NEUBERGER BERMAN

Environmental, Social and Governance Policy

MARCH 2019

OUR FIRM

Founded in 1939, Neuberger Berman is a private, 100% independent, employee-owned investment manager. From offices in 34 cities worldwide, the firm manages a range of strategies—including equity, fixed income, quantitative and multi-asset class, private equity and hedge funds—on behalf of institutions, advisors and individual investors globally. With more than 500 investment professionals and over 2,000 employees in total, Neuberger Berman has built a diverse team of individuals united in their commitment to delivering compelling investment results for our clients over the long term. That commitment includes active consideration of environmental, social and governance factors. Our culture has afforded us enviable retention rates among our senior investment staff and has earned us a citation from *Pensions & Investments* as a Best Place to Work in Money Management for six consecutive years.

WE BELIEVE THAT MATERIAL ENVIRONMENTAL, SOCIAL AND GOVERNANCE FACTORS ARE AN IMPORTANT DRIVER OF LONG-TERM INVESTMENT RETURNS FROM BOTH AN OPPORTUNITY AND A RISK-MITIGATION PERSPECTIVE, AND WE UNDERSTAND THAT FOR MANY CLIENTS THE IMPACT OF THEIR PORTFOLIOS IS AN IMPORTANT CONSIDERATION IN CONJUNCTION WITH INVESTMENT PERFORMANCE.

1 | INTRODUCTION

Since the inception of the firm in 1939, Neuberger Berman has remained singularly focused on delivering attractive investment results for our clients over the long term. As an active manager, we have a long-standing belief that material environmental, social and governance (ESG) factors are an important driver of long-term investment returns from both an opportunity and a risk-mitigation perspective. Therefore, we take a comprehensive approach toward managing client assets, including the integration of ESG criteria into our investment process. We also understand that for many clients the impact of their portfolios is an important consideration in conjunction with investment performance.

From our first application of "avoidance screens" in the early 1940s to the launch of our U.S. Sustainable Equity team in 1989, Neuberger Berman has been at the forefront of integrating ESG factors into investment processes.

Today, we continue to innovate, driven by our belief that ESG factors, like any other factor, should be incorporated in a manner consistent with the specific asset class, strategy and style of each investment strategy. ESG factors can be employed in a variety of ways to help generate enhanced returns, as well as to meet specific client objectives within a portfolio. We believe our approach not only benefits our clients, but can also support better-functioning capital markets and have a positive impact for people and the planet.

2 | SCOPE

This policy applies to capabilities across our investment platform and is intended to provide a broad framework for our approach to ESG integration. The specific approach to ESG integration utilized by each portfolio manager will depend on multiple factors, including the objectives of the strategy, asset class and investment time horizon, as well as the specific research and portfolio construction, philosophy and process used by the portfolio manager. The approach to integration can be customized by type of investment vehicle to meet the goals and values of clients.

3 | OVERSIGHT

The ESG Committee ("Committee") is responsible for reviewing the ESG Policy annually and amending it as needed. The Committee is chaired by the Head of ESG Investing and is comprised of senior investment professionals across all asset classes, including the Chief Investment Officer (CIO) for Equities, senior portfolio managers from the Fixed Income and Private Investment teams, and the heads of research for Equities and Fixed Income. The committee also includes senior professionals from client coverage, client service, legal, marketing, operations and risk management.

Our dedicated ESG Investing team is responsible for setting the firm's ESG strategy in collaboration with the Committee and after consultation with portfolio managers, CIOs and our CEO. The ESG strategy is reviewed by the firm's Partnership Committee and Board of Directors on an annual basis.

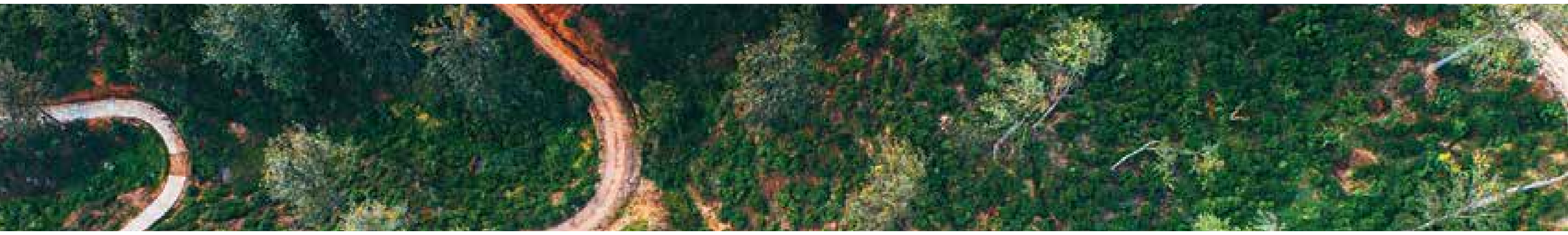
The Committee's broader responsibilities include:

- Approving new investment strategies that formally integrate ESG factors or social/environmental impact objectives as part of their investment process
- Monitoring the ESG-related aspects of existing investment strategies that formally integrate ESG factors or social/environmental impact objectives as part of their investment process
- Supporting the process of continuously enhancing the integration of ESG factors into investment analysis and decision-making across the firm
- Supporting engagement activities with issuers across equities and fixed income, including reviewing the proxy voting policy
- Facilitating the sharing of research, analysis and insights on ESG issues and trends, as well as the publication of research for use by clients where possible
- Supporting efforts to collaborate with clients and others in the investment industry to support the broader acceptance and implementation of ESG investing
- Overseeing reporting to third-party organizations on our ESG investing activities, including the UN-supported Principles for Responsible Investment (PRI)
- Listening to clients and anticipating their evolving ESG-related needs and objectives

4 | ASSET CLASS-SPECIFIC ESG PHILOSOPHIES

Our ESG working groups have developed asset class-specific ESG philosophies that are aligned with our overall firm philosophy:

- **PUBLIC EQUITY:** Neuberger Berman believes that responsibility is a hallmark of quality. We also believe that strong corporate governance aligns management and shareholder interests, and that analyzing environmental and social factors can assist in identifying business models that may create sustainable value while reducing risk.
- **PUBLIC FIXED INCOME:** Neuberger Berman believes that the consideration of material ESG factors is critical to our credit underwriting process. Systematic integration of these considerations combined with our engagement activities helps us reduce the overall credit risk of our portfolios and enhances our analysis.
- **PRIVATE MARKETS (EQUITY AND DEBT):** Neuberger Berman believes that material ESG factors are an important part of the due diligence of any private investment. We conduct this diligence when we invest alongside other general partners on a particular transaction. We also consider ESG factors when investing in private equity funds or private firms through primary, secondary or general partner stakes. Given our unique positioning in the private equity ecosystem, we engage with our partners to share and promote best practices and resources related to ESG integration.
- **MULTI-ASSET CLASS (MAC):** Neuberger Berman believes that incorporating ESG standards in multi-asset class solutions can help improve risk and return profiles. With ESG considerations implemented in strategies across the firm's wide investment platform, the dedicated Multi-Asset Class team is able to build diversified portfolios that provide explicit exposure to ESG factors in an effort to drive alpha generation and risk management.



5 | INTEGRATION

Individual research analysts and portfolio managers are responsible for implementing ESG integration in their portfolios and investment research. We believe this bottom-up approach encourages strategy-specific innovation while allowing each portfolio management team to learn from best practices across the investment platform. Our ESG Investing team accelerates this process with top-down expertise and support.

Each portfolio management team selects an approach from our ESG Integration Framework: Avoid, Assess, Amplify or Aim for Impact. This clarifies why the ESG factors are being integrated into their research and portfolio construction process: whether to simply exclude particular companies ("Avoid"), reach a more holistic understanding of risk and return ("Assess"), tilt the portfolio to best-in-class issuers ("Amplify") or invest in issuances that are intentionally generating positive social/environmental impact ("Aim for Impact").

The approach to integration can be customized by type of investment vehicle: for example, to implement client-specific avoidance criteria, to tilt toward specific ESG characteristics valued by the client or to seek certain types of positive impact that are meaningful to the client.

NEUBERGER BERMAN ESG INTEGRATION FRAMEWORK

AVOID	ASSESS	AMPLIFY	AIM FOR IMPACT
Excluding **particular companies or whole sectors** from the investable universe	Considering the **valuation implications of ESG risks and opportunities alongside traditional factors** in the investment process	Focusing on **'better' companies** based on environmental, social and governance characteristics	Seeking to **intentionally generate positive social and environmental impact** alongside a financial return

Each portfolio management team determines how best to achieve its ESG integration objective and lays out how ESG analysis is conducted to mitigate risk and enhance opportunity, how ESG issuers are analyzed and measured at the security level, and how they influence portfolio construction. We believe that the most effective way to integrate ESG factors into an investment process over the long term is for investment teams themselves to research ESG factors and consider them alongside other inputs into the investment process. For this reason, ESG research is included in the work of our research analysts rather than employing a separate ESG research team. The investment teams can then choose how best to apply all the tools of active management, whether that is to engage or ultimately to sell a security when it no longer offers an attractive risk-adjusted potential return.

6 | COMMUNICATING THE INTEGRATION APPROACH

The majority of our investment strategies by assets formally integrate ESG factors into portfolio construction and security analysis. The remainder have access to ESG data and research, which they are able to integrate into their investment process. Because we consider ESG analysis to be an essential part of fundamental research, the majority of our commingled funds that consider ESG factors do not refer to this in fund names.

However, some clients have requested that we construct portfolios with a consistent "Amplify" or "Aim for Impact" integration approach. To avoid confusion we have created a common labeling system to identify these commingled funds:

1

"ESG INTEGRATED"

(used in fund offering documents, but not in the fund names)

Systematically considers ESG risks and opportunities for every security as part of the investment process; ESG factors have a clear and demonstrable influence on buy/sell decisions.

2

"SUSTAINABLE"

(in name of fund)

Portfolio is tilted toward best-in-class issuers and demonstrably differs from the benchmark by excluding low-rated names, for example. In addition, portfolio managers and analysts can explain investment rationale for focus on leading issuers based on signals of quality or alignment with a sustainability theme. Engagement outcomes are set and tracked with influence on sell decisions.

3

"IMPACT"

(in name of fund)

Portfolio seeks to achieve positive social and environmental outcomes for people and the planet alongside a market-rate financial return. The core business, products or services of each holding contributes to solutions of pressing environmental and social issues. Furthermore, all holdings meet the firm's ESG threshold for a "Sustainable" fund.

7 | PROPRIETARY ESG RATINGS

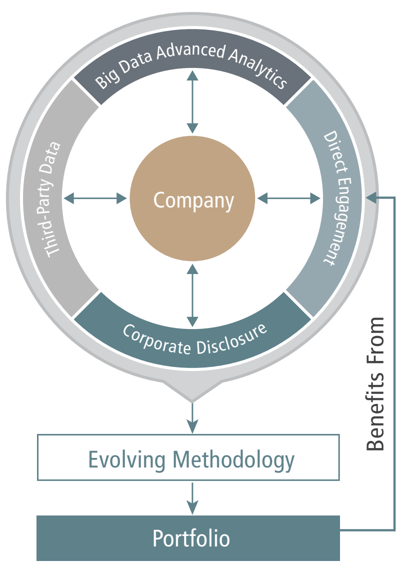
In keeping with our belief that ESG integration must be based on the principle of financial materiality and be appropriate for the specific investment process, our teams do not simply rely on a third-party ESG research provider for ESG analysis. Instead analysts have access to a wide range of ESG data sources and research providers, as well as the advanced analytics capabilities of our Big Data team and the insights we glean from engaging directly with management teams.

These resources are integrated by our central equity and credit research analysts into proprietary ratings that have been developed specifically for each asset class. Given limited disclosure of ESG data in some markets and for some types of issuers, many ratings include significant qualitative judgment from analysts themselves. These ratings are used by portfolio managers as part of their approach to ESG integration, for example, by adjusting internal credit ratings up or down based on the proprietary ESG rating.

ACTIVE ESG

"CONTINUOUS IMPROVEMENT AND ACTIVE ENGAGEMENT"

Multiple Inputs + Feedback Loops + Evolving Methodology



8 | ENGAGEMENT AND ACTIVE OWNERSHIP

We believe that engaging with issuers is an essential part of being a long-term active owner and that engaging with issuers on ESG topics can improve their performance and reduce their risk profile. We believe that engagement is important for both public equities and fixed income investing, and that it is the responsibility of each portfolio manager and research analyst to engage on ESG topics as part of their ongoing dialog with management. For this reason, we do not have a separate stewardship team.

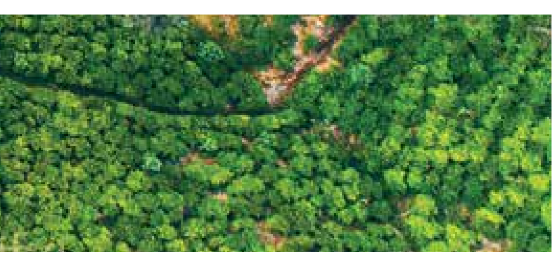
Within fixed income, ongoing dialog with management is an important tool in tracking our investment thesis and reducing the overall risk profile of our portfolios over time. For Developed Market Corporate Credit, we view our engagement activities as critical to our investment process. We establish an engagement goal for each issuer covering a material ESG topic, track its progress over time and incorporate a measure of responsiveness and actions into our opinions of the issuer's credit profile and valuation.

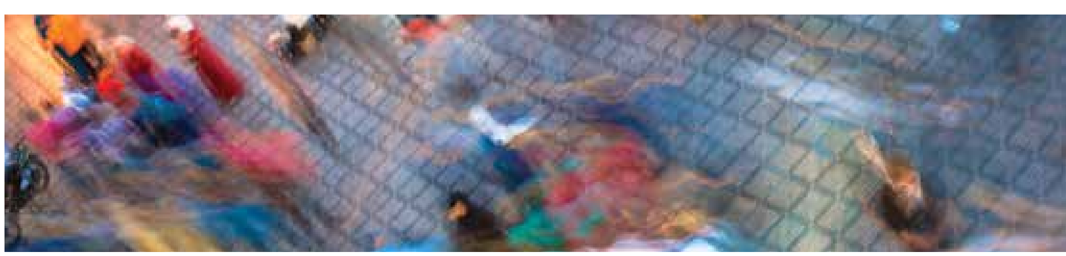
The Neuberger Berman Governance and Proxy Voting Committee oversees active ownership for equities and is responsible for the proxy voting process, our Proxy Voting Policy Procedures and Proxy Voting Policy Guidelines. For public equities, engagement activity can occur in the form of shareholder activism, which may include, but is not limited to, communication with company management and boards, and recommendations for director candidates that could potentially lead to a formal nomination or a proxy contest. Where relevant, we work with other investors in support of these goals, for example, through joint letters and engagement efforts.

We are supporters of the U.K. Stewardship Code, Japan Stewardship Code, the U.S. Investor Stewardship Group and other similar groups. We provide transparency into our engagement activities, including through regular proxy voting and engagement reports specific to equities and fixed income.

9 | CLIMATE-RELATED CORPORATE STRATEGY

Neuberger Berman is committed to understanding our climate-related risks and opportunities, and managing risks that are material to our business. Our firm-wide climate-related corporate strategy is in line with the voluntary disclosure recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). The firm's Board of Directors has been charged with oversight of climate risk and changes have been made to the way the firm manages climate risk in its own operations. Chief Officers for Investment (CIOs), Risk (CRO), and Operations (COO) will oversee the climate-related corporate strategy as part of the entire firm's overall management working alongside the firm's ESG Investing team and portfolio managers. This corporate strategy addresses transition risks due to changes in legal, regulatory and technological frameworks, and physical risks to our locations and operations. We have implemented top-down scenario analysis for modeling transition and physical risk at the company level for listed public equity and corporate issuer fixed income portfolios consistent with the recommendations of the TCFD.





10 | COLLABORATION

We collaborate with clients and others in the investment industry to support the broader acceptance and implementation of ESG investing. Activities include collaborative engagement with a company on a given topic, joint research projects on an ESG topic and support of industry-standard ESG disclosure. We work with a number of like-minded institutions, including PRI, the Sustainability Accounting Standards Board (SASB), UNGC, CDP, the Global Impact Investing Network (GIIN), the Committee Encouraging Corporate Philanthropy (CECP), the Forum for Sustainable and Responsible Investment (US SIF), the Impact Management Project (IMP), the Coalition for Inclusive Capitalism, Farm Animal Investment Risk & Return Network (FAIRR), the Interfaith Center on Corporate Responsibility (ICCR), Ceres, the World Benchmarking Alliance and FCLT Global. A full list of our partnerships and collaborations can be found at www.nb.com/esg.

11 | MONITORING PROGRESS

We monitor the progress we are making and are continuously enhancing the integration of ESG into our investment processes. Relevant indicators of progress include the proportion of assets under management that are formally ESG-integrated, our score in the PRI assessment report each year, the effect of ESG analysis on portfolio performance, the impact of our engagement and proxy voting activities, and whether we are meeting the needs of our clients for ESG-integrated solutions.

Given the dynamic and evolving nature by which ESG factors are material to investment performance, we are committed to continued innovation and improvement.

JONATHAN BAILEY
HEAD OF ESG INVESTING

WWW.NB.COM/ESG

A+

Awarded Top Score

In the most recent UN-backed Principles for Responsible Investment (PRI) assessment report for its overarching approach to ESG strategy and governance

[1] For illustrative and discussion purposes only. PRI grades are based on information reported directly by PRI signatories, of which investment managers totaled 1,120 for 2018. All signatories are eligible to participate and must complete a questionnaire to be included. The underlying information submitted by signatories is not audited by the PRI or any other party acting on its behalf. Signatories report on their responsible investment activities by responding to asset-specific modules in the Reporting Framework. Each module houses a variety of indicators that address specific topics of responsible investment. Signatories' answers are then assessed and results are compiled into an Assessment Report. The Assessment Report includes indicator scores–summarizing the individual scores achieved and comparing them to the median; section scores–grouping similar indicator scores together into categories (e.g. policy, assurance, governance) and comparing them to the median; module scores–aggregating all the indicator scores within a module to assign one of six performance bands (from E to A+). Awards and ratings referenced do not reflect the experiences of any Neuberger Berman client and readers should not view such information as representative of any particular client's experience or assume that they will have a similar investment experience as any previous or existing client. Awards and ratings are not indicative of the past or future performance of any Neuberger Berman product or service. Moreover, the underlying information has not been audited by the PRI or any other party acting on its behalf. While every effort has been made to produce a fair representation of performance, no representations or warranties are made as to the accuracy of the information presented, and no responsibility or liability can be accepted for damage caused by use of or reliance on the information contained within this report. Information about PRI grades is sourced entirely from PRI and Neuberger Berman makes no representations, warranties or opinions based on that information.

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