



Disclosure of strategies for dealing with sustainability risks

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Definition of Sustainability Risks¹

In accordance with Article 2(22) of Regulation (EU) 2019/2088 on sustainability-related disclosures in the financial services sector, the term 'sustainability risks' is defined as follows:

'For the purposes of this Regulation, "sustainability risk" means an environmental, social or governance event or condition that is likely to result in a material negative impact on the value of the investment.'

We adopt this regulatory definition and understand sustainability risks to mean all ESG-related risks that may actually or potentially cause financial disadvantages for the assets, profitability or reputation of the investor and/or Berenberg.

1. Consideration of sustainability risks in investment decision-making processes²

When it comes to investing client funds through our Wealth and Asset Management division, we consider the integration of sustainability risks to be a strategic issue that we address as a matter of priority. The high priority we attach to this issue in Wealth and Asset Management was underlined by the establishment of our ESG Office in 2018, which defines our ESG principles, supports their implementation and monitors compliance.

At Berenberg Wealth and Asset Management, sustainability risks are primarily considered by excluding certain activities, which are documented in our ESG exclusion criteria policy.

Sustainability risks are important decision-making criteria for the purchase and sale of securities. The integration of these criteria helps our portfolio managers in their investment selection process to assess the return opportunities and risks of an investment holistically by opening a further perspective in addition to the traditional financial analysis. Similar to traditional financial risks, the occurrence of a sustainability risk can have a significant negative impact on the value and resulting return of an investment.

In Wealth and Asset Management, sustainability risks are considered in various asset classes (e.g. equities, corporate bonds and government bonds). However, the approach can vary considerably between asset classes for a variety of reasons, including the availability, type and quality of data, the state of development of methodological approaches and market conditions.

In wealth and asset management, we offer various ESG investment strategies with different degrees of sustainability consideration in order to meet a wide range of client needs in the areas of equities, bonds and multi-assets. During the holding period of the investments, we monitor the development of sustainability risks through regular automated checks of compliance with binding ESG exclusion criteria in our portfolio management systems. In addition, based on the ESG controversy analysis provided by our external ESG data provider, we identify companies that are directly linked to serious and/or persistent, particularly serious ESG controversies.

In the event of serious ESG controversies, we engage in active dialogue with the company ('engagement') for selected investment strategies, both for existing investments and new investments. The controversy in question is analysed jointly by portfolio management, the ESG office and in direct exchange with the company. We then make a final investment decision based on our engagement and analysis.

In the event of persistent, very serious ESG controversies, we exclude these companies from our investments. Such ESG controversies may include alleged violations of applicable law by companies, incidents such as environmental pollution, accidents, regulatory measures or pending legal proceedings. To make our engagement with companies as effective as possible, we have defined a uniform approach in our engagement principles. We regard engagement as an effective tool for gaining a better understanding of how companies deal with sustainability risks. Direct contact with companies enables us to better consider sustainability risks and related measures in our investment decisions by obtaining additional information alongside our internal analysis and external data.

In addition to engagement, we consider the exercise of voting rights at company general meetings to be an important tool for exerting positive influence, particularly regarding corporate governance structures. By providing voting

¹ Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosure requirements in the financial services sector, hereinafter referred to as the Disclosure Regulation, and Commission Delegated Regulation (EU) 2022/1288 of 6 April 2022 supplementing Regulation (EU) 2019/2088 of the European Parliament and of the Council regarding regulatory technical standards.

² Information pursuant to Article 3(1) and Article 6(1) 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.

recommendations to the capital management company of our mutual funds³ based on our Wealth and Asset Management principles on the exercise of voting rights, and through our engagement, we aim to motivate and support companies to address sustainability risks more effectively. All of our in-house investment funds, asset management strategies and special mandates generally exclude financial instruments with basic commodities as their underlying asset, as well as selected other investments. In addition, we apply extended ESG exclusion criteria depending on the investment strategy. When applying the ESG exclusion criteria, companies and countries are excluded as soon as they violate at least one exclusion criterion.

We have established a dedicated decision-making process for updating the exclusion criteria. This involves the ESG Office, our portfolio managers and the ESG Committee, which is the ESG management and control body within Wealth and Asset Management and consists of employees and managers from Wealth and Asset Management. Some of our clients define their own criteria based on their ethical and moral beliefs. That is why, in addition to the Berenberg ESG exclusion criteria for wealth and asset management, we also offer our clients the implementation of specific ESG requirements in the management of special mandates and funds.

You can find all information on Berenberg's ESG guidelines and principles in Wealth and Asset Management on our website (<https://www.berenberg.de/en/about-us/sustainability/esg-publications/>).

2. Consideration of sustainability risks in investment advice⁴

Our investment advice focuses on the individual preferences of our clients. Since August 2022, sustainable investment objectives, known as sustainability preferences, can also be recorded in the investor profile and defined ESG-related thresholds can be considered. In order to determine the sustainability preferences of our clients, we use the characteristics of the categories of sustainable financial instruments defined in the European Union, which take sustainability risks into account:

- Financial instruments that include a minimum share of economic activities within the meaning of the Taxonomy Regulation,⁵ for which the threshold can be set between 0 and 100 percent depending on individual preference.
- Financial instruments that include a minimum proportion of sustainable investments within the meaning of the Disclosure Regulation,⁶ for which the threshold can be set between 0 and 100 percent depending on individual preference.
- Financial instruments for which the main adverse impacts on sustainability factors are considered,⁷ for which selection can be made in accordance with individual preferences from one of the three ESG categories (environmental, social or governance).

Financial instruments recommended as part of investment advice must be tailored to the sustainability preferences of clients. An automated comparison can be carried out using product information that contains relevant data on the key sustainability categories. This ensures that sustainability risks are considered and unsuitable products are systematically excluded.

ESG-related thresholds are not taken into account in the selection process for financial products for investment advice.

³ Limited to equity investments in certain mutual funds through the provision of voting recommendations to the capital management company.

⁴ Disclosures pursuant to Article 3(2) and Article 6(2) 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 and Article 11 of Commission Delegated Regulation (EU) 2022/1288 of 6 April 2022 supplementing Regulation (EU) 2019/2088 of the European Parliament and of the Council regarding regulatory technical standards.

⁵ Financial instruments pursuant to Article 2(7)(a) of Delegated Regulation (EU) 2017/565, as amended by Delegated Regulation (EU) 2021/1253, which invest in environmentally sustainable investments within the meaning of Article 2(1) of Regulation (EU) 2020/852 of the European Parliament and of the Council.

⁶ Financial instruments pursuant to Article 2(7)(b) of Delegated Regulation (EU) 2017/565, as amended by Delegated Regulation (EU) 2021/1253, which invest in sustainable investments within the meaning of Article 2(17) of Regulation (EU) 2019/2088 of the European Parliament and of the Council.

⁷ Financial instruments pursuant to Article 2(7)(c) of Delegated Regulation (EU) 2017/565, as amended by Delegated Regulation (EU) 2021/1253, which consider principal adverse impacts on sustainability factors.

Regardless of individual client preferences, Berenberg has developed Wealth and Asset Management ESG exclusion criteria to establish its own minimum requirements for investments in sustainable financial products.

The consideration of sustainability risks is primarily based on the exclusion of certain activities, which are documented in our ESG exclusion criteria policy. Compliance with these ESG exclusion criteria is indicated for securities in our investment advisory universe and stored in the system so that they can be considered in the context of investment advice. This means that, in addition to the sustainability preferences specified by clients, further sustainability risks can also be taken into account on request.

Similar to traditional financial risks, the occurrence of a sustainability risk can have a significant negative impact on the value and resulting return of an investment.

3. Consideration of sustainability risks in insurance advice ⁸

Within the scope of insurance consulting, we at Berenberg Wealth and Asset Management are restricted to the distribution of third-party products.

Sustainability risks are queried directly via the third-party product partner's platform and considered accordingly by the system when selecting suitable insurance products.

Like traditional financial risks, the occurrence of a sustainability risk can have a significant negative impact on the value and resulting return of an investment.

All relevant information on the consideration of sustainability risks is provided by the respective third-party product partner.

⁸ Disclosures pursuant to Article 3(2) and Article 6(2) 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 and Article 11 of Commission Delegated Regulation (EU) 2022/1288 of 6 April 2022 supplementing Regulation (EU) 2019/2088 of the European Parliament and of the Council regarding regulatory technical standards.

4. Change history⁹

01-08-2024	Publication of the document 'Consideration of sustainability risks and principal adverse impacts on sustainability factors (PAI)'. This constitutes disclosure in accordance with Article 3 and Article 4(5) of Regulation (EU) 2019/2088.
11-07-2025	Publication of the document 'Disclosure on strategies for addressing sustainability risks'. This marks the first time that disclosure has been made in a separate document in accordance with Article 3 of Regulation (EU) 2019/2088. This creates a clear separation between the topics of sustainability risks and principal adverse impacts on sustainability factors. The original document 'Consideration of sustainability risks and principal adverse impacts on sustainability factors (PAI)' has been discontinued.
22-09-2025	Change of publisher address.

⁹ 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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