



NEUBERGER BERMAN

GLOBAL HIGH YIELD SDG ENGAGEMENT FUND

QUARTERLY ENGAGEMENT REPORT
3Q 2024

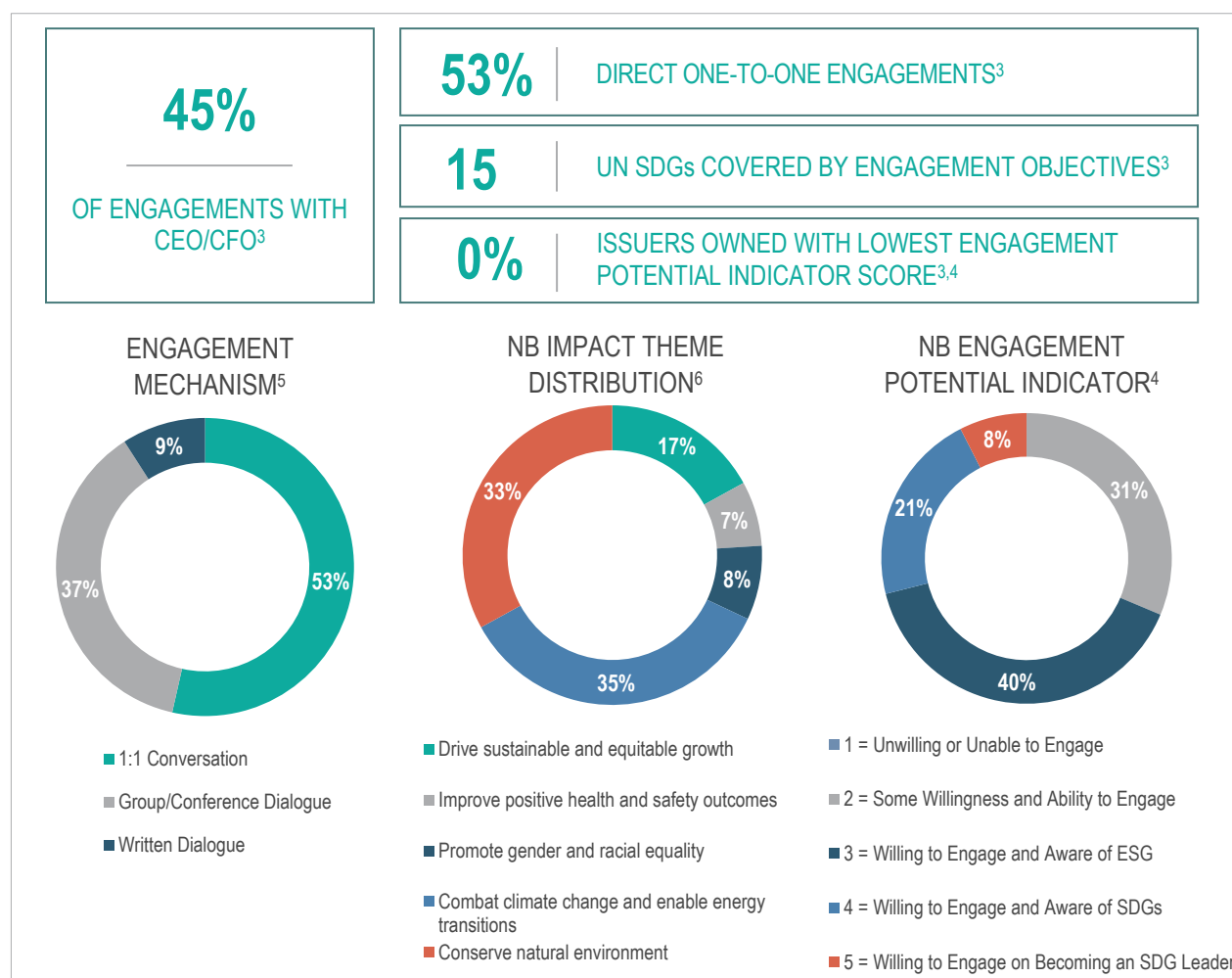
ABOUT NEUBERGER BERMAN

Neuberger Berman is an employee-owned, private, independent investment manager founded in 1939 with over 2,800 employees in 26 countries. The firm manages \$509 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 September 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.

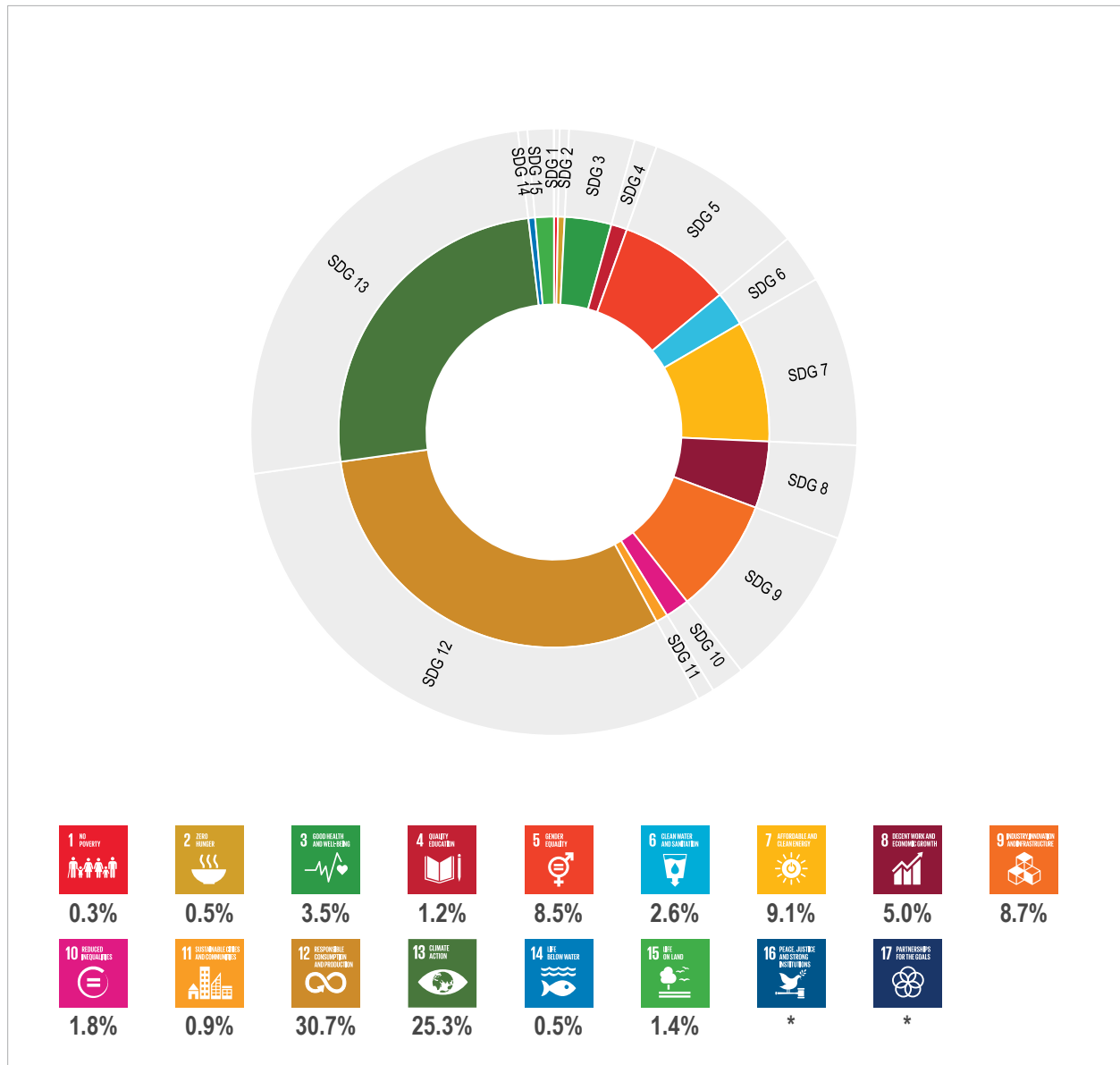
Neuberger Berman believes a strategy of consistent engagement with issuers will result in the most effective dialogue and ultimately a greater probability of a successful outcome. Another advantage of consistent engagement is the long-term relationships that our research team builds with issuers' management 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 July 2024 to 30 September 2024. Please note that the figures shown may not add up to 100% due to rounding. ⁴Please see page 7 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 9 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 September 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: VODAFONEZIGGO

Proactive engagement on setting a science-based net-zero emissions target

Summary

We engaged with VodafoneZiggo (ZIGGO) to set a net-zero emissions target and submit it for validation by the Science-Based Targets initiative (SBTi). ZIGGO considers climate change to be financially material to its business, and had previously set near-term SBTi-validated reduction targets for its scope 1, 2, and 3 emissions. Following our engagement, the issuer set a net-zero target and submitted a letter to the SBTi committing to submit this target for validation.

Background

ZIGGO is a leading Dutch communications company providing both fixed and mobile services, including broadband internet, video, and wireless communications across the Netherlands over its converged fibre-coaxial cable infrastructure and cellular network. The company was formed in 2017 as a joint venture between Vodafone Group and Liberty Global.

Scope and Process

- We have a long standing relationship with ZIGGO, meeting with management two to three times annually.
- Our diligence process included several discussions with the management team including the issuer's CFO, Treasurer, and Investor Relations team.
- Specifically, we encouraged the issuer to set a net-zero emissions target and submit it for validation by the SBTi.

Outcomes

- In 2024, ZIGGO expanded upon its existing near-term emissions reduction targets, publicly disclosing a target to achieve net-zero emissions across scopes 1 and 2 by 2030 and scope 3 by 2050.
- ZIGGO also submitted a letter of commitment to the SBTi to express its intent to submit its net-zero target for validation.

Outlook

- Our engagement with ZIGGO is ongoing as we encourage the issuer to strengthen its net-zero commitment by publicly disclosing a quantitative decarbonization strategy and aligning its capital allocation with its decarbonization plans.

Milestone 5
Sufficient Action Taken
By Company

SUSTAINABLE DEVELOPMENT GOALS AND TARGETS SUPPORTED



Take urgent action to combat climate change and its impacts

SDG 13.2: Integrate climate change measures into national policies, strategies and planning



DARREN CARTER

Senior Research Analyst,
Non-Investment Grade Credit,
Texas

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: DANA INCORPORATED

Proactive engagement on increasing energy consumption from renewable sources

Summary

We engaged with Dana Incorporated (DAN) to increase the proportion of its total energy consumption from renewable sources. DAN considers energy consumption to be a material topic and prioritizes renewable energy sourcing, but has not set a measurable target to improve this metric. Following our engagement, the issuer reported a significant increase in its renewable energy use. Our engagement with DAN is ongoing as we continue encouraging the issuer to set a quantitative target.

Background

DAN engineers, manufactures, and distributes components and systems primarily for heavy trucks, off-highway vehicles, and large commercial vehicles.

Scope and Process

- Diligence process included engagements with the issuer's Treasurer and Investor Relations team. Management was responsive to our dialogue.
- We encouraged the company to target a significant increase in the proportion of its total energy consumption obtained from renewable sources.

Outcomes

- DAN reported an increase in renewably-sourced energy to 50.7% in 2023, up from 21.1% in 2022.
- DAN installed solar panels at several facilities and entered into an agreement to purchase electricity from a newly-constructed solar array, starting a long-term virtual power purchase agreement with NextEra Energy generating approximately 325,000 MWh of renewable electricity annually beginning December 2022.
- The issuer also focuses on generating renewable energy, offsetting 99.8% of its scope 2 emissions from purchased electricity in the US and Canada in 2023. Additionally, in 2025, DAN will commence operations at its European solar farm as well, targeting a 100% offset of its scope 2 emissions in Europe.

Outlook

- We will continue encouraging the issuer to increase the proportion of energy it sources renewably, in line with RE100 targets of 60% by 2030 and 100% by 2060. Once the company achieves the targeted increase, it will move to a Milestone 5.

Milestone 4
Partial 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



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Senior Research Analyst,
Non-Investment Grade Credit, Chicago

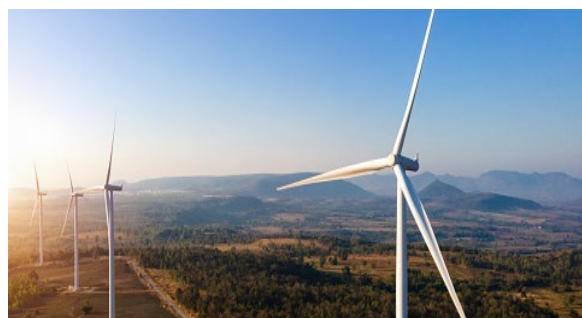
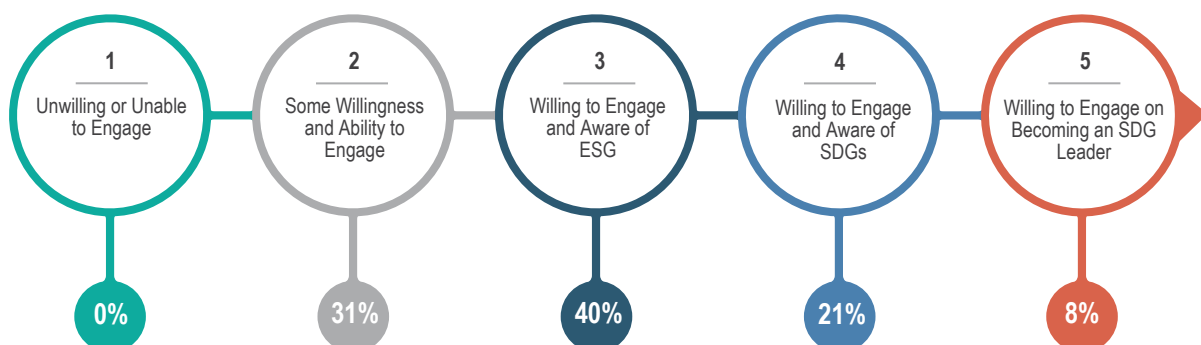
We implement a multi-staged tracking system to record issuer progress toward SDG-aligned engagement objectives. Engagements are split across five milestones based on issuer responsiveness following the initiation of engagement: Milestone 1 – Launch of engagement analysis, Milestone 2 – Initiation of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

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 September 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.

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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