Neuberger Berman Thermal Coal Involvement Policy

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1. INTRODUCTION

Neuberger, founded in 1939, is a private, independent, employee-owned[1] investment manager. The firm manages a range of strategies—including 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

Thermal-coal generation is a significant contributor to incremental global emissions and creates material climate-related risks for companies. Neuberger believes there is a weak economic case for construction of assets related to thermal-coal generation, and that companies should be transitioning to other fuel sources in new capacity plans to avoid capital destruction and asset stranding. Furthermore, challenges related to financing and insuring coal-related projects as well as significant regulatory scrutiny serve as additional risk factors for investors in those businesses. Consistent with our fiduciary duty to clients to provide attractive investment returns while mitigating risk, unless otherwise specified in the relevant fund documentation, we are committed across all of our co-mingled U.S. registered funds (which includes mutual funds, exchange traded funds and closed-end funds) and international UCITS and QIAIF ranges, to subject investments in companies that have more than 25% of revenue derived from thermal coal mining or are expanding new thermal coal power generation to formal review and approval by Neuberger's Stewardship and Sustainable Investing Committee (Neuberger SSI Committee) before the initiation of any new investment positions in the securities of those companies. We will also subject existing investments in companies that: (i) increase their revenue derived from thermal coal mining to more than 25%; or (ii) expand new thermal coal power generation, since the initiation of the investment position, to formal review and approval by the Neuberger SSI Committee. Separately managed accounts and other financial products can be accommodated upon request or on a case-by-case basis.

3. DEFINITIONS OF LIMITATIONS

Thermal Coal Mining. We define thermal coal mining as:

A. The percentage of revenue the issuer derives from the mining of thermal coal including lignite, bituminous, anthracite and steam coal, its sale to external parties and through contract mining services
B. This does not include revenue from metallurgical coal, intra-company sales of mined thermal coal, revenue from coal trading and royalty income for non-involved parties
C. The 25% threshold will be evaluated at least once annually by the Neuberger SSI Committee

We believe a prudent portfolio neutralizes the exposure to thermal coal mining, which as a byproduct of combustion, is a large contributor to greenhouse gas emissions globally.

Thermal Coal Power Generation. We define new thermal coal power generation expansion as:

A. The addition of new and substantial thermal coal-fired generation capacity into the construction, development, permitting or planning phase by companies defined as a generating company (>10% of revenue derived from power generation)
B. We will use reputable and recognized third parties in coordination with our own internal investment research teams to maintain a list of companies expanding thermal coal power generation
C. We do not consider investments in existing coal plants for pollution control equipment, regular operations and maintenance spend as within the scope of this Policy.

The list of companies that portfolio managers must seek approval to invest in by the Neuberger SSI Committee will be updated at least semi-annually and investment teams are able to challenge/remove names on the list through attestation if the project's power purchase agreement was signed prior to September 30, 2020.

Receipt of securities pursuant to a corporate action or a similar event in companies that have more than 25% of revenue derived from thermal coal mining or are expanding new thermal coal power generation will be subject to review and approval by the Neuberger SSI Committee.

[1] Reference to 'employee-owner' includes: the firm's current and former employees, directors and, in certain instances, their permitted transferees.

4. IMPLEMENTATION

The Policy is subject to review by the Neuberger SSI Committee. We use reputable, recognized third parties and may use proxy data along with internal research to help identify companies that partake in thermal coal-related businesses. 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 a third-party assessment, a challenge to such assessment may be part of a submission to the Neuberger Challenge Review Group[2].

The Policy applies to direct investments that are held by the relevant financial product. The Policy does not apply to short positions, synthetic exposures, derivatives or investments in pooled investment vehicles on a look-through basis, including ETFs.

Financial products applying the Policy may take short positions in companies without approval of the Neuberger SSI Committee i.e. seeking to profit from expected declines in the value of such companies. Such short positions must be cash settled. The financial products applying the Policy shall not place cover trades on issuers not approved by this Policy, this 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.

Implementation of this Policy is managed by our Asset Management Guideline Oversight team, in collaboration with legal and compliance. Investment in companies identified and not approved by the Neuberger SSI Committee through this process is restricted through Neuberger's trade compliance system.

The list of companies subject to this Policy that have not been approved by the Neuberger SSI Committee can be provided to clients upon request.

As with any investment policy or limitation, we can also implement customized limitations based upon a client's own objectives in separately managed accounts. Utilizing specialist research, we can help develop investment universes (for separately managed accounts) that reflect a client's objectives and exclude companies that have a material exposure to a particular issue or that breach specific international standards.

5. PARENT AND SUBSIDIARY RELATIONSHIPS

Neuberger generally uses the methodologies of its data vendors when identifying parents and subsidiaries of issuers that are not approved.

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 issuer that is not approved under the Policy. 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.

Subsidiaries which are less than 50% owned by an issuer, will not be considered consolidated for the purpose of considering the metrics of an issuer. This Policy does not require that the parent company of an issuer be considered when evaluating the issuer's metrics. As such, the Policy permits investment in issuers whose products and services are reviewed and approved by the Neuberger SSI Committee,

6. COMPANIES SUBJECT TO THE POLICY

Where a company undergoes the formal review process by the Neuberger SSI Committee and is not approved, no new investment positions in the securities of the company will be invested in by financial products that apply this Policy.

Where existing investments in companies: (i) increase their revenue derived from thermal coal mining to more than 25%; or (ii) expand new thermal coal power generation, since the initiation of the investment position, they will be subject to review by the Neuberger SSI Committee. In the event that such companies are not approved by the Neuberger SSI Committee, investment teams will be instructed to divest all investments in that issuer (for financial products that apply this Policy) 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 with the Neuberger Challenge Review Group.

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 not approved by the Neuberger SSI Committee. Until this process has run its course, the holding in question is not considered in breach of the Policy.

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

[2] 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 not approved for investment by the Neuberger Stewardship and Sustainable Investing Committee under this Policy. If the appeal is successful, the issuer will be approved and will instead be placed on an internal watch list for monitoring.

7. DISCLAIMER

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Any discussion of environmental, social and governance (ESG) factor and ratings are for informational purposes only and should not be relied upon as a basis for making an investment decision. ESG factors are one of many factors that may be considered when making investment decisions.