


Environmental, Social, and Governance Investing Capabilities

Our ESG Philosophy

“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.”



AWARDED TOP SCORE

In the most recent UN-backed Principles for Responsible Investment (PRI) assessment report for its overarching approach to ESG strategy and governance¹

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.

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.

Neuberger Berman Integration Framework

 AVOID	 ASSESS	 AMPLIFY	 AIM FOR IMPACT
Ability to exclude 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	Seeks to intentionally generate positive social and environmental impact alongside a financial return

Neuberger Berman Investment Strategy Examples²

FIXED INCOME		
Approach	Capability	
AIM FOR IMPACT	Municipal Impact	Invests in projects that support socially and environmentally sustainable communities, such as mass transit, affordable housing, and school classrooms, with a bias toward underserved communities.
AMPLIFY & ASSESS	Global Investment Grade (Includes Cash Management)	By going beyond the traditional fundamental analysis to incorporate an ESG integrated process specific to each security type, the team is better able to differentiate how material ESG risks and opportunities may affect valuations.
ASSESS	Global Non-Investment Grade Credit	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 that enables our investment teams to better assess investment opportunities.
ASSESS	Emerging Markets Debt	Integrates ESG criteria in their investment process across its platform as it provides a more comprehensive view of the issuer’s fundamentals to assess the risk premium.
ASSESS	Municipal (Includes Cash Management)	Assessing the ESG considerations of the issuer is integrated into the standard credit analysis framework.

EQUITY		
Approach	Capability	
AMPLIFY	Sustainable Equity	Built on the belief that responsibility is the hallmark of quality and invests in companies that have a sustainable competitive advantage derived from ESG characteristics such as environmental sustainability, workplace diversity and supply chain integrity.
ASSESS	Emerging Markets Equity	Believes that strong corporate governance aligns management and shareholder interests, and that environmental & social factors can assist in identifying business models that may create sustainable value while avoiding poor environmental and labor practices.
ASSESS	Small Cap Intrinsic Value	Focuses on corporate governance by investing in companies that have effective and independent boards with aligned management and shareholder interests (often through high insider ownership), as well as long-term incentive plans and CEO/management compensation and succession plans in place.
ALTERNATIVES		
Approach	Capability	
AIM FOR IMPACT	Private Markets Impact	Target investments with a thematic lens that address the UN Sustainable Development Goals, while meeting NB Private Equity underlying standards.
ASSESS	Private Equity	Identifying and incorporating material ESG factors into investment due diligence with a focus on reducing overall risk and potentially helping to generate stronger investment outcomes for the portfolio.
ASSESS	Insurance-Linked Strategies	Key focus of the investment process is proprietary analysis of both short-term weather variables and longer-term climate trends, and the associated insurance risks.
QUANTITATIVE		
Approach	Capability	
AMPLIFY & ASSESS	ESG Factor	Researching ESG screens to supplement existing premia and uncover alternative risk mitigating & return generating signals.
MULTI-ASSET CLASS		
Approach	Capability	
AMPLIFY & ASSESS	Multi-Asset Class	A collaborative, research-driven approach allocating across asset classes and styles to Neuberger Berman investment strategies that consider ESG factors.
ALL ASSET CLASSES		
Approach	Capability	
AMPLIFY & AVOID	Separately Managed Accounts	Customized investment criteria based on a client's values and preferences.
AVOID	UCITS Funds	Avoid companies that produce anti-personnel land mines, cluster munitions and biological/chemical weaponry.

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.

² This does not represent an exhaustive list of strategies applying this ESG integration framework.

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