



BERENBERG
PRIVATBANKIERS SEIT 1590



2019

Sustainability report
for the financial year 2019

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The Managing Partners (from left to right): Dr Hans-Walter Peters and Hendrik Riehmer

**Dear clients
and business associates,**

Acting responsibly is the hallmark of our corporate values, and is also our guiding principle. Being successful on the market for over four hundred years requires a value creation process that is geared to the long term. In our view, responsible governance encompasses forward-looking corporate governance combined with the assumption of social responsibility. We adhere to these principles in the interests of our clients, business associates, partners, employees and the company.

Our third sustainability report describes in more detail the principles of our accountability. This publication is based on the principles of the UN Global Compact Communication on Progress.

As a bank with international operations, we monitor the longer-term social and ecological impact of our actions in the course of our business activities. Firstly, we believe that sustainability criteria are gaining in importance for investors and, secondly, that ESG-compliant businesses have a competitive advantage on global markets.

Through our ESG Office (ESG – Environmental, Social, Governance) in the Wealth and Asset Management business division, we have further expanded our activities in the field of sustainability. As signatory to the United Nations-supported »Principles for Responsible Investment« (UN PRI), we remain committed to our responsibility in this respect to actively advocate environmental

and social issues as well as good corporate governance and to integrate these principles into our investment process.

The ESG principles we put into effect in the reporting year for our ESG management in Wealth and Asset Management are the binding definition of our understanding of ESG. The Berenberg ESG Exclusion Policy describes and defines the corresponding exclusion criteria. Furthermore, as part of our Proxy Voting Policy we make voting recommendations with regard to the exercising of shareholder rights to contribute in this way to companies' consistent pursuit of sustainability.

Over and above this, we advise our clients on sustainability issues such as solar or wind energy. And we are also taking measures to conserve natural resources within our own banking operations.

Our employees are the most important resource for the success of our company. In 2019, we employed 1,474 people from 40 countries in the Berenberg Group. In order to recruit and retain the best staff for our Bank, we have been successfully investing in systematic personnel development for many years.

Berenberg has a long tradition of supporting cultural, scientific and sporting events, and the Berenberg Bank Foundation of 1990 promotes young artists in particular. We are delighted to see the dedication of our employees who are involved in the BerenbergKids Foundation for children and young people.

The desire to constantly develop further without losing sight of our historical roots has made us what we are today. More than just a bank, Berenberg is an advisor and trusted partner that addresses client needs with responsibility, insight, vision and expertise. Or in brief: accountability is our guiding principle.



Dr Hans-Walter Peters
Spokesman



Hendrik Riehmer



Business model and environment

Organisational profile

Berenberg was established in 1590, and today we are one of Europe's leading privately owned banks, focusing on the business divisions Wealth and Asset Management, Investment Bank and Corporate Banking. Berenberg's head office, including its German subsidiaries, is in Hamburg. In Germany, we have branch offices in Düsseldorf, Frankfurt, Munich, Münster and Stuttgart. Outside Germany, we are represented by branch offices in London, Luxembourg and Paris, as well as representative offices in Geneva and Zurich. Berenberg is represented in the US with a subsidiaries in New York and offices in Boston, Chicago and San Francisco.

Locations



Partnership structure:

- 30.4 % von Berenberg family
- 26.1 % PetRie Beteiligungsgesellschaft mbH
(Dr Hans-Walter Peters [Managing Director] and Hendrik Riehmer)
and Dr Hans-Walter Peters
- 1.5 % Former Managing Partners
- 15.0 % Hereditary Prince Christian zu Fürstenberg
- 15.0 % Professor Dr Jan Philipp Reemtsma
- 12.0 % Compagnie du Bois Sauvage S. A.

As at: 1.1.2020

Strategy and business divisions

Our long history, our responsible management of the wealth entrusted to us, our highly skilled employees and a focus on the needs of our clients underpin the trust-based working relationship with our clients and business partners that we enjoy today.

Mindful of this, we do not allow ourselves to be steered by short-term gains and emotions, but act rationally and responsibly. Our actions are informed not by quarterly figures but by a long-term approach. We help our clients to grow their wealth, achieve their goals and meet their challenges, and we do this as expert advisers and long-standing service providers. We specifically focus on those areas where we feel confident that we can offer our clients exceptional value.

Berenberg offers its individual services via the following business divisions:

Wealth and Asset Management central business unit

Wealth Management: Providing advice to high net worth individuals is a complex and responsible challenge that we meet with our special expertise and award-winning advisory approach. To this end, we are constantly refining our special Berenberg centres of competence for entrepreneurs, foundations and family offices. In addition, we are reinforcing professional portfolio management as one of our core services alongside personal advisory services. The close cooperation with other business divisions will provide additional support for our growth trajectory and will make clients' experience of the »Berenberg Platform« even more concrete thanks to innovative product and advisory solutions.

Asset Management: Our clients' investment goals are varied and specific. We work to meet these individual needs in the best way possible. Experienced portfolio strategists and investment experts develop actionable strategies, which we execute in retail funds and special mandates. Our investment expertise includes discretionary and quantitative investments, as well as professional risk management strategies. In 2020, the equities team once again focuses on successfully refining the existing funds and on rolling out new products in a targeted manner with a view to winning new clients. In the field of multi-asset products, it aims to put into long-term practice the investment process it streamlined in 2018. The newly created Investment & Risk Management Solutions business unit will provide customised and holistic consulting services to major institutional clients. In addition, greater focus will be placed on the potentials of new technologies such as artificial intelligence and big data.

Investment Bank and Corporate Banking central business unit

Investment Bank: The broad-based Investment Bank division focuses on service and advisory operations in the Equities, Investment Banking and Financial Markets segments. At year-end 2019, our Research team covered more than 890 stocks. In addition, we support IPOs, capital increases, secondary placements and provide advice on mergers and acquisitions.

For 2020, we anticipate a further increase in our market share and expect to be able to maintain our leading position in IPOs and the acquisition of capital in the German-speaking region. We intend to continue building on our achievements in the UK and in parts of continental Europe. Furthermore, we anticipate further progress in the ECM business in the US.

Corporate Banking: We assist and advise companies, institutional and financial investors as well as single family offices, on transactions and day-to-day activities. We maintain specific expertise in specialist segments such as Structured Finance, Infrastructure & Energy, Shipping and Real Estate. We see the expansion of our activities in the areas of loan funds and managed accounts in a very positive light. Our expertise relating to illiquid alternative assets enables us to introduce our services and the quality of our services to new customer groups.

Cross-divisional services

Real Estate: We offer the initiation, structuring and management of open-ended and closed-ended real estate funds regulated by the German Investment Code (Kapitalanlagegesetzbuch, KAGB). Over and above this, we provide management services to private and institutional investors for existing properties and new builds through our subsidiary Berenberg Real Estate Asset Management. We also assist buyers and sellers during transactions in the residential and commercial sectors.

Significant changes in the reporting year

Berenberg closed the 2019 financial year with a net profit for the year from operations of €60.5 million (previous year: €23.3 million). This means that we exceeded the previous year's earnings by 160%.

Banks continue to face a difficult environment. Not only do they have to deal with constantly changing regulatory requirements, coinciding with historically low or negative interest rates, but also the task of digitalisation. Berenberg will continue to make every effort to identify and address challenges in a timely and proactive manner. As a medium-sized bank, we are well equipped in this respect. We are both large and flexible enough to act quickly.

Therefore, we have adjusted our business model time and time again over the past few years to meet requirements and to expand Berenberg into an advisory firm with international operations. The investment bank's structure is in place, our corporate banking division has very successfully completed its transformation from a lending business to an advisory unit and provider of private debt services, and now we are directing special attention to expanding and growing our top-end Wealth and Asset Management divisions.

We succeeded in achieving very pleasing investment results for our *Wealth Management* clients over the course of 2019, results that were significantly better than the market average. This applies not only to the wealth management strategies, all of which outperformed, but also the very good in-house fund solutions.

Via our ESG Office we have further expanded our activities in the field of sustainability. As signatory to the United Nations-supported »Principles for Responsible Investment« (UN PRI), we remain committed to our responsibility in this respect to actively advocate environmental and social issues as well as good governance and to integrate these principles into our investment process.

Our *Asset Management* unit chiefly concentrates on Berenberg's equity funds, which performed well ahead of their benchmarks in 2019 and ranked among the top positions when compared to competitors.

We further grew our market share in our *Investment Bank* division. This involved both Equities Research, where we are one of Europe's largest providers and where we are also expanding the coverage of our New York office and our

position as a broker and advisor for IPOs and capital increases (Equity Capital Markets).

Corporate Banking is characterised by a very strong transaction business, with institutional money invested primarily in the form of credit funds. Together with investors, we have received commitments in excess of €2.7 billion in over 60 transactions since 2016 and have already reinvested the majority of the funds. This makes Berenberg one of the most active and fastest-growing asset managers for private debt in Europe.

Berenberg Energy Junior Debt Funds, which have allowed institutional and private investors to invest in the construction and operation of wind and solar parks since their launch in 2017, continued their positive performance and currently share capital commitments in excess of €500 million. We have financed a total of 27 wind and solar parks in seven countries. This corresponds to a financed output of 1,000 MWh per year. The energy generated in these financed products account for carbon savings of 656,800,000 kg of CO₂ per year.

At €355.5 million, net commission income in the reporting year was not only 28% higher than in the previous year (€279.0 million) but also reached a new historical high. Net commission income is determined by the securities business. Net interest income rose from €53.1 million to €63.4 million (+19.4%), while net income from trading activities dropped by 17.0% to €15.7 million (€18.9 million). The year-on-year drop of 7.0% in administrative expenses (from €371.8 million to €345.8 million) confirms that the measures taken in 2018 to enhance efficiency have had the desired effect. Return on equity tripled to 28.5% (9.8%). The cost-income ratio also improved from 88.9% to 79.9%. Assets under management at the Berenberg Group rose from €36.7 billion to €40.7 billion (+10.9%).

Beyond Hamburg, we have become established at the major financial centres. As at the end of 2019, we employed 381 people in London. We have prepared for the implications of Brexit. All in all, we see more benefits than disadvantages for our activities at this location over the coming years. We are convinced that London will remain a very important financial centre even after Brexit and we consider ourselves to be well-positioned with our branch. We are in constant contact with the UK's supervisory authorities. As a business with its head office located within the EU, we meet all criteria to enable us to continue offering our

services in the business areas on which we focus. We intend to further expand our New York location and our research coverage of US stocks and, by doing so, increase the regional diversity of the business model already established in Europe. Our convincing advisory services aligned to customer needs allowed us to acquire numerous new clients in recent years. In this respect, we were able to benefit from the consolidation seen in the industry and win market shares.

Our business environment

The global economy's upswing weakened considerably in the course of 2019. At 2.3%, growth in global economic output fell far short of the previous year's 2.8%. The economy was burdened especially by international trade disputes, confusion around Brexit and a further slowing of the Chinese economy. Growth in the global trade of goods came to a standstill in mid-2019 and production figures from the manufacturing sector were down in many countries in the reporting year.

With economic output growing by just 1.2% in 2019, the eurozone was unable to match the previous year's result of 1.9%. However, the ongoing decline in unemployment to the most recent figure of 7.5% shored up consumer confidence and private spending. There has also been a noticeable rise in residential construction and government spending. Because exports lagged behind the growth in imports, foreign trade had a dampening effect on the economy in 2019. Concerns about the future of global trade stem focus on the US in particular. In response, companies cut investments in their cross-border supply chains and reduced their inventories.

As an export-driven nation, Germany was hit particularly severely by these foreign trade problems in the reporting year. It experienced its weakest economic growth since 2009, with an increase of a mere 0.6%. This figure was substantially lower than the eurozone average. Despite its clearly dented economic growth and rising government spending, Germany again returned a gratifying government surplus of roughly 1.5% of its economic output. This result is thanks in no small part to plentiful tax receipts and a labour market that is still robust outside of the

industrial sector. Nevertheless, the slight decline compared to the previous year's surplus of 1.9% indicates that the golden era for German government finances is coming to an end.

In the US, growth slowed to 2.3% in the reporting year, after 2.9% in the previous year, as the credit-financed tax boost drew to a close. Weaker global trade also left its mark on the US. However, because the US is less dependent on foreign trade than Germany, Europe, Japan and China, growth there remained at a level that was approximately in line with the long-term trend.

As in previous years, price increases in Germany, Europe and the US remained muted in 2019. The rapid pace of technological progress, as well as globalisation, continues to help throttle inflationary pressure. There are, however, signs that the sustained rise in employment in recent years will be reflected in a marginal increase in inflation in large parts of the Western world as soon as the economy has overcome its current dip.

The outlook for 2020 is overshadowed by unusual risks. While the trade dispute between the US and China has eased for the time being, the coronavirus pandemic poses unusual challenges not only to healthcare systems but also to the economy and politics. Economic activity is likely to decline sharply during the months in which lockdown measures are imposed to slow the spread of the virus and thus save lives.

Beyond the immediate and deep crisis, we nevertheless see some reasons for cautious optimism about the outlook for the second half of 2020 and 2021. If the coronavirus pandemic is contained, both domestic activity and world trade could return to growth after the current slump. In some areas, perhaps some, but probably not all, of the losses from the crisis can be made good.

The current recession is also affecting the financial sector. The US Federal Reserve and the European Central Bank have reacted to the coronavirus shock with historically unprecedented measures. Even in the aftermath of the crisis, key interest rates are unlikely to move up much. Beyond the challenges posed by the coronavirus crisis, those banks that have traditionally generated their revenues mostly from interest rate business must continue to make intensive efforts to find new areas of business.

With regard to developments in the capital markets, volatility has been generally high since the beginning of the coronavirus pandemic. Both the stock markets

and the foreign exchange markets have witnessed strong ups and downs, and some leading indices are currently showing losses compared with the situation before the coronavirus outbreak. In view of the above-mentioned volatilities and the ongoing situation, no reliable statement can be made at this time about the further development of the markets in one direction or the other.

Risk management

As stated in our Risk Report,¹⁾ management has overall responsibility for the risk management process and defines the general conditions for managing the various risk types. The Risk Controlling unit acts independently of the various front offices in organisational terms, in accordance with the Minimum Requirements for Risk Management (MaRisk) for banks and financial services institutions. This unit works closely with other central staff units to ensure a constant flow of information to the Bank's Management and Advisory Board, and is responsible for developing and overseeing the systems used in overall bank and risk management. The main risk types that we analyse in our risk management processes are counterparty, market price, operational and liquidity risks. Reputational risks are evaluated as part of the management of operational risk. Our risk management of the operational risk comprises systematic scenario analyses, which are conducted on a regular basis. Experts from all areas of the Bank are asked once a year about a wide-ranging list of possible scenarios during structured workshops. As an ex ante method, the scenario analysis supplements the existing internal loss data with information regarding potential hazards for the Bank due to serious risk events. The scenario-based assessment is carried out by experts at the Bank in workshops facilitated by Risk Controlling (potential incidences and amounts of loss).

Operational risk is limited by a wide-ranging set of instructions, process descriptions, and authority rules (single rule book). The respective division heads have direct responsibility for compliance with and the ongoing updating of these rules and regulations. The Processes, Organisation & Governance group responsible for process descriptions for the overall bank within the Bank Management central business unit provides assistance in this regard. The Internal Audit Depart-

¹⁾ www.berenberg.de/en/riskreport

ment audits the conformity of business activities with these rules and regulations at regular intervals.

A key aspect of our risk management approach for operational risk involves sensitising all employees to this type of risk. The values of our business activity are defined within the overall bank strategy. With respect to the risk culture, these values are particularly orientated to the three central points of risk appetite, risk monitoring and employee incentivisation (as per the Capital Requirements Directive IV).

A database to systematically record operational losses (internal loss data collection) that enables us to analyse losses incurred and to draw up appropriate countermeasures is vitally important. This database is used as the foundation for informing management about the development of operational losses on a regular basis.

As part of non-financial reporting, we have subjected our opportunities and risks in relation to the environment, employees, society, human rights and the fight against corruption and fraud to further scrutiny. In addition to the conventional definition of risks, we have used the extended materiality assessment of the internationally accepted GRI guidelines²⁾ for sustainability reporting. In addition to the potential impact on the Bank's business and situation, we also considered the impact on the environment and on society as well as the relevance of the respective topics for the Bank's stakeholders. The opportunities and risks identified in this regard as well as the material reporting topics are presented in the respective sections of this report.

²⁾ GRI stands for Global Reporting Initiative.

Key performance indicators

		2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Net profit for the year	€ million	62	56	60	66	40	104	161	90	23	61
Total assets	€ million	3,242	3,953	4,279	4,525	4,514	4,738	4,716	4,741	4,693	5,059
Business volume	€ million	3,357	4,062	4,383	4,623	4,586	4,801	4,790	4,807	4,743	5,126
Equity	€ million	213	217	221	223	219	234	265	296	293	288
Receivables from clients/loans	€ million	559	531	794	642	750	1,013	934	929	1,097	1,175
Liabilities to clients/deposits	€ million	2,326	2,874	3,083	3,390	3,199	3,570	3,721	3,736	3,924	4,263
Return on equity (before taxes)	%	45.3	40.1	43.8	46.9	28.8	67.3	95.8	43.0	9.8	28.5
Cost-income ratio	%	74.2	75.9	76.5	78.1	85.7	72.2	63.9	72.7	88.9	79.9
Assets under management*	€ billion	24.3	24.4	25.7	27.5	32.9	35.7	36.3	37.0	36.7	40.7
Employees*		914	1,038	1,036	1,066	1,159	1,236	1,407	1,474	1,640	1,474

* Berenberg Group



Environment

Management approach

Protection of the environment plays a fundamental role in all sustainability strategies. It is our objective to reduce our ecological footprint further. As a bank, we adopt a two-pronged approach: How can we reduce the environmental impact of our company through responsible actions, and how can we positively influence investment patterns to promote climate protection?

1. Material topics

As a tenant in our real estate, we only have a limited influence on facility management. Nevertheless, we make use of the possibilities available to keep our consumption of resources as low as possible. However, energy and resource consumption in banking is not just influenced by technical solutions. One key aspect is how we work on a day-to-day basis. In light of this, we encourage our employees to behave in an even more environmentally aware manner. We have identified the use of natural resources and measures to reduce carbon emissions as material topics in relation to the environment.

Another material topic for us is project financing to promote sustainable technologies. We are finding that buyers and investors are showing ever greater interest in sustainable financial products and services. This means that, alongside traditional earnings targets, other criteria must also be included in product development. The Infrastructure & Energy department, formed in 2014 as part of the Corporate Banking division, saw successful growth again in 2019, serving the increasing demand for investment opportunities in this field. Once again, the team supported a large number of transactions and sees strong opportunities for further growth in this area.

2. Management concepts and processes

Directives

As a company, we are subject to the EU Energy Efficiency Directive 2012/27/EU, which was transposed into German law by means of the Law on Energy Services and other Energy Efficiency Measures (Energiedienstleistungsgesetz, EDL-G). Under this law, we are obliged to carry out an energy audit every four years, which is commissioned by the Facilities & Administration business unit to TÜV-Nord.

In our treatment of environmental issues we meet the criteria of the Global Compact of the United Nations:

- *We support a precautionary approach to environmental challenges.*
- *We undertake initiatives to promote greater environmental responsibility.*
- *We encourage the development and diffusion of environmentally friendly technologies.*

Objectives

The number and types of projects supported by our Infrastructure & Energy department was expanded in the reporting year. The debt funds launched and advised by Berenberg form the basis for these activities. For 2020 too, we have set ourselves the target of again realising sustainable projects with our activities. While the Green Energy Junior Debt Funds co-finance renewable energy projects worldwide and thus contribute to the transition to renewable energies, the Berenberg Digital Infrastructure Debt Fund I supports the creation of a powerful yet resource-conserving communications infrastructure in core Europe.

Responsibilities

Several units at Berenberg are responsible for the environmental aspect. The Facilities & Administration department is responsible for facilities management, procurement of office material and furniture. Procurement of IT services, hardware, software and telecommunications services and equipment is in the hands of Group Procurement. In the front office, the Infrastructure & Energy department develops investment opportunities in the fields of sustainable technologies and renewable energy.

3. Risks

As a bank, we have only a minor impact on the environment in comparison to the manufacturing sector. Similarly, our resource consumption is low compared to manufacturing. No material environmental risks were identified in the course of risk management.

As a bank and advisory firm, our client relationships extend across all industries in our core business territories of Europe and the US. This initially includes all companies that operate on the basis of the statutory framework conditions (for example, energy suppliers and car manufacturers). We closely monitor the development of our business partners with respect to all relevant divisions (see also BKMS, section on anti-corruption and fraud, p. 46 et seq.). If we detect negative indicators that could also affect our reputation under certain circumstances, we carry out a substantive test involving management as necessary.

Outcomes and performance indicators

We can reduce the environmental impact of our company by means of acting responsibly. This principle applies to the Bank as a whole as well as to the conduct of each individual employee.

Use of natural resources

In a bank, it is printer and photocopier paper that accounts for the largest share of consumables. In light of this fact, we only use paper in our printers and photocopiers that meets the environmental standards FSC (Forest Stewardship Council) or PEFC (Programme for the Endorsement of Forest Certification Schemes). The paper used for our business correspondence is also FSC certified. These seals of quality indicate that the paper is sourced from sustainably managed forests and that social aspects such as payment of the minimum wage are also taken into consideration in the production process.

We began replacing the printers at all German locations in summer 2019. Those at the other European locations will follow successively. Doublesided printing is the default setting on the new printers so that the vast majority of printouts made since the introduction of the new devices have been duplex. In addition, a simple setting has been installed that makes it possible to delete print jobs sent in error. Furthermore, any print jobs not called up at a device for an extended period of time are automatically deleted. We expect this measure to significantly decrease the number of pages printed and thus our overall paper consumption.

When communicating with our clients, we reduce paper consumption wherever possible and desired. Since mid-2014, our clients can, for example, opt out of receiving paper versions of account and securities account statements for example as part of online banking. Roughly 34% of clients have chosen this option (end of 2018: 23%) – and we are working towards continually increasing this percentage. Over and above this, we have likewise done away with paper-based documents for transactions such as forward exchange contracts or currency option contracts as part of the digitalisation of the settlement process.

Up until the end of 2013, we sent printed copies of our Equity Research reports to our clients; at this point, we started to switch to an electronic copy sent

100 %

of our paper for office supplies, printers and photocopiers is FSC certified.

34 %

of our clients have opted out of receiving paper documents in online banking.

by e-mail. This allowed us to cut the number of printed copies from approximately 56,000 in 2013 to 8,662 at the end of 2019 (at the end of 2018 it was still 10,150). However, there are limits to the extent that printed media can be dispensed with in client communications; for example, statutory obligations require us to provide extensive records of consultations to our clients.

In contrast, we have succeeded in reducing paper consumption in the procurement of printed newspapers and magazines, as electronic versions is becoming more and more widespread. From 2018 to 2019 the number of print subscriptions fell by more than 50%.

As far back as 2011 we replaced paper towels with cloth towel rolls in the washrooms in our head office. This made it possible for us to reduce the volume of our residual waste by around 50% in the reporting year. In the area of human resources, an online application tool enables us to structure the hiring procedure to be completely paper-free.

In order to raise employee awareness of the need to put sustainability into practice and to provide a source of motivation, we have set up the *beresponsible* @berenberg.de email address that every employee can use to submit their ideas on the topic of sustainability. In 2018, we introduced reusable crockery and packaging at our employee bistro to reduce packaging waste. We estimate that half of our employees already opt for reusable packaging. In the reporting year, we started using glass bottles for the soft drinks in our bistro. The free drinks for our employees are likewise delivered in recyclable glass bottles and are mainly sourced locally where possible.

Measures to reduce carbon emissions

Our efforts to keep our environmental impact as low as possible range from environmentally friendly mobility and the cooperation agreement with AfB (»Arbeit für Menschen mit Behinderung«), a charitable organisation working with people with disabilities, to which we donate our old IT equipment, through to energy-efficient facility management. To cut our carbon emissions, we have been using an electric vehicle to run errands and deliver post in Hamburg since April 2017. In addition, our clients can access a fast-charging station for electric cars in the underground parking lot.

The technical possibilities afforded by phone and video conferencing helped us to reduce mobility-related carbon emissions. In the reporting year, we virtually doubled the number of our video conference rooms from 12 to 23. We will continue to invest in expanding this technology. We also encourage our employees to use alternative means of transport for their daily commute. Berenberg offers an incentive in the form of a subsidy for public transport. Around 70% of our employees at our German locations made use of this offer in the reporting year. For those who prefer to cycle to work, there is an option to receive financial assistance for leasing a bicycle instead of using the job ticket. We use mainly locally sourced produce in our client restaurant and staff canteen at our headquarters.

By replacing the printers at all German locations, we were able to reduce the number of devices from 300 to 100. The new printers are energy efficient and are only activated when the user approaches the device; until that point, they remain in energy-saving mode. Furthermore, they employ »self-learning energy savings plans«, which means that they analyse periods of intense use and use this information, for example, to deduce the times when a device is not used at all meaning that it can go into »energy-saving deep sleep« mode.

During the reporting year, Berenberg's IT function assessed the possibility of automatic time-controlled deactivation of the office monitors. The objective is to keep the electricity consumption of unused screens to a minimum. The rollout is envisaged for the first quarter of 2020.

There was less activity under the cooperation arrangement with AfB in the reporting year due to the lack of suitable IT hardware. Instead, old hardware was sold to employees thus allowing continued use of old devices.

As part of our facility management, we take advantage of the options that we have as tenants to conserve resources. For example, we have been using electricity from ecological sources since 2013, thus saving 1,000 metric tons of carbon emissions per year at our head office in Hamburg alone. In addition, we employ energy-efficient air-conditioning equipment in our data centre. Combined with cold aisle containment to optimise the air conditioning, we cut our energy consumption in our computing centre by up to 30% each year.

In the interior design of our buildings, we use flexible glass separator walls that can be reused for expanding and restructuring our office space, thus con-

98%
of the electricity at our German locations is from environmentally friendly renewable energy sources.

serving resources. In the reporting year, floor coverings were laid throughout the Münster location; these were manufactured using zero carbon methods.

Project financing to promote sustainable technologies

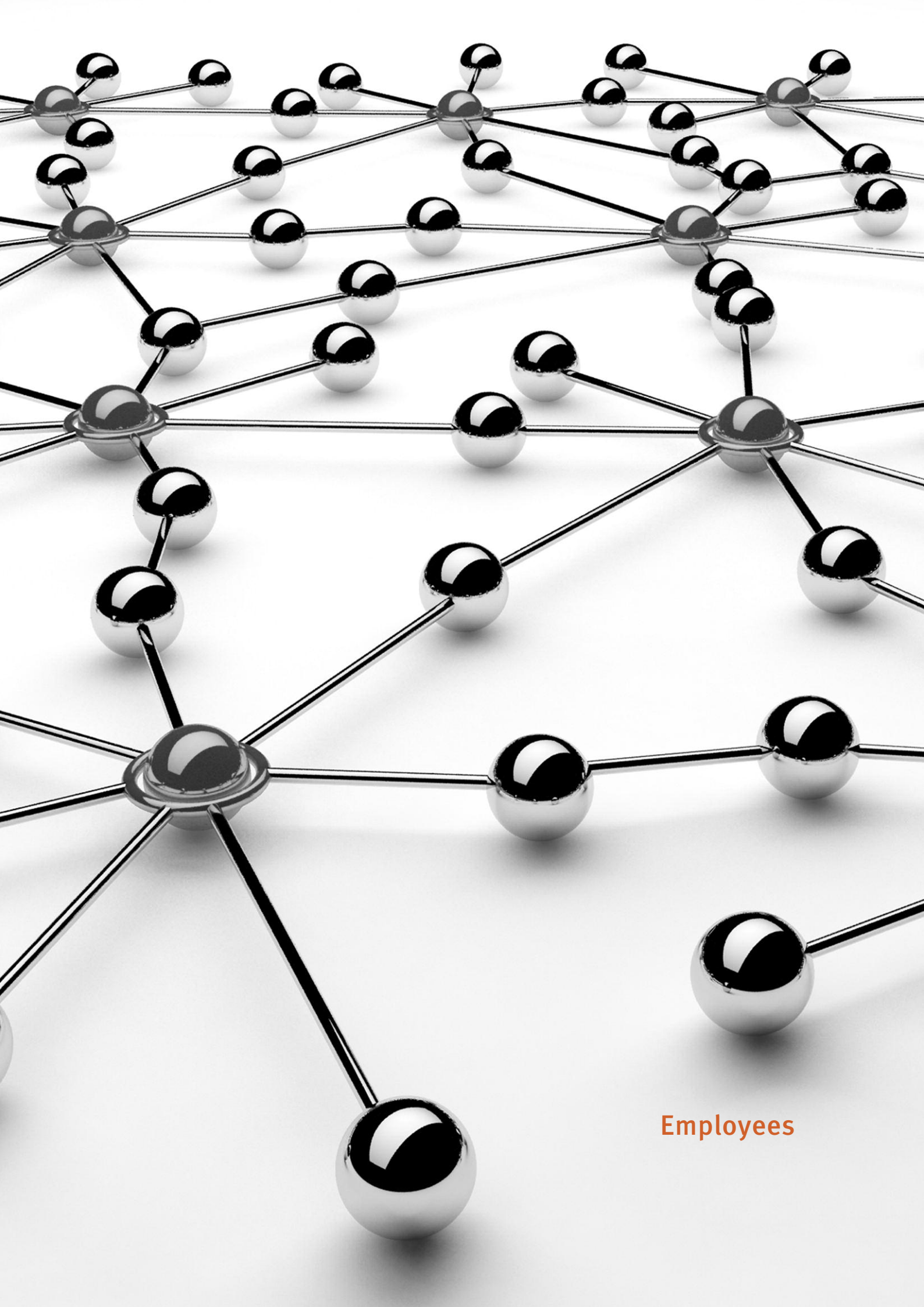
By financing green infrastructure and energy projects, we as a bank support the promotion of sustainable technologies and the expansion of renewables. Our Infrastructure & Energy department advises project developers and investors in the field of renewable energies, logistics and digital infrastructure. Berenberg provides support in structuring and raising funding (debt capital) or in attracting investors, and thus makes a key contribution to the realisation of the projects.

- Berenberg Energy Junior Debt Funds, which have been offering institutional and private investors the possibility of investing in the construction and operation of wind and solar parks since their launch in 2017, continued to perform well and currently share capital commitments in excess of €500 million. We have financed a total of 27 wind and solar parks in seven countries. This corresponds to a financed output of 1,000 MWh per year. The energy generated in the financed products accounts for carbon savings of 656,800,000 kg of CO₂ per year.
- The Berenberg Digital Infrastructure Debt Fund I launched in 2018 has announced its second closing. It supports digital infrastructure with a focus on fibreoptic networks in semiurban areas, thus helping to build the resource-conserving, future-proof infrastructure required for modern living and working.
- Over and above this, the Infrastructure & Energy department supported institutional investors in the financing of further regional passenger rail projects in Germany in the reporting year.

Additionally, we are committed to a sustainable and efficient expansion of renewable energy in Germany through our membership and support of the German Renewable Energy Federation (BEE, Bundesverband Erneuerbare Energie e.V.).

8

Green infrastructure and energy projects were serviced and co-financed by Berenberg in 2019.



Employees

Management approach

Berenberg's strong international growth over the past two decades has led to a significant rise in our headcount. When recruiting new staff, we always ensure that they feel committed to our corporate philosophy of »accountability«. With their dedication, skills and experience, our employees form the most important pillar for our corporate success.

1. Material topics

We focus our activities on:

- recruiting high-potential individuals,
- goal-based personnel development,
- offering attractive employee benefits with a health management policy,
- achieving work/life balance, and
- diversity.

2. Management concepts and processes

Directives

Berenberg respects and protects the rights of its employees. Upholding high standards for a safe and healthy working environment, fair working conditions, the right to freedom of association as well as the promotion of equal opportunities for and equal treatment of employees are core elements of our corporate responsibility. We emphatically reject forced and child labour. For us, compliance with the labour standards of the International Labour Organization (ILO) is a matter of course.

Objectives

At the core of our *strategic alignment* and our *human resources (HR) goals* is the desire to recruit the best staff for the respective tasks. We also want our employees to remain at Berenberg over the long term against a backdrop of a constantly changing working and banking market environment.

In our treatment of employees and employee rights we fulfil the principles of the Global Compact of the United Nations:

- *We recognise freedom of association and the right to collective bargaining.*
- *We do not tolerate any form of forced and compulsory labour.*
- *We support the abolition of child labour.*
- *We support the elimination of every form of discrimination*

Measures

To manage our strategic personnel approach, a regular exchange takes place between the head of HR, management and the division heads. This allows us to adjust our employee-related offerings and processes continuously, to carry out an ongoing comparison with the overall bank strategy and to react to market-related necessities. In addition, in Germany we have a very constructive and trusting working relationship with our works council as well as our representative body for young workers and trainees.

Responsibilities

HR is responsible for the employee aspect. This is another area in which we have decentralised our activities in order to provide the best possible support on site for our strong international growth. This means that our HR teams in Frankfurt, London and New York have continued to grow.

3. Opportunities and risks

Opportunities

Even with a headcount of 1,474 employees, the Berenberg Group has remained true to the idea of consistently developing further and being able to react quickly to new market realities. Our flat hierarchy encourages this dynamic environment and supports our committed employees in making their own ideas a reality and thus contributing personally to our shared success. We see this entrepreneurial way of thinking and acting as an opportunity to position Berenberg as an attractive employer brand.

Risks

As part of our risk management, we have three scenarios in particular for assessing potential HR-related risks. The expected incidence is below 1% for »workplace discrimination«. The second scenario involves »compliance with industrial health and safety regulations«. We comply with all of these requirements, so there are no potential risks in this area. We document our compliance with industrial safety regulations at all locations by means of risk assessments that span several pages. The third scenario relates to the »key person risk«.

Some of our services are so complex that they can only be provided by employees with special skills, characteristics and experience. These specialists are particularly sought after on the labour market. With our strong brand, our excellent market position, intensive university marketing, proactive contact to personnel consultants and a professional website, we continue to successfully fill these specialist positions. We endeavour to retain highly qualified employees at Berenberg. This is why we place a major emphasis on a trusting relationship between HR and the employee as well as between managers and team members.

Our newly conceived assessment system that is applied consistently throughout the bank supports this approach. It allows us to react in a timely manner to potential for improvement in the workplace. Personal meetings with the employee after a three-month induction period also help us to compare our own perception of the Bank as an employer with a »fresh« view from new colleagues.

Outcomes and performance indicators

In the interest of our sustainable HR management and meeting our HR objectives, we want to offer our employees an attractive and healthy working environment and to give them the best support possible for their further development and their different life phases. The following focus areas derive from this aim.

Recruiting the next employee generation

In view of demographic change, maintaining and improving our attractiveness as an employer is an important success factor. As the number of highly qualified young talents on the labour market is set to decline, we initiated our systematic university marketing programme more than 10 years ago. As a result, we now have strong network of over 100 universities in Germany and abroad. We appreciate being able to establish links to students at an early stage and hired 121 student interns and temporary employees in 2019. We like to maintain long-term links to exceptional students and, in a best-case scenario, we make them an attractive offer of entry-level employment after they have completed their studies.

In June 2019, we launched the global student loyalty programme »FutureTalent @Berenberg« that involves exclusive networking events, workshops and priority access to current job vacancies in order to stay in touch with talented newcomers and offer them entry opportunities.

In the reporting year, one of the main focuses was placed on recruiting high-potential individuals. For example, we launched two additional trainee programmes: alongside the existing International Graduate Programme (IGP) with its focus on capital markets, Berenberg now also offers the Tech Graduate Programme (GTG) with a focal point on global technology. With a duration of 15 months, both programmes were conceived for the European locations with a home base in London. Its counterpart in New York is the 12-month Capital Markets Analyst Program (CMAP), likewise a new launch. All three newcomer programmes offer graduates and analysts the possibility to get to know the bank in its entirety and gather a wide range of experience at our various locations via a rotation system. For the current reporting year, the three programmes were advertised at 54 universities in twelve different countries. Of around 4,500 applications, 20 graduates were selected for the IGP, 12 graduates for the GTG and six graduates for the CMAP. Alongside a six-week introductory phase, all three programmes comprise 430 hours of training per graduate and a constant exchange of ideas and information with decision-makers.

In the reporting year, Berenberg hired three new dual-track students (majoring in business administration or business informatics) who want to combine demanding theoretical studies with on-job practical experience. In addition, two trainees started their training as bank clerk and four trainees their training as IT specialist (systems integration or application development) at Berenberg. In the reporting year a total of 32 dual-track students and trainees completed their training/studies at the Hamburg location.

Goal-based personnel development

The success of our company relies on our employees, whose professional and personal development is extremely important to us. To promote their development in the best possible way, we offer a wide range of further training opportunities and onboarding programmes.

430

hours of training per graduate
are provided by Berenberg as part
of our Graduate Programmes.

In our executive programme, we also provide our managers with a practical »toolkit«. These tools are tailored to our corporate principle of »accountability« and assist these employees in personnel management and their day-to-day work in a situation-appropriate and needs-based manner. In 2019, 26 employees made use of the programme. In order to be able to react in a targeted way to further-training needs of our workforce, the Learning & Development Calendar remains an additional component of employee development. Not only traditional lectures are on offer but also Lunch&Learn impulse seminars. These short formats only take 1.5 to 2 hours and can thus be optimally integrated into day-to-day work. Berenberg regularly reviews employee benefits, which it did once again in this reporting year.

Systematic personnel development also includes the regular assessment of all employees. Over the reporting year, Berenberg's ongoing work in this context focused on replacing the different employee feedback systems that were in place and, for the first time, rolled out a new global assessment system throughout the bank. This system was designed in close cooperation with the Compliance unit in 2018, so that the mandatory annual review of compliance with regulatory requirements, such as the expertise test (»Sachkundeprüfung«) in Germany or the »fit-and-proper« test in the UK, is ensured. We are convinced that the new review forms encourage employees and executives to enter into an open and honest annual dialogue as partners and provide assistance in this context.

Attractive employee benefits

We want to offer our employees an attractive working environment, and thus actively contribute to their well-being and workplace satisfaction. Depending on their location, there are differences in the wide range of benefits such as a fair and performance-based remuneration system (detailed description in the Disclosure Report), a company pension scheme and insurance benefits, an accident insurance offering as well as a health management system. The health of our employees is a valued asset. With our *health management system*, which comprises various offerings provided at the individual locations, we want to help keep our employees healthy, effective and motivated. Examples in place at our head office in Hamburg include regular appointment slots with our company doctor as well as other components described in more detail below.

100 %

of employees receive regular performance evaluation.

100 %

of employees have access to a company pension plan.

Exercise: Berenberg offers a wide range of company sporting options and supports employees in taking part in joint sporting events and company runs, which are also held to raise funds for charitable causes. On-site showers and changing rooms mean that our staff can get physical exercise near to the office.

Prevention: Offerings newly introduced in the reporting year include for example further access to a worldwide sport, fitness and wellness network. Ergonomic office furniture allows workstations to be adjusted to individuals' needs. Our executives also receive comprehensive health checks. We are very pleased about our low rate of absenteeism of 6.77 days on average in the reporting year (2018: 7.8 days) as well as the small number of occupational integration cases after long-term illness. This constantly motivates us to continue to work on our health management system.

6.77

days is the
absenteeism rate.

Work/life balance

To meet our social and corporate responsibilities, we want to offer our employees framework conditions that allow for a balance between career progression and the demands of their personal life. Our aim is to promote employees' willingness to work and satisfaction, also in their function as a parent or carer for family members, to name two examples. We support a work/life balance by means of flexible working time arrangements and the option to work from home subject to agreement with superiors. We also offer various part-time working models. The percentage of part-time staff at Berenberg is continuously increasing, totalling 12.8% in the reporting year. Further options such as »Altersteilzeit« (a special German phased retirement scheme) and sabbaticals are regulated in company agreements. Over and above this, we have redesigned our offering to include a working-time account, which we have rolled out to use working-time credits in the best possible way for periods of release from duties.

12.8 %

of our staff work
part time.

Furthermore, in Germany parental leave can be extended by a further six months after the statutory period of three years, taking into account the requirements of the collective bargaining agreement. We support employees returning to work after their parental leave. More and more fathers are making use of the option to take two months' paternal leave. In the US and the UK, we have a maternity leave policy in place. With the assistance of a service provider, we offer

our employees in Germany emergency childcare services, kids' camps during school holidays, general advisory services for family-related issues as well as life coaching. This service can be used anonymously and is supported financially, or even offered for free, by Berenberg.

In the UK, we support our employees with a comparable Employee Assistance Programme.

Diversity

One of the central principles of our company is not to discriminate against people based on their ethnicity, nationality, skin colour, gender, age, religion, world view, marital status, sexual orientation, or disability. For example, we employ people from 40 countries thanks to our international footprint. We see this diversity as an opportunity, and feel that the healthy mix of different values, experiences and approaches enriches our corporate culture. Training covering the German General Act on Equal Treatment (Allgemeines Gleichbehandlungsgesetz, AGG) is mandatory for all employees in Germany.

40

**nationalities are represented
in the workforce.**



Society

Management approach

For Berenberg, sustainable corporate governance also means assuming social responsibility. This has a long tradition and huge relevance for us. Our first commitment to the common good dates back to the 16th century, when our founders supported the Niederländische Armen-Casse (Dutch Poor-Relief Fund) for the first time.

1. Material topics

Pursuant to our corporate strategy and as a stakeholder on the global financial and capital markets, we monitor the longer-term social and ecological impact of our actions in the course of our business activities. We therefore also offer our clients sustainable investments and products that benefit society. Together with our social involvement, these are the key issues for the aspect of society.

2. Management concepts and processes

Directives

The established Berenberg sustainability standards guide our actions in relation to sustainable investment. These standards are disclosed to clients and continuously refined. Berenberg has been a member of the International Corporate Governance Network (ICGN) since April 2018. In addition, we signed the United Nations-supported Principles for Responsible Investment (UN PRI) in August 2018. In the reporting year, our Wealth and Asset Management business division determined its ESG Policy, ESG Exclusion Policy as well as its Proxy Voting Policy with regard to the exercise of shareholder rights.

Objectives

We would like to expand our expertise in sustainable investment in terms of personnel and further develop the corresponding process. With regard to the companies in which we invest, we pay particular attention to good corporate governance. This means that we concentrate within our investment process on companies with responsible corporate governance and want to further improve this governance.

Measures

Berenberg offers a tried-and-tested sustainability approach for private and institutional clients. Our clients can have their portfolio put together individually using exclusion criteria (e.g. exclusion of controversial business fields), the best-in-class or a positive impact approach, meaning that only particularly sustainable companies are selected from the investment universe. In our investment process, we also use the data provided by MSCI ESG Research. This data services provider has the world's largest database for sustainability analyses of countries and businesses.

Our social involvement is reflected in our two foundations: *The Berenberg Bank Foundation of 1990* promotes art and culture (in particular young up-and-coming talents), science and research. *The BerenbergKids Foundation* uses its own aid projects and campaigns to provide financial and other support to children and young people who are socially disadvantaged and in need.

Responsibilities

Several units at Berenberg are responsible for the aspect of society: Our portfolio management team in the Wealth and Asset Management division compiles sustainable client portfolios in cooperation with our ESG Office, which is responsible for defining the ESG principles. Corporate Communications coordinates the fundamental direction of our social involvement. The respective members of the foundations' Management Boards are responsible for the activities of the Berenberg Bank Foundation of 1990 and the BerenbergKids Foundation.

3. Opportunities and risks

Opportunities

We are seeing increasing demand from private and institutional investors for sustainable capital investments. Our expertise in this field opens up further business opportunities. As an institution with a centuries-old tradition, we are also a credible representative on the topic of sustainability. This is an important image factor for us.

Risks

The risk that we fail to act according to the ESG criteria when putting together sustainable client portfolios is minimised among other things by involving the

renowned external service provider MSCI ESG Research. No other relevant risks were identified for the society aspect.

Outcomes and performance indicators

Sustainable investments and products that benefit society

Via our ESG Office, we have further expanded our activities in the field of sustainability. The independent ESG Office is responsible for ESG policy and strategy in the Wealth and Asset Management business division. In addition, the office handles portfolio positioning and the integration of ESG principles into our investment decisions.

As a UN PRI signatory, we remain committed to our responsibility in this respect to actively advocate environmental and social issues as well as questions of good governance and to integrate these principles into our investment process.

The interest amongst our customers in products and services that combine economic, ecological and social criteria keeps rising. More and more private clients, charitable foundations, churches, non-profit organisations and institutional clients such as pension funds want to combine financial returns with sustainability aspects. Our approach is to integrate sustainability criteria into the investment portfolios, sustainable investment products and a special advisory service for foundations and non-profit organisations.

The portfolio management team in the Wealth and Asset Management division uses a tried-and-tested *sustainability approach for all asset classes* for private and institutional clients. Under this approach, we exclude controversial fields of business, such as manufacturers of cluster bombs and land mines, in all of our funds, discretionary strategies and mandates. We also exclude agricultural commodities as we do not want to speculate on food prices. We also pursue a best-in-class approach, whereby we select companies that act in a particularly sustainable manner and perform well as part of a fundamental analysis, for example in terms of their profitability. Both for the exclusion criteria and the best-in-class approach, Berenberg uses the data from the renowned service provider MSCI ESG Research. At the end of 2019, €987 million was sustainably invested in funds and mandates declared as being ESG compliant. Furthermore, we endeavour

987 million
is invested sustainably in funds
and mandates declared
as being ESG compliant in our
portfolio management.

to identify companies that offer long-term added value for society and the environment. For example, these can include electromobility firms or companies that are responding to the demographic challenges.

We understand the integration of ESG principles into our investment decisions to be an advantage in terms of value in order to better manage the fundamental risks in our portfolios. Our experienced portfolio managers proactively seek to enter into dialogue with the company management. ESG aspects are addressed in a targeted manner to obtain an understanding of the company's conduct, specifically the potential growth drivers, and to achieve an improvement in the field of sustainability. With ESG integration, we further ensure that our portfolios contain fully sustainable companies.

The ESG principles put into effect by our *Wealth and Asset Management* division in the reporting year are the binding definition of our understanding of ESG. All principles have been published on our website at www.berenberg.de/en/esg-en/. The Berenberg ESG Policy describes our ESG approach and its integration into our investment strategies. The Berenberg ESG Exclusion Policy describes and defines the corresponding exclusion criteria. Furthermore, as part of our Proxy Voting Policy we make voting recommendations with regard to the exercise of shareholder rights to contribute in this way to companies' consistent implementation of sustainable business strategies.

In 2018, we set up *Berenberg Sustainable EM Bonds*, the first purely bond-based fund to invest in emerging markets with a sustainability focus. The investment strategy of this retail fund is based on four key factors: return, fundamental strength, liquidity and sustainability. Alongside corporate or financial securities, mostly government bonds will be considered. An average investment grade rating will be ensured at the level of the overall portfolio. Securities are selected using a combination of strict exclusion criteria as well as fundamental analyses specific to individual sub-asset class as part of which ESG criteria have been integrated. Our selection process is based, among other factors, on dedicated sustainability analyses and ratings.

Furthermore, in 2018, we launched *Berenberg Sustainable World Equities*, a sustainable equities fund that invests worldwide in companies that have a positive impact on our environment and society with their products and services. The companies are selected applying a bottom-up approach, i.e. on the basis of

fundamental data. During the investment process we therefore make sure that a company not only generates above-average structural growth but also long-term and sustainable profits. We additionally attach importance to the company's positive impact with regard to addressing global challenges. In this context, issues such as combating drought or addressing demographic change constitute a structural growth area for the companies selected for the fund. The fund managers intend to use their investment and the influence it entails to reinforce the companies' responsibility for their business activities. The established Berenberg exclusion criteria are a material component of the investment process.

Foundations have special requirements for investing their money: Their primary focus is not on maximising profit but on maintaining the capital of the earmarked funds and generating adequate income to meet the purpose of the foundation. In most cases, foundations will also attach special significance to a sustainable gearing of the investment portfolio. We support these needs with a Competence Centre for foundations and non-profit organisations which takes an interdisciplinary approach and is dedicated to the specific requirements of foundations.

Social involvement

Social involvement has long been a matter of course for the Bank and for its employees.

Company involvement

Patronage is a tradition in families and companies based in Hamburg. Berenberg has supported numerous initiatives throughout its long history. Cultural diversity and a rich intellectual life are vital for a vibrant city, but they require qualified and talented newcomers. This is why our owners founded the *Berenberg Bank Foundation of 1990* on the occasion of the Bank's 400th anniversary. As a partner to art and culture, the foundation aims to use its charitable work to contribute to the attractiveness of Hamburg, but also to that of the other locations of the Bank. Supporting young and gifted artists is at the heart of what the foundation does. The foundation awards the annual *Berenberg Culture Prize*, one of the most generously endowed prizes for up-and-coming talents in Northern Germany. The prize is awarded to artists or ensembles, projects or institutions. It covers the entire spectrum of cultural activity, ranging from

the fine arts and the performing arts to literature, music and film. The Berenberg Bank Foundation of 1990 also supports the artistic development of gifted up-and-coming talents by awarding scholarships. In its 30 years of existence, the foundation has helped 140 young artists. Harpist Anaëlle Turret was the award winner in the reporting year.

In recent years, we have awarded the *Berenberg Prize for Corporate Responsibility* to German family-owned businesses that demonstrate in exemplary fashion how to combine business purpose with social involvement. The *Berenberg Prize for Scientific Language* is regularly awarded to outstanding scientific papers composed in German that are not only written in an aesthetically appealing style but also especially easy to understand. The prize is intended to reward efforts to improve the quality of German scientific language. It is awarded by Universitäts-Gesellschaft Hamburg and donated by the Berenberg Bank Foundation of 1990.

Employee involvement

In 2007 our employees launched the »BerenbergKids« initiative. They wanted to use the privileges they had enjoyed or achieved, such as a good education, financial security and strong networks, to help children and young people who are dis-advantaged and in need. The great success and sustained dedication of the employees encouraged the Bank's Partners to turn the initiative into a foundation, leading to the establishment of the *BerenbergKids Foundation* in late 2009.

The BerenbergKids Foundation focuses on supporting charitable institutions and social organisations in Germany. Together with the Bank's employees, we collect donations for this purpose and assist with projects.

We received nearly 50 grant applications in the reporting year. Of this number, 21 projects were approved and supported with a total of EUR 123,000. The donations make it possible to implement and support projects benefiting disadvantaged children in the areas of culture, education, sports, health, nutrition, and participation. The association Ankerland e.V., which takes care of severely traumatised children and youths, received the biggest donation of EUR 20,000 in the reporting year.

The foundation celebrated its ten-year anniversary and collected donations in the record amount of EUR 211,378 in 2019. The BerenbergKids Challenge, in

which teams of employees in different disciplines who had previously collected donations competed with each other for the ninth year, was extremely successful in the reporting year. The »leftover cents« donation (»Restcent-Spende«) has been a constant source of income for the BerenbergKids Foundation since 2016. Employees can voluntarily round down their salary and donate the corresponding cents or euros of their net salary. 346 employees in Germany now make use of this option, resulting in a charitable donation of EUR 9,926.74 in the reporting year.

Since 2017, we have been providing a rather unusual home on the roof of our main building on the banks of the Alster River to two bee populations, which produced roughly 65 kg of honey there over the reporting year. Employees and clients bought up the jars of honey in no time. The income from this campaign went to the BerenbergKids Foundation.

In the Christmas campaign of BerenbergKids, our employees again purchased Christmas gifts for socially disadvantaged children. Beforehand, the wish lists of the roughly 120 children in the Elbkinder Kandinskyallee day care centre in the Mümmelmannsberg district of Hamburg had hung on the branches of a Christmas tree in the employee bistro.

In addition to monetary donations, BerenbergKids also makes in-kind donations and donations of time. The Hamburg-based association Leseleo has been supported with donations in kind since 2017. It looks after children who have to cope with special challenges such as war, disease or developmental disorders. BerenbergKids collects books and toys for these children, who often also come from refugee families.

Over and above this, Berenberg staff support the Hamburg book trolley with donations of time. It contains twelve intercultural children's books in ten languages with the objective of allowing as many primary schoolchildren from troubled areas of the city as possible to take it home with them for two weeks. To ensure that the books in the trolley last more than one school year, 19 members of Berenberg's staff made the effort of wrapping just under 200 books in a protective covering in the reporting year.

Our colleagues in London also undertake various activities to support underprivileged children and young people as part of the BerenbergKids initiative. The BerenbergKids London Committee developed ideas on how best to fund-

35 %
of our staff in Germany participate each month in the »leftover cents« donation.

raise for the current chosen charity partners, Lives not Knives and the Haven House children's hospice. 2019 marked a change of our charity partners that are elected by the staff every two years. Lives Not Knives supports young people into education, employment and training. Haven House cares for children and young people from birth to 19 years old who have life-limiting or life-threatening conditions. To name some of the activities in 2019, the team organised internal quiz nights throughout the year for Berenberg staff, along with breakfast mornings, an annual raffle and a scavenger hunt around the City of London. We raised over £15,000 in 2019 which was split between the two charity partners. The team also runs volunteer days including a shop-based event to raise further funds and some gardening work around the hospice for Haven House.



Human rights

Management approach

We are aware that every economic and business activity has the potential to have a positive or negative impact on the application of human rights. As a bank, our possibilities for influencing compliance with human rights are in the following areas: our employees, service providers, financed projects, granting of loans, capital investments and other financial products.

1. Material topics

Against this backdrop, the »equal treatment of our employees« (anti-discrimination) and »compliance with minimum standards in the supply chain« are the most important topics with regard to the aspect of human rights.

2. Management concepts and processes

Directives

Berenberg is committed to internationally accepted human rights standards such as the Principles of the United Nations Global Compact, the conventions of the International Labour Organization (ILO) and the United Nations Universal Declaration on Human Rights. In this regard we act in accordance with the recommendations of the OECD Guidelines for Multinational Enterprises. At the same time, we have undertaken to observe the UK Modern Slavery Act. We respect and protect the high standards of employee rights: a safe and healthy working environment, fair working conditions, the right to freedom of association as well as the promotion of equal opportunities and equal treatment of employees. Berenberg observes the country-specific statutory requirements for the avoidance of discrimination. As we only have locations in Europe and the US, issues such as child labour and forced labour as well as association bans are not a focus for us.

Measures

In 2017, our Procurement department introduced new social, ecological and ethical minimum standards for the procurement of IT services, hardware and software that are a component of our standard contracts. These items account for by far the largest procurement volumes. When awarding a contract to produce a

In our actions, we ensure compliance with human rights in accordance with the principles of the Global Compact of the United Nations:

- *We support and respect the protection of internationally proclaimed human rights.*
- *We make sure that we are not complicit in human rights abuses.*

work in relation to construction measures, we ensure that social standards such as the minimum wage are observed. The same applies to services relating to facilities management (for example cleaning firms and freight forwarders).

We follow the principles of the German General Act on Equal Treatment (Allgemeines Gleichbehandlungsgesetz, AGG) at our German locations, as well as the equivalent country-specific statutory requirements in France, Luxembourg and Switzerland. In the UK and the US, we have established anti-discrimination policies in accordance with the statutory regulations. Employees can report any instances of discrimination to their supervisors, to HR, Anti-Financial Crime Compliance (AFC Compliance) or to the works council. Over and above this, our employees have access to the anonymous, certified whistleblowing system BKMS (see section on combating corruption and fraud, p. 46 et seq.). Any reports of this nature by employees are examined immediately and confidentially by the HR unit. After the matter has been clarified and the assertion has been confirmed, if applicable, corresponding punitive measures are taken against the person responsible in line with the country-specific labour law framework conditions.

External parties with concerns surrounding our handling of human rights issues can use the following complaints channels: getting in touch in person or by phone, filling in the contact form on our website or submitting a written complaint. Depending on the matter at hand, these reports are processed by the units charged with control.

Responsibilities

At Berenberg, it is primarily our executives who are responsible for respecting human rights. It goes without saying that each and every employee is also obliged to take this aspect into consideration in their day-to-day work. The HR unit also provides assistance by taking this aspect into account in its employment contracts and guidelines. Compliance with minimum standards in the supply chain is one of the tasks of the Procurement unit (purchasing of IT services, hardware, software and telecommunications, and stationery such as letterhead and business cards) and the Facilities & Administration unit (office equipment, contracts to perform construction work, services relating to facility management, furniture and office supplies such as paper).

3. Risks

Berenberg has a high degree of vertical integration compared with the rest of the industry. Accordingly, outsourcing is only done in isolated instances under the responsibility of a centralised outsourcing management function. All outsourced activities are evaluated, rated, and documented. We also analyse scenarios involving potential difficulties with cooperation partners or suppliers. The results make it possible to assess future operational risk potential and gain an additional perspective on this type of risk.

Outcomes and performance indicators

Equal treatment of all employees

For us, it is a given that all employees must receive equal treatment with regard to the following points: ethnicity, nationality, skin colour, gender, age, religion, world view, marital status, sexual orientation, or disability. Web-based training on the German General Act on Equal Treatment (Allgemeines Gleichbehandlungsgesetz, AGG) is mandatory for all employees in Germany when they join the Bank. Our branches and representative offices abroad have individual arrangements on equal treatment or rules in the employee handbooks to which every employee must adhere. In addition, our managers receive specific written instruction regarding this topic during their induction period.

100 %

of our newly hired employees are informed about the topic of anti-discrimination by means of the measures described.

Compliance with minimum standards in the supply chain

Our focus in the area of procurement is on purchasing office equipment and office supplies, IT services, hardware and software. The office equipment and office supplies for our German locations are procured from service providers who commit to the aforementioned standards of employee rights and to paying the minimum wage. In our Supplier Code of Conduct, which is used for the procurement of IT services, hardware and software, our business partners undertake among other things to recognise human rights and to ensure appropriate working conditions for their employees. This Code is mandatory as an appendix to a framework agreement when starting a new business relationship and when updating pre-existing agreements.



Anti-corruption and fraud

Management approach

The lending industry faces considerable challenges. The loss of trust in the industry caused by the 2008 financial crisis is being joined by a wide range of regulations at a European level and the ECB's restrictive interest policy as obstacles to business. The emerging fintech industry is exerting pressure on the traditional business model of German banks. Within this highly competitive environment, we consider it to be an important task to ensure that our actions are in accordance with the law. From our perspective, good management, i.e. effective corporate governance, is the basis for this. In particular, this means ensuring legal compliance, managing risks appropriately and protecting the reputation of our Bank. At Berenberg, Group Compliance ensures that our Bank always conducts its business in the interests of our clients and employees in line with the applicable statutory regulations as well as our internal rules.

1. Material topics

As a bank, statutory requirements alone mean that we play a major role in the prevention of every form of corruption (offering and taking bribes, etc.). Over and above this, we see ourselves as having a special responsibility: we are aware that criminal offences are damaging to every company, impede economic growth and prevent sustainable development. Berenberg pursues a zero-tolerance approach in this regard. One of the core elements of effective prevention of fraud and money laundering involves implementing the »know your customer (KYC)« principle in conjunction with a substantiated risk assessment as well as the ensuing duties of care vis-à-vis new clients and existing clients. This serves simultaneously to reduce the risk for the Bank of becoming embroiled in acts of corruption. As a consequence, the client perspective (KYC) and the employee perspective (corruption prevention at employee level) are the two material topics for this aspect.

2. Management concepts and processes

Directives

Alongside national statutory regulations on the prevention of fraud and corruption (the German Criminal Code, the German Banking Act and the German Money Laundering Act), Berenberg is additionally subject to a large number of international regulations on account of its extensive business activities. Examples include the UK Bribery Act 2010 and the US Foreign Corrupt Practices Act (FCPA). Our internal guidelines for implementing these requirements provide our staff with binding standards for dealings with clients and business partners.

Objectives

We want to minimise the risk of becoming involved in criminal acts involving corruption through our employees or third parties and thus seek to protect our clients and Berenberg from criminal acts. Our goal is to uphold the trust placed in us and protect our reputation. This is because our corporate culture is based on integrity, which cannot tolerate corruption in any form.

Measures

The Group Compliance division head and the money laundering reporting officer report directly and regularly to management, the Extended Management Board as well as the Chair of the Administrative Board, and regularly exchange information with the Head of the Internal Audit function. In addition, the Head of Legal assesses all relevant matters from a legal perspective (criminal law).

Our employees are subject to principles and rules for appropriate conduct in dealings with clients, business partners and colleagues. Like our remuneration system based on regulatory requirements, they serve to avoid any conflicts of interest.

At Berenberg, business relationships are entered into based on certain framework conditions set out by management within the context of the existing strategies. This means that certain countries (for example those with a high Corruption Perceptions Index,³⁾ industries and services are off-limits under our business policy or are subject to approval. Ongoing comparisons with specialist databases

³⁾ The politically independent organisation Transparency International is active in the global fight against corruption in close cooperation with governments, businesses and citizens. Transparency International prepares an annual Corruption Perception Index (CPI).

are used to research whether there are any negative indications of criminal acts including corruption. Additionally, Berenberg always assesses whether the business relationship is linked to a politically exposed person (PEP).

With a mature training concept and efficient control mechanisms, Group Compliance ensures that the applicable standards and guidelines are observed.

Responsibilities

At Berenberg, the Group Compliance business unit is responsible for anti-financial crime compliance as well as Minimum Requirements for Risk Management (MaRisk) and securities compliance. Consequently, it is focused particularly on the topics of fighting corruption, including the prevention of conflicts of interest, combating money laundering and terrorist financing, implementing financial sanctions and embargoes, preventing other criminal acts as well as monitoring trade, the ban on insider trading and the rules on employee transactions.

3. Opportunities and risks

Opportunities

A bank's reputation is extremely precious. Over more than four centuries, Berenberg has built an outstanding reputation, and our brand gives us a strong competitive edge. Our compliance system makes sure that we can detect misconduct at an early stage. This allows us to ensure that we are complying with the statutory regulations and at the same time avoiding reputational risks and financial risks for the Bank.

Risks

As part of our risk management, we monitor various scenarios for assessing potential risks relating to the issues of corruption and fraud. Among others, these include »transactions with deliberate manipulation«, »unauthorised employee access to client assets«, »theft of confidential data« and »arrangements with external service providers (accepting undue advantages)«. During risk analysis, the respective risk situations are identified and assessed considering the following factors: size of the institution, industry, international nature and business activities. This also includes a catalogue of measures by means of which the fundamental risks can be mitigated.

Internal and external audits evaluate the effectiveness of the precautions integrated in the processes, allowing any necessary modifications to existing measures to be made. The flat hierarchies as well as our centralised and unbureaucratic organisational structure make it easier overall to manage the risks described above.

Outcomes and performance indicators

We support efforts at national and international level to fight financial crime. In addition to corruption, this includes infringements such as money laundering, fraud, terrorist financing and circumventing embargoes and sanctions. In the area of corruption prevention, we consider the KYC principle in conjunction with our risk assessment to be the key basis for deriving corresponding duties of care.

Client perspective: know your customer

Our KYC regulations serve to protect the Bank from abuse for criminal means. As part of our new client acceptance process, an extensive review of personal details and business details is carried out. The list of questions includes a detailed description of the potential account holder as well as, where applicable, the (fictitious) beneficial owner, the planned business activities with Berenberg as well as a presentation of the economic situation (source and origin of assets). In the case of politically exposed persons (PEPs), we also examine their function, the location where they perform their function as well as any negative press.

As soon as the new client acceptance process is successfully completed, the customer list is regularly reviewed automatically on the basis of internal and external criteria. Negative reporting or a change in PEP status are some of the factors that play a role here. A negative vote can lead to special monitoring of the client relationship, additional security measures or even to the termination of the client relationship.

100 %

of our locations have measures
in place to prevent corruption
and fraud.

Employee perspective: protection of employees

At the employee level, the key elements of corruption prevention include guidelines for dealing with invitations and gifts, our training concept as well as the BKMS whistleblowing system.

Internal bank *guidelines* for the prevention of corruption regulate the circumstances in which it is permissible to accept invitations and gifts from or offer invitations or gifts to third parties. The guidelines specify criteria for when invitations to events can be accepted as customary and appropriate based on current assessments. The guidelines also describe reporting and approval processes as well as clear rules in dealings with public officials for example. The guidelines are reviewed on a regular basis and adjusted to the current legal environment. In doing so, we take account of Berenberg's international footprint and the various jurisdiction in which business is carried out.

Our employees receive regular *mandatory training* on topics that include fraud and money laundering prevention so that our training ratio for all employees once again stood at just under 100% in the reporting year. Depending on the employee's role, the web-based awareness training is supplemented with face-to-face training. In addition, each new employee is given a set of compliance guidelines that also include the guidelines on the prevention of corruption. We have established a concept for follow-up training for our workforce.

Our staff are obliged to report suspicious matters in order to uncover irregularities at an early stage. These include infringements of legal provisions and/or internal rules, fraud, corruption or other criminal acts and cases of discrimination or harassment. With the *BKMS whistleblowing system* in place, our employees can choose between making an open report or opting for an anonymous report. This means that they can use the system to report potentially criminal acts while keeping their identity confidential. All reports received are subject to an independent review.

Furthermore, we work with an IT monitoring system so that we can identify suspicious transactions – also from the aspect of corruption.

Almost **100 %**

is the training ratio of our employees with regard to the topics of money laundering and fraud prevention.

0 %

of our 2019 earnings was generated by Berenberg Group locations in countries with a corruption index of <60 according to the CPI of Transparency International.⁴⁾

⁴⁾ The CPI scores countries based on their level of public-sector corruption (amongst public officials and politicians), and lists these in accordance with their level of corruption. A CPI of <60 (based on CPI 2019) is an indicator that the country in question is highly susceptible to corruption. Berenberg does not have any locations in countries of this kind.

About this report

Reporting principles

The present publication is our third Sustainability Report and meets the requirements of the EU Directive on the disclosure of non-financial information. It describes the activity of Berenberg as well as the impact of the Bank on people and the environment and documents relevant performance indicators. The report covers the period from 1 January to 31 December 2019. All of the information refers to Joh. Berenberg, Gossler & Co. KG. Information on the Berenberg Group is designated as such.

The report will be accessible for the next ten years using the following link: www.berenberg.de/en/csr-report2019

Frameworks and selection of reporting topics

We provide comprehensive and transparent information on all non-financial topics of relevance to us and our stakeholders. This publication is based on the principles of the UN Global Compact on advanced reporting. In addition, we determined the material reporting topics and relevant ratios based on the indicators of the Global Reporting Initiative (GRI) as well as on the performance ratios of the Sustainability Accounting Standards Boards (SASB) and of the German Association for Financial Analysis and Asset Management (DVFA, Vereinigung für Finanzanalyse und Asset Management) and/or the European Federation of Financial Analysts Societies (EFFAS).

To prepare our sustainability report and select the material reporting topics, we carried out a materiality assessment with the involvement of stakeholders. The selection is based on the basis of a three-step process: identifying, prioritising and examining the material topics. We first analysed the non-financial topics in international and industry-specific frameworks such as GRI, SASB, and DVFA/EFFAS. At the same time, we carried out a benchmark analysis in order to identify possible reporting topics. The relevant topics for each aspect were prioritised and finally determined in the course of personal discussions with internal stakeholders. All business divisions and relevant staff areas were involved. The reporting topics selected were validated by the divisions.

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