



NEUBERGER BERMAN

GLOBAL HIGH YIELD SDG ENGAGEMENT FUND

QUARTERLY ENGAGEMENT REPORT
2Q 2024

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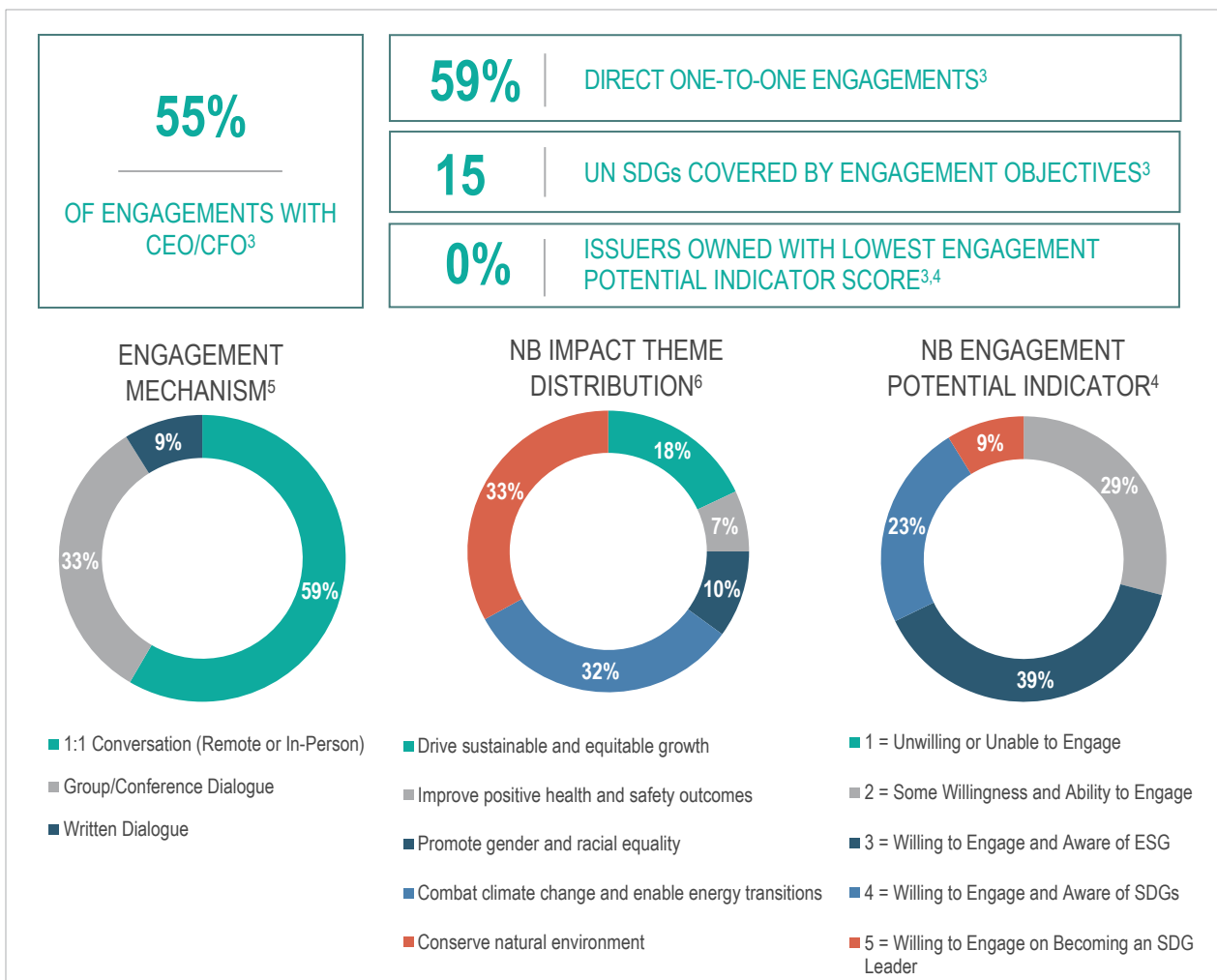
ABOUT NEUBERGER BERMAN

Neuberger Berman is an employee-owned, private, independent investment manager founded in 1939 with over 2,800 employees in 26 countries. The firm manages \$482 billion of equities, fixed income, private equity, real estate and hedge fund portfolios for global institutions, advisors and individuals. Neuberger Berman's investment philosophy is founded on active management, fundamental research and engaged ownership. The PRI identified the firm as part of the Leaders' Group, a designation awarded to fewer than 1% of investment firms for excellence in environmental, social and governance practices. Neuberger Berman has been named by Pensions & Investments as the #1 or #2 Best Place to Work in Money Management for each of the last 10 years (firms with more than 1,000 employees). Visit www.nb.com for more information. Data as of June 30, 2024.

Summary of Our Engagement Efforts

The Neuberger Berman Global High Yield SDG Engagement Fund is a United Nations Sustainable Development Goals (SDGs) engagement-focused fund that invests in global high yield fixed income securities and prioritizes competitive yield and total returns. The fund is actively managed, which means that the investments are selected at the discretion of the investment manager. The benchmark is used for performance comparison purposes and because the fund's investment policy restricts the extent to which the fund's holdings may deviate from the benchmark¹.

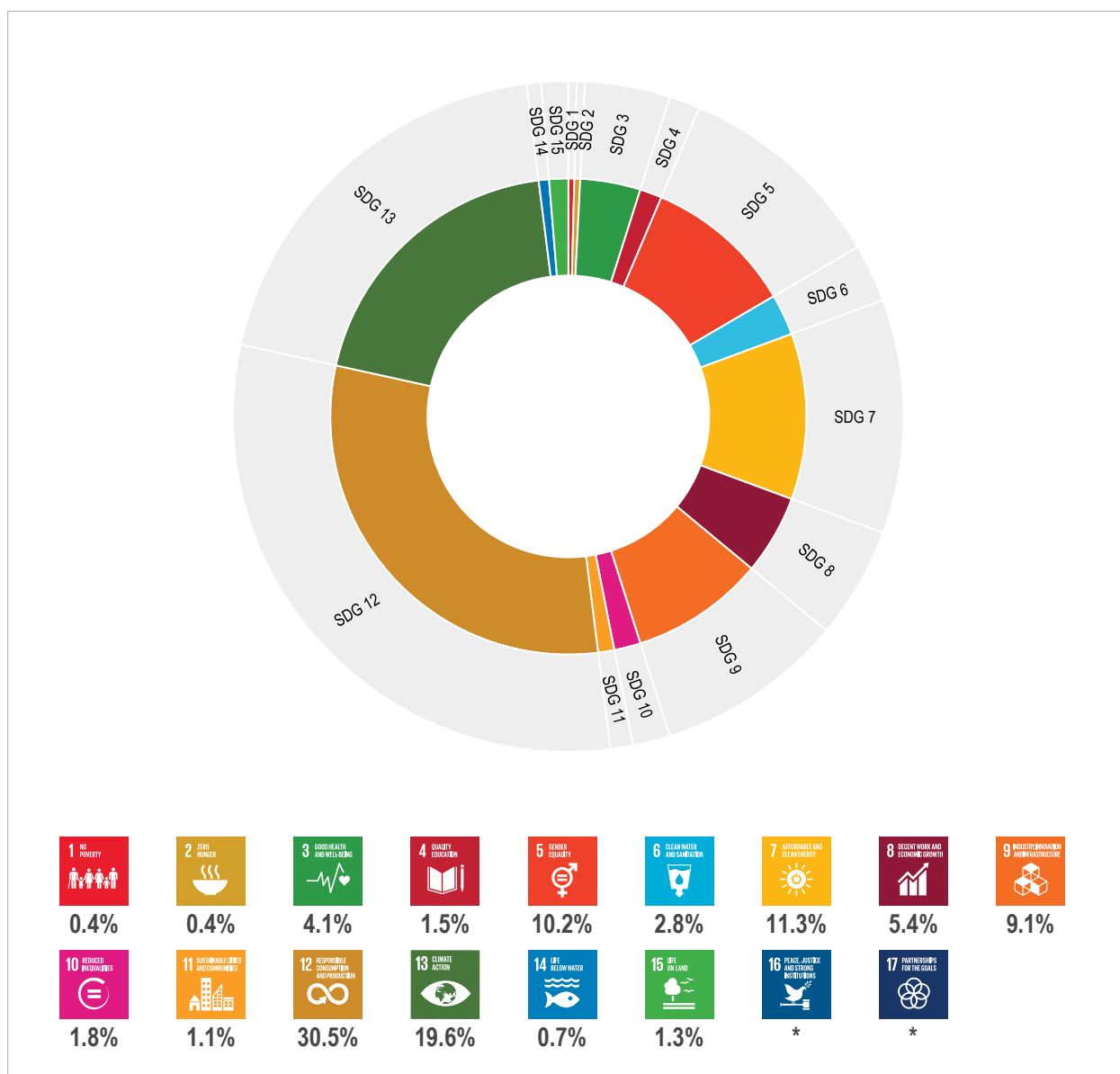
Neuberger Berman believes a strategy of consistent engagement with issuers will result in the most effective dialogue and ultimately a greater probability of a successful outcome. Another advantage of consistent engagement is the long-term relationships that our research team builds with issuers' management teams over time. We believe these trusted relationships are especially valuable in the dynamic environment we live in today, as companies increasingly seek advice from experts they trust. We have found that developing deep relationships with senior management provides us with a superior ability to influence change over time. Additionally, we leverage our deep research capabilities on a global basis to reach both public and private issuers. Approximately 40% of issuers in the Global High Yield market are privately owned² and not commonly reached by investors, thus we believe that our access to these issuers provides a unique platform within fixed income markets.



¹ICE BofA Global High Yield Constrained Index (Total Return, Hedged, USD) ²Source: JP Morgan, as of 31 December 2023. ³Source: Neuberger Berman. Data covers the time period from 1 April 2024 to 30 June 2024. Please note that the figures shown may not add up to 100% due to rounding. ⁴Please see page 8 for more details on the NB Engagement Potential Indicator. ⁵Written dialogue refers to the two-way communication between Neuberger Berman and an issuer. ⁶Please see page 10 for more details on NB Impact Themes.

Broad Range of Engagements

We engage on a diversified set of objectives which aim to achieve incremental contributions to specific Sustainable Development Goals (SDGs).



Source: Neuberger Berman, as at 30 June 2024. Please note that the figures shown may not add up to 100% due to rounding.

*We assign engagement objectives aligned with UN SDGs 1-15 to corporate issuers. UN SDG 16 is a focus point for portfolios that own sovereign debt. Neuberger Berman supports UN SDG 17 through its own field-building activities rather than engaging with issuers. This graph refers to the composition of the Fund at a specific point in time. Specifically, this illustrates the overall portfolio alignment of engagement objectives with the UN SDGs. For illustrative and discussion purposes only.

ENGAGEMENT CASE STUDY: WHITE CAP SUPPLY HOLDINGS

Proactive engagement on reducing emissions by transitioning fleet to electric vehicles

Summary

We engaged with White Cap Supply Holdings (WHTCAP) to set targets to reduce emissions and improve its fleet fuel efficiency, and to transition its fleet to electric vehicles (EVs) by 2030. WHTCAP considers emissions to have a material impact on its business, and scope 1 emissions, such as those from operated vehicles used to distribute products, can be reduced by transitioning a vehicle fleet away from fossil fuels and toward sustainable alternatives such as EVs.

Background

- WHTCAP is a distributor of specialty concrete and construction products and services in North America, serving professional contractors in both non-residential and residential markets.

Scope and Process

- Our diligence process included several engagements with the issuer's Treasurer, Investor Relations and Head of Sustainability.
- Specifically, we encouraged WHTCAP to set quantifiable targets for improving fleet fuel efficiency and reducing GHG emissions, and to transition its fleet to EVs by 2030.

Outcomes

- In 2023, WHTCAP informed us it had piloted "sprinter" EVs in two markets and ordered four electric medium-duty commercial trucks to be tested in 2024. The issuer is also considering alternative fuel sources, such as biofuels, to address its fleet emissions.
- WHTCAP further informed us they have set a baseline for their scope 1, 2 and 3 emissions and that they will consider including SBTi on their roadmap for setting emissions reduction targets.
- Despite initially feeling hindered by a lack of availability for larger electric vehicle technology, WHTCAP has been receptive to our engagements, indicating it will consider setting forward-looking targets to transition its fleet to EVs and address its carbon footprint.

Outlook

- Our engagement with WHTCAP is ongoing as we continue monitoring availability of EV technology for large and heavy-duty vehicles and encouraging the issuer to transition its fleet in line with best-in-class practices.
- Once the issuer makes a commitment to transition its fleet to EVs by 2030, the objective will move to Milestone 5: Sufficient Action Taken by Company.

Milestone 4
Partial Action Taken
By Company

SUSTAINABLE DEVELOPMENT GOALS AND TARGETS SUPPORTED



Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation

SDG 9.4: By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities



DAVE DECOSTE
Senior Research Analyst,
Non-Investment Grade Credit
Chicago

We implement a multi-staged tracking system to record issuer progress toward SDG-aligned engagement objectives. Engagements are split across five milestones based on issuer responsiveness following the initiation of engagement: milestone 1 – launch of engagement analysis, milestone 2 – initiation of outreach, milestone 3 – acknowledgement of issue, milestone 4 – partial action taken by company, and milestone 5 – sufficient action taken by company.

ENGAGEMENT CASE STUDY: SASOL LIMITED

Proactive engagement on increasing renewable energy use to meet climate goals

Summary

We engaged with Sasol Limited (SASOL) on setting a target to increase renewably-sourced energy and disclosing its strategy to reduce GHG emissions. Increasing renewably-sourced energy is an effective way to reduce GHG emissions, which pose financially material risk to the issuer if not properly managed.

Background

- SASOL is a chemicals and energy company based in South Africa, with a significant footprint in the development and implementation of technologies for synthetic fuels and chemicals production. A substantial portion of SASOL's operations rely on coal and natural gas as primary feedstock.

Scope and Process

- Diligence process included engagements with the issuer's CEO and CFO.
- Specifically, we encouraged SASOL to set a target to increase the share of energy in its overall energy mix that is sourced renewably and to report on its GHG emissions reduction efforts.

Outcomes

- Following our engagements, SASOL set a target to reduce scope 1 and 2 emissions by 30% by 2030 and to net-zero by 2050 by importing 1.2GW of renewable energy by 2030, shutting down boilers, and reducing coal use by 25% by 2030. Additionally, the issuer set a target to reduce scope 3 emissions by 20% by 2030, primarily by decreasing coal exports.
- Additionally, SASOL received approval to switch to a load-based emissions limit for its Secunda steam plant boilers, which remedies previous challenges the issuer faced regarding reducing SO₂ emissions. Additionally, SASOL informed us that South Africa's carbon tax comprises a small fraction of its operational expenses, and thus does not pose major risk.

Outlook

- Our engagement with SASOL is ongoing, as we continue to monitor the issuer's progress toward these goals and shift our engagement focus to encourage SASOL to set targets to reduce its pollutant emissions.

Milestone 5
Sufficient Action Taken
By Company

SUSTAINABLE DEVELOPMENT GOALS AND TARGETS SUPPORTED



Ensure access to affordable, reliable, sustainable and modern energy for all

SDG 7.2: By 2030 increase substantially the share of renewable energy in the global energy mix



RICHARD MAEBERG
Corporate Analyst,
Emerging Markets Debt
The Hague

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THOUGHT LEADERSHIP: FIFTH ANNUAL NON-INVESTMENT GRADE ESG ROUNDTABLE

Non-Investment Grade Team Hosts 5th Annual ESG Roundtable of High Yield and Leveraged Loan Issuers

Panelists:

Jonathan Bailey, CFA – Global Head of ESG and Impact Investing

Christopher Kocinski, CFA – Co-Head of U.S. High Yield and Senior Portfolio Manager

Joe Lind, CFA – Co-Head of U.S. High Yield and Senior Portfolio Manager

Rachel Young – Director of Research and Senior Research Analyst

Savannah Irving – Senior Fixed Income Engagement Analyst

Issuers are facing an increasingly high bar in relation to environmental, social and governance standards. To support issuers with these developments, Neuberger Berman's Non-Investment Grade Credit team, in conjunction with the firm's ESG Investing team, conducted its fifth annual roundtable discussion with issuers in May 2024, highlighting key trends in sustainability-related disclosure and practices, explaining our approach to ESG integration, and offering investor perspectives and paths forward for issuers. A key message for attendees, representing over \$56 billion in non-investment grade issuance across multiple sectors, is that sustainability momentum continues to grow, requiring proactive steps to stay ahead of the regulatory and commercial curve associated with such considerations.

KEY THEMES DISCUSSED



Regulatory Landscape



Labelled Bonds



Climate Transition



ESG Disclosure

OUR RECENT PANEL DISCUSSION PROVIDED IDEAS ON SETTING GOALS AND WORKING TOWARD ACHIEVING THEM. LEARN ABOUT OUR ESSENTIAL TAKEAWAYS HERE: [Insights | ESG Momentum in Non-Investment Grade Credit](#)

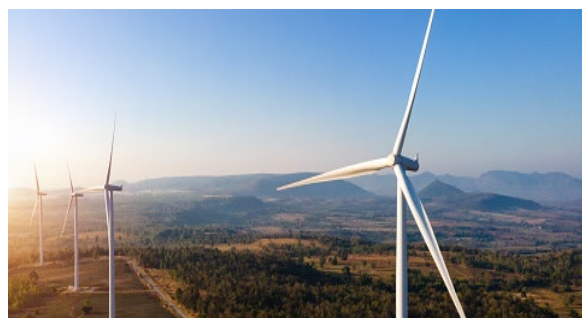
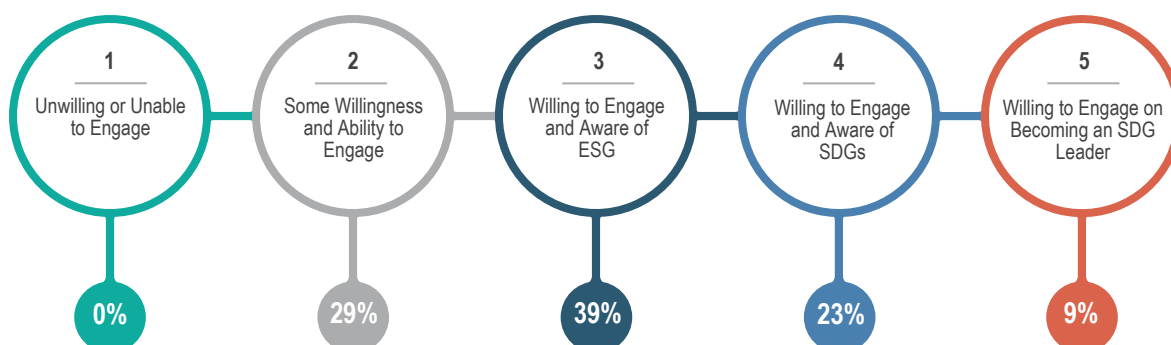


Leveraging Our Robust Engagement Platform

DETERMINING ENGAGEMENT POTENTIAL

The Neuberger Berman Engagement Potential Indicator provides a systematic evaluation of an issuer's willingness and ability to engage. The opportunity for engagement with each issuer is a critical factor in deciding whether we invest in an issuer. The engagement process begins with our research teams and ESG Investing team collaborating to establish engagement objectives aimed at amplifying each issuer's contribution to the SDGs. To facilitate progress toward these objectives, our research teams engage with each issuer on a specific SDG-aligned engagement objective and review progress with the ESG Investing team to incorporate their feedback and oversight. Notably, our engagement efforts extend to both public and privately owned issuers, which we believe captures engagement opportunities not traditionally covered by market participants. We closely monitor our engagement activity for progress toward our objectives by assigning specific indicators which measure and track issuer responses, and we track progress toward these objectives using a multi-staged tracking system. For issuers that are unresponsive to engagement after a two- to three-year period, the investment team will consider divestment.

NEUBERGER BERMAN ENGAGEMENT POTENTIAL INDICATOR⁷



THE NEUBERGER BERMAN GLOBAL HIGH YIELD SDG ENGAGEMENT FUND LEVERAGES AND EXPANDS THE ROBUST ENGAGEMENT PROCESS ESTABLISHED BY OUR FIXED INCOME RESEARCH TEAMS.

⁷Source: Neuberger Berman, as at 30 June 2024. Please note that the figures shown may not add up to 100% due to rounding.

United Nations Sustainable Development Goals

The 17 Sustainable Development Goals (SDGs) created by the United Nations are a set of financial, economic and political goals that must be achieved to improve our environment and society. Barclays estimates \$3.9 trillion per year is needed to achieve the 17 SDGs by 2030⁸. Global bond markets have a significant role to play in funding the achievement of the SDGs.

	No Poverty End poverty in all its forms everywhere		Reduced Inequalities Reduce inequality within and among countries
	Zero Hunger End hunger, achieve food security and improved nutrition and promote sustainable agriculture		Sustainable Cities and Communities Make cities and human settlements inclusive, safe, resilient and sustainable
	Good Health and Well-Being Ensure healthy lives and promote well-being for all at all ages		Responsible Consumption and Production Ensure sustainable consumption and production patterns
	Quality Education Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all		Climate Action Take urgent action to combat climate change and its impacts
	Gender Equality Achieve gender equality and empower all women and girls		Life Below Water Conserve and sustainably use the oceans, seas and marine resources for sustainable development
	Clean Water and Sanitation Ensure availability and sustainable management of water and sanitation for all		Life on Land Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss
	Affordable and Clean Energy Ensure access to affordable, reliable, sustainable and modern energy for all		Peace, Justice and Strong Institutions Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels
	Decent Work and Economic Growth Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all		Partnerships for the Goals Strengthen the means of implementation and revitalize the Global Partnership for Sustainable Development
	Industry, Innovation and Infrastructure Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation		

⁸Source: Barclays Equity Research Paper: 2023 SDG Summit Recap: Hanging on at Halftime, as at 4 October 2023.

NB Impact Themes

We believe the 17 SDGs, adopted in 2015 to address the world's most pressing social and environmental challenges by 2030, are important to formulating and communicating objectives of sustainable and impact investment strategies. At Neuberger Berman, we have organized the SDGs into consistent, investable themes across our strategies, and believe investors can contribute to the SDGs by investing in or engaging with companies whose products and services have the potential to deliver significant positive social or environmental outcomes.



Source: United Nations. For illustrative and discussion purposes only.

Field-building—Neuberger Berman’s role in supporting SDG 17: Partnerships for the Goals

As a firm, Neuberger Berman recognizes that it is not possible for us to help achieve the SDGs through our investment portfolios alone. Some of the goals can only be achieved through multi-stakeholder collaboration, and so we seek to work in partnership with others to advance the cause of sustainable development. We work collaboratively with clients and others in the investment industry, which includes conducting joint research and supporting the creation and use of industry standards for data and disclosures. Our field-building work directly addresses SDG 17: Partnerships for the Goals.



Neuberger Berman is a member of the Ceres network of investors and companies who are tackling the world’s biggest sustainability challenges, including climate change, water scarcity and pollution, and human rights abuses. We are involved in a range of collaborative initiatives, including Climate Action 100+, where we are an “Individual Engager.”



Neuberger Berman is a founding member of the IFRS Sustainability Alliance (formerly the SASB Alliance), which creates standards for public-company ESG disclosures. We use the SASB Standards as the starting point for assessing material ESG factors across our investment platform. We are also a member of the SASB Standards Advisory Group, Investor Advisory Group, APAC working group and European Investor Advisory Group. Our Global Head of ESG and Impact Investing is the elected Vice Chair of the ISSB Investor Advisory Group.



Through our IIGCC membership we support and help shape the public policies, corporate action, and investment practice required to address climate risks. We are also a founding member of the IIGCC Bondholder Stewardship Working Group.



Neuberger Berman was an Advisor for the Impact Management Project (IMP) – a global collaborative effort from 2016-2021 to adopt shared fundamentals to articulate, measure and manage impact. We closely partnered on the practical implications for incorporating the framework across the investment platform and multi-asset class portfolios as well as reporting on social and environmental impact. Following the planned conclusion of the IMP in 2021, the impact management norms have moved to Impact Frontiers.



Neuberger Berman has been a signatory of the UN-supported Principles for Responsible Investment (PRI) since 2012. We actively contribute to the PRI’s work through collaborative engagements, working groups and initiatives and are a member of the Global Policy Reference Group, Nature Reference Group and PRI Sovereign Debt Advisory Committee. Our Global Head of ESG and Impact Investing also spoke on ESG regulation in the US at the PRI In-Person 2023 Conference in Tokyo.



Neuberger Berman has engaged with the United Nations Development Programme’s SDG Impact initiative, providing a practitioner’s view on the development of the SDG Impact Standards for Private Equity and Bond Issuers.



The Transition Pathway Initiative (TPI) assesses companies’ preparedness for the transition to a low carbon economy. As the first North American Research Funding Partner, Neuberger Berman plays an important role by encouraging companies to set practical targets and increasing the disclosure of progress in the transition to a low-carbon economy.



As a signatory of the UN Global Compact, Neuberger Berman is committed to aligning our operations with universal principles on human rights, labor, environment and anti-corruption, and to taking actions that advance societal goals.



Sustainable Development Goal and Target Supported

SDG 17.16: Enhance the Global Partnership for Sustainable Development, complemented by multi-stakeholder partnerships that mobilize and share knowledge, expertise, technology and financial resources, to support the achievement of the Sustainable Development Goals in all countries, in particular developing countries.

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The KID may be obtained free of charge in Danish, Dutch, English, Finnish, French, German, Greek, Icelandic, Italian, Norwegian, Portuguese, Spanish and Swedish (depending on where the relevant sub-fund has been registered for marketing), and the prospectus and prospectus supplements may be obtained free of charge in English, French, German, Italian and Spanish, from www.nb.com/europe/literature, from local paying agents (a list of which can be found in Annex III of the prospectus), or by writing to Neuberger Berman Investment Funds plc, c/o Brown Brothers Harriman Fund Administration Service (Ireland) Ltd, 30 Herbert Street, Dublin 2, Ireland. In the United Kingdom the key investor information document (KIID) may be obtained free of charge in English at the same address or from Neuberger Berman Europe Limited at their registered address.

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