NEUBERGER BERMAN
Environmental, Social and Governance Policy
FEBRUARY 2021
Neuberger Berman, founded in 1939, is a private, independent, employee-owned 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. With offices in 24 countries, Neuberger Berman’s diverse team has over 2,300 professionals. For seven consecutive years, the company has been named first or second in Pensions & Investments Best Places to Work in Money Management survey (among those with 1,000 employees or more). In 2020, the PRI named Neuberger Berman a Leader, a designation awarded to fewer than 1% of investment firms for excellence in Environmental, Social and Governance (ESG) practices. The PRI also awarded Neuberger Berman an A+ in every eligible category for our approach to ESG integration across asset classes. The firm manages $405 billion in client assets as of December 31, 2020. For more information, please visit our website at www.nb.com.

*Please see Additional Disclosures for full disclaimer.*
INTRODUCTION

Since the inception of the firm in 1939, Neuberger Berman has remained singularly focused on delivering attractive investment results for our clients over the long term. 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 processes. We also understand that for many clients the impact of their portfolios is an important consideration in conjunction with investment performance.

From our first application of “avoidance screens” in the early 1940s to the launch of our U.S. Sustainable Equity team in 1989, Neuberger Berman has been at the forefront of integrating ESG factors into investment processes.

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, investment objective and style of each investment strategy. ESG factors can be employed in a variety of ways to help generate enhanced returns, mitigate risk, and meet specific client objectives within a portfolio. We believe that our approach, which is focused on maximizing results for our clients, can also support better-functioning capital markets and have a positive impact for people and the planet.
2 | SCOPE

Our ESG policy (the “ESG Policy”) applies to capabilities across our investment platform and is intended to provide a broad framework for our approach to integrating ESG factors into our investment management. The specific approach to ESG integration utilized by our portfolio managers depends on multiple factors, including the objectives of the strategy, asset class and investment time horizon, as well as the specific research and portfolio construction, philosophy and process used by the portfolio managers. In addition, our integration of ESG factors can be customized by the type of investment vehicle to meet the goals and values of clients.

3 | OVERSIGHT

The ESG Committee (“Committee”) is responsible for reviewing the ESG Policy annually and amending it as needed. The Committee is chaired by the Head of ESG Investing and is comprised of senior investment professionals across all asset classes, including the Chief Investment Officer (CIO) for Equities, and representatives from Equity, Fixed Income and Private Equity teams. The Committee also includes senior professionals from client coverage, risk management, legal and compliance, marketing, and our client organization.

Our dedicated ESG Investing team is responsible for setting the firm’s ESG strategy in collaboration with the Committee and after consultation with portfolio managers, CIOs and our CEO. The ESG strategy is reviewed by the firm’s Partnership Committee and Board of Directors on an annual basis.

The Committee’s broader responsibilities include:

- Approving annual updates or amendments to the ESG Policy proposed by the ESG Investing team and reviewing policy on at least an annual basis
- Approving updates to the firmwide Climate-related Corporate Strategy on at least an annual basis
- Approving new investment strategies that formally integrate ESG factors or social/environmental impact objectives as part of their investment process
- Monitoring the ESG-related aspects of existing investment strategies that formally integrate ESG factors or social/environmental impact objectives as part of their investment process
- Supporting the process of enhancing the integration of ESG factors into investment analysis and decision-making across the firm
- Supporting engagement activities with issuers across equities and fixed income, including reviewing the proxy voting policy
- Facilitating the sharing of research, analysis and insights on ESG issues and trends, as well as the publication of ESG research for use by clients where possible
- Supporting efforts to collaborate with clients and others in the investment industry to support the broader acceptance and implementation of ESG investing
- Supporting efforts to address the emerging and evolving regional regulatory landscape
- Overseeing reporting to third-party organizations on our ESG investing activities, including the UN-supported Principles for Responsible Investment (PRI)
- Listening to clients and anticipating their evolving ESG-related needs and objectives

The ESG Committee delegates responsibility for the detailed review of new and existing strategies making an ESG-related claim to the ESG Product Committee to ensure integrity and consistency in their integration of ESG. The ESG Product Committee is responsible for determining whether Portfolio Managers systematically and explicitly include material ESG risk and opportunities in investment analysis and investment decision making for all securities. In addition to ongoing monitoring by risk and internal audit teams, the ESG Oversight Committee provides an annual review of all sustainable and impact-labeled products.

2For example, EU Regulation on sustainability related disclosures in the financial services sector (SFDR).
ASSET CLASS-SPECIFIC ESG PHILOSOPHIES

Our ESG working groups have developed asset class-specific ESG philosophies that are aligned with our overall firm philosophy:

- **PUBLIC EQUITY**: Neuberger Berman believes that responsibility is a hallmark of quality. We also believe that strong corporate governance aligns management and shareholder interests, and that analyzing environmental and social factors can assist in identifying business models that may create sustainable value while reducing risk.

- **PUBLIC FIXED INCOME**: Neuberger Berman believes that the consideration of material ESG factors is critical to our credit underwriting process. Systematic integration of those considerations combined with our engagement activities helps us reduce the overall credit risk of our portfolios and enhances our analysis.

- **MUNICIPAL FIXED INCOME**: Neuberger Berman believes ESG factors are an important part of fundamental municipal credit analysis. Governance has historically been an excellent leading indicator of future credit quality, as fiscal decisions and public policies ultimately flow through to financial performance. Environment and social factors are growing in importance as climate change impacts municipal economies and debt positions or municipal economic development policies influence income disparities.

- **SOVEREIGN DEBT**: Neuberger Berman believes that by incorporating ESG factors as a central component of the fundamental research of evaluating sovereigns, we are able to better assess the level of risk of countries in our clients’ portfolios.

- **ASSET-BACKED SECURITIES (ABS)**: Neuberger Berman believes the valuation impact of ESG risks and opportunities should be considered alongside traditional factors in the investment process within structured products.

- **REAL ESTATE**: Neuberger Berman believes that integrating and evaluating material ESG factors is an important part of real estate investing from both an opportunity and a risk-mitigation perspective. Assessing and engaging with real estate companies regarding relevant ESG factors is a critical component of our investment process.

- **PRIVATE EQUITY**: Neuberger Berman believes that material ESG factors are an important part of the due diligence of any private investment. We consider ESG factors when we conduct diligence on a particular company and on a private equity fund (primary or secondary). Given our unique positioning in the private equity ecosystem, we engage with our partners to share and promote best practices and resources related to ESG integration.

- **PRIVATE DEBT**: Neuberger Berman believes that identifying and incorporating ESG analysis into the due diligence of portfolio companies and private equity sponsors is essential for high-quality credit selection and provides a lens to identify value-creation opportunities. We believe that this allows us to generate consistent positive investment returns and appropriately manage and reduce risk in the portfolio.

- **ALTERNATIVE INVESTMENT MANAGEMENT (NBAIM)**: Neuberger Berman Alternative Investment Management believes that by assessing the ESG characteristics of managers and their strategies as well as individual investments in co-investment situations, we are enhancing our ability to identify attractive investments while also improving the risk/reward characteristics of our client portfolios and investments.

- **MULTI-ASSET CLASS (MAC)**: Neuberger Berman believes that incorporating ESG standards in multi-asset class solutions can help improve risk and return profiles. With ESG considerations implemented in strategies across the firm’s wide investment platform, the dedicated Multi-Asset Class team is able to build diversified portfolios that provide explicit exposure to ESG factors in an effort to drive alpha generation and risk management.
INTEGRATION

Individual research analysts in the research department and portfolio managers are responsible for implementing ESG integration in their portfolios and investment research. We believe that this bottom-up approach encourages strategy-specific innovation while allowing each portfolio management team to learn from best practices across the investment platform. Our ESG Investing team accelerates this process with top-down expertise and support.

For all ESG integrated strategies, each portfolio management team selects an approach from our ESG Integration Framework: Avoid, Assess, Amplify or Aim for Impact. In building their portfolios, portfolio managers consider whether to simply exclude particular companies ("Avoid"), reach a more holistic understanding of risk and return ("Assess"), tilt the portfolio to best-in-class issuers ("Amplify") or invest in issuers that are intentionally generating positive social/environmental impact ("Aim for Impact").

The approach to integration can be further customized by the type of investment vehicle employed for investing: for example, to implement client-specific avoidance criteria, to tilt toward specific ESG characteristics valued by the client or to seek certain types of positive impact.

**NEUBERGER BERMAN ESG INTEGRATION FRAMEWORK**

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<td>Excluding particular companies or whole sectors from the investable universe, including application of the firm’s thermal coal exclusion policy</td>
<td>Considering the material effect on the risk and return of ESG factors on investments alongside traditional factors in the investment process</td>
<td>Focusing on ‘better’ companies based on ESG factors that are expected to have a material effect on the investments’ risk and return</td>
<td>Seeking to intentionally generate positive social and environmental impact alongside a financial return</td>
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For all ESG integrated strategies, each portfolio management team determines how best to achieve its ESG integration objective and lays out how ESG analysis is conducted to potentially increase return or mitigate risk, how ESG issuers are analyzed and measured at the security level, and how they influence portfolio construction. We believe that the most effective way to integrate ESG factors 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, ESG research is included in the work of our research analysts rather than employing a separate ESG research team. The investment teams can then choose how best to apply all the tools of active management, whether that is to engage or ultimately to sell a security when it no longer offers an attractive risk-adjusted potential return.

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1 For purposes of the ESG Policy, “best-in-class” means issuers that are, in Neuberger Berman’s opinion, leaders compared to their peers in terms of meeting environmental, social and governance criteria.
COMMUNICATING THE INTEGRATION APPROACH

Over 80% of our assets under management\(^4\) formally integrate ESG factors into portfolio construction and security analysis. The remainder have access to ESG data and research, which they are able to integrate into their investment process. Because we consider ESG analysis to be an essential part of fundamental research, the majority of our pooled investment vehicles that consider ESG factors do not refer to that fact in their names.

We also have developed portfolios with a consistent “Amplify” or “Aim for Impact” approach to ESG integration. We use a common labelling system to aid the identification of those funds:

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<td><strong>“ESG INTEGRATED”</strong></td>
<td><strong>“SUSTAINABLE”</strong></td>
<td><strong>“IMPACT”</strong></td>
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<td>(used in description of strategy and fund offering documents, but not in the fund names)</td>
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<td>Portfolio manager systematically and explicitly includes material ESG risks and opportunities in investment analysis and investment decisions for all securities.</td>
<td>Portfolio manager selects and includes securities on the grounds that they fulfil certain sustainability criteria, such as being best-in-class issuers. There are clear investment rationales for focusing on sustainability leaders, such as the potential to signal business quality or to align with secular sustainability trends. Engagement outcomes are set and tracked with influence on sell decisions.</td>
<td>Portfolio manager seeks to achieve positive social and environmental outcomes for people and the planet alongside a market-rate financial return. The core business, products or services of each holding contributes to solutions of pressing environmental and social issues. Furthermore, all holdings meet the firm’s ESG threshold for a “Sustainable” fund.</td>
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All Sustainable and Impact portfolios are managed in compliance with at least the minimum exclusions laid out in our Sustainable Exclusions Policy. The current version of the policy can be viewed on our website.

\(^4\)As of December 31, 2020.
In keeping with our belief that ESG integration must be based on the principle of materially impacting performance or risk, and be appropriate for the specific investment process, our teams do not simply rely on a third-party ESG research provider for ESG analysis. Instead portfolio managers and research analysts have access to a wide range of ESG data sources and research providers, as well as the advanced analytics capabilities of our Data Science team and the insights we glean from engaging directly with investee company management teams.

Those resources are integrated by our central equity and credit research analysts into proprietary ratings for sovereigns and corporates that have been developed specifically for each asset class, namely the NB ESG Quotient. Given limited disclosure of ESG data in some markets and for some types of issuers, many ratings include significant qualitative judgment from analysts themselves. Those ratings are used by portfolio managers as part of their approach to ESG integration, for example, by adjusting internal credit ratings up or down based on the proprietary ESG rating.
ENGAGEMENT AND ACTIVE OWNERSHIP

We believe that engaging with issuers is an essential part of being a long-term active owner and that engaging with issuers on ESG topics can improve their performance and reduce their risk profile. We believe that engagement is important not only for public equities, but for all asset classes, and that it is the responsibility of each portfolio manager and research analyst to engage on ESG topics as part of their ongoing dialogue with management. For this reason, we do not have a separate stewardship team.

We utilize several methods of engagement in our stewardship efforts including, but not limited to, company meetings, written communication, proxy voting, advance vote disclosure, and industry collaboration. For public equities, engagement activity can also occur in the form of shareholder activism, which may include, but is not limited to, communication with company management and boards, and recommendations for director candidates that could potentially lead to a formal nomination or a proxy contest. We also may consider, where appropriate and subject to applicable law, working with other investors in support of engagement objectives, for example, through joint letters or other collaborative engagement efforts. The method and frequency of engagement are determined by a host of factors that include our history of engagement with the company, the relevant issue, and asset class. Just as we have ESG philosophies for each asset class, our approach to engagement varies by asset class to appropriately consider our relationship with the issuer, the methods of engagement available, our engagement objectives and other asset class-specific considerations.

The Neuberger Berman Governance and Proxy Voting Committee oversees our active ownership for equities and is responsible for the proxy voting process, our Proxy Voting Policy Procedures and Proxy Voting Policy Guidelines.

We are supporters of the U.K. Stewardship Code, Japan Stewardship Code, the U.S. Investor Stewardship Group and other similar groups. We provide transparency into our engagement activities, including through regular proxy voting and engagement reports specific to equities and fixed income.

For further details please see our Engagement Policy.

CLIMATE-RELATED CORPORATE STRATEGY

Neuberger Berman is committed to understanding our climate-related risks and opportunities, and managing risks that are material to our business. Our firm-wide climate-related corporate strategy is in line with the voluntary disclosure recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). The firm’s Board of Directors has been charged with oversight of climate risk and changes have been made to the way the firm manages climate risk in its own operations. Chief Officers for Investment (CIOs), Risk (CRO), and Operations (COO) will oversee the climate-related corporate strategy as part of the entire firm’s overall management, working alongside the firm’s ESG Investing team and portfolio managers. This corporate strategy addresses transition risks due to changes in legal, regulatory and technological frameworks, and physical risks to our locations and operations. We have implemented top-down scenario analysis for modeling transition and physical risk at the company level for listed public equity and corporate issuer fixed income portfolios consistent with the recommendations of the TCFD.

Additionally, through the implementation of a Thermal Coal Involvement Policy, Neuberger Berman is committed across all of our U.S. registered funds and UCITS funds to prohibit the initiation of new direct investment positions in securities issued by companies that have more than 25% of revenue derived from thermal coal mining or are expanding new thermal coal power generation.
COLLABORATION

We collaborate with clients and others in the investment industry to support the broader acceptance and implementation of ESG investing. Activities include collaborative engagement with a company on a given topic, joint research projects on an ESG topic and support of industry-standard ESG disclosure. We work with a number of like-minded institutions, including PRI, the Sustainability Accounting Standards Board (SASB), UN Global Compact (UNGC) and the Task Force on Climate-related Financial Disclosure (TCFD). A full list of our partnerships and collaborations can be found at www.nb.com/esg.

MONITORING PROGRESS

We monitor the progress we are making and are continuously enhancing the integration of ESG into our investment processes. Relevant indicators of progress include the proportion of assets under management that are formally ESG-integrated, our score in the PRI assessment report each year, the effect of ESG analysis on portfolio performance, the impact of our engagement and proxy voting activities, and whether we are meeting the needs of our clients for ESG-integrated solutions.

Given the dynamic and evolving nature by which ESG factors are material to investment performance, we are committed to continued innovation and improvement.

Sustainable Finance Disclosure Regulation

Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector (“SFDR”) seeks to (i) establish a harmonised approach in respect of sustainability-related disclosures made by financial market participants to investors within the European Union’s financial services sector and (ii) to achieve more transparency regarding how financial market participants integrate sustainability risks into their investment decisions and the consideration of adverse sustainability impacts into the investment process.

For the purposes of SFDR, Neuberger Berman Asset Management Limited (“NBAMIL”) and Neuberger Berman Europe Limited (“NBEL”) are financial market participants and have classified the financial products which they manage under SFDR and are committed to ongoing compliance with SFDR.
JONATHAN BAILEY
HEAD OF ESG INVESTING
WWW.NB.COM/ESG

A+
Awarded Top Score in the most recent UN-backed Principles for Responsible Investment (PRI) assessment report across all asset classes.

Neuberger Berman was also named to the 2020 PRI Leaders Group for our overarching approach to managing climate-related risk and opportunity.

Additional Disclosures:
Principles for Responsible Investment (PRI) Scores: For illustrative and discussion purposes only. PRI grades are based on information reported directly by PRI signatories, of which investment managers totaled 1,924 for 2020, 1,119 for 2019, 1,120 for 2018 and 935 for 2017. 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.

Principles for Responsible Investment (PRI) 2020 Leaders’ Group: The year 2020 represents the first year that asset managers became eligible for PRI Leader designation, which formerly included asset owners only. The new designation was awarded to only 20 of the 2100+ investment manager PRI signatories. The Leaders’ Group showcases signatories at the cutting edge of responsible investment, and highlights trends in what they are doing. PRI uses signatories’ reporting responses and assessment data to identify those that are doing excellent work in responsible investment across their organizations and with a focus on a given theme each year. The 2020 theme was climate reporting. Information about PRI Leader is sourced entirely from PRI and Neuberger Berman makes no representations, warranties or opinions based on that information.