



NEUBERGER BERMAN

SHORT DURATION HIGH YIELD SDG ENGAGEMENT FUND

SEMI-ANNUAL ENGAGEMENT REPORT
1H 2024

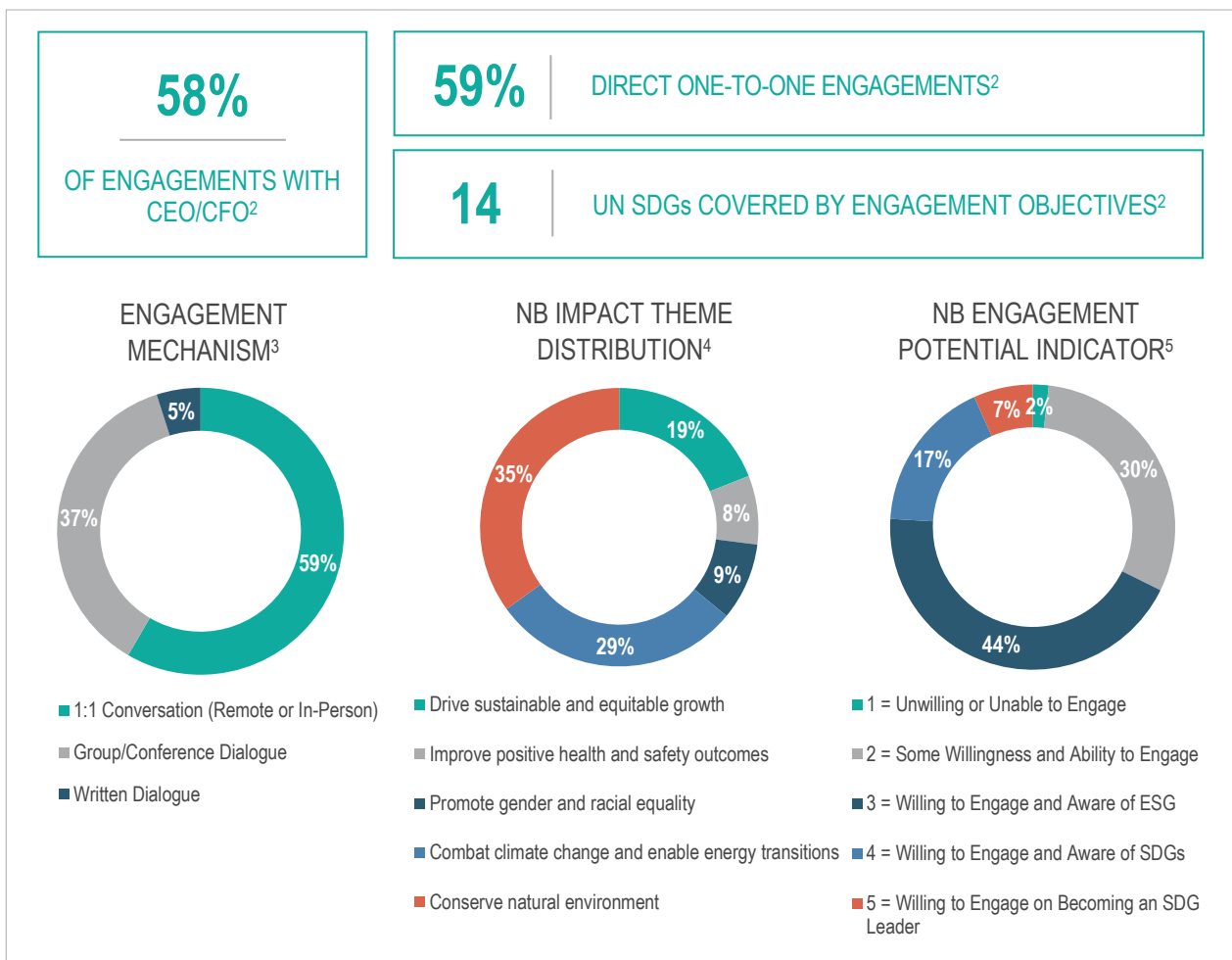
ABOUT NEUBERGER BERMAN

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 Short Duration High Yield SDG Engagement Fund invests in short-duration US high yield fixed income securities and seeks to produce investment returns and have a positive social and environmental impact.

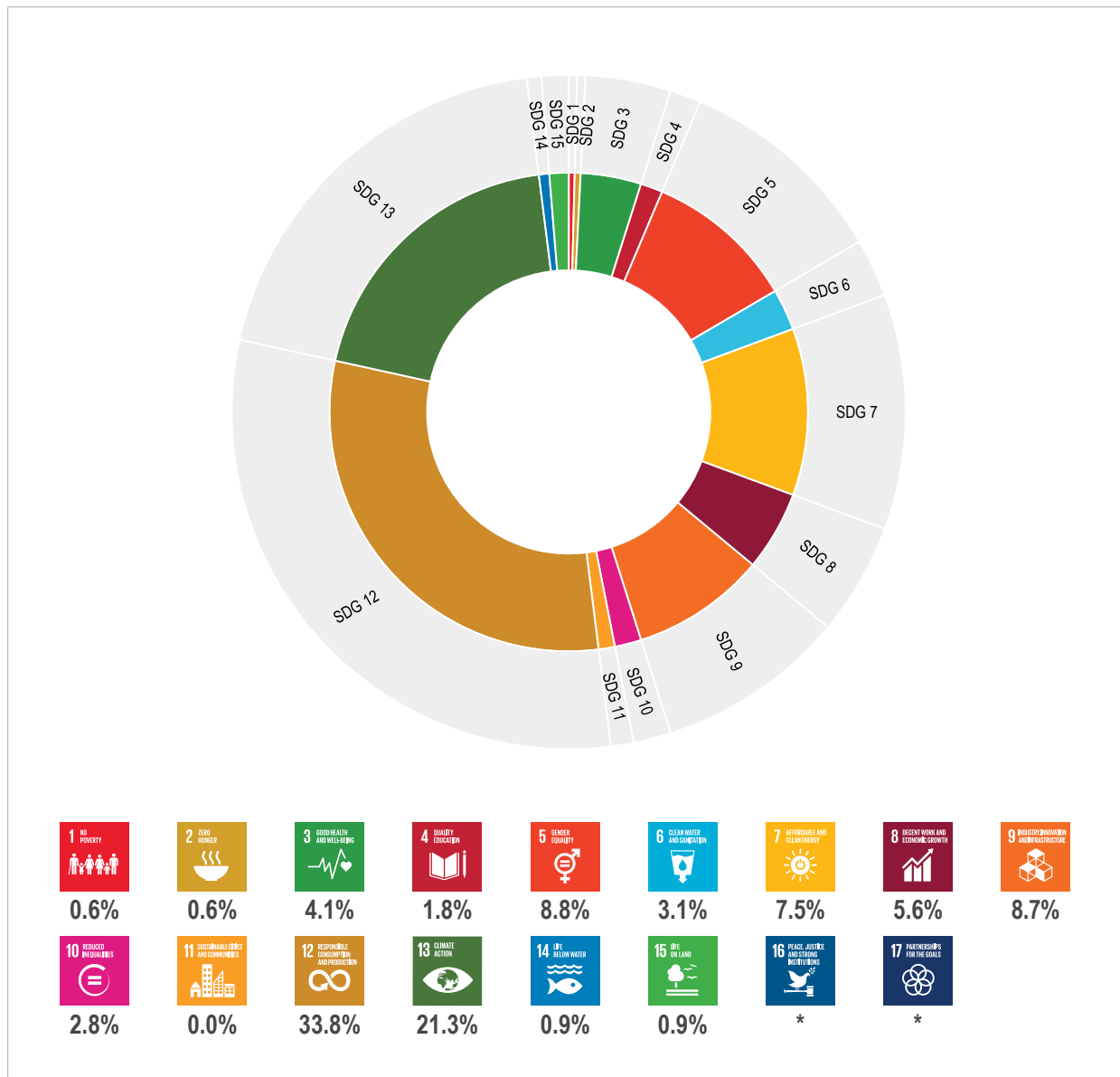
Neuberger Berman believes a strategy of consistent engagement with issuers will result in the most effective dialogue and ultimately a greater probability of a successful outcome. Another advantage of consistent engagement is the long-term relationships that our research team builds with issuers' management 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 30% of issuers in the US high yield market are privately owned¹ and not commonly reached by investors, thus we believe that our access to these issuers provides a unique platform within fixed income markets.



¹Source: JP Morgan, as of 31 December 2023. ²Source: Neuberger Berman. Data covers the time period from 1 January 2024 to 30 June 2024. Please note that the figures shown may not add up to 100% due to rounding. ³Written dialogue refers to the two-way communication between Neuberger Berman and an issuer. ⁴Please see page 9 for more details on NB Impact Themes. ⁵Please see page 7 for more details on the NB Engagement Potential Indicator.

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: PERFORMANCE FOOD GROUP

Proactive engagement on responsible palm oil sourcing

Summary

We engaged with Performance Food Group (PFGC) to become a member of the Roundtable on Sustainable Palm Oil (RSPO) because palm oil, commonly used in packaged food products such as those sold by the issuer, has a high potential for adverse environmental impacts and is a major driver of deforestation. Such environmental impacts in the issuer's supply chain pose financially material risk to the issuer if not properly managed. After our engagement, PFGC took steps to officially become a member of the RSPO, meaningfully contributing to SDG 15.

Background

- PFGC is one of the largest foodservice distributors in the US, an industry for which environmental impacts in the supply chain pose financially material risk if not properly managed. Palm oil is a raw material with a high potential for adverse environmental impacts and is often found in packaged foods, on which a meaningful portion of PFGC's sales rely.

Scope and Process

- We have a longstanding engagement relationship with PFGC, spanning five years.
- Our diligence process included multiple discussions with the issuer's management team, including the CFO, Treasurer, and Investor Relations.
- Specifically, we encouraged PFGC to reduce the adverse environmental impacts of its palm oil sourcing by becoming a member of the RSPO.

Outcomes

- Prior to our engagement, PFGC prioritized responsible sourcing but did not maintain any certification, traceability disclosures, or targets for sourcing the palm oil used in its products.
- In October 2023, PFGC became a member of the RSPO and in February 2024 established a Palm Oil Policy.

Outlook

- We will continue engaging with PFGC around sustainable sourcing initiatives and disclosures, including maintaining its RSPO membership and Palm Oil Policy going forward.
- Going forward, we plan to focus our engagements on encouraging the issuer to set a target to reduce food waste and to increase low-carbon technologies for its freight transportation.

Milestone 5
Sufficient Action Taken
By Company

SUSTAINABLE DEVELOPMENT GOALS AND TARGETS SUPPORTED



Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss

SDG 15.2: By 2020, promote the implementation of sustainable management of all types of forests, halt deforestation, restore degraded forests and substantially increase afforestation and reforestation globally



BRANDON MULROE
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.

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](#)

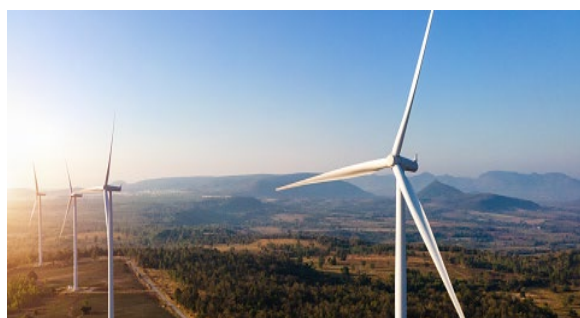
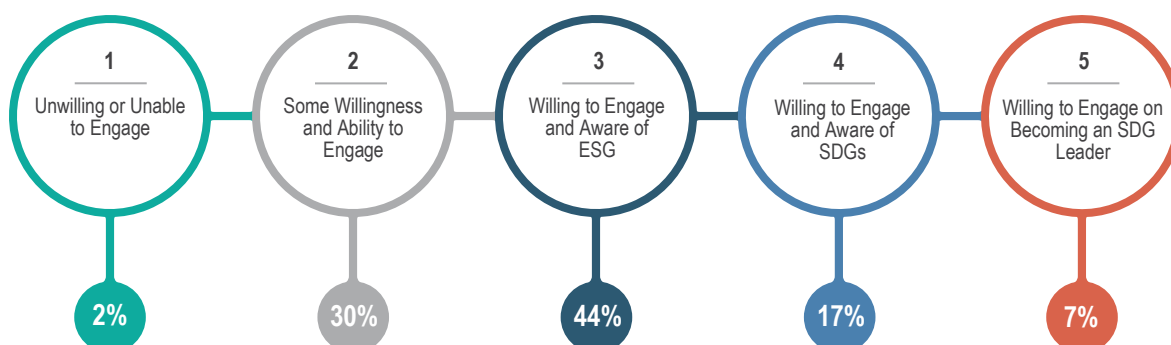


Leveraging Our Robust Engagement Platform

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 INDICATOR⁶



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

⁶Source: 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 2030⁷. 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		

⁷Source: 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.

Neuberger Berman Asset Management Ireland Limited may decide to terminate the arrangements made for the marketing of its funds in all or a particular country.

A summary of the investors' rights is available in English on: www.nb.com/europe/literature.

For information on sustainability-related aspects pursuant to 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 please visit www.nb.com/europe/literature. When making the decision to invest in the fund, investors should take into account all the characteristics or objectives of the fund as described in the legal documents.

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Neuberger Berman
2 Central Plaza
Dame Street
Dublin, D02 T0X4
Ireland

The Zig Zag Building
70 Victoria Street
London, SW1E 6SQ
United Kingdom
www.nb.com