



BERENBERG

**Pre-contractual disclosure for the financial products referred to in Article 8, paragraphs 1, 2 and 2a, of Regulation (EU) 2019/2088 and Article 6, first paragraph, of Regulation (EU) 2020/852**

**Product name:**  
Berenberg Equity Income

**Legal entity identifier:**  
529900UC2OD7II24Z667

**Sustainable investment** means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

The **EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/852, establishing a list of **environmentally sustainable economic activities**. That Regulation does not include a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.

## Environmental and/or social characteristics

### Does this financial product have a sustainable investment objective?

☒ ☒ ☐ **Yes**

☒ ☐ ☒ **No**

☐ It will make a minimum of **sustainable investments with an environmental objective**: \_\_\_\_%

☐ in economic activities that qualify as environmentally sustainable under the EU Taxonomy

☐ in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy

☐ It will make a minimum of **sustainable investments with a social objective**: \_\_\_\_%

☐ It **promotes Environmental/Social (E/S) characteristics** and while it does not have as its objective a sustainable investment, it will have a minimum proportion of \_\_\_\_% of sustainable investments

☐ with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy

☐ with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy

☐ with a social objective

☒ It promotes E/S characteristics, but **will not make any sustainable investments**



## What environmental and/or social characteristics are promoted by this financial product?

This asset management strategy promotes environmental and social characteristics within the meaning of Article 8 of the Sustainable Finance Disclosure Regulation.

Environmental and social characteristics are taken into consideration when making investment decisions, including for example climate change and pollution in the area of environmental, as well as working conditions, health and safety in the area of social. In addition, aspects in the area of corporate governance are taken into account.

The asset management strategy does not currently use an index as a benchmark to determine whether the strategy is aligned with the advertised environmental and/or social characteristics.

**Sustainability indicators** measure how the environmental or social characteristics promoted by the financial product are attained.

### ● ***What sustainability indicators are used to measure the attainment of each of the environmental or social characteristics promoted by this financial product?***

As part of the ESG exclusion process, we determine whether investments associated with certain products or activities should be made. The ESG exclusion criteria defined on this basis and subsequently applied are described below. These criteria apply until further notice. They are subject to regular review and, if necessary, adjustment by us. We will inform you of any adjustments as part of the reporting.

The asset management strategy applies activity-based exclusions. This excludes companies with the following activities from investment:

| Exclusion of                  | Part of the value chain                                    | Revenue threshold |
|-------------------------------|------------------------------------------------------------|-------------------|
| Controversial weapons         | upstream activities, production, and downstream activities | > 0%              |
| Thermal coal                  | production                                                 | > 30%             |
| Thermal coal power generation | production                                                 | > 30%             |
| Tobacco products              | production                                                 | > 5%              |

The asset management strategy also applies standards-based screening in relation to international frameworks such as the "UN Global Compact Principles", "OECD Guidelines for Multinational Enterprises" and "International Labor Organization (ILO) Standards" based on MSCI ESG Research's ESG Controversies methodology. On this basis, companies directly involved in ongoing very severe ESG controversies are identified. These are generally excluded from investment.

In the event of direct involvement in severe ESG controversies, the portfolio management engages directly with the company in order to analyse the controversy and to make a final investment decision on this basis.

**Principal adverse impacts** are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

- ***What are the objectives of the sustainable investments that the financial product partially intends to make and how does the sustainable investment contribute to such objectives?***

Not applicable.

- ***How do the sustainable investments that the financial product partially intends to make, not cause significant harm to any environmental or social sustainable investment objective?***

Not applicable.

- *How have the indicators for adverse impacts on sustainability factors been taken into account?*

Not applicable.

- *How are the sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights?*

Not applicable.

*The EU Taxonomy sets out a “do not significant harm” principle by which Taxonomy-aligned investments should not significantly harm EU Taxonomy objectives and is accompanied by specific EU criteria.*

The “do no significant harm” principle applies only to those investments underlying the financial product that take into account the EU criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of this financial product do not take into account the EU criteria for environmentally sustainable economic activities.

*Any other sustainable investments must also not significantly harm any environmental or social objectives.*



**Does this financial product consider principal adverse impacts on sustainability factors?**



Yes

The asset management strategy takes into account Principal Adverse Impacts (PAIs) through binding elements of its investment strategy. More specifically, PAIs are taken into account in a binding way through activity-based exclusions, which are based on company revenues, and norm-based exclusions.

The PAI indicators considered in the investment strategy are as follows (table information and numbering follows Annex I of Commission Delegated Regulation (EU) 2022/1288 of 6 April 2022 in consolidated version of 20 February 2023):

- Indicator 4 (Table 1) "Exposure to companies active in the fossil fuel sector ", by:

Revenue-based exclusion criteria for companies involved in the fossil fuel sector.

- Indicators 7 (Table 1) "Activities negatively affecting biodiversity-sensitive areas" and 10 (Table 2). "Land degradation, desertification, soil sealing", by:

Exclusion criterion for companies directly involved in ongoing very severe ESG controversies including in the area of biodiversity and land use.

- Indicators 8 (Table 1) "Emissions to water" and 9 (Table 1). "Hazardous waste and radioactive waste ratio", by:

Exclusion criterion for companies directly involved in ongoing very severe ESG controversies including in the area of toxic emissions and waste.

- Indicators 10 (Table 1) "Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises " and 11 (Table 1) "Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises" by:

Exclusion criteria for companies with serious violations of the UN Global Compact Principles, the OECD Guidelines for Multinational Enterprises, and other international standards and frameworks.

- Indicator 14 (Table 1) "Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)" by:

Exclusion criterion for companies involved in production and/or distribution of controversial weapons (incl. anti-personnel mines, cluster munitions, chemical and biological weapons).

Information on PAI is available in the regular Asset Management Strategy Report.



No



**The investment strategy** guides investment decisions based on factors such as investment objectives and risk tolerance.

## What investment strategy does this financial product follow?

The asset management strategy aims to achieve long-term value growth with due regard to socially and environmentally responsible investment criteria. Investments are made in securities that comply with the applied ESG exclusion criteria. Furthermore, ESG factors are integrated into investment decisions in order to ensure efficient risk management and to generate a sustainable, long-term return.

As part of the ESG exclusion process, investments which are associated with certain products or activities are excluded.

ESG risks and opportunities are considered when making investment decisions and throughout the holding period. ESG analyses are performed as part of the portfolio review process:

- Monitoring of each individual stock with respect to various ESG issues including ESG controversies and business involvement,
- Regular critical-constructive dialogue with the company's management team,
- Early identification of issues that could raise ethical questions and potential risks, as well as trends and opportunities arising from ESG issues.

Qualitative and quantitative ESG data, from both bottom-up and top-down perspectives, are combined. This data can be retrieved from the following sources:

- Regular active engagement and detailed exchange with company management.
- Company publications (e.g. sustainability reports) and independently commissioned studies
- Expert opinions from industry experts as well as assessments of media reports and other publicly accessible sources
- Research from external data providers, including ESG reports on companies, overviews and assessments of controversies, Business Involvement Screenings, and others.

Using a combination of internal ESG analyses as well as external data, qualitative and quantitative assessments are created based on the sources described above, leading to an investment decision. Relevant ESG issues are openly discussed or monitored within the investment team and in dialogue with the ESG Office.

Another part of the ESG integration and analysis is our work in the area of active ownership; whereby, we – as investors – attempt to exert a positive influence on companies in regards to their handling of ESG aspects. This includes, among other things, so-called engagement i.e., direct dialogue with companies on specific ESG aspects. Existent and/or potential ESG controversies and other ESG-relevant aspects are addressed in a structured engagement process. Based on this engagement, the portfolio management can determine whether a company/issuer acknowledges existent and/or potential problems and whether it is developing strategies both to solve these and to identify opportunities related to ESG/sustainability.

## ● **What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?**

The sustainability indicators described above to measure the achievement of the asset management strategy's environmental and/or social characteristics are the mandatory elements of the asset management strategy's investment strategy.

- ***What is the committed minimum rate to reduce the scope of the investments considered prior to the application of that investment strategy?***

Not applicable.

**Good governance** practices include sound management structures, employee relations, remuneration of staff and tax compliance.

- ***What is the policy to assess good governance practices of the investee companies?***

Good corporate governance practices of the companies invested in will be assessed based on the following elements of the investment strategy:

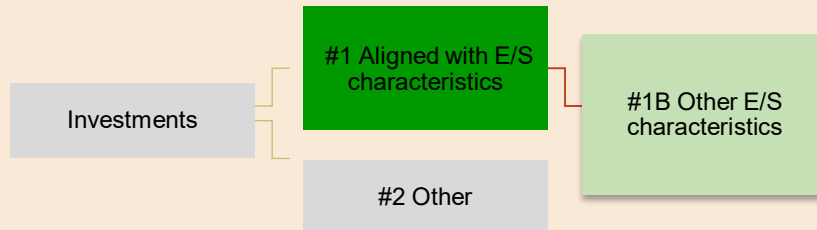
- Application of norm-based ESG exclusion criteria and monitoring of ESG controversies with the exclusion of companies directly involved in ongoing very severe ESG controversies, including on governance practices and compliance with international norms.
- Engagement with portfolio companies directly involved in severe ESG controversies,
- ESG analysis based on internal research, exchanges with the companies, and data from external ESG data providers, covering, among others, governance practices.



**Asset allocation** describes the share of investments in specific assets.

## What is the asset allocation planned for this financial product?

The asset allocation of the asset management strategy and thus the respective possible share of investments in specific assets can be found in the Investment Guidelines. The asset management strategy allocates to investments in category **#1 Aligned with E/S characteristics** as well as investments in category **#2 Other**. Investments in category **#1 Aligned with E/S characteristics** include investments in sub-category **#1B Other E/S characteristics**.



**#1 Aligned with E/S characteristics** includes the investments of the financial product used to attain the environmental or social characteristics promoted by the financial product.

**#2 Other** includes the remaining investments of the financial product which are neither aligned with the environmental or social characteristics, nor are qualified as sustainable investments.

The category **#1 Aligned with E/S characteristics** covers:

- The sub-category **#1B Other E/S characteristics** covers investments aligned with the environmental or social characteristics that do not qualify as sustainable investments.

Taxonomy-aligned activities are expressed as a share of:

- **turnover** reflecting the share of revenue from green activities of investee companies
- **capital expenditure** (CapEx) showing the green investments made by investee companies, e.g. for a transition to a green economy.
- **operational expenditure** (OpEx) reflecting green operational activities of investee companies.

## ● **How does the use of derivatives attain the environmental or social characteristics promoted by the financial product?**

If derivatives or certificates are used and the underlying asset meets the binding elements of the investment strategy, these can contribute to attaining the environmental or social characteristics promoted by the financial product.

To comply with the EU Taxonomy, the criteria for **fossil gas** include limitations on emissions and switching to renewable power or low-carbon fuels by the end of 2035. For **nuclear energy**, the criteria include comprehensive safety and waste management rules.

**Enabling activities** directly enable other activities to make a substantial contribution to an environmental objective.

**Transitional activities are** activities for which low-carbon alternatives are not yet available and among others have greenhouse gas emission levels corresponding to the best performance.



## To what minimum extent are sustainable investments with an environmental objective aligned with the EU Taxonomy?

The asset management strategy promotes environmental and/or social characteristics, but does not target sustainable investments and therefore does not take into account the criteria of Article 2 (17) of the Sustainable Finance Disclosure Regulation (SFDR) or the EU Taxonomy.

The minimum level of sustainable investment with an environmental objective as defined by the EU Taxonomy is 0%.

### Does the financial product invest in fossil gas and/or nuclear energy related activities that comply with the EU Taxonomy<sup>1</sup>?



Yes:



In fossil gas

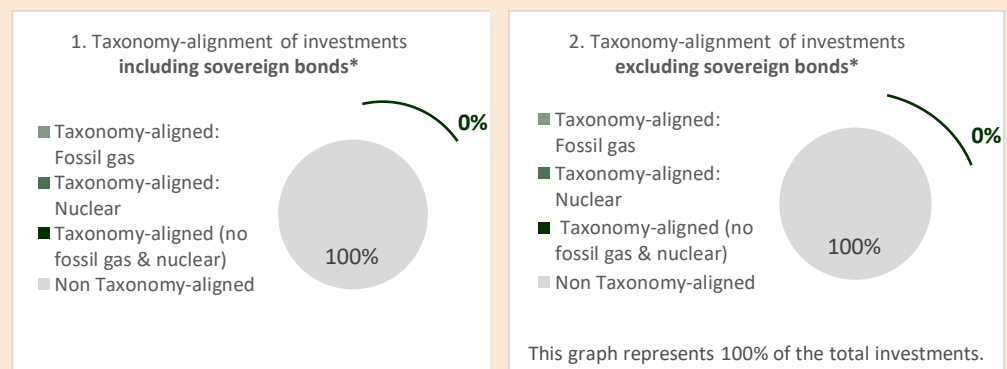


In nuclear energy



No

*The two graphs below show in green the minimum percentage of investments that are aligned with the EU Taxonomy. As there is no appropriate methodology to determine the Taxonomy-alignment of sovereign bonds\*, the first graph shows the Taxonomy alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy alignment only in relation to the investments of the financial product other than sovereign bonds.*



\* For the purpose of these graphs, 'sovereign bonds' consist of all sovereign exposures

### What is the minimum share of investments in transitional and enabling activities?

Not applicable.

<sup>1</sup> Fossil gas and/or nuclear related activities will only comply with the EU Taxonomy where they contribute to limiting climate change ("climate change mitigation") and do not significantly harm any EU Taxonomy objective - see explanatory note in the left hand margin. The full criteria for fossil gas and nuclear energy economic activities that comply with the EU Taxonomy are laid down in Commission Delegated Regulation (EU) 2022/1214.



are sustainable investments with an environmental objective that **do not take into account the criteria** for environmentally sustainable economic activities under the EU Taxonomy.



**What is the minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy?**

Not applicable.



**What is the minimum share of socially sustainable investments?**

Not applicable.



**What investments are included under “#2 Other”, what is their purpose and are there any minimum environmental or social safeguards?**

The category "Other investments" includes liquid assets as well as investments in products used for hedging purposes or portfolio balancing and diversification.

Depending on the instrument and/or underlying, exclusion criteria may apply. Furthermore, no minimum environmental or social protection is applied to "Other Investments".



**Is a specific index designated as a reference benchmark to determine whether this financial product is aligned with the environmental and/or social characteristics that it promotes?**

Not applicable.

- ***How is the reference benchmark continuously aligned with each of the environmental or social characteristics promoted by the financial product?***

Not applicable.

- ***How is the alignment of the investment strategy with the methodology of the index ensured on a continuous basis?***

Not applicable.

- ***How does the designated index differ from a relevant broad market index?***

Not applicable.

- ***Where can the methodology used for the calculation of the designated index be found?***

Not applicable.



**Where can I find more product specific information online?**

More product-specific information can be found on the website:

<https://www.berenberg.de/en/sustainability/esg-investments/srd-vv-equity-income>