OUR FIRM

Founded in 1939, Neuberger Berman is a private, 100% independent, employee-owned investment manager. From offices in 30 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 1,900 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. Our culture has afforded us enviable retention rates among our senior investment staff and has earned us a citation as the top-ranked firm (among those with 1,000 or more employees) in the Pensions & Investments 2016 Best Places to Work in Money Management survey, after we had finished in the top three from 2013 – 15.
INTRODUCTION AND PHILOSOPHY

Since our inception in 1939, Neuberger Berman has remained singularly focused on delivering attractive investment results for our clients over the long term. We take a holistic approach toward managing client assets, including the integration of environmental, social and governance (“ESG”) factors into our investment process. As an active manager, we have a long-standing belief that material ESG characteristics can be an important driver of long-term investment returns, as companies with proactive strategies in place to manage ESG-related risks and opportunities have the potential for sustainable competitive advantages.

From our first application of “avoidance screens” in the early 1940s, to the launch of our Socially Responsive Investment team in 1989, Neuberger Berman has been at the forefront of advancing the integration of ESG characteristics into investment processes.

Today, we continue to build upon this legacy, driven by our belief that ESG factors, like any other factor, should be incorporated in a manner consistent with the specific asset class and style of each investment strategy. ESG investing can be employed in a variety of ways to help generate enhanced returns as well as to implement non-financial objectives within a portfolio. We believe our approach not only benefits our clients, but can also support better-functioning capital markets and generate positive impacts for the world as a whole.
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 in any given investment strategy depends upon multiple elements, including asset class and the portfolio manager’s objective, philosophy and process, as well as clients’ values and goals. The approach to integration can be customized by type of investment vehicle.

3 | OVERSIGHT

The ESG Committee (“Committee”) is responsible for reviewing the ESG Policy annually and amending as needed. The Committee is chaired by the Head of ESG Investing and is comprised of senior professionals across all asset classes and functions of the firm. In particular, it includes the Chief Investment Officer for Equities, senior portfolio managers from the Fixed Income and Private Investments teams, and the heads of research across the investment platform.

The Committee oversees firmwide ESG efforts, including the review of goals and priorities such as the development of new ESG-integrated investment strategies. The Committee monitors implementation, measures performance and contributes to annual reporting to groups like the United Nations-supported Principles for Responsible Investment (PRI). It also acts as a cross-asset class forum to share research on ESG issues and trends, and to drive deeper engagement and education on ESG topics across the firm. The Committee reviews and encourages collaborative initiatives and memberships.

The Head of ESG Investing has primary responsibility for setting and implementing the global ESG strategy. This professional works with multiple departments across the firm to deepen the integration of ESG themes into new and existing investment strategies, and is supported by ESG working groups at the asset-class level that are responsible for providing context-specific expertise and assisting with education and implementation among the investment teams. To review the degree of ESG integration across the firm, the Head of ESG Investing participates in the investment performance review of all investment teams chaired by each platform’s Chief Investment Officer.
INTEGRATION

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.

The ESG integration process identifies how ESG factors are used (both as a source of risk mitigation and enhanced opportunity), measured and reported, as well as their influence on decision-making and how each of the investment teams continue to enhance and evolve its process over time. 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.

Our ESG working groups have developed policy statements for ESG integration at the asset class level.

• **PUBLIC EQUITY:** Neuberger Berman believes that ESG characteristics are a good proxy for the strength of the business model and management team at a given company. We also believe that strong corporate governance aligns management and shareholder interests, and that environmental and social practices can assist in identifying business models that may create sustainable value while avoiding downside risk.

• **PUBLIC FIXED INCOME:** Neuberger Berman believes that analyzing ESG characteristics enhances traditional credit analysis by providing a fuller understanding of the risk profile of each issuer. Our proprietary credit analysis frameworks integrate bottom-up ESG research in order to enable our portfolio managers to better assess investment opportunities. Portfolio managers can also use ESG characteristics as an additional differentiator on a risk-adjusted basis during portfolio construction.

• **PRIVATE MARKETS (EQUITY AND DEBT):** Neuberger Berman believes that ESG characteristics are an important part of the due diligence of any private investment. We seek to conduct this diligence ourselves when we invest alongside other general partners on a particular transaction. We also consider ESG factors when investing in a private equity fund / firm (through a primary, secondary or general partner stake), and view the track record and commitment to ESG integration by general partners as an indicator of their quality and approach to risk management.
5 | DATA AND ESG RATINGS

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.

6 | ACTIVE OWNERSHIP

For public equities, the Neuberger Berman Governance and Proxy Committee oversees active ownership and is responsible for the proxy voting process, our Governance and Proxy Policy and Proxy Voting Guidelines. The Governance and Proxy Committee also plays a key role in coordinating and overseeing engagement activities that are conducted in line with our Governance and Engagement Principles. Where we believe it appropriate, we will encourage companies to incorporate consideration of material ESG factors in their business models and operations, as well as to disclose their performance against such ESG factors.

We seek to engage with companies in a constructive and pragmatic manner, communicating our views and concerns directly to company management. When necessary we will engage in shareholder activism, which may include, but is not limited to, formal written communication with managements and boards of directors identifying our areas of concern and recommended course of action, the nomination of director candidates, the filing of shareholder proposals and proxy contests. Where relevant, we work with other investors in support of these goals, for example, through joint letters and engagement efforts.

We are signatories to the U.K. Stewardship Code, Japan Stewardship Code, the U.S. Investor Stewardship Group, as well as the PRI. Neuberger Berman proactively reports on our active ownership activities as encouraged by these bodies.

7 | COLLABORATION AND INITIATIVES

We collaborate on engagement activities across all of our investment teams and every asset class, as well as with outside investors. We are committed to strengthening and refining our ESG approach—enhancing dialogue with industry peers, augmenting our ESG-related reporting and research processes, and documenting existing activities. We also collaborate with others to build ESG awareness and encourage broader ESG disclosure (for example membership in PRI, SASB Alliance, U.S. SIF, CECP Strategic Investor Initiative and other groups).

8 | MONITORING PROGRESS

We systematically measure our ESG activities, including the proportion of assets under management that are explicitly integrating ESG criteria, our proxy voting record and our engagement activities. We measure our success through sustained improvement in our ESG expertise, deeper ESG integration in investment processes and research activities, and greater ability to meet the needs of our clients for ESG-integrated solutions.