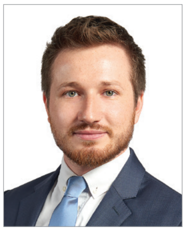
NEUBERGER BERMAN

2017 Engagement and Proxy Voting Report

NEUBERGER | BERMAN

Founded in 1939, Neuberger Berman is a private, 100% independent, employee-owned investment manager. From offices in 31 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 more than 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; it has earned us a citation as the second-ranked firm (among those with 1,000 or more employees) in the *Pensions & Investments* 2017 Best Places to Work in Money Management survey, after we had finished in the top three from 2013–16.

JONATHAN BAILEY
HEAD OF ESG INVESTING



JAKE WALKO
VICE PRESIDENT, ESG INVESTING

For more information about Neuberger Berman's approach to ESG Investing, please visit www.nb.com/esg

Our Investment Platform

	EQUITY	FIXED INCOME	ALTERNATIVES
AUM $295bn[1]	$104bn	$130bn	$69bn AUM and Committed Capital
INVESTMENT PROFESSIONALS	223	159	139
FUNDAMENTAL	Global/EAFE U.S. Value/Core/Growth Emerging Markets Regional EM, China Socially Responsive Investing Income Strategies: – MLP – REITs	Global Investment Grade Global Non-Investment Grade Emerging Markets, Regional EM, China Opportunistic/Unconstrained Municipals Specialty Strategies: – CLO Mezzanine – Currency – Corporate Hybrids	Private Equity: – Primaries – Co-Investments – Secondaries – Specialty Strategies – Minority stakes in alternative firms/DYAL Hedge Funds: – Multi-Manager – Equity Long/Short – Credit Long/Short – Event Driven Alternative Credit: – Private Credit – Residential Loans – Special Situations
QUANTITATIVE	Global U.S. Emerging Markets Custom Beta		Risk Premia Options Global Macro Commodities

Integration of Environmental, Social and Governance Factors

MULTI-ASSET CLASS SOLUTIONS AND STRATEGIC PARTNERSHIPS

FUNDAMENTAL		QUANTITATIVE	
	Global Relative and Absolute Return Income Focused Inflation Management Liability Aware		Risk Parity Global Tactical Asset Allocation

Asset Detail

AUM BY INVESTOR TYPE

65% Pension Funds, Sovereign Wealth Funds and Other Institutions

19% Financial Institutions, RIAs and Advisors

16% Private Client

AUM BY CLIENT DOMICILE

70% Americas

14% EMEA

16% Asia Pacific

[1] As of December 31, 2017. Firm assets under management (AUM) includes $103.8 billion in Equity assets, $130.1 billion in Fixed Income assets and $61.3 billion in Alternatives assets. Alternatives "AUM and Committed Capital" includes assets under management for non-Private Equity businesses and Committed Capital since inception for the Private Equity businesses. Committed Capital since inception reflects all contractual commitments, including those still in documentation, to fund investments, including those which have since been realized, advised by NB Alternatives Advisers LLC and its affiliates or predecessors (the oldest mandate of which was founded in 1981).

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.

Chief Investment Officer Statement

As an active manager, we have a long-standing belief that material environmental, social and governance (ESG) characteristics can be an important driver of long-term investment returns. Neuberger Berman has considered ESG characteristics in investment processes as far back as the 1940s for avoidance screens and 1989 for integration into fundamental research in U.S. equities. Since then the breadth and depth of integration across our global investment platform has grown steadily through bottom-up innovation by individual portfolio managers and research analysts. Our ESG Investing team has helped accelerate this integration process by providing top-down expertise across asset classes and investment teams.

An important part of how we serve our clients is by engaging with corporate management teams and board members. Active managers that hold concentrated positions with long investment horizons have an outsized responsibility to use their formal and informal influence to support sustainable value creation. We have a long tradition of being unafraid to take strong positions in order to bring positive change, whether at individual companies or in the market as a whole. This work is a core responsibility of each of our portfolio managers and analysts—we are all stewards of our clients' capital.

This report details our engagement and proxy voting activities in 2017. We are proud of our proxy voting record, including our support for shareholder proposals on material environmental and social topics and our willingness to oppose management as necessary on traditional governance issues like the election of directors or executive compensation.

However, we consciously focused the bulk of this report on engagement, as the majority of our impact comes from the work we do outside the formal mechanics of the proxy voting season. With more than 1,500 in-person management meetings held in our offices for equity investments during 2017, we are in constant dialogue with the companies in which we invest. To demonstrate the depth of impact that our teams have had, we highlight in this report six out of the more than 590 structured equity engagements that we undertook in 2017.

Engagement is also an important feature of our fixed income platform, something that our portfolio managers and credit analysts conduct independently in order to focus on fixed income-specific objectives. While bondholders do not have proxy votes to cast, they do have influence, particularly at new issuance and for lower-rated issuers. Our fixed income teams hosted over 750 meetings with management during 2017, and we have included a case study to highlight the impact that they have had.

Perhaps the most exciting thing about ESG investing is that the issues that are material to performance constantly evolve, which means our approach to engagement will continue to evolve as well.

JOSEPH V. AMATO
PRESIDENT AND CHIEF INVESTMENT OFFICER – EQUITIES

Approach to Engagement at Neuberger Berman

Neuberger Berman believes that engagement is a dialogue between investors and companies focused on positively influencing corporate behaviors to drive long-term, sustainable returns for our clients. As a multi-asset class manager we engage with issuers across the capital structure using a range of tools and approaches guided by our Governance and Engagement Principles.

Governance and Engagement Principles

STRATEGY	Companies should adopt, formulate and communicate value-enhancing long-term strategies.
INCENTIVES	Companies should align management and board incentives with long-term shareholder goals.
BOARD INDEPENDENCE	Effective boards of directors must be truly independent.
SHAREHOLDER REPRESENTATION	Companies should strive to maximize shareholder representation.
CAPITAL DEPLOYMENT	Companies should allocate capital to maximize long-term risk-adjusted shareholder value.
TRANSPARENCY AND COMMUNICATIONS	Companies should provide transparency in communication and reporting.
RISK MANAGEMENT	Boards of directors should actively engage with management to evaluate and control enterprise risk.
ENVIRONMENTAL/ SOCIAL ISSUES	Companies should consider the long-term impact of their business model and operations.

Read additional details about Governance and Engagement Principles

We seek to engage with companies in a constructive and pragmatic manner, communicating our views and concerns directly to management and the board. When necessary we have taken more assertive positions, including formal written communication identifying our areas of concern and recommended course of action, the nomination of director candidates, the filing of shareholder proposals and proxy contests. We also fulfill our fiduciary responsibility through proxy voting. Overseen by our Governance & Proxy Committee, we have publicly and transparently laid out our voting guidelines and procedures.

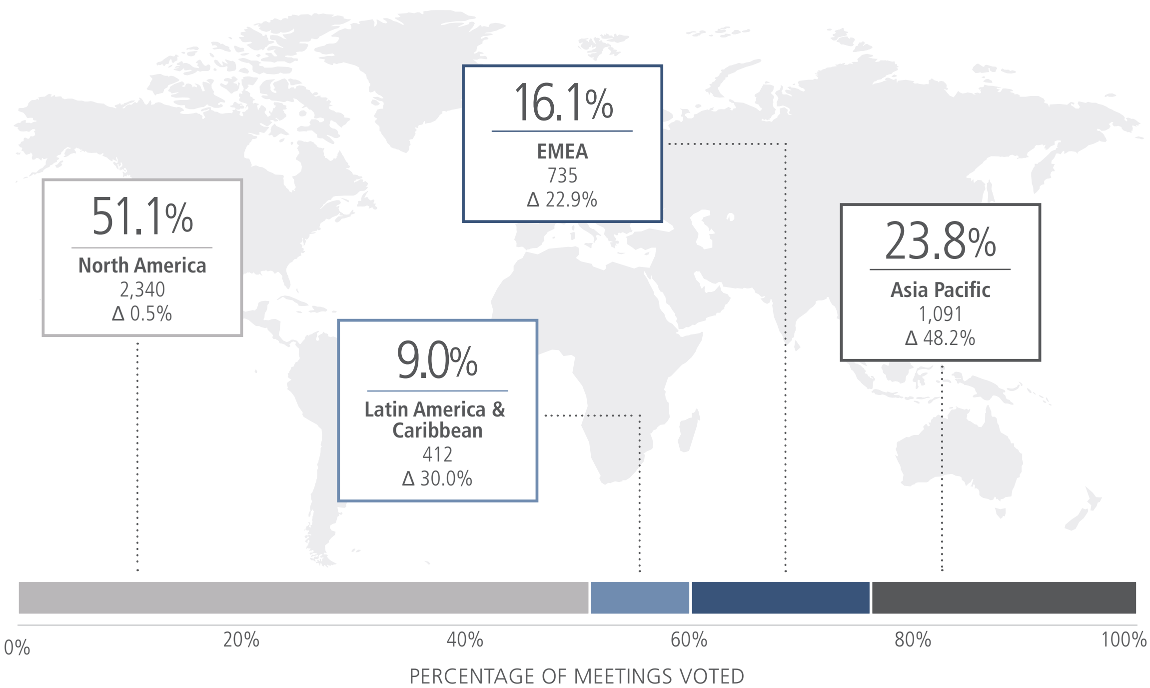
In 2017, we conducted more than 1,500 in-person and in-depth meetings with management teams in our offices for equity investments and another 750-plus for fixed income investments. We aim to prioritize engagements that have the largest impact on the protection and improvement of our clients' assets, be it through the advancement of actionable disclosure, understanding of risks and risk management at an issuer, or through influence and action to mitigate risks and take advantage of investment opportunities. In 2017, we conducted structured engagements with over 590 companies across our equity holdings alone. Many of these engagements were multi-faceted—for example, a management team that has taken insufficient steps to protect the privacy of customer data also may have other weaknesses in board capability or enterprise risk management.

We believe that conducting our own engagements is an important component of fulfilling our fiduciary obligation to clients. Engagement is an extension of good portfolio management and cannot be outsourced. We work collaboratively with peers and clients both on individual engagements and on market-wide initiatives. For example, in 2017 we played a leadership role in the UN-supported Principles for Responsible Investment (PRI)'s Credit Ratings Initiative, engaging with Standard & Poor's and Moody's on enhancing their integration of ESG into credit ratings. We became a founding member of the Sustainability Accounting Standards Board (SASB) Alliance in 2017 and formally incorporated an expectation that SASB members be aware of the standards for their industry in our Proxy Voting Guidelines. We also publicly stated our support for the recommendations of the Taskforce on Climate-Related Financial Disclosure (TCFD) in 2017 and supported shareholder proposals calling for disclosure around climate change at oil & gas and utility companies.

Meetings Voted

The past year saw a steady increase in the number of meetings voted on behalf of our clients. While all regions saw growth, there was a pronounced contrast between the well-established markets and increased investment in companies from newer entrants. This is reflective of the successes of a more diverse set of strategies, including the continued growth of investments in emerging markets and global strategies.

2017 Meetings Voted by Region and Percentage Increase Since 2015



4,583 | MEETINGS VOTED IN 2017

14.7% | INCREASE SINCE 2015

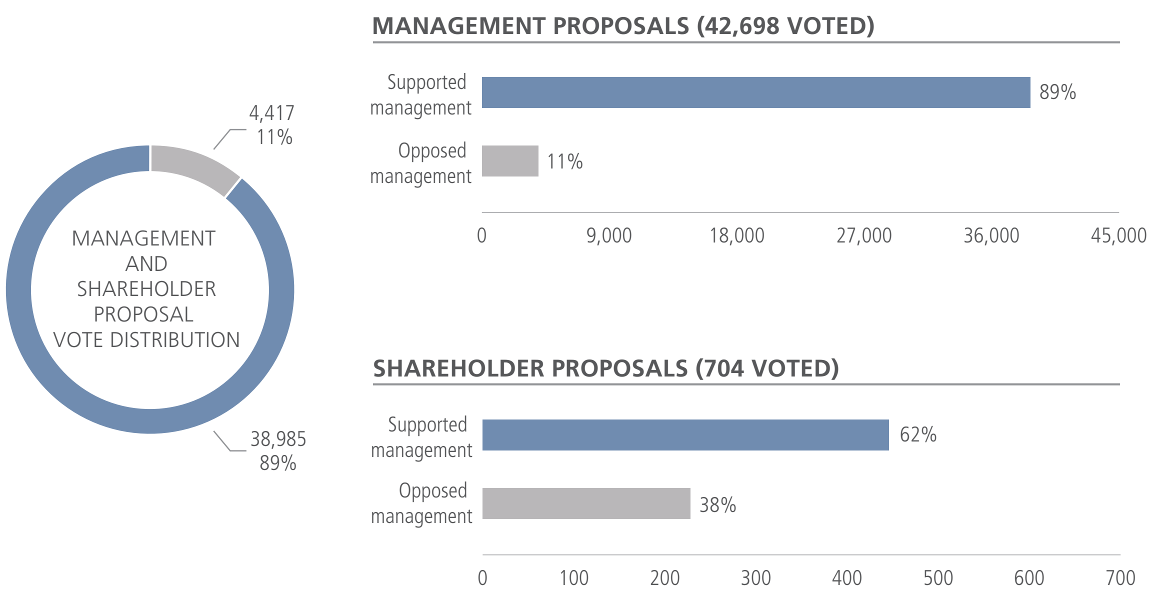
	2015	2016	2017	Δ Since 2015
MEETINGS VOTED	**3,995**	**4,407**	**4,583**	**14.7%**
North America	2,329	2,246	2,340	0.5%
United States	2,130	2,045	2,101	-1.4%
Latin America & Caribbean	317	385	412	30.0%
Brazil	116	147	163	40.5%
Asia Pacific	736	1,006	1,091	48.2%
Japan	203	176	193	-4.9%
South Korea	71	102	140	97.2%
EMEA	598	762	735	22.9%
United Kingdom	164	181	162	-1.2%
South Africa	40	64	70	75.0%

Voting Statistics

When considering proxy votes, we acknowledge the information asymmetry between shareholders and insiders, and begin with the assumption that management and the board are carrying out their duties faithfully. That does not mean however, that we are shy about voicing our concerns through engagement and voting. We find ourselves opposing many proposals that are either unclear in their alignment with shareholder interests or at odds with our judgment of the best course for the company. This is reflected in both the 89% of management proposals that we supported in the last year as well as conversely in the 11% we opposed. Some of the main areas of opposition, as well as case studies that illustrate the complexity of the votes, are found in the pages to follow.

In 2017, we supported over 200 shareholder proposals (approximately 38%) and this reflects our stronger, more detailed, stances on a number of ESG issues as articulated in our public Guidelines. We recognize that in all cases there are costs to the dialogue around these submissions and their subsequent implementation, but we feel strongly about supporting the proposals in cases where we find that cost to be negligible when compared to the improved risk management, disclosure and reputational considerations at our portfolio companies. We do not take the view that opposing management on any issue is a confrontation; as mentioned, proxy voting is but one method of engagement and we pursue a variety of methods to assure that our clients' assets are managed by company insiders with the same care and attention as their portfolios are by our managers.

Management & Shareholder Proposal Vote Distribution for 2017



49% PERCENTAGE OF MEETINGS WHERE WE OPPOSED AT LEAST ONE MANAGEMENT RECOMMENDATION

89% PERCENT OF MANAGEMENT PROPOSALS SUPPORTED

Management Proposals

MANAGEMENT PROPOSALS	SUPPORTED MANAGEMENT		OPPOSED MANAGEMENT	
AUDIT-RELATED	5,618	95%	289	5%
Appointment of Auditor	566	96%	23	4%
BOARD-RELATED	22,710	89%	2,715	11%
Election of Directors	20,407	90%	2,217	10%
Ratification of Board Actions	472	92%	39	8%
Related Party Transactions	288	87%	42	13%
CAPITAL MANAGEMENT	2,372	86%	402	14%
Authority to Issue Shares	652	81%	156	19%
Increase in Authorized Common Stock	54	82%	12	18%
CHANGES TO COMPANY STATUTES	1,361	91%	141	9%
Adoption of Majority Voting for the Election of Directors	25	100%	0	0%
Amend Articles, Constitution, Bylaws–Bundled	297	87%	46	13%
Elimination of Supermajority Requirement	37	92%	3	8%
COMPENSATION	5,810	86%	954	14%
Advisory Vote on Executive Compensation	1,434	85%	251	15%
Stock Option Plan	149	74%	51	26%
MERGERS AND ACQUISITIONS	458	95%	25	5%
Divestiture/Spin-off	42	89%	5	11%
Merger/Acquisition	217	95%	11	5%

The above table profiles broad categories and select examples of our voting activity on management proposals in 2017. Each case is unique, but the high-level picture reflects our views on things like director elections, share issuances and executive remuneration, and how often those proposals met our expectations. The particular positions that led to our opposition on these issues are articulated in our Guidelines, but are most commonly a reflection of concerns on the clarity of disclosure about an issue (like the structure of an executive compensation plan) or an opinion about the best composition of the board of directors of a company.

Shareholder Proposals

SHAREHOLDER PROPOSALS	SUPPORTED MANAGEMENT		OPPOSED MANAGEMENT	
ENVIRONMENTAL	49	59%	34	41%
Climate Change	0	0%	16	100%
Sustainability Report	14	45%	17	55%
SOCIAL	68	61%	44	39%
Reviewing Political Spending or Lobbying	14	27%	37	73%
Race and/or Gender Pay Equity Report	0	0%	8	100%
GOVERNANCE	205	61%	133	39%
Eliminating Supermajority Provisions	2	17%	10	83%
Improved Disclosure	2	15%	11	85%
Separation of Chair and CEO	7	19%	29	81%
Right to Act by Written Consent	0	0%	14	100%
Declassification of the Board	0	0%	6	100%
Shareholder Access to Proxy Nomination	25	53%	22	47%

During 2017, Neuberger Berman supported 258 shareholder proposals. One of the highlights of this effort was the majority shareholder support attained by a proposal asking for an assessment of the long-term risks of climate change at three companies: Exxon Mobil, Occidental Petroleum and PPL Corp. In line with our Guidelines, Neuberger Berman supported all three shareholder proposals as well as several at other issuers. While those other issues did not receive majority support, we hope the significant attention paid to this issue by shareholders will translate to board action on the risks related to climate change. As stated in our Guidelines, we strongly believe companies need to be able to identify key environmental risks to their business, to discuss how these evaluations are conducted and what lessons can be learned to manage these risks. Another highlight involved our support, once again consistent with our Guidelines, of several shareholder proposals seeking reporting on gender pay equity. While none of the proposals received majority support, the effort yielded substantial success as several major institutions provided disclosure on this subject for the first time.

These are good examples of environmental and social issues that are material to the long-term financial performance and business models of the companies involved. Boards can look to the SASB for a summary of the material environmental and social issues for their industry, and we expect directors to be familiar with those recommendations and be able to discuss how they relate to the risk assessment for their business. We will generally support shareholder proposals asking for increased disclosure where our assessment finds that existing materials are significantly lagging behind recognized frameworks necessary for investors to assess these risks.

Summary of Case Studies

The following case studies constitute a small sample of our engagement activities and seek to demonstrate the breadth of engagement activities across multiple teams and asset classes. They are meant to reflect our view that engagement needs to be constructive, detailed and outcome-oriented. In some instances, we learned about risks that led to hold or sell decisions, in others we asked for changes that allow shareholders to better understand the company or help boards and management with their preparedness for new challenges. While we often have long-standing communication channels through our portfolio managers and research analysts, we do endeavor to help companies reconcile what they hear from us with the feedback they receive from their other stakeholders. That is why we feel it is important to tie the conversations to emerging standards like Sustainability Accounting Standards Board (SASB) and Task Force on Climate-related Financial Disclosures (TCFD) and Key Performance Indicators that the companies can meaningfully implement. We recognize that engagement is first and foremost about effective communication, and invest substantial time to communicate the complexity of ESG issues for best effect.

We always endeavor to provide as much transparency and detail as necessary for clients to gauge the extent and impact of the work we are doing on their behalf. At the same time, in order to establish a relationship for the benefit of constructive engagement, we believe management teams and boards engaging in private dialogue must be afforded the respect and discretion that prevents our full account of the matters we are discussing. As such, where we have been public about our observations or where we have given an issuer notice of our intentions, we aim to name the companies we feature in these case studies. We are careful about our discretion and hope this practice leads to more accountability of us as an asset manager and of the issuers, as well as greater benefit and assurance to our clients.

Key Engagement Topics

NUANCE COMMUNICATIONS	Executive succession planning · Board refreshment · Board diversity · Executive compensation · Shareholder responsiveness
WHOLE FOODS MARKET	Corporate strategy · Long-term value creation · Human capital management · Industry disruption · Customer trends · Management structure · Board composition · Corporate culture · Capital deployment
LARGE-CAP FINANCIAL SERVICES COMPANY	Human capital management · Gender pay gap · Anti-discrimination provisions · Corporate diversity · Corporate culture
MID-CAP TRANSPORTATION COMPANY	Executive compensation · Shareholder responsiveness · Capital deployment · Governance features · Overboarding
LARGE-CAP TECHNOLOGY COMPANY	Board composition · Director education · Cybersecurity
SMALL-CAP FINANCIAL SERVICES COMPANY	Board composition · Board diversity · Director education

Investors historically have thought of equity investors as taking the lead role in terms of engagement; however, while fixed income investors may lack proxy votes, they do not lack influence. This applies across the credit spectrum—with investment grade issuers often being particularly responsive to engagement efforts at the point of new issuance. We believe we have an enhanced responsibility to engage as a bondholder of closely held or private businesses because these issuers often have limited equity floats. These issuers are often reliant on the fixed income markets to grow and sustain their businesses, putting non-investment grade credit investors in a position of significant responsibility and influence when an issuer comes to market seeking to finance or refinance existing debt.

SMALL-CAP OIL & GAS COMPANY	Risk disclosure · Capital deployment · Executive succession planning · Corporate strategy

Nuance Communications

Engagement Principle: Board Independence

"Effective boards of directors must be truly independent: boards should have diversity of background and relevant experience, not be bound by relationships with management or between board members, and should avoid conflicts of interest; boards should refresh membership and rotate committee membership periodically and avoid elongated tenures."

Voting Guideline: "We identify continuing education, board evaluations, succession planning, shareholder and stakeholder engagement and the adoption of best practices as indicators of oversight quality."

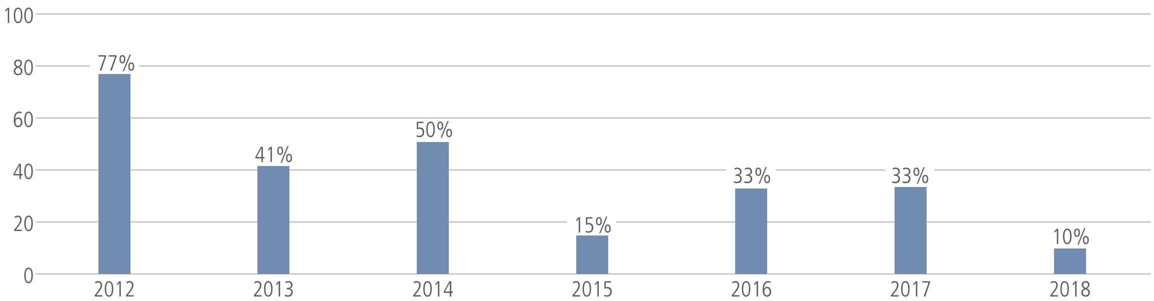
Over the course of 2017, we closely followed midcap technology company Nuance Communications, specifically the initiatives it was undertaking to correct long-term underperformance and its execution of a management succession plan. During this time we grew concerned that the company appeared to be rolling back commitments on the scope and timeline of this succession plan, which in our view potentially could jeopardize the company's ability to deliver on new initiatives that may be at odds with the outgoing personnel's historical perspectives. We sent a public letter to the board of directors urging commitment to the process and raising concerns about what we saw the board's governance shortcomings. The company still did not provide updated information on the progress of the succession plan—something we felt was necessary and reasonable to guarantee a successful transition. We conducted further meetings with management and the directors, and sent a second public shareholder letter in which we suggested the rotation of several board leadership posts and the cessation of a problematic relationship between one of the directors and a related party.

The company had a history of poor results at shareholder meetings, including multiple years of failing to garner majority support for its executive compensation proposal and several instances of significant opposition to its directors. We were worried that this pattern of inaction to shareholder votes could materialize again with regard to the succession plan, so we maintained pressure on the company to continue engaging and providing updates.

During this time, additional shareholders called for transparency on the issue, sending their own public shareholder letters to the board and echoing many of the points we had made. Though the company issued a press release recommitting to the implementation of the succession plan and added new directors, no additional transparency was provided to shareholders. In advance of the annual meeting of shareholders, we sent out an open letter indicating our intention to support the shareholder proposal for a right to call a special meeting, which we were pleased to see garnered an extraordinary 94.3% shareholder support. At the same time the compensation plan failed to get shareholder support for the fifth time in six years—with more than 90% of shareholders voting against it.

As this publication goes to print, the situation continues to evolve. After much delay, the company has announced an interim CEO to serve during a transition period and a permanent one to join in the near future. We are eager to evaluate the process followed by the board in the selection of a new CEO as well as their response to the other governance concerns raised in our letters and by shareholders through the vote at the annual meeting. We will continue to engage on these related matters and are available to lend our observations and expertise on how to improve this company's severely deteriorated relationship with its shareholders.

Shareholder Support for Management's Executive Compensation Program



Whole Foods Market

Engagement Principle: Strategy

"Companies should adopt, formulate and communicate value-enhancing long-term strategies: managements should set and communicate clearly defined long-term goals which avoid strategies oriented to short-term benefits, implement value-driven M&A strategies, and subject major decisions, including large mergers, acquisitions, reorganizations or similar actions, to a shareholder vote."

A core trait of Neuberger Berman's portfolio management teams is the diversity of investment theses and strong opinions about why they lead to attractive risk-adjusted returns for our clients. One of the more common tenets is the belief that brand strength and company culture are as much integral components of valuation as balance sheet quality or cash flow projections.

Neuberger Berman had been a long-term shareholder of Whole Foods, a U.S. supermarket chain, which had developed an attractive consumer segment with its focus on high-quality products and an immersive shopping experience. However, after an extended period of appropriate shareholder returns, the company's stock price began underperforming and we took a renewed and deepened interest in the underlying reasons.

The company met our criteria for appealing consumer demographics and strong, consistent brand recognition, but the space was facing seismic shifts in shopping preferences, new technologies and increasing competition. Technology lowered the barriers to entry, and we grew concerned that the company was celebrating its success without managing itself for long-term, sustainable growth. We felt the company was not keeping up with the pace of technology (including customer loyalty program trends), was at risk of losing market share to direct delivery and conventional and specialty grocers, and was not focusing enough attention on its specialty offerings, which long differentiated the brand.

Throughout our due diligence process, we maintained high regard for this issuer, and as the stock declined we increased our position, seeing a growing undervaluation for a great business. Around this time we identified bellwethers that, combined with our concerns about the competitive landscape, led us to become more involved in the stewardship of the asset. Same-store sales were declining while management was investing in rapid store expansion, which, in our opinion, came at the expense of both the existing stores and the consumer's vital regard for the brand's quality and offerings. While we had questions related to various details of management's strategic plan for the business, one of the key metrics that increased our concerns was the rising rate of voluntary employee turnover. We felt this was a sign that morale was being impacted by management's strategy and this in turn could translate to a declining quality in the customer experience.

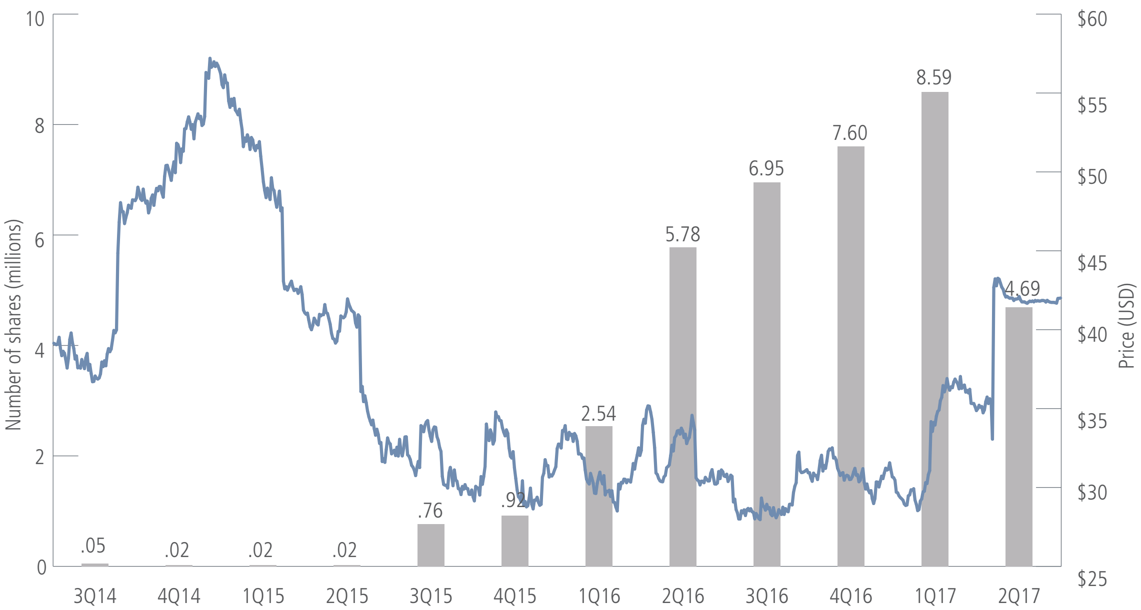
We offered management and the board our analysis of the company, pointing to areas of their plan that we felt were jeopardizing long-term success. We saw the company underinvesting in human capital and innovation, and articulated a need for more rigorous approaches to the management of real estate assets, technology, product marketing and analysis. We advised the company to look outside for new ideas to help them meet the competitive challenges of today's world. During these conversations we particularly took issue with the cumbersome dual-CEO structure, low insider-ownership and the long tenure of the board; we urged that they streamline management to align with operational needs and bring on directors with insights from the technology, real estate and financial arenas to help oversee planning.

Our active ownership took the form of e-mails, conference calls, private and public letters, site visits, and meetings in our offices as well as at their headquarters. We engaged with senior management and directors, including meetings solely with independent board members, and felt the company's issues could all be addressed.

However, as management began making changes, we had mixed opinions. While the governance was improving in line with some of our requests (namely a streamlined CEO structure and positive board changes), the company was implementing select changes that we did not agree with. Specifically, the company removed transparency around its disclosure of store-level economics, taking away a key data point that we were using to monitor operational execution. Additionally, the company announced an increase in its dividend and share repurchase program, actions we did not request and ones we felt could not only adversely impact a solid balance sheet, but were also an inappropriate use of leverage given that operational issues were not yet stabilized and the necessary investments in the business had not yet taken place.

We continued to advocate for other actions, both in private dialogue and in public letters, and were not surprised when a purchase offer emerged for the entire company. We felt pursuing strategic alternatives was a prudent course of action, and the acquirer brought to the company many requisite and enhanced skillsets, including improved operational execution, technological innovation and brand management traits. As such we supported the sale of the company, realizing a strong return for our clients and, with the resources and investments of the acquirer, leaving the business better positioned to succeed in the long term.

Active Ownership: Research, Conviction, Action and Outcomes



Source: Bloomberg.

Large-cap Financial Services Company

Voting Guideline: "Neuberger Berman believes topics related to human capital are among the most significant risks and opportunities for companies. We expect boards to disclose and be able to discuss efforts to make the companies inclusive, attractive and high-retention environments. We identify this as a vital component in attracting and retaining talent for the long-term sustainable success of the companies we invest in."

"Neuberger Berman supports inclusive and diverse working environments and will generally support shareholder proposals seeking to establish comprehensive equal opportunity and anti-discrimination provisions as well as efforts to study and report on any discrepancies in compensation based on gender."

In keeping with this guideline we engaged a large financial services company where we had supported a shareholder proposal asking for improved reporting on gender pay equity. The company operates in a hyper-competitive market for talent, and a majority of its new hires were women, making this topic highly material to the retention and success of its workforce. As background, it is important to note that the company has taken many steps over the years to keep pace with increased expectations in this area. As evidenced by the composition of its new hires, meaningful steps have been taken to improve representation, which was also reflected in improving percentages of women in senior management positions as well as on the board of directors. The company also produced reports on its efforts on diversity and human capital more broadly, which allowed us, as shareholders, to see the steps being taken on this front.

Despite the company's efforts, we supported the shareholder proposal on the grounds that it was asking specifically for information on the pay equity issue, which was absent from the reporting. We acknowledge that the topics of diversity, gender representation, equal pay and human capital management in general are highly interrelated, but they are not substitutes for one another, in our view, and we do not believe that quality management of one of these areas fully mitigates our concerns about the others.

During our engagement with the company, we sought to understand the detailed management of the equal pay issue. The company explained to us its philosophy on the relationship between equal pay and its overall human capital management program, which came through most clearly in the examples of embedding employees from different aspects of the program into related functions, making sure that leading practices on representation aligned with those on compensation, recruitment and talent development, both in new hires as well as in existing staff.

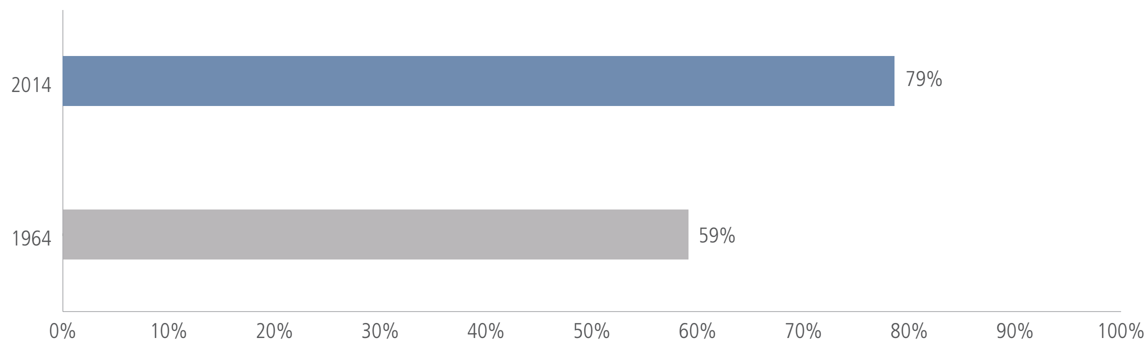
We asked detailed questions about board involvement and found initiatives undertaken by both the nominating/governance and the compensation committees. Those were subsequently presented by the respective chairs to the full board and ultimately employees, in what we thought was exemplary evidence of oversight and transparency.

+18.9% | YEAR-OVER-YEAR INCREASE IN AVERAGE MARKET-WIDE SUPPORT FOR GENDER PAY SHAREHOLDER PROPOSALS

We suggested the company explore the disclosure of key metrics, particularly those required under the U.K.'s Equality Act 2010 (Gender Pay Information) Regulations 2017, and complement them with evaluation frameworks for materiality assessment like that of the Sustainability Accounting Standards Board (SASB), which the company had considered but not yet adopted. To perform in-depth analysis investors need metrics that are comparable across the industry, and we look forward to developments on the right measurements while remaining sensitive to the complex ecosystem of local and national regulation as well as considerations for privacy and litigation risk. We pressed the company on the details of its existing reporting, including the voluntary turnover rate, which was higher for female employees. We learned about the company's efforts here—namely that the high degree of awareness of this discrepancy prompted senior management to conduct historical data analysis and predictive analytics that incorporated internal focus groups, hiring records, promotion evaluations and exit interviews to understand the drivers of the outcome. The company formulated a plan based on the data and the anecdotes from the other sources that led to higher support for internal employee networks, mentorship opportunities and comprehensive anti-bias programs, including an offsite on the subject for senior managers. These on-the-ground steps complement equal attention at the executive level, where individuals are given targets on diversity hiring as well as additional non-financial measures that align with the lessons deduced from the aforementioned analysis.

During the writing of this publication, the company released a gender pay equity ratio metric for the majority of its geographic operating footprint and has taken further steps both to recommit to addressing this issue as well as to tangibly adjusting compensation outcomes for employees this year. We look forward to the company's continuing disclosure as well as to working together to share leading practices and become better informed about this important topic.

Women's Median Annual Earnings of Full-Time, Year-Round Workers as a Percentage of Men's



Source: U.S. Census Bureau, 1965–2015 Annual Social and Economic Supplements.

Mid-cap Transportation Company

Engagement Principle: Incentives

"Companies should align management and board incentives with long-term shareholder goals: management and the board should maintain significant equity ownership; incentive compensation should be directly tied to creating long-term economic value, long-term share price performance and other objective performance metrics; equity awards should have long vesting periods, clawbacks and downside participation; and the repricing and reloading of equity incentives is discouraged."

For a more comprehensive description of our approach on executive compensation, please see our Voting Guidelines.

At the request of the company, we met with the independent directors of the board to discuss the results from this year's annual meeting with shareholders. The executive remuneration proposal received significant opposition from approximately one third of shareholders, including us. We reviewed the structure of the plan and highlighted potential improvements. We articulated our expectations that incentive plans for named executive officers should reflect publicly disclosed business strategy, should clearly demonstrate how short-term metrics lead to outcomes which then are reflected in long-term metrics that align with shareholder outcomes. We especially stressed the point that management outcomes have to reflect to some degree the value created or destroyed for shareholders, which was not the case here as the plan uses short-term performance periods and management did not participate in a significant share depreciation over recent years.

We were pleased to hear that the company is moving away from performance cash, though it maintains both annually vesting options and rolling three-year performance periods for equity, which we find insufficient. Additionally, the discretion used to adjust lackluster earnings per share and operating revenue outcomes was, in our view, not warranted. We explored the value of various return on capital metrics, which we broadly support, and discussed the shortcomings of a solely relative total shareholder return measure where we observed its limited value to shareholders in actively managed portfolios. The company was receptive to our observations and given the presence of the independent directors, we expect our feedback to factor into modifications next year.

We also discussed several governance features, reiterated our support for a written consent right (which, though technical in nature, can serve as a valuable avenue of accountability for shareholders) and cautioned against onerous or directionally negative modifications to governance provisions that would garner negative reactions from shareholders and may needlessly add to a distracting board environment. Lastly, we explored the overboarding of one of the directors, who is a public company executive in addition to serving on two external boards, a number exceeding our policy on this issue. We communicated that our vote is a view on the risk created by the constrained time commitment rather than director quality and asked the company to work to remedy the situation.

Lastly, we discussed the company's efforts on sustainability, both as it relates to internal efficiencies as well as disclosure and reporting on the subject. We used this as an opportunity to describe our endorsement of the SASB framework and suggested our perceived best practices on materiality matrixes as well as key performance indicators that we find useful in our investment decision-making process.

Advisory Proposal on Executive Compensation –"Say-on-Pay" Statistics Across All Companies

79% | **+90% APPROVAL** ON THEIR EXECUTIVE COMPENSATION

1% | **<50% APPROVAL** ON THEIR EXECUTIVE COMPENSATION

Source: Equilar Corporate Governance Outlook 2018.

Large-cap Technology Company

Voting Guideline: "We expect boards…to review and plan for relevant and material risk factors for the long-term sustainability of the business."

"We identify continuing education, board evaluations, succession planning, shareholder and stakeholder engagement, and the adoption of best practices as indicators of oversight quality."

"We expect, at minimum, to see disclosure on the existence of an Enterprise Risk Management framework, the roles and responsibilities of key committees, and comprehensive descriptions of the background and skills of directors. We identify assumptions as key risks to the effective oversight of management by the board and believe these are best mitigated by active and diverse boards."

We engaged with a large-cap technology company on the topics of board capacity and capability. We discussed several standard governance items, including independence evaluations, board self-assessments, board succession planning, the addition of two new directors, as well as a hypothetical clawback situation and the process through which a compensation committee would function to make the assessment. We were particularly interested in the board's efforts on cybersecurity, both in terms of preparedness and education necessary for appropriate oversight. We learned that the chief technology officer and the chief information security officer routinely report to the audit committee and the company has brought in an outside firm for the purpose of educating directors, which we find important given the quickly evolving nature of the subject matter and associated opportunities in disclosure. Given the dynamic nature of this topic, as well as two recent director additions that would be involved in this oversight, we pushed for skill assessments to factor in the self-evaluation process, as well as for the disclosure of these efforts. We will continue engaging with the company on this and other timely ESG topics.

Industry Collaborative Engagement

In a related, multi-stakeholder, effort Neuberger Berman is currently participating in the UN-supported Principles for Responsible Investment collaborative cybersecurity engagement whose aim is to "build investors' understanding on how their portfolio companies are positioned in terms of their policies and governance structures to demonstrate cyber resilience and to seek to improve the level of company disclosure on cyber risks and their management." For additional details, please see: **PRI website**

Small-cap Financial Services Company

Voting Guideline: Neuberger Berman believes that periodic board and committee refreshment will facilitate driving a company's performance, creating shareholder value while protecting and enhancing shareholders' interests.

We discussed board composition and diversity with the company. They have made significant changes to its board composition recently. Although, several directors have served since the initial public offering, the majority of the board is new. We were particularly pleased that one of the bank's explicit objectives in selecting new members was enhanced board diversity. We suggested ways to integrate new members to make the most of the diverse board composition and skill sets, including the importance of:

- Board member interaction with key shareholders
- Wide distribution of new members to key board committees
- Giving new members a chance to chair committees, to allow for fresh perspectives on evolving issues such as human capital management

Significant board transitions typically provide both succession risks as well as great opportunity and we will keep a close dialogue with the company as it manages its process.

Fixed Income Engagement

Our engagement efforts are particularly important in non-investment grade credit where issuers have less balance sheet flexibility to absorb unexpected deterioration in their businesses due to material environmental, social and governance (ESG) risks. We believe that maintaining an active dialogue with senior management is an essential driver of consistent long-term investment results, as it provides us with a more holistic understanding of the credit risk, enables us to offer feedback when we see shortcomings, and allows us to suggest alternative steps to protect value when necessary.

With this in mind we embed active engagement in the heart of our investment process. This work is led by our experienced credit analysts, not by a separate engagement team, allowing the analyst to engage holistically with an issuer on business fundamentals, capital structure, cash flow priorities, and material environmental, social and governance issues.

Our engagement efforts are not limited to just company-specific discussions; we also engage at the sector level and across multiple sectors on cross-cutting thematic risks. This helps us create value for our clients by better assessing and pricing systematic risk, as well as understanding the potential vulnerability of issuers to contagion from negative perceptions of other issuers.

We also engage at the market level to enhance overall market functionality. These broader engagement efforts are often collaborative and focused on enhanced disclosure. For example, we have been working since 2016 with the UN-supported PRI to engage credit rating agencies like Moody's and S&P on the importance of consistent, transparent and evidenced reviews of material ESG risks as part of their credit rating assessments. We see the credit rating agencies as an important lever to encourage issuers to improve their disclosure practices, potentially reducing borrowing costs for ESG leaders and enhancing our ability to create value for our clients.

Small-cap Oil & Gas Company

Engagement principle: Transparency and Communications

"Companies should provide transparency in communication and reporting…[and] should communicate regularly with shareholders."

In a recent example of company-specific engagement, an analyst identified a material deficiency in disclosure practices of an issuer. The characteristics of contractual cash flows within the non-investment grade credit gas distribution sector are an important component of the credit analysis process. The issuer had disclosed that a recently acquired entity benefitted from stable take-or-pay contractual cash flows, but we found the disclosure to be vague, which in our view put future cash flows associated with the contract at risk. We were concerned that any increase in volatility in the commodity market might be associated with risks beyond those disclosed. To more fully understand the potential risk to the investment, we engaged with senior management to seek additional clarity.

In addition to helping us understand and assess risk related to a particular contract, the engagement served to determine whether the disclosure deficiency was an indicator of broader governance issues. Specifically, we sought to understand the process the company used in its due diligence, what controls and oversight existed, and how appropriate disclosure was determined and communicated to the public.

We met with senior management of the issuer on several occasions to express our concerns and to encourage improvements. Our dialogue with the CEO of the company focused on the disclosures provided for the contract in question, and we asked that additional clarification be publicly released so that investors can conduct a more complete analysis. As the commodity environment deteriorated, the risk was rising and the issuer subsequently filed additional disclosures, indicating that the contract could be at risk in certain circumstances, and that the cash flows derived under the contract were not as stable as originally communicated to investors.

We maintained our dialogue and communicated our dissatisfaction with the pattern of disclosures on this key issue.

We also expressed our concerns that this situation was emblematic of a governance and oversight shortfall and needed to be addressed at the board level as soon as possible. This was chiefly rooted in our concern that adequate controls to assess acquisitions were not in place and that the presence of this issue showed that the right questions were not being asked. During an in-person follow-up meeting with the CEO, we further discussed these concerns as well as overall capital allocation and fundamental business issues.

The company's board evidently developed its own concerns and several members of management were dismissed before we could conclude our engagement on this issue. Given these developments, we subsequently scheduled a meeting with the chairman of the company with the goal of continuing dialogue. We again expressed dissatisfaction with the pattern of disclosure on the key contract described above and encouraged change within the organization to re-focus the business and improve visibility for investors. This was also an opportunity for us to provide a market-level perspective on what we observe to be best practices of management communications and opportunities for improvement for the company.

In our opinion, our engagement with the issuer resulted in improved transparency for investors and allowed us to make better-informed decisions for our clients. This allowed us to make a more in-depth assessment of this investment, ultimately deciding not to exit the position at that time. Clarity achieved on the contractual cash flows and capital allocation decisions were drivers of our decision to increase our position in the issuer during this period of trading volatility.

As the market gained greater clarity on management's capital allocation decisions and the contract in question, we continued to actively monitor the issuer's credit profile and engaged with the management team on key topics related to the business and disclosure practices. Ultimately we determined the company was not sufficiently proactive in addressing our concerns about high levels of leverage and liquidity, and when they were unable to meet our expectations of significantly improved corporate governance, we made the decision to exit the position. We believe that this case study exemplifies the importance of ongoing management engagement in our assessment of management quality. The credibility developed by being a long-term and active lender can provide a platform to influence change, which can lead to better-informed decisions and enhance long-term investment performance.

FOR MORE INFORMATION ABOUT NEUBERGER BERMAN'S APPROACH TO ESG INVESTING, PLEASE VISIT WWW.NB.COM/ESG

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