

FSC Standard 23 - Principles of Internal Governance and Asset Stewardship

Neuberger Berman Australia Pty Limited

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Organisational and Investment Approach

1. Distinguishing features and client objectives

Neuberger Berman (the “**Firm**”) was founded in 1939 to do one thing: deliver compelling investment results for its clients over the long term. This remains its singular purpose today, driven by a culture rooted in deep fundamental research, the pursuit of investment insight and continuous innovation on behalf of clients, and facilitated by the free exchange of ideas across the organization.

As a private, independent, employee-owned investment manager, Neuberger Berman is structurally aligned with the long-term interests of its clients. The Firm has no external parent or public shareholders to serve, nor other lines of business to distract it from its core mission. And with its employees and their families invested alongside its clients - plus 100% of employee deferred cash compensation directly linked to team and Firm strategies – it is truly aligned.

From offices in 34 cities worldwide, Neuberger Berman manages a range of equity, fixed income, private equity and hedge fund strategies on behalf of institutions, advisors and individual investors worldwide. With more than 500 investment professionals and more than 2,000 employees in total, Neuberger Berman has built a diverse team of individuals united in their commitment to client outcomes and investment excellence. The Firm’s culture has afforded it enviable retention rates among its senior investment staff and has earned citations in the top-ranked firms (among those with 1,000 or more employees) in the Pensions & Investments “Best Places to Work in Money Management” survey each year since 2013.

Further details are available at [An Overview of Our Firm](#)

2. An explanation of how the entity aligns its purpose and values with its duty to clients;

We are passionate, independent investors united by our commitment to research-driven investment solutions and client service. Our operating philosophy provides the framework for our continued success.

- > **Client alignment:** We believe that our 100% independent, employee ownership and singular business focus best aligns us—both as an organization and as individuals—with the long-term interests of our clients.

- > **Culture of partnership and innovation:** We are deeply attuned to the unique needs of each client, and we can act in partnership to address them as they change over time through the development of innovative concepts rooted in practical applications.
- > **Experience and stability:** By design we attract individuals who share our passion for investing and who thrive in an environment of rigorous analysis, challenging dialogue, and professional and personal respect, resulting in professional stability that over time drives results and consistency of process.
- > **Breadth of perspective:** Clients benefit from a global, diverse investment organization composed of critical, independent thinkers with unique perspectives on markets, economies and strategies.
- > **Firm-wide ownership:** As an employee-owned manager, Neuberger Berman is devoted to identifying and managing risk—risk to our clients, risk to our portfolios, risk to our reputation.

3. An overview of the ownership, management and governance structures of the entity;

Neuberger Berman is a private, independent, employee-owned investment manager. Neuberger Berman Group LLC (“NBG”) is a holding company for subsidiaries operating investment management businesses. Neuberger Berman Australia Pty. Ltd is a wholly-owned subsidiary of NBG.

Neuberger Berman is governed by a Board of Directors that governs and oversees the operations of the Firm. In addition to the Board of Directors, the governance structure of Neuberger Berman includes two key committees: the Operating Committee and the Partnership Committee. The Operating Committee, consisting of business heads, distribution leaders and representatives from certain support and control functions, provides advice and counsel for the day-to-day activities of Neuberger Berman. The Partnership Committee, which comprises the Firm's senior investment and client-facing professionals, provides advice and counsel on Neuberger Berman's most important strategic decisions.

4. An overview of the key management and investment personnel within the entity; and

Our key executives are identified in the Neuberger Berman Annual Report.

5. Explain how the entity ensures client assets are managed in accordance with their investment strategies and how conflicts of interest are managed.

At the portfolio management level, portfolio managers and traders are responsible for managing accounts within the confines of the investment guidelines established by the client. As such, the investment professionals responsible for trading are the first step in maintaining compliance with investment guidelines and investment policy. Because portfolio managers can access online portfolio data that is updated daily for each portfolio, they are able to "drill down" from sector to individual security in order to assess compliance with client guidelines.

As we recognize the need for additional, independent oversight, our portfolio management systems include rules to monitor portfolio compliance with specific client guidelines and any relevant regulatory requirements, including those that pertain to securities laws that govern the operation of an investment company.

Potential violations are reviewed daily by Asset Management Guideline Oversight ("AMGO"), which serves as an independent supervisory group responsible for ensuring that portfolios are managed in accordance with investment guidelines, and, among other things, reviews daily option trading.

It is important to note that individuals who oversee these systems and functions have independent reporting lines outside of portfolio management.

For information on our conflicts of interest policies, please refer Question 3 in the Internal Governance section.

Internal governance

1. ethical conduct and professional practice;

Neuberger Berman has adopted a global Code of Conduct. Among other things, our Code of Conduct describes the legal and ethical framework within which NBG conducts its business and sets forth the ethical and professional standards of conduct expected of employees in the management of client assets. In accordance with applicable regulatory requirements, employees are required to certify their adherence to and compliance with the NBG Code of Conduct, the applicable Code of Ethics and/or personal trading policy, and compliance manual, at commencement of employment and on an annual basis thereafter.

2. personal trading;

Employees are subject to the Firm's Code of Ethics (the "Code") which includes the employee personal trading policy. Key aspects of the employee trading policies and procedures include: (a) requirements for securities account to be maintained with the Firm or other approved entities; (b) an employee price restitution policy; (c) prohibitions against employee participation in initial public offerings; (d) prohibitions against trading on the basis of material non-public information; (e) pre-approval requirements for certain security transactions such as private placement offerings; (f) minimum holding periods for most personal securities transactions; and (g) annual written affirmation of reporting obligations and compliance with the Code. The price restitution policy attempts to address the potential conflict that could arise from employees owning the same securities as clients, or where the accounts of both enter the market at the same time.

3. management of conflicts of interest to ensure client interests take priority (including gifts and entertainment);

Conflicts of Interest

The Firm does have potential or actual conflicts of interest which it seeks to address through the implementation of certain policies and procedures. The following is a summary of certain key policies and procedures the Firm has in place which attempt to avoid or mitigate potential or actual conflicts of interest:

- Employees must disclose their personal securities accounts to the Firm upon hire.
- Employees are generally not permitted to serve on public for-profit boards.
- The Firm's investment advisory affiliates do not generally engage in principal transactions.
- Employee investments in private placements require prior approval; for employees who are involved in the recommendation of private placements as part of their responsibilities, an additional level of approval may be required.
- The Firm has adopted an Information Barrier Policy and associated procedures related to material non-public information, to control the flow of inside information between its "public" and "private" businesses and enable the Firm to continue conducting business on both sides. Various information flow access controls have been implemented including, but not limited to, an information barrier, separate restricted lists and clearance and chaperoning (as deemed necessary) of certain types of communication between public and private side employees.

The Firm's Legal and Compliance Department maintains written procedures regarding Neuberger Berman's material, non-public information. Neuberger Berman prohibits persons who are in possession of "material, non-public information" that has not been publicly disseminated from purchasing or selling securities for their own accounts or accounts over which they exercise discretion; soliciting customer's orders either to purchase or sell such securities; or disclosing such information to anyone inside or outside the Firm except as otherwise directed by the Legal and Compliance Department.

Gifts

Employees are prohibited from providing business gifts or entertainment that are excessive or inappropriate or intended to inappropriately influence the recipient. Accepting gifts or entertainment from clients, prospective clients, employees or agents of clients, outside vendors, suppliers, consultants, and other persons or entities with whom the Firm does business may also create actual or apparent conflicts of interest with our duties as a fiduciary.

Neither an employee, employee's immediate family, nor other household members may accept any gift or entertainment that is significant in value or that impairs, or appears to impair, an employee's ethics, loyalty to the Firm, or ability to exercise sound judgment. Furthermore, an employee may not accept gifts or entertainment that are, or may be perceived as being, compensation from someone other than the Firm. An employee may not solicit gifts or entertainment, and an employee may not give any gifts or entertainment to anyone who solicits from him or her.

Employees must obtain the approval of their immediate supervisor and the Compliance Department prior to giving or receiving any gift or gratuity, from or to, any person/entity who/which is in any way related to Neuberger Berman's business, other than family members.

Entertainment

All employees, wherever located, are prohibited from providing business entertainment that is excessive or inappropriate or intended to inappropriately influence recipients or cause an employee to act against the best interests of their employer, the client they represent or those to whom they owe a fiduciary duty, or may represent a violation of applicable law.

4. risk management and compliance;

Risk Management

Risk management has been central to Neuberger Berman’s investment culture since our founding in 1939. As an employee-owned manager, everyone at Neuberger Berman is invested in identifying and managing risk—risk to our clients, risk to our portfolios, risk to our reputation.

We believe that fostering an environment of strong internal control is vital. To this end, we have established a rigorous risk management framework that features dedicated investment and operational risk teams who work to protect client assets and our reputation. Our risk professionals act as an independent complement to each investment team’s portfolio construction process, driving investment and operational risk reviews in collaboration with other control units of the firm, such as information technology, operations, legal and compliance, asset management guideline oversight and internal audit. With our Chief Risk Officer reporting directly to Neuberger Berman’s Chief Executive Officer, our risk management structure is enhanced by an ability to escalate issues as necessary to firm leadership as well as our fund boards and firm board of directors.

Compliance

Compliance, policy and oversight are the responsibility of the Legal and Compliance Department. The department is responsible for the Firm's compliance program, which includes the surveillance of trading activity to monitor compliance with Firm and industry policies, procedures, rules and regulations.

5. error correction policy;

Neuberger Berman has adopted policies and procedures for correcting trade errors. Errors can result from a variety of situations involving portfolio management (e.g., inadvertent violation of investment restrictions) and trading (e.g., miscommunication of information, such as wrong number of shares, wrong price, wrong account, calling the transaction a buy rather than a sell and vice versa, etc.) (collectively, “Improper Trades”). The policies and procedures require that all errors affecting a Client Account be resolved promptly and fairly. Under certain circumstances, the policy provides that trades may, where appropriate, be cancelled or modified prior to settlement. The intent of the policy is to restore a Client Account to the appropriate financial position considering all relevant circumstances surrounding the error.

6. brokerage and commissions;

Neuberger Berman is a global asset management firm. It has regulated entities based in a number of worldwide jurisdictions including the US, Europe and Asia. As such it is regulated by a number of different competent authorities including but not exclusively FINRA and the SEC in the US and ASIC in Australia to name but a few. Neuberger Berman adopts global compliance policies where it is able however it recognizes that various jurisdictions may have different rules which apply. The rules around research and soft dollars differ between the US, EU, and the rest of the world.

Section 28(e) of the Exchange Act in the US, establishes a safe harbor that allows investment advisers to use client funds to purchase “brokerage and research services” for their managed accounts under certain circumstances without breaching their fiduciary duties to clients. To avail itself of the safe harbor, money managers or other fiduciaries must determine in good faith that the commission charged by the executing broker is “reasonable” in relation to the value of the research and brokerage services provided by such broker and that such services benefit overall the fiduciary’s funds and managed accounts.

Subject to the overall requirement of obtaining best price and execution, Neuberger Berman may take into account research and other brokerage services received when trading departments effect transactions for the funds through unaffiliated brokers if it determines in good faith that the amount of those commissions is reasonable in relation to the value of the brokerage and research services provided by the broker. The types of research received includes but is not limited to: current and historical data concerning particular companies, industries and the financial economy as a whole, as well as information and opportunities, risks and trends, and analysis involving special situations. Research services furnished by brokers through which Neuberger Berman effects transactions may be used for the benefit of all of its clients and not solely for the benefit of the particular client whose transactions were effected by the broker providing such services.

Fixed Income

The Firm’s policy is to not engage in soft dollar activity for fixed income transactions; however, client accounts that transact in equity securities or ETFs, where permitted, may participate in soft dollar transactions. Any such soft dollar activity shall comply with all applicable regulatory requirements, including Section 28(e).

7. equitable asset valuation and pricing;

All held securities are priced daily, where applicable. Prices are sourced from approved independent pricing service (vendors). Where daily prices are unavailable from vendors, they are sourced via broker quotes or an internal fair valuation methodology.

The overall criterion for Fair Value is based on the amount the security might reasonably expect to receive on a current sale.

The fair valuation methodology may be used until a vendor or broker price is available.

8. best execution and trade allocation;

Best Execution

In determining the broker through which, and the transaction cost at which securities transactions for clients are to be effected, Neuberger Berman seeks to obtain the best results for the client. Neuberger Berman takes into consideration such relevant factors as price, the broker's execution ability, reliability and financial responsibility and the ability to help effect the transaction by contributing to critical elements as timing and order size. Commission rates, being a component of purchase/sale price are also considered as a factor. Neuberger Berman does not obligate itself to seek the lowest commission cost except to the extent that it contributes to the overall goal of obtaining the best results for clients.

Trade Allocation

The Firm strives to add value in accounts while minimizing return dispersion across accounts with similar investment mandates. The Firm's Trade allocation policy requires that all accounts are treated in a fair and equitable manner throughout the trade allocation process and each account has the ability to participate in investment decisions when deemed appropriate.

There are no specific limitations on the securities to be bought or sold or the amount of such securities to be bought or sold for a particular account, unless an account's guidelines state otherwise. When determining allocations, and ultimately the amount of securities to be bought or sold, considerations are given to account suitability and guidelines, cash availability, strategy and/or product considerations, issuer and/or sector exposure, and de minimis allocation.

The Firm may utilize trade execution resources of its advisory affiliates which could involve aggregation of trades among the various clients of the affiliated entities. The majority of the accounts pursue specific investment strategies, many of which are similar. The Firm expects that, over long periods of time, most accounts pursuing similar investment strategies should experience similar, but not identical, investment performance. Many factors affect investment performance, including but not limited to: (i) the fact that the Firm may not purchase or sell a given security on behalf of all accounts pursuing similar strategies; (ii) price and timing differences when buying or selling securities; and (iii) the accounts' differing investment restrictions. The Firm's trading policies are designed to minimize possible conflicts of interest in trading for the accounts.

9. remuneration policy

Our compensation philosophy seeks to reward performance and incentivize our employees. Generally, Neuberger Berman employees are compensated through salary and an annual discretionary, performance-based bonus, which is a variable portion of total compensation or paid on a production model, whereby formulaic compensation is paid on a fixed schedule (monthly or quarterly) or a combination of base salary, discretionary bonus and/or production compensation. We consider a variety of factors in determining individual total compensation, including market factors; Firm, team and individual performance; collaboration with colleagues; and partnership with clients to achieve goals. Our overarching goal is to create a compensation process that is fair, transparent and competitive with the market.

Incentive Structure

We believe that providing our employees with appropriate incentives, a positive work environment and an inclusive and collaborative culture is critical to our success in retaining employees.

10. whistle-blower protection policy;

Employees may report any concerns regarding accounting, internal accounting controls or auditing matters, or any other corporate integrity matters, without fear of retaliation through an Ombudsman process established by the Audit Committee (the "Committee") of the Firm's Board of Directors. The Committee has designated an internal ombudsman, as well as an external ombudsman.

11. training and development; and

Neuberger Berman educates its employees on compliance policies and procedures such as, but not limited to, the Code of Ethics and personal trading, Code of Conduct, Insider Trading, Anti-Corruption, and Anti-Money Laundering by requiring participation in continuing education and training programs offered by the Legal and Compliance Department or through an on-line vendor engaged by the Firm.

Upon commencement of employment, new employees are provided with the necessary documents to educate them on the Firm's compliance policies and procedures and are required to attend compliance orientation training. Thereafter, employees are also required to attend annual Legal and Compliance training covering the Firm's policies and procedures, as well as industry or regulatory developments of relevance to the Firm's operations. The annual training is administered by the Legal and Compliance Department.

The Legal and Compliance Department also frequently publishes Compliance Alerts as general reminders of the Firm's policies and procedures, or in response to industry or regulatory events where it is deemed necessary to highlight the Firm's policies and procedures (for example, related to sanctions, corruption, or political activities). The Legal and Compliance Department may also hold training sessions addressing specific topics and targeted to a particular team or business area if it is determined that further education is needed.

In addition to training provided by the Legal and Compliance Department, employees may also receive departmental training related to the specific function of the department or team of which they are a member which may include compliance policies and procedures.

12. complaints and dispute resolution.

All complaints are reviewed by the Firm's Legal and Compliance Department. Complaints are investigated thoroughly and responded to promptly. While the Firm does not have a formal Dispute Resolution Policy, the Legal and Compliance Department reviews all commencement of action notices, or threatened commencement of action, against the Firm and determines an appropriate course of action.

Asset Stewardship

1. monitoring of company performance on financial and non-financial matters;

In keeping with our belief that ESG integration must be based on the principal of financial materiality and be appropriate for the specific investment process, our teams do not rely on a single ESG data source. Instead, Neuberger Berman has access to a wide range of ESG data sources and research providers, many of which are inputs into our proprietary ESG ratings. These proprietary ratings separate environmental, social and governance issues and reflect the relative materiality of each issue for a particular industry and security type. Ratings are used by portfolio managers as one part of their assessment of the ESG characteristics of a security in their investment process. Given limited disclosure of ESG data in some markets and asset classes, ratings are supported by qualitative and quantitative inputs from direct engagement with company management teams on material ESG issues.

We believe that the most effective way to integrate ESG 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, we embed such research in the work of our security research analysts rather than employing a separate ESG research team.

2. engagement with company management and the board (as appropriate) and escalation of issues in instances where initial engagements have not been adequately responded to;

We believe that engagement is a dialogue between investors and companies focused on positively influencing corporate behaviors to drive long-term, sustainable returns. We do this across our public fixed income and equity investments guided by our Governance and Engagement Principles.

For additional information, please refer to [**Governance and Engagement Principles.**](#)

3. approach to considering Environmental, Social and Governance factors (risks and opportunities) and whether these considerations influence investment decision-making and company engagement;

As a firm, Neuberger Berman believes that material environmental, social and governance (“ESG”) characteristics are an important driver of long-term investment returns from both

an opportunity and a risk mitigation perspective. We also understand that for many of our clients the impact of their portfolio is an important consideration in conjunction with investment performance.

ESG integration occurs across our investment platform to varying degrees based on the product's asset class and the investment teams' specific processes and strategies. In general, integration is based on the principle of financial materiality, recognizing that ESG integration should be specific to the asset class, capital structure, sector, geographic location, issuer size and type, holding period of the security, degree of influence or control, and other considerations. Please see the [PRI Transparency Report](#) for policy statements for ESG integration at the asset class level.

4. proxy voting;

One important way in which we exercise engagement is voting proxies on behalf of our advisory clients for whom we have voting authority. We do this in order to fulfill our fiduciary responsibility to protect our clients' best interests and as an important component of our approach to creating shareholder value. Our Governance and Proxy Committee oversees our Proxy Voting Policy, proxy voting process and, ensures no conflicts of interest. We have provided guidelines, procedures and records to emphasize our transparency in proxy voting to clients.

5. collaborative engagement with other investors including involvement with industry groups and associations;

In addition to the UN PRI, which we became a signatory since 2012, we are also signatories to the U.K. Stewardship Code, Japan Stewardship Code, and the U.S. Investor Stewardship Group.

Neuberger Berman is also a signatory of the Global Investor Statement to Governments on Climate Change, which urges governments to step up their ambition and action to achieve the goals of the Paris Agreement, support investment in the low-carbon transition, and improve climate-related financial disclosures.

We also work with like-minded institutions to advance the integration of ESG factors across markets. We share best practice and learn from others through these collaborations. Examples of these groups are listed below.

- Sustainability Accounting Standards Board ("SASB") Alliance, (founding member)

- UN Global Compact, (signatory)
- Carbon Disclosure Project (“CDP”),(Investor Member and Signatory)
- Global Impact Investing Network (“GIIN”), (member)
- Committee Encouraging Corporate Philanthropy Strategic Investor Initiative, (“CECP SII”), (advisory board member)
- US SIF – The Forum for Sustainable and Responsible Investment, (member)
- Impact Management Project, (advisor)
- Coalition for Inclusive Capitalism, (founding participant in the Embankment Project)
- Farm Animal Investment Risk and Return (“FAIRR”), (member)
- Interfaith Center on Corporate Responsibility (“ICCR”), (member)
- Task Force on Climate Related Financial Disclosures (“TCFD”), (supporter)
- Ceres, (member)
- World Benchmarking Alliance, (member)
- FCLT Global, (member)

6. **principles used for policy advocacy including participation with industry groups and associations; and**

We work with like-minded institutions to advance the integration of environmental, social and governance factors across markets. Examples of our commitment include the following:

Collaboration: We promote acceptance and implementation of the PRI through collaborative industry-wide initiatives that aim to increase awareness, understanding and disclosure. As mentioned, we are an active supporter and funder of a range of industry groups. Examples of our collaborations with these groups are below.

- As a founding member of the SASB, we sponsored a conference, trained fixed income and equity research analysts on site, published a research paper, and integrated SASB into proxy voting guidelines. In July 2018, we hosted a SASB Alliance Event at our New York headquarters.
- As a signatory to the PRI, we are also a leadership committee member on the credit rating agency project. In 2017, we hosted a roundtable with the PRI in New York, as well as contributed high yield engagement case studies to the PRI for their fixed income case studies.
- As part of the CDP, we hosted a forests and water methodology development conference in New York in 2017.

- As a member of the CECP SII advisory board, we participated in investor summits and spoken on behalf of the SII initiative at conferences and workshops.
- We also sponsored the 2017 conference for the US SIF in Chicago. The Firm has also been a sponsor of the biennial SIF Trends Survey publication since 2002 and has sponsored all US SIF conferences annually.

Engagement and Education: We seek to share our expertise on ESG with investors, company management and the broader community. Similarly, we make it a priority to stay current on best-in-class ESG resources and initiatives. Examples of our engagement and education include the following:

- Our CEO issued a statement of support for TCFD
- In addition to publishing a research paper entitled “Rating the Raters on ESG”, our fixed income analysts have met with credit rating agencies across our offices in the Hague, London, Chicago and Tokyo to encourage rating agencies to more systematically incorporate ESG into their issuer ratings.
- As part of a collaboration with the Impact Management Project, we published a joint research paper.
- We sponsored a trends report with the US SIF.

7. the approach to client engagement, education and communication regarding asset stewardship.

As part of our commitment as a signatory to the UN PRI, Neuberger Berman reports annually on our ESG activities to the PRI. We have reported to the PRI since 2014 and have found that the process of reporting has increased our awareness to areas where we can improve to ensure our continual development. In our 2018 PRI Assessment, we obtained the highest score, A+, for our overarching approach to ESG strategy and governance. In addition, we earned an A+ for ESG integration across each of the four asset classes that we manage as a Firm. Overall, we rated above the peer median on every category, and have made significant improvements in our scores over the past few years.

In addition to our annual UN PRI reporting, we continue to report to our clients through regular updates to the ESG dedicated section on our website. White papers and articles published by our investment professionals provide additional color on our philosophy and

product offerings. We also report directly to our clients by participating in client surveys and through one-to-one client meetings. We also provide public reporting on proxy voting and engagement. The PRI Transparency Report and 2017 Engagement and Proxy Voting Report are available on our public website, www.nb.com/esg where we invite you to find our latest white papers, articles and perspectives on ESG topics from investment professionals across the Firm.

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