NEUBERGER

Neuberger Controversial Weapons Policy

Last updated September 2026

1. INTRODUCTION

Neuberger, founded in 1939, is a private, independent, employee-owned[1] investment manager. The firm manages a range of equity, fixed income, quantitative and multi-asset class, private equity, real estate and hedge funds – on behalf of institutions, advisors and individual investors globally. Neuberger's investment philosophy is founded on active management, engaged ownership and fundamental research, including industry-leading research into material environmental, social and governance (ESG) factors.

2. SCOPE

Neuberger is committed to supporting and upholding conventions that seek to ban the production of controversial weapons. We are therefore committed across all of our Article 8[2] and Article 9 and across select Article 6[3] European-domiciled equity, fixed income and multi-asset UCITS and QIAIF funds to not invest in securities issued by companies that we believe are involved in the manufacture of controversial weapons as defined in the Definitions section below. Separately managed accounts and other financial products can be accommodated upon request or on a case-by-case basis.

3. DEFINITIONS

We define involvement in the manufacture of controversial weapons as either being responsible for end manufacture and assembly of controversial weapons or being responsible for the manufacture of intended use components for controversial weapons.

We do not include dual-use component manufacturers (manufacturers of items that can be used for both military and non-military purposes) or delivery platform manufacturers (this may include manufacturers of airplanes, drones, ships or submarines potentially used to deliver weapons to their target / intended place of detonation) in our definition of controversial weapons.

We define controversial weapons as:

A. **Biological and chemical weapons:** Weapons outlawed by the Biological Weapons and Toxin Weapons Convention (BTWC) of 1972, including but not limited to white phosphorus.

B. **Anti-personnel mines:** Weapons that signatories agreed to prohibit the use, stockpiling, production or transfer of under the 1997 Anti personnel Landmines Convention.[4] The Convention was concluded in Oslo, Norway on September 18, 1997 and entered into force on March 1, 1999, six months after it was ratified by 40 states. Today, the treaty is still open for ratification by signatories and for accession by those that did not sign before March 1999. The Convention does not address the issue of financial support for companies that manufacture such weapons.

C. **Cluster munitions:** Weapons that signatories agreed to restrict the manufacture, use and stockpiling of, as well as components of these weapons, under the 2008 Convention on Cluster Munitions. The Convention was agreed in Dublin, Ireland on May 30, 2008 and entered into force on August 1, 2010, six months after it was ratified by 30 states. Today, the treaty is still open for ratification by signatories and for accession by those that did not sign before August 2010. The implications for financial support of companies that manufacture cluster munitions is left unclear in the Convention. As a result, signatory states and the institutions based on them have taken a range of approaches to the question of prohibiting or allowing investments in cluster munitions producers: some prohibit all investments, some prohibit only direct investments and some have not yet banned investments.

D. **Depleted uranium weapons:** Companies involved in the production of depleted uranium (DU) weapons, ammunition and armour.

4. PARENT AND SUBSIDIARY RELATIONSHIPS

Neuberger generally uses the methodologies of its data vendors when identifying excluded issuers. However, Neuberger may exercise discretion based on its research to review and, where appropriate, diverge from a data vendor's methodology, particularly when assessing the relationship between parent and subsidiary companies of an excluded issuer. In exercising its discretion, Neuberger may decide either to exclude associated issuers in the relationship hierarchy or to waive a suggested exclusion. It is anticipated that there will be limited instances where Neuberger exercises its discretion to diverge from a data vendor's methodology. Further, in any such instance, the issuer in question will be reviewed and approved on a case-by-case basis by the Neuberger Challenge Review Group[5].

Subsidiaries which are less than 50% owned by an issuer, will not be considered consolidated for the purpose of considering the metrics and overall worthiness of the issuer to comply with the Policy. This Policy does not require that the parent company of an issuer be considered when evaluating the issuer's metrics and overall worthiness to comply with this Policy. As such, the Policy permits investment in an issuer whose products and services meet the requirements of the Policy, provided that the issuer is a stand-alone business operation whose obligations are non-recourse to its parent company.

1 Reference to 'employee-owned' includes: the firm's current and former employees, directors and, in certain instances, their permitted transferees.
2 In accordance with the Sustainable Finance Disclosure Regulation.
3 Where Article 6 funds apply the Policy, this will be disclosed in the relevant fund documentation. Unless otherwise stated in the relevant fund documentation, the Policy will not apply to Article 6 funds with large exposures to indirectly held assets under management ("AUM"). See the Implementation disclosure for further detail on our approach to indirectly held AUM.
4 Formally known as the '1997 Convention on the Prohibition of the Use, Stockpiling, Production and Transfer of Anti-Personnel Mines and on their Destruction', or as the Ottawa Convention; or the Mine Ban Treaty.
5 The Neuberger Challenge Review Group is a sub-group of the Neuberger Stewardship and Sustainable Investing Committee. The Neuberger Challenge Review Group is responsible for the critical review and approval of appeals submitted by Neuberger investment teams against any issuer identified as excluded by an Neuberger data vendor when applying the applicable exclusion.

5. IMPLEMENTATION

The Policy is subject to review by Neuberger's Stewardship and Sustainable Investing Committee.

We use a reputable, recognized third party and may use proxy data along with internal research to help identify companies that are involved in controversial weapons production. Where appropriate, we supplement this with our internal research and company engagement. ESG metrics (as generated by third-party data providers) may include qualitative judgment and/or may be based on estimates. While we conduct due diligence on these third party data providers, it cannot be ruled out that such information or data may be incomplete, inaccurate or inconsistent.

Where a portfolio manager disagrees with the outcome of this assessment, that portfolio manager may appeal to the Neuberger Challenge Review Group on the decision to add the company to the Policy's Exclusions List[6]. If the appeal is successful with respect to the relevant exclusion, the company will instead be placed on the Policy's Watch List[7] for monitoring.

Implementation of this Policy is managed by our Asset Management Guideline Oversight team, in collaboration with Legal and Compliance. Investment in companies identified and verified through this process is restricted through Neuberger's trade compliance system.

Our Exclusion List can be provided to clients upon request.

We can also implement customized additional exclusions based upon a client's own values and objectives in separately managed accounts. Utilizing specialist research, we can help develop investment universes (for separately managed accounts) that reflect your values and exclude companies that have a material exposure to a particular issue or that breach international standards.

The Policy applies to direct investments that are held by the relevant financial product. Where a financial product has large exposures to indirectly held AUM, we may decide not to apply the Policy if, in our subjective judgement, the Policy's effectiveness may be limited in respect of such financial product. The Policy will not be applied to such a financial product unless otherwise stated in the relevant pre-contractual documentation. Examples of indirectly held AUM include, but are not limited to, investments in the following: underlying special purpose vehicles, pooled investment vehicles, securitised products or Master Feeder fund structures.

The Policy does not apply to short positions, synthetic exposures, derivatives or investments in pooled investment vehicles on a look-through basis, including ETFs.

Only long positions are considered for this Policy. Financial products applying the Policy, may take short positions in companies on the Exclusion List, i.e. seeking to profit from expected declines in the value of such issuers. Such short positions must be cash settled.

Financial products applying the Policy, are prohibited from placing cover trades on issuers on the Exclusion List, this prohibition extends to holdings covering short positions.

This Policy does not apply to financial products, or portions of financial products, that are managed by third-party sub-advisers.

6. EXCLUSION LIST AND DIVESTMENT PROCESS

A decision to divest from an issuer will be prompted where the issuer fails to meet any of the above exclusions. In such circumstances, the issuer will be added to the Exclusion List.

If an issuer is added to the Exclusion List, the investment teams (of Portfolios applying the Policy) will be instructed to divest all investments in that issuer as soon as possible and in any case within a 30-day window, provided that it is in the best interests of the Shareholders to do so. Holding such securities will not constitute a breach of this Policy until the 30-day window has lapsed, the 30-day window will be extended where a challenge has been initiated.

If a challenge is initiated, there will be a 60-day limit on the challenge period. The 30-day divestment period will commence upon either: (i) the expiry of the 60-day challenge period; or (ii) upon the final decision of the Neuberger Challenge Review Group (where this decision is taken before the expiry of the 60-day challenge period). This means that the investment teams (of Portfolios applying the Policy) have 30 days from the expiry of the 60-day challenge period or the final decision of the Neuberger Challenge Review Group to divest from issuers added to the Exclusion List. Until this process has run its course, the holding in question is not considered in breach of the Policy.

The initiation of new investment positions in issuers on the Policy's Exclusion List is prohibited at all times.

If the Neuberger Challenge Review Group determines, this process may be expedited and action to divest taken immediately.

In the event that any of the exclusions within this Policy are changed, we will ensure that any existing holdings, of any Portfolio that is subject to this Policy, that are no longer in compliance will be sold as soon as reasonably possible and, in any case, within 30 days of the date of the change to this Policy, provided that it is in the best interests of the Shareholders to do so.

6 The Exclusion List includes companies that Neuberger have deemed to be in breach of this Policy.

7 The Watch List includes companies that Neuberger have deemed to raise serious concerns about their alignment with the Policy.

7. DISCLAIMER

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