BERENBERG
PARTNERSHIP SINCE 1590

Adverse Sustainability Impacts Statement

STATEMENT ON DUE DILIGENCE POLICIES WITH RESPECT TO THE PRINCIPAL ADVERSE IMPACTS OF INVESTMENT DECISIONS ON SUSTAINABILITY FACTORS

June 2021

Introduction

Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures (the "Disclosure Regulation") came into force on 10 March 2021. The Disclosure Regulation requires financial market participants and financial advisers to publish information about their consideration of sustainability risks and adverse sustainability impacts. These requirements are intended to create more transparency as to whether and to what extent such participants and advisers take sustainability risks and impacts into account at entity level and when they design financial products. This statement explains how Berenberg assesses and considers the principal adverse impacts of investment decisions on sustainability factors. It applies to all financial products covered by the Disclosure Regulation, including asset management mandates, investment funds, and insurance-based investment products.

Principal adverse impacts should be understood as those impacts of investment decisions and advice that result in negative effects on sustainability factors. Sustainability factors mean environmental, social, and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

Policies for identifying and prioritising the principal adverse sustainability impacts and indicators

Berenberg assesses the principal adverse impacts of investment decisions on sustainability factors and has established internal policies and approaches for this purpose. Approaches will be chosen depending on the characteristics of the financial product, the client's objectives, and the availability of ESG-related data. Such data is not yet available in sufficient quality and quantity for all of the assets which Berenberg invests in through the funds and mandates it manages. We are working on closing these data gaps as part of a bank-wide ESG project. This will involve working with an external data provider specialising in ESG-related data that is already working with our Wealth and Asset Management central business unit. We will look for other solutions, such as obtaining expert opinions, contacting target companies or states directly, or using reasoned estimates if there are any data points that this service provider cannot deliver.

Wealth and Asset Management identifies and prioritises the principal adverse sustainability impacts and indicators on a service-by-service basis, using internal research, exchanges with companies, and data from external data providers, as part of an ESG risk and opportunity assessment. Its investment teams freely discuss and monitor ESG-related issues in consultation with the ESG Office. Amongst other factors, they apply exclusion criteria and analyse sector-related ESG criteria, using a bottom-up approach and a rigorous assessment process, to determine companies' and issuers' sustainability profiles. Apart from ESG compliance, long-term profitability remains the decisive selection factor. Please see our Berenberg Wealth and Asset Management ESG Policy at www.berenberg.de/esg for a description of our approach to ESG.

Description of the principal adverse sustainability impacts

Berenberg Wealth and Asset Management's ESG governance and oversight body, the ESG Committee, determines the principal adverse sustainability impacts that affect the central business unit. The ESG Committee also makes final decisions on the implementation of the management of adverse sustainability impacts. Berenberg Wealth and Asset Management considers the following matters in particular to be relevant adverse sustainability impacts and takes them into account when selecting securities in funds and formulating strategies, for example by applying exclusion criteria: forward transactions on foodstuffs, business involving controversial weapons or armament transactions, coal mining and electricity generation, nuclear energy (including uranium mining), unconventional oil and gas, tobacco production, non-compliance with the United Nations Global Compact principles, and particularly serious ESG controversies.

We offer our clients access to illiquid assets in addition to the liquid asset classes covered by Wealth and Asset Management. The Corporate Banking division develops these fund solutions and markets them to professional and semi-professional investors. It takes adverse sustainability impacts into account individually in its investment decisions. However, the approaches and methods adopted for integrating sustainability factors are heavily dependent on the relevant asset class (e.g. structured finance, or real estate) and any specifications made by the investors. Almost all alternative investment funds are individually tailored to the needs of one or a few investors and the options for ESG-restrictions are determined accordingly.

The Disclosure Regulation's requirements will be further detailed by means of delegated acts to be adopted by the EU Commission. These acts are expected to enter into force on 01.01.2022 and are only available in draft form on the date this statement is being published. The draft versions envisage that the legislator will in due course prescribe indicators (such as greenhouse gas emissions, emissions to water, and the proportion of hazardous waste) for use in measuring adverse sustainability impacts. Berenberg will calculate the indicators in accordance with the delegated acts and will then publish the results on its website.

Description of any actions taken or, where relevant, planned in relation to the principal adverse sustainability impacts

Wealth and Asset Management applies ESG exclusion criteria to potential investments to ensure that they comply with minimum ESG standards. Its evaluation is based on data from an external data provider, which are automatically integrated into Berenberg's systems. As part of the ESG exclusion process, issuers associated with particular products or activities, such as controversial weapons or coal mining and electricity generation, are excluded.[1] The Wealth and Asset Management ESG exclusion criteria represent a minimum standard from an ESG perspective that companies and states must meet in order to qualify for portfolio investments. Additionally, for a significant portion of our products, our external ESG data provider's ESG controversy assessment model is used to identify issuers that are involved in particularly serious ESG controversies. These are generally excluded from investments. If an existing holding or a potential new investment is involved in a serious ESG controversy, the portfolio management team will enter into direct contact with the relevant entity and will analyse the controversy with it

[1] More detailed information can be found in the Berenberg Wealth and Asset Management ESG Exclusion Policy, which is publicly available on our website.

before making a final investment decision. We offer asset management strategies, investment funds and insurance-based investment products that promote environmental and/or social characteristics or have a sustainable investment objective.

Consideration of adverse sustainability impacts in the context of our active ownership approach (including engagement policies)

The Wealth and Asset Management portfolio management team regularly engages with companies/issuers regarding their handling of ESG and sustainability matters and related issues. It addresses existing and/or potential ESG controversies and other ESG-related matters as part of a structured engagement process. Based on this engagement, the portfolio management can determine whether companies/issuers acknowledge existent and/or potential problems and whether they are developing strategies both to solve these and to identify opportunities related to ESG/sustainability.[2]

The portfolio management team defines recommendations in consultation with the Berenberg Wealth and Asset Management ESG Office and in accordance with Berenberg Wealth and Asset Management's proxy voting policies on voting at general meetings of companies in its mutual funds' portfolios. The Berenberg Wealth and Asset Management ESG Office forwards these recommendations to Universal Investment, the capital management company, which takes them into account when exercising its voting rights.

Berenberg Wealth and Asset Management's Active Ownership Report provides a detailed description of its activities in the areas of engagement and proxy voting.[3] We published this report for the first time for the 2020 financial year and will update it annually in order to discharge our own responsibility with regard to transparency.

Adherence to responsible business conduct codes and internationally recognised standards for due diligence and reporting

Berenberg's established sustainability standards determine Wealth and Asset Management's actions with regard to sustainable investment. These standards are disclosed to clients and continuously enhanced. Berenberg has been a member of the International Corporate Governance Network (ICGN) since April 2018. We also signed the United Nations-supported Principles for Responsible Investment (PRI) in August 2018.

In the area of real estate investment, we joined the ESG Circle of Real Estate (ECORE) industry initiative in May 2021. This group intends to develop an ESG scoring model that measures the sustainability performance of properties and portfolios and will serve as a standard for the German and the European real estate market. As a member of ECORE, Berenberg endeavours to integrate the scoring model into its future investment processes.

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[2] More detailed information on our engagement approach can be found in the Berenberg Wealth and Asset Management Engagement Policy, which is publicly available on our website.
[3] The report is available on our website at https://www.berenberg.de/en/esg.

Wealth and Asset Management funds and asset management strategies within the meaning of Articles 8 and 9 of the Disclosure Regulation invest, in accordance with the regulatory requirements, only in companies that follow good governance practices and adhere to internationally recognised corporate responsibility standards. These include for example the United Nations Global Compact principles and the International Labour Organization (ILO) standards. We ensure this by applying exclusion criteria and by conducting ESG risk management and a rigorous ESG assessment which incorporates indicators and information about the quality of the analysed issuer's governance.

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