NEUBERGER | BERMAN

# 2023 UK STEWARDSHIP CODE REPORT

This report shares our active ownership and sustainable investing activities, the philosophies and processes that underpin them, and the outcomes they produce. This report is intended to demonstrate our compliance with the best practices identified in the UK Stewardship Code 2020.

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 Leader's 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.

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As the CEO of Neuberger Berman Europe Limited, I am pleased to present our report for the UK Stewardship Code (the "Code") for the year ending 31 December 2023. This report highlights how NBEL's approach has consistently delivered stewardship outcomes that benefit our clients.

Stewardship is integral to our investment process. It is a core responsibility within our investment teams, enabling us to integrate stewardship insights into our decision-making. This ensures that no stewardship activity occurs in isolation—information is shared to inform investment decisions, engagement priorities and voting actions. By embedding responsibility for active ownership within our teams, we enhance the integration of insights gained from our stewardship efforts.

Our clients have diverse portfolio goals. Some focus on managing financial risks like climate change, while others aim for specific outcomes, such as achieving a "net-zero" portfolio or investing in impact strategies. We are dedicated to offering clients investment choices for their valuable capital.

Throughout 2023, we invested in research and capabilities to support clients' climate-related objectives, including enhancing our proprietary Net-Zero Alignment Indicator, which helps clients assess a company's alignment with a 2050 net-zero goal, using third-party data and qualitative inputs from our analysts. Over the past year, we expanded coverage to 1,829 holdings, with qualitative analysis now covering 76% of the MSCI World Index by market cap. With over $5 billion in assets under management in net-zero strategies, we assist clients in navigating a path to net-zero emissions by 2050.

Moreover, engaging with companies is crucial for understanding the risks our clients face. In 2023, our teams addressed a host of topics, focusing on long-term strategy, green opportunities, climate risk management, human capital management, and capital structure of the investee companies that we invest in on behalf of our clients.

Artificial Intelligence (AI) is also transforming investment management, especially in climate data analysis. In 2023, we explored AI's potential to improve the understanding of companies' climate strategies. We piloted AI capabilities to efficiently extract information from sustainability reports and assess green bond proceeds.

These factors are key to driving long-term investment returns and risk mitigation. Our commitment is to deliver compelling investment results with transparency, continuously reviewing our reporting to meet client expectations.

We believe these factors are key drivers of long-term investment returns, both in terms of opportunities and risk mitigation. We continuously review our reporting efforts to meet client expectations.

At Neuberger Berman, complying with the UK Stewardship Code is of utmost importance. We believe that good stewardship and responsible investment leads to better long-term investment performance for our clients. We fully recognise the significance of the Code and are committed to maintaining high standards, monitoring our framework for continuous improvement. The Board of Directors of Neuberger Berman Europe Limited has reviewed and approved this report.

**MATTHEW MALLOY,**
CHIEF EXECUTIVE OFFICER
30 October 2024

## Executive Summary

In our 2023 UK Stewardship Code Report, we present our strategy and our approach to stewardship and ESG integration in our investment management activities. We detail the outcomes of our stewardship activities and assess how the principles of the UK Stewardship Code are reflected in each of these areas. We detail how we comply with the principles of the UK Stewardship Code using current examples and show the outcomes of these activities. Through our engagement efforts, advocacy and transparency, we seek to continue to drive improved standards across the industry.

Whilst this report is written by Neuberger Berman Europe Limited ("NBEL"), NBEL utilises its own resources, but at times also leverages the group resources of its parent company, Neuberger Berman Group LLC and its operating subsidiaries ("Neuberger Berman"), and therefore we have set out the approach for Neuberger Berman in this report and made it clear where the approach differs more specifically for NBEL.

Stewardship and ESG integration are at the core of how we deliver investment performance and are integral to how we deliver client objectives. It is important to have the right framework and resources in place to achieve the highest possible standards. Given the increasing client demand for ESG integrated products and associated reporting, we continue to reassess our resources, capabilities and systems to ensure that we are able to meet client objectives.

Furthermore, with evolving investor values, regulatory pressure and global challenges driving interest in ESG, we are focused on our stewardship approach to clients. In light of the increased volume of sustainability-driven regulation across the industry, such as the European Sustainable Finance Disclosure Regulation (SFDR), MiFID II Sustainability Preferences, UK Sustainability Disclosure Requirements (SDR), Task Force on Climate-Related Financial Disclosures (TCFD), and the US embarking on its own journey around climate disclosure and product labelling, in 2023, we focused on enhancing our ESG governance processes to ensure our products continuously comply with regulatory requirements. This includes, among others, hiring ESG specialists, vetting and onboarding ESG vendors for reporting needs, and further developing our Net-Zero Alignment Indicator and ESG Integration Framework. Our ESG Product Oversight Committee continues to provide an annual review of sustainable and impact-labelled products. At Neuberger Berman we offer a range of Article 8 and Article 9 funds as designated under SFDR, and are here to support clients through the regulatory challenges. Further, with regulators globally focusing on climate risk management, we continue to have a voice through our advocacy efforts.

We advocate for the highest standards of conduct and disclosure from the companies in which we invest. We recognise the growing importance of engagement to our clients and reporting on engagement outcomes. As such, we continue to evaluate the technology and systems used to track and report our engagement activities to ensure we are able to meet client expectations. As a firm, we continually strive to raise our own standards. In partnership with our ESG Technology team, we continue to have periodic engagements with ESG data vendors to discuss issues such as data coverage and we are continuously evaluating options to resolve data gaps. We also continued to provide engagement reporting both at the firm level and in select strategy- and asset class-specific reports such as our Global Corporate Credit ESG Engagement Report and Private Markets ESG Report. Additionally, now in its fourth year, we continue to provide enhanced transparency on our voting activity through our early vote disclosure initiative, NB Votes. In 2023, we announced our voting intentions on 43 key votes and opposed the company's recommendation in 58% of them, compared with pushing back on 54% in 2022.

Today, we continue to innovate, driven by our belief that the determination of financially material ESG factors, like any other relevant 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 maximising results for our clients, can also support better-functioning capital markets and have a positive impact for people and the planet.

We are delighted by the overall growth in our fund ranges and mandates, the performance of investment strategies and outcomes of our stewardship efforts over the past year. We regularly met with clients, both in ad hoc meetings and performance reviews/due diligence sessions. In addition to one-on-one client meetings, we hosted client roundtables on key topics of interest to our clients. We have also closely monitored the questions and topics of focus included in RFPs and DDQs from clients, and incorporated these observations into our stewardship activities and reporting. In response to requests for more engagement examples, we have increased the number and type of engagement case studies in our UK Stewardship Code Report. We have been pleased by the positive feedback from clients on these enhancements and continue to explore opportunities to deepen our engagement with them and incorporate their feedback into our activities.

In drafting this report, we have ensured at every stage that it is balanced and clear. We have provided information across asset classes and geographies where relevant. We also provided examples and case studies throughout the report to demonstrate how our investment approach works in practice. We hope you find the report informative, and look forward to sharing more about our ongoing efforts in future reports.

## Looking Ahead

We believe our structures and processes detailed throughout this report have enabled and fostered effective stewardship practices in 2023. We are pleased with the progress of our stewardship efforts across various asset classes and geographies. Looking ahead to 2024, we will continue to work in close partnership with our clients to better support their objectives and strive to further strengthen our stewardship activities and outcomes.

# PRINCIPLE 1

Signatories' purpose, investment beliefs, strategy and culture enable stewardship that creates long-term value for clients and beneficiaries, leading to sustainable benefits for the economy, the environment and society

# WHO WE ARE

Neuberger Berman was founded in 1939 with the purpose of delivering compelling investment results for our clients over the long term, empowering them to achieve their investment objectives. Today, we also integrate Environmental, Social and Governance (ESG) criteria into the investment process where appropriate to enhance a culture rooted in deep fundamental research; promote the continuous pursuit of investment insight and innovation on behalf of clients; and facilitate the free exchange of ideas across the organisation.

As a private, independent, employee-owned investment manager, Neuberger Berman is structurally aligned with the long-term interests of our clients. We have no external parent or public shareholders to serve, nor other lines of business, thus allowing us to focus on our core mission. And with our employees invested alongside our clients—plus 100% of employee-deferred cash compensation directly linked to team and firm strategies—all stakeholders are well aligned.

## Our Corporate Structure

NBEL is the legal entity for Neuberger Berman Group's operations in the UK, the Middle East, Africa and Latin America ("LatAm"). Neuberger Berman's holding company is primarily owned by portfolio managers, members of Neuberger Berman's senior management team and investment management professionals, as well as certain of their permitted transferees.

NBEL is the investment manager to certain of the firm's fund ranges suitable for investors based in Europe, the Middle East and Africa ("EMEA"), Latin America and Asia. It maintains separate account relationships with institutional investors across these regions. Notably, NBEL has several European subsidiaries, including Neuberger Berman Asset Management Ireland Limited ("NBAMIL"), which manages its Irish-domiciled UCITS and QIAIF range. NBEL is authorised and regulated by the UK Financial Conduct Authority and regulated by the US Securities and Exchange Commission.

## Our Business Values

1 OUR CLIENTS COME FIRST

2 WE ARE PASSIONATE ABOUT INVESTING

3 WE CONTINUOUSLY IMPROVE AND INNOVATE

4 ALIGNMENT IS ESSENTIAL

5 WE INVEST IN OUR PEOPLE

6 OUR CULTURE IS KEY TO OUR LONG-TERM SUCCESS

These business values inform the initiatives and innovations that we have pursued—from our deepening integration of ESG investing and our growing data science capabilities, to our work in improving and maintaining the diversity of our workforce. With hard work, we believe these business values will continue to guide Neuberger Berman in the future.

# OUR CULTURE

## Our culture is underpinned by our values.

### A partnership with our clients

At Neuberger Berman, we believe that a focus on fundamental research, investment performance and risk management is central to meeting the needs and objectives of our clients. We are deeply attuned to each client's distinct combination of investment goals, risk tolerance, and income and liquidity requirements, and we can act in partnership to address them as they change over time.

### Diversity, equity and inclusion are central to the culture at Neuberger Berman

Because our employees' health and well-being remain of utmost concern, management continually seeks feedback from our employees to identify best practices and opportunities for improvement. In 2023, Neuberger Berman was awarded title of the International Health and Safety Champion of the Year at the EC Safety Solutions awards. This recognition underscored our commitment to comprehensive health and safety coverage across its European offices by demonstrating resilience and adaptability, reinforcing its dedication to ensuring a safe working environment.

We believe that an institution's promotion of equity in the long term will have lasting implications for employee and community relationships. At Neuberger Berman, we continue to build upon our previous efforts to foster an equitable, diverse and inclusive workplace by continuing to address and not shy away from challenging topics. Further details on this are set forth in Principle 2.

We recognise continued momentum is critical. To demonstrate our progress as a responsible corporate citizen across all facets of our work and operations, we continue to measure and report relevant metrics associated with our employees, client portfolios, environmental impact and community engagement. We report on these efforts annually in our dedicated section on Corporate Social Responsibility ('CSR') in our Annual Report.

### Innovation

Inherent in this culture of partnership is a commitment to innovation—not for its own sake, but to uncover practical solutions for clients as their needs evolve. Since 1939 we have been at the forefront of a number of industry trends now considered commonplace—from the launch of one of the first no-load mutual funds to the early adoption of socially responsive investment techniques. More recent examples include being the first large asset manager to provide advance vote disclosure through our NB Votes initiative and the development of our proprietary Net-Zero Alignment Indicator (the "Indicator"), a robust bottom-up tool designed to assess a company's net-zero readiness, and hence its ability to mitigate climate risks. The Indicator incorporates over 40 quantitative data points and qualitative insights and seeks to provide a comprehensive view of our holdings' alignment with climate transition plans, while aiding in the construction of portfolios that meet clients' net-zero criteria. We also improved our Global High Yield SDG Engagement and Short Duration High Yield SDG Engagement strategies to encourage issuers toward the UN Sustainable Development Goals (SDGs). These strategies represent the importance of stewardship for fixed income investors and the real-world outcomes that can be achieved through consistent and ongoing dialogue with issuers. Additionally, we expanded our impact investing solutions with a new Global Equity Impact strategy, building on the success of our US Equity Impact strategy. Lastly, we launched an AI taskforce to explore how Generative AI can enhance our ESG integration processes.

### In-depth research and analysis

Our portfolio managers construct portfolios through distinct investment processes tested over market cycles. They base their investment decisions on their own research, drawing on both their dedicated research teams and the many resources of Neuberger Berman—such as the global equity and fixed income research teams, the Data Science team and the ESG Investing team—with the sole purpose of finding attractive investment opportunities. Our managers work independently, but also share ideas and perspectives with each other to seek to achieve attractive outcomes for their clients. We combine this with a strong risk-management culture and thorough investment process oversight to ensure adherence to mandated client guidelines.

### How we report and measure relevant metrics

We include multi-year data on key metrics pertaining to our employees, client portfolios, environmental impact and community engagement annually in the dedicated ESG Investing section of our Annual Report. We also publish a TCFD Report, which is reviewed and updated annually. In 2023 we integrated our CSR reporting into our Annual Report to provide more disclosure on our community partnerships. Additionally, as part of our sustainability-linked corporate revolving credit facility, our borrowing costs will be higher or lower depending on our performance against various key ESG metrics, including engagement with portfolio companies on material ESG issues, alignment with clients, increasing diversity at the management level, and maintaining top rating as measured by the United Nations-supported Principles for Responsible Investment (PRI).

## NEUBERGER BERMAN'S MISSION MODEL AND STRATEGY

We partner with our clients to deliver compelling, long-term investment results in line with their unique investment objectives. To that end, Neuberger Berman has built a comprehensive offering of more than 100 investment strategies across nearly every asset class to serve a diverse client base. Neuberger Berman believes that the best and most efficient way to operate the business and successfully grow is to leverage the breadth of its comprehensive offering of investment strategies, which provides it with the capacity to manage significantly more assets. This broad-based model generates significant recurring revenue streams and strong operating cash flows.

### Neuberger Berman's Global Strategic Priorities

- **Execute on the company's business model.** Neuberger Berman is focused on five key areas that we believe will contribute to the company's long-term success:
  1. Delivering strong investment performance
  2. Cultivating deep and lasting client relationships
  3. Enhancing the company's culture to attract and retain talent
  4. Protecting the company through robust risk management
  5. Executing on the company's long-term strategic priorities
- **Serve more clients and expand our product offerings outside of North America.** Neuberger Berman has been expanding its Client Coverage team outside of North America as investors increasingly seek top-performing asset managers regardless of geography. Client Coverage professionals outside of North America have been instrumental in building close relationships with large institutions, intermediary platforms, private banks and sovereign wealth funds. As a result, the percentage of Neuberger Berman's AUM sourced from outside North America has grown in recent years.

  The other key component of its globalisation initiative is to expand the number of global and non-US investment strategies that it offers to clients. It continues to expand its investment capabilities through new hires and acquisitions, which drives its ability to offer new strategies.
- **Innovate and expand alternative investment capabilities.** Over the past several years, Neuberger Berman has launched a number of innovative strategies in response to client demand for alternative strategies on both the private, illiquid as well as on the public, liquid sides. In private markets, Neuberger Berman continues to grow its "evergreen" private markets offerings with the goal of expanding access to the asset class to a broader client base, serving significant demand from the private wealth channel and growing institutional demand for permanent capital vehicles allowing for regular subscription and redemption windows. In January 2023, Neuberger Berman launched a fund with lower investment minimums and eligibility requirements, compared to traditional private equity offerings, making the asset class more accessible to retail investors who couldn't typically benefit from the diversification and returns offered by private equity.
- **Provide clients with multi-asset class solutions and tailored advice.** Neuberger Berman has a number of strategic partnerships with large and sophisticated institutional clients. Its tactical and strategic asset allocation capabilities enables it to provide customised investment solutions to clients. In addition to generating returns, its investment professionals conduct rigorous research to address specific requests and transfer investment and market insights to clients on a regular basis. Given the breadth of the investment platform, Neuberger Berman is one of the few asset managers of its size capable of effectively partnering with clients in such a capacity. Its Multi-Asset team also has the capability to create custom-tailored and flexible solutions across asset classes, combining both alternative and traditional, as well as public and private markets strategies.

**NBEL Strategy**

The NBEL's strategic priorities are therefore driven by and derived from the firm's five key areas of focus and its long-term strategic priorities. In the context of EMEA and LatAm, that translates to:

- acquiring, developing and retaining client relationships in the EMEA and LatAm regions through a focus on consistent and strong investment performance, and superior client service, and with particular regard to the FCA's Consumer Duty Rules and the FCA's Treating Customers Fairly ("TCF") principle;
- expanding its existing client base and selectively forming new relationships, both from a revenue objective and to reduce client concentration risk within the EMEA and LatAm business;
- diversifying and innovating its product mix, both to deliver on the firm's strategic priorities and to reduce potential product concentration risk within the EMEA and LatAm business;
- optimising the effectiveness and efficiency of its operational infrastructure to support profitable growth;
- maintaining effective governance structures, manage risk robustly and comply with all applicable statutory and regulatory rules; and
- ensuring it is able to remain resilient through internal and external adverse events and conditions which may threaten the achievement of its strategic priorities.

## INVESTMENT BELIEFS

At Neuberger Berman, we employ a purpose-driven ESG investment approach. Since our first application of "avoidance screens" in the early 1940s to the launch of our US Sustainable Equity team in 1989, Neuberger Berman remains at the forefront, partnering with clients to provide innovative solutions that achieve the outcomes they value.

Today, we continue to innovate, driven by our belief that the determination of financially material ESG factors, like the determination of the financial materiality of any other factor, should be incorporated in a manner appropriate for the specific asset class, investment objective and style of each investment strategy. Considering financially material ESG factors in an investment process may help generate enhanced returns or mitigate risk within a portfolio. For those clients that seek them, we believe that our outcomes-oriented investment strategies, such as our Impact strategies, may have a positive impact for people and the planet.

Neuberger Berman has been a signatory of the UN PRI since June 29, 2012. In the 2023 reporting cycle, the PRI introduced some new questions and changed the scoring methodologies for some of its modules. Neuberger Berman scored above both the median of all reporting signatories and the median of large investment management peers globally[1] for our ESG integration efforts in every reported category. This also marks the fourth consecutive year in which we obtained the top rating in the overarching Policy, Governance and Strategy category, which aims to capture signatories' overall approach to responsible investment, including engagement and proxy voting. In addition, the firm sees continued strength within its public and private fixed income platform, even across Private Debt, Securitized and Sovereign Debt, despite these asset classes generally perceived by the market as areas where ESG integration is a relatively recent development.

[1] Based on the average scores of reporting investment management signatories globally with AUM greater than $50bn.

## NEUBERGER BERMAN 2023 PRI REPORTING ASSESSMENT RESULTS

| PRI Modules | Neuberger Berman | Median of Reporting Signatories |
|---|---|---|
| Policy, Governance and Strategy[2] | ★★★★★ | ★★★ |
| Confidence Building Measures | ★★★★★ | ★★★★ |
| **Direct** | | |
| Listed Equity – Active Quantitative – Incorporation | ★★★★ | ★★★ |
| Listed Equity – Active Fundamental – Incorporation | ★★★★ | ★★★★ |
| Fixed income – SSA[3] | ★★★★★ | ★★★ |
| Fixed income – Corporate | ★★★★★ | ★★★★ |
| Fixed income – Securitised | ★★★★★ | ★★★ |
| Fixed income – Private Debt | ★★★★★ | ★★★★ |
| **Indirect** | | |
| Private Equity | ★★★★★ | ★★★ |

## A DISTINCT APPROACH TO ESG INVESTING

Continuous innovation across four key pillars, focused on material investment results and delivering solutions

### Integral to Our Firm

- Scored above the median of all reporting signatories in every category of the latest UN PRI assessment report
- Identified as part of the exclusive 2020 PRI Leaders' Group
- Sustainability-linked credit facility
- NB's Global Head of ESG and Impact Investing was appointed Vice-Chair of the ISSB's Investor Advisory Group (IIAG) in 2024

### Proprietary, Research-Driven Approach

- Investment-led integration of ESG into portfolios
- NB ESG Quotient covering 4,000+ equities and 2,700+ credit issuers
- Incorporate climate scenario analysis
- Leverage data science to enhance traditional research
- NB Net-Zero Alignment Indicator

### Active Engagement Drives Value

- In 2023, we conducted 3,256 public equity engagements and 1,402 fixed income engagements
- Engagement led by portfolio managers and research analysts
- Firmwide ESG engagement principles
- Industry-leading advance proxy voting disclosure initiative, NB Votes

### Sustainable and Impact Innovations

- Offer a range of ESG-integrated investment strategies across public and private markets
- Many seek positive impact alongside competitive risk-adjusted returns
- Create custom solutions to deliver financial and ESG objectives, including multi-asset class mandates

For illustrative and discussion purposes only. PRI grades are based on information reported directly by PRI signatories, of which investment managers totaled 3,123 for 2023, 2,791 for 2021, 1,545 for 2020 and 1,247 for 2019. All PRI 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. Neuberger Berman pays a fee to be a member of PRI and the grades are only available to PRI members. 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. Information about PRI grades is sourced entirely from PRI and Neuberger Berman makes no representations, warranties or opinions based on that information.

[2] Formerly Investment and Stewardship Policy.
[3] SSA = Sovereign, Supranational and Agency.

# OUR HISTORY: A DECADES-LONG COMMITMENT

■ Evolution of Policies, Initiatives and Commitments
■ Growing Range of Investment Capabilities

**1940s**
First application of avoidance screens

**1980s**
Formed one of the first US sustainable equity investment teams

**Amplify:** US Sustainable Equity Strategy

**2002**
Formalised Proxy Voting Policy

**2012**
Established ESG Committee
Became signatory to the UN-supported Principles for Responsible Investment (PRI)

**2013**
Became signatory to the UK Stewardship Code[4]

**Assess:** Emerging Market Debt Sovereign Strategy

**2016**
Established ESG working groups for equities, fixed income and private equity

**Assess:** Corporate Credit Strategy

**2017**
Established dedicated ESG Investing team
Published first Proxy Voting and Engagement Report

[4] Also compliant with the principles of the UK Stewardship Code 2020.

■ Evolution of Policies, Initiatives and Commitments
■ Growing Range of Investment Capabilities

**2018**

Developed the NB ESG Quotient, a proprietary ESG ratings system for equities and fixed income

**Aim for Impact:** Municipal Impact Fixed Income Strategy

**Assess:** Climate Insurance-Linked Strategy

**2019**

Established Climate-related Corporate Strategy

Published inaugural ESG Annual Report

**Aim for Impact:** Private Equity Impact Strategy

**2020**

Established ESG Product Committee

Launched NB Votes initiative

Adopted sustainability-linked corporate credit facility

Identified as part of the 2020 PRI Leaders' Group[5]

**Aim for Impact:** US Equity Impact Strategy

**Amplify:** Sustainable Emerging Markets Debt Strategy, Sustainable Research Opportunities Strategy, Global and European Sustainable Equity Strategies

**Assess:** Japan Equity Engagement Strategy

**2021**

Became signatory to the Net Zero Asset Managers Initiative (NZAMI)

Established Advisory Council

Established ESG Product Oversight Committee

**Amplify:** Sustainable Asia High Yield Strategy

**Adapt:** Climate Transition Multi-Sector Credit Strategy

**2022**

Launched the proprietary NB Net-Zero Alignment Indicator to assess issuers' climate transition readiness

Climate-Integrated Strategic Asset Allocation

**Adapt:** Global High Yield SDG Engagement Strategy

**2023**

Enhanced TCFD Report

Implemented a new Research Management System to centralise equity research and engagement data

Established Asia ESG Investing team

**Aim for Impact:** Global Equity Impact Strategy

**Amplify:** Climate Innovation Strategy

**Adapt:** Climate Transition Global Equity Strategy

China Green Bond Strategy

Please note that certain strategies may not be available in all jurisdictions or only to qualified investors.

[5] 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 approximately 2,100 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.

## Integration of Financially Material ESG Criteria Into the Investment Process

As an active manager, we have a long-standing belief that financially material ESG factors may be an important driver of attractive long-term, risk-adjusted investment returns. That's why we take a comprehensive approach toward managing client assets, including a commitment to understanding and integrating ESG-related risks and opportunities that are financially material into our investment processes. The extent to which ESG considerations are factored into investment decisions is two-fold. First, in line with our fiduciary duty to our clients, we consider ESG risks or opportunities that may impact the financial performance of a security or a portfolio. We believe that ESG risks are financially material for many sectors, and therefore, we consider ESG risk factors alongside any other factor which could impair client capital. Second, we know that for many clients, the social and environmental impact of their portfolios is an increasingly important consideration in conjunction with investment performance. Some clients want to see social and environmental sustainability issues weighed with an importance commensurate with their financial objectives: they may actively seek to invest in leading issuers with sustainable business models, practices, products or services. For clients with outcome-focused objectives, we also consider how ESG risks and opportunities may contribute to their desired sustainability outcomes; for example, investments whose core business, products, services or use of proceeds directly contribute to measurable positive social and environmental outcomes. For these investors, we offer sustainable and impact investing strategies. These strategies are clearly labelled in the name of the product and come with accompanying disclosures about the types of investments they will and will not make.

We continue to innovate, driven by our belief that the determination of the financial materiality of ESG factors, like the determination of the financial materiality of 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 maximising results for our clients, can also support better-functioning capital markets and have a positive impact for people and the planet.

In the midst of challenging market dynamics, we believe the importance of environmental, social and governance analysis has been reinforced. As investors, we approach markets through an ESG lens to assess dynamics such as the disruption of supply chains, technology-enabled behavioural shifts, and attention to human capital management and employee health (see Principle 4 for how we identify and respond to market-wide and systemic risks to promote a well-functioning financial system).

Throughout the year, we continued to integrate ESG analysis across assets, including equity, fixed income and private markets strategies, to varying degrees. The firm's portfolio managers and centralised research teams factor in many ESG variables, such as environmental and product liabilities, legal risk and corporate governance. Our investment professionals have access to an array of ESG-related analytical resources, providing another lens through which to assess investment candidates.

We consider the integration of financially material ESG factors into the firm's strategic plans to be consistent with our mission statement and investment culture. Along with other material investment factors, Neuberger Berman believes that ESG-related factors can be return-enhancing and risk-mitigating. One way we integrate ESG factors is through our proprietary ESG rating system, the "NB ESG Quotient," which leverages the deep fundamental knowledge of our research analysts and unique insights from our Data Science team to rate thousands of equity and fixed income issuers. In 2023, the coverage of this rating system was 4,000+ equities and 2,700+ credit issuers.

For our clients requesting their capital be managed in line with responsible, sustainable or impact objectives, we spent the past year refining our outcome-focused investing solutions. Specifically, we focused on enhancing our capabilities to deliver innovative "sustainable" and "impact" labelled investment strategies:

- **Net-Zero Alignment:** To provide robust net-zero committed strategies, we developed a proprietary Net-Zero Alignment Indicator (the "Indicator") that seeks to capture a company's climate transition readiness. The Indicator was created in partnership with our clients with decarbonisation targets, and incorporates specific sub-indicators informed by the high-level expectations of the Institutional Investor Group on Climate Change (IIGCC). The Indicator utilises over 40 quantitative data points from traditional ESG data providers and specialised climate data sets, as well as real-time insights from our credit and equity research analysts. This allows us to undertake more targeted stewardship in areas where a company is making less progress toward net-zero alignment. As a result, it creates a positive feedback loop: investment teams can focus engagements around the weakest sub-indicators, and the company's responses can be fed back into the Indicator to enhance our insights.
- **Sustainable Development Goals (SDGs):** We expanded our capabilities to better measure company alignment to the SDGs in two high yield funds. Direct engagement is core to the funds' investment approaches, with the managers prioritising issuers with the ability and willingness to engage and accept the setting of key performance indicators aligned to the SDGs.

# ACTIONS ENABLING EFFECTIVE STEWARDSHIP

## Actions Taken to Ensure Our Culture, Investment Beliefs and Strategy Enable Effective Stewardship

Our "client first" culture has resulted in client partnerships and the development of strategies tailored to client needs. Most of our strategies have long-term investment horizons, enabling us to focus on longer-term issues such as climate risk through our engagement and broader stewardship efforts. Further, our employee-owned structure allows us to remain focused on long-term objectives and not be distracted by short-term pressures. Additionally, embedding the importance of our employees into our value system helps us retain top talent. Neuberger Berman are proud to have been ranked second (among those with 1,000 employees or more) in *Pensions & Investments*' 2023 "Best Places to Work in Money Management" survey, where we have finished in the top two for 10 consecutive years. We believe our 97% retention rate among senior investment staff is a testament to these efforts.[6]

As an active manager, we see fundamental and proprietary research as core to our investment approach and culture. We embed stewardship responsibilities within our investment teams, which we believe are crucial to integrating stewardship insights into the investment process and informing investment decisions.

Our commitment to innovation promotes collaboration across the firm. For example, our Data Science team works collaboratively with the ESG Investing team and research analysts to identify innovative and non-traditional data sources which may provide additional insights. As a result, the Data Science team plays an important role in partnership with investment teams in the development of our own firmwide proprietary ESG ratings system, NB ESG Quotient. We continuously seek to identify additional data and research that may enhance our analysis, and discuss these efforts further in Principle 7.

For details of all relevant policies in relation to our approach to ESG and Stewardship, as well as how we ensure that these support effective stewardship, please refer to Principle 5.

## How Our Purpose, Investment Beliefs and Culture Guide Our Stewardship, Investment Strategy and Decision-Making

We monitor the progress we are making and are continuously enhancing the integration of financially material ESG factors into our investment processes. Relevant indicators include the proportion of assets under management that are formally ESG-integrated; our PRI assessment scores; the effect of ESG analysis on portfolio performance; the impact and outcomes of our engagement and proxy voting activities; and whether we are meeting the needs of our clients for ESG solutions.

We believe that ESG factors and stewardship activities should be incorporated in a manner consistent with a specific asset class, geography and investment strategy. We believe this integration is most effective when investment teams research ESG factors and consider them alongside other inputs, guided by firmwide principles and supported by extensive resources. This is discussed further in Principle 7.

We have embedded the need for effective stewardship across the business as described in Principle 2. We believe this sends a clear example of its importance to our business.

## Serving the Best Interests of Our Clients and Beneficiaries

Over the past year, we continued to focus our efforts on improving ESG integration to ensure that our processes that analyse financially material ESG factors (alongside other financial metrics) are robust. This prioritisation builds on our belief that material ESG factors are important drivers of long-term investment returns from both an opportunity and risk-mitigation perspective, as well as our commitment to delivering compelling investment results for our clients over the long term. Our specific enhancements in the past year include:

### 1. Deepening our efforts

We continued to integrate ESG analysis, focusing on financially materiality across our firm, not only in traditional equity and fixed income strategies, but also in alternative offerings. We have strengthened our core tool for systematic sector-specific integration, the NB ESG Quotient, by not only covering more than 4,000 equity ratings and more than 2,700 credit ratings, but also by enhancing our use of non-traditional ESG data in partnership with our Data Science team and qualitative analyst inputs generated by our central research team.

Recently, we particularly focused on using "big data" to elevate our understanding of human capital trends. We onboarded a new dataset that allows us to conduct deep dives on companies where disclosure on Equity, Inclusion and Diversity (EID) is lacking. This collaboration between the Neuberger Berman ESG and Data Science teams led to the construction of 15 unique EID indicators. Furthermore, to ensure material climate change risk is appropriately factored in our investments, we continued expanding coverage of climate value-at-risk (CVaR) scenario analysis in all equity and fixed income holdings (subject to data availability) to construct more resilient portfolios.

[6] Includes senior investment professionals at MD and SVP level since becoming an independent company in 2009.

## 2. Adapting to regulation

In light of the increased volume of sustainability-driven regulation across the industry, such as the European SFDR, MiFID II Sustainability Preferences, UK SDR and TCFD, and the US embarking on its own journey around climate disclosure and product labelling, we focused on enhancing our ESG governance processes to ensure our products continuously comply with regulatory requirements. Our ESG Product Oversight Committee ("EPOC"), which includes representatives from our firm's control functions, conducts periodic monitoring of the application of ESG factors by portfolio managers and continues to provide an annual review of sustainable and impact-labelled products. Further, the EMEA ESG Product Committee continues to approve SFDR classifications for all new products domiciled or marketed in EMEA, and oversees UK stewardship-related matters and third-party European ESG product labelling. In order to proactively navigate the regulatory landscape, the dedicated ESG Policy and Regulatory Strategist, responsible for the firm's engagement with policymakers and other external stakeholders on policy and regulatory developments across EMEA, hold quarterly calls on ESG regulatory developments to, among others, investment teams and senior leaders.

## 3. Turning the lens on ourselves

We understand that it is not enough to talk about ESG ideas, but rather embody them in our own practices. In 2020, we were the first asset manager to secure a sustainability-linked credit facility, which ties our borrowing cost to our performance against key ESG metrics. Having met those targets for 2020, 2021, 2022 and 2023, we remain ambitious in our goals for the coming years to deliver on diversity initiatives and implement our plans to achieve net-zero emission alignment in line with our commitment to the Net Zero Asset Managers Initiative.

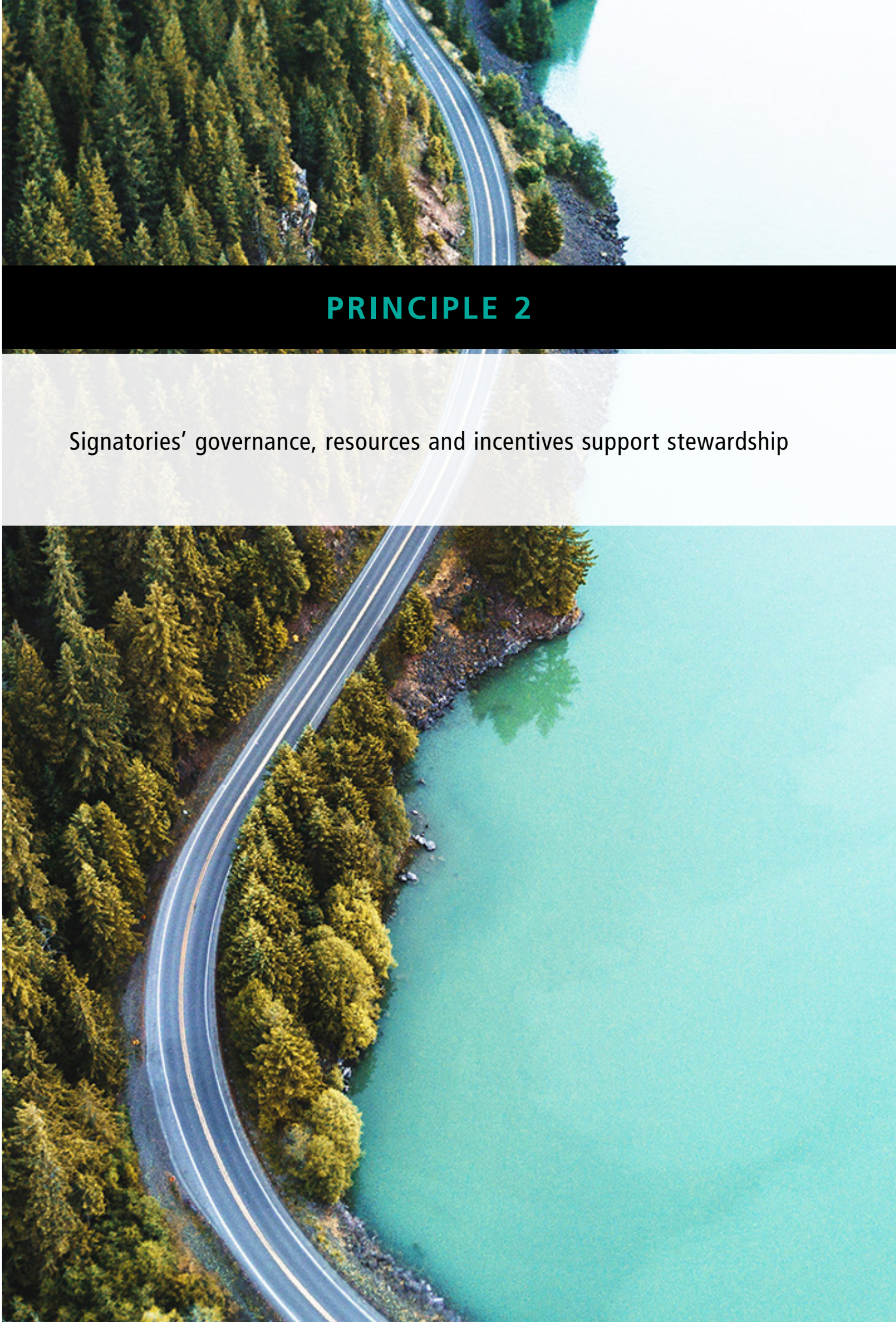
## 4. Using our voice

In the past year, we enhanced our capabilities to engage with issuers on ESG topics that we believe can improve performance and reduce risk. In 2023, we conducted 3,256 engagements with issuers of public equities and 1,402 with fixed income issuers. As the first large asset manager to regularly provide proxy vote disclosure in advance of company meetings through our NB Votes initiative, we publish our vote intentions in advance of select shareholder meetings, with a focus on companies where our clients have significant economic exposure. In 2023, we pre-disclosed our votes before 43 meetings and opposed the company's recommendation in 58% of them. Through this effort we hope to enhance the level of transparency around our proxy voting decisions, improve corporate practices amongst companies we invest in, encourage our large asset manager peers to also begin preannouncing proxy votes, and openly encourage better corporate governance practices. Three years since launching this effort, we are pleased with the responsiveness and progress demonstrated by many companies as described in Principle 12.

# ENGAGEMENT WORKS: 2023 HIGHLIGHTS FROM NB VOTES

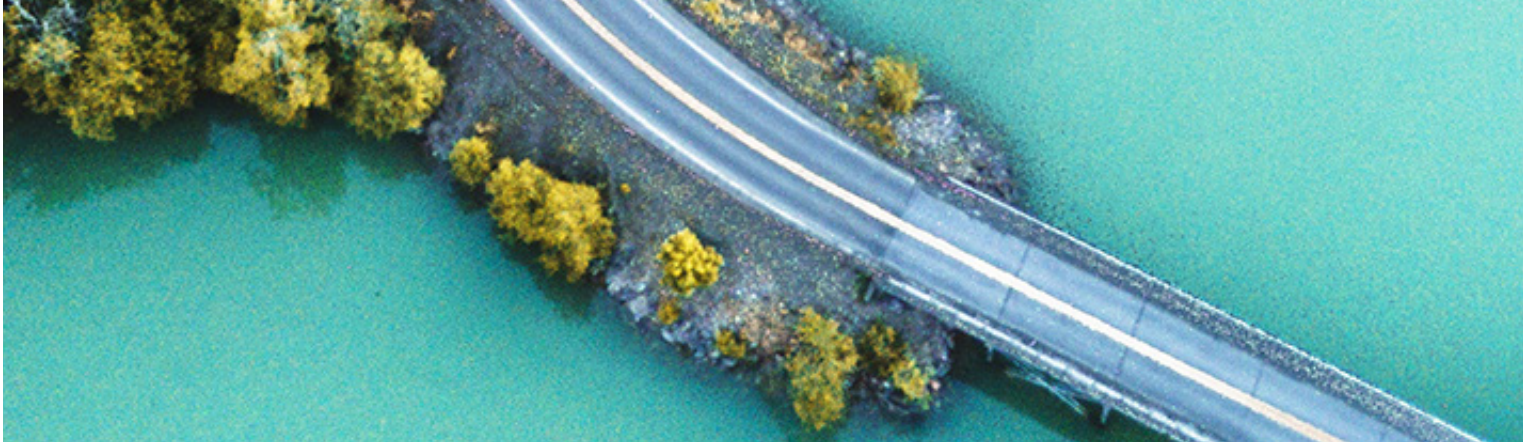
**Through our NB Votes initiative, we publish our vote intentions in advance of select shareholder meetings, with a focus on companies where our clients have significant economic exposure.**

| Company | Issue | Action | Result | Why Is It Financially Material? |
|---|---|---|---|---|
| **Ansys, Inc.** | Classified board structure. | Last year, we wrote a letter to the board and disclosed our support for a shareholder proposal regarding board declassification. | In response to shareholder feedback, management put forth a proposal to adopt annual director elections. | We believe companies should strive to maximise shareholder representation and that annual director elections serve as an effective mechanism to hold directors accountable for unsatisfactory performance or misalignment with shareholder interests. In this case, we believe declassifying the board will further enhance shareholder rights and representation. |
| **Costco Wholesale Corporation** | Lack of independent oversight of company-identified material climate-related risks that could adversely affect the business given its operational footprint, product procurement and sales. | We engaged with the company and opposed the re-election of the chair of the nominating and governance committee due to lack of board oversight of financially material ESG matters in 2022. | The company updated the nominating and governance committee charter to give the committee oversight of important strategic decisions, including "environmental, diversity and sustainability policies and initiatives, including climate-related risks and opportunities." | We believe the board should identify and appropriately address financially material risks to the company's business fundamentals and its long-term sustainable growth, including but not limited to material ESG issues. Given that supply chain resilience and operational efficiency are core to the business strategy, in our view formalisation of board oversight of ESG is appropriate. |
| **Okinawa Cellular Telephone Company** | Lack of transparency on strategic objectives and capital inefficiencies. | We have written multiple letters and opposed the re-election of directors. Since 2020, we have been disclosing our concerns and voting intentions ahead of annual meetings. | The company announced its first ever mid-term plan, which committed to raising EPS by 15% over the next three years that roughly split into organic EPS growth, as well as a commitment to consistently buy back shares over the next three years. | We believe that an efficient capital structure minimises the risk-adjusted cost of capital by avoiding excess leverage or cash buildup. In this case, we saw an opportunity for the surplus capital to be returned to shareholders. |
| **Coterra Energy Inc.** | While the company has adopted several best practices pertaining to methane management, the quality and accuracy of methane emissions measurement could be improved. | Over the years we have had several engagements where we recommended further action and disclosure on enhancing methane measurement. | Following the meeting and in response to shareholder feedback, the company meaningfully increased its methane-related disclosures in its 2023 Sustainability Report and joined the Oil & Gas Methane Partnership 2.0. | We believe that companies should be able to identify key environmental risks to their businesses and consider the long-term impact such risks may have on their business model and operations. Hence, where we find that existing disclosure practices significantly lag recognised frameworks necessary for investors to assess these risks, we will generally support proposals asking for increased disclosure. We believe there was opportunity to improve Coterra Energy's methane measurement disclosure and practices to be more in line with peer and industry efforts to improve operational efficiency and reduce climate-related risks. |



# PRINCIPLE 2

Signatories' governance, resources and incentives support stewardship





# OUR ESG AND STEWARDSHIP GOVERNANCE

## Board Oversight

**Neuberger Berman Group Board**

As a private, 100% independent, employee-owned investment manager, Neuberger Berman is structurally aligned with the long-term interests of our clients. We have no external parent or public shareholders to serve, nor other lines of business to distract us from our core mission. Neuberger Berman's Board of Directors (the "Group Board") is currently comprised of seven directors, one of whom is the firm's Chief Executive Officer with the remaining six appointed by members of the firm. Four directors are independent within the meaning of the New York Stock Exchange listing requirements. The Group Board is responsible for reviewing and approving the Neuberger Berman Group Strategy, which includes the ESG Strategy. As a subset of all enterprise-wide risks, the Group Board oversees climate-related enterprise risk and reviews the firm's approach to climate-related risks and opportunities at least once a year during the regularly scheduled Neuberger Berman Group Board meetings. Where relevant, senior management has integrated ESG risk factors and climate-related risks into day-to-day operations at the firm, including into budget, overall strategy, capital management, risk management, and other matters that the Group Board oversees, and this is reflected in the materials that are provided to the Group Board. The Group Board is periodically updated on the firm's progress on its commitment to the Net Zero Asset Managers Initiative. In addition, the Group Board receives materials and information from the Advisory Council, which is comprised of six industry experts, four with climate expertise, and provides guidance on emerging sustainability topics.

*Management Responsibility*

Senior management is responsible for overseeing the firm's operations, risk department and investment professionals. As a subset of overall management of the enterprise, senior management oversees climate-related risks and opportunities. The CEO is ultimately responsible for updating the Group Board on material updates and relevant climate-related risks and opportunities, and is supported by the Global Head of ESG & Impact Investing, Chief Risk Officer (CRO), Chief Investment Officers (CIOs) and Chief Operating Officer (COO). The Global Head of ESG & Impact Investing, together with the CRO and CIOs, is responsible for ensuring appropriate climate expertise and analytical capabilities are in place to support portfolio managers and research analysts in understanding the potential implications of climate change for security analysis and portfolio construction.

The governance structure of Neuberger Berman includes four key committees: Partnership, Operating, Investment Risk and Operational Risk. The committees are engaged in discussion on a variety of topics, including ESG topics and climate-related risks and opportunities as part of the normal course of business.

**Neuberger Berman Europe Limited Board Oversight**

The NBEL Board of Directors (the "Board") is currently comprised of five members, one of whom also sits on our Neuberger Berman Group Board and two of whom also sit on our group-level Operating and/or Partnership Committees.

As a subset of all enterprise-wide risks, the Board oversees climate-related enterprise risk and reviews NBEL's approach to climate-related risks and opportunities. This oversight is carried out through several governance mechanisms (outlined in greater detail below), including reporting by the EMEA ESG Product Committee to the EMEA Product Governance Committee (which reports directly to the NBEL Board) and senior NBEL employees. The Board receives regular updates on the wider Neuberger Berman Global ESG regulatory program. The Head of Europe ESG Investing provides quarterly updates to the Board on climate risks and opportunities as well as an overview of the Advisory Council meetings and their findings.

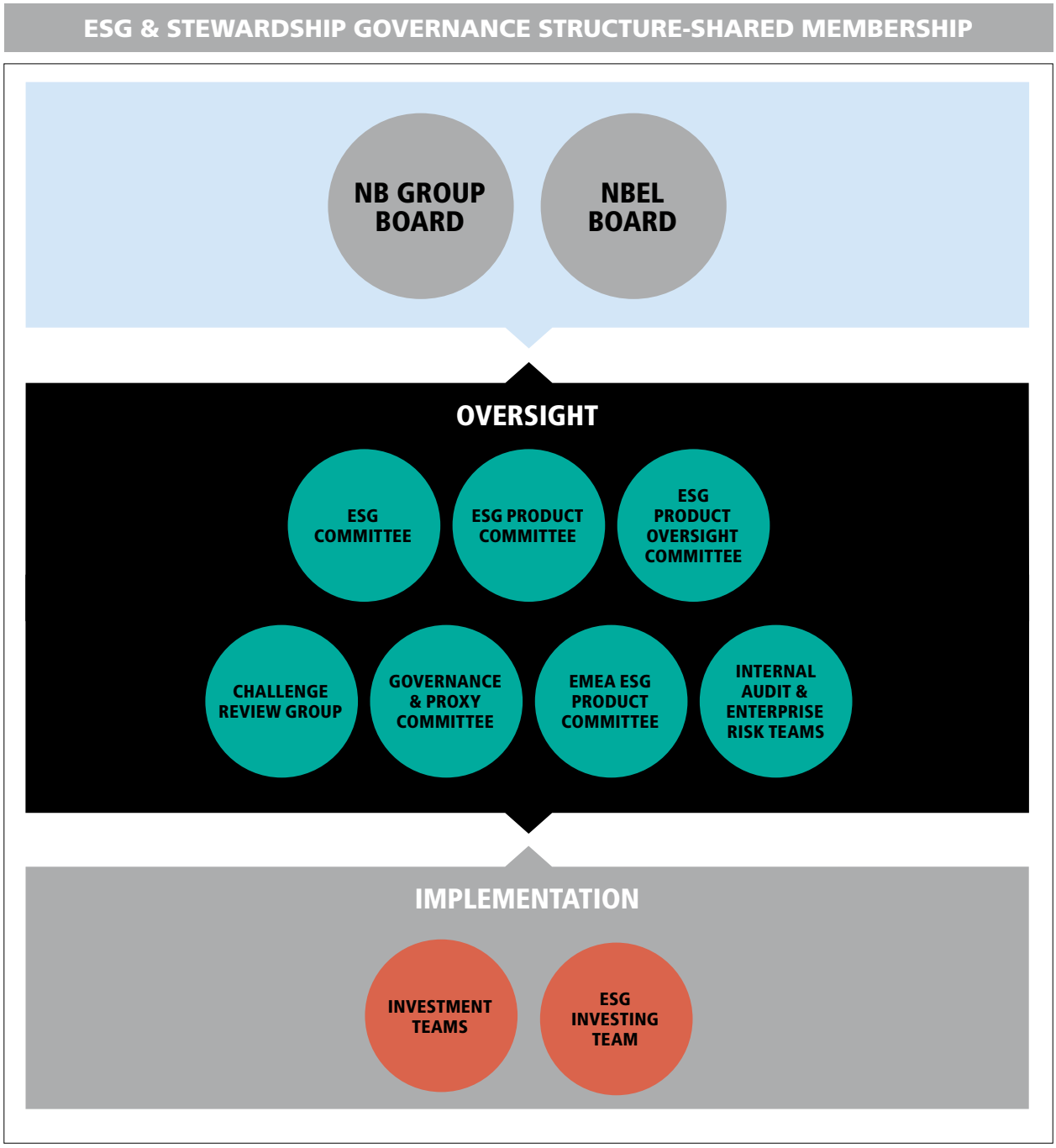
NBEL directors receive training on Director's Duties and Liabilities, Senior Managers & Certification Regime, Internal Capital Adequacy and Risk Assessment (ICARA) and climate-related topics and/or issues. Where relevant and appropriate, senior management has integrated ESG risk factors and climate-related risks into day-to-day operations at NBEL, including the budget, overall strategy, capital management, risk management, and other matters that the Board oversees, and this is reflected in the materials that are provided to the Board.

On an annual basis, the Neuberger Berman ESG Investing team presents the ESG Strategy to the Board and NBEL CEO. The ESG Strategy is an internal Neuberger Berman document outlining the Neuberger Berman ESG priorities for the year ahead to relevant internal stakeholders and includes an update on Neuberger Berman's Net Zero Asset Managers Initiative commitment (including NBEL).

*Management Responsibility*

Senior management is responsible for overseeing NBEL's operations, risk department and investment professionals. As a subset of overall management of NBEL, senior management also oversees climate-related risks and opportunities. The NBEL CEO is ultimately responsible for updating the Board on climate-related risks and opportunities considered material by the following NBEL subject matter experts: Global Head of ESG & Impact Investing, Head of Europe ESG Investing, Head of Investment Risk, the EMEA ESG Policy and Regulatory Specialist, and EMEA Counsel. The NBEL CEO is invited to attend the Advisory Council, which was established in 2021 and is currently comprised of six industry experts, including four members with experience in climate non-profits, academia and investing.

The Head of Europe ESG Investing is responsible for ensuring appropriate climate expertise and analytical capabilities are in place to support portfolio managers and research analysts in understanding the potential implications of climate change for security analysis and portfolio construction.



# NEUBERGER BERMAN'S KEY COMMITTEES

| | Membership | Description |
|---|---|---|
| **PARTNERSHIP COMMITTEE** | Leaders from large businesses and client channels, large equity holders and senior management across asset classes, including the Global Head of ESG & Impact Investing. | Engages in how to effectively develop the firm's investment strategies and client franchise through evolving markets, while enhancing our firm culture. |
| **INVESTMENT RISK COMMITTEE** | Senior investment leaders including the CRO (Chair), CEO, President and CIO for Equities and other senior investment and risk professionals. | Oversees investment performance and risk evaluation, acts as an escalation point for investment risks, evaluates the suitability of new products under consideration, and oversees and reviews commingled fund liquidity. |
| **OPERATING COMMITTEE** | Global heads of the firm's operating platform functions, including marketing, product COOs across asset classes. | Engages in how to promote high-quality execution of our business, including opportunities for global scale, regional specialisation and workforce development. |
| **OPERATIONAL RISK COMMITTEE** | Senior operations leaders, including the Head of Business Risk (Chair), CRO, COO, CFO, Chief Technology Officer (CTO), General Counsel – Asset Management and other senior risk, operations and technology professionals. | Provides oversight of and acts as an escalation point for risks that may expose the firm to uncompensated loss or significant business disruption, and acts as a forum for review and approval of actions taken to mitigate, manage or accept those risks. |
| **EMEA PRODUCT GOVERNANCE COMMITTEE** | Committee comprised of senior leaders (including Head of EMEA & LatAm)<br><br>Chaired by Head of Product Strategy – EMEA & APAC | Oversees product governance processes and controls, including development, management and regulatory compliance |

## NEUBERGER BERMAN'S KEY ESG COMMITTEES AND GROUPS

In addition, Neuberger Berman has formed specific ESG committees and groups comprised of senior professionals across the firm, which include:

| | Membership | Description |
|---|---|---|
| **ESG COMMITTEE** | • Chaired by the Global Head of ESG & Impact Investing.<br>• Comprised of senior investment professionals across all asset classes, including the CIO for Equities, and representatives from Equity, Fixed Income and Private Equity teams.<br>• Includes senior professionals from client coverage, risk management, legal and compliance, marketing and our client organisation. | The ESG Committee reviews the ESG Strategy for the firm. Its primary responsibility is reviewing the ESG Policy and amending it as needed. It also acts as a cross-asset class forum to share research on ESG issues and trends, and to drive deeper engagement and education on ESG topics across the firm. |
| **ESG PRODUCT COMMITTEE** | • Chaired by the Global Head of ESG & Impact Investing.<br>• Includes the CIO for Equities. | The ESG Product Committee oversees ESG commitments made at the product and/or investment strategy level. |
| **ESG PRODUCT OVERSIGHT COMMITTEE** | • Co-chaired by the Head of Business Risk and the Head of Investment Risk.<br>• Includes senior leaders such as the Global Head of ESG & Impact Investing, Head of Product Development, and other senior leaders across the support and controls teams (Compliance, Legal, Marketing and Risk). | The ESG Product Oversight Committee oversees previously approved ESG commitments made at the product and/or investment strategy level. |
| **CHALLENGE REVIEW GROUP** | • Includes selected members of the ESG Committee. | The Challenge Review Group is responsible for the critical review and decision of appeals submitted by investment teams against names identified as prohibited under an applicable avoidance policy. |
| **GOVERNANCE & PROXY COMMITTEE** | • Chaired by President & CIO for Equities.<br>• Comprised of senior investment professionals across Equities business. | The Governance & Proxy Committee oversees firmwide proxy voting guidelines and procedures, including NB Votes initiative. |
| **EMEA ESG PRODUCT COMMITTEE** | • Chaired by Head of Product Strategy EMEA and APAC<br>• Comprised of senior leaders and subject matter experts (including the Head of Europe Investing) | The EMEA ESG Product Committee is responsible for the approval of SFDR classifications for products being marketed in EMEA, European ESG badging, and related UK stewardship matters. |

## ADVISORY COUNCIL

Vijay Advani

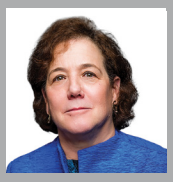
Former Executive Chairman of Nuveen, the Investment Management arm of TIAA, and current Chairman of the US-India Business Council Global Board of Directors

Ben Caldecott

Director, Oxford Sustainable Finance Program & Founding Director of the UK Centre for Greening Finance & Investment

Janine Guillot

Former Special Advisor to the Chair of the International Sustainability Standards Board



Mindy Lubber

President and CEO of Ceres, a sustainability focused non-profit organization based in Boston, MA

George Serafeim

Charles M. Williams Professor of Business Administration and Chair of the Impact-Weighted Accounts Project at Harvard Business School

Theresa Whitmarsh

Former Executive Director of the Washington State Investment Board and Chair of the Board of Directors, FCLT (Focusing Capital on the Long Term) Global

| | Membership | Description |
|---|---|---|
| ADVISORY COUNCIL | Consists of six respected external thought leaders across the ESG landscape, four of which have climate-specific expertise. | The Advisory Council brings the latest knowledge from academia, the non-profit sector and institutional asset owners to provide guidance on the future of impact investing and sustainability topics, and challenge us to go further in our own efforts. Unlike our ESG Committees, it is not part of the formal ESG governance structure. |

## ADVISORY COUNCIL CASE STUDY DISCUSSION
## NAVIGATING CARBON MARKETS

**Background:** In the aftermath of COP28, we saw a renewed focus on carbon markets and increasing interest from companies in using carbon offsets to meet their climate commitments. In engagements, our analysts have received specific questions from companies on whether to use offsets as part of their climate action plan, and how to ensure the quality of those offsets. We saw a clear need to establish internal guidelines on carbon markets for three reasons:

- **Companies are already using offsets:** offset retirements grew from 70 million in 2019, to 174 million in 2023.
- **If used credibly, offsets can lead to real-world impact:** offsets are an important option for sectors where decarbonisation technologies are not yet fully viable, and can support the Just Transition.
- **Offset usage can carry financially material risk:** concerns about environmental integrity both on the supply side (additionality of offsets) and demand side (potential for corporate greenwashing) can lead to reputational and litigation risk.

**Guidance:** Given the climate and carbon markets expertise of our Advisory Council members, we sought their input on how we should treat corporate carbon offset usage. The council members offered the following guidelines:

- In general, voluntary offsets should only be used in sectors where there is no credible decarbonisation trajectory to zero, i.e., hard-to-abate sectors like cement, steel, aviation. If companies are using offsets, they should have an existing climate action plan that shows what they are doing to reduce emissions internally.
- There is a use case for both avoidance and removal offsets at this time, with a preference for removals if financially feasible.
- Companies should be careful to avoid investing in offsets when it comes at the expense of innovation on carbon-efficient processes or products.
- Our position is not to change company offsetting behavior, but to monitor usage with the goal of minimising reputational risk within our portfolios.

**Implementation:** Following the Advisory Council, we held a carbon markets teach-in with professionals responsible for ESG integration across our platform. We also integrated these guidelines into our climate expectations engagement guide, which investment professionals across the firm use to engage with companies in sectors where climate is a material topic.

# RESOURCING STEWARDSHIP

## ESG Investing Team

Our dedicated ESG Investing team is responsible for setting the firm's global ESG Strategy in collaboration with the ESG Committee and after consultation with portfolio managers, CIOs and CEO of Neuberger Berman. The team drives the implementation of the global ESG strategy by deepening the integration of ESG themes into new and existing investment strategies. The ESG Strategy is reviewed by the firm's Partnership Committee and Board of Directors on an annual basis.

The team also coordinates the firm's approach to proxy voting and engagement, works with research teams on innovating our proprietary ESG assessment of companies and issuers, and leads thought leadership, highlighting our ESG research as a way to encourage dialogue and share best practices. The ESG Investing team is also responsible for providing guidance on avoidance policies that are applied to certain mandates or funds to minimise climate risks, support issuer engagement efforts on climate risks, and engage in discussions with policymakers and regulators to promote transparency and clarity on climate topics.

The team's work is supported by ESG working groups at the asset-class level that are responsible for providing context-specific expertise and assisting with education and implementation among the investment teams.

The Global Head of ESG and Impact Investing reports to the President and Chief Investment Officer—Equities. The ESG Investing team consisted of 27 professionals with a range of backgrounds, including asset management, portfolio management, environmental management, data science, non-governmental organisations and public policy. Further, several senior team members bring asset class-specific and market-specific expertise. This range of skillsets enables the team to partner effectively with teams across geographies and asset classes on their ESG integration and stewardship efforts. Upon joining the team, new members are trained in our investment processes and approach to ESG integration. Given the increasing client demand for ESG-integrated products and associated reporting, we continue to reassess our resources, capabilities and systems to ensure that we are able to meet client objectives. In 2023, we completed a substantial vendor selection project to find a vendor with a strong understanding of the ESG regulatory landscape that could complement our ESG Data team and enhance our reporting capabilities; for more details please see Principle 8.

The ESG Investing team also presents to the Operating Committee and the Partnership Committee to engage with them on implementation of ESG across the platform, and to report on progress and goals for the coming year.

Ongoing efforts undertaken by the ESG Investing team in partnership with the ESG Committee include in-depth reviews of trade association memberships to ensure alignment with our ESG Policy, the development of investment tools to better assess climate transition risk, and the implementation of a Global Standards Policy in accordance with human rights and ethical business conduct expectations. The team also continues to play a key role in implementing SFDR across relevant strategies, including the European ESG Template ("EET"), SFDR Pre-contractual, Periodic Report Templates and Website Disclosures, and ensuring that a robust process is in place to monitor the designations in light of evolving legislative and industry guidance and best practices. This includes further automation of and enhancements to SFDR processes to facilitate investment team interaction with our proprietary tools.

## ESG Committee

The ESG Committee is responsible for the annual review of the ESG Policy, which is then amended as needed and presented to the board of Neuberger Berman.

The ESG Committee is chaired by the Global Head of ESG and Impact Investing and is comprised of senior professionals across all asset classes and functions of the firm, including the President and Chief Investment Officer—Equities, senior portfolio managers from the Fixed Income and Private Investment teams, the Heads of Research across the investment platform, the Chief Risk Officer and senior professionals from our client coverage teams, and Legal and Compliance.

The ESG Committee oversees ESG efforts firmwide, including the review of goals and priorities such as the development of new ESG-integrated investment strategies, monitoring implementation, measuring performance and contributing to annual reporting to networks like the UN PRI, the UN Global Compact and the Task Force on Climate-related Financial Disclosures ("TCFD"). The ESG Committee also acts as a cross-asset-class forum to share research on ESG issues and trends, and to drive deeper engagement and education on ESG topics across the firm. The ESG Committee reviews collaborative initiatives and memberships.

A detailed description of the Committee's broader responsibilities can be found in our ESG Policy.

## ESG Product Committee

Neuberger Berman's ESG Product Committee was established as a sub-committee of the ESG Committee to ensure the integrity of any ESG-related claims made by our strategies through our shared labelling system.

The ESG Product Committee is comprised of senior leaders, including the Global Head of ESG and Impact Investing, President and Chief Investment Officer—Equities, and Head of Investment Risk, and is an additional mechanism embedded to ensure compliance for our ESG integration practices.

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.

For ESG-integrated funds, the ESG Product Committee focuses on making sure that the investment teams apply firm-level ESG processes and tools, such as the NB Materiality Matrix and the NB ESG Quotient, in their investment process. Portfolio managers must also provide case studies showing how ESG is integrated into their investment decision-making as well as an understanding of the low ESG-rated names in their portfolio. For example, for thematic funds, the ESG Product Committee asks the investment teams to explain how companies relate directly to the relevant theme as well as why some have low ESG ratings.

## EMEA ESG Product Committee

The EMEA ESG Product Committee was established as a sub-committee of the EMEA Product Governance Committee to strengthen the local governance structure and improve the overall effectiveness of the systems of compliance, risk management and internal controls of ESG-related claims made by our products in EMEA or marketed in EMEA. The Committee is comprised of senior leaders and subject matter experts, including the Head of Europe ESG Investing.

The EMEA ESG Product Committee is responsible for the approval of SFDR classifications for all new products launched in EMEA and all ex-EMEA products being marketed in EMEA, European ESG badging, and related UK Stewardship matters. The Committee makes recommendations to the EMEA Product Governance Committee on any area within its remit where action is needed. Where it is identified that a significant issue has occurred, or a risk has been identified, it may be necessary to engage the Board of NBEL for guidance and approval. For example, in 2023, the EMEA ESG Product Committee reviewed and approved the SFDR Periodic Reporting drafting and approval process for our UCITS and QIAIFs classified as Article 8 or 9 under SFDR, the UK Stewardship Code Report, and reviewed several reclassification requests for European products. Moreover, the Committee undertakes periodic training on relevant subjects to ensure that the members of the Committee can properly discharge their duties.

## ESG Product Oversight Committee

The EPOC was established as a sub-committee of the ESG Committee, which is a functional committee overseeing global ESG investing matters for Neuberger Berman businesses. The ESG Product Oversight Committee was redesigned toward the end of 2022 with the objective of providing ongoing assurance that ESG-related claims and commitments approved at the ESG Product Committee are implemented appropriately, and that those claims and commitments are articulated accurately and consistently in key materials (e.g., prospectuses, fund documents, pitchbooks). Examples of strategies/funds/products in scope for review include those with an internal ESG rating of Assess (Integration), Adapt (Transition or SDG Engagement), Amplify (Sustainable) or Aim for Impact (Impact); where net-zero commitments have been made; and/or SFDR designations, MiFID II Sustainability preferences or independent labels apply. The EPOC is co-chaired by the Head of Investment Risk and Head of Business Risk, and includes members from the ESG Investing, Legal and Compliance, Product, Marketing and Risk groups.

## Internal Audit Function

The Internal Audit team's primary role is to help the firm protect its assets, reputation and sustainability. This team operates as an independent function to provide accountability to senior management through assessment of the control framework. In addition to regular ESG portfolio reviews, the team conducts annual audits of ESG integration practices firmwide and of individual investment teams, and reviews of key stewardship metrics, including elements of PRI reporting.

The role of the Internal Audit team in relation to auditing ESG matters is described in more detail in Principle 5.

## Enterprise Risk Management

Neuberger Berman employs a risk management framework that features dedicated investment risk, operational risk, and guideline oversight and supervision teams, including Asset Management Guideline Oversight ("AMGO") and Central Supervision. In order to provide organisational checks and balances, these teams are independent of the firm's portfolio managers. Together, they provide for consistency

in and frequency of risk reviews, and have an ability to escalate to executive management and our Board regarding certain issues, including unusual investment, and counterparty credit, operational or reputational risk matters that may have a potential effect on either client portfolios or the investment management business as a whole. Risk teams also collaborate with other control units of the firm as appropriate, including Legal and Compliance, Internal Audit, Finance and Operations.

Since the implementation of SFDR Level 2 at the end of 2022, AMGO distributes weekly Sustainable Investment exposure updates during quarter-ends, listing the percentage of Sustainable Investments in our UCITS that have a sustainable investment commitment. AMGO also conduct a substantial attestation process to ensure that ESG commitments in our public funds are complied with. Our control groups meet with portfolio management and business units to help identify risks and proactively mitigate such risks to the extent possible to maintain a strong internal control environment.

Neuberger Berman has an established governance framework for assessing the efficiency of the group enterprise risk management which includes the Neuberger Berman Group Board, Partnership Committee, Operating Committee, Investment Risk Committee, Operational Risk Committee, ESG Committee, and at the regional level, the NBEL Board, EMEA Risk and Compliance Committee, EMEA Product Committee, EMEA ESG Product Committee and EMEA Conflict of Interest Committee. The establishment of these committees' membership ensures fair representation of business skills and competences to deliver an efficient oversight of our Risk Pillars, described further in Principle 4.

## Portfolio Managers and Research Analysts

Investment professionals throughout our firm are responsible for carrying out stewardship activities and incorporating material ESG factors in portfolios and investment research. A high percentage of our professionals have the responsibility of ESG as a part of their role.

Each portfolio manager has a customised approach to ESG integration that is driven by multiple factors, including strategy objectives, asset class and investment time horizon, and the specific research and portfolio construction process used by the portfolio manager. Each portfolio management team determines how best to achieve its ESG integration objectives—from conducting research into ESG-related risks, to measuring and comparing ESG issuers at the security level.

For all ESG-integrated strategies, each portfolio management team selects an approach from our ESG Integration Framework: Assess, Adapt, Amplify, Aim for Impact or Avoid. In building their portfolios, portfolio managers consider whether to seek a more holistic understanding of risk and return ("Assess"), seek to achieve social and/or environmental outcomes through engagement ("Adapt"), tilt the portfolio to best-in-class issuers ("Amplify"), invest in issuers that are intentionally generating positive social/environmental impact ("Aim for Impact") or simply exclude particular companies ("Avoid"). Please see Principle 7 for further information on our ESG Intergration Framework.

The approach to integration can be further customised by the type of vehicle employed for investing, such as implementing client-specific avoidance criteria, tilting toward specific ESG characteristics valued by the client, or seeking certain types of positive impact (please see Principle 7). To review the degree of ESG integration across the firm, the Global Head of ESG and Impact Investing actively participates in the investment performance review of a number of ESG-integrated investment teams chaired by each platform's Chief Investment Officer.

### A FORMAL PROCESS TO DETERMINE OPTIMAL ESG INTEGRATION

Portfolio managers work with the ESG Investing team to develop their ESG research and integration approach

**Determine Optimal Level of ESG Integration For Investment Strategy**

**Consider multiple factors:**

- Strategy objectives
- Asset class considerations
- Investment time horizon
- Investment philosophy
- Research process
- Portfolio construction

**Incorporate Framework Into Research & Portfolio Construction Process**

- Research ESG-related risks and opportunities
- Formalise process to measure and compare ESG issuers at security level
- Consider ESG in operational due diligence of third-party managers
- Construct portfolios influenced by these insights

**Formal Review and Approval From ESG Product Committee**

- Focused on ensuring framework is consistent with:
  - Firm ESG standards
  - PRI requirements
  - Regulatory requirements
- Formal review and approval of ESG integration approach by ESG Product Committee

**Monitor Through Ongoing Governance and Transparency**

- Annual review of sustainable and ESG-labelled products by ESG Product Oversight Committee
- Monitor compliance with guidelines and exclusions, including internal audit
- Risk monitoring
- Regular review of proprietary ratings, Climate Value-at-Risk
- Investment performance reviews vs. ESG benchmarks
- Compensation tied to ESG research insights and integration

ESG is included in the work of our research analysts rather than a separate ESG research team. To augment our analysis, we regularly add new data sets and leverage the capabilities of our Data Science team. With custom ratings covering more than 4,000 equities and 2,700 credit issuers, the investment teams can choose how best to apply all the tools of active management. Further details of our approach to ESG integration are set out in Principle 7.

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

## Governance and Proxy Committee

Neuberger Berman has designated a Governance and Proxy Committee ("Proxy Committee") with the responsibility for: (1) developing, authorising, implementing and updating Neuberger Berman's policies and procedures in relation to governance matters; (2) administering and overseeing the governance and proxy voting processes; and (3) engaging and overseeing any third-party vendors to monitor proxies and/or apply our custom guidelines. The Proxy Committee consists of Senior Management from across the firm, including the Chief Investment Officer—Equities, the Head of Global Equity Research, the Global Head of ESG and Impact Investing, senior portfolio managers, as well as a senior member of the Legal and Compliance Department, who will advise on matters as they arise.

# REFLECTION ON THE EFFECTIVENESS OF OUR GOVERNANCE STRUCTURES

Our commitment to continuous improvement includes reviewing the effectiveness of our governance structures and processes. Our committee structures, responsibilities and membership are reviewed on at least an annual basis. Oversight of effective stewardship is integrated into all levels of our governance structure and processes. Whilst we believe our stewardship remains robust, we also strive for continuous improvement, as described below.

## 2023 Developments

**EMEA ESG Product Committee:** The EMEA ESG Product Committee was established as a sub-committee of the EMEA Product Governance Committee to strengthen the local governance structure and improve the overall effectiveness of the systems of compliance, risk management and internal controls of ESG-related claims made by our products in EMEA or marketed in EMEA. In 2023, we expanded the committee from eight to 15 members. This expansion included the addition of two new positions at Neuberger Berman: the Head of ESG Data (see Principle 8 for more details on this role) and the Private Markets ESG Regulatory Specialist. These roles were introduced to bolster our competence and capacity within ESG and effective stewardship. The Committee's responsibilities were also expanded to include the review and consideration of all climate risks and opportunities. Please see section above for further details on its scope and membership.

**Advisory Council:** Previously, we established the NB Advisory Council, comprised of industry experts, to bring the latest knowledge from academia, the non-profit sector and institutional asset owners, and to guide our ESG investing journey. In 2023, our expert Advisory Council members provided guidance on the future of impact investing and sustainability topics, such as navigating carbon markets, and challenged us to go further in our own efforts. The Council meets quarterly, and has previously focused on the topics of net-zero and climate transition investing, biodiversity and ESG investing in China.

**Data and Technology:** In response to the growing importance of ESG data and stewardship reporting, we created the ESG Data and Technology team and appointed an ESG Data Stewardship officer, responsible for ensuring data quality and accuracy. The team is responsible for ESG Data management, building ESG technology solutions, integrating ESG data into technology applications and supporting the ESG Investing team. In 2023, the ESG Data Steward was driving the vendor selection process for scaling our ESG regulatory reporting initiatives (please see Principle 8). The team also supports our engagement tracking tools and reporting capabilities. Enhancements to these tools have enabled us to capture further details on individual engagements and meet client expectations for detailed engagement reporting. We discuss our investments in systems, processes, research and analysis, as well as the use of services providers throughout this report, particularly in Principles 6, 7, 8, 9 and 12.

**Deepening our Engagement Efforts:** In 2023, we launched an internal engagement working group with representatives from investment teams across equity and fixed income. The working group meets quarterly to support and improve the effectiveness of our existing engagement practices, drive efficiencies, promote knowledge-sharing across teams, and identify opportunities for further enhancements to our engagement program to better serve client needs.

## 2024 Expected Developments

With evolving investor objectives, regulatory pressure and global challenges driving interest in ESG, we are focused on the following broad sustainability trends and themes:

**Regulation:** Sustainable policy and regulation are evolving quickly. While disclosure requirements for asset managers continue to emerge around the world, data availability and quality remain a challenge. We are optimistic that the EU's Corporate Sustainability Reporting Directive (CSRD) and other incoming International Sustainability Standards Board (ISSB)-aligned reporting standards will help asset managers access key sustainability-related information. However, most frameworks requiring ISSB reporting will take time to materialise into relevant disclosures from investee companies, and standards on other topics than climate change (e.g., biodiversity or human rights) will only be available in a few years. Given the need to improve data and ESG ratings, we welcome that regulators continue to introduce rules and codes of conduct for ESG ratings/data providers. Finally, we encourage policymakers to continue to consider transition finance as part of taxonomies and disclosure frameworks, and are looking forward to seeing more standards around the credibility of transition plans as a result of the ISSB endorsing the UK's Transition Plan Taskforce (TPT) recommendations.

Furthermore, we continue to keep a close eye on regulatory efforts aimed at enhancing transparency and investor protection in the growing ESG market while also preventing misleading and deceptive marketing practices. This includes the European Securities and Markets Authority ("ESMA") Guidelines on funds' names using ESG or sustainability-related terms, and the UK's SDR which includes an anti-greenwashing rule to combat misleading claims about the sustainability credentials of financial products. By ensuring our ESG-related processes and methodologies are robust and in line with the spirit of these regulations and guidelines, we strive to promote integrity, transparency and accountability in our disclosures thereby fostering trust and confidence among investors. Please see further information on our efforts to combat greenwashing in Principle 5.

**Climate and Net-Zero Commitments:** As an asset manager with a long-term perspective, Neuberger Berman recognises the impact of climate change and that the transition toward global net-zero emissions is well underway. Ultimately, countries will be shaping policy around their Nationally Determined Contributions (NDCs), and, as investors, we have to consider the impact of those policies. We are committed to understanding the climate-related risks and opportunities that are material to the portfolios we manage, as well as to our business strategy and operations, and managing risks that are material to our business. We have also joined the Net Zero Asset Managers Initiative, and set interim targets for our in-scope portfolios.

The extent to which climate considerations are factored into investment decisions is twofold. First, in line with our fiduciary duty to our clients, we consider climate risks or opportunities that may affect the financial performance of a security or a portfolio. We believe that climate risks for many sectors are material, and therefore, we consider climate risk factors alongside any other environmental, social and governance (ESG) or financial factor that could impair client capital.

Secondly, we know that, for many of our clients, the climate impact of their portfolio is an increasingly important consideration in conjunction with investment performance. For clients with these outcome-focused objectives, we also consider how climate risks and opportunities may contribute to the requested sustainability outcomes. To serve these clients, we have continued to expand the climate-related solutions we offer at both the asset allocation and individual investment strategy level, including our climate transition, impact and thematic strategies.

Looking ahead, we believe governments, companies and investors will continue to feel and respond to the effects of climate change, and new investment risks and opportunities will arise as a result. We are dedicated to continuing to identify, assess and manage these risks and opportunities to protect client assets. As regulators increase sustainability disclosure requirements, climate data gaps will eventually narrow. We will continue to do our part by thoughtfully engaging with issuers to encourage them to disclose financially material climate risks and formulate action plans to address those risks. As data quality improves, we will also seek to enhance our climate risk measurement tools and extend their applicability across additional asset classes. Finally, we look forward to continuing to partner with our clients on developing solutions that meet their individual investment and climate objectives.

**Impact/Thematic Offerings:** We find that the majority of stakeholders believe meaningful data on the social and environmental impact of funds could be transformational for the investment industry. Through the integration of the UN SDGs, investors are able to target businesses growing in a sustainable way. Clear and growing demand from investors to quantify impact moving away from purely financial materiality to "double materiality"[7] has led to growth in targeted thematic funds, attracting investors who are able to express their own values and goals through their investment choices.

**Data/Technology:** A key ESG challenge for the investment industry is the availability and reliability of data and measurement. We are continually exploring new ways to strengthen our investment processes, enhance our data and tools, and provide transparent reporting to our clients. We believe data from non-traditional data sources such as alternative or big data is likely to transform active management over the coming years, minimising the reliance on voluntary disclosure and large third-party data providers. For example, we will continue in 2024 with our work on a best-in-class vendor selection project to find a vendor with experience in the ESG regulatory space to assist with data requirements under various disclosure regulations. Further, we are also using machine learning and natural-language-processing techniques. At this juncture we believe it allows us to identify non-obvious candidates whose contribution to one or more sub-themes may not be fully expressed in financial disclosures, but still is critical to the fundamental thesis on the security.

We intend to continue efforts to develop a range of investment solutions that respond to specific sustainability needs of clients across asset classes. We are excited to partner with our clients to help manage climate-related risk and ultimately achieve net-zero portfolios. We will also continue to deepen our proprietary, analyst-led ESG insights and engagement efforts to drive meaningful change over time.

**Artificial Intelligence (AI):** AI is presenting new opportunities across all aspects of investment management, including the ESG investing space. Building on the firmwide efforts to foster AI adoption, in late 2023, we launched the AI for Sustainable Investing Task Force, which has pulled together representatives from the ESG Investing Team, Investment Research, ESG Data and Technology. The group focuses on identifying and documenting ESG-specific use cases and ESG prompts for ChatGPT, serving as champions across the firm and educating our peers on ESG AI efforts. The group also pilots various use cases in depth in an effort to create solutions.

Broadly we have identified several use cases for ESG across three categories: 1) fostering greater accessibility and engagement with ESG data and insights across the firm, 2) enhancing operational efficiencies specific to ESG processes, and 3) fortifying governance efforts.

Today, use cases primarily consist of leveraging AI to support research efforts and investment write-ups, enhance governance efforts by having better capturing meeting minutes and action items across key ESG Committees, assist with regulatory and policy writing, support the development of proxy voting topical research and framework creations.

[7] Double materiality takes into account both the financial impact and environmental impact.

Additionally, we have been testing the use of AI to identify and isolate consistent data points across long qualitative reports such as the TCFD, or company Sustainability Reports, which can then inform trend analysis and company trajectory. We also believe that AI can strengthen our engagement with companies, firstly, by using our internal research which is supported by AI to validate company sustainability commitments relative to our views, and secondly, by questioning companies on their use of AI, to ensure they are benefiting from the efficiencies but also factoring in the necessary governance around its use.

Climate and more specifically net-zero has been another key area where we are seeking to leverage AI.

- We explored how AI might be able to correct for the fragmented and backward-looking nature of climate data by helping paint a clearer picture of companies' climate strategies. In particular, we piloted the application of in-house AI capabilities to more efficiently extract information from sustainability reports and assess the use of proceeds for green bonds. This resulted in significant time savings for the credit analysts which can allow for more time to be spent on deeper credit analysis and engaging directly with companies.
- We are also using AI to help analyse and validate the results of our proprietary Net-Zero Alignment Indicator that seeks to capture a company's current status and progress over time toward net-zero targets by looking at long-term ambitions, short- to medium-term targets, disclosure, emissions performance, decarbonisation strategy and capital allocation. AI enables us to more efficiently identify outliers in terms of leaders and laggards, capture changes in data over time, and perhaps more importantly what is driving that change, summarise deviations in scores which is particularly effectively from a reporting perspective, and even helping us to write the code behind our model.

Lastly, we recognise the significant environmental impact that AI has on the environment mainly due to the significant computational resources required. Factors like energy consumption, carbon footprints, e-waste and resource extraction can financially impact companies across sectors. We are developing an engagement framework to enable research analysts to better address these topics directly with companies and evaluate their financial materiality.

## Performance Management and Incentives to Integrate Stewardship

We consider the incorporation of ESG issues as part of our portfolio manager and analysts' overall duties; therefore, incorporating ESG issues into our investment process is tied to overall investment performance, which directly affects the variable pay of investment professionals at all levels. Investment professionals throughout the firm are responsible for incorporating material ESG factors in portfolios and investment research. To reinforce the importance of ESG, compensation for many investment professionals is tied to ESG research insights and integration. As an example, our central research equity department of investment professionals incorporate proprietary ESG ratings for the stocks under their coverage. As part of the annual evaluation process, we review each analyst's engagement statistics and outcomes for the year. These considerations are a major factor (incorporated into about one-third of the annual performance measurement) in their annual compensation.

As part of the annual review and reward process, when assessing the performance of staff, NBEL identifies current and future risks, including reputational, ESG and sustainability-related risks. The consideration of NBEL ESG and sustainability risks are incorporated into the relevant NBEL staff performance assessment along with all relevant risks. We believe this incentivises and motivates NBEL staff to consider ESG-related performance as part of their individual performance reviews. This approach promotes sound and effective risk management and discourages excessive risk-taking with regards to ESG or sustainability risks or otherwise. It also showcases the importance NBEL places on integrating ESG into the NBEL investment and remuneration processes.

## Training

All of our major investment teams participate in training on stewardship and ESG incorporation, supported by our ESG investing team and external partners. This is not one-time training; we regularly circulate updates as they arise, and provide teach-ins and seminars on global trends, new regulations and PRI developments.

We continue to develop the necessary procedures to help educate and train the firm's global investment professionals on ESG matters by regularly communicating and providing educational teach-ins, attending departmental meetings and writing internal blogs on global ESG trends such as biodiversity, regulatory updates, proxy voting and internal tools that are available, such as the Net-Zero Alignment Indicator (discussed further in Principle 4). For example we hold quarterly sessions on ESG policy and regulation with investment teams to ensure the uniform implementation of regulatory requirements across the firm and discuss financially material implications of policy changes with portfolio managers. To further support our investment teams' engagement efforts, we have developed engagement guides on key thematic topics which include detailed information along with relevant policies and expectations.

In 2023, we launched an internal video series focused on ESG investing at Neuberger Berman that is available to employees on our internal training and development portal. This series, to be recorded by members of the ESG Investing Team, is designed to help our colleagues learn more about ESG investing, specifically around how we integrate ESG across our asset classes, our differentiated approach within the industry, the capabilities we offer such as stewardship and engagement, data and metrics we leverage, reporting capabilities and investment exclusions that we can apply and an overview of the ESG regulatory landscape.

In addition, during 2023, we provided several trainings including:

- A training for investment teams running European products (UCITS, QIAIF, European segregated mandates) to ensure their knowledge and awareness of principal adverse impact (PAI) and Sustainable Investments remains current, and to demo tools designed to support investment teams in fulfilling obligations specifically with regards to PAI and Sustainable Investments.
- A training for investment teams to improve their awareness and understanding of the different corporate sustainability reporting initiatives around the world, and how best to engage with companies in setting expectations on reporting aligned to the most applicable reporting standards.
- A quarterly open forum for investment teams to raise any questions regarding the evolution and changes in global ESG policy and regulation.

We also encourage all professionals to enhance their skills through their own chosen methods, which may include the CFA ESG course of study, further education and degrees, and/or other activities.

## Diversity of the Workforce

As a firm, we aim to hold ourselves to the same ESG standards as the companies in which we invest. We have firmwide goals for each of our sub-indices within our overall Diversity Index:

- **Diversity Index:** We aim for the Neuberger Berman employee population to reflect the overall university-educated population. The closer the correlation, the higher our Diversity Index score.[8]
- **Equity & Inclusion Index:** We aim for there to be no difference between the experience and opportunities of people of different diversity identifiers across our three key drivers identified above. The closer the survey scores become, the higher our overall Equity & Inclusion Index score.[8]

Neuberger Berman's Employee Resource Groups include NB Pride, NB Asian Network, NB Black Experience, NB Women's Forum, NB Veteran's Group, NB Hispanic and Latinx Network, NextGenNetwork and NB Parents.

We participate in an array of initiatives to help benchmark and ultimately improve our equity, inclusion and diversity efforts, as well as share best practices with the industry. Some examples include:

- **Investment20/20.** NBEL has signed on as a participant. Investment20/20 is an award-winning sector-led talent service for the investment management industry, providing a platform for our industry to reach and develop capable young people from more diverse backgrounds. Investment20/20 is part of the Investment Association and funded separately by 50+ members, all of whom have a shared mission to develop a healthy and diverse entry-level talent pipeline for our industry. The program focuses on three key areas: accessing talent, recruiting talent and developing talent. As a member of Investment20/20, Neuberger Berman will be encouraged to participate in the organisation's pre-entry programs and take on trainees.
- **#10000BlackInterns.** We are participating in the UK-based effort to help black students kickstart their career in investment management through six- to eight-week paid summer internships in the London office.
- **CEO Action for Diversity & Inclusion.** Neuberger Berman is a signatory of CEO Action for Diversity & Inclusion, the largest CEO- driven business commitment to advance diversity and inclusion within the workplace.
- ***Financial Times* European Diversity Leaders Survey.** Neuberger Berman was named Diversity Leader in 2023, 2022 and 2021 by the *Financial Times* in the publication's annual ranking of European Diversity Leaders.
- **Armed Forces Covenant.** Neuberger Berman is a signatory of the Armed Forces Covenant (UK), pledging support for the armed forces community. The firm also received the Defence Employer Recognition Scheme (ERS) Bronze Award, which recognises organizations that support the armed forces community.
- **McKinsey & Company Workplace Studies.** Neuberger Berman is a participant in the McKinsey & Company Workplace Studies, Women in the Workplace, Race in the Workplace and DE&I in Private Markets in an effort to share our employee data and benchmark our efforts to progress toward gender equality.
- **Institutional Limited Partners Association's (ILPA) Diversity in Action Initiative.** Neuberger Berman is a signatory of Institutional Limited Partners Association (ILPA) Diversity in Action Initiative, which seeks to promote diversity, equity and inclusion in the private equity industry.

[8] US employee population only.

- **UN Global Compact Agreement.** Neuberger Berman is a signatory of the United National Global Compact and committed to reporting and advancing progress across 10 key principles, including human rights and labour.
- **CFA Institute DEI Code.** Neuberger Berman has become a signatory of the CFA Institute's Diversity, Equity, and Inclusion Code in the US, Canada and the UK, which provides guidance for the investment industry to embrace and realise diversity, equity and inclusion. DEI Code signatories commit to six principles that seek to drive DEI progress as it relates to the talent pipeline, staff acquisition, promotion and retention, leadership, influence and measurement—all of which are well aligned with our EID framework.

We are also proud to have received awards for our ESG efforts. These include:

- ***Pensions & Investments*' "Best Places to Work in Money Management".** In 2023, Neuberger Berman ranked second in *Pensions & Investments*' Best Places to Work in Money Management (among those with 1,000 employees or more). This marked the tenth consecutive year the firm has finished first or second in the rankings.
- **Corporate Equality Index.** Neuberger Berman received a score of 100 and earned us the Equality 100 Award: Leader in LGBTQ+ Workplace Inclusion as part of the Human Rights Campaign Foundation's 2023, 2022 and 2021 Corporate Equality Index, the foremost benchmarking survey and report in the US measuring corporate policies and practices related to LGBTQ workplace equality. Neuberger Berman is also a member of the Business Coalition for the Equality Act, supporting passage of the legislation that enshrines civil rights protections for LGBTQ people.
- **Social Mobility Data Collection.** We have also recently started to collect self-identified social mobility statistics in select countries to further evaluate socioeconomic diversity at the firm. We plan to expand this program to eligible countries in EMEA as part of our continued commitment to equity, inclusion and diversity.
- **NB Insights Day.** This year, NBEL hosted its annual social mobility initiative, the Insights Day, in partnership with the EMEALA EID Committee. This event hosts students from underrepresented backgrounds to gain an informative 'insight' into the world of asset management.

## Looking Ahead

We know it's not enough to talk about ESG ideas, but rather embody them in our own practices. It has been roughly four years since we secured a sustainability-linked corporate revolving credit facility that ties our borrowing cost to our performance against key ESG metrics. Having met those targets for 2020, 2021, 2022 and 2023, we remain ambitious in our goals for the coming years to deliver on diversity initiatives and more firmly establish our plans to achieve net-zero emissions. Further, as evidenced by our 2023 developments described earlier, we continue to assess the effectiveness of our structures and processes. We will carry the same commitment to improving into 2024.

# PRINCIPLE 3

Signatories manage conflicts of interest to put the best interests of clients and beneficiaries first

Various EU Directives and UK regulatory rules require asset managers to make necessary specific arrangements in terms of organisation and controls to prevent conflicts of interest and, when they cannot be avoided, to identify, manage and monitor them to avoid damaging clients' interests and, should they arise, disclose these situations to clients.

The UK Stewardship Code, under its third principle, provides that its signatories disclose their conflicts policy and how it has been applied to stewardship arrangements. This section aims to explain NBEL's approach to conflicts of interest arising from its stewardship, including engagement and proxy voting activities. As an investment management firm, NBEL is authorised and regulated by the Financial Conduct Authority (the "FCA"), and therefore will follow the FCA's regulations when it comes to conflicts of interest.

NBEL's objective is always to act in the client's best interest when considering matters that are relevant to stewardship, including voting and engagement. In accordance with FCA requirements, NBEL has established and implemented effective conflicts of interest arrangements that are appropriate to its size and organisation, nature, scale and the complexity of its business. Further details are outlined below, as well as within NBEL's Conflicts of Interest Summary, which can be found on Neuberger Berman's website.

## Our Conflicts of Interest Policy

NBEL's Conflicts of Interest Summary sets forth its commitment to always act professionally, and to always keep the best interests of clients and their beneficiaries in mind. NBEL will take appropriate steps to identify circumstances that may give rise to actual and potential conflicts of interest that could entail a risk of damage to clients' interests. In the normal course of business, as in any large financial institution, situations resulting in potential or actual conflicts of interest may arise. There is nothing inherently unethical when they do, subject to compliance with regulatory and legal requirements. However, the abuse of such situations is clearly improper, and NBEL is committed to managing these conflicts of interest to prevent abuse and protect clients, employees and counterparties.

Across Neuberger Berman, employees take reasonable steps to identify any conflicts of interest between the firm—including its managers, employees or other relevant persons—and its clients, or among the firm's clients. Integrity, fairness, impartiality and primacy of clients' interests occupy a leading place in our ethical rules and values. NBEL's Conflicts of Interest Policy is detailed and comprehensive, but this report looks in more detail at NBEL's Stewardship Conflicts of Interest Policy, as described below.

## Our Stewardship Conflicts of Interest Policy

Due to the importance of stewardship to our business, NBEL has developed a specific Stewardship Conflicts of Interest Policy. We acknowledge NBEL's position as a fiduciary for our clients and their beneficiaries, and seek always to act in their best interests. Accordingly, we take reasonable steps to identify actual and potential conflicts that may give rise to a material risk of damage to the interests of our clients.

NBEL's business is also subject to many of wider Neuberger Berman policies, including, but not limited to, the Code of Conduct, which outlines the legal and ethical framework within which we conduct ourselves, and Code of Ethics, which is designed to ensure NBEL employees put client interests first and conduct their activities in a manner consistent with applicable laws and regulations.

Employees are provided with regular conflicts-of-interest training, including those newly joining the firm, who might not have previous experience with identifying conflicts. Employees are also required to provide regular affirmations of conflict identification to the Compliance Department.

## Potential Conflicts of Interest

Key aspects of our Stewardship Conflicts of Interest Policy are set forth below, and are complemented by further information and mitigations provided in our Stewardship Conflicts of Interest Policy, accessible here.

### Ownership Conflicts

The business of Neuberger Berman is investment management. As Neuberger Berman is privately owned by current and former employees and some family members, we believe its ownership structure generally aligns with clients, and we consider the conflicts of interest that may arise in relation to its ownership to be rare.

### Client and Prospective Client Conflicts

NBEL and its affiliates provide a range of investment services to institutional investors, including several pension funds sponsored by corporations, governments and other organisations. These services include proxy voting and engagement activities in accordance with our Stewardship and Engagement Policy with companies in which NBEL and its affiliates are equity shareholders and/or bond investors.

As a result, the following real or perceived conflicts may arise:

- We may engage with or vote the shares held in a company that is the sponsor of one of our pension fund clients, or is in the same group as one of our clients or prospective clients.
- We may engage with a government or government body that is the sponsor or associate of the sponsor of one of our clients or prospective clients.
- We may engage with a company that has a strong commercial relationship, including as a service provider, with Neuberger Berman/NBEL and its affiliates, and/or with clients or potential clients.
- We may vote on a corporate transaction, the outcome of which would benefit one client or prospect more than another.
- We may engage with a company in which certain clients or prospects are equity holders and others are bond holders.
- We may otherwise act on behalf of clients who have differing interests in the outcome of our activities.

### Employee Conflicts

At the individual level, employees may have a personal relationship with senior members of a company or board members, or personally own the securities of that applicable company in which we invest on behalf of our clients. Where such a personal connection exists, employees are required to disclose this to the Compliance Department, where an evaluation of the potential conflict is made, and relevant action taken. Employees are required to highlight any changes to their personal conflict situations as soon as they arise, and this is complemented through regular employee attestations.

### Securities Lending Conflicts

While NBEL is not currently engaged with securities lending activities, some accounts advised by other Neuberger Berman entities do. Income generated from such activity is retained by the relevant account(s). Neuberger Berman entities do not retain any benefit.

## Managing and Monitoring Conflicts

In all our activities, we seek to promote the long-term value and success of the companies in which our clients invest.

### Our Compliance Department

Stewardship and engagement activities are exercised with the aim of influencing the company's behaviour and enhancing long-term risk-adjusted returns for its investors. However, these activities are not carried out with the intention to change control of the issuer or obtain non-public information, nor is information obtained intended to manipulate the market or to be used in any other impermissible manner. In the case that material non-public information is obtained through stewardship or engagement activities, our Compliance Department is informed, and restrictions are put in place around the issuer until the information is publicly disseminated. During the application of the information barrier, stewardship professionals or any other member of Neuberger Berman's staff are not allowed to act upon, or share, the non-public material information. The Compliance Department of NBEL requires that all staff certify on a quarterly basis that they have complied with all NBEL's policies and conflict arrangements. Detailed management information outlining completion of every certification is provided to the Conflicts of Interest Committee and Board of NBEL. Where employees identified as either Senior Management Functions or Certification Employees under the FCA's Senior Manager and Certification Regime do not complete this exercise, they are highlighted to a Certification Committee consisting of Compliance, Human Capital Resources and NBEL Chief Executive Officer to consider appropriate action.

**Using Objective Assessments**

While we welcome client input and suggestions for engagement, all our engagement activities are selected and pursued based on an objective assessment of the severity of the problems faced by the companies being engaged or the opportunities available to them, the likely effect of public policy and regulation, and the likelihood of success in achieving value-enhancing change or mitigating value-destroying change. We give due regard to the value of the company to our clients and the value at risk given the issues in question.

In our engagements with companies that are the sponsors of (or in the same group as) our clients, we are careful to protect and pursue the interests of all our clients by seeking to enhance or protect the long-term value of the companies concerned. In the first instance, we make clear to all pension fund clients with corporate sponsors that we will treat their sponsoring parent or associated companies in the same way as any other company. In addition, we ensure that in such situations the relevant client relationship director or manager within Neuberger Berman or NBEL is not involved with the engagement or proxy voting process. This same approach would hold true with respect to any engagement with a company with whom we, our owners or our clients have a strong commercial relationship, including suppliers. To date, this type of conflict has not been identified, but if it were, it would be disclosed to clients. If we become aware of potential conflicts, they are disclosed as appropriate.

Proxy matters are conducted in the best interests of clients, in accordance with Neuberger Berman's fiduciary duties, and applicable rules and standards as outlined by the Investment Advisers Act of 1940, fiduciary standards and responsibilities for ERISA clients set out by the US Department of Labor, the UK Stewardship Code, the Japan Stewardship Code and other applicable laws and regulations.

In instances where NBEL does not have authority to vote client proxies, it is the responsibility of the client to instruct its ballots. In circumstances where NBEL has voting authority, NBEL will on a best-efforts basis comply with specific instructions to vote proxies, whether or not such client directions specify voting proxies in a manner that is different from NBEL's policies and procedures. NBEL will seek to vote all shares under its authority so long as that action is not in conflict with client instructions. There may be circumstances under which NBEL may abstain from voting, when it believes it would not be in the client's best interests for reasons such as the presence of share-blocking requirements or meetings in which voting would entail additional costs.

Clients and internal investment teams may at times have different immediate interests in the outcome of certain corporate activities, most notably in the result of a takeover bid involving two public companies. In addressing such situations, we are open with clients about the conflict and disclose it where practically possible. Written communications would be entered into with the client as applicable, in accordance with FCA rules.

## Proxy Voting Guidelines and Proxy Committee

As in other cases, through our company engagements and voting recommendations, we give greater consideration to the long-term value that could be created or is at risk of being destroyed for our clients than to the financial effect of a deal for any one client. For our internal investment teams, our Proxy Voting Guidelines serve to inform their assessment. However, they will make their final judgement independently with a view to their fiduciary obligations to their clients. In the event that a portfolio manager or other investment professional at Neuberger Berman believes that it is in the best interest of a client or clients to vote proxies other than as provided in our Proxy Voting Guidelines, the portfolio manager or other investment professional will submit in writing to the Proxy Committee the basis for his or her recommendation. The Proxy Committee will review this recommendation in the context of the specific circumstances of the proxy vote being considered and with the intention of voting in the best interest of our clients.

The Proxy Committee has designated responsibility for:

- Developing, authorising, implementing and updating Neuberger Berman's proxy voting policies and procedures
- Administering and overseeing the governance and proxy voting processes
- Engaging and overseeing any third-party vendors as voting delegates to review, monitor and/or vote proxies

The Proxy Committee consists of senior management from across Neuberger Berman, including the Chief Investment Officer— Equities, the Head of Global Equity Research, the Global Head of ESG and Impact Investing, senior portfolio managers, and a senior member of the Legal and Compliance Department who will advise on matters as they arise. If one of more members of the Proxy Committee are not independent with respect to a particular matter, the remaining members of the Committee shall constitute an ad hoc independent sub-committee, which will have full authority to act in the event of a conflict.

Views regarding corporate governance and engagement, and the related stewardship actions, are led by our ESG Investing team, in consultation with investment teams and professionals in the Legal and Compliance Department and the Global Equity and Fixed Income Research groups, among others. These insightful, experienced and dedicated groups enable us to think strategically about engagement and stewardship priorities.

See the following links: Governance and Proxy Voting Guidelines and Proxy Voting Policies and Procedures.

## Conflicts of Interest Are Reviewed

In instances where a material conflict of interest has been determined to exist, NB will generally instruct that such shares be voted in the same proportion as other shares are voted with respect to a proposal, subject to applicable legal, regulatory and operational requirements. NBEL believes that this process is reasonably designed to address material conflicts of interest that may arise in conjunction with proxy voting decisions.

Potential conflicts considered by the Proxy Committee in determining whether to deviate from our Proxy Voting Guidelines include:

- A material client relationship with a corporate issuer under consideration
- Personal or business relationships between portfolio managers and an executive officer, director or director nominee of the issuer
- Joint business ventures
- A direct transactional relationship between the issuer and senior executives at Neuberger Berman

Where an investment professional believes that it is in the best interest of a client or clients to vote proxies in a manner which is inconsistent with Proxy Voting Guidelines, then the investment professional must complete a formal questionnaire in order to provide further rationale to the Proxy Committee for consideration and to determine whether there is a material conflict of interest created in respect to the voting of the proxy in the requested manner. The Proxy Committee will then determine its own recommendation.

In addition to the measures set forth above, all staff members must flag to their line managers any potential conflict of interest they recognise. We also have policies that seek to avoid any potential conflicts for individual staff members of NBEL that arise from engagements with companies in which individuals have personal investments or some material personal relationship with a relevant individual. Where a staff member has a personal connection with a company, they are required to make the necessary disclosure, and are not involved in any relevant engagement activities undertaken by NBEL. Reporting and oversight of conflicts and potential conflicts of interests are carried out by the EMEA Conflicts of Interest Committee, a committee of the NBEL Board.

As part of Neuberger Berman's efforts to address and mitigate potential conflicts of interest, and in addition to the EMEA Conflicts of Interest Committee, it has formed a committee comprised of Chief Investment Officers, Chief Risk Officer, members of Neuberger Berman's Legal and Compliance Department, including Neuberger Berman's Chief Compliance Officer and General Counsel – Asset Management, and the Head of our Asset Management Guideline Oversight function. This committee generally meets quarterly to review the following, among other things: (i) investments by the Funds and other accounts advised by Neuberger Berman or its affiliates in other funds or other pooled investment vehicles (e.g., UCITS funds); (ii) asset allocation decisions, including decisions to allocate assets to internal portfolio managers (e.g., the allocation to a sleeve of a multimanager fund); and (iii) compliance with Neuberger Berman Investment Advisers policy on side-by-side accounts. This review focuses on trade allocation and rotation, a full holdings review, IPO allocation and performance review.

## Recording and Escalation

We maintain details of instances of conflicts as they arise in respect to proxy voting and engagement matters. In those limited circumstances where a conflict over our approach to providing voting recommendations (aside from that directed by third-party/client-specific policies) or engagement arises that is not amenable to resolution in the manner set out above, the matter is referred to those members of the Proxy Committee not deemed conflicted. They would form a separate sub-committee to consider appropriate further action. The group is guided by Neuberger Berman's mission to deliver long-term holistic returns, our published Responsible Ownership Principles, voting policies and other appropriate industry-endorsed guidance.

## Annual Review

Consistent with the firm's active management strategies, Neuberger Berman professionals remain informed of trends and best practices related to the effective fiduciary administration of proxy voting, engagement and stewardship. Neuberger Berman will revise its Proxy Voting Guidelines and engagement policies when it determines appropriate or when we observe the opportunity to materially improve the economic outcome for clients. Additionally, we will regularly undertake reviews of selected voting and engagement cases to better learn how to improve monitoring of our portfolio companies and the effectiveness of our stewardship activities.

We review the Stewardship Conflicts of Interest Policy annually, or at any point outside of that period where we identify a material change, to ensure it adequately reflects the types of conflicts that may arise so that we can ensure that they are appropriately managed and as far as possible mitigated.

## Case Study One

**Potential conflict:** We have been approached by several non-governmental organisations to support their agenda and engagement with select companies in which NBEL invests on behalf of its clients. This may cause a conflict of purpose between their agenda and the best interests of our clients more generally.

**How it would be addressed:** While we welcome dialogue with broader stakeholders and subject matter experts, our investment decisions including our proxy votes are based on our own independent analysis of companies, and an assessment of what is in our own clients' best interests.

## Case Study Two

**Potential conflict:** A director of Neuberger Berman may serve as a director of a company into which Neuberger Berman has also invested on behalf of its clients. Being an investor and also serving on the board of the company potentially presents a conflict of interest for the director and Neuberger Berman.

**How it would be addressed:** If our Proxy Voting Guidelines do not address a certain voting situation, such as a contested election, Neuberger Berman would generally instruct that such shares be voted in the same proportion as other shares are voted with respect to a proposal, or defer to a preselected independent third party to vote our shares. This type of potential conflict occurred in 2021. A director of Neuberger Berman served as a director of a company into which Neuberger Berman had also invested on behalf of its clients. In 2021, the company was subject to a proxy contest where the director's re-election was being contested. The Proxy Committee determined that a conflict existed and that we could not exercise our voting discretion. As a result, in accordance with our Conflicts of Interest policy, we deferred to a preselected independent third party to vote our shares.

## Case Study Three

**Potential conflict:** An issuer may be held across multiple Neuberger Berman investment teams through different asset classes (e.g., through asset-backed securities and public equities).

**How it would be addressed:** We mitigate potential conflicts through promotion of transparency and open communication via mechanisms such as posting engagements on shared calendars, having the Legal and Compliance Department review written correspondence with issuers, such as letters to ensure consistency with our Governance and Engagement Principles, and notifying key holders as appropriate. The Proxy Committee must approve any proxy vote that is inconsistent with Neuberger Berman's Proxy Voting Guidelines.

## Case Study Four

**Potential conflict:** From time to time, Neuberger Berman will invest a client's investments into its own affiliated funds. This takes place based on the idea that the investments are in the best interest of the client, and meet that client's investment restrictions and guidelines.

**How it would be addressed:** As part of Neuberger Berman's efforts to address and mitigate potential conflicts of interest, it has formed a committee comprising Chief Investment Officers, the Chief Risk Officer, members of Neuberger Berman's Legal and Compliance Department, including Neuberger Berman's Chief Compliance Officer and General Counsel – Asset Management, and the Head of our Asset Management Guideline Oversight function. This committee generally meets quarterly to review the following, among other things: (i) investments by the funds and other accounts advised by Neuberger Berman or its affiliates in other funds or other pooled investment vehicles (e.g., UCITS Funds); (ii) asset allocation decisions, including decisions to allocate assets to internal portfolio managers (e.g., the allocation to a sleeve of a multi-manager); and (iii) compliance with Neuberger Berman Investment Adviser's policy on side-by-side accounts (this review focuses on trade allocation and rotation, a full holdings review, IPO allocation and performance review).

## Case Study Five

**Potential conflict:** There are instances where we may determine to vote proxies in a manner which is inconsistent with Neuberger Berman's Proxy Voting Guidelines. For example, in accordance with our Proxy Voting Guidelines, we generally believe a public company executive should only sit on a maximum of two public company boards. If a director doesn't meet these expectations, we will generally oppose their re-election. This was the case at large industrial supply company in 2023. However, one of our investment teams believed it was appropriate to support the director's re-election at the April 2023 meeting. As described above, where an investment professional believes that it is in the best interest of a client or clients to vote proxies in a manner which is inconsistent with our Proxy Voting Guidelines, then the investment professional must complete a formal questionnaire to provide further rationale to the Proxy Committee for consideration and to determine whether there is a material conflict of interest created in respect to the voting of the proxy in the requested manner.

**How it was addressed:** Portfolio managers from various investment teams across Neuberger Berman invested in this company met with the Proxy Committee to discuss the merits of the proposal and any views teams had regarding the director. The Proxy Committee determined it was in our clients' best interests to support the re-election given the director's expertise, oversight responsibilities, and contributions to the board. Further, the Proxy Committee with support from portfolio managers decided to publish our vote and rationale in advance of the meeting date to clearly explain the reasoning behind our voting decision.

# PRINCIPLE 4

Signatories identify and respond to market-wide and systemic risks to promote a well-functioning financial system

As a global asset manager, identifying and monitoring market-wide and systemic risks is foundational to our ability to serve our clients. We've developed an enterprise risk assessment framework to identify, monitor and manage risk that allows the organisation to operate even under stressed conditions that may arise from material systemic or market events. These risks can vary in type, scope and severity—from macroeconomic risk to liquidity risk to physical climate risk.

We recognise that we have a vested interest in improving the functioning of capital markets as a whole. We believe encouraging the broader implementation of sound stewardship and ESG investing activities is an important part of this effort. In our view, this can best be achieved through policy advocacy and by working collaboratively with clients and others in the investment industry given the often non-diversifiable nature of market-wide and systemic risks. As policymakers play a crucial role in maintaining and enhancing the sustainability and stability of financial markets, we proactively engage with them on the key jurisdictions in which we invest and operate.

## Our Enterprise Risk Framework

Our risk management framework is crucial to our efforts in identifying and managing market-wide and systemic risk. Enterprise risk assessment is intertwined with the investment process, and we have implemented an effective framework to identify, monitor and manage risk that allows the organisation to operate even under stressed conditions that may arise from material systemic or market events. We identify enterprise risk across five pillars:

**FIVE PILLARS OF ENTERPRISE RISK**

| Strategic Risk | | | Financial Risk | Investment Risk | Operational Risk | Regulatory Risk |
|---|---|---|---|---|---|---|
| **Client Platform** | **Product Offerings** | **Human Capital and Culture** | **Financial Strength** | **Investment Risk** | **Operating Platform** | **Legal/Regulatory Regime** |
| Adequacy of client activity to support the target platform footprint | Ability to innovate, maintain and scale competitive and sustainable strategy offerings | Ability to attract and retain talent who embody our business principles | Ability to invest in the business over the long term, maintain a range of equity value/yield to equity owners and meet financial obligations | Potential for portfolios to be negatively affected by market risk factors, active risks or liquidity events | Ability to provide proper operational and technological support and protection for the firm's internal and external activities | Exposure and risk of non-compliance to laws, rules, regulations, contractual obligations, prescribed practices or ethical standards |

Risks are identified for each pillar, and each risk is assessed on the basis of quantitative or qualitative measures. Assessment of enterprise risks focuses leadership across business segments and informs committee and board-level oversight needs. While some underlying specific risks might be the particular focus of a function, sustainability-related risk, including climate risk, is one which is assessed throughout the lifecycle of products and cross-functionalities.

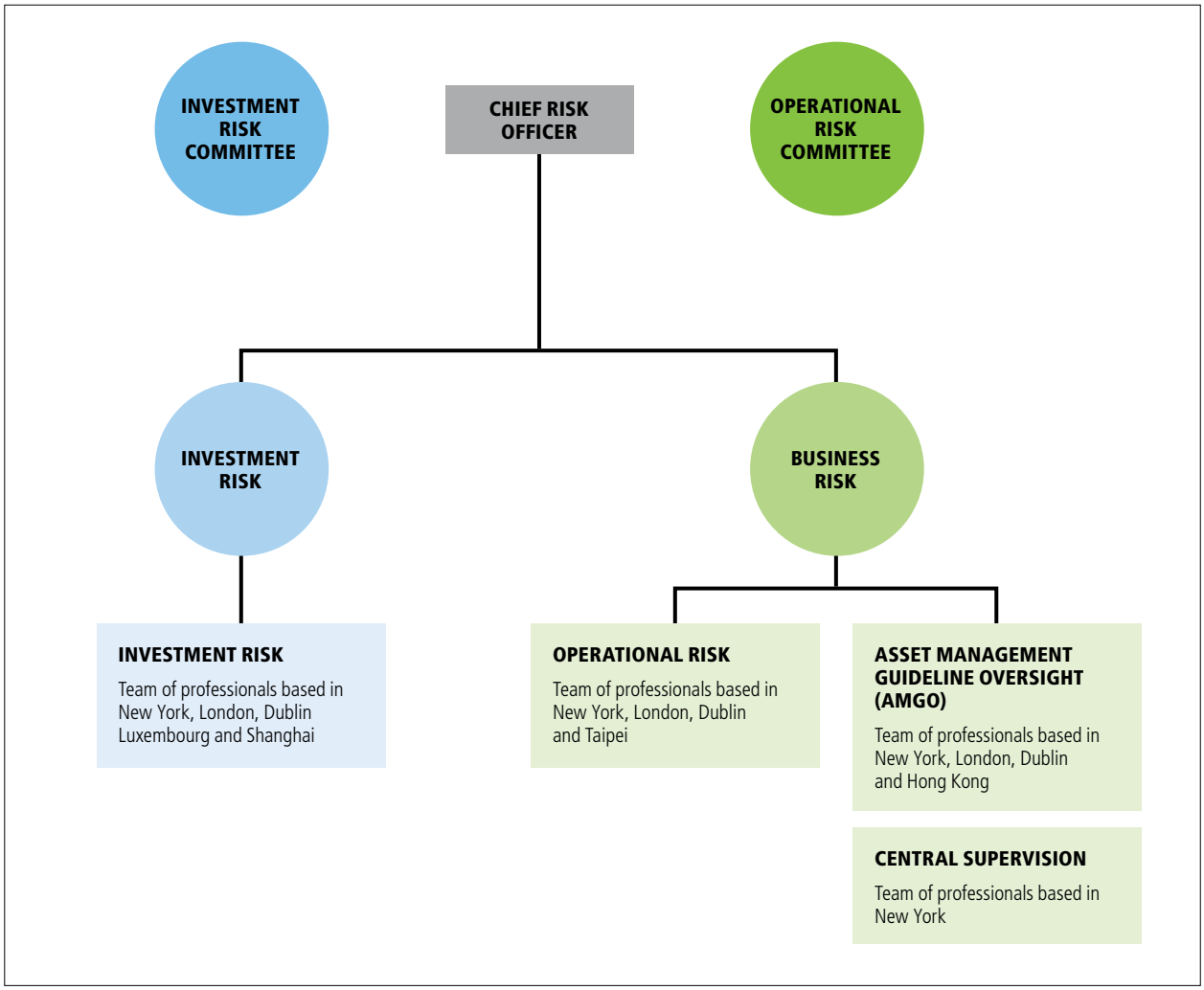
Our enterprise risk management framework and related risk pillars continue to be measured, monitored and assessed to ensure that the framework remains fit and allowing the firm to perform at a high level and maintain our stewardship standards during stressed periods.

In terms of structure, our Chief Risk Officer manages the Risk Group, a dedicated and independent risk group which comprises investment risk and business risk functions. The Risk Group includes four key teams:

- Investment Risk is engaged in the independent identification and measurement of risk exposures within and across portfolios to assist portfolio managers in seeking portfolio returns through intended risk strategies and not by unintentional assumptions of risk.

- Operational Risk coordinates with portfolio management and support and control units in an effort to ensure that operational risks are proactively identified, assessed and mitigated appropriately.
- AMGO is an independent supervisory group whose mission is to monitor compliance with client investment guidelines, mitigate potential financial loss from guideline breaches and trade errors, maintain consistency of guideline monitoring across asset classes, seek to ensure the integrity of the process and provide monitoring support to the overall portfolio management process.
- Central Supervision performs independent supervisory reviews with a focus on monitoring investment suitability. The team's responsibilities include reviewing client suitability for investments, new client accounts and changes to existing client accounts, among other control functions.

The investment risk and operational risk functions are supported by our Investment Risk Committee ("IRC") and Operational Risk Committee ("ORC"), respectively. The role of these governance committees is to sustain a culture of risk awareness propagated through broad divisional senior management participation, with a goal of protecting the firm's clients, reputation and financial well-being. The Chief Risk Officer serves as the chair of the IRC and a voting member of the ORC.




## Identifying and Monitoring Market-Wide and Systemic Risks

Market-wide and systemic risks are important considerations in our investment processes. As an active manager, we continuously identify macro risks and then consider the impact they have on our operations and investments. Risks such as interest rate risk, foreign exchange risk, inflation, employment rates and the impact of climate transition, are incorporated into our research and investment processes.

Our enterprise risk management framework is embedded in our investment processes and designed to identify various forms of established or rising risks, such as interest rate risk, credit risk, currency risk and climate risk on a global basis. To that purpose, the Investment Risk team engages in the identification and measurement of risk exposures within and across portfolios. As part of this process, it employs data from external sources and leverages the insights gleaned from portfolio managers and analysts across market sectors, to foster a comprehensive and dynamic view of current and future risk patterns.

The Investment Risk team employs multiple levers to identify and respond to market and systemic risks. On an ongoing basis, it watches market indicators and assesses large market movements affecting strategy and firmwide exposures; it employs strategy- and firm-level dashboards to surface trends, and it conducts market scenario analysis and stress-testing where needed. The team also monitors volatility-related data and performs deep dives into unexpected risk/return profiles should they arise at the portfolio level. The impact of volatility on liquidity is a key aspect of this process, and may trigger more frequent dialogue with portfolio management teams.

In terms of macro risks, engagement with portfolio managers provides a rich source of data and is a crucial tool to ensure that exposures are well within parameters acceptable to the firm and its clients. Each portfolio strategy has dedicated risk analysts to perform ongoing oversight, and the Investment Risk team has regular reviews with portfolio managers of their general risk profiles and periodically may conduct thematic discussions with those managers and their teams to proactively address risk issues.

Importantly, although some risks such as leverage, interest rates and defaults can be monitored and assessed on an ongoing basis, others may be far less predictable, particularly geopolitical events that may, nonetheless, have serious implications for economies, markets and investors. As such, it is crucial to have the ability to work quickly amid such events to identify exposures, escalate communications and seek to contain exposures—something our global, organised risk management structure and procedures are designed to do.

Below, we provide a few examples of risks that we identified in 2023. They illustrate the ongoing interactions and collaborations across our organisation, including between the frontline and the broader support and controls groups, and how we have aligned our investments accordingly. We believe these examples underscore our commitment to identifying and responding to market-wide and systemic risks, thereby promoting a well-functioning financial system.



## Market Risk: US Regional Bank Stresses and UBS Emergency Acquisition of Credit Suisse

In March 2023, the financial sector experienced significant market-wide and systemic risks, primarily driven by the tightening monetary policies of central banks aimed at combating inflation. With interest rates reaching levels unseen since the pre-Global Financial Crisis (GFC) era, the cost of capital has notably increased. Although some easing is anticipated, particularly in most G10 countries, the expectation is that elevated rates will persist for an extended period.

**US Regional Bank Stresses:** The sudden collapse of Silicon Valley Bank (SVB) due to a severe liquidity crisis triggered widespread panic, affecting other regional banks with similar risk profiles. Signature Bank was also shut down, and banks like First Republic Bank and Western Alliance Bancorporation experienced significant stock price drops. The broader banking sector came under increased scrutiny, prompting heightened regulatory responses to ensure financial stability.

**UBS Emergency Acquisition of Credit Suisse:** Concurrently, Credit Suisse faced a crisis exacerbated by financial troubles, leading to significant stock declines and liquidity issues. Swiss authorities facilitated an emergency merger with UBS to prevent a total collapse, which further heightened market volatility. The Swiss regulators' decision to write off all Credit Suisse Additional Tier 1 (AT1) bonds, despite equity shareholders benefiting from the merger, added to the market's instability.

Both incidents prompted a re-evaluation of the financial stability rules established post-GFC. Regulators are now assessing whether these rules remain fit for purpose and identifying areas for enhancement to better address such systemic risks in the future.

**General Action:** Prior to the bankruptcy of Silicon Valley Bank (SVB), and in line with our standard practice of monitoring emerging risks, we conducted an assessment of our global exposure to both the relevant sector and individual issuers. This involved engaging with our investment teams and research analysts to review any outstanding positions and scenario convictions. Given the critical role of banks in the financial stability ecosystem, we also assessed our direct investment exposures and evaluated the firm's counterparty risks, such as those related to derivatives trading or credit line facilities. During such events, we activate our Significant Market Event playbook to coordinate external communications and update or escalate issues to relevant governance bodies. For NBEL, the exposure to SVB was immaterial, and we did not hold any Credit Suisse Additional Tier 1 (AT1) bonds nor had any outstanding counterparty gains at risk.

**Communications with Clients, Fund and Entity Boards, and Regulators:** Significant market events typically result in increased inquiries from clients. The firm utilised its established communication channels to share investment views and solutions, including assessing the impact of these events from a sustainability and ESG perspective. Additionally, the Investment Risk team provided regular updates to senior management on our investment exposure and monitored the evolving secondary effects and their potential impact on the business. Importantly, we maintained ongoing engagement with relevant regulators regarding firm exposures and overall resilience.

**Scenario Testing:** Our scenario testing focused on the broader potential contagion across the financial system, drawing comparisons to the GFC following the Lehman Brothers bankruptcy. This historical event provided a useful framework for scenario building, while recognizing that new financial stability regulations driven by the Financial Stability Board (FSB) and the International Organization of Securities Commissions (IOSCO), the significance of regional banks versus a global bank like Lehman, central bank interventions, and the industry's preparedness were key differentiating factors. On the credit counterparty risk side, we applied single shocks to stress potential drawdown margins and collateral levels.

### Case study: Silicon Valley Bank

Similarly, on Silicon Valley Bank, the credit research process involved close cooperation between the analyst and the portfolio management team, along with communication with rating agencies and company management. The analyst's initial credit view noted that SVB maintained a strong capital position, supported by solid earnings retention, strengthening fee income, an established niche in technology and life sciences sectors, and access to alternative liquidity sources. Despite these credit strengths, the view was tempered by rapid deposit growth, the duration of the large securities portfolio, and concentrated commercial deposits. Aware of these risks, several conversations occurred with rating agencies and SVB's senior management team. Our assessment noted the potential for negative marks on both the available-for-sale and hold-to-maturity portfolios and a decline in deposits, but we observed that the issuer maintained primary and alternate sources of liquidity. The issuer decided to reposition the securities portfolio and announced an intention to raise common equity on 8 March. Following this statement, large deposit outflows occurred, and the company was unable to raise common equity. SVB was placed under receivership by the Federal Deposit Insurance Corporation on 10 March 2023.



### Case study: Credit Suisse

Neuberger Berman maintains a dedicated investment-grade research team experienced in assessing the credit quality of financial institutions, focusing on a range of factors including the issuer's capital, liquidity, business profitability, and quality of management. The Credit Suisse event involved close cooperation between the banking research analyst and the portfolio management team, with regular, ongoing communication among the team and frequent engagement with Credit Suisse investor relations team to assess management's strategy during the period of funding stress in the first quarter of 2023. The banking analyst assessed the highest risk in the issuer's Additional Tier 1 bonds, given their claims rank junior subordinated only to common equity and the higher potential risk of impairment in a restructuring of the bank. We viewed it as unlikely that the senior unsecured bonds of the main operating company of Credit Suisse would be impacted, given the broader implications for Swiss financial stability, and any reasonable cost estimates to restructure Credit Suisse presented by the banking analyst were expected to be absorbed by junior ranking debt instruments and existing common equity. Credit Suisse had liquidity and governance matters to address, and not necessarily a lack of capital in the first quarter of 2023, given the issuer had just raised CHF 4 billion in equity capital in the fourth quarter of 2022. The situation at Credit Suisse escalated as, after the capital raise, the main shareholder publicly ruled out providing additional financial assistance to the bank, which resulted in a loss of market confidence and the forced takeover by UBS with the support of the Swiss banking supervisor.

## Geopolitical Risk: October 7th Hamas Attack on Israel

**Incident Overview:** In the early morning of October 7, 2023, Hamas launched a surprise and massive attack on southern Israel, prompting an immediate military response from Israel, including the mobilisation of its army and reserves. Despite international efforts to broker a peace treaty, the conflict remains ongoing.

**General Action:** Our first priority at NBEL was to invoke our Business Continuity Plan (BCP) to ensure the safety of our employees in Israel. Following this, we assessed our firm's exposure to the affected region, reviewed active positions with our investment teams, and evaluated the impact on any counterparties.

**Scenario Testing:** Given that the consequences of the attack are still unfolding, our scenario testing has focused on the potential for further escalations across the region, which is already a high-risk area in terms of geopolitical stability. Key factors considered in these scenarios include the impact on commodity prices, particularly oil, as well as the potential for a flight to quality affecting rates and spreads.

## Climate Risk

At Neuberger Berman, we believe the extent and impact of climate change on our economies and societies can be affected by decisions made by consumers, businesses and policymakers. Neuberger Berman identifies, assesses and manages climate risks through a framework that is jointly implemented by the ESG Investing team, the Investment teams, and the Enterprise Risk and Internal Audit teams.

The **ESG Investing team** is responsible for developing tools, providing guidance on interpreting climate metrics and scenarios, supporting issuer engagement efforts on climate risks, and engaging in discussions with policymakers and regulators to promote transparency and clarity on climate topics.

The **Investment teams** are responsible for assessing climate risks and opportunities at the issuer level; in process-focused investing strategies, the conclusions drawn from this assessment may be used in pricing securities and assessing risk, whereas in outcome-focused investing strategies, they may be used to drive specific climate outcomes. Climate risk assessments can also be used to identify engagement priorities.

The **Enterprise Risk team,** comprised of the Investment Risk and Business Risk teams, oversee ESG-related risks, including climate risks, as part of the firm's top-down Risk Framework and Governance structure. The firm has established a Risk Appetite Statement, which defines the Risk Framework's five key pillars: Strategic, Financial, Investment, Operational and Regulatory Risk. The framework assesses the level and types of risk that the firm is willing to accept to achieve its strategic objectives and plans, and to ensure compliance with applicable regulatory requirements. We have also identified a set of Risk Categories, which are detailed on our Risk Register, an inventory of operational risks, and this includes climate risk. This is complemented by a bottom-up approach to identify and manage climate risks throughout a product lifecycle alongside all risk inherent to the activities conducted. Climate-related risk is integrated throughout the process of defining, measuring and monitoring identified through each portfolio's risk profiles. Throughout this process, climate-related risks are identified both at the entity and product level, and assessed based on risk appetite level and possible financially material impacts.

The Enterprise Risk team regularly engages with portfolio managers and the ESG Investing team on strategy- and fund-level material ESG risks, which may include reviewing key ESG metrics, including those related to climate such as carbon emissions, CVaR, etc., as well as implementation of avoidance policies on specific mandates or funds. The Head of Business Risk and the Head of Investment Risk also chair the ESG Product Oversight Committee, which oversees ongoing compliance with ESG claims for all strategies/products and is a member of the ESG Product Committee and the ESG Committee.

Finally, the **Internal Audit team** performs full-scope audits of the ESG Investing function and evaluates ESG integration practices, which may include climate risks and opportunities assessments, of individual investment teams.

We have identified key channels through which climate risks and opportunities would impact portfolio companies and thus present a source of investment risk. We adopt the following definitions regarding the timeframe of critical impact, which is when we believe portfolios will have the greatest level of financial exposure to the risk under consideration:

- Short-term: 1 year
- Medium-term: 2 – 5 years
- Long-term: 5+ years

## CLIMATE RISK CHANNELS FOR INVESTMENT PORTFOLIOS

| Risk | Description | Timeframe of Critical Impact | Impact on Portfolio Companies | Portfolio-Level Risk Assessment Tools | Investment Risk |
|---|---|---|---|---|---|
| **Physical: Acute** | Risks from increased severity of extreme weather events, including cyclones, flooding, river low flow and wildfires | Long-term | Increased write-offs, capital costs and insurance premiums due to physical asset damage; decreased revenues due to business disruptions | Climate Value-at-Risk (CVaR), Sovereign Sustainability Assessment, third-party and proprietary catastrophe models | Portfolio performance, which leads to lower AUM and decreased revenues |
| **Physical: Chronic** | Risks from increased variability in weather patterns, including wind gusts, precipitation and temperatures, including extreme heat and extreme cold | Long-term | Increased operating expenses due to the need to adapt to variable weather patterns and temperatures; decreased revenues due to business disruptions; increased insurance premiums | CVaR, Sovereign Sustainability Assessment | Portfolio performance, which leads to lower AUM and decreased revenues |
| **Transition: Policy** | Risks from climate transition regulation that can affect a company's direct operations, suppliers or customers | Short-term, medium-term and long-term | Increased capital expenditures due to nationally determined emissions reduction targets or carbon pricing for certain sectors or their suppliers; increased electricity costs due to grid demand from low carbon transition; decreased revenues due to shifting market demand | CVaR | Portfolio performance, which leads to lower AUM and decreased revenues |
| **Transition: Technology** | Risks from failing to create or transition to new low carbon emissions technologies | Short-term, medium-term and long-term | Decreased demand for products and services; stranded asset risk | CVaR, Net-Zero Alignment Indicator | Portfolio performance, which leads to lower AUM and decreased revenues |
| **Transition: Market** | Risks from changing consumer behavior, increased costs of raw materials and uncertain market signals | Short-term, medium-term and long-term | Decreased demand for goods and services due to shift in consumer preferences; increased production costs due to input prices; changes in energy costs | Net-Zero Alignment Indicator, NB ESG Quotient, EU Taxonomy Alignment | Portfolio performance, which leads to lower AUM and decreased revenues |
| **Transition: Reputation** | Risks from negative stakeholder feedback resulting from inadequate climate action | Short-term, medium-term and long-term | Decreased demand for goods and services; decreased revenue from impacts on workforce; decreased capital availability | NB ESG Quotient, Controversy monitoring | Portfolio performance, which leads to lower AUM and decreased revenues |

## CLIMATE OPPORTUNITY CHANNELS FOR INVESTMENT PORTFOLIOS

| Opportunity | Description | Timeframe of Critical Impact | Impact on Portfolio Companies | Portfolio-Level Risk Assessment Tools | Investment Opportunity |
|---|---|---|---|---|---|
| **Resource Efficiency** | Opportunities from efficiency in use of water and raw materials | Long-term | Decreased operating expenditures due to efficiencies | NB ESG Quotient | Portfolio performance, which leads to higher AUM and increased revenues |
| **Energy Source** | Opportunities from use of lower emissions sources, supportive policy incentives and new technologies | Short-term, medium-term and long-term | Decreased operating expenditures due to efficiencies, decreased sensitivity to energy prices | NB ESG Quotient, Net-Zero Alignment Indicator | Portfolio performance, which leads to higher AUM and increased revenues |
| **Products & Services, Resilience** | Opportunities from development of climate mitigation and adaptation solutions | Short-term, medium-term and long-term | Increased revenue through demand for climate mitigation and adaptation solutions | CVaR, Net-Zero Alignment Indicator, EU Taxonomy Alignment | Portfolio performance, which leads to higher AUM and increased revenues |
| **Markets** | Access to new markets, use of public-sector initiatives | Short-term, medium-term and long-term | Increased revenues due to access to subsidies and tax credits | Net-Zero Alignment Indicator | Portfolio performance, which leads to higher AUM and increased revenues |

Our clients are increasingly cognisant of these risks and opportunities and eager to know how we integrate them into our investment processes. Many seek to partner with us to develop those processes. They know a deeply complex transition is underway that will create winners and losers among businesses, sectors and regions—and they recognise that this can affect all asset classes, across both public and private companies in their portfolios. Below, we explain how we seek to address climate risk in our investments.

For further information on how we assess the impact of climate risk on our operations, please see our Task Force on Climate-related Financial Disclosures (TCFD) Report and the NBEL TCFD Annex.

## Leveraging Stewardship and Research Tools to Address Climate Risk

**Proprietary Tools to Assess Climate Risks & Opportunities**

As climate considerations are becoming more important for investors across asset classes, we believe metrics will need to rapidly evolve in response. While first- and second-generation tools that rely solely on carbon emissions or readily available quantitative ESG metrics are important, we increasingly see investors recognise the need for nuanced analyst judgement to understand the complexities of the climate transition. For this reason, we have developed proprietary third-generation climate risk and opportunity assessments that combine quantitative and qualitative inputs, and can be customised for different asset classes.

## EVOLUTION OF CLIMATE METRICS

Measuring Progress

### FIRST GENERATION

- Third-party frameworks that are backward-looking and can lag financial disclosures by up to two years
- Volatile due to market movement
- Examples: carbon emissions—absolute and intensity metrics

### SECOND GENERATION

- Third-party frameworks that are forward-looking but limited in coverage
- Relies on readily available ESG metrics and harder to measure intangibles and assess strategy
- Examples: Climate VaR, quantitative transition ratings

### THIRD GENERATION

- Proprietary frameworks that have broad coverage and generate a forward-looking view on issuer climate transition readiness
- Combines quantitative metrics with qualitative judgement and insights gained from active engagement
- Examples: NB Net-Zero Alignment Indicator

Backward-looking — Forward-looking

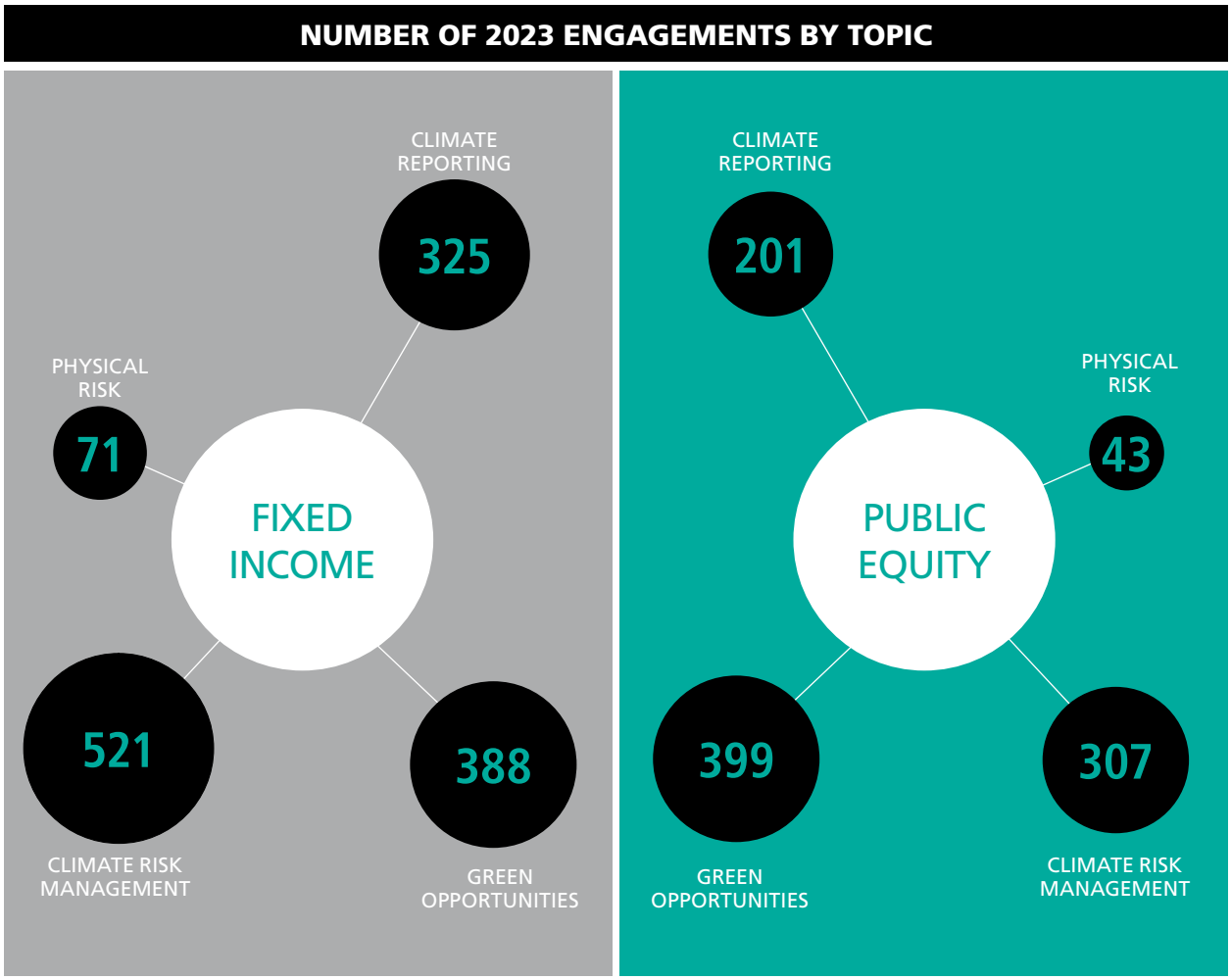
We are committed to continuously innovating our analytical tools to meet client needs, and are excited to share the enhancements we have made in 2023. For listed equity and corporate fixed income, where the ESG data landscape is most developed, we deploy an extensive suite of metrics, including our proprietary Net-Zero Alignment Indicator and various climate solutions assessments. This past year, we also introduced a natural capital horizon scanning tool, as well as leveraging AI to support our research efforts. For sovereigns, we introduced new indicators measuring ecosystem fragility and social determinants of a Just Transition. For private equity, we created a matrix to assess GP's climate-related activities and added new due diligence questions for direct investments that we make within certain strategies.

### 1. Engagement

We also see a critical role for engagement as both shareholders and bondholders. We use engagement as a tool to mitigate exposure to transition and physical risks by encouraging issuers to enhance disclosures, evaluate their practices, and make changes to mitigate potentially material risks where necessary. In 2023, the highlights of our climate-stewardship included:

- Publishing 43 vote intentions for shareholder proposals as part of NB Votes, our advance proxy-voting initiative, of which five vote intentions related to material climate-related topics.
- Conducting 1,000+ engagements with corporates on material climate topics.
- Updating our engagement guides to include guidance on net-zero alignment, carbon markets, sustainability reporting standards, nature-related risk and sector-specific guidance for 44 sectors.
- Supporting 86% of Just Transition-related and 67% of methane emissions-related shareholder proposals, where company-specific considerations around financial materiality warranted our support.
- Engaging with private equity managers on a range of ESG topics including climate-related topics. During these engagements, we encourage greater disclosure of climate-related data such as carbon emissions and serve as a platform to disseminate knowledge and education related to net-zero initiatives and implementation considerations.

**Between January 1, 2023, and December 31, 2023, our corporate climate-related engagement efforts included:**




Number of engagements on stated topics.

### 2. Policy Advocacy and Industry Collaboration

We find it valuable to be an active member in key industry groups to debate and share our practitioner views on emerging policy issues. We are members of the Investment Association's Stewardship Committee and Climate Change Working Group, the Investment Company Institute's ESG Advisory Group, the UK Sustainable Investment and Finance Association (UKSIF), and other groups that actively contribute to ESG policy and regulatory discussions. On an annual basis, our ESG Committee reviews the membership organisations we belong to in order to ensure our memberships do not conflict with our ESG Policy. Where we believe our views on a particular policy topic diverge from those of our membership bodies, we may consider engaging with such organisation to bring our views to the table, and/or publishing our individual position. are Industry collaborations are discussed in greater detail in Principle 10.

### 3. Intersecting and Emerging Risks

We are careful to acknowledge that climate change and its attendant financially material effects should not be considered in a vacuum. This means weighing those effects against other, more traditional investment risks. But it also means recognising the intersections between climate change and other global social and environmental challenges, such as the threat to biodiversity. As the effort to avert the worst impacts of climate change gathers steam, these wider challenges are also likely to become more financially material within investment portfolios.

**Assessing Climate Risk in Our Investments Across Asset Classes**

Climate considerations are becoming more important for investors across asset classes. For this reason, we have developed proprietary climate risk and opportunity assessments that are appropriate for the asset class. We distinguish our ESG philosophy by process-focused investing and outcome-focused investing. For process-focused investing strategies, such as our ESG-integrated strategies, the conclusions drawn from each assessment can be used by portfolio managers to more accurately price securities in their investment selection process. In considering financially material ESG factors, they can construct more resilient portfolios that can help protect client value over the long term. For outcome-focused investment strategies, such as impact strategies, where our clients specifically seek to achieve climate or sustainability outcomes alongside financial returns, we continue to be dedicated to launching innovative investment strategies to meet their objectives. In pursuit of this, we have developed processes that measure positive outcomes for climate mitigation and adaptation.

Ultimately, as active managers, we rely on the judgement of our investment professionals. There is no one-size-fits-all response to the climate transition—each portfolio manager uses the suite of risk and opportunity assessment tools available to them to make decisions that fit their individual investment and sustainability objectives.

## Listed Public Equity and Corporate Fixed Income

We believe climate risks impact different asset classes through various transmission channels. In equity markets, investors face the risk of losing their entire invested capital. However, they can also participate in upside by investing in companies that are effectively transitioning their business models to net zero or delivering climate solutions. In credit markets, while investors will typically see a return of some principal in the event of a default, credit risk can increase after an acute event such as a hurricane or flood that damages corporate assets, impairs cash flows, and thus a company's ability to service debt.[9]

**Scenario Analysis: Assessment of Climate Value at Risk (CVaR)**

We have implemented top-down scenario analysis for modelling transition and physical risks at the company level in line with the recommendations of the TCFD called CVaR. CVaR provides a framework for identifying climate risk and to assist in understanding how issuers can shift their operations and risk practices over time. This scenario analysis currently focuses on listed public equity and corporate-issuer fixed income holdings in the firm's US mutual funds and international UCITS range. The output of the analysis considers transition risks, from both policy and technology changes related to the transition to net-zero emissions and physical risks, including acute weather events and chronic changes in climate patterns. Security-level estimates can be aggregated at the portfolio level, which helps portfolio managers understand CvaR for their portfolios. All scenario analysis is dependent on top-down assumptions that need to be contextualised for individual issuers and portfolios. As such, we believe that scenario analysis should serve as a starting point for further bottom-up analysis and the identification of potential climate-related risks to address through issuer engagement.

**Net-Zero Alignment Indicator**

To enable a robust bottom-up assessment of a company's transition toward net zero, we created the Neuberger Berman Net-Zero Alignment Indicator, informed by the high-level expectations of the Institutional Investor Group on Climate Change (IIGCC). The Indicator serves two purposes: for our process-focused strategies, it serves as a measure of companies' net-zero readiness and hence ability to mitigate climate risks; and for our outcome-focused strategies, it can be used to engage with issuers and drive positive outcomes at client request. The Indicator is considered at both the portfolio and security level across listed equity and corporate fixed income portfolios. You can read more about the Indicator in our white paper, Net-Zero Alignment: Beyond the Numbers.

[9] Basel Committee on Banking Supervision, "Climate-related risk drivers and their transmission channels", 2021.

## Private Markets and Alternatives

A key benefit of private markets is that they afford investors the opportunity to benefit from climate upside by investing in earlier-stage climate solutions. The private equity industry also tends to invest in lower-carbon industries (e.g., technology and health care), which helps mitigate transition risk. However, the ability to mitigate transition risk differs between general partners (GPs), who tend to take controlling stakes in their targets and thus have direct influence over climate-related decisions, and limited partners (LPs), who exert their preferences mainly through capital commitments decisions and engagements with GPs. In 2023, NB Private Equity[10] developed new tools focused on assessing financially material climate risks and opportunities that can be used in addition to our standard due diligence processes, where directed by clients for select mandates. These tools include a framework for assessing a GP's climate-related initiatives, which can be applied to primary fund commitments for select mandates. The framework allows us to benchmark GPs by their climate-related commitments and may serve as a starting point for engagement with select GPs on climate-related topics, as applicable. In addition, NB Private Equity developed additional climate-focused due diligence questions for direct investments that help identify and analyse financially material climate-related risks and opportunities applicable to the business, which can similarly be applied to select investments when directed by clients. We also may apply a materiality-based assessment to conduct targeted climate risk analysis for certain direct investments. NB Private Equity continues to work toward more comprehensive climate analysis over time by requesting carbon emissions metrics from private equity primaries, co-investments and select secondaries investments, and engaging with GPs on climate-related topics. Engagement remains a key means to encourage greater awareness, disclosure and action on climate risk by private equity managers. In addition to broader ESG integration, climate has become a topic for some of our GP engagements. On behalf of certain clients, NB Private Equity conducts targeted engagements with GPs on climate topics, including reporting GHG emissions, setting net-zero and emissions reduction goals, engaging with portfolio companies on climate and climate risk analysis, among others.



[10] "NB Private Equity" consists of Private Equity Investment Portfolios and Co-investment Platform and Private Equity Secondary Platform.

## Promoting Continued Improvement of the Functioning of Financial Markets

An important way we promote a well-functioning financial system is by commenting on policy and regulatory topics ranging from sustainability-related disclosures to the global alignment of reporting requirements through formal letters to domestic and foreign financial regulators and responding to policy consultations on ESG topics.

We also find it helpful to be an active member in certain industry groups to debate and share our views on emerging issues. We are therefore members of several trade associations across jurisdictions, including the Investment Association (IA), the Investment Company Institute (ICI), the Securities Industry and Financial Markets Association (SIFMA), the Council of Institutional Investors (CII) and US SIF. In order to ensure that our memberships do not conflict with Neuberger Berman's ESG Policy, our ESG Committee reviews our memberships on an annual basis.

Throughout 2023, we engaged on emerging sustainability-related reporting standards and ESG disclosure requirements for asset managers, as described in the examples below.

| 2023 ENGAGEMENTS ON REPORTING STANDARDS AND DISCLOSURE REQUIREMENTS | |
|---|---|
| **Consultation on the Nature-Related Risk and Opportunity Management and Disclosure Framework** | Highlighted the challenges and opportunities of nature-related reporting for financial institutions, and provided feedback on the information needed by investors to consider nature-related financially material risks. |
| **Consultation on ISSB Agenda Priorities** | As a member of the ISSB Investor Advisory Group, we shared our practitioner's views on the global baseline and what we believe should be the next priorities from a financial materiality lens |
| **Sustainable Finance Disclosure Regulation (SFDR) consultation on Level 1 review** | Supported the enhancement of the current SFDR regime through streamlined disclosures and, potentially, the introduction of voluntary labels. |

**Our Role in Relevant Industry Initiatives**

As long-term investors and stewards of our clients' assets, we participate in industry initiatives that will increase transparency, protect investors, and foster fair and efficient capital markets. In addition to our own research efforts, we believe partnering or liaising with peers, clients, issuers and third-party experts on market-wide and systemic risks is an effective and necessary approach given the collective action needed to adequately address them. Highlights of our participation in various initiatives and collaborative efforts are included below and discussed further in Principle 10.

| | |
|---|---|
| **United Nations Principles for Responsible Investment ("UN PRI")** | Neuberger Berman continued to actively contribute to the PRI's work by participating in its Global Policy Reference Group ("GPRG"), where we share expertise and insights on ongoing policy and regulatory issues. In addition, as members of the Sovereign Debt Advisory Committee, we contributed to the PRI's recent report titled "Considering climate change in sovereign debt." The report covers emerging topics in climate considerations for sovereign debt investors and provides engagement prompts, case studies and data sources. |
| **Investment Association ("IA")** | Throughout 2023, Neuberger Berman was an active member of the IA's Stewardship Committee, which seeks to promote and enhance asset managers' role as long-term responsible investors on a wide range of material risks and ESG issues while supporting a coherent regulatory environment for stewardship and corporate governance. We are also members of the IA's Climate Change Working Group, which brings together expert members to develop and propose industry positions and recommendations in relation to climate change. This includes developing industry positions to support the transition to net zero and industry action in alignment with the goals on the Paris Agreement. |
| **International Sustainability Standards Board's ("ISSB") Investor Advisory Group ("IIAG")** | As a member of the IIAG, we support the ISSB in developing the global baseline for sustainability reporting by providing feedback on the technical and practical aspects of the standards from an investor point of view. By responding to public consultations and surveys launched by the ISSB, we have supported the ISSB's focus on financial materiality and the ability it provides for jurisdictions to go beyond the baseline through building blocks. |
| **European Fund and Asset Management Association ("EFAMA")** | As members of EFAMA's Stewardship and ESG Committee, we actively participate in regular meetings to bring our views to the table on EU sustainable policy initiatives on transparency and disclosures, ESG data, corporate governance, and other topics. The Committee develops policy positions to encourage the mainstreaming of ESG-related regulatory requirements across the EU and support policymakers in implementing the EU's Sustainable Finance Strategy. |

## Evaluating Our Effectiveness in Identifying and Responding to Market-Wide and Systemic Risks

We believe enterprise risk management framework and related governance structures have been effective in our efforts to identify and respond to market-wide and systemic risks. We continue to review these efforts and implement identified enhancements. For example, we observed an increase in volume and complexity of regulatory consultations and continued developments in the regulatory landscape across markets. As a result, we further increased our resources dedicated to policy advocacy and regulatory expertise particularly for the EMEA region. Additionally, to improve our identification of market-wide and systemic risks as well as our ability to address them independently and collaboratively, we continue to be a member of the Investment Association (IA) and now serve on the IA's Stewardship Committee. Another example in respect to our response with market-wide event, we have reviewed our significant market event protocol with a special focus on enhancing the global coordination processes to deliver external updates on any material impact to the firm, our investors or the market.

# PRINCIPLE 5

Signatories review their policies, assure their processes and assess the effectiveness of their activities

## ENSURING OUR POLICIES SUPPORT EFFECTIVE STEWARDSHIP

Each of our policies has a defined review process, including frequency, documentation protocols and approving parties. Below is the review process for key stewardship-related policies and a list of important guiding documents:

- Our ESG Policy is reviewed annually by our Global Head of ESG & Impact Investing in collaboration with the ESG Committee and executive board members. This is a key policy that applies across our investment platform and is intended to provide a broad framework for our approach to integrating ESG factors into our investment management activities. We previously expanded the list of asset classes that now have asset class-specific ESG philosophies developed by our ESG working groups.
- Our Sustainable Exclusions Policy is reviewed and updated annually by our ESG Committee, which reports into the Board of Neuberger Berman, using a structured exercise which considers extensive feedback from our investment teams, and an external scan of industry issues. This ensures that we continue to identify key themes and carry out effective stewardship.
- Our Stewardship and Engagement Policy sets forth how Neuberger Berman engages with companies that it invests in on behalf of clients and how engagement is integrated into our investment strategy. We've developed this policy in compliance with the requirements of the Shareholder Rights Directive II (EU/2017/828). The policy is reviewed annually by our ESG Committee and Global Head of ESG and Impact Investing. Any changes must be approved by the ESG Committee and the Board of Neuberger Berman.
- Our Global Standards Policy is reviewed annually by our ESG Committee. It is applicable across our Irish UCITS and QIAIF portfolios, which have been categorised as either Article 8 or Article 9 financial products in accordance with the Sustainable Finance Disclosure Regulation. Implementation of this policy is managed by Neuberger Berman's Asset Management Guideline Oversight Team, in collaboration with Legal and Compliance.

| Policy/Guiding Document | Policy/Document Description | Process For Review | |
|---|---|---|---|
| ESG Policy | Provides a broad framework for our approach to integrating ESG factors into our investment management activities | Reviewed annually by our Global Head of ESG and Impact Investing, the ESG Committee and executive board members | **Ultimate approval by:** ESG Committee |
| Stewardship and Engagement Policy | Sets forth how engagement is integrated into our investment processes | Reviewed annually by the ESG Committee and Global Head of ESG and Impact Investing | **Ultimate approval by:** ESG Committee and the NBEL Board of Directors |
| Governance and Proxy Voting Guidelines | Explains our expectations and approach to voting on key topics | Reviewed annually by the Governance and Proxy Committee, investment teams and Global Head of ESG and Impact Investing | **Ultimate approval by:** Governance and Proxy Committee |
| Proxy Voting Policies and Procedures | Describes our oversight structures and processes that guide our proxy voting activities | Reviewed annually by the Governance and Proxy Committee, Legal and Compliance, and Global Head of ESG and Impact Investing | **Ultimate approval by:** Governance and Proxy Committee |
| Thermal Coal Involvement Policy | Explains our approach to reviewing and approving investment in securities issued by companies that derive revenue from thermal coal mining or are expanding new thermal coal power generation | Reviewed annually by the ESG Committee, investment teams, Asset Management Guideline Oversight team, Legal and Compliance, and ESG Investing team | **Ultimate approval by:** ESG Committee |
| Global Standards Policy | Explains our approach to prohibiting investment in securities issued by companies whose activities breach any of the principles and guidelines outlined in the policy | Reviewed annually by the ESG Committee, investment teams, Asset Management Guideline Oversight team, Legal and Compliance, and ESG Investing team | **Ultimate approval by:** ESG Committee |
| Controversial Weapons Policy | Explains our approach to prohibiting investments in securities issued by companies that have been identified as being involved in the manufacture of controversial weapons | Reviewed annually by the ESG Committee, investment teams, Asset Management Guideline Oversight team, Legal and Compliance, and ESG Investing team | **Ultimate approval by:** ESG Committee |
| Sustainable Exclusions Policy | Explains our approach to prohibiting investment in securities issued by companies that we believe do not meet minimum sustainability criteria | Reviewed annually by the ESG Committee, investment teams, Asset Management Guideline Oversight team, Legal and Compliance, and ESG Investing team | **Ultimate approval by:** ESG Committee |

As shown above, our policies and guiding documents are reviewed at least annually and require approval from senior business leaders. Our approach to include a key committee in each review process was deliberate as it helps ensure that views from various business functions, asset classes and geographies are well represented in discussions. We believe this results in more robust dialogue and ultimately more effective policies. Further, we determined it was appropriate to require approval from members of senior leadership given the critical role of our stewardship efforts in our investing practices and our ability to achieve outcomes on behalf of clients.

# OUR APPROACH TO ASSURANCE

We have several internal and external processes in place to maintain high standards of stewardship.

## Internal Assurance

**Internal Audit Function**

The Internal Audit function at Neuberger Berman is fully independent of the business with the Head of Internal Audit reporting to the Neuberger Berman Board Audit Committee Chair, who is an independent director. The function is staffed with highly experienced and credentialed individuals responsible for all internal audit activities. As at 31 December 2023, the function consists of 12 team members globally, two of which are located in the EMEA region. Internal Audit is responsible for evaluating the adequacy of the design and operating effectiveness of policies, procedures and internal controls. This is achieved through extensive risk assessment and testing processes which generally comply with the Institute of Internal Auditors ("IIA") International Professional Practices Framework.

Internal Audit prepares formal reports at the conclusion of each project and issues the reports to senior management. Reports include heat maps, executive summaries and detailed issue matrices. All issues and action plans are tracked until completion, at which time validation is performed.

Internal Audit performs reviews of the ESG Investing function, inclusive of stewardship activities, in accordance with our standard audit cycling methodology. The primary focus of these reviews is to evaluate controls implemented to ensure the proprietary ESG integration framework is maintained as described in marketing materials and policy documents. These reviews also include an evaluation of the accuracy of ESG marketing materials and other ESG-related collateral such as the ESG Policy and annual PRI reporting. The scope includes the following elements of ESG Investing:

- ESG Policy & Procedures
- Integration & Screening in Public Securities
- Engagement
- Regulatory Compliance
- Proxy Voting
- ESG Incorporation in Alternative Investments
- Marketing Materials & Disclosures

In addition to the cycled review of the ESG Investing function, Internal Audit:

- Performs annual reviews of specific elements of ESG Investing such as proxy voting and exclusion screens. These focused reviews are completed in support of expectations as a PRI signatory. They include verification of proxy voting statistics reported externally and analysis of exclusion screens that have been implemented. Furthermore, they evaluate the tracking and reporting of our engagement activities.
- Evaluates ESG integration and engagement practices of individual investment teams when performing audits of such teams. Investment team audits are completed in accordance with the standard audit cycling methodology. Typically, unique audits are completed for multiple investment teams every year.
- Monitors the activities of the ESG Product Oversight Committee ("EPOC"), which is responsible for ongoing verification of ESG and Sustainability claims made by investment teams for products and strategies offered by Neuberger Berman which have been reviewed by the ESG Product Committee.
- Performs ad hoc assessments of ESG practices at the request of senior management.

Given the important role that stewardship and ESG factors serve in our investment processes, we determined it was appropriate to have our Internal Audit team conduct regular reviews of our practices as we would with other critical business elements. The results of these reviews enable us to evaluate the effectiveness of our practices and identify areas for improvement. We believe this process produces an objective assessment given Internal Audit function is fully independent of the business.

**Other Safeguards**

Additionally, our Mutual Fund Compliance team performs verification of proxy voting and provides the 38a-1 compliance report to the NB Funds' Board which includes a review of our securities lending practices. In 2023, Neuberger Berman ceased its securities lending program for UCITS funds. For funds still eligible to participate in securities lending, the ESG Investing team monitors outstanding loans and are able to recall securities on loan or restrict names from being loaned in advance of any vote that we wish to be able to exercise. In addition, our Fund Oversight team liaises with Glass Lewis (our proxy service provider) in relation to proxy voting, with the process overseen by Neuberger Berman.

## External Assurance

NBEL will continue to assess its approach to assurance on an annual basis, including the use of external assurance providers. NBEL is audited annually in accordance with applicable rules and regulations and whilst this audit does not specifically address our approach to stewardship, our robust Internal Audit function continues to perform this role and we are constantly reviewing and monitoring whether additional external assurance will be required going forward.

## ENSURING OUR REPORTING IS FAIR, BALANCED AND UNDERSTANDABLE

Our independent Internal Audit team also reviews the accuracy of ESG marketing materials and other ESG-related collateral such as the ESG Policy and PRI reporting to ensure that our reporting on stewardship activities is fair, balanced and understandable. Additionally, our publications pertaining to our stewardship activities are reviewed by our Head of Investment Stewardship and Global Head of ESG and Impact Investing. Further, all votes and supporting rationales disclosed in advance of meetings through our NB Votes initiative are reviewed by our Governance and Proxy Committee and Legal & Compliance team for accuracy and appropriateness.

In 2024 we conducted a comprehensive mandatory anti-greenwashing training to employees. The training was aimed at enhancing employees' ability to identify and mitigate the risks associated with greenwashing in investment practices and focused on the principles of accurate and transparent ESG reporting, equipping participants with the skills to critically assess sustainability claims and ensure compliance with regulatory standards. The training reinforced our commitment to integrity and accountability in our stewardship activities.

### Continuous Improvement of Stewardship Policies and Processes

**Reviewing Our Governance Structure**

Our commitment to continuous improvement includes reviewing the effectiveness of our governance structures and processes. Our committee structures, responsibilities and membership are reviewed on at least an annual basis. For example, ahead of the 2022 proxy season, as a result of this review, we refreshed the members of our Governance and Proxy Committee to include a broader range of asset class specialists and wider geographic representation.

Additionally, as discussed in Principle 2, in 2021, we established the NB Advisory Council to guide our ESG investing journey. Our expert Advisory Council members provide guidance on the future of impact investing and sustainability topics and challenge us to go further in our own efforts. The Council consists of respected thought leaders across the ESG landscape whose roles are to provide expert external advice. The Council meets quarterly to provide advice and recommendations to Neuberger Berman, without making investment or voting recommendations. In 2023, some of the topics discussed included stewardship and proxy voting, carbon markets, artificial intelligence and measuring net-zero alignment.

We further enhanced the existing governance structures in 2022 by creating a new EMEA ESG Product Committee (the "EMEA ESG PC"). It was established as a sub-committee of the Product Governance Committee, which reports to the Board of NBEL. With delegated authority from the Board of NBEL, the key objective of the EMEA ESG PC is to approve all SFDR classifications for all new products launched in EMEA, products launched ex EMEA being marketed in the region, UK Stewardship-related matters and all other relevant European ESG labelling. For example, in 2023, the EMEA ESG PC approved the UK Stewardship Code Report before its submission to the FRC in addition to the NBEL Board. The EMEA ESG PC works alongside the new global NB ESG Product Oversight Committee, a sub-committee of the ESG Committee with functional oversight of global ESG investing matters and responsibility for the ongoing verification of ESG and Sustainability claims, ensuring that products are appropriately classified and to verify that investment processes which support ESG remain up to date and relevant following approval.

**Reviewing Our Processes and Resources**

We also respond to areas for improvement identified through our internal assurance programs. For example, as a result of an internal audit conducted in 2023, ESG exclusion policies are now systematically coded into relevant trading systems to strengthen the accuracy of implementation. Observations communicated by the Internal Audit function continue to reinforce the need for support and control functions to continuously assess ESG oversight capabilities and implement incremental improvements, where necessary.

Given the growing use of third-party data in various processes and client and regulatory reporting, in 2022, we created the role of ESG Data Steward. This role is responsible for strengthening policies and procedures pertaining to data quality and addressing any identified issues with the appropriate vendors. In 2023, the ESG Data Steward initiated several ESG Data Quality projects which focus on embedding quality assurance measures to enhance the vetting process of our vendors and the data they provide, and established a dedicated ESG Data Quality team. This role partners closely with our ESG Data & Technology team, originally created in 2021. Collectively, these teams help drive improvements in ESG data and technology in an effort to better foster unobstructed access to high-quality ESG data for portfolio management teams to more easily integrate into their investment process.

**Reviewing Our Policies**

As previously outlined, our policies and guiding documents are reviewed at least annually and require approval from senior business leaders. When we are reviewing our policies and guiding documents, we are looking to ensure the underlying principles in which they were first established remain relevant and current.

Specifically on our exclusion policies, not only are we assessing that the policy remains relevant to the funds applying to underlying holdings, but also that our interpretation of each of the underlying principles is accurate and up to date. Our policies and guiding documents are reviewed by our ESG Committee and implementation of these policies are managed by Neuberger Berman's Asset Management Guideline Oversight Team, in collaboration with Legal & Compliance.

As part of the ongoing implementation of our exclusion policies, we will also undertake regular reviews with Neuberger Berman's Asset Management Guideline Oversight Team to ensure companies violating the principles are accurately captured. Neuberger Berman use reputable, recognised third parties to help identify companies that partake in these controversial businesses. For example, where a third-party data assessment indicates that a company is a severe violator of the Global Standards Policy, this company will be added to the Exclusions List. Where a portfolio manager disagrees with the third-party assessment, that portfolio manager may appeal the decision to add the company to the Exclusions List to the Challenge Review Group. If the appeal is successful, the company will instead be placed on the Watch List for monitoring and reviewed annually to ensure that the appeal is still valid. The review will require the portfolio manager to return to the Challenge Review Group and provide updated evidence to revalidate the appeal.

As described above, our Governance & Proxy Committee reviews our Governance and Proxy Voting Guidelines annually and makes updates as deemed appropriate. To enhance transparency, we published a Summary of Material Changes describing the significant updates made to our Proxy Voting Guidelines each year.

# PRINCIPLE 6

Signatories take account of client and beneficiary needs and communicate the activities and outcomes of their stewardship and investment to them

## MANAGING ASSETS IN ALIGNMENT WITH CLIENTS' STEWARDSHIP AND INVESTMENT POLICIES

NBEL offers a range of strategies across asset classes, each with their own investment style, so that clients are able to invest in products that meet their needs. With 751 investment professionals based in 21 global portfolio management centres, we offer clients around the world a range of strategies and investment solutions across asset classes, capitalisations, styles and geographies in both public and private markets, as well as multi-asset class solutions that bring them all together.

As a firm, Neuberger Berman believes that ESG characteristics can be an important driver of long-term investment returns from both an opportunistic and a risk-mitigation perspective, and we understand that for many clients, portfolio impact is an important consideration in conjunction with investment performance. Not only do we use ESG-integrated strategies, but we also recognise that ESG factors should be incorporated in a manner consistent with the specific asset class and style of each investment strategy.

While each investment strategy is responsible for the investment and stewardship decisions it will apply on behalf of all clients in a fund, significant time is taken to listen to clients' views and inputs. In addition to creating segregated mandates tailored to individual clients and their investment policies, we also offer pooled products with additional types of ESG approaches to suit client needs.

The approach to integration can be further customised 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. For example, when building a net-zero investment solution, a multi-tool approach is required to identify both risk and opportunity. We utilise climate modelling and stress testing, engaging with companies, targeted climate solution investment or, as a last resort, divesting. Ultimately, it is a combination of all the tools that will help to achieve the goal of net zero. Our starting point is the Net Zero Investment Framework set out by the Institutional Investors Group on Climate Change (IIGCC). The framework provides practical steps and metrics for assessing net-zero alignment. We take this framework as our base and convert it into a seven-step, net-zero action plan to support clients on their journey, from quantifying and defining the targets to implementation and measurement.

Our solutions are:

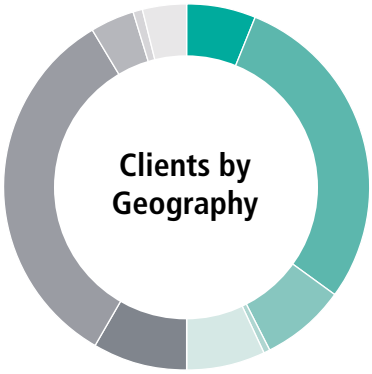
**Simple:** Setting clear objectives from the outset with milestones in between.

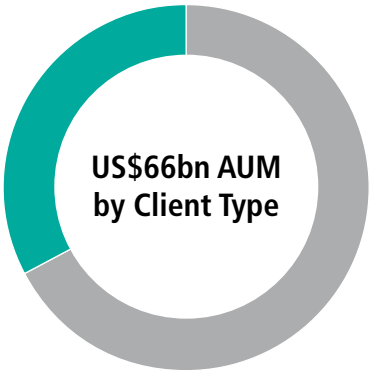
**Transparent:** We believe our selected metrics provide a transparent approach to measuring success whilst also providing transparency and rationale around the companies we hold.

**Portable:** The climate transition framework can be calibrated to client-specific needs, so if a client wishes to be more aggressive in the net-zero ambition or requires greater exposure to climate solutions, this can be explored.

In 2023, there were no cases where we did not manage assets in alignment with our clients' stewardship and investment policies.

## NEUBERGER BERMAN EUROPE LIMITED – CLIENT BASE




**Institutional**

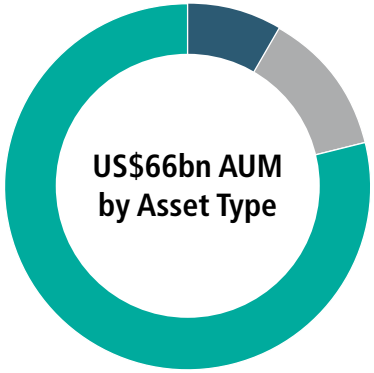
| | |
|---|---|
| Asia | 12.3% |
| Europe | 58.2% |
| Latin America | 15.0% |
| Middle East | 0.7% |
| North America | 13.8% |

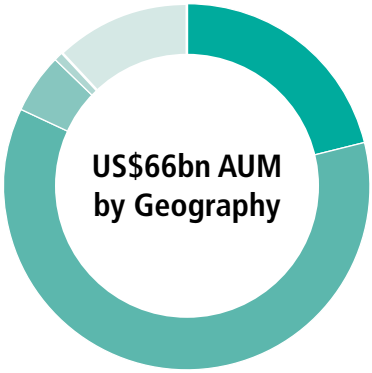
**Intermediary**

| | |
|---|---|
| Africa | 0.1% |
| Asia | 16.9% |
| Europe | 66.2% |
| Latin America | 7.8% |
| Middle East | 1.4% |
| North America | 7.5% |

| | |
|---|---|
| HNW | 0.0% |
| Institutional | 67.3% |
| Intermediary | 32.7% |

## NEUBERGER BERMAN EUROPE LIMITED – ASSETS UNDER MANAGEMENT




| | |
|---|---|
| Alternatives | 8.4% |
| Equity | 12.9% |
| Fixed Income | 78.7% |

| | |
|---|---|
| Africa | 0.0% |
| Asia | 21.1% |
| Europe | 60.8% |
| Latin America | 5.3% |
| Middle East | 0.9% |
| North America | 11.8% |

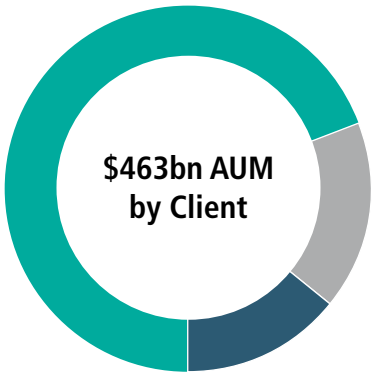
Source: Neuberger Berman. Data as at 31 December 2023. AUM stated in US dollars to align with the consolidated reporting. Figures may not sum up due to rounding.

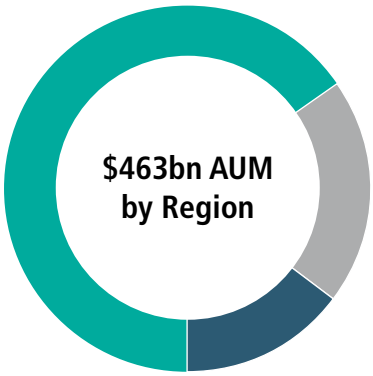
## Our Investment Time Horizon

At Neuberger Berman, we believe that a focus on fundamental research, investment performance and risk management is central to meeting the needs and objectives of our clients. We are deeply attuned to each client's distinct combination of investment goals, time horizon, risk tolerance, and income and liquidity requirements, and we can act in partnership to address them as they change over time. As shown in the displays, we invest on behalf of various client types and across multiple asset classes and geographies. As a result, the investment time horizon of our strategies will vary; however, most of our clients seek a longer-term investment horizon. For example, a private equity strategy may have a decade-long investment horizon, while a listed equity strategy may have a five- to seven-year horizon. Importantly, these elements are designed with the client's needs and objectives in mind.

Our portfolio managers construct portfolios through distinct investment processes tested over market cycles to aim to outperform over investment horizons that are appropriate to their particular strategies. They base their investment decisions on their own research, drawing on their dedicated research teams and the many resources of the firm—such as the global equity and fixed income research teams, the Data Science team and the ESG Investing team—with the sole purpose of finding attractive investment opportunities. Our managers work independently, but also share ideas and perspectives with each other to seek to achieve attractive outcomes for their clients. We combine this with a strong risk management culture and close investment process oversight to ensure adherence to mandated client guidelines.

**NEUBERGER BERMAN GROUP – ASSETS UNDER MANAGEMENT**




| | | | |
|---|---|---|---|
| Pension Funds, Sovereign Wealth Funds and Other Institutions | 69.2% | Americas | 65.4% |
| Financial Institutions, RIAs and Advisors | 16.7% | Asia | 20.0% |
| Private Client | 14.0% | EMEA | 14.6% |

Source: Neuberger Berman. Data as at 31 December 2023. AUM stated in US dollars to align with the consolidated reporting. Figures may not sum up due to rounding.

**NEUBERGER BERMAN GROUP ASSETS UNDER MANAGEMENT $463BN**

**MULTI-ASSET STRATEGIES**

| | EQUITIES | FIXED INCOME | HEDGE FUNDS & LIQUID ALTERNATIVES | PUBLIC REAL ASSETS |
|---|---|---|---|---|
| **PUBLIC MARKETS** $335bn | Global<br>US<br>EAFE / Japan<br>Emerging Markets – China<br>Quantitative<br>Thematic<br>Custom Direct Investing | Global Investment Grade<br>Global Non-Investment Grade<br>Emerging Markets Debt<br>Municipals<br>Multi-Sector<br>Currency | Multi-Manager Hedge Funds<br>Long/Short<br>Event Driven<br>Global Macro<br>Risk Premia<br>Options | Commodities<br>Diversified Real Assets<br>Global REITs<br>US REITs |
| | $128bn | $181bn | $24bn | $3bn |
| **PRIVATE MARKETS** $129bn | PRIVATE EQUITY | PRIVATE CREDIT | SPECIALTY ALTERNATIVES | PRIVATE REAL ASSETS |
| | Primaries<br>Co-Investments<br>Secondaries<br>Specialty Strategies | Private Debt<br>Capital Solutions<br>Special Situations<br>Residential Loans<br>Specialty Finance<br>Private Placement<br>European Private Loans | Hedge Fund Co-Investments<br>Insurance-Linked Strategies<br>Late Stage Pre-IPO<br>SPACs | Private Real Estate – Almanac<br>Real Estate Secondaries<br>Real Estate Primaries & Co-Investments<br>Infrastructure |
| | $89bn | $26bn | $6bn | $7bn |

**ESG INTEGRATION | GLOBAL RESEARCH CAPABILITIES | DATA SCIENCE**

Source: Neuberger Berman. Firm AUM as at 31 December 2023. Figures may not sum up due to rounding.

## How We Seek and Incorporate Our Clients' Views

We believe stewardship is integral to the investment process for active management, and not a separate, siloed effort disconnected from investment decisions. We embed stewardship responsibilities within our investment teams which we believe are crucial to integrating stewardship insights into the investment process and informing investment decisions. As a result, no stewardship activity is conducted in a silo—information is shared to better inform investment decisions, engagement priorities and voting decisions. Our decision to embed responsibility for active ownership actions within investment teams serves to deepen the integration of information and insights gathered through stewardship efforts into investment processes such as NB ESG Quotient ratings, valuation models, proxy voting decisions and engagement escalation.

Most clients choose to give us voting authority because they agree with this integrated approach to stewardship. We publish our Proxy Voting Guidelines and provide transparency to clients on our voting record to enable them to assess our work. This includes NB Votes, our advance vote disclosure initiative launched in 2020, where we publish our vote intention and rationale ahead of select shareholder meetings. We also increased the publication frequency of our vote records for our US mutual funds and Irish UCITS funds to monthly. After further feedback, in 2021 we created a mechanism where clients can receive an email notification when we publish a new vote intention. In 2022, we published a Summary of Material Changes describing the significant updates made to our Proxy Voting Guidelines. Based on feedback received from clients and portfolio companies, we have continued this disclosure practice.

In the normal course of business, we have regular dialogue with our clients about investment processes, outcomes and stewardship activities where clients may choose to share their views. Clients may have a range of different objectives, which is why we offer a range of co-mingled funds that are clearly labelled, for example those that are "sustainable" or seek to achieve alignment with a "net zero" objective, or to engage in support of achieving the SDGs. Clients are free to select products that align with their needs. In addition, we develop customised solutions for clients in separately managed accounts to further align with their unique objectives. These can include specific stewardship objectives, for example in relation to net zero.

In addition to one-on-one client meetings, we host client roundtables on key topics of interest to our clients. We find these interactions with clients to be beneficial as it provides for conversations on timely topics and enables us to respond to client feedback.

## Evaluating the Effectiveness of Our Methods to Understand Client Needs

Given our diverse range of clients and investment strategies, we have found it beneficial to engage with our clients through multiple means of communication, including both formal and informal interactions.

**Informative Reporting**

Providing our clients with high-quality, informative reporting is a critical component of our stewardship activities. We strive to include case studies of our stewardship efforts, both where we have not yet achieved our objective and where we have been successful. We provide this reporting through various communication channels and frequencies as described below.

**Client Roundtables**

We hosted a number of virtual client roundtables throughout 2023 that provided opportunities to educate on emerging ESG topics, provide updates on our stewardship and integration approaches, and gather feedback. We were also able to host in-person client roundtables at select conferences and industry events as an additional way to connect with and gather feedback from our clients.

**RFPs and DDQs**

We closely monitor the questions and topics of focus included in RFPs and DDQs from clients, and incorporate these observations into our stewardship activities and reporting. In response to requests for more engagement examples, we have increased the number and type (successful, ongoing, etc.) of engagement case studies provided in this report and in our Annual Report. We have been pleased by the positive feedback from clients on these enhancements and continue to explore opportunities to deepen our engagement with them and incorporate their feedback into our activities. Further, in response to client feedback, we intend to enhance our tracking systems further to enable us to provide more strategy-specific and firm-level stewardship insights across a range of factors such as proxy voting and engagement statistics.

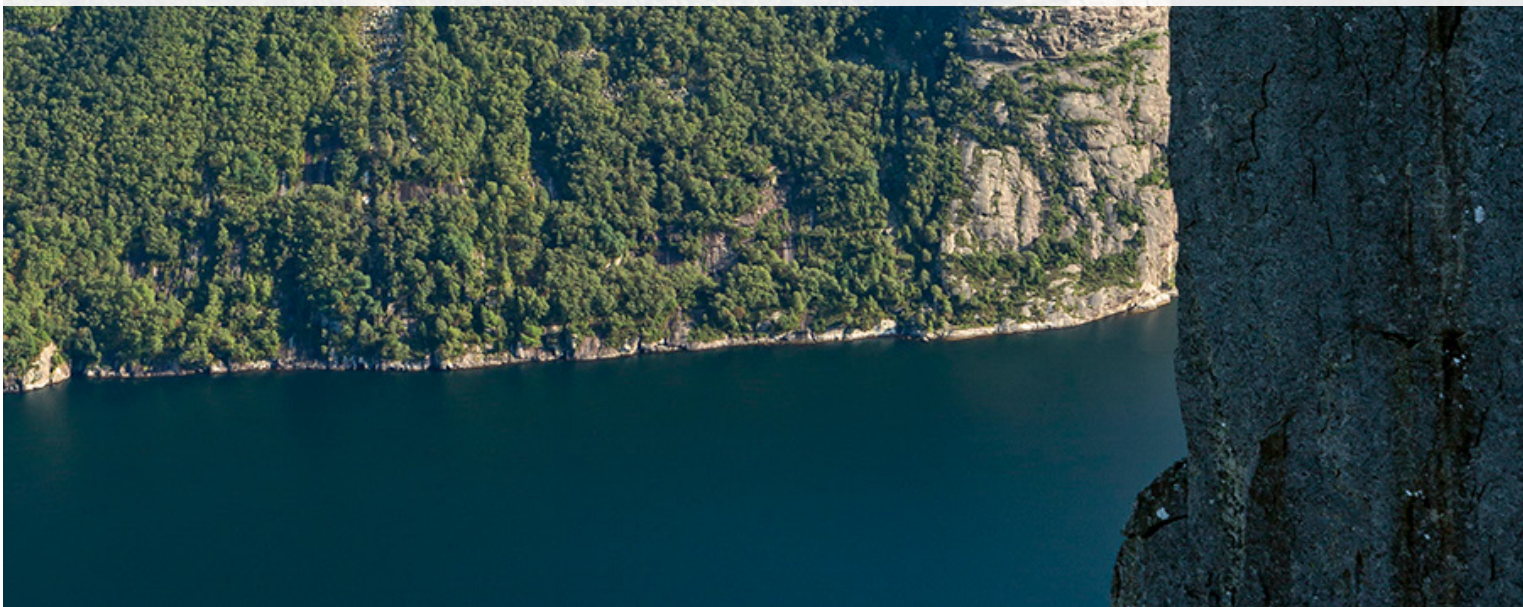
**Publicly Available Documents**

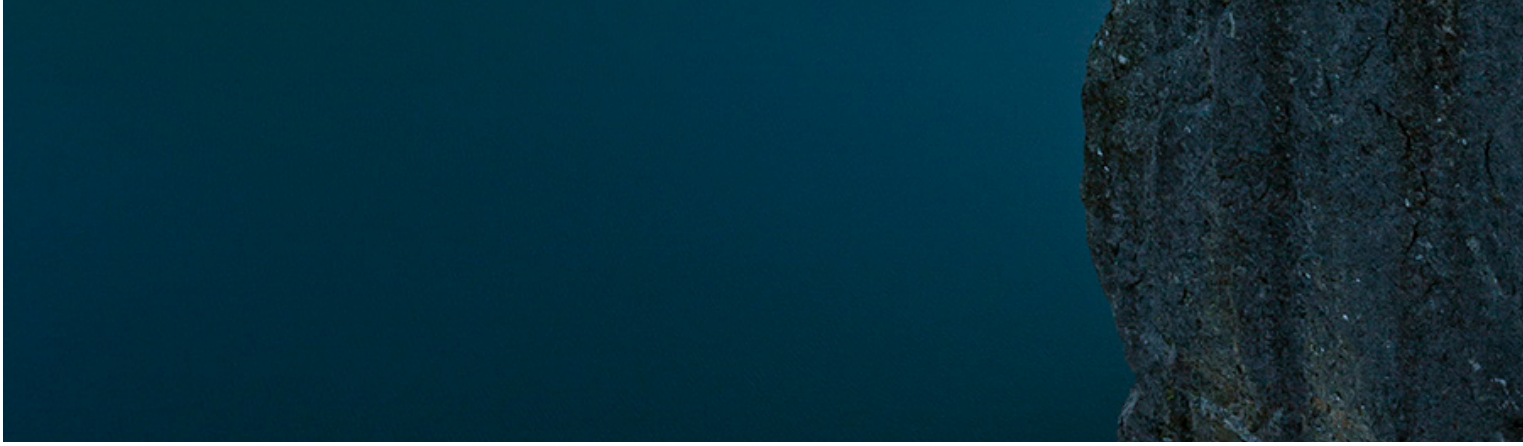
We disclose key stewardship materials on our website, including policies, reports and voting records. In addition to the policies and guiding documents described in Principle 5, these include our PRI Transparency Report, PRI Climate Transparency Report, Global Corporate Credit ESG Engagement Report and Private Market ESG Report. These reports are published and distributed to clients on an annual basis. In 2023, we published both our firm-level and NBEL-specific Task Force on Climate-Related Financial Disclosures Report.

As discussed in Principle 5, our custom Proxy Voting Guidelines are reviewed annually by our Governance and Proxy Committee and updated as appropriate. As noted earlier in this report, in response to client feedback, we now publish an additional voting document summarising material changes made to our voting guidelines. Additionally, we publish our vote records for our US mutual funds and UCITS funds on a monthly basis. Additionally, many clients receive reporting on proxy voting activities on a monthly or quarterly basis.

# PRINCIPLE 7

Signatories systematically integrate stewardship and investment, including material environmental, social and governance issues, and climate change, to fulfil their responsibilities





## PRIORITISING ESG FACTORS WHEN ASSESSING INVESTMENTS

We believe that financially material ESG characteristics are an important driver of long-term investment returns from both opportunity and risk mitigation perspectives. We also understand that for many of our clients the impact of their portfolio is an important consideration in conjunction with investment performance.

Investment professionals throughout the firm are responsible for incorporating financially material ESG factors in portfolios and investment research. A high percentage of our professionals have the responsibility to reinforce and strengthen ESG integration and stewardship activities across our investment teams in all asset classes. To reinforce the importance of ESG to our efforts, compensation for many investment professionals is tied to ESG research insights and integration, as described in Principle 2. Please refer to Principle 2 for further detail on how our ESG Committee, the ESG Investing Team, the ESG Committee and the ESG Product Committee work together with our investment professionals to integrate ESG within NBEL.

Each portfolio manager has a customised approach to ESG integration that is driven by 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 manager. For ESG integrated strategies, each portfolio management team determines how best to achieve its ESG integration objectives and lays out how ESG analysis is conducted to potentially increase return or mitigate risk, how ESG factors are analysed and measured at the security level, and how they influence portfolio construction.

We believe 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. For this reason, ESG is included in the work of our research analysts rather than a separate ESG research or stewardship team. We believe that research analysts and investment professionals that are trained in determining financial materiality are best positioned to determine which factors are financially material to a specific investment decision. To augment our analysis, we regularly add new data sets and leverage the capabilities of our Data Science team. With custom ratings covering more than 4,000 equities and 2,700 credit issuers, the investment teams can then choose how best to apply all the tools of active management.

Our investment professionals work within a portfolio management team, which then selects a particular investment approach from the Neuberger Berman ESG Integration Framework.[11]

For all ESG-integrated strategies, each portfolio management team selects an approach from our ESG Integration Framework: Assess, Adapt, Amplify, Aim for Impact or Avoid. In building their portfolios, portfolio managers consider whether to reach a more holistic understanding of risk and return ("Assess"), seek to improve social or environmental performance through engagement ("Adapt"), tilt the portfolio to best-in-class issuers ("Amplify"), invest in issuers that are intentionally generating positive social/environmental impact ("Aim for Impact") or simply exclude particular companies ("Avoid"). Additionally, clients can customise by the type of investment vehicle employed for investing; for example, client vehicles can be created to implement client-specific avoidance criteria, to tilt toward specific characteristics valued by the client or to seek certain types of positive impact.

[11] Neuberger Berman is closely monitoring the publication of the Sustainability Disclosure Requirements (SDR) by the FCA. We will consider the suitability of our terminology in light of the final naming requirements for in-scope funds upon the publication of the final rule.

## NEUBERGER BERMAN ESG INTEGRATION FRAMEWORK[12]

Process-focused — Outcome-focused

| Assess | Adapt | Amplify | Aim for Impact | Avoid[13] |
|---|---|---|---|---|
| Considers financially material ESG factors alongside traditional factors in the investment process. ESG factors are generally no more significant than other factors in the investment selection process. | Seek to achieve social and/or environmental outcomes through engagement with issuers while also achieving a financial goal. | Seek to achieve a financial goal by investing in high-quality issuers with sustainable business models, practices, products or services and leadership on relevant ESG factors. | Seek to intentionally generate positive, measurable social and environmental outcomes for people and the planet alongside a market rate financial return, by investing in issuers whose core business, products, services or use of proceeds of each investment contributes to solutions of pressing environmental and social issues. | Ability to exclude particular issuers or whole sectors from the investable universe to meet regulatory requirements and accommodate client demands. |

**Examples of naming conventions**

| "ESG INTEGRATED" | "TRANSITION" OR "ENGAGEMENT" | "SUSTAINABLE" | "IMPACT" | DIVEST/EXCLUDE |
|---|---|---|---|---|
| In documents | In name of product[14] | In name of product[14] | In name of product[14] | Exclusions in documents |

PRINCIPLE 7

## Determining Material Factors Consistent With Clients' Investment Time Horizons

Our research analysts in partnership with our ESG Investing team developed the Neuberger Berman Materiality Matrix for more than 73 different industries. The matrix identifies which ESG factors are financially material in each industry and is available to all investment teams to use as a starting point for further ESG analysis. For instance, factors such as privacy, data security and intellectual property that may be relevant in technology may be less relevant in packaging, where raw material use, recycling and safety may be more important.

This approach enables our investment teams to prioritise the most material factors in their stewardship and investment processes. As a result, our investment teams focus their efforts on the issues that most directly affect long-term value creation in line with the investment time horizons of our clients.

## Broad Perspective and Granular Insights from Proprietary ESG Ratings

Investors increasingly accept that financially material ESG factors can have a tangible impact on companies and their general prospects for earnings and credit quality, and by extension, investment performance. To capture these factors and inform investment strategies across asset classes, our firm employs a set of proprietary ratings, NB ESG Quotient, that measures ESG performance in areas that we believe could have potentially material impacts on investment results at both the company and portfolio levels.

NB ESG Quotient is a collaboration between the ESG Investing team and the firm's Global Equity and Fixed Income Research teams, going beyond third-party ESG ratings by leveraging our deep industry knowledge, frequent engagements and our view of financial materiality to better measure ESG characteristics across corporate and sovereign issuers. As described above, we have identified the ESG factors that

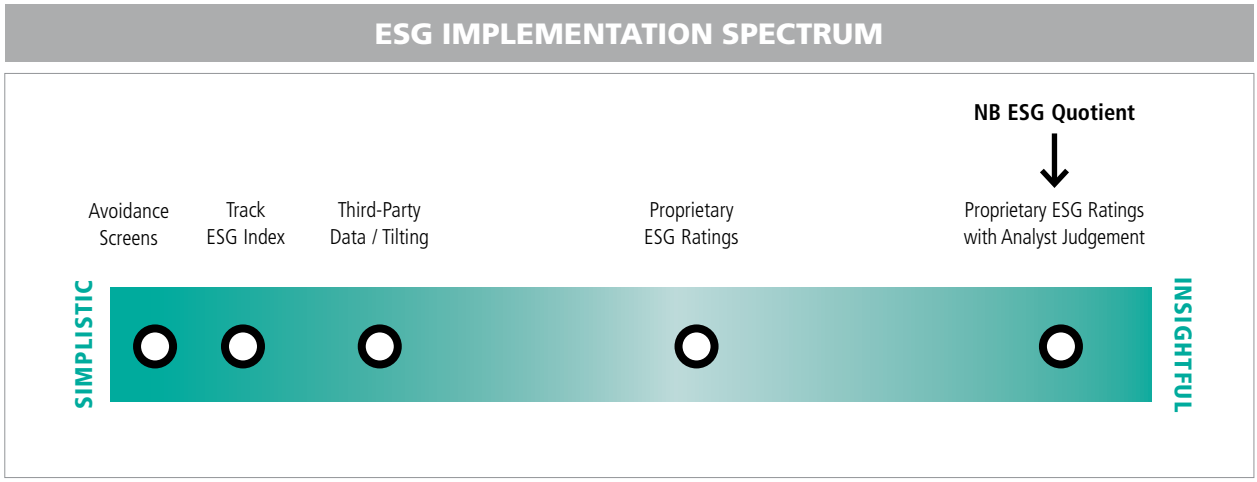
[12] Note: Investment strategies' ESG integration approaches may evolve over time. Product names and classifications are subject to change due to changing sustainability-related regulatory requirements across different jurisdictions. There may also be exceptions to our internal naming conventions above in cases depending on the investment process of a product. Not all Neuberger Berman investment strategies consider ESG factors. The ESG Investing team works together with respective investment teams to receive approval from the ESG Product Committee for appropriate taxonomy designation. Please refer to Neuberger Berman's ESG Policy for the full definitions.

[13] Avoidance screens can be combined with other ESG integration strategies based on client requests.

[14] Transition, Engagement, Sustainable and Impact named funds may have to meet specific local regulatory requirements including specific exclusions, investment policies, disclosure and reporting requirements that may go above and beyond what is listed here. Please refer to specific fund and strategy disclosures for further information.

we believe are material in each of the 73 industries set forth in our NB Materiality Matrix. We then employ three broad tools to measure performance in each category: available third-party ESG data, ESG data from Neuberger Berman's Data Science team and, most significantly, input from our research analysts on hard-to-measure factors such as regulatory risk, expected governance impacts and forward-looking data such as climate-related targets.

The result is an industry-relative rating, or NB ESG Quotient, for each company under coverage on separate environmental, social and governance characteristics, which can be accessed by our investment professionals, incorporated into their investment process and aggregated on a portfolio-wide basis.




## Potential Return Driver

Beyond its value as a resource to investment teams, we see NB ESG Quotient as a potential driver of portfolio returns. Indeed, it is a cornerstone of the firm's Sustainable Research Opportunity (SRO) strategy, which combines the research team recommendations with the top ESG Quotient companies to create a low-cost enhanced index portfolio.

The SRO strategy seeks to capture the attractive characteristics of both passive and active approaches in a Beta Plus format. It combines the low cost of passive investing with the alpha performance objective, fundamentals-driven weightings and investment insights via company engagements of active management. Additionally, the SRO investment team strives to engage with all corporate holdings in the strategy at least annually.

**ESG Quotient and Engagement**

Engagement is a crucial aspect of Neuberger Berman's active management and has been critical to refining the NB ESG Quotient ratings. The NB ESG Quotient, our proprietary ESG rating system, is built around the concept of sector-specific ESG risk and opportunity, and produces an overall rating for issuers by assessing them against certain ESG metrics. Engagement is an important component of the investment process for most Neuberger Berman funds. The firm leverages internal engagements with management teams of issuers through a robust ESG engagement program to better understand risks and opportunities, and assess good corporate governance practices of investee issuers. For example, a retailer had disclosed enhancements to addressing cybersecurity risks and human capital management practices that were not yet reflected in third-party data. Based on updated disclosure we were able to adjust the inputs to our ratings resulting in what we believe to be an improved assessment of the company through collaboration with the covering analyst.

The ratings can also be highly useful in improving ESG corporate performance. Given the close relationships that our research analysts have with the companies they follow, the ratings have provided them with a tool to discuss and advance ESG objectives. Data science initiatives have also helped reinforce our ratings on specific companies. For example, by scraping online employee sentiment for one holding, we determined that employee views suggested higher-quality labour practices than were reflected in third-party metrics, reinforcing the conclusions we had drawn in multiple engagements, and creating additional confidence in our own ratings for the company.

In our view, NB ESG Quotient ratings are a significant step forward in drawing together what we believe are unique insights that can be applied within portfolios and broadly to promote improved ESG practices across asset classes. They are also a work in progress, and we will continue to refine the integration of data and human perspectives to enhance their contribution.

## Dynamic Inputs and Alternative Data

As material ESG factors evolve, the NB ESG Quotient evolves with them. We review the factors with sector analysts at least once every two years to determine if new material factors have emerged and whether there is a more accurate way to capture them. Qualitative analyst inputs are generated by our central research analysts in partnership with the ESG Investing team for areas where data availability is limited.

In 2023, our model included more than 40 custom analyst inputs. Further, through our ongoing partnership with Neuberger Berman's Data Science team, we continuously integrate alternative data sources that go beyond third-party ratings. NB ESG Quotient already integrates alternative data from job postings, publicly available databases (OSHA, etc.) and employment review websites. The ESG data landscape is constantly evolving. We continuously evaluate new and innovative data providers to enhance our proprietary ratings where corporate disclosure may be lacking. In 2024, we intend to introduce new data sources to incorporate new ways of measuring historical and emerging financially material risks and opportunities that have previously not been captured.

As discussed in Principle 4, our investment teams leverage a variety of tools and data points to assess climate risk. For example, in 2023, we enhanced our proprietary Net-Zero Alignment Indicator, which is considered at both the portfolio and security levels across net-zero-committed listed equity and corporate fixed income portfolios. The Indicator is designed to assess a company's net-zero transition readiness, and hence its ability to mitigate climate risks. It combines over 40 quantitative data points with qualitative insights from our fundamental analysts to generate a forward-looking assessment of a company's climate transition potential. Not only does this tool provide a holistic view on our holdings' alignment status with regard to climate transition plans, but it also helps us construct portfolios aligned with our clients' net-zero criteria.

## Stewardship Informs Investment Decisions

No stewardship activity is conducted in a silo—information is shared to better inform investment decisions, engagement priorities and voting decisions. Our decision to embed responsibility for active ownership actions within investment teams serves to deepen the integration of information and insights gathered through stewardship efforts into investment processes such as NB ESG Quotient ratings, valuation models, proxy voting decisions and engagement escalation. As described above, information gathered through engagements and data science initiatives is directly integrated into our investment analysis and decision-making. Further examples of our integration of stewardship can be found in Principle 9, where we provide various case studies, including an overview of certain strategies such as our Global High Yield SDG Engagement Strategy, in which the investment team will consider divestment if a management team remains unresponsive to our attempts at engagement for multiple years.

As described further in Principle 9, engagement is central to our investment process—whether to inform our investment decisions or as part of our stewardship of an asset. We employ a variety of engagement tools, depending on the issuer, the issue being discussed and the accessibility of the issuer. It is also important to consider the relevant asset class and the rights afforded to us when determining an engagement approach, methods and frequency. Since our engagement efforts with a given issuer typically span a multi-year period, it is common to utilise multiple methods of engagement. Further details on our key stewardship activities such as engagement, collaboration and proxy voting can be found in Principles 9, 10, 11 and 12.

## Stewardship and Investment Integration Approach Considerations: Asset Class, Geography, Fund Objectives

Investment professionals across our investment platform have developed asset class-specific ESG philosophies for ESG-integrated strategies and funds that are aligned with our overall firm philosophy:

- **Public Equity:** We consider financially material factors which could include environmental, social and governance topics where we believe they may impact security valuation for example through a company's forward-looking multiple, the value of its intangible assets or its earnings.
- **Corporate credit:** We consider financially material factors which could include environmental, social and governance topics where we believe they may impact near and medium-term cashflows and EBITDA.
- **Municipal credit:** We consider financially material factors which could include environmental, social and governance topics where we believe they may impact the governance profiles of local governments and public enterprises, labor and stakeholder relations, as well as management and mitigation of environmental risks.
- **Sovereign debt:** We consider financially material factors which could include environmental, social and governance topics where we believe they may impact credit spreads and risk of default. For example, sovereigns with declining control of corruption, weakening adherence to the rule of law, or increasing vulnerability and readiness to climate change may bring incremental risk.
- **Private Equity Fund Investments:** We may consider a Sponsor's level of ESG integration at both the firm and the fund strategy level to determine how ESG is incorporated into the investment process, in a way that is comparable across funds.
- **Private Direct Investments:** We may assess industry-specific ESG factors that are likely to be financially material for a given company as well as the lead Sponsor's level of ESG integration.
- **Real Estate:** We may consider environmental, social and governance topics where we believe that they may impact the long-term investment value of real estate companies.

In addition to asset class, materiality of ESG factors may depend on the location of an issuer and the regions in which they operate. For example, issues related to human rights, supply chain management and corruption are more prevalent in emerging and developing economies than developed markets. Similarly, the type and severity of physical risks will depend on the location of company operations. Please see Principle 9 for details on how our integration and engagement efforts may differ across geographies, asset classes and funds, as well as for a variety of engagement examples.

## Processes Used With Our Service Providers

All of our stewardship is undertaken in-house by our investment teams and ESG Investing team. The investment teams are responsible for integrating ESG and engagement information into their investment processes.

We also use third-party data providers, as described under Principle 8. In some cases, we integrate the third-party data into our propriety tools to enable our investment teams and engagers to access and compare a wide range of data quickly. The criteria and framework for such services are detailed in the relevant contracts, and the ESG Investing Team monitor the provision of such services on an ongoing basis. The key criteria that we consider when assessing a data provider are the quality of the data, the methodology which we use to calculate data points, how often we have to refresh the data, data delivery tools and data coverage.

As part of ESG data oversight, we have dedicated team members in data governance, technology and operations who manage data quality assurance, perform data analysis and engage with third-party data vendors on data. Prior to onboarding a new provider, we conduct extensive due diligence with input from several functions such as Vendor Management, Business Technology, Legal and Compliance, Client Reporting, Research, Data Governance and ESG Investing to ensure that new service providers have received clean and actionable criteria to support our integration of stewardship investment.

The scope of the services is set out in the relevant contracts and the provision of such services is monitored on an ongoing basis. For example, our Governance and Proxy Committee reviews the services provided by Glass Lewis on at least an annual basis to ensure they are consistent with our needs and expectations, which include Glass Lewis, (1) administering Neuberger Berman's custom Proxy Voting Guidelines or as otherwise instructed by Neuberger Berman to proxies, and submit such proxies in a timely manner; (2) providing research on proxy matters; (3) in a timely manner, notifying us of and providing additional solicitation materials available by issuers reasonably in advance of a vote deadline; (4) handling other administrative functions of proxy voting; (5) maintaining records of proxy statements and other solicitation materials received in connection with proxy votes and providing copies of such proxy statements and other solicitation materials promptly upon request; and (6) maintaining records of votes cast. We include details on the services to be provided in Principle 12 as well as in our Proxy Policies and Procedures document. While services will differ by provider, we may establish general criteria where appropriate. For example, for data providers, we would expect complete, accurate and timely delivery of the product. Principle 8 includes examples of steps we have taken when a vendor has failed to meet our expectations.

We continue to explore ways to improve our communication with vendors and monitor the services they provide to ensure they support the integration of stewardship and investment processes. For example, as described in Principle 5, we have engaged our Enterprise Data Governance team to undertake a comprehensive review of third-party ESG data and support the organisation in establishing controls to monitor the quality and completeness of data provided. Details on how we ensure our service providers' methodologies and implementation are consistent with our approach to ESG integration are provided in Principle 8.

# PRINCIPLE 8

Signatories monitor and hold to account managers and/or service providers

## OUR APPROACH TO WORKING WITH SERVICE PROVIDERS

NBEL's outsource providers and vendors are defined as follows (known as 'Third Party' or collectively as 'third parties'):

- **Outsource providers:** An arrangement of any form by which the Third Party performs a process, a service or an activity that would otherwise be undertaken by Neuberger Berman (or the relevant Neuberger Berman legal entity or the fund) itself.
- **Vendors:** A third party that does not fall into the above category that is an arrangement by which the Third Party performs a process, a service or an activity that would typically not be undertaken by Neuberger Berman (or the relevant Neuberger Berman legal entity or the fund) itself.
- **Affiliates:** An intragroup agreement in place between two Neuberger Berman entities to delegate the performance of a process or activity to another entity. For example, NBAMIL, as Manager of UCITS funds, may delegate the investment management function of these funds to, among others, Neuberger Berman Europe Limited and Neuberger Berman Investment Advisers LLC.
- **Examples of outsourcing arrangements:** Application processing, middle- and back-office operations (e.g., fund administration, payroll processing, custody operations, quality control, order processing, trade settlement, risk management).

### Third-Party Risk Management Framework (the "Framework")

The oversight and monitoring of service providers begins at the onboarding stage. Neuberger Berman has developed and implemented a Framework to identify, assess, manage and escalate risks identified during the onboarding and oversight of third parties. These include entities providing services to the investment, operations, business and infrastructure technology, and client platforms, inclusive of the fund platforms.

The Framework covers all of Neuberger Berman's subsidiaries globally, including in the UK, and is overseen by the NBEL Operational Risk team. The Operational Risk team is responsible for overseeing the implementation of the Framework across the group and collaborates with multiple internal support and control groups, as well as being the first line business function engaging with the third party.

The Framework structure provides a consistent model and structure, whereby ownership of risk, required due diligence and periodic reviews of third parties resides with each business unit, with oversight provided by the risk, technology and other key support functions across the group (where applicable).

**The Risk Assessment**

The Framework requires new third parties (services provided by new or existing third parties) to be risk-assessed prior to onboarding to drive appropriate preliminary and ongoing due diligence.

The risk assessment requires NBEL to assess four key risk impact categories and rate each using a four-threshold rating scale as part of the initial risk assessment. The rating of each risk impact type drives the level of due diligence and oversight. The risk impact type ratings are also aggregated to provide an overall risk tier, which drives service-level due diligence (many third parties provide multiple services), reporting and escalation requirements. These include the following:

| Risk Impact Type | Due Diligence Criteria | Preliminary Due Diligence Undertaken | Ongoing Due Diligence |
|---|---|---|---|
| **Data Type** | Medium, Significant, Critical | • Information Security questionnaire<br>• Further information requested directly from the third party if required<br>• Review of independent information security controls report (SOC 2 or equivalent) | • Information Security review (at least annual)<br>• Information Security questionnaire completed by third party<br>• Information Security review of information security controls report |
| **Data Hosting** | Critical | • Information Access Management questionnaire | • Information Security annual review of critical rated services |
| **Disruption** | Significant, Critical | • Third party completes a BCP questionnaire, which is reviewed by the BCP team<br>• Development of a BCP plan | • Annual review BCP of significant and critical rated services<br>• Third party completes a BCP questionnaire<br>• Annual review of the BCP plan |
| **Replacement** | Significant, Critical | • Third party provides credit-related information, which is reviewed by Counterparty Risk<br>• Development of a replacement plan | • Counterparty Risk annual review of significant and critical rated services<br>• Annual review of the replacement plan |

# ONBOARDING AND DUE DILIGENCE

## Risk Assessment

During the onboarding stage, the risks associated with the vendor and/or outsource provider are evaluated via the risk assessment process. This is facilitated through the internal service onboarding tool, where new vendor/outsource provider service and contract details are input. Once the risk assessment is reviewed and approved by our Operational Risk function, this drives the due diligence steps to be conducted by Neuberger Berman's Information Security, Business Continuity and Credit Risk teams. In addition, irrespective of the outcome of the risk assessment, Neuberger Berman's Compliance team undertakes a negative news and sanctions check of the vendor/outsource provider to ensure that there are no ongoing lawsuits, regulatory sanctions or other breaches of applicable laws and regulations associated with the vendor/outsource provider. This ensures that we are comfortable that our suppliers do not engage in any unethical practices, such as modern slavery.

**Due Diligence**

As part of preliminary due diligence prior to engaging a service provider, Neuberger Berman may request that the prospective service provider make available key documents such as: completed due diligence questionnaires, a SOC 1 or SOC 2 report under SSAE 18, audited financials and other credit-related information—all of which are evaluated as part of the review. NBEL may also use publicly available information, as well as perform reference checks, to confirm the service provider's credentials. The Global Technology function performs an information security review, and Operational Risk team performs a BCP review, where appropriate. Any exceptions where the service providers have not met our standards have to be signed off by Group Operational Risk committee before we engage them.

It should be noted that critical data vendors and service providers which require significant investment will also be reviewed by various committees, including the Operational Risk committee, to ensure their suitability to support any new products or services NBEL offer.

NBEL's expectation is that third parties are conducting their operations in line with applicable laws and regulations, such as (i) ensuring an appropriate security framework is in place which meets NBEL's expectations and standards; (ii) ensuring a suitable framework is in place regarding the treatment of firm and client data, such as privacy and non-disclosure agreements and processes to ensure information or data provided to and from NBEL remains confidential and secure; (iii) ensuring processes are in place to identify human rights issues in the supply chain through compliance with anti-slavery and human trafficking laws, statutes, regulations and codes.

Neuberger Berman has implemented automated tracking software to enhance the dissemination management and oversight through the use of questionnaires, supporting the due diligence process. The outcomes of the initial due diligence are now hosted within the software and outcomes provided to the service provider's relationship manager within Neuberger Berman for evaluation. This process, coupled with the due

diligence previously mentioned, enables the development of action plans to address any identified risks, concerns or gaps within the third-party service's ability to meet Neuberger Berman's standards.

To further enhance our monitoring, Neuberger Berman is exploring mechanisms within our framework to ensure comprehensive risk assessments of any fourth parties who are critical to our operations. These assessments are being integrated into our ongoing monitoring process.

## Oversight of Delegated Activities

The oversight of delegated activities between Neuberger Berman entities is also covered as part of the third-party onboarding and risk assessment process. In addition to the risk factors noted above for third parties, the risk assessment between Neuberger Berman entities/ delegated activities also captures policy alignment considerations, ensuring that, where activities are delegated between Neuberger Berman entities, they are adhering to the same standards from a policy and process perspective. This ensures that key ESG and stewardship considerations at the Neuberger Berman Group level are adopted across different entities. The consistency of the policy alignment is also reviewed as part of the audit cycle to ensure ongoing appropriateness.

## Aligning Third-Party Services with ESG Standards

In order to ensure that the services and activities of our key third-party providers are aligned with the ESG standards of Neuberger Berman Europe Limited, the firm's third-party risk management program will be enhanced to ensure that key ESG considerations are reviewed and analysed during the vendor due diligence stage. Furthermore, for the most critical and significant service providers, the Service Relationship Managers shall document the minimum standards that should be adhered to in the operation of the service. This is achieved by a documented Service Level Agreement which sets out the standards of performance by the third-party provider as part of the execution of the service. The adherence to these standards are then monitored via Key Performance Indicators (KPIs), which are monitored periodically; any breach of KPI thresholds is then escalated within the third-party service provider.

Focus on digital resilience as part of the Digital Operational Resilience Act (DORA) implementation requires us to enhance our Critical Third Party (CTP) register within our platform to manage the vendors' profiles throughout their lifecycle. The below illustrates the third-party lifecycle including the ongoing monitoring of service provider standards for ESG, Information Security and Business Continuity.

| Sourcing/ Re-evaluation | Preliminary Negotiation/ Re-negotiation and Due Diligence | Contract Finalisation | Ongoing Oversight | Renewal/ Amendment/ Termination |
|---|---|---|---|---|
| • Defines what services are required<br>• Performs research on potential Third Parties<br>• Shortlists a provider | • Complete the New Service Request Form in ServiceNow<br>• Due diligence requirements defined and undertaken<br>• Draft contract and negotiate contract terms | • Final contract to be signed by the Third Party and an authorised NB signatory<br>• Legal update of contract details in ServiceNow | • Perform day-to-day management of the Third Party service<br>• Perform ongoing due diligence of the Third Party service (including those related to Information Security, Business Continuity and ESG)<br>• Annual review of the Third Party service and strategic alignment | • Discuss renewal/ termination decision with Business Relationship Manager<br>• Legal to confirm renewal notification requirements and make amendments to the existing contract<br>• Service Relationship Manager to reach out to Legal to confirm termination notification requirements including the safe and compliant deletion of NB data |

## Looking Ahead

In order to continuously improve our Third Party Risk Management (TPRM) program, ensuring ESG considerations are factored into the program, we intend to carry the following steps in 2024:

1. Strengthen our third-party oversight through an advanced due diligence program. This involves creating specific questionnaires for use by relationship managers, improving KPI tracking and enhancing exit strategy plans.
2. Develop the internal relationship manager's minimum due diligence standards where we have more support types of third party across the group, ensuring they receive recurrent training.
3. Create focused due diligence questionnaires targeting Modern Slavery, various ESG themes such as; environmental sustainability, social and human rights commitments, diversity and inclusion, board oversight of ESG issues, training on ESG-related topics, and supply chain responsibility, as well as risks associated with fourth parties.
4. Collaborate with our ESG team to create an evolving ESG standard for our third parties, integrating it into the current TPRM framework through targeted ESG surveys.

## Ongoing Evaluation and Oversight

The business units across the group engaging with outside vendors/suppliers and services have access to a third-party risk toolset. The toolset facilitates appropriate record-keeping for due diligence and an audit trail of approvals; is an effective and efficient means to rate the risk of third parties; and allows for issues and concerns to be appropriately escalated to the Operational Risk team and the relevant management groups and committees. As part of the toolset that NBEL uses for third parties, the business is to attest on an annual basis that the risk assessment/service remains consistent and that there are no open issues that require the development of an action plan.

The internal relationship manager is responsible for performance monitoring of third parties as part of the ongoing due diligence process and shall flag any issues to the third party directly to confirm the appropriate resolution and action plan. As part of the lifecycle of the third-party relationship, the relationship manager will have several regular meetings with the third party to discuss key issues and concerns regarding ongoing performance. For different third parties, such as our fund administrators, critical functions may be reviewed daily (e.g., reconciliation breaks) to ensure that they are resolved accordingly. Neuberger Berman also has a Sourcing and Vendor Management Organisation that assists with the review of any material third-party relationships and consider if a Service Level Agreement ("SLA") is required. If applicable, the SLA will include service standards, dependencies and escalation criteria.

Typically, data and outsourced service providers are measured against SLAs and key performance risk and control indicators, with penalties built in for breaches (all of which are recorded on NBEL's risk systems as third-party errors). There are a number of significant and critical third-party relationships where Key Performance Indicators (KPIs) are captured and monitored to identify any signs of deterioration in service performance. These are typically reviewed via service calls with the third parties. For example, with BBH, which provides fund administration and transfer agency activities for several of Neuberger Berman's fund ranges, there are weekly Operations calls, fortnightly and monthly senior management calls, and a monthly service review meeting to review KPIs. In addition, the Neuberger Berman's Operational Risk team meets with the BBH Operational Risk team every two months to discuss control concerns from the perspective of an independent second line of defense.

## Sourcing and Ongoing Viability

The determination as to the appropriateness of services provided by a third party is made at the sourcing stage (prior to risk assessment) and, depending on its annual risk tier review, is then re-reviewed annually. NBEL teams utilise the Sourcing and Vendor Management Organisation (SVMO) team to outline the business need for the department and define what services are required. The business line will then work with the SVMO team to research third parties that have the capability to deliver the service. A shortlist is created for the preliminary due diligence phase—only third parties that have demonstrated the ability to meet this business need are taken forward. The ongoing affirmation that the vendor/outsource provider is continuing to meet the needs of NBEL is achieved through the due diligence by the Business Relationship Manager, who reviews the ongoing due diligence results by the Service Relationship Manager. In addition, via the addition of a dedicated Equity, Inclusivity and Diversity (EID) resource within the Neuberger Berman's Employee Platform organisation, we now consider the EID metrics of our third parties at the sourcing stage to ensure that they are suitably aligned with our EID principles and strategy.

## Our Relationship Management Approach

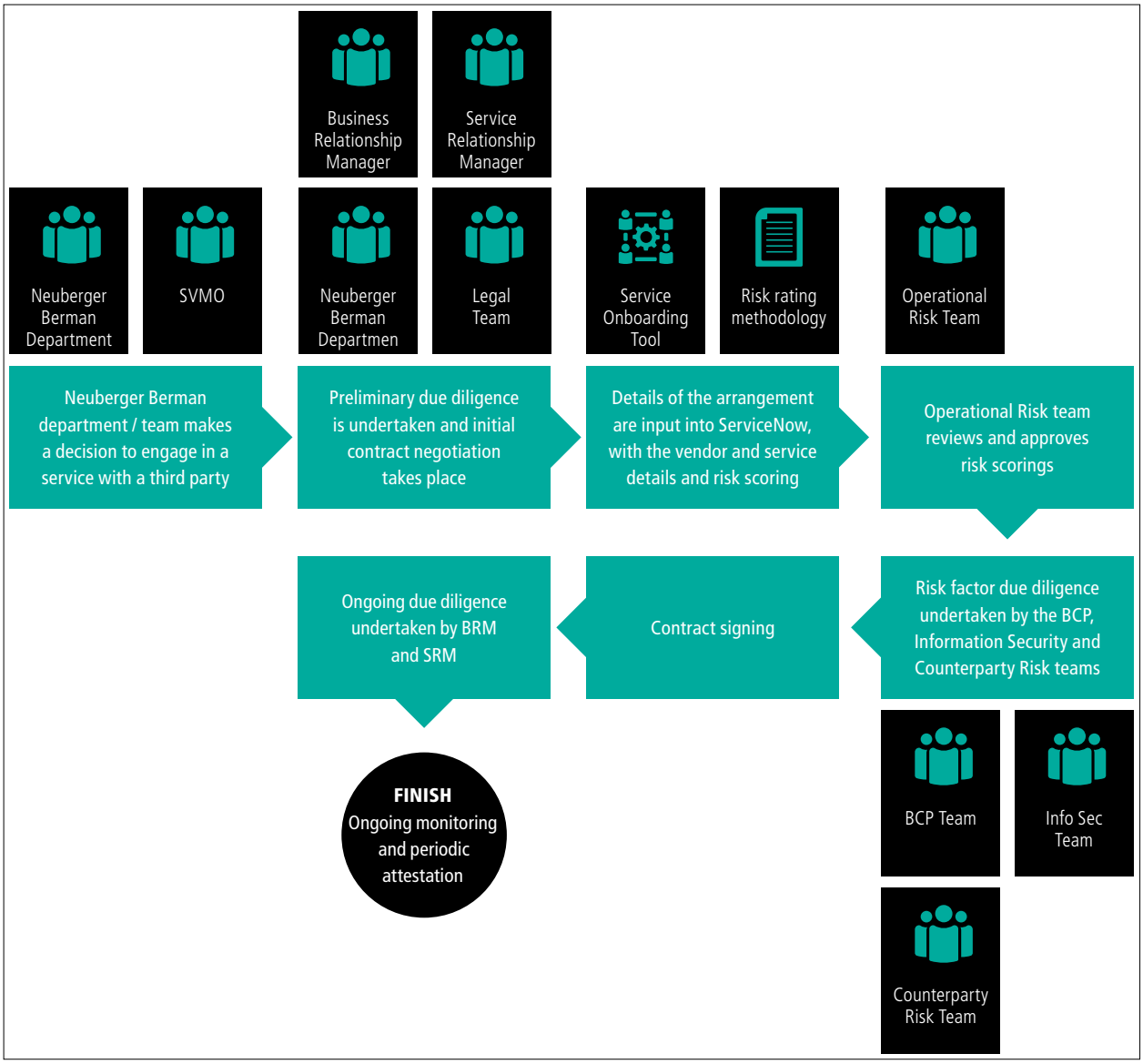
Key roles involved in the oversight of the third parties include but are not limited to:

**Service Relationship Manager (SRM)**

- Manages the relationship with the third party for a specific service
- Responsible for day-to-day management of the third-party service and ensuring appropriate preliminary and ongoing due diligence is performed
- Responsible for reporting and escalation of issues

**Business Relationship Manager (BRM)**

- Manages the relationship with the third party on a firmwide basis
- Point of escalation for SRMs
- Owns the risk associated with the third-party relationship and makes risk-based decision




Examples of business-based initial and ongoing due diligence include:

| | Service Relationship Manager | Business Relationship Manager |
|---|---|---|
| **Preliminary due diligence** | • Assess ability to meet business needs<br>• Review financial health<br>• Identify fourth party and assess the third party's management this risk<br>• Review key policies, e.g. compliance, error reporting<br>• Review responses to DDQs<br>• Perform virtual or onsite visits | • Review strategic alignment<br>• Review concentration risk<br>• Communication with SRM on due diligence results |
| **Ongoing due diligence** | • Monitor changes to service and impact on risk factor ratings<br>• Review of Key Performance Indicators (KPIs) on at least semi-annual basis<br>• Regular communication on issues/errors in BAU activities<br>• Annual review of service, infrastructure and internal environment<br>• Annual review of service users list<br>• Industry review<br>• Virtual or onsite visits | • Review changes to the service that may impact strategic alignment<br>• Annual review of concentration risk<br>• Communication with SRM on due diligence results, and risk control acceptance, if applicable |

## Data Sources and Processing

ESG data or analytical inputs are derived from proprietary investment tools and in-house research (which incorporates critical thinking and human judgement into the process) alongside multiple datasets including international financial organisations, external data vendors, company direct disclosures (e.g., sustainability reports, annual reports, regulatory filings, and company websites), company indirect disclosures (e.g., government agency published data, industry and trade association data, and third-party financial data providers), development agencies and specialty ESG research providers.

ESG data is a key domain and part of our internal data governance with an assigned ESG Data Steward and a dedicated ESG Technology Team. The ESG Data Steward has periodic engagements with ESG data vendors to discuss data coverage and evolution in methodologies. Subscription to multiple data vendors enables us to evaluate company coverage and quality of data between vendors. In addition, our ESG Investing and ESG Data teams continually explore new data products and vendors to evaluate potential enhancements to our existing data coverage and governance, as well as identifying innovative and non-traditional data sources, which may provide additional insights. Neuberger Berman continuously seeks to identify additional data and research, which may enhance our analysis.

ESG data is integrated throughout the firm's operating management system, compliance and risk management systems, providing all stakeholders transparency, into portfolio ESG metrics in real time.

We believe that the most effective way to integrate ESG 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 company when it no longer offers an attractive risk-adjusted potential return.

We expect that data availability and quality will improve as the market and methods for obtaining and reporting data mature, which would also reduce the proportion of data that is estimated.

## Monitoring of ESG Data Providers

As a global investor, we operate in many different jurisdictions, all of which are adopting sustainability-related reporting and disclosure requirements. The need to comply with these regulations is taken into consideration when applicable in business decisions around developing or enhancing infrastructure such as committees focused on ESG matters, risk oversight and monitoring tools, and internal audit as well as monitoring ESG data providers. It is therefore important to be aware of the limitations in both methodology and data, and that ESG data is often incomplete or provided in a non-standardised manner.

Limitations in both methodology and data may include:

- Lack of standardisation of data providers' methodologies;
- Incomplete corporate reporting standards and misalignment with the corporate ESG data provided by the vendors;
- Inconsistencies in the vendors' methodologies for reporting ESG data and disclosures of the underlying data used for deriving third-party metrics;
- Inconsistencies in corporate hierarchies and entity identifiers can lead to inconsistencies in how data providers assign and map ESG datasets to securities;
- Low company coverage across certain indicators and asset classes, especially in private companies and companies that reside in Emerging Markets;
- Divergence in the quality and quantity of disclosure globally for Private Markets (Debt and Equity);
- Some data sets can be reported at a significant time-lag; and
- Some of the available third-party data is calculated using data estimates. There may be discrepancies between the models estimating the data and actual reported data, and significant deviations when data is restated or the underlying assumptions of these models are altered.

As such, investment teams are not dependent on raw data. As discussed in earlier principles, Neuberger Berman has developed a firmwide proprietary ratings system, the NB ESG Quotient, which is under continual review to enhance methodology and data coverage. The NB ESG Quotient leverages third-party data, but not third-party aggregate scores. The NB ESG Quotient enhances the analysis and research of financially material ESG risks and opportunities.

However, as this is an industry-wide challenge we continue to advocate for greater standardised disclosure and transparency. We promote acceptance and implementation of the PRI through collaborative industry-wide initiatives that aim to increase awareness, understanding and disclosure. For example, Neuberger Berman is a founding member of the Sustainability Accounting Standards Board ("SASB") Alliance (now

the IFRS Sustainability Alliance), which aims to help develop and maintain standards for public-company ESG disclosures using a rigorous process of evidence-based research and broad, balanced stakeholder participation. We use the SASB framework as the starting point for assessing material ESG factors across our investment platform. Neuberger Berman is also a formal supporter of the recommendations of the TCFD, which have now come under the scope of the ISSB. Alongside ISSB standards, the TCFD recommendations continue to help develop voluntary, consistent climate-related financial risk disclosures.

To help address these challenges in the near term, we are working with several third parties to receive data on material ESG matters, which our investment teams are, in turn, able to consider in their investment processes. ESG inputs are derived from multiple datasets, including international financial organisations, external vendors, company direct disclosures (e.g., sustainability reports, annual reports, regulatory filings and company websites), company indirect disclosures (e.g., government agency published data industry and trade association data and third-party financial data providers) development agencies and specialty ESG research providers.

ESG data is a key domain and part of our internal data governance with an assigned ESG Data Steward and a dedicated ESG Technology team. The ESG Data Steward has periodic engagements with ESG data vendors to discuss issues such as data coverage, and is continuously evaluating options to help resolve data gaps. Subscription to multiple data vendors enables us to evaluate company coverage and quality of data between vendors. Prior to onboarding a new provider, we conduct a due diligence process to ensure that new service providers have received clean and actionable criteria to support our integration of stewardship investment.

**Case study: Regulatory Reporting Vendor Selection**

In recent years, the acceleration of sustainable finance, particularly in the European Union (EU), has made 2023 one of the busiest years in the ESG regulatory space. Building regulatory reports with ESG data in-house during 2022/2023 was a manual and cumbersome process, with slow development times. The fast-changing regulatory landscape required a forward-thinking system, making it impractical to develop an in-house solution. Additionally, dedicating significant developer time to regulatory reporting diverted resources from more strategic projects like Net-Zero initiatives.

To address these challenges, we sought a best-in-class vendor with a strong reputation and understanding of the ESG regulatory landscape. The goal was to find an agile managed service platform for easy review and timely changes to ESG regulatory reports, comprehensive reporting across asset classes, regions, and languages, and robust data quality checks and oversight around data mapping. After a thorough evaluation, we selected a vendor with whom we already had an established business relationship and had completed a successful Proof of Concept (POC) with minor adjustments.

The chosen vendor's comprehensive coverage, cohesive ESG data mapping solution, and managed service interface facilitates easy review and timely changes, while their ability to integrate our proprietary data and access third-party ESG data ensures robust data quality. By partnering with this vendor, we are well prepared to meet current and future regulatory demands, allowing us to focus our resources on strategic initiatives and ensure compliance in a rapidly evolving regulatory landscape.



## Monitoring our Proxy Service Provider

As further discussed in Principle 12, although our proxy voting decisions are informed by our in-house custom Proxy Voting Guidelines and proprietary research, we have retained a third-party service provider, Glass Lewis, to assist in the implementation of certain proxy voting-related functions such as, administrative, operational and recordkeeping services. In this capacity, we have engaged Glass Lewis to: (1) provide research on proxy matters; (2) in a timely manner, notify us of and provide additional solicitation materials made available reasonably in advance of a vote deadline; (3) vote proxies in accordance with the Neuberger Berman Proxy Voting Guidelines or as otherwise instructed, and submit such proxies in a timely manner; (4) handle other administrative functions of proxy voting; (5) maintain records of proxy statements and other solicitation materials received in connection with proxy votes, and provide copies of such proxy statements and other solicitation materials promptly upon request; and (6) maintain records of votes cast. As discussed in Principle 7 and 12, our Governance and Proxy Committee has oversight of our proxy voting activities and reviews the services provided by Glass Lewis on at least an annual basis to ensure they are consistent with our needs and expectations. For example, we expect the research and services provided to be timely, accurate and complete. These expectations have been set by the Governance and Proxy Committee in partnership with the Director of Investment Stewardship with input from investment teams. We include details on the services to be provided in Principle 12 as well as in our Proxy Policies and Procedures document.

## Action Taken Where Third Parties Have Not Met Expectations

We regularly engage with data and service providers to share our views on the quality of service received and make suggestions for future improvements. When expectations are not met or when a breach or service-related issue occurs with one of our third parties, these are communicated to the appropriate relationship manager and are logged in NBEL's internal operational risk system. This includes consistent business and/or operational KPI breaches.

For example, we encountered material issues with one of our key service providers in 2023, which did not maintain the appropriate standards with regards to the publication of investor documents. In this case, the issue was escalated via the Relationship Management, Risk and Compliance teams to ensure that the appropriate remediation measures were put in place, and that monitoring of the processes surrounding the third party would be enhanced.

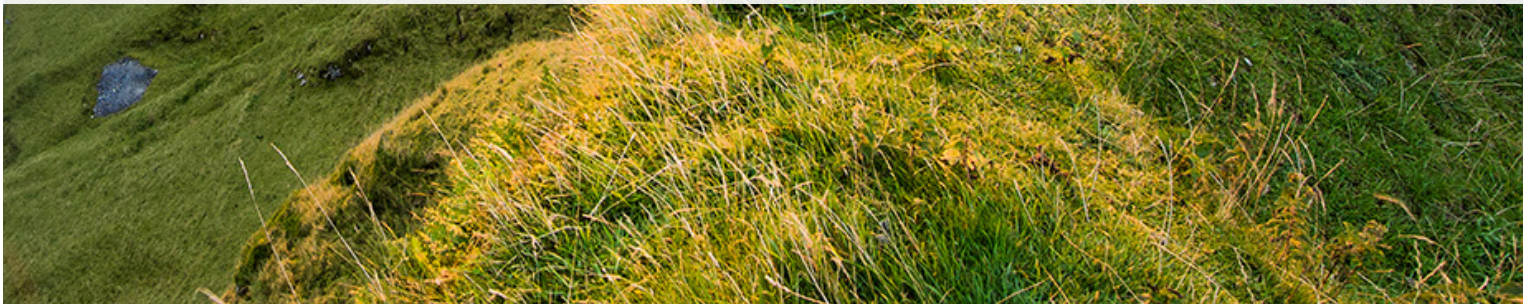
Proactive ongoing engagement with the third parties is crucial for NBEL in addressing control gaps/weaknesses within third parties. In 2023, there has been an increase in operational events resulting from incorrect trade booking communications from a sub-advised manager, who we consider a third party in line with our framework. The Operational Risk team has subsequently enhanced its communication and due diligence on the sub-advised manager's activities / controls to ensure the appropriate protocols to communicate trades to the fund administrator are in place.

In addition, a number of governance forums are available for the escalation of material issues and errors to ensure the right level of senior manager engagement. Locally, these issues are escalated and discussed at the regional Risk and Compliance Committee and to the EMEA Outsourcing Risk and Oversight Committee, a sub-committee of the regional Risk and Compliance Committee, who is responsible for reviewing and overseeing identified risks associated with our third-party relationships (both vendors and outsourced relationships). These matters can then be escalated further to the Group Operational Risk committee or the NBEL Board, depending on the nature of the issue. Reporting metrics on key Third Parties are presented and discussed at the monthly Operations Metrics meeting, discussed with the Global Head of Operations, and for critical Third Parties, are discussed directly with the Third Party as part of the service review (conducted at least annually).

When, during the lifecycle of the engagement with third parties, incorrect information or data is identified through NBEL's internal control environment, timely escalation to the relevant team within the third parties is required in order to prevent adverse impacts to NBEL and its clients. For example, where any inaccurate portfolio/security information has been identified in our Order Management System provided by our third-party vendor, it shall be raised to our dedicated support contact at the third-party vendor for investigation and resolution. Regular check-ins with the third-party vendor will occur until the cause of the incorrect data/information is discovered and resolved. This will then be followed with the third-party vendor providing root cause analysis and outlining preventative measures to be implemented.

# PRINCIPLE 9

Signatories engage with issuers to maintain or enhance the value of assets



## OUR APPROACH TO ENGAGEMENT

Engagement is core to our investment process—whether to inform an investment decision or as part of our stewardship of the asset. We embed stewardship responsibilities, including engagement within our investment teams, which we believe are crucial to integrating stewardship insights into the investment process and informing investment decisions. We look for companies where we can constructively exchange insights with board members and management teams. As an active manager, we combine subject matter expertise with fundamental insights to engage on financially material issues specific to a given company and its operating profile to drive sustainable value creation on behalf of our clients. Much of our engagement with issuers arises organically from the investment diligence process, but we are also focused on ensuring that the same attention and intensity are sustained throughout our stewardship of the asset.

We believe that engaging with issuers is an essential part of being a long-term active owner, and that engaging with issuers on financially material ESG topics can improve their performance and reduce their risk profile. With our long-term relationships with companies, Neuberger Berman's investment teams are well positioned to engage with companies on these key issues. In 2023, we conducted 3,256 public equity engagements and 1,402 fixed income engagements.

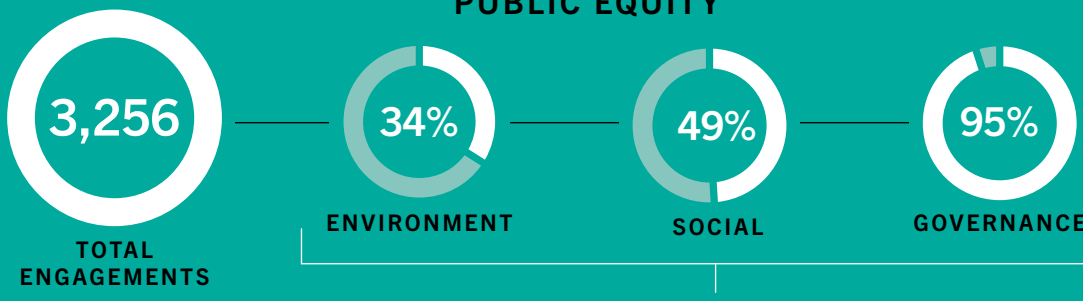
As an active owner, we employ a variety of engagement tools depending on the issuer, the issue being discussed and the accessibility of the issuer. Since our engagement efforts with a given issuer typically span a multi-year period, it is common to utilise multiple methods of engagement, such as one-on-one meetings with companies or letters to the board. Yet as will become clear through the case studies and statistics we share in this Principle, the tools and techniques we use for engagement continue to evolve.

As discussed further in Principle 11, while the overwhelming majority of our engagement is done in collaboration with companies and their management teams, we strongly believe that the exercise of investor rights prescribed in regulations and company bylaws are part of our responsibility in the pursuit of value creation and the protection of our clients' investments. We believe engagement should not be a top-down dictated approach, but rather investment-driven, taking into consideration matters such as investment objectives, issuer-specific circumstances and our history of engagement.

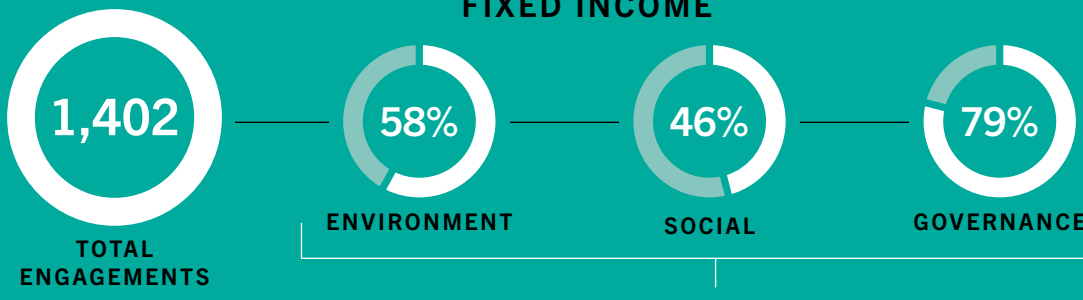
Where a company does not respond to our concerns or our concerns have not been sufficiently addressed, we may take escalated action such as withholding support from directors, supporting or filing a shareholder proposal, sending letters to the board of directors, or making our concerns public, amongst others. The escalation tools leveraged will depend on the rights available to us and the circumstances of the case in question. Importantly, escalation methods are not exclusive and when an escalation method is utilised, we continue to seek to drive change through private one-on-one engagements.

## 2023 ENGAGEMENT OVERVIEW[15]

### PUBLIC EQUITY




### FIXED INCOME




### PRIMARY ENGAGEMENT TOPICS

**ENVIRONMENTAL**
- Climate risk management
- Green opportunities
- Environmental/Climate reporting
- Energy management
- Waste and water management

**SOCIAL**
- Human capital management
- Community and government relations
- Labor relations
- Supply chain management
- Workforce diversity and inclusion

**GOVERNANCE**
- Long-term business strategy
- Capital structure
- Risk management
- Board independence and quality
- Financial disclosure and controls

## Engagement

We believe engagement is a two-way dialogue between Neuberger Berman and an entity on material topics to the entity in question where we provide context and feedback on areas of concern or opportunities for improvement. Engagement should not be one-sided, but rather involve knowledge-sharing. Below we provide the types of interactions included in our engagement reporting.

- 1:1 in-person meetings or conference calls
- 1:1 meetings at conferences
- Small group meetings where we had meaningful dialogue with the company
- Site visits/due diligence meetings that involve in-depth risk and opportunity assessments or interviews

Our investment teams may have other types of interactions that we do not classify as an engagement or include in our engagement reporting. Examples of interactions not classified as engagements include attending a company presentation at a conference, participating in an earnings call, attending an annual meeting, and small group meetings where we did not have meaningful dialogue with the company. Letters sent to companies sharing views or concerns are reported separately.

[15] Engagement numbers reported in this figure represent the number of company meetings held as defined in this section.

## Methods of Engagement

We employ a variety of engagement tools, depending on the issuer, the issue being discussed, and the accessibility of the issuer. Since our engagement efforts with a given issuer typically span a multi-year period, it is common to utilise multiple methods of engagement. As described in Principle 6, most of our clients have long-term investment horizons, which enables us to focus on material long-term issues on our engagements. Our most commonly used method of engagement regardless of asset class is company meetings where our investment teams engage in direct dialogue with an issuer in a private or small group setting. For our listed equity strategies, proxy voting-related methods are important engagement tools. Our most important engagement tools include:

- **Company Meetings:** The Neuberger Berman research department and portfolio management teams host on average over 3,000 one-on-one meetings with company management teams in-person at our offices and via conference calls, in addition to outside meetings and on-site company visits. These meetings provide an opportunity to communicate views and concerns directly to company managements.
- **Written Communication:** Should portfolio managers determine that additional means to communicate with company management teams is warranted, they can pursue formal written communication with management teams and boards of directors on identified areas of concern and recommended courses of action. We expect companies to be responsive to our formal and informal communications.
- **Shareholder Proposals and Proxy Contests:** Portfolio management teams may seek governance change through shareholder proposals, proxy contests and other measures of shareholder activism if a company's responsiveness is deemed inadequate.
- **NB Votes:** Through our NB Votes initiative, we publish our vote intentions in advance of select shareholder meetings, with a focus on companies where our clients have significant economic exposure.
- **Proxy Voting:** One important way in which we exercise engagement is through voting proxies on behalf of our advisory clients for whom we have voting authority. We do this in order to fulfil our fiduciary responsibility to protect our clients' best interests and as an important component of our approach to creating shareholder value.
- **Industry Collaborations:** We collaborate with several organisations, especially where we feel our leadership can make a significant contribution.

## Prioritizing Our Engagement Efforts

Neuberger Berman has identified nine key governance and engagement principles focused on positively influencing corporate behaviours to seek to drive long-term, economic value. As a multi-asset class manager, we engage with issuers across the capital structure using a range of tools and approaches guided by these principles. We leverage the NB Materiality Matrix to identify material long-term issues as described in Principle 7.

Our engagement prioritisation is a function of the following considerations: severity of ESG concern as assessed by our proprietary ESG Quotient Ratings, potential economic exposure to the risk, relative level of influence on a situation (be it through engagement or a voting decision), and the existence of an emergent risk as identified through our internal assessment. Engagement targets and topics may also be informed by a specific strategy's objectives, commitments or thematic focus areas. For example, a strategy that has made a net-zero commitment to achieve a carbon footprint reduction target of 50% by 2030 will additionally seek to prioritise engagements on climate risk management and carbon transition plans.

While the prioritisation assessment is ongoing, the timing of the engagement may be reactionary in certain cases, opportunistic in cases of industry events or pre-planned meetings, or proactive where time allows and without undue restrictions such as during quiet periods or M&A events that may prevent outreach actions.

**STRATEGY**
Adopt, formulate and communicate value-enhancing long-term strategies

**INCENTIVES**
Align management and board incentives with long-term shareholder goals

**BOARD INDEPENDENCE**
Effective boards of directors must be truly independent

**SHAREHOLDER REPRESENTATION**
Strive to maximise shareholder representation

**CAPITAL DEPLOYMENT**
Allocate capital to maximise long-term risk-adjusted shareholder value

**TRANSPARENCY AND COMMUNICATIONS**
Provide transparency in communication and reporting

**RISK MANAGEMENT**
Boards of directors should actively engage with management to evaluate and control enterprise risk

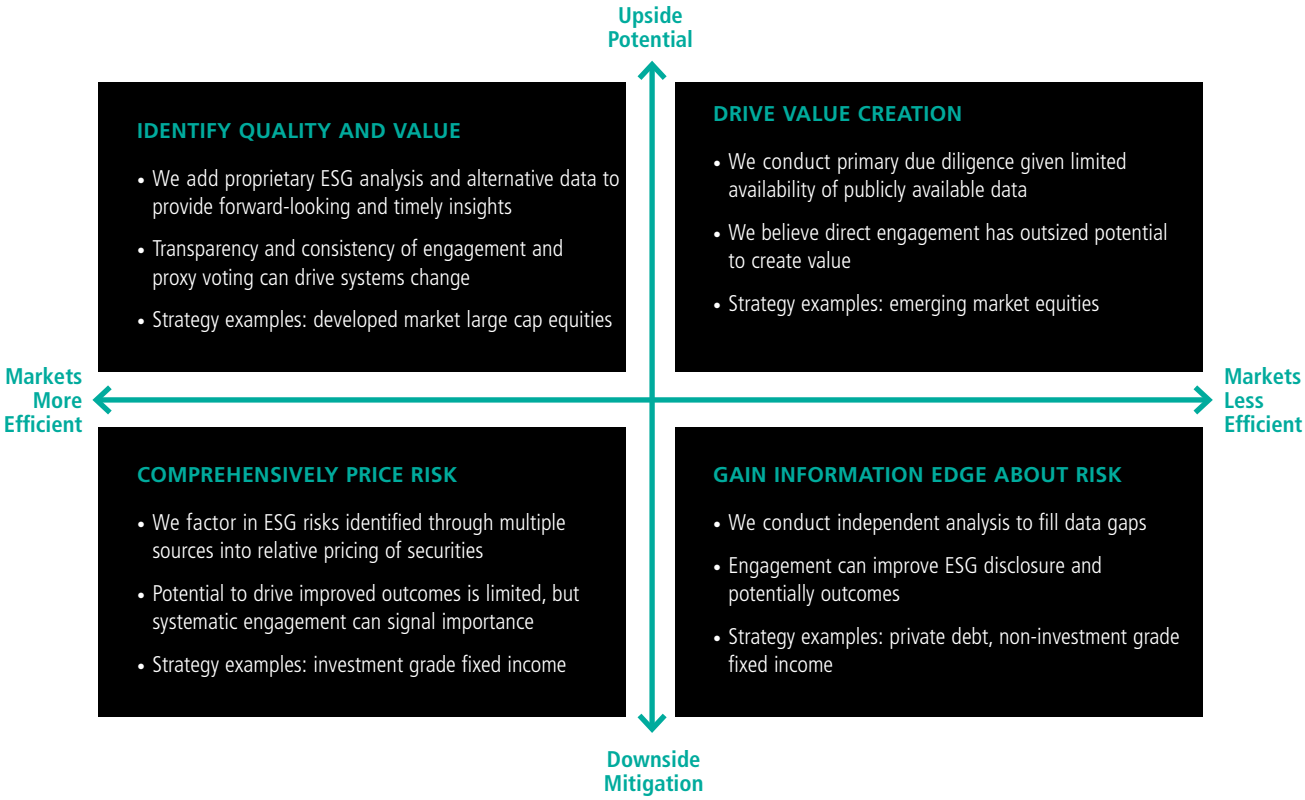
**ENVIRONMENTAL ISSUES**
Consider the material impacts of their business operations on the environment

**SOCIAL ISSUES**
Actively assess the material impacts of their business and operations on their employees, customers, local communities and society

Ultimately, we aim to prioritise engagement that is expected to have a high impact on the protection of and improvement to the value of our clients' assets, be it through the advancement of actionable disclosure, understanding of risks and risk management at an issuer, or through influence and action to mitigate risks and take advantage of investment opportunities.

## Engagement May Differ by Market, Geography and Asset Class

Important elements to consider when engaging across asset classes and markets include, but are not limited to: access to management, ownership rights, nature of the investment (direct or indirect) and engagement history with the issuer. As a result, our chosen engagement approach and method is informed by the relevant market and asset class.



The following examples are intended to showcase different approaches that may be utilised for various asset classes, geographies and funds.

**Sovereign Debt**

Actively engaging with governments and other institutions to build a more holistic picture beyond the data is crucial. This helps to improve economic prosperity and accelerate progress not only for sustainability enhancement, but also for generating long-term excess returns in our portfolios. The ability to access a sovereign is not comparable to that of a corporate issuer, but it is certainly not impossible, and where opportunities arise, we always look to engage while respecting the sovereign's democratic process. We believe it is important for investors to focus on the UN SDGs, while also seeking to advance the narrative around nationally determined contributions (NDCs) and country-specific issues such as anti-money laundering, corruption, labour and human rights, financial terrorism or child labour. We also believe collaborative engagements through industry initiatives such as Emerging Markets Investor Alliance and the Principles for Responsible Investment (PRI), as well as at investor conferences and bond roadshows, are key to improving the outcomes of engagements.

**Private Equity**

Neuberger Berman's engagement on ESG issues has increasingly extended to the private equity universe, where we believe fostering a dialogue with clients and private equity managers on material ESG topics is an important part of our role in the ecosystem. However, engagement within private equity can take on a somewhat different "look" from other asset classes.

We engage with our general partners (GPs) to share ESG best practices. Within NB Private Equity, our ESG due diligence can often serve as a starting point for engagement with GPs. We connect with GPs in seminars and one-on-one settings to provide guidance and support to improve ESG integration policies and practices. More broadly we disseminate our insights and information through participation on industry advisory boards and working groups, particularly on timely topics like ESG-related regulations, climate analysis, and diversity and inclusion.

We believe NB Private Equity is differentiated in that we are able to serve as a strategic partner to GPs across the spectrum of their capital needs (primaries, secondaries and co-investments). These multiple touchpoints afford NB Private Equity a certain level of influence over the lead sponsors with whom we partner, as we are seen as "true partners" with scale and vast resources. As such, we are able to engage with GPs in an effective way, and have the ability to encourage lead sponsors to address certain areas of concern with respect to specific investments, including ESG.

Additionally, our position within the private equity ecosystem provides us with enhanced information, as we have both a fund and direct investment perspective with many of the lead GPs with whom we work. For example, having completed a primary investment in the fund of a particular GP, we are often well positioned to track the underlying assets and, in many cases, may have even co-invested in a portfolio company of a fund on whose advisory board we sit. This may provide us with additional insight and the ability to monitor our co-investments, including voicing our concerns and exercising influence over the GP, should we feel that there is an ESG concern.

Beyond deal-specific engagements, NB Private Equity seeks to engage formally and informally with private equity managers and encourage them to incorporate ESG considerations into their investment strategy. Examples of our engagement efforts include our GP roundtable series on ESG, organised with the help and leadership of our dedicated ESG Investing team. To date, we have hosted events in New York, London and virtually. At these events, we have successfully convened a group of private equity sponsors to discuss ESG best practices in the industry.

As part of the GP roundtable series, our speakers and GPs share experience and insight around ESG integration as well as useful industry resources. In 2020, NB Private Equity hosted a virtual GP engagement series in partnership with the PRI on current topics related to integrating ESG factors in private equity investing, including practical insights on becoming a PRI signatory. Since then, we've hosted other GP webinars including one with the Institutional Investors Group on Climate Change (IIGCC), who provided a preview of a forthcoming paper on net-zero alignment in the private equity context and one with Ceres on the topic of the evolving ESG landscape as further discussed in Principle 10. Most recently in 2023, we hosted a GP webinar focused on practical tools for climate analysis in private equity.

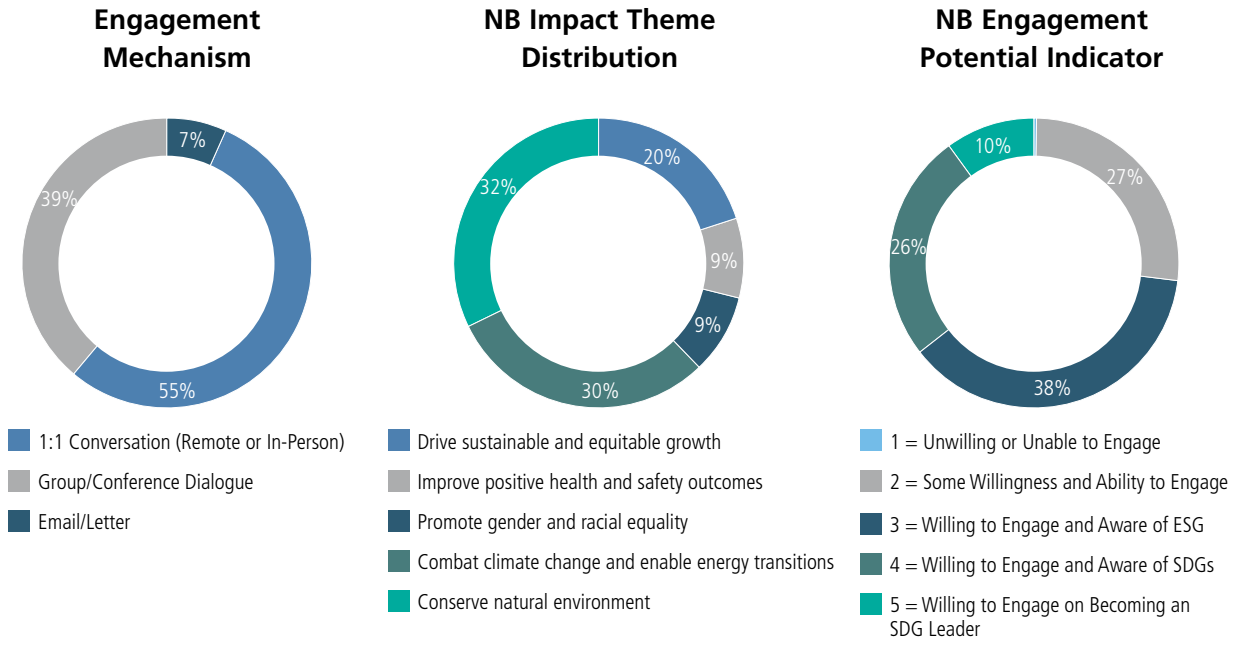
We believe we have a responsibility to encourage ESG investing capabilities through collaborative work with both clients and others in the investment industry. We engage with industry stakeholders, contribute research and time to advisory groups, and support the creation and adoption of industry standard ESG disclosures, measurement and reporting.

**Fixed Income: Global High Yield SDG Engagement Strategy**

Our Global High Yield SDG Engagement strategy is a United Nations Sustainable Development Goals (SDG) engagement-focused strategy that invests in global high yield fixed income securities and prioritises competitive yield and total returns.

For this strategy, our research and ESG Investing teams collaborate to establish engagement objectives aimed at amplifying each issuer's contributions to the SDGs. Our research teams then engage with each issuer on a specific SDG-aligned engagement objective and review progress on an ongoing basis. Notably, our engagement efforts extend to both publicly and privately owned issuers, which we believe captures engagement opportunities not traditionally covered by market participants. We closely monitor progress toward these objectives using a multi-staged tracking system, which includes assigning specific indicators to measure and track issuer responses.

Moreover, the opportunity to engage with each issuer is a critical factor in our deciding whether to purchase the issuer in the fund. For issuers that are unresponsive to engagement after a two- to three-year period, the investment team considers divestment.




Source: Neuberger Berman. Data covers the time period from 1 January to 31 December 2023. Figures may not sum up to 100% due to rounding.

**Engagement example:**

We achieved a successful engagement outcome in 2023 with a tire manufacturing and distribution company. Given the issuer's global operations and the financial materiality of energy management for its sector, we believe it is well positioned to combat climate change and enable energy transitions by increasing its use of renewable energy to displace operational emissions from traditional fossil fuels. Because of the company's energy intensity and the large scale of its operations, a switch to renewable energy could meaningfully shift its energy mix away from fossil fuels. Therefore, we developed an engagement objective aligned with SDG 7, asking the issuer to target a substantial increase in the share of renewable energy in its overall energy mix. Our diligence process included multiple engagements with the issuer's CEO, CFO, Treasurer and Investor Relations. Initially, the company maintained a commitment to use 100% renewable energy in its EMEA facilities, but was not pursuing such targets in Asia or North America. We encouraged the company to aim for 100% renewable energy in its remaining locations, and in 2023, it announced commitments to use 100% renewable electricity in all manufacturing facilities by 2030 and 100% renewable energy in all manufacturing facilities by 2040. Our engagement with the issuer is ongoing, and we will continue to monitor its progress toward these commitments and discuss its continued management of climate-related risks.

**United States: US Public Equity Impact Strategy**

Our US Public Equity Impact strategy seeks to invest in companies whose products or services have the potential to deliver significant, intentional and measurable positive social and environmental outcomes. The universe of potential companies is evaluated through an integrated process using proprietary impact analysis, traditional fundamental financial assessment and material ESG considerations.

Our Theory of Change involves actively engaging with companies to increase their impact through capital allocation decisions, target setting, industry collaboration and reporting. We set detailed impact engagement objectives for each company holding and report on progress over time (see below). We also seek to engage with portfolio holdings on their own equity, inclusion and diversity initiatives to directly advance one of the five NB Impact Themes specifically regarding the promotion of gender and racial equality aligned with SDGs 5 and 10. As a result of active engagement, our investor role has the potential to go beyond providing capital to driving positive impact by working with companies.

The team uses proprietary analysis to assess the quantitative and qualitative impact of companies that is aligned with a theory of change. Through this process, we assess the collinearity between financial performance and positive outcomes before including a company in the portfolio.

**Impact analysis example:**

In Healthcare, a cheaper treatment for a widespread condition is likely to have a more material impact toward achieving Sustainable Development Goals than an expensive, specialised treatment, irrespective of its effectiveness.

We can quantify this by using peer-reviewed studies and cost benefit analysis for the treatments in each company's portfolio to determine which produce the most positive health outcomes at the lowest cost. This analysis led us to invest in a company that makes cost-effective treatments for cancer and diabetes, the second and seventh biggest causes of death in the US, respectively, as well as obesity, which is linked to multiple downstream health complications. This company also produces an annual pricing report that demonstrates more transparency and cost awareness than many peers, addressing a topical ESG risk in the industry.

**Japan: Japan Equity Engagement Team**

In Japan, the largest companies are typically the focus of investors, especially when it comes to engagement. The Neuberger Berman Japan Equity Engagement team invests in small to mid-size companies that we believe have strong business fundamentals and attractive growth outlook that many investors have seemingly passed by. Given our knowledge of the market and local presence, we have an enhanced ability to find companies that would often be overlooked and that we believe would benefit from engagement and the adoption of sustainable business practices.

For all of our core investments, we set an engagement objective and a customised strategy to periodically and on an ad hoc basis address capital management and financially material ESG issues, typically employing a milestone system to monitor progress being made. A key point in this process is presenting our case to the company—to clear away any outdated misperceptions about ESG and emphasise the potential financial benefits to the business of committing to sustainable business practices. During our engagements with management, we provide a comprehensive presentation material, including a list of issues that we believe should be prioritised and warrant their focus with a view to strengthening the business and improving performance. A smaller company may have more limited resources, so our focus on financially material issues can help companies allocate resources more effectively to achieve sustainable growth of corporate value.

In engaging with companies, meeting with senior leaders is crucial, because, if convinced, they can use their authority to clear the way for change, especially where mid-level managers may be reluctant to move forward. We believe the case for sustainability can be compelling, and presenting our ideas in a cogent fashion, backed by data and experience, can help lay the groundwork for long-term investment success.

**Engagement example:**

For several years, we have engaged with a sheet metal fabrication equipment maker on capital management, sustainability and corporate governance. On capital management, the company runs a very cash-generative business model, but has not managed the balance sheet efficiently, resulting in underutilised assets that have weighed on ROE. Further, the company used to manage the leasing operations leveraging its own balance sheet, which we felt should be outsourced to free up capital for growth investments. On sustainability, the company has had a strong focus on emissions and energy management to comply with Japanese government regulations, but these issues were seldom addressed as part of a mid- to long-term business strategy.

In 2020 and 2021, we had engagements with the CFO and CEO on the above issues. To our disappointment, in June 2022, the management and the Board decided to postpone the announcement of a mid-term plan, which delayed transparency on capital management planning and had a negative impact on the company's share price. As a result, we took several steps to escalate our engagement over the course of 2022 and 2023. First, we disclosed our vote against the reappointment of the CEO, citing lack of transparency on its capital management and business strategy through our NB Votes initiative. We also escalated our engagement with the company by conducting an engagement with the External Director and providing a detailed presentation about the market's view of the company's decision to delay the much-needed clarification in the mid-term strategy.

In May 2023, the company announced the much-awaited mid-term plan. On capital management, the company committed to doubling its ROE to 8% by 2025 and to reach more than 10% by 2030. To do so, the company outlined a three-year roadmap to raise gross margins by introducing a new line-up of next generation fabrication equipment with higher average selling prices. The company also committed to addressing the overcapitalised balance sheet and took the first step by announcing a sizable share repurchase. We viewed positively the company's efforts to address our concerns and elevated the engagement Milestone from 3 to 4. On sustainability, the company overhauled its materiality analysis and included many of the issues we had engaged the company previously. The firm also published key performance indicators for issues related to human capital and climate change. On this front, we also elevated the Milestone from 3 to 4. We consider the new mid-term plan as a positive step in the right direction and will continue to monitor the company's progress to determine whether to elevate the Milestone from 4 to 5.

The following case studies provide examples of our engagement activities and outcomes on a range of material topics across different markets, asset classes and sectors.

## ENGAGEMENT CASE STUDY
# FOUNDATIONAL GUIDANCE FOR A 'NEWER' PUBLIC COMPANY

| UTZ BRANDS | CONSUMER STAPLES | CAPITAL STRUCTURE AND DISCLOSURE | GOVERNANCE AND ENVIRONMENTAL | RESEARCH OPPORTUNITY, GENESIS | EQUITIES | ONGOING |
|---|---|---|---|---|---|---|
| COMPANY | SECTOR | ISSUE | CATEGORY | INVESTMENT TEAM | ASSET CLASS | STATUS |

### Background

Utz Brands is a US-based company that sells a variety of salty snacks. After nearly 100 years as a private company, Utz went public via a special purpose acquisition company in 2020. Utz was appealing to investors for its strong and improving position within a durable category, as well as self-help levers to drive margin expansion. However, the company carried a high level of debt and provided limited disclosures related to its sustainability practices and related data. Through the engagement process, we hoped to help ameliorate these issues along with others often faced by relatively "young" public companies.

### Scope and Process

Following the public offering, we conducted regular digital and in-person meetings with the Utz CEO, CFO and investor relations team, discussing capital structure and debt, as well carbon emissions, financial metrics and compensation, and offering detailed recommendations on possible improvements. Given the company's elevated financial leverage in a rising interest rate environment, we suggested that it maintain a capital structure that appropriately reflected the cost of capital, risks of the business, and conditions in the broader financial markets. Regarding executive compensation, we encouraged Utz to consider including targets for return on invested capital in its long-term incentive plan. In terms of climate disclosures, we advocated for the disclosure of Scope 1 and 2 and material Scope 3 greenhouse gas emissions, reflecting our belief that climate change is a material risk to the food industry.

### Outcome and Outlook

Following this extended engagement, Utz announced in January that it would sell three manufacturing facilities and two of its brands for gross cash proceeds of $183 million, allowing the acceleration of its 3.0x net leverage target by one year to the end of 2025. Through reduced interest payments, this should enhance the potential for profitability and free cash flow, as well as enable greater concentration of achieving strategic goals. Separately, the company released its second sustainability report, in which it included Scope 1 and 2 emissions data.

We were pleased to see both developments and congratulate Utz on achieving these important milestones. That said, we see further opportunities for improvement in executive compensation metrics, sustainability disclosures and capital structure—areas where we have provided input and intend to continue our engagement moving forward.

## ENGAGEMENT CASE STUDY
# WATER DIVERSIFICATION: ACCRETIVE TO FINANCIALS AND IMPACT

| PENTAIR | WATER TREATMENT | DIVERSIFICATION AND DISCLOSURE | ENVIRONMENTAL | US EQUITY IMPACT | EQUITIES | ONGOING |
|---|---|---|---|---|---|---|
| COMPANY | SECTOR | ISSUE | CATEGORY | INVESTMENT TEAM | ASSET CLASS | STATUS |

### Background

Pentair provides water solutions such as pumps, filters and heaters across multiple end markets. Historically associated with consumer pool equipment, the company has been diversifying toward more commercial and industrial water treatment applications. On behalf of clients that have chosen strategies focused on intentionally seeking measurable positive environmental and/or social outcomes from companies they invest in, we advocated in support of this strategy to expand the business mix with the addition of a new water treatment segment and believed that the company could benefit from more comprehensively reporting the positive outcomes achieved by its products.

### Scope and Process

Since establishing our position in 2021, we have engaged regularly with Pentair's Chief Financial Officer and Investor Relations teams. At the outset, our discussions focused on the opportunity for Pentair to increase investment in its water treatment solutions business, which was smaller than its consumer pool segment, but had the potential to reduce the cyclicality of its overall business and provide more critical outcomes for water quality. We also discussed the potential to report the aggregate positive outcomes from its products, instead of one-off case studies and statistics. In 2023, we also participated in an in-depth "perception study" conducted by a strategic investor relations advisory firm hired by Pentair, through which we were able to reinforce our message on fundamentals and impact, while sharing examples of best practices from water peers.

### Outcome and Outlook

In 2022, Pentair acquired a medium-sized commercial ice and water treatment provider, diversifying its business mix toward more critical services and away from consumer pools. In its 2021 Sustainability Report, released in April 2022, the company reported aggregated and more detailed positive outcomes on its products that we could use in our impact analysis. These included detailing roughly 440,000 tons of $CO_2$ avoided through the use of energy-efficient pool pumps, recovery solutions with the capacity to recover an estimated 7.5 million tons of $CO_2$ annually, and 9 billion single-use plastic water bottles avoided, among other examples. Finally, the company reorganised in 2023 from two to three divisions, with a new water treatment segment to help margin expansion efforts and provide investors with greater transparency as to the performance of this growth area, which we felt was underappreciated.

We continue to engage Pentair on multiple fronts, including capital allocation priorities and achieving its science-based emission reduction targets.

## ENGAGEMENT CASE STUDY
# PROCESS IMPROVEMENT FOSTERS NEW VALUE

| COMPANY | SECTOR | ISSUE | CATEGORY | INVESTMENT TEAM | ASSET CLASS | STATUS |
|---|---|---|---|---|---|---|
| ZIMMER BIOMET | HEALTH CARE | QUALITY CONTROL | SOCIAL | LARGE CAP VALUE EQUITY | EQUITIES | ONGOING |

### Background
Zimmer Biomet designs, manufactures and markets orthopedic reconstructive implants, as well as supplies and surgical equipment for orthopedic surgery. The company holds the leading share of the reconstructive market in the United States, Europe and Japan. With improvements to manufacturing protocols and stronger governance practices, we believed Zimmer Biomet could move beyond regulatory issues to innovate and grow revenues in line with its potential.

### Scope and Process
Zimmer Biomet has been a holding within Neuberger Berman portfolios for several years. Through a proactive investment team-led process, we encouraged the company to take incremental steps to provide additional disclosures, oversight and targets across a range of areas. Most notably, this included product safety and quality given its past history of elevated recalls and warning letters, and relatedly, supply chain improvement and executive compensation. The Large Cap Value, Equity Research and ESG Investing teams conducted regular discussions with the company's management, investor relations and ESG teams over the course of 2022 and 2023.

In relation to product safety and quality and the supply chain, we proposed updating quality control protocols and improving product-testing requirements to ensure a sustained reduction in product recalls, regulatory warning letters and Forms 483 (created by the Food and Drug Administration to flag possible regulatory violations). Over time, Zimmer Biomet made considerable progress on this front, reducing recalls from over 100 in 2017 to just three in 2022, and cutting Forms 483 and regulatory warnings to minimal levels. In an important step, the company moved to have all its manufacturing sites certified by the International Organization for Standardization (ISO), as well as audited by third parties—something we had encouraged them to pursue.

Believing that accountability for improving product safety and quality could be further strengthened within executive compensation plans, we requested that the company increase disclosure and quantitative targets relating to the product quality modifier in its compensation plan—a proposal that the company accepted as a way to help build on recent progress. More broadly, the company added an individualised skills matrix to its 2023 Proxy Statement and committed to, in a leadership transition, separate the Chair and CEO roles—a change that we have encouraged the company to make permanent.

### Outcome and Outlook
Zimmer Biomet has seen improved operating performance in recent years, largely in our view due to its move beyond product quality issues to focus on executing in the marketplace, where it has increased the cadence of its new product offerings across the franchise. We continue to engage with the company on quality and other issues to ensure sustained progress and enhance prospects for future, sustainable growth.

## ENGAGEMENT CASE STUDY
# A SUSTAINABLE ROUTE TO RETAIL SALES GROWTH

| EG GROUP | RETAIL | CLEAN INFRASTRUCTURE | ENVIRONMENTAL | INVESTMENT GRADE CREDIT | FIXED INCOME | ONGOING |
|---|---|---|---|---|---|---|
| COMPANY | SECTOR | ISSUE | CATEGORY | INVESTMENT TEAM | ASSET CLASS | STATUS |

### Background

EG Group is the largest forecourt retailer in Europe with a diversified portfolio of branded sites, providing fuel, convenience retail and food-to-go. It operates over 5,500 sites across the US, continental Europe and Australia. The company has been looking to expand its electric vehicle infrastructure, an endeavor we have supported, while seeking greater transparency around goal-setting and sustainability in general.

### Scope and Process

While electrification of motor vehicles has gained substantial momentum as part of the transition to a low carbon economy, infrastructure remains a stumbling block and requires aggressive moves to expand charging stations to facilitate electric vehicle (EV) use. Retailers have also identified growth opportunity with greater EV adoption, as each charge lasts an average of 20 – 25 minutes, providing meaningful time to shop.

EG Group took initial steps in addressing this market with the addition of close to 400 chargers between 2021 and 2023, and now has a total of 635 across 189 sites in the UK and continental Europe. However, in ongoing discussions with the management team, including the heads of investor relations and sustainability teams, we encouraged the company to be more concrete in its business plans around EVs. We also asked to enhance its sustainability disclosures, specifically the setting of a quantified public target to substantially increase the number of EV charging stations across the group by 2030, and by publishing an annual sustainability report in line with Sustainability Account Standards Board (SASB) standards.

### Outcomes and Outlook

With its recent purchase of 300 ultrafast chargers from Tesla, there is potential for the company to roll out 20,000 units across 3,600 sites throughout Europe. The company also has announced the sale of its UK locations to ASDA, to which it will lease the newly rebranded "evpoint" chargers, while adding them to its own still-proprietary locations and seeking additional business from third parties. In terms of disclosures, the company published its first sustainability report in October 2022, followed by an annual report in June 2023, which included the SASB metrics we had requested.

Overall, we are encouraged by EG Group's expansion in the EV-charging space and encourage the company to continue rolling out EV chargers and to set related quantifiable targets.

## ENGAGEMENT CASE STUDY
# OPTIMISING CAPITAL ALLOCATION FOR LONG-TERM SUCCESS

| OKINAWA CELLULAR | TELECOMMUNI-CATIONS | CAPITAL ALLOCATION | GOVERNANCE | JAPAN EQUITY, INTERNATIONAL EQUITY | EQUITIES | ONGOING |
|---|---|---|---|---|---|---|
| COMPANY | SECTOR | ISSUE | CATEGORY | INVESTMENT TEAM | ASSET CLASS | STATUS |

### Background

Okinawa Cellular is a regional telecom company operating in the southern islands of Japan. The result of a joint venture between local business leaders and KDDI (its controlling shareholder and Japan's second-leading telecom company), Okinawa Cellular holds a 50% market share in its region and generates substantial free cash flow.

Over the years, we have favored Okinawa Cellular largely because of its stable revenue and cash-flow generation, which is expanding in the transition from 4G to 5G networks, leading to more data usage, customer plan upgrades and increased revenue per user. However, despite these advantages, the company has historically struggled with capital allocation, with much of its cash deployed in loans to KDDI via its parent's shared cash management system. We believed this was an ineffective use of capital; as a leading cellular company, KDDI could easily obtain loans more cheaply from external sources. Moreover, we felt the cash should be used to benefit Okinawa Cellular shareholders. We urged the company to devote its cash instead to building its business and/or improving shareholder returns.

### Scope and Process

Over the years, we engaged with Okinawa Cellular on capital allocation and board composition, among other issues. Although pleased when it initiated its first share buybacks in 2020, limited subsequent progress made it clear we would need to take additional action in line with our milestones-based engagement process.

This emerged in three stages. First, in February 2022, we submitted a letter to Okinawa Cellular's board requesting that the company address the cash issue in a timely manner. Second, in June 2022, we leveraged the NB Votes initiative to pre-disclose our decision to vote our proxy against top management and its external directors for their failure to adequately address the capital inefficiencies and limited board independence. Third, in a joint effort between the Japan Equity and International Equity teams, we engaged with KDDI and its top management on these issues, and asked that the parent address them with Okinawa Cellular.

### Outcomes and Outlook

In October 2022, Okinawa Cellular released its first-ever mid-term plan, which committed to a three-year earnings per share (EPS) growth target of 15%, half of which would come from organic growth and mergers and acquisitions, and half from share buybacks. Investors reacted favorably to this important step, which was followed six months later by an announcement that the company would unwind a third of its loans to KDDI and use the proceeds for share buybacks.

Looking ahead, we plan to help guide Okinawa Cellular on further capital reallocation and potential uses for the remaining balance of loans to KDDI, including potential investments in non-cellular businesses. We intend to weigh in on board independence and the skillsets of board members, which we believe will be important to effective capital planning. Finally, the retraining of its workforce remains an important issue as it expands its IT consulting business as part of the digital transition affecting multiple industries. We are pleased with the progress achieved by Okinawa Cellular so far, and look forward to working with management over time.

## ENGAGEMENT CASE STUDY
# REBUILDING INVESTOR CONFIDENCE VIA DISCLOSURE

| ADYEN | PAYMENT SERVICE | DISCLOSURE | GOVERNANCE | GLOBAL AND EUROPEAN SUSTAINABLE EQUITY | EQUITIES | ONGOING |
|---|---|---|---|---|---|---|
| COMPANY | SECTOR | ISSUE | CATEGORY | INVESTMENT TEAM | ASSET CLASS | STATUS |

### Background

Adyen is a leading payment service provider with an industry-leading offering designed to help merchants grow. Founded in 2006 and listed on the stock market in 2018, the company has been a holding of the Neuberger Berman Global and European Sustainable strategies since its inception. We view the company as attractive based on its tech orientation, client-centric approach and long-term focus. However, we believed there was an opportunity for the company to enhance its disclosures to better inform and help investors understand how the company is performing toward its goals and managing potential risks.

### Scope and Process

Adyen management generally did not publish robust disclosure around key performance metrics underpinning or quantitative support for financial targets. Reporting on financial results took place only every six months, and its previous investor days failed to provide a clear connection between its product innovation and financial targets.

During 2023, the company suddenly experienced serious challenges, as merchants became more price-sensitive, and competition among payment service providers intensified. This resulted in a growth slowdown at Adyen, given its premium-priced service, and came at a time when the company was heavily investing to expand its commercial organisation and roll out new products. As such, first-half 2023 results fell short of investor expectations, while investors were left in the dark given limited disclosure and communication from the company regarding a path forward.

Building on our ongoing dialogue with the company, we engaged more intensely after these disappointing results and what we considered an unsatisfactory explanation. In our engagement, we advised management to improve communication and disclosure regarding the superior functionality of its offering and supporting rationale for its growth targets, as well as increasing the frequency of reporting to avoid discrepancies between investor expectations and posted results.

### Outcome and Outlook

During a much more investor-focused day in November, management listened to investor concerns and provided credible financial building blocks supporting its modestly reduced but still industry-leading growth outlook. For example, the company provided share-of-wallet data by segment as well as by client vintage. This helped to clarify the basis of its "land and expand" strategy, and supported its claim that at least 80% of its growth is driven by existing clients. Data on client growth and satisfaction supported our view that the company's offering resonates well with clients. To improve transparency, the company also decided, at least during a transitional period, to provide more information between biannual releases, reducing the potential for diversion between market expectations and actual results.

We continue to engage with Adyen on a range of issues, including product innovation, data privacy and security, human capital management and financially material ESG disclosures.

# ENGAGEMENT CASE STUDY
# ADVOCATING FOR LEADERSHIP IN METHANE MANAGEMENT

| COTERRA ENERGY INC. | ENERGY | METHANE EMISSIONS MEASUREMENT AND DISCLOSURE | ENVIRONMENTAL | US SUSTAINABLE EQUITY | EQUITIES | ONGOING |
|---|---|---|---|---|---|---|
| COMPANY | SECTOR | ISSUE | CATEGORY | INVESTMENT TEAM | ASSET CLASS | STATUS |

## Background

COP28 highlighted the need to reduce methane emissions while natural gas continues to play an important role in the transition away from more carbon-intensive fossil fuels. We believe that establishing best practices in natural gas production, with particular regard to methane management, is a key imperative for gas producers. We have engaged and encouraged Coterra Energy, a US-based independent oil and gas company, to take a leadership role in defining and adopting industry best practices for methane management, including operational and technology investments, transparency and reporting, and joining industry collaborations such as the Oil and Gas Methane Partnership 2.0 (OGMP 2.0).

Today, the energy sector accounts for around 40% of total methane emissions attributable to human activity, second only to agriculture. Methane is responsible for around 30% of the rise in global temperatures since the Industrial Revolution.[16] Capturing methane can improve operational efficiency by turning potential waste into marketable products via electricity generation, heating of homes and raw material usage in the chemical industry. Companies that effectively manage their methane emissions can improve their reputation with stakeholders, investors and the public, helping to maintain their social license to operate.

## Scope and Process

We have been engaging with Coterra Energy's CEO Tom Jorden on a range of sustainability issues for well over a decade, dating from when he served as CEO of Cimarex. During his tenure, the company was responsive to shareholder feedback regarding expanding its disclosures and initiating a methane leak detection and reporting system, among other actions.

After its latest merger, our dialogue continued within the context of generating a new set of practice standards, disclosures and emission targets for the combined company. At the request of management, we sat down with CEO Jorden, the senior operating team with direct responsibility for establishing emissions reduction targets, and members of the company's sustainability team to discuss related issues and provide comprehensive recommendations. These included aligning climate disclosures with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), formalising board oversight of climate matters, and including an emission-reduction metric in the compensation program.

In addition to direct engagements with the company, in 2023 we also reinforced this feedback through the inclusion of our support in NB Votes, for the shareholder proposal that called on Coterra Energy to provide more comprehensive reporting on its approach to methane measurement, including collaboration with industry efforts, such as the OGMP 2.0. Within the oil and gas industry, the move toward real-time methane emissions methodologies is becoming a central part of regulatory standards.

## Outcomes and Outlook

Coterra Energy, in our view, has an engineering-based culture that is committed to reducing methane emissions across its own operations, thus reducing the risk that such emissions pose to its business and the environment over the long term. In response to our engagement, the company published a TCFD/SASB-aligned sustainability report, included an emission-reduction metric in its incentive program, and joined the OGMP 2.0, demonstrating leadership and advancing industry best practices. We value our ongoing dialogue with Coterra Energy, and look forward to continued discussions in addressing the opportunity for responsible natural gas producers to drive climate leadership.

[16] International Energy Agency, as at February 2023.

## ENGAGEMENT CASE STUDY
# RAISING THE BAR ON EMISSION TARGETS

| COMPANY | SECTOR | ISSUE | CATEGORY | INVESTMENT TEAM | ASSET CLASS | STATUS |
|---|---|---|---|---|---|---|
| PPG INDUSTRIES, INC. | SPECIALTY CHEMICALS | EMISSIONS TARGETS, SUSTAINABLE PRODUCT MIX | ENVIRONMENTAL | INVESTMENT GRADE CREDIT, MULTI-SECTOR CREDIT | FIXED INCOME | ONGOING |

## Background

PPG Industries, Inc. is a global specialty chemicals company and a leader in paints and coatings with a diverse portfolio of products across several end markets. While the company has made strides in mitigating material climate risk, we believed there was an opportunity to set more ambitious long-term targets around emissions and environmentally sustainable products.

We believe these objectives are particularly relevant for PPG given the potential compliance risks and opportunity costs related to weak decarbonisation targets or a lack of sustainable product offerings. Over 30% of PPG's revenues come from European markets, where regulatory requirements are tighter than those in the US, and customers are increasingly selective based on these issues.

## Scope and Process

As an investor in PPG bonds, we have regularly engaged with senior management, investor relations and its ESG team to provide guidance on a range of issues. We view climate transition as both a financially material risk and opportunity for chemical companies. PPG is an important supplier to many companies across end markets including automotive, aerospace, packaging and architectural coatings, where both regulatory and consumer-driven requirements for lower carbon impact are rising. Given growing demand for products with lower carbon impact by sustainability-conscious customers seeking to abate their own Scope 3 emissions, we asked the company to set more ambitious goals to sell sustainable products. We believe capital allocation to expand PPG's product offering to more sustainable products may help their profitability and improve market share.

Initially, PPG only pledged to reduce Scope 1 and 2 emissions intensity by 2025, a shorter-term goal than many of its peers. As part of our engagement, we encouraged the company to set longer-term targets and extend them to Scope 3 emissions as well. We also asked that it more clearly articulate an emissions-reduction pathway, and introduce a net-zero target to better align with a longer-term decarbonisation commitment that helps guide future management teams.

## Outcomes and Outlook

In July 2023, PPG announced new emissions targets, with the goal of a 50% reduction in Scope 1 and 2 emissions and 30% reduction in Scope 3 emissions by 2030 (relative to 2019 levels), in addition to its existing 15% carbon-intensity reduction target by 2025 (from a 2017 baseline)—goals that have been validated by the Science-Based Targets initiative. Another important commitment was to target 50% of sales from sustainable products by 2030, up from just over 40% of sales today. This will include a greater portion of water-borne coatings with a smaller carbon footprint than traditional paints and coatings—a transition that could not only support climate goals, but also introduce new market opportunities addressing emerging end-market needs.

We view these actions as an important step for PPG in managing its climate risk; however, there are still opportunities to engage on further improvements. At this stage, the company remains reluctant to introduce a net-zero target, which we think would be achievable given its already low-impact profile relative to other more carbon-heavy chemical companies. In the meantime, we acknowledge the company's progress so far, and look forward to continuing our highly constructive dialogue.

## ENGAGEMENT CASE STUDY
# JOINING FORCES TO EDUCATE AN IMPACTFUL SECTOR

| WELLTOWER INC. | PUBLIC REAL ESTATE | CARBON FOOTPRINT | ENVIRONMENTAL | US REAL ESTATE SECURITIES | EQUITIES | ONGOING |
|---|---|---|---|---|---|---|
| COMPANY | SECTOR | ISSUE | CATEGORY | INVESTMENT TEAM | ASSET CLASS | STATUS |

### Background

Welltower is a real estate investment trust (REIT) with a focus on health care facilities including nursing homes, skilled nursing homes and office buildings. With a $52 billion equity market capitalisation as of February 29, 2024, it is the fourth largest REIT in the US. We believe that the company could make more strides in limiting climate impact.

### Scope and Process

Real estate is acknowledged as one of the most impactful economic sectors on climate emissions, but in some cases has been slow to initiate change due to a lack of clarity as to the economic benefits. This is particularly true within health care real estate, where costs of conversion and mitigation can be significant without the marketing advantages found in offices and warehouses, to name two examples. Therefore, a key aspect of engagement can be to highlight potential bottom-line impacts from increased sustainability.

In our most recent engagement with the company, we posed a series of questions regarding the company's plans to achieve Scope 1 and Scope 2 emissions reduction targets as well as longer-term net-zero emissions targets; plans for capital expenditures on "green technologies"; increasing its number of green-certified buildings; the potential installment of efficient technologies such as electric boilers; and the use of funds from green bond issuances. We also made use of our Net-Zero Alignment Indicator, drawing on third-party data and qualitative inputs from our research analysts, to illustrate the company's position relative to peers in terms of climate goals, and ways it can make further progress.

### Outcome and Outlook

We were encouraged with the responses we received from the company. Welltower has already hired a new vice president of sustainability, who can help drive emissions targets, and has achieved the sustainability goals laid out in the long-term incentive plan. Now the company is working to enhance disclosures and carbon efficiency across a range of metrics, understands the importance of interim goal-setting, and recognises potential revenue and tax opportunities associated with improvements. It also expressed interest in setting a Scope 3 target, but is waiting on further regulatory guidance from the SEC, and is considering the institution of a net-zero target.

We look forward to the company's next ESG report, where it plans to lay out its plans and commitments in further detail.

# ENGAGEMENT CASE STUDY
# ADVOCATING FOR EXECUTIVE-LEVEL ACCOUNTABILITY

| CSX CORPORATION | TRANSPORTA-TION | HUMAN CAPITAL, WORK-PLACE SAFETY | SOCIAL | US SUSTAINABLE EQUITY | EQUITY | ONGOING |
|---|---|---|---|---|---|---|
| COMPANY | SECTOR | ISSUE | CATEGORY | INVESTMENT TEAM | ASSET CLASS | STATUS |

## Background

According to the Environmental Protection Agency (EPA), freight railroads contribute to only 0.5% of the total US GHG emissions and to 1.7% of transportation-related GHG emissions, while cars and trucks contribute to 58.5% and 23.4%, respectively. This stark difference underscores rail's potential to contribute to US and global environmental goals by shifting freight from road to rail. While the direct fuel efficiency benefit of moving a ton of freight by rail four times further than a ton of freight by truck is easy to understand, there are additional more nuanced benefits from removing freight using rail. Decreased highway congestion has a number of wide-ranging benefits, including reduced emissions, increased safety and better quality of life.

Given the railroad industry is classified as common carriers serving a public good for societal benefit, there is meaningful federal regulatory oversight. In recent years, the industry has faced increased scrutiny, especially following incidents such as the highly publicised derailment in East Palestine, Ohio, in 2023. Notwithstanding these challenges, railroads have shown significant improvements in safety and accident rates since 2000. According to 2023 Federal Railroad Administration (FRA) data, derailment rates across all railroads and hazardous materials accident rate per carload have significantly decreased. Further, among US Class I railroads, main line accident rates and yard accident rates have also improved substantially.

## Scope and Process

Our engagement with CSX, the leading supplier of rail-based freight transportation, began in 2018 as part of our overall due diligence ahead of our initial investment. Our relationship with the prior CEO Jim Foote, a recognised industry leader, spans two decades, underscoring our long-term engagement with the sector. At that time, we were attracted by the company's overall governance and culture as a solid operator. Since then our interactions with CSX have included multiple visits to the company, allowing us to meet with operations personnel, the management team, and to tour classification yards and maintenance facilities. The turnover and succession of CEOs, from Hunter Harrison's tenure (2016 – 2017) to Jim Foote (2017 – 2022) and eventually Joe Hinrichs (since 2022), have been pivotal.

In our opinion, for competitive durability and moat, safety with board-level oversight in a railroad operator is a critical Key Performance Indicator (KPI). As such, in seeking to compound multi-year returns for shareholders, we encouraged the company to add safety metrics to its executive compensation plan, and to refine its existing emissions reduction targets to be aligned to net zero and have them approved by the Science-based Targets initiative (SBTi).

Furthermore, during the Covid-19 pandemic, we proactively engaged the company, in consultation with the Workforce Disclosure Initiative (WDI), advocating for the health and safety of the company's essential workforce, enhancing paid sick leave policies, and addressing workforce concerns.

## Outcome and Outlook

In response to our engagement, safety metrics were included in CSX's executive compensation plan for the first time in 2019 at a 10% weighting. We view CSX's early adoption of credible safety metrics and KPIs, which include both workforce injuries and derailments, as a reflection of an authentic pro-stakeholder culture, which we communicated in our NB Votes in 2020 and 2024. The relentless focus on safe operations represented by the 2019 targets has helped to drive a 9% improvement for CSX in train accident frequency and a 13% improvement in personal injury frequency.

The company also successfully navigated its essential workforce throughout the Covid-19 pandemic and subsequent union negotiations while also refining its emissions targets to align to a net-zero pathway and certification by the SBTi. CEO Hinrichs has been successful in improving employee engagement and labor relations, and in reinforcing an overall culture of safety and a priority on social license to operate, all of which directly impact shareholder outcomes.

# PRINCIPLE 10

Signatories, where necessary, participate in collaborative engagement to influence issuers

## OUR APPROACH TO COLLABORATIVE ENGAGEMENT

We recognise that we have a responsibility to improve the functioning of capital markets as a whole. We believe encouraging the broader implementation of sound stewardship and ESG investing activities is an important part of this effort. In our view, this can best be achieved by working collaboratively with clients and others in the investment industry, including by engaging with individual companies and whole industries, conducting joint research on ESG topics, contributing to the engagement of industry groups with policymakers, and supporting the creation and adoption of industry-standard ESG disclosures. Below are examples of these groups and the role we play in each.

| Organisation/Initiative | Our Role |
|---|---|
| Alternative Investment Management Association (AIMA) | Member |
| Asia Investor Group on Climate Change (AIGCC) | Member |
| Asian Corporate Governance Association (ACGA) | Member, Chair of the Japan Working Group |
| Asset Management Association of China (AMAC) | Member |
| Asset Management Association Switzerland (AMAS) | Member |
| Association of Investment Companies (AIC) | Member |
| British Private Equity and Venture Capital Association (BVCA) | Member |
| Belgian Asset Managers Association | Member |
| Capacity-Building Alliance Of Sustainable Investment (CASI) | Member |
| CDP formerly Carbon Disclosure Project | Investor Member and Signatory |
| Ceres | Member, Policy Group Member |
| Chinese Climate Engagement Initiative (CCEI) | Founding Member |
| Climate Action 100+ | Signatory, Investor Participant |
| COLCAPITAL, a Colombian PE association | Member |
| Council of Institutional Investors (CII) | Member, Member of Corporate Governance Advisory Council |
| European Fund and Asset Management Association (EFAMA) | Member, Member of the ESG and Stewardship Committee |
| ESG Data Convergence Initiative (EDCI) | Member |
| Farm Animal Investment Risk and Return (FAIRR) | Member |
| Global Impact Investing Network (GIIN) | Member |
| Global Real Estate Engagement Network (GREEN) | Member |
| Gulf Capital Market Association | Member |
| Green Investment Principles for the Belt and Road Initiative (GIP) | Member |
| Harvard Business School Impact-Weighted Accounts Project | Practitioner Council Member |
| Hong Kong Investment Fund Association (HKIFA) | Member |
| Hong Kong Private Equity and Venture Capital Association (HKVCA) | Member |

| Organisation/Initiative | Our Role |
|---|---|
| Impact Management Project | Advisor |
| Initiative Climate International (iCI) | Member |
| Institute of International Finance (IIF) | Member |
| Institutional Investors Group on Climate Change (IIGCC) | Member, Member of Bondholder Stewardship Working Group |
| Investment Company Institute (ICI) | Member, Board of Directors, ESG Advisory Group, Member of ESG Taskforce |
| Institutional Limited Partners Association ILPA Diversity in Action | Member |
| Insurance Asset Management Membership Association of China (IAMAC) | Member |
| Interfaith Center on Corporate Responsibility (ICCR) | Member |
| International Financial Reporting Standards IFRS Sustainability Alliance | Founding Member, Corporate Engagement Working Group Member, APAC Working Group Member, Participant in Standards Advisory Groups ("SAG"), Member of the ISSB Investor Advisory Group ("IISB") (formerly, the SASB Investor Advisory Group) |
| Invest Europe | Member |
| Investment Adviser Association (IAA) | Member |
| Investment Management Association of Singapore (IMAS) | Member |
| Investment Association (IA) | Member of Stewardship Committee and Climate Change, Working Group |
| Irish Association of Investment Managers (IAIM) | Member |
| Irish Funds | Member, ESG Data Reporting Working Group |
| Japan Investment Advisory Association (JIAA) | Member |
| Japan Investment Trust Association | Member |
| Japan Stewardship Code | Signatory |
| Korea Financial Investment Association (KOFIA) | Member |
| Latin American Venture Capital Association (LAVCA) | Member |
| Loan Syndications and Trading Association (LSTA) Integrated Disclosure Project IDP | Member |
| Net Zero Asset Managers Initiative (NZAMI) | Signatory |
| Operating Principles for Impact Management | Signatory |
| Oxford University Initiative on Rethinking Performance | Partner |
| Securities Industry and Financial Markets Association (SIFMA) | Member |
| Securities Investment Trust & Consulting Association (SITCA) | Member |
| Shanghai Asset Management Association | Member |
| Swiss Private Equity & Corporate Finance Association (SECA) | Member |
| Swiss Sustainable Finance Association | Member |
| Task Force on Climate Related Financial Disclosures (TCFD) | Supporter |
| TCFD Japan Consortium | Member, Green Investment Guidance (GIG) Supporter |
| Transition Pathway Initiative (TPI) | Research Funding Partner |
| UK Sustainable Investment and Finance Association (UKSIF) | Member |
| US Investor Stewardship Group | Signatory |
| UN Global Compact | Signatory |
| United Nations Principles for Responsible Investment (UN PRI) | Signatory Member of Corporate Reference Reporting Group ("RPRG"), Global Policy Reference Group ("GPRG"), and Sovereign Debt Advisory Committee, Founding Member |
| US SIF – The Forum for Sustainable and Responsible Investment | Member, Board of Directors |
| Workforce Disclosure Initiative WDI | Signatory |
| World Benchmarking Alliance | Member |
| 30% Club Japan Investor Group | Member, Board of Directors |

While we support many highly impactful groups and initiatives, each year, we seek to particularly focus our efforts where we feel our leadership can make a unique and significant difference. Below are examples from 2023:

**Emerging Markets Investors Alliance (EMIA):** In 2023, Neuberger Berman joined EMIA. EMIA is an organisation that empowers institutional emerging market investors to support good governance, promote sustainable development, and enhance investment performance in the governments and companies they invest in. Established in 2015, EMIA began by organising educational events on emerging market governance issues in 2010. It now offers a broad range of governance and sustainability topics, educational events, and research for investors. EMIA also enables investors to become effective advocates for good governance and sustainability in emerging markets.

**UN PRI:** Neuberger Berman continued to actively contribute to the PRI's work by participating in its Global Policy Reference Group (GPRG), where we share expertise and insights on ongoing policy and regulatory issues. In addition, as members of the Investor Reference Group on Corporate Reporting (RPRG), we shared our views regarding stewardship practices in private equity and emerging reporting frameworks on ESG-related data, including the ISSB global baseline and the EU's Corporate Sustainability Reporting Directive (CSRD). Additionally, as members of the Sovereign Debt Advisory Committee, we contributed to the PRI's recent report titled "Considering climate change in sovereign debt." The report covers emerging topics in climate considerations for sovereign debt investors and provides engagement prompts, case studies and data sources.

**Investment Association (IA):** Throughout 2023, Neuberger Berman was an active member of the IA's Stewardship Committee, which seeks to promote and enhance asset managers' role as long-term responsible investors on a wide range of material risks and ESG issues while supporting a coherent regulatory environment for stewardship and corporate governance. We are also members of the IA's Climate Change Working Group, which brings together expert members to develop and propose industry positions and recommendations in relation to climate change. This includes developing industry positions to support the transition to net zero and industry action in alignment with the goals on the Paris Agreement.

**Global Real Estate Engagement Network (GREEN):** In 2022, we joined GREEN, a collaboration network of asset owners and asset managers representing approximately €2 trillion of assets under management. The network focuses on climate risk within the real estate investment trust ("REIT") sector. Since joining, Neuberger Berman has co-led engagements with select REIT companies.

**Institutional Investors Group on Climate Change (IIGCC):** Neuberger Berman is a member of IIGCC, a leading global investor membership body and the largest in Europe focusing specifically on climate change. Through our IIGCC membership, we support and help shape the public policies, corporate action and investment practice required to address financially material climate risks. In 2023, Neuberger Berman was an active member of the Bondholder Stewardship Working Group. The working group—comprising nine core member investors representing £2.66 trillion assets under management and a mixture of asset owners and asset managers—aims to support bondholders' influence by engaging with companies to address the material risks and opportunities associated with climate change. In 2023, we also participated in the IIGCC Scope 3 Project Group, which was established to lead on the development of implementation guidance to support investors in addressing the Scope 3 emissions of their investments.

**ESG Data Convergence Initiative:** In 2022, Neuberger Berman Private Equity[17] became a signatory to the ESG Data Convergence Initiative, an industry collaboration representing over 375 limited partners and general partners (GPs) as of February 2024, which seeks to standardise ESG metrics and provide a mechanism for comparative reporting for the private market industry. Neuberger Berman Private Equity requests the standard set of ESG metrics from GPs and their portfolio companies on an annual basis.

**International Sustainability Standards Board's (ISSB) Investor Advisory Group (IIAG):** As a member of the IIAG, we support the ISSB in developing the global baseline for sustainability reporting by providing feedback on the technical and practical aspects of the standards from an investor point of view. By responding to public consultations and surveys launched by the ISSB, we have supported the ISSB's focus on financial materiality and the ability it provides for jurisdictions to go beyond the baseline through building blocks.

**Interfaith Center on Corporate Responsibility (ICCR):** We have been a member of ICCR for several decades. Each year, ICCR members conduct roughly 300 dialogues with over 200 companies on a wide range of issues. As members of ICCR, our investment teams are able to participate in various working groups focused on topical issues such as the just transition, methane emissions, and equitable global supply chains, which convene stakeholders to discuss key considerations to assess and address the relevant issue.



[17] "Neuberger Berman Private Equity" refers to Neuberger Berman's Private Equity Investment Portfolios and Co-investment Platform.

**Transition Pathway Initiative (TPI):** Neuberger Berman is a Research Funding Partner of the TPI, which is a global asset-owner-led initiative that assesses companies' preparedness for the transition to a low carbon economy by encouraging companies to set practical targets and increase disclosure. Our support has helped the TPI team to broaden coverage and continue making their important analysis a public good. We have incorporated this analysis into some of our proprietary ESG ratings and will continue to leverage this tool in our investment processes.

**UN Global Compact:** Neuberger Berman is a signatory of the UN Global Compact and is committed to aligning our operations with universal principles on human rights, labour, environment and anti-corruption, and to taking actions that advance societal goals. In 2023, Neuberger Berman submitted its fifth Communication on Progress (COP), demonstrating Neuberger Berman's commitment to implement the Ten Principles, and qualified for the Global Compact Advanced Level 1.

**Asian Corporate Governance Association (ACGA):** Our Portfolio Manager of Japanese Equities assumed the role of the Chair of the Japan Working Group ("JWG") of the ACGA in 2021. The Group consists of approximately 111 asset owners and managers with a combined assets under management of US$40 trillion and aims to support the improvement of corporate governance across companies in Japan. The role of the Chair involves managing the Group's mid-term strategy, which includes collaborative engagements with key institutions in Japan's investment chain, including companies, and in the future, with regulators and industry associations. The Chair will also be supporting ACGA's thought leadership initiatives such as publishing open letters and white papers on key issues related to Japan's corporate governance.

## Advocacy and Public Policy Engagement

As mentioned in Principle 4, we recognise that policymakers play a crucial role in maintaining and enhancing the sustainability and stability of financial markets. We proactively comment on policy and regulatory topics ranging from sustainability-related disclosures to the global alignment of reporting requirements through formal letters to financial regulators, responses to policy consultations on ESG topics, and participation in industry-wide working groups and collaborative efforts, like the PRI's Global Policy Reference Group. Given policymakers play an important role in increasing transparency for investors and shareholders as well as reducing greenwashing, we proactively engage with them on the key jurisdictions in which we invest and operate.

We have recently engaged on policy discussions and consultations impacting asset managers, our clients and investee companies, including:

- The European Commission public consultation on the Level 1 review of the Sustainable Finance Disclosure Regulation (SFDR) to support the enhancement of the current regime through streamlined disclosures and, potentially, the introduction of voluntary labels;
- The European Supervisory Authorities' (ESAs) consultation regarding amendments to the SFDR's Regulatory Technical Standards (RTS) to provide constructive feedback on the impact of certain changes, including the introduction of new templates and transparency requirements;
- The European Commission's draft European Sustainability Reporting Standards (ESRS) to highlight the importance of aligning asset managers' disclosure requirements to what companies are required to report on under the ESRS and the Corporate Sustainability Reporting Directive;
- The International Sustainability Standards Board (ISSB) consultation to express our support for the use of the IFRS Sustainability Disclosure Standards as a global baseline, as well as a separate survey regarding the ISSB's next priorities;
- The Taskforce for Nature-related Financial Disclosures (TNFD) Disclosure Framework to highlight the challenges and opportunities of nature-related reporting for financial institutions;
- The US Securities and Exchange Commission's (SEC) proposed rule on ESG disclosures by funds and investment advisers, which we believe will help investors make better informed investment decisions and understand how ESG factors are or are not used in the management of their assets;
- The UK Financial Conduct Authority's (FCA) consultation paper on its Sustainability Disclosure Requirements (SDR), introducing a disclosures, naming, labelling and marketing regime.

In addition, as part of the Taskforce for Nature-related Financial Disclosures (TNFD) Forum, we contribute to the work of the Taskforce through consultations. In our response to the final TNFD recommendations, we expressed our support for a framework requiring the disclosure of financially materially nature-related information by companies. Furthermore, by serving as a member of the ISSB's Investor Advisory Group, we share our practitioner's views on the global baseline and what we believe should be the next priorities.

We also find it valuable to be an active member in key industry groups to debate and share our practitioner views on emerging policy issues, including the Investment Association's Stewardship Committee. In addition, we are members of the Investment Company Institute (ICI), the Securities Industry and Financial Markets Association (SIFMA), the Investment Association (IA), the European Fund and Asset Management Association (EFAMA), the UK Sustainable Investment and Finance Association (UKSIF), and other groups that actively contribute to policy and regulatory discussions. On an annual basis, our ESG Committee reviews the membership organizations we belong to ensure our memberships do not conflict with our ESG Policy. Where we believe our views on a particular policy topic diverge from those of our membership bodies, we may consider engaging with such organisation to bring our views to the table, and/or publishing our individual position.

## Collaborative Engagement Case Studies

While most of our engagements are conducted independently, we believe collaborative engagements with like-minded investors can be a helpful tool in achieving outcomes. We collaborate with several organisations and initiatives, especially where we feel our leadership can make a significant contribution. Below we provide examples of collaborative engagements Neuberger Berman has undertaken.

# COLLABORATIVE ENGAGEMENT CASE STUDY
# ACGA JAPAN WORKING GROUP

| GENDER DIVERSITY | SOCIAL, GOVERNANCE | ONGOING |
|---|---|---|
| ISSUE | CATEGORY | STATUS |

## Background

The Asian Corporate Governance Association (ACGA) consists of approximately 111 asset owners and managers with combined assets under management of US$40 trillion; its Japan Working Group (JWG) of approximately 30 asset owners and managers aims to support the improvement of corporate governance at companies across Japan.

## Scope and Process

Our Portfolio Manager of Japanese Equities assumed the role of the Chair of the Japan Working Group (JWG) of the ACGA in 2021. The role of the Chair involves managing the Group's mid-term strategy, which includes collaborative engagements with key institutions in Japan's investment chain, including companies, regulators and industry associations as well as thought leadership initiatives and advocacy work.

In October of 2022, ACGA and its JWG co-authored an open letter to Japan's Tokyo Stock Exchange and Financial Services Agency to promote more women in senior management positions across Japanese companies and their boardrooms. The letter includes recommendations to revise Japan's existing listing rules in the coveted Prime market section of the Tokyo Stock Exchange (TSE) to include a concrete 30% board gender-diversity target while also suggesting amendments to the existing Corporate Governance to encourage other listed companies to enhance the role of women on boards and in management positions.

## Outcomes and Outlook

Ultimately, 28 global asset managers and owners co-signed the letter and it was shared with Japan's Financial Services Agency (FSA) and its Council of Experts as it looked to revamp Japan's ongoing corporate governance reforms. Most recently, Japan's Prime Minister Fumio Kishida also announced TSE Prime section-listed companies should aim to achieve 30% representation in senior management positions by 2030 as the Premier continues to push for enhanced workforce gender diversity. We believe this letter also served as one of the catalysts for the Tokyo Stock Exchange's decision to include quantitative targets for TSE Prime listed companies to appoint female board directors within its code of conduct for listed companies.

The JWG intends to meet with the FSA as part of this process to provide feedback.

# COLLABORATIVE ENGAGEMENT CASE STUDY
# IIGCC BONDHOLDER STEWARDSHIP WORKING GROUP

## Background

Neuberger Berman is a member of the Institutional Investors Group on Climate Change (IIGCC), a leading global investor membership body and the largest in Europe focusing specifically on climate change. Through our IIGCC membership, we support and help shape the public policies, corporate action and investment practice required to address financially material climate risks. In 2022, Neuberger Berman became an active member of the Bondholder Stewardship Working Group.

## Scope and Process

The working group is made up of nine core member investors representing £2.66 trillion AUM and a mixture of asset owners and managers. The working group aims to support bondholders' influence by providing a forum for participants to discuss best practices and effective approaches to engagement strategy. The working group convenes monthly to discuss key objectives, including bondholder engagement tools and financing structures and frameworks for new issuance.

## Outcomes and Outlook

As part of the working group, Neuberger Berman contributed to the IIGCC's newly published report: "A Critical Element: Net Zero Bondholder Stewardship Guidance – Engaging with Corporate Debt Issuers." The report provides corporate bondholders with a framework to strengthen their climate stewardship practices and addresses key challenges and opportunities across different bond types. Additionally, the IIGCC provides best practices for achieving long-term outcomes through bondholder stewardship.

# COLLABORATIVE ENGAGEMENT CASE STUDY
## GP ENGAGEMENT WEBINAR

| ESG DISCLOSURES AND PRACTICES | ENVIRONMENTAL, SOCIAL AND GOVERNANCE | ONGOING |
|---|---|---|
| ISSUE | CATEGORY | STATUS |

### Background
Neuberger Berman Private Equity engages with clients and private equity managers to share ESG best practices. In 2023, Neuberger Berman Private Equity hosted a webinar focused on practical climate analysis tools for private equity general partners ("GPs").

### Scope and Progress
As part of its broader industry engagement, in 2023, NB Private Equity contributed a resource for GPs to the Private Markets Decarbonization Roadmap, developed by Bain on behalf of the initiative Climat International (iCI) and the Sustainable Markets Initiative's Private Equity Task Force. Building off these efforts, in late 2023, Neuberger Berman hosted an engagement webinar for private equity GPs focused on practical tools for climate analysis in private equity. The webinar included a presentation of the Private Markets Decarbonization Roadmap, by Bain & Co. In addition, Watershed, Neuberger Berman's partner for carbon emissions reporting, presented a demonstration of how companies can measure, report, and manage their emissions. The questions from webinar participants focused on data availability challenges facing private markets investors, decarbonisation strategies, and best practices for reporting climate-related metrics and progress to investors.

### Outcomes and Outlook
Results from this educational effort are still in early stages as Neuberger Berman Private Equity continues to engage with industry stakeholders and advisory groups on the climate-related topics discussed during the webinar. We continue to seek to share best practices with general partners on the current state of the market.

Signatories, where necessary, escalate stewardship activities to influence issuers

# PRINCIPLE 11

## ESCALATION OF STEWARDSHIP ACTIVITIES

While the overwhelming majority of our engagement is done in collaboration with companies and their management teams, we strongly believe that the exercise of shareholder rights prescribed in regulations and company bylaws is part of our responsibility in the pursuit of value creation and the protection of our clients' investments. The issues we focus on are guided by the Governance and Engagement Principles described in Principle 9. We believe escalation should not be a top-down dictated approach, but rather investment-driven, taking into consideration matters such as investment objectives, issuer-specific circumstances and our history of engagement.

Where a company does not respond to our concerns or our concerns have not been sufficiently addressed, we may take escalated action such as:

- Withholding support from directors, opposing a management proposal or supporting a shareholder proposal at annual general meetings
- Engaging with the board of directors
- Sending letters to the board of directors
- Visiting company sites
- Joining a collaborative initiative
- Making our concerns public or pre-disclosing voting intentions
- Submitting a shareholder proposal
- Nominating new director candidates to the board
- Reducing exposure
- Withholding or ceasing investment in the company

Our general approach to escalation is applicable across geographies and asset classes. The escalation tools leveraged will depend on the rights available to us and the circumstances in question. Importantly, escalation methods are not exclusive and, when an escalation method is utilised, we continue to seek to drive change through private one-on-one engagements. Some examples of our escalation in engagements are included below.

## CASE STUDY: ELIMINATING A PROBLEMATIC SHARE STRUCTURE

COMPANY
**LIONS GATE ENTERTAINMENT CORP**

ISSUE
**GOVERNANCE**

FORMS OF ESCALATION
**FILED SHAREHOLDER PROPOSAL, LETTER TO THE BOARD, MULTIPLE ENGAGEMENTS WITH THE BOARD**

STATUS
**IN PROGRESS**

As a firm believer in strong corporate governance, we advocate for companies to maintain voting structures that entitle all shareholders to one vote per share, and have been encouraged by the increasing number of companies shifting away from these legacy multi-class structures to single class shares structures. With the announced spin-off of Lions Gate's studio business, we encouraged the company to adopt a "one share, one vote" policy so that both resulting companies would have governance structures that align the voting and economic interests of all shareholders. Further, we found the company's dual-class share structure to be inconsistent with market practice, and believed it to impair value: At the time we made the proposal, the company's Class B shares traded at a forward Enterprise Value to EBITDA multiple that was less than the average of its selected peers. We believed that the discount was driven in part by the dual-class structure, which dampened trading liquidity, complicated the capital structure and gave certain shareholders outsized influence.

We communicated our concerns to the company via engagement and a written letter to the board. Lack of responsiveness from the company compelled us to submit a shareholder proposal calling for the collapse of the dual-class share structure, a stance ultimately supported by a majority of shareholders.

## CASE STUDY: PROBLEMATIC BYLAWS AND COMPENSATION TERMS

COMPANY
**MASIMO CORPORATION**

ISSUE
**GOVERNANCE**

FORMS OF ESCALATION
**LETTERS TO THE BOARD, MULTIPLE ENGAGEMENTS, VOTING ACTION, PUBLISHING VIEWS**

STATUS
**COMPLETED**

Recent corporate actions and governance changes at Masimo heightened our previously communicated concerns regarding corporate governance, capital allocation decisions and the need for more independent board oversight. Specifically, we had concerns regarding the adoption of board entrenchment mechanisms such as anti-takeover provisions and others included in the CEO's employment agreement.

Although some changes were reversed in advance of the annual meeting, several of our concerns remained unaddressed despite writing multiple letters to and engaging directly with the board. Given our belief that true independent board oversight is imperative to protect shareholder interests, provide objectivity and serve as a counterbalance to management, we supported the election of dissident nominees to the board.

## CASE STUDY: RENEWAL OF POISON PILL

COMPANY
**FUJIMI INC.**

ISSUE
**GOVERNANCE**

FORMS OF ESCALATION
**MULTI-YEAR VOTING ACTION, PUBLISHING VIEWS**

STATUS
**ONGOING**

Despite our engagement efforts, including disclosing our vote against the renewal of Fujimi's poison pill in our NB Votes initiative last year, the company decided to proceed with the renewal of the poison pill in the face of low shareholder support levels. We believe management's persistent retention of the pill dilutes its latest positive efforts and governance improvements, and we find it to be a step backwards and contrary to current market governance trends, as Japanese companies continue to undertake corporate governance reforms and increasingly remove poison pills. As a result, we voted against the re-election of three members of the board. While the poison pill will remain valid until June 2024, we continue to urge the company to remove it and not renew it this year.

## CASE STUDY: INDUSTRIAL SAFETY AND PIPELINE INTEGRITY

COMPANY
**PETROLEOS MEXICANOS (PEMEX)**

FORMS OF ESCALATION
**REDUCED EXPOSURE**

ISSUE
**SOCIAL**

STATUS
**ONGOING**

PEMEX is a state-owned petroleum company in Mexico. Our engagements with PEMEX have been extensive, particularly with the CFO, who also heads the new Sustainability Committee established in March 2023. This committee is focused on driving ESG initiatives, including risk analysis, implementation of best practices, performance measurement, and enhancing ESG disclosure. A notable development is PEMEX's re-engagement with the United Nations Global Compact (UNGC), expecting to finalise this re-engagement in Q3 2023 and demonstrating adherence to the UNGC's 10 principles despite a period of inactivity from 2019 to 2022. PEMEX is also set to release its Sustainability Plan 2023 – 2050, reflecting an increased focus on sustainability and setting discrete environmental and social targets.

Despite these positive steps, PEMEX's performance on pipeline integrity and industrial safety has shown mixed results. Efforts to combat fuel theft and improve pipeline integrity have been ongoing, with investments in pipeline maintenance and reduced usage of susceptible pipelines. However, industrial safety has been a significant concern, with multiple fatal accidents occurring in early 2023 and deteriorating safety metrics since the pandemic. Initiatives to address these concerns include monthly accountability sessions, root cause analysis for incidents, continuous training, and zero-tolerance policies for contractors violating safety standards.

From our engagement, while we believe PEMEX is taking steps toward addressing its ESG risks and improving sustainability practices, challenges remain, particularly in industrial safety and pipeline integrity. These efforts are critical in PEMEX's journey towards sustainability and addressing stakeholder concerns. We reduced our holdings in the issuer while we monitor progress of the changes made. We will continue to engage and monitor progress in Industrial safety and pipeline integrity.

## CASE STUDY: CLIMATE TRANSITION

COMPANY
**PLAINS ALL AMERICAN**

FORMS OF ESCALATION
**DIVESTMENT**

ISSUE
**ENVIRONMENTAL**

STATUS
**COMPLETED**

Plains All American is a US pipeline transportation and energy storage company. We regularly engage with the management team including the CFO, Treasurer and ESG team on a variety of ESG issues; however, most recently our engagements have focused on the company's climate transition efforts. To gauge a company's climate transition efforts, we start by engaging on improving disclosure, followed by making a net-zero commitment, and ultimately monitor how this affects emissions performance over time. During our period of engagement, PAA took positive actions to improve disclosure on Scope 1 and 2 emissions; however, they did not commit to specific targets and indicated that they would not do so in the future. As a result of the information gained through our engagement activity with the issuer, we determined it would not be an appropriate holding for climate transition accounts that expect holdings to make progress toward achieving net zero. We divested from the issuer in climate transition strategies and will continue to limit our holdings unless future engagements suggest it is making incremental progress against our expectations.

## CASE STUDY: INFLUENCING BOARD CHANGES

COMPANY
**ASHLAND GLOBAL HOLDINGS INC.**

FORMS OF ESCALATION
**NOMINATING NEW DIRECTORS TO THE BOARD**

ISSUE
**GOVERNANCE**

STATUS
**COMPLETED**

While we didn't engage in a proxy contest in 2021, we have previously escalated our engagements to that level. For example, in 2019, we reached an agreement with Ashland Global Holdings Inc. to enhance its governance, increase board-level oversight of capital allocation decisions and more closely tie executive compensation to returns. The agreement called for the addition of a total of three new independent directors: one already included among the management-side slate of nominees and two additional yet-to-be-named board members that would be jointly agreed upon.

We pursued this action due to concerns about capital allocation decisions pertaining to Ashland's 2017 purchase of a nutraceutical ingredients producer. We felt the purchase was inconsistent with its stated goal of moving toward a less complex business. In late 2018, an activist investor initiated a proxy fight, calling for the replacement of four directors. Although we had voiced concerns privately with Ashland in the past, the new proposals caused a shift in our approach. In our view, a protracted proxy fight could prove distracting and lead to a suboptimal outcome. Moreover, we doubted that the company's investor base would agree to install the dissident slate of nominees. Consequently, we proposed a separate agreement with Ashland that we felt could lead to better results for all stakeholders.

As a result, the activist investor dropped its proxy battle and signed the agreement as part of its own settlement with the company. Continuing our past practice, we have maintained a dialogue with the company on multiple issues.

Signatories actively exercise their rights and responsibilities

# PRINCIPLE 12

# OUR RIGHTS AND RESPONSIBILITIES AS AN INVESTOR

## Listed Equities: Our Voting Approach

We believe that proxy voting is an integral aspect of active investment management. Many of our clients entrust us with the responsibility of proxy voting on their behalf, and we take that responsibility seriously. Accordingly, we believe proxy voting must be conducted with the same degree of prudence and loyalty accorded any fiduciary or other obligation of an investment manager.

Neuberger Berman has developed custom Proxy Voting Guidelines that comprehensively lay out our voting positions, including the potential financial impact on a company from corporate governance, environmental and social issues. In our voting activities across all geographies, we consider the Proxy Voting Guidelines as well as region-specific best practices where appropriate. For example, in Japan we have a voting guideline on cross-sharing given the prevalence of the practice in the market. The Proxy Voting Guidelines are updated as deemed appropriate and reviewed at least on an annual basis. Additionally, our Proxy Voting Policies and Procedures (together with the Proxy Voting Guidelines) detail the governance of our process that is designed to reasonably ensure that Neuberger Berman votes proxies prudently and in the best interest of its advisory clients for whom Neuberger Berman has voting authority. In 2022, we began publishing a Summary of Material Changes when significant updates were made to our Proxy Voting Guidelines, and continued this practice in 2023. In 2023, we also published a separate set of voting guidelines for investment companies. While we provide our views on general voting matters in our Governance and Proxy Voting Guidelines, we recognise that investment companies such as mutual funds, closed-end funds and ETFs present different issues and considerations for investors than operating companies. As a result, we believe creating a separate set of guidelines that outlines our general approach to common voting matters at investment company shareholder meetings provides improved clarity on our approach. These documents are available on our website and dedicated proxy voting webpage.

Neuberger Berman seeks to vote all shares under its authority so long as that action is not in conflict with client instructions. In 2023, on a global basis, we voted at 5,000 meetings, which represents 99% of the total meetings in which we were eligible to vote. Unvoted meetings were typically due to cases where Neuberger Berman determined voting would not be in clients' best interests for reasons such as the presence of share-blocking requirements, meetings in which voting would entail additional costs, or where Powers of Attorney were missing or late. Neuberger Berman understands that it must weigh the costs and benefits of voting proxy proposals relating to securities and make an informed decision with respect to whether voting a given proxy proposal is prudent and solely in the interests of the clients. Neuberger Berman's decision in such circumstances will take into account the effect that the proxy vote, either by itself or together with other votes, is expected to have on the value of the client's investment and whether this expected effect would outweigh the cost of voting.

Looking ahead to 2024, we intend to enhance our disclosure on our process of evaluating shareholder proposals. While we provide our views on general shareholder proposal matters in our Governance and Proxy Voting Guidelines, we believe further disclosure on our general analysis approach would be helpful to clients and portfolio companies.

## Approach to Client-Directed Voting

As part of our proxy voting procedures, for clients for whom we manage a segregated account, if a client provides voting instructions on a specific matter, we will vote their shares consistent with those instructions, whether or not they differ from Neuberger Berman's custom Proxy Voting Guidelines. These clients may also opt to retain voting authority or adopt a bespoke voting policy. We are evaluating third-party providers to enable client-directed voting for clients invested in pooled accounts. In the event that a portfolio manager or other investment professional at Neuberger Berman believes that it is in the best interest of a client or clients to vote proxies other than as provided in our Proxy Voting Guidelines, the portfolio manager or other investment professional will submit in writing to the Proxy Committee the basis for his or her recommendation. The Proxy Committee will review this recommendation in the context of the specific circumstances of the proxy vote being considered and with the intention of voting in the best interest of our clients.

## Monitoring Our Voting Rights

As part of the account set-up process, we partner with custodians and our proxy voting service provider to ensure that we will receive ballots for all shares we are eligible to vote. We provide a list of our holdings to our proxy voting service provider on a daily basis to be used in a ballot reconciliation process to ensure that expected ballots have been received. Any discrepancies are addressed with the appropriate custodians or ballot distributors and internal teams.

## Securities Lending

Some Neuberger Berman products or client accounts where we have authority and responsibility to vote the proxies may participate in a securities lending program that we administer. We maintain thresholds on the amount of shares permitted to be lent per stock and per fund, and retain a portion of shares in each votable stock to be able to vote. Where a security is currently on loan ahead of a shareholder meeting, we will generally attempt to terminate the loan in time to vote those shares. Where a security that is potentially subject to being loaned is eligible to be voted in a stockholder meeting, a portfolio manager may restrict the security from lending. We maintain the list of securities restricted from lending and receive daily updates on upcoming proxy events from the custodian. We may also restrict shares from being lent if we are leading a collaborative engagement effort with the issuer. As of December 31, 2023, our lent securities through our mutual funds and UCITS funds securities lending program at the time of the potential proxy event represented less than 0.3% of our votable shares.

## Disclosing Our Votes

Recognising the importance of transparency in our voting activities, in addition to providing our Proxy Voting Guidelines and Procedures via our website, we publicly disclose all voting records of our registered UCITS funds here. In addition to disclosing our vote records, we disclose our rationale for any items voted in opposition to management. Neuberger Berman cannot publicly disclose vote-level records for separate accounts without the express permission of the client; however, we publicly disclose aggregate reporting on at least an annual basis for all votes cast across comingled and separate accounts.

As discussed below and in Principle 1, we launched the NB Votes advance proxy vote disclosure initiative in 2020 to regularly disclose our positions to the public and explain our voting rationale and intentions at select shareholder meetings. NB Votes presents an opportunity to communicate our expectations on a variety of topics and to demonstrate the nuanced judgement that goes into voting decisions. It improves the overall transparency on our approach to proxy voting, which is an area of interest to clients, as well as to companies, regulators and market participants more broadly. We disclosed our vote intention and rationale in advance of 43 meetings in 2023.

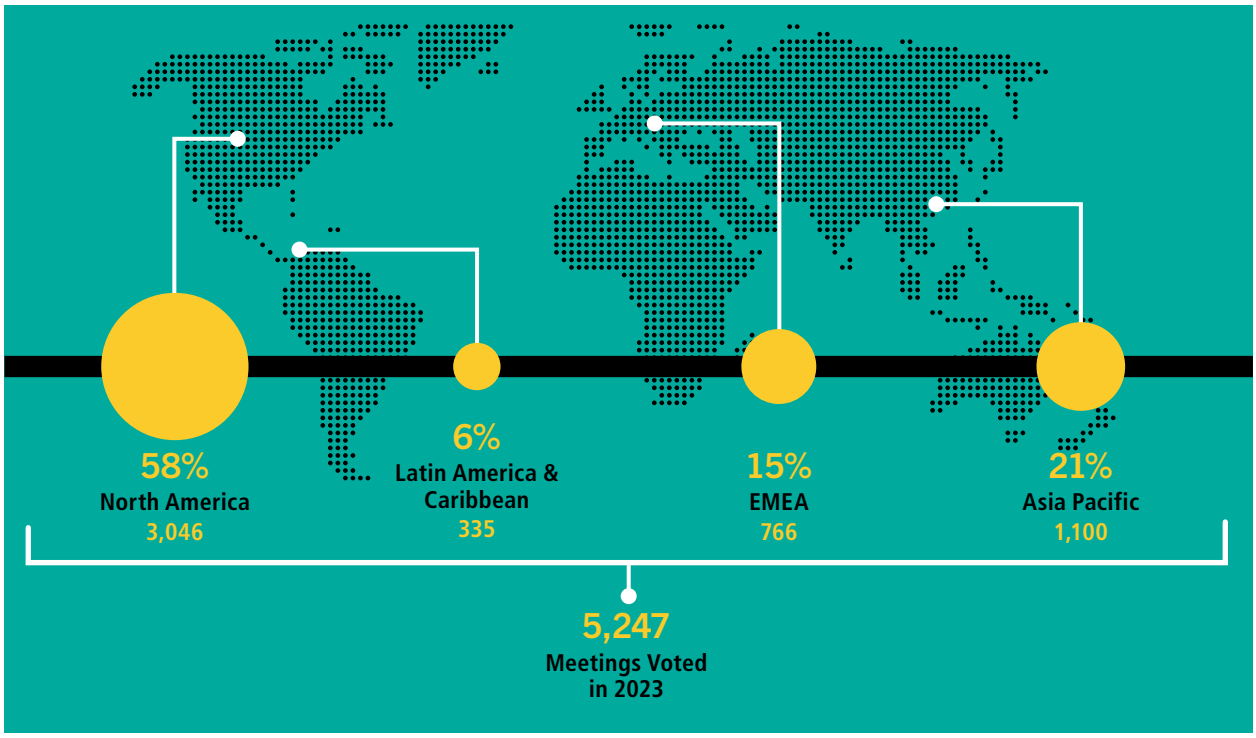
## Oversight of Proxy Voting Activities

Neuberger Berman has designated a Proxy Committee with the responsibility for: (1) developing, authorising, implementing and updating our policies and procedures; (2) administering and overseeing governance and proxy voting processes; and (3) engaging and overseeing any third-party vendors as voting delegates to review and monitor proxies and/or apply our Proxy Voting Guidelines. The application of our Proxy Voting Guidelines is audited on a quarterly basis to ensure accuracy. Further, our internal audit team audits our Proxy Voting Policies and Procedures in an effort to ensure their soundness and identify opportunities for improvement. This is set forth in more detail in Principle 5.

Neuberger Berman has engaged Glass Lewis as its proxy voting service provider to: (1) provide research on proxy matters; (2) in a timely manner, notify us of and provide additional solicitation materials made available reasonably in advance of a vote deadline; (3) vote proxies in accordance with the Proxy Voting Guidelines or as otherwise instructed, and submit such proxies in a timely manner; (4) handle other administrative functions of proxy voting; (5) maintain records of proxy statements and other solicitation materials received in connection with proxy votes, and provide copies of such proxy statements and other solicitation materials promptly upon request; and (6) maintain records of votes cast. While we utilise research from proxy advisors, Glass Lewis and ISS as supplementary data to help inform our analysis, our voting decisions are determined by the Proxy Voting Guidelines and our proprietary research.

# OUR APPROACH TO VOTING IN PRACTICE

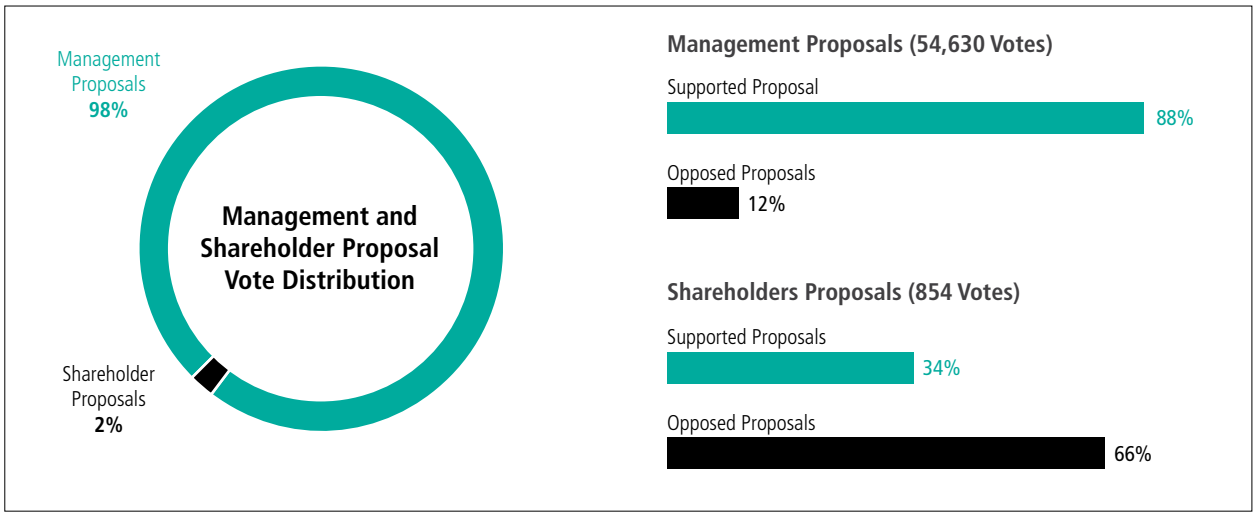
## REGIONAL REPRESENTATION OF MEETINGS VOTED IN 2023



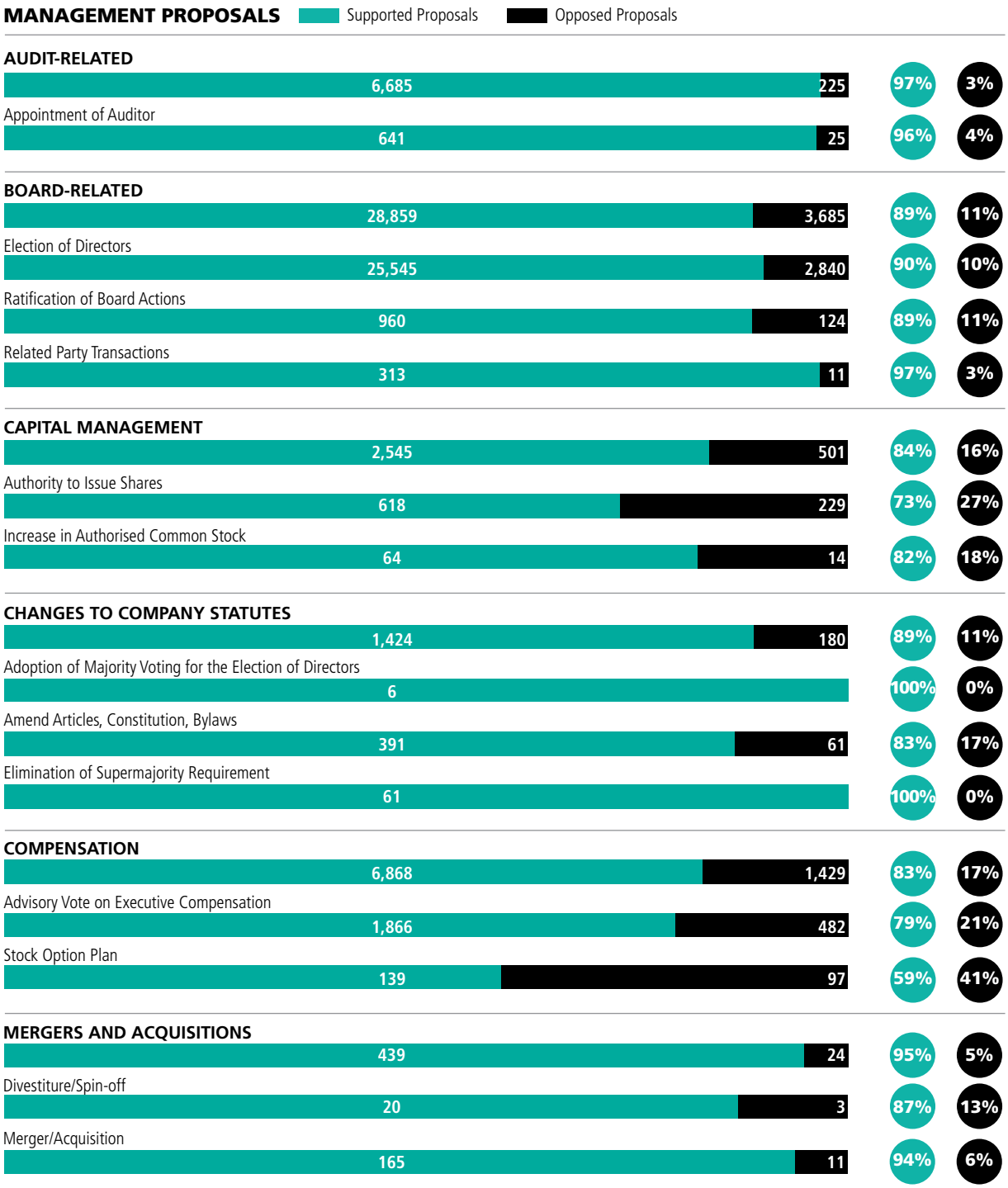

### Voting Statistics

In our consideration of voting decisions, we always look to balance the expectation that we set a high bar for board effectiveness while acknowledging the information asymmetry between shareholders and company management. This means that we must, at times, begin with the assumption that management and the board are carrying out their duties faithfully; however, it does not mean that we are shy about voicing our concerns through engagement and voting. We feel it is important to reiterate that our public voting policy, and not deference to management, is always our default position.

## MANAGEMENT AND SHAREHOLDER PROPOSAL VOTE DISTRIBUTION FOR 2023



In 2023, our investment teams voted at over 5,000 meetings globally. At meetings voted, proposals put forth by management comprised the vast majority at 98% of proposals with shareholder proposals comprising the remaining 2%. We find ourselves opposing many proposals that are either unclear in their alignment with shareholder interests or at odds with our judgement of the best course for the company. This is reflected in both the 12% of management proposals and the 66% of shareholder proposals we opposed. We opposed management on at least one ballot item at 49% of meetings in 2023. Some of the main areas of opposition for management proposals involved concerns with the structure of executive compensation plans, the size and structure of stock option plans, or the capital management practices of a company. Main drivers for opposing management recommendations on shareholder proposals were related to the separation of chair and CEO, improved governance practices, and disclosure of financially material environmental and social practices. In this section, we provide our voting record on common proposal categories, and highlight a selection of votes that we deemed notable from 2023.




Source: Neuberger Berman. Data for the calendar year 2023.

The table above profiles broad categories and select examples of our voting activity on management proposals in 2023. Each case is unique, but the high-level picture reflects our views on issues such as director elections, share issuances and executive remuneration, and how often those proposals met our expectations. The particular positions that led to our opposition on these issues are articulated in our Proxy Voting Guidelines, but are most commonly a reflection of concerns on the clarity of disclosure, board composition, the structure of executive compensation plan or capital management practices of a company.

## Key Management Proposal Votes in 2023

Below we provide examples of key management proposals to illustrate the factors considered and rationales that underpinned our vote decisions.

### MASIMO CORPORATION

**MEETING DATE:** June 26, 2023
**PROPOSAL:** Elect Dissident Nominees

**OUR VOTE:** FOR
**VOTE RESULT: 70.0%+**

**OUR RATIONALE:** Recent corporate actions and governance changes at Masimo heightened our previously communicated concerns regarding corporate governance, capital allocation decisions and the need for more independent board oversight. Specifically, we had concerns regarding the adoption of board entrenchment mechanisms, such as anti-takeover provisions and others included in the CEO's employment agreement. Given our belief that true independent board oversight is imperative to protect shareholder interests, provide objectivity and serve as a counterbalance to management, we supported the election of dissident nominees to the board.

**OUTLOOK AND OUTCOMES:** The two dissident nominees were elected to the board.

### COSTCO WHOLESALE CORPORATION

**MEETING DATE:** January 19, 2023
**PROPOSAL:** Elect Jeffrey S. Raikes

**OUR VOTE:** FOR
**VOTE RESULT: 81.0%**

**OUR RATIONALE:** In 2022, we voted against the re-election of Mr. Raikes as the chair of the nominating and governance committee due to lack of board oversight of financially material ESG matters. In June 2022, we were pleased when the company updated the nominating and governance committee charter to give the committee oversight of important strategic decisions, including "environmental, diversity and sustainability policies and initiatives, including climate-related risks and opportunities."

**OUTLOOK AND OUTCOMES:** We are pleased with the company's responsiveness to our feedback.

### ZEBRA TECHNOLOGIES CORPORATION

**MEETING DATE:** May 11, 2023
**PROPOSAL:** Advisory Vote on Executive Compensation

**OUR VOTE:** AGAINST
**VOTE RESULT: 89.4%**

**OUR RATIONALE:** In recent years, the company has become more acquisitive as it has evolved its overall long-term business strategy. While we agree that acquisitions can be a source of shareholder value, we believe the current compensation metrics should take this into account and be refined further to provide clearer accountability regarding decisions around mergers and acquisitions. Given these concerns, we voted against the plan.

**OUTLOOK AND OUTCOMES:** While the proposal passed, we continue to have productive engagements on this topic and encourage improvements.

### FUJIMI INC.

**MEETING DATE:** June 22, 2023
**PROPOSAL:** Elect Representative Director Mr. Keishi Seki, External Director Mr. Masami Kawashita, Statutory External Auditor Mr. Masahiko Takahashi

**OUR VOTE:** AGAINST
**VOTE RESULT: 70.5%+**

**OUR RATIONALE:** Despite our engagement efforts, including disclosing our vote against the renewal of Fujimi's poison pill in 2022, the company decided to proceed with the renewal of the poison pill in the face of low shareholder support levels. We believe management's persistent retention of the pill dilutes its latest positive efforts and governance improvements, and we find it to be a step backward and contrary to current market governance trends, as Japanese companies continue to undertake corporate governance reforms and increasingly remove poison pills. As a result, we voted against the re-election of three members of the board.

**OUTLOOK AND OUTCOMES:** While the poison pill will remain valid until June 2024, we continue to urge the company to remove it and not renew it this year.

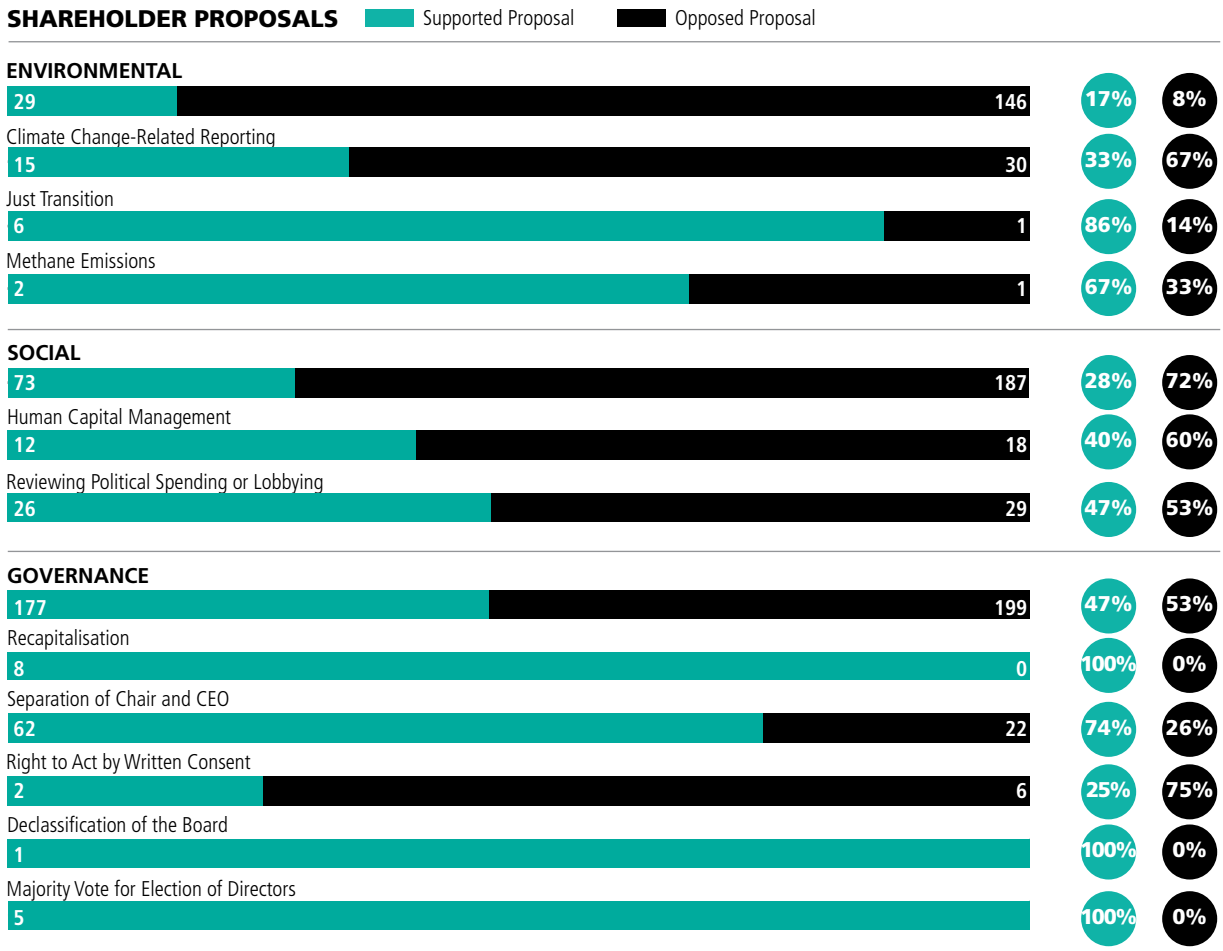
### ANSYS, INC.

**MEETING DATE:** May 12, 2023
**PROPOSAL:** Repeal Classified Board

**OUR VOTE:** FOR
**VOTE RESULT: 99.9%**

**OUR RATIONALE:** In 2022, we wrote a letter to the board and disclosed our views on this topic and our vote intention in support of a shareholder proposal regarding board declassification. In 2023, in response to shareholder feedback, management put forth a proposal to adopt annual director elections.

**OUTLOOK AND OUTCOMES:** We believe this proposal is aligned with our governance expectations for operating companies, and demonstrates responsiveness to our concerns.




Source: Neuberger Berman. Data for the calendar year 2023.

The number of shareholder proposals we voted on in 2023 increased by 9% from 2022, while our average level of support decreased by two percentage points to 34%. This is due to both a higher number of proposals on topics we deemed immaterial and improved company disclosures and progress in line with our expectations. We continued to support resolutions that focused on financially material topics for the relevant company where we determined company practices or disclosures warranted improvement. This included emerging topics such as Just Transition and methane emissions, where measurement approaches and disclosure expectations continue to develop. Additionally, given the potential reputational impact of the use of company funds in relation to trade associations and political processes, we continued to closely evaluate resolutions pertaining to political spending or lobbying activities. Our support for these proposals dropped slightly due to an increased number of companies meeting our oversight and disclosure expectations. Below we provide examples of key shareholder proposals to illustrate the factors considered and rationales that underpinned our vote decisions.

## Key Shareholder Proposal Votes in 2023

### LIONS GATE ENTERTAINMENT CORPORATION

**MEETING DATE:** November 28, 2023
**PROPOSAL:** Shareholder Proposal Regarding Recapitalisation

**OUR VOTE:** FOR
**VOTE RESULT: 61.9%**

**OUR RATIONALE:** With the announced spin-off of Lions Gate's studio business, we encouraged the company to adopt a "one share, one vote" policy so that both resulting companies would have governance structures that align the voting and economic interests of all shareholders. Lack of responsiveness from the company compelled us to submit a shareholder proposal calling for the collapse of the dual-class share structure.

**OUTLOOK AND OUTCOMES:** The proposal was supported by a majority of shareholders and we continue to engage with the company on this matter.

### NEXTERA ENERGY INC.

**MEETING DATE:** May 18, 2023
**PROPOSAL:** Shareholder Proposal Regarding Disclosure of a Board Diversity and Skills Matrix

**OUR VOTE:** FOR
**VOTE RESULT: 48.4%**

**OUR RATIONALE:** While the company already provides an aggregated board skills table and racial and ethnic diversity, we believe disclosure of an individualised board skills matrix would improve the company's existing disclosure practices. As such, we supported a shareholder proposal regarding disclosure of an individualised board skills matrix.

**OUTLOOK AND OUTCOMES:** We believe the proposal received a meaningful level of support and will monitor for disclosure improvements

### COTERRA ENERGY INC.

**MEETING DATE:** May 04, 2023
**PROPOSAL:** Shareholder Proposal Regarding Methane Emission Disclosures

**OUR VOTE:** FOR
**VOTE RESULT: 68.9%**

**OUR RATIONALE:** While recognising that the company has adopted several best practices, such as board-level oversight and the inclusion of an emissions-reduction metric in its incentive program, we believe improving the quality and accuracy of methane emission data should be a priority. Based on our engagement, we believe the company is moving in the right direction, but believe it could benefit from further action and disclosure regarding enhancing methane measurement that would better align with those of its peers and the broader industry. As such, we supported the shareholder proposal regarding a report on methane emission disclosures..

**OUTLOOK AND OUTCOMES:** Following the meeting and in response to shareholder feedback, the company meaningfully increased its methane-related disclosures in its 2023 Sustainability Report and joined the OGMP 2.0.

### TEXAS INSTRUMENTS INC.

**MEETING DATE:** April 27, 2023
**PROPOSAL:** Shareholder Proposal Regarding Report on Customer Due Diligence

**OUR VOTE:** FOR
**VOTE RESULT: 22.8%**

**OUR RATIONALE:** While we recognise the company's efforts and due diligence to manage related risks, and do not view it as a laggard, we believe that enhanced disclosure would indicate the high priority the company puts on this matter and would give shareholders comfort that supply chain integrity is of paramount importance to the board. More broadly, within the context of the ethical use of technology, we view Know Your Customer (KYC) due diligence as an emerging issue for the tech industry. As such, we believe communication of due diligence practices should be more widely adopted and practiced by companies across the industry and entities along the downstream value chain.

**OUTLOOK AND OUTCOMES:** While the proposal did not pass, we continue to have productive engagements on this topic and encourage improvements.

### STARBUCKS CORP.

**MEETING DATE:** March 23, 2023
**PROPOSAL:** Shareholder Proposal Regarding CEO Succession Planning Policy Amendment

**OUR VOTE:** FOR
**VOTE RESULT: 20.9%**

**OUR RATIONALE:** We believe it is critical for the board to implement succession planning practices that build a robust talent pipeline in preparation for planned and unplanned transitions. Lacking such practices could result in challenging leadership transitions that impact business continuity and distract from business performance. We supported the proposal to underscore the importance of executive leadership succession planning and the need for improved practices moving forward.

**OUTLOOK AND OUTCOMES:** The company has made amendments to its Governance Principles to include enhanced guidance on succession planning.

## Bringing Transparency and Accountability to Proxy Voting: NB Votes

**NB Votes has three main goals:**

- Encourage companies in which we invest for our clients to improve their governance practices, thereby enhancing long-term value for our clients
- Improve the transparency of our voting process
- Demonstrate how our long-term, active-management approach drives our voting decisions

In 2020, we launched NB Votes, a proxy vote disclosure initiative in which our firm announces our voting intentions in advance of the annual general meetings (AGMs) of a select group of companies in which we invest on behalf of clients. Now in its fourth year, this program seeks to share our opinions and provide insight to our analysis by preannouncing our proxy-voting intentions on an array of voting topics that, we believe, have material economic consequences for our clients. The program underscores our commitment to bringing more transparency into the proxy voting decision-making process.

In 2023, we disclosed our voting intentions and rationales for proposals at 43 meetings and opposed the company's recommendation in 58% of them. Our initiative also spans the regions where we invest our clients' capital, with 21% of our votes at meetings of non-US companies. Among these votes was a shareholder proposal regarding recapitalisation that we submitted to Lions Gate Entertainment Corporation, a tool not frequently used by institutional investors.

In this latest proxy season, we focused on proposals addressing a host of issues—from board independence and entrenchment tools to incentive schemes and capital allocation—that we believe ultimately shape companies' long-term financial performance. At Neuberger Berman, we believe sound corporate governance policies and transparent reporting are essential for navigating the cross-currents of this challenging economy. That is why we will continue to urge companies and their boards to embrace what we see as best practices through our NB Votes program, while also assessing our own ability to identify the most salient issues and use our voice effectively. Pre-announcement of proxy voting intentions may still not be common practice. Yet as an active manager with voting responsibility on behalf of our clients, we believe we are well positioned to continue serving our clients by being transparent in encouraging companies to raise their governance standards and enhance their financial performance. For a full list of the votes disclosed as part of our NB Votes initiative in 2023, please see our NB Votes website.

## Exercising Rights and Responsibilities Beyond Listed Equities

**Fixed Income**

The thorough review of credit documentation is an important component of Neuberger Berman's credit process. We examine structural elements embedded within the issuers' credit agreements and indentures. While financial maintenance covenants are part of this analysis, we also look to ensure there are limitations on the incurrence of senior, *pari passu* and junior debt, the ability of an issuer to pay dividends, restrictions around the use of asset sale proceeds, affirmative covenants related to reporting requirements and restrictions on broader payment and value transfers outside of the restricted group. Additionally, we thoroughly examine the security package, seeking to confirm that we have a pledge on the most valuable assets of the company. In respect of the amendment process, we evaluate the impact of an amendment on an issuer's credit profile as well as the compensation received from approving the amendment.

Neuberger Berman engages with capital markets participants in respect to new issue documentation and pushes back on weaknesses identified in the documentation, when possible. We believe engagement with management teams is also critical in identifying material ESG factors as credit documentation generally provides a range of flexibility to an issuer in respect to capital allocation and business strategy. Engagement with respect to capital allocation provides an opportunity to better appreciate an issuer's financial and operating strategy, as well as points of potential risks which could be material to the credit profile of the issuer.

For example, a few years ago, we identified an issuer in which credit documentation flexibility, coupled with governance concerns at the issuer's parent, led to weakness in the issuer's trading levels due to market concern that the equity owners would extract value from the issuer. Based upon our ongoing engagement with the management team and their commitment to conservative capital allocation policies and a strong ratings profile, we encouraged the issuer to proactively strengthen the credit documentation in its indentures to alleviate market concerns. The issuer ultimately enhanced structural bondholder protections and its governance framework, which was a positive development for the issuer's credit profile.

The volume of ESG-linked bond issuances has increased significantly over the last several years. With limited standardisation for ESG-linked issuances, we believe engagement with management teams prior to such issuance can be a powerful tool to encourage them to align their

capital markets activity with best-in-class standards. We believe it is important for companies to have strong ESG track records, clearly identify the use of proceeds, adhere to strong reporting standards, and set KPIs that are material and ambitious where appropriate.

For example, we identified an opportunity to engage with an issuer to establish a social bond framework that reinforced the company's commitment to responsibly servicing its communities and underserved customer population. We engaged on the importance of transparency in oversight, reporting and performance tracking. The company later released a social bond framework that aligned with the International Capital Market Association's Social Bond Principles for 2020, received a third-party alignment opinion from Standard & Poor's, and is intended to align with UN Sustainable Development Goals 1.4, 8.10 and 10.2.

Further, ESG bond issuance has become more common in the sovereign space, with various developed and emerging markets issuing green, social and sustainable bonds. We have been in contact with various sovereign issuers from Latin America, sub-Saharan Africa and Central and Eastern Europe, as they developed their ESG bond frameworks.

**Private Markets: Pre-IPO Governance Considerations**

In certain strategies where we may invest in a company prior to its IPO, we may have the opportunity to vote on a variety of matters, including those pertaining to governance structures, compensation and new share issuances. When engaging with private companies and evaluating the opportunity to participate in a new issuance, including an IPO, we may seek improvements in investor rights or governance features before agreeing to participate.

## Looking Ahead

We believe our structures and processes detailed throughout this report have enabled and fostered effective stewardship practices in 2023. We are pleased with the progress of our stewardship efforts across various asset classes and geographies. Looking ahead to 2024, we will continue to work in close partnership with our clients to better support their objectives and strive to further strengthen our stewardship activities and outcomes.

# DEFINITIONS OF KEY TERMS

**AMGO:** the Asset Management Guideline Oversight team

**BBH:** Brown Brothers Harriman & Co, the administrator and depositary to the UCITS fund, Neuberger Berman Investment Funds plc

**CVaR:** Climate Value-at-Risk

**DDQ:** a due diligence questionnaire sent from a client looking to monitor their investment mandate and the investment managers' operations

**EMEA:** the UK, Europe, the Middle East and Africa

**ERM:** the enterprise risk management process as described in Principle 4

**ESG:** environmental, social and governance

**ESG Committee:** a committee of Neuberger Berman which is responsible for the firm's global ESG strategy

**ESG Investing Team:** Neuberger Berman's dedicated ESG investing team which is responsible for the firm's global ESG strategy in collaboration with the ESG Committee

**ESG Product Committee:** the sub-committee of the ESG Committee established to ensure the integrity of any ESG-related claims made by our strategies through our share labelling system

**GHG:** greenhouse gas emissions

**Governance & Proxy Committee:** a committee of Neuberger Berman that administers and oversees proxy voting processes

**LatAm:** Latin America

**NBEL:** Neuberger Berman Europe Limited

**NB Advisory Council:** an advisory council set up to provide guidance on the future of impact investing and sustainability topics

**NB Materiality Matrix:** Neuberger Berman's view on which ESG factors are financially material in each industry

**NBSH:** NBSH Acquisition LLC

**NB Votes:** the initiative where Neuberger Berman publishes in advance its vote intentions and supporting rationale at select meetings

**Neuberger Berman:** Neuberger Berman Group and operating subsidiaries

**Neuberger Berman Voting Guidelines:** these serve as a guide to our voting approach and represent our general views on voting matters

**Operating Committee:** composed of members of Neuberger Berman's senior management representing each major operating unit of the firm

**PRI:** the Principles for Responsible Investment

**Proxy Voting Policies and Procedures:** Neuberger Berman's proxy voting policies and procedures detail the governance of our voting process that is designed to reasonably ensure that Neuberger Berman votes proxies prudently and in the best interest of its advisory clients for whom Neuberger Berman has voting authority

**QIAIF:** A Qualifying Investor Alternative Investment Fund ("QIAIF") is an Irish 'alternative investment fund' (AIF) as defined in the Alternative Investment Fund Manager's Directive (Directive 2011/61/EU) which may be marketed to Qualifying Investors within the meaning of Annex II of Markets in Financial Instruments Directive (2014/65/EU).

**RFP:** a request for proposal questionnaire sent by a prospective client to select an investment manager for a specific investment mandate. Neuberger Berman answers questions in a proposal format which helps the client gather information and select the right partner

**SDGs:** the Sustainable Development Goals

**SFDR:** the EU Sustainable Finance Disclosure Regulation

**Third Parties:** NBEL's outsource providers and vendors as described in Principle 8

**UCITS:** an undertaking for collective investment in transferable securities within the meaning of the European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations 2011 (S.I. 352 of 2011), as amended and as may be further amended, consolidated or substituted from time to time.

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