

# SFDR Frequently Asked Questions

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## 1. What is SFDR?

The EU Sustainable Finance Disclosure Regulation ("SFDR") is the first European Union ("EU") regulation which aims to reorientate capital flow towards sustainable finance by imposing mandatory environmental, social and governance ("ESG") pre-contractual disclosure obligations for asset managers and other financial markets participants.

The SFDR is not a standalone piece of legislation and was introduced by the European Commission alongside the Taxonomy Regulation as part of a package of legislative measures arising from the EU Action Plan on Financing Sustainable Growth.

## 2. Why is SFDR so important?

The SFDR is designed to:

- (i) establish a harmonised approach for sustainability-related disclosures made by asset managers to investors within the EU's financial services sector;
- (ii) improve disclosures and achieve greater transparency on how asset managers integrate sustainability risks into their investment decisions; and
- (iii) enable investors to make more informed investment decisions based on their sustainability requirements.

## 3. What is an Article 8 SFDR fund?

Article 8 SFDR classified funds promote, among other characteristics, environmental or social characteristics (or a mixture of both) and invest in companies with good governance practices.

## 4. What is an Article 9 SFDR fund?

Article 9 SFDR classified funds have a sustainable investment objective.

## 5. How is Neuberger Berman navigating the SFDR landscape?

The tidal wave of sustainability driven regulation is being felt across the industry. European regulation via the SFDR and the Taxonomy Regulation has set the global benchmark, with other regions yet to fully commit to a framework. As such divergence could prove challenging for all stakeholders to manage.

As an active manager, Neuberger Berman has a long-standing belief that material ESG factors are an important driver of long-term investment returns both from an opportunity and a risk-mitigation perspective. Therefore, Neuberger Berman takes a comprehensive approach toward managing client assets, including the integration of ESG criteria into the investment processes, which they believe helps navigate the SFDR landscape effectively.

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By integrating sustainability risks into investment decisions for Article 8 and Article 9 SFDR funds, Neuberger Berman may deliberately forego opportunities for a fund to gain exposure to certain companies, industries, sectors or countries that it feels pose a financially material risk arising from sustainability concerns.

As a result, as of 31 December 2021, approximately 80% of assets at Neuberger Berman are managed with consistent and demonstrated ESG integration.

### 6. Why Stewardship and ESG Integration are so significant at Neuberger Berman?

Stewardship and ESG integration are at the centre of how Neuberger Berman delivers investment performance and at the heart of how it meets client objectives. It is important to have the right framework in place to achieve the highest possible standards.

At Neuberger Berman, stewardship is incorporated into its product development process from the outset. Neuberger Berman consider responsible investment when developing products and throughout the product life cycle, and feel this sends a clear example of its importance to its business.

Today, Neuberger Berman continue to innovate, driven by its 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.

Neuberger Berman also firmly believes that financial institutions have a key role to play in mitigating climate change and the risks it presents to businesses and the global economy. As the global economy shifts to a low carbon future, market participants will continue to reprice financial assets accordingly. To ensure that Neuberger Berman are best placed to benefit from this repricing, it incorporates climate risks and opportunities into its investment process which aligns with its fiduciary responsibility and long-term investment philosophy of seeking to maximise risk-adjusted returns for its clients. Neuberger Berman believe it has a clear stewardship responsibility to actively engage with sectors and companies that may be misaligned with a net zero ambition, in order to mitigate risk to its businesses.

### 7. Neuberger Berman's approach to Article 8 & 9 SFDR funds

The Neuberger Berman funds categorised as either Article 8 or Article 9 under SFDR apply the Neuberger Berman ESG Policy (the "ESG Policy"), the Neuberger Berman Controversial Weapons Policy and the Neuberger Berman Thermal Coal Involvement Policy. Neuberger Berman Article 8 and Article 9 funds also apply the Neuberger Berman Global Standards Policy, which excludes violators of the United Nations Global Compact, OECD Guidelines for Multinational Enterprises, the United Nations Guiding Principles on Business and Human Rights and the International Labour Standards Conventions.

The ESG Policy provides a broad framework for Neuberger Berman's approach to ESG integration. The ESG Policy is a guideline for formalising and focusing Neuberger Berman's responsible investment efforts, with the recognition that ESG issues have a meaningful impact on delivering investment results for investors.

Neuberger Berman considers the ESG Policy when determining what investments to make for funds categorised as either Article 8 or Article 9 under SFDR. In doing so, Neuberger Berman integrates ESG factors into the investment decision-making process.

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The specific approach to ESG integration taken by Neuberger Berman in respect of a fund or portfolio, will depend on multiple factors, including:

- (i) the objectives of the portfolio's strategy;
- (ii) the assets held by that portfolio;
- (iii) the investment time horizon;
- (iv) any specific research undertaken by Neuberger Berman;
- (v) an assessment of the likely impact of sustainability risks on the returns of the portfolio; and
- (vi) the overall investment process.

The Neuberger Berman portfolio management teams determine how to:

- (i) achieve its ESG integration objective;
- (ii) undertake ESG analysis to mitigate risk (including sustainability risk) and enhance opportunity; and
- (iii) analyse and measure investee companies or issuers.

[Neuberger Berman ESG Policy](#)

[Neuberger Berman Controversial Weapons Policy](#).

[Neuberger Berman Thermal Coal Involvement Policy](#)

[Neuberger Berman Global Standards Policy](#)

### 8. How do clients view Neuberger Berman SFDR UCITS classifications?

It is not just asset managers that are coming to terms with the new reporting and disclosure requirements, equally, Neuberger Berman acknowledge the challenges their clients too are facing to meet their regulatory commitments.

Neuberger Berman offers a range of Article 8 and Article 9 funds as designated under SFDR and are here to support clients through the regulatory challenges they are facing.

For further information, please see our [UCITS Funds ESG Classification Overview](#).

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