Consideration of sustainability risks and principal adverse impacts (PAI) on sustainability factors in our investment advisory services [1]

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Definition of sustainable risks and -factors, as well as principal adverse impacts (PAI) on sustainability factors

In line with regulatory requirements, we consider sustainability risks to be events or conditions in the environmental, social, or corporate governance areas, the occurrence of which may have actual or potential principal adverse impacts on the value of an investment and thus on the net assets, financial position, results of operations, and reputation of a company. Sustainability risks can thus impact on all types of risk already known and reinforce them as additional influencing factors.

Sustainability factors, on the other hand, are to be understood as environmental, social and employee concerns, as well as respect for human rights and the fight against corruption and bribery.

Principal adverse impacts are those effects of investment decisions and investment/insurance advice that can have a negative impact on the sustainability factors.

1. Consideration of sustainability risks and principal adverse impacts (PAI) on sustainability factors in our investment advisory services [2]

When providing investment advice, the focus is initially on the individual investment preferences of our clients. Since August 2022, these preferences can be supplemented in the investor profile by possible sustainable investment objectives, so-called sustainability preferences. To inquire about the sustainability preferences of our clients, we use the characteristics of the three different categories of financial instruments that are considered sustainable in the European Union:

- Financial instruments that include a minimum share of economic activities as defined by the Taxonomy Regulation, [3]
- Financial instruments that include a minimum proportion of sustainable investments as defined by the Disclosure Regulation, [4]
- Financial instruments that take into account the principal adverse impacts on sustainability factors. [5]

Financial instruments recommended as part of investment advice must be assessed with regard to the sustainability preferences of clients. Through the product disclosures of the individual financial instruments, which contain data on the three categories mentioned above, a quick and automated comparison between the product disclosures and the sustainability preferences of the client is possible. Through this process, any sustainability risks as well as the principal adverse impacts on sustainability factors are included and financial instruments that do not fit are excluded.
Independent of the wishes of individual clients, Berenberg has developed the Wealth and Asset Management ESG Exclusion Criteria to set its own minimum requirements for investments in sustainable financial products.
Consideration of sustainability risks and principal adverse impacts on sustainability factors is primarily based on the exclusion of certain activities documented in our ESG Exclusion Policy. Compliance with these ESG exclusion criteria is specified for securities in our investment advisory universe and stored in the system so that these can be taken into account as part of the investment advisory process. Thus, if desired, further sustainability risks and principal adverse impacts on sustainability factors can also be taken into account in addition to the sustainability preferences specified by the client.
The occurrence of a sustainability risk, similar to traditional financial risks, can have a material negative impact on the value and resulting return of an investment.
All information on the Berenberg Wealth and Asset Management ESG policies and principles can be found on our homepage (www.berenberg.de/en/esg-publications).

2. Change history [6]

In the course of updating the above information on the consideration of sustainability risks and the principal adverse impacts on sustainability factors (PAI), the following changes were made:

- Editorial adjustments to ensure consistency between different publications.
- Addition to the statement regarding the consideration of principal adverse impacts on sustainability factors in the context of insurance or investment advice, in accordance with Art 11 of Delegated Regulation (EU) 2022/1288 of 6 April 2022 supplementing Regulation (EU) 2019/2088 of the European Parliament and of the Council as regards regulatory technical standards.
- Addition of the sustainability preferences of clients defined in accordance with Art 2 lines 7, 8 and 9 of Delegated Regulation (EU) 2021/1253 of 21 April 2021 in the context of investment advice.

[1] Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector (referred to hereinafter as the Sustainable Finance Disclosure Regulation), as well as delegated Regulation (EU) 2022/1288 of 6 April 2022 supplementing Regulation (EU) 2019/2088 of the European Parliament and of the Council with regard to regulatory technical standards.
[2] Disclosures pursuant to Article 3 (2) and Article 4 (5a) of Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector, as well as Article 11 of delegated Regulation (EU) 2022/1288 of 6 April 2022 supplementing Regulation (EU) 2019/2088 of the European Parliament and of the Council with regard to regulatory technical standards.
[3] Financial instruments in accordance with Article 2 (7a) of Delegated Regulation (EU) 2017/565 as amended by Delegated Regulation (EU) 2021/1253, which invest in environmentally sustainable investments as defined in Article 2 (1) of Regulation (EU) 2020/852 of the European Parliament and of the Council.
[4] Financial instruments in accordance with Article 2 (7b) of Delegated Regulation (EU) 2017/565 as amended by Delegated Regulation (EU) 2021/1253, which invest in sustainable investments as defined in Article 2 (17) of Regulation (EU) 2019/2088 of the European Parliament and of the Council.
[5] Financial instruments in accordance with Article 2 (7c) of Delegated Regulation (EU) 2017/565 as amended by Delegated Regulation (EU) 2021/1253, which consider principal adverse impacts on sustainability factors.
[6] Disclosures pursuant to Article 12 of Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector.

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