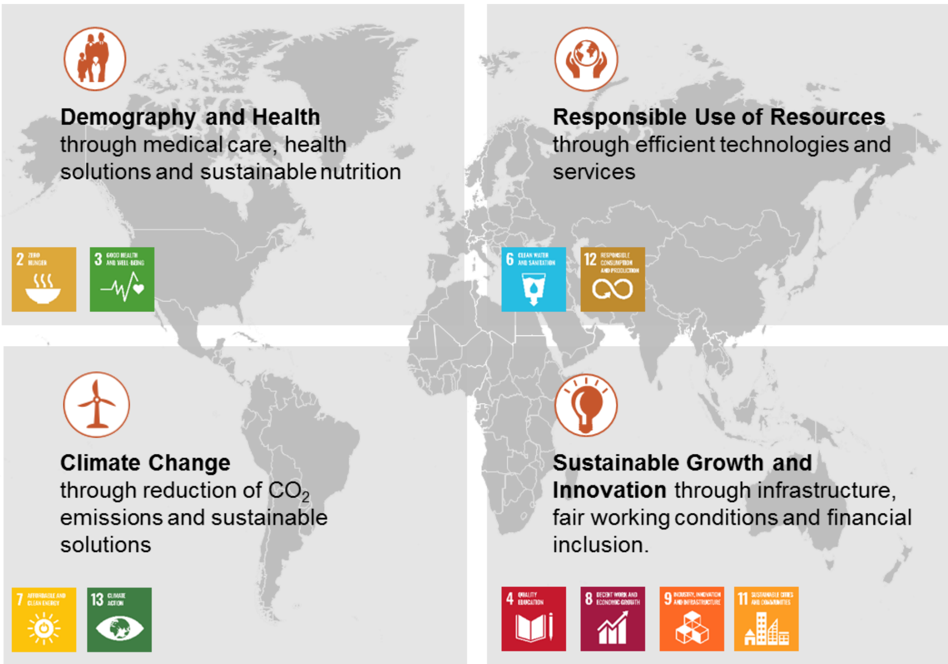
**Summary**

| | | |
|---|---|---|
| Berenberg Net Impact Score | 2.2 | |
| Sustainable Development Goals | 6 & 12 | 6 SAUBERES WASSER UND SANITÄRVERSORGUNG; 12 RESPONSIBLE CONSUMPTION AND PRODUCTION |
| ABC Classification | B | |

## The Sustainable Development Goals (SDGs)

Confirmed by the findings of our survey from 2018[34] and its updates from 2021[35] and 2022[36], 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.

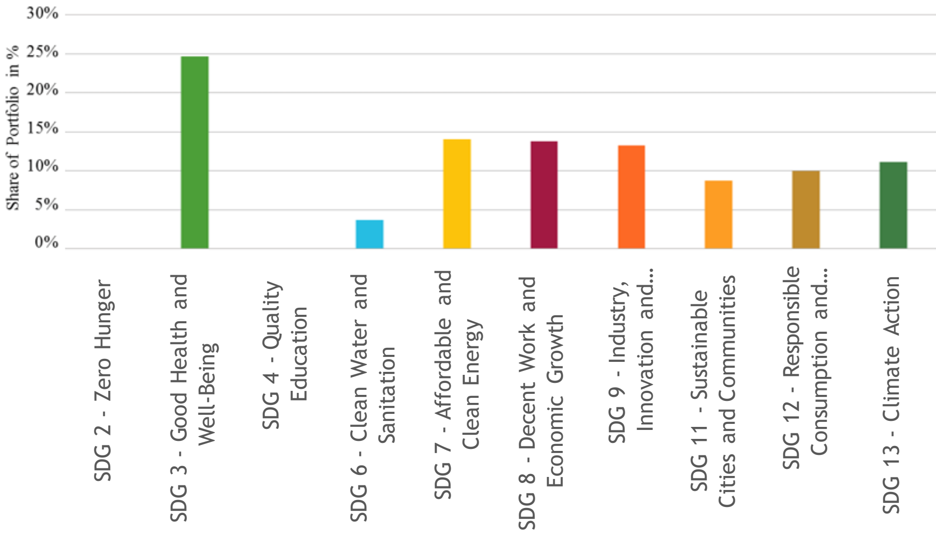
An additional part of our impact framework is the mapping of our portfolio holdings with respect to their contribution to some of the SDGs. As a first step, we assigned 10 investible SDGs to our four core global challenges, as per the graphic below.[37]




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:

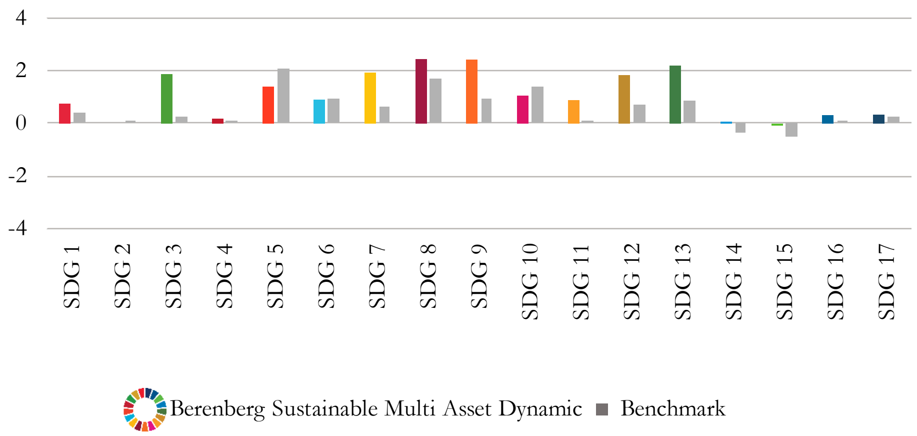
[34] See Berenberg WAM Study "Understanding the SDGs in Sustainable Investing", available at www.berenberg.de/en/esg-publications.
[35] See Berenberg WAM Study "Berenberg ESG Survey: Exploring investor sentiment", available at www.berenberg.de/en/esg-publications.
[36] See Berenberg WAM Study "Berenberg ESG Survey: SDG and Climate Investing – Exploring Investor Sentiment", available at www.berenberg.de/en/esg-publications.
[37] An overview of all SDGs can be found in the appendix.




The portfolio holdings mapped to the SDGs as per 31 March 2024
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. We use SDG Net Alignment Scoring data from the external data provider MSCI ESG and combine this with our own Net Impact Score data for both, the fund as well as the benchmark. For constituents within the benchmark that are not covered by our internal analysis, we only use data from the external provider. All constituents within our fund, on the other hand, are part of our internal analysis and are hence analysed with both methodologies.

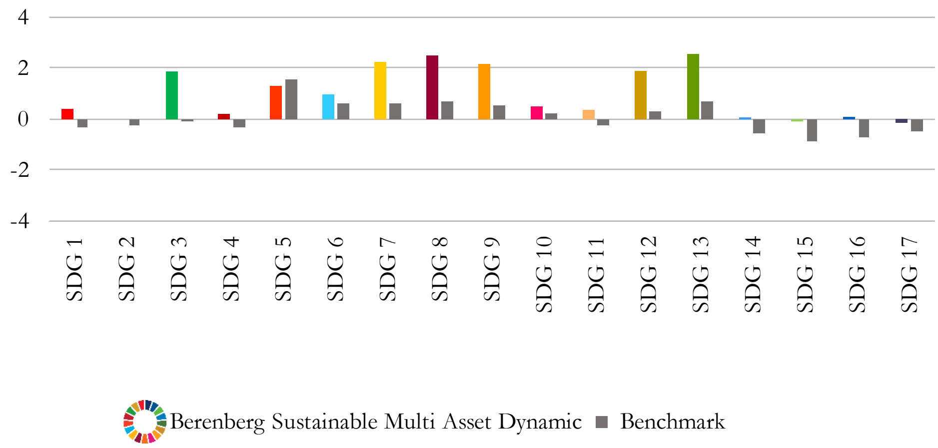
The graph shows the fund's relative positive SDG net alignment compared to that of the respective benchmark. It is important to note that the two methodologies, namely our own as well as the external data providers', are not identical and we do not have full visibility on the full set of raw data of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




**Q1 2024**

**MSCI Net Alignment of SDG Scores compared to benchmark as per 31 March 2024**

Source: MSCI ESG, own calculations and presentation. Certain information © 2024 MSCI ESG Research LLC. Reproduced by permission. Benchmark: 32,5% Stoxx Europe 50 net Return und 32,5% S&P500 net TR (equities). 15% iBOXX Euro Eurozone Sovereigns 1-10 years Total Return and 15% iBOXX Euro Corporates Overall Index (incl. financials) TR Index (bonds). 5% EURIBOR (liquidity).




**Q1 2023**

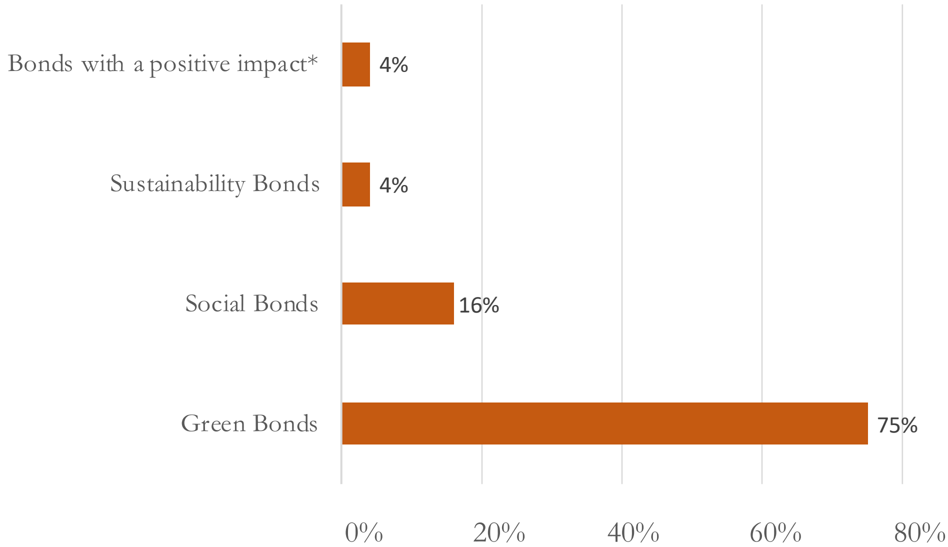
**MSCI Net Alignment of SDG Scores compared to benchmark as per 31 March 2023**

Source: MSCI ESG, own calculations and presentation. Certain information © 2023 MSCI ESG Research LLC. Reproduced by permission. Benchmark: 32,5% Stoxx Europe 50 net Return und 32,5% S&P500 net TR (equities). 15% iBOXX Euro Eurozone Sovereigns 1-10 years Total Return and 15% iBOXX Euro Corporates Overall Index (incl. financials) TR Index (bonds). 5% EURIBOR (liquidity).

# Additional ESG and Impact-related Information

## Use of Green, Social and Sustainability Bonds

**Share of Green, Social and Sustainability Bonds in the Portfolio**



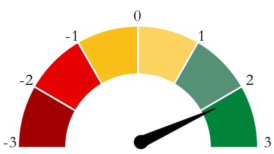

* Bonds from issuers that have a positive impact on the environment and society through their business model and offered products and services

Source: Bloomberg, based on holdings as of 31 March 2024

## Average Net Impact Score per Global Challenge

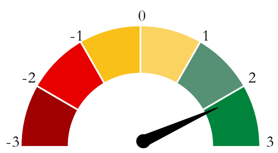
Additional to the portfolio level as shown within our “Spotlights” section, we measure and showcase the average Berenberg Net Impact Score per global challenge.

**Demography & Health**



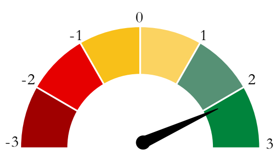

2.1

**Responsible Use of Resources**

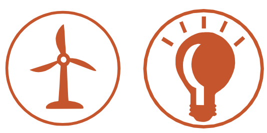



2.1

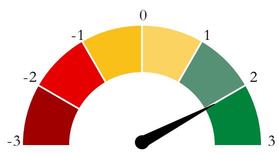
**Climate Change**




2.1



**Sustainable Growth & Innovation**

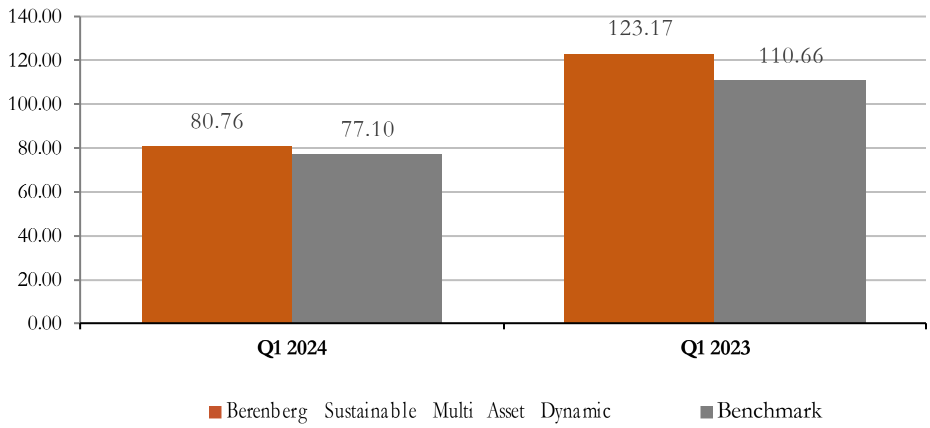



2.0

## $CO_2$ Intensity

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. Emissions data such as $CO_2$ intensity are relevant parameters which can be used to assess the efficient management of a company and the extent of transition risks. We compare this with the regular benchmark.

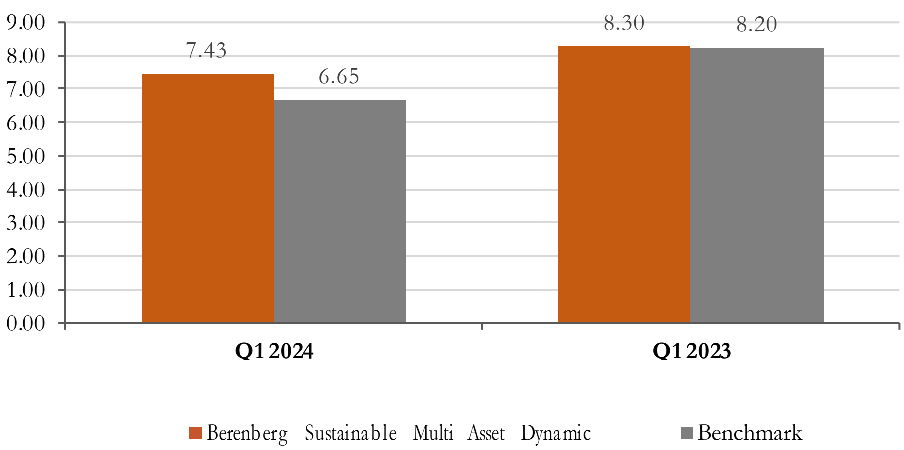
*Weighted average CO2 intensity - in tons of CO2 per USD 1 million revenues*




Source: MSCI ESG, own calculations and presentation. Certain information © 2024 MSCI ESG Research LLC. Reproduced by permission. Portfolio as of 31 March 2024 and 31 March 2023. Benchmark: 32,5% Stoxx Europe 50 net Return und 32,5% S&P500 net TR (Equities). 15% iBOXX Euro Eurozone Sovereigns 1-10 Years Total Return and 15% iBOXX Euro Corporates Overall Index (incl. Financials) TR Index (Bonds). 5% EURIBOR (Liquidity).

## ESG Score

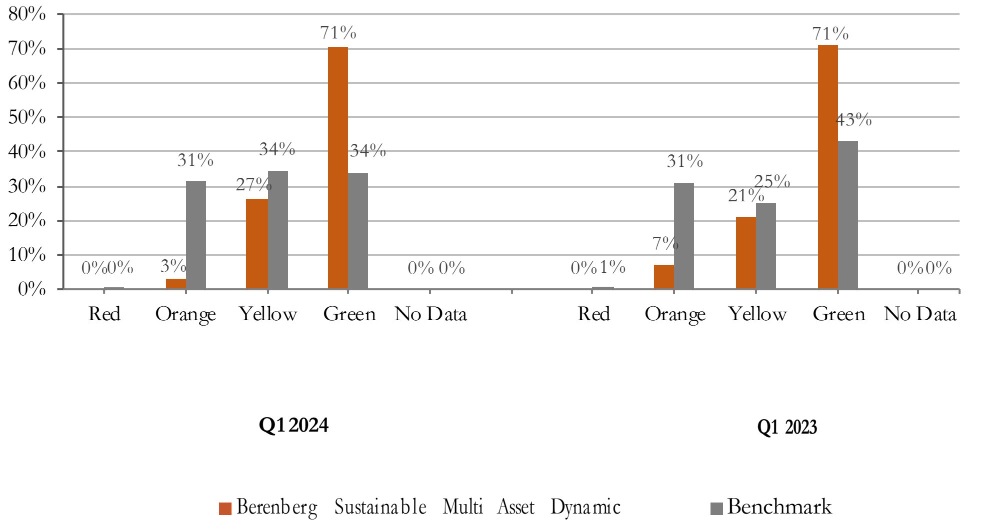
Using a score between 0 (lowest score) and 10 (highest score), MSCI ESG assesses the ability of portfolio holdings to identify and manage environmental, social, and governance-related risks compared to peers.




Source: MSCI ESG, own calculations and presentation. Certain information © 2024 MSCI ESG Research LLC. Reproduced by permission. Portfolio as of 31 March 2024 and 31 March 2023. Benchmark: 32,5% Stoxx Europe 50 net Return und 32,5% S&P500 net TR (Equities). 15% iBOXX Euro Eurozone Sovereigns 1-10 Years Total Return and 15% iBOXX Euro Corporates Overall Index (incl. Financials) TR Index (Bonds). 5% EURIBOR (Liquidity).

## ESG Controversies Screen

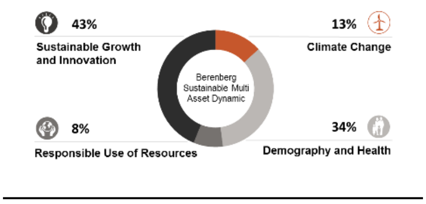
Investments in the fund are monitored for ESG controversies and, with the help of MSCI ESG data, flagged according to their severity.



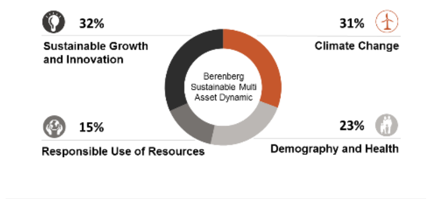

Source: MSCI ESG, own calculations and presentation. Certain information © 2024 MSCI ESG Research LLC. Reproduced by permission. Portfolio as of 31 March 2024 and 31 March 2023. Benchmark: 32,5% Stoxx Europe 50 net Return und 32,5% S&P500 net TR (Equities). 15% iBOXX Euro Eurozone Sovereigns 1-10 Years Total Return and 15% iBOXX Euro Corporates Overall Index (incl. Financials) TR Index (Bonds). 5% EURIBOR (Liquidity).

## The Four Global Challenges

As presented earlier in the report, every portfolio position contributes to the solution of one of the four defined global challenges within our impact framework. Here we present the share of investments within the challenges over time.




Q1 2023




Q1 2024

Source: Berenberg.

## Top Five Holdings

For the top five holdings by weight, we report sustainability-related indicators.

| Company | Weight | Controversy Flag | Net Impact Score | SDG |
|---|---|---|---|---|
| Microsoft | 3.8% | Yellow | 1.5 | SDG 8, SDG 9 |
| Novo Nordisk | 3.1% | Yellow | 1.9 | SDG 3 |
| ASML | 2.6% | Green | 2.8 | SDG 8, SDG 9 |
| ServiceNow Inc | 2.4% | Green | 2.6 | SDG 8, SDG 9 |
| Thermo Fisher | 2.3% | Yellow | 2.3 | SDG 3 |

Portfolio as of 31 March 2024.

## Progress and Outlook

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 show the share of the portfolio holdings 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.

### ESG Controversies Screen

MSCI ESG analyses controversial business practices in the five areas Environment, Human rights, Labour rights and Supply chain, Customers as well as Governance. The controversies are rated according to their reputational risk as well as the operational handling by a flagging system. Green indicates no or weak controversies, yellow indicates moderate controversies, orange indicates severe controversies and red indicates very severe controversies. We show the share of the portfolio holdings within each controversy flag. This is compared to the benchmark.

**$CO_2$ 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).

**ESG Score**

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

## 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 – Decent 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.

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