

Neuberger Berman Sustainable Equity Team

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Company leadership during COVID-19: an ESG lens

The Sustainable Equity team focuses on investing in high quality companies at attractive valuations; many of these businesses are at the forefront of meeting unmet sustainability challenges globally.

As fundamental bottom-up analysts, we have always dug deep to understand the issues underlying a company's business model, including the supply chain, drivers of growth, workplace practices, focus on community, focus on environmental issues and governance practices that might give caution to the secular growth or future earnings potential of a company. Sustainability issues are at the heart of our investment premise and are part of the fundamental research process of each name in our portfolio, and in many cases, key drivers of a company's competitive edge, both from an opportunity and risk control perspective.

We examine company management and its commitment and leadership on sustainability issues, and what policies and incentives are in place to help encourage good behaviors and to what degree the board exercises oversight.

We look at company operations and program implementation to assess if companies strive to be best-in-class operators, apply high standards globally and consistently and have strong supply chain management on a range of sustainability issues.

We additionally look at the products and services offered and the degree to which these could provide beneficial impacts to customers.

Amidst the ensuing COVID-19 health crisis resulting in a sharp economic contraction, we have been engaging our portfolio holdings to assess the impact of this disruption on their businesses and understand their potential resiliency to withstand it.

In addition, we are also in the process of evaluating the social impact of corporations by assessing their responses to key stakeholders as individuals and communities continue to be impacted by the socio-economic disruption in the context of the future sustainability of the businesses.

Driving solutions to combat COVID-19

Seek companies with products/services that have a robust and sustainable customer value proposition; are innovative; address unmet needs; with positive environmental and societal benefits, and are leaders in quality, ethics and integrity across the supply, production, distribution and post-consumption recycling phases.

Many of our portfolio holdings are a critical part of the private sector role in providing potential solutions in response to the COVID-19 crisis, for example:

Alphabet

- Alphabet's research subsidiary, Verily is collaborating with state, local, and federal health authorities to help establish coronavirus testing sites in the San Francisco Bay Area, as well as on an online tool designed to increase risk screening and testing for people at high risk from the virus.

AmerisourceBergen

- Delivery of essential drugs and inventory of items related to COVID-19 treatment and supportive care, e.g. IV fluids, generic injectables and related products for acute care providers.

Becton Dickinson

- Announced new products to help aid in the detection and identification of COVID-19, including a molecular test for the detection of COVID-19 for clinical laboratories in countries recognizing the CE mark.
- Partnered with BioGX for new diagnostic tests that could increase the potential capacity to screen for COVID-19 by thousands of tests per day.

- Danaher
- Xpert Xpress SARS-CoV-2, a rapid molecular diagnostic test for qualitative detection of SARS-CoV-2, the virus causing COVID-19. The test has been designed to operate on any of Cepheid's more than 23,000 automated GeneXpert Systems worldwide, with a detection time of approximately 45 minutes.
- Medtronic
- Increased production by more than 40% to date and is on track to more than double its capacity to manufacture and supply ventilators in response to the urgent needs of patients and healthcare systems across the globe confronting COVID-19.
- Microsoft
- Microsoft's Healthcare Bot service that uses artificial intelligence (AI) is being utilized by the CDC and other frontline organizations to respond to patient inquiries, freeing up doctors, nurses, administrators and other healthcare professionals to help provide critical care to those who need it.
 - The CDC assessment bot is designed to assess the symptoms and risk factors for people worried about infection, provide information and suggest a next course of action such as contacting a medical provider or for those who do not need in-person medical care, managing the illness safely at home.
- Regeneron
- Regeneron's marketed Rheumatoid Arthritis drug, Kevzara is a therapeutic drug being tested to control lung inflammation in COVID-19 patients.
- Roche
- Phase III clinical trial of Actemra in hospitalized patients with severe COVID-19 pneumonia.
 - Despite some of the supply and logistics challenges due to COVID-19, continuing to deliver life-saving medicines to patients around the world, given its resilient global network.
 - Accelerating manufacturing capacity to help maximize production of Actemra wherever possible to increase available supply globally.
 - Providing testing solutions: cobas® SARS-CoV-2 Test used to detect the novel virus that causes COVID-19.
- United Rentals
- United Rentals is a key provider of equipment and services (portable handwashing stations, portable restrooms, showers, generators, air filtration systems, traffic control systems, climate systems, light towers etc.) in setting up COVID-19 response infrastructure, including expanded testing centers, expanded hospital operations, and supporting first responders throughout North America.

Social Impact

Seek companies committed to proactively addressing diversity issues in the workplace; have implemented innovative hiring and training programs; have commitment to quality workplace from safety records to family friendly benefits.

We are also in the process of evaluating the social impact of corporations by assessing their responses to key stakeholders as individuals and communities that continue to be impacted by the socio-economic disruption in the context of the future sustainability of the businesses. Here are some representative examples of social policy changes across our portfolio holdings, in response to the COVID-19 disruption:

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| Advance Auto Parts | <ul style="list-style-type: none">• Provided additional flexibility in terms of both attendance and sick leave policy as well as implementing emergency pay guidelines that include additional paid sick time to Team Members who need it.• New service for same day delivery of parts to customers; free curbside delivery for online orders; free installation service for batteries and wind shield wipers. |
| Alphabet | <ul style="list-style-type: none">• Establishment of a COVID-19 fund for temporary staff and vendors across the world.• Video conferencing app Meet made available to all G Suite customers for free until July 1, 2020.• Offering distance learning resources and a YouTube training hub for educators across the globe. |
| Comcast | <ul style="list-style-type: none">• Opened Wifi hotspot network nationally for free, offering unlimited free data for 60 days to enable people to stay connected during this health crisis.• Offering new low income customers two months of free internet and raising the speed of the connection.• No disconnects or late fees for customers unable to pay their bills during the disruption. |
| Microsoft | <ul style="list-style-type: none">• Continuing to pay hourly workers despite store and campus closures.• As of March 10, providing free version of its software teams to enable customers, both organizations and individuals, to collaborate and maintain productivity and security while working remotely during the crisis.• Enabling virtual learning through its Family Learning Center, collection of free activities, curated out of educational resources from around the world. |
| National Grid Corp. | <ul style="list-style-type: none">• Non-collections policy in place and will not disconnect any non-paying customers.• Also filed to defer rate increase in New York by 3 months. |
| Sherwin Williams | <ul style="list-style-type: none">• Enhanced paid sick and/or family leave, approved temporary leaves of absence, implemented alternate and flexible work arrangements, implemented manufacturing and facility visitor screening protocols and split shifts at facilities. |
| Texas Instruments | <ul style="list-style-type: none">• 4 weeks of additional sick leave if needed, related to COVID-19, in addition to existing time bank. Can be used for any reason, including childcare, elder care, or for concerns of traveling outside the home. Can also borrow up to 84 hours of time bank in addition if needed. |
| Unilever | <ul style="list-style-type: none">• For customers and suppliers, offering €500 million of cash flow relief to support livelihoods across its extended value chain. Offering early payment for its most vulnerable small and medium-sized suppliers to help them with financial liquidity, and extending credit to selected small-scale retail customers whose business relies on Unilever, to help them manage and protect jobs.• For its workforce, protecting them from sudden drops in pay, as a result of market disruption or being unable to perform their role for up to three months. Covering employees, contractors and others on a full or part-time basis. This will apply to workers not already covered by government plans or by their direct employer. For the avoidance of doubt, this includes those women and men who work to keep our facilities secure, our premises clean, or who run our cafeterias; and who are so much a part of their team even if they are not directly on Unilever's payroll. |

- US Bank
- Offering 20% premium pay to critical front line employees including branch, contact center and operations employees are who essential in providing banking services to customers.
 - Offering paid time off for employees affected by COVID-19.
 - Adjusting branch operation hours, lobby usage, encouraging drive through use and consolidating operations to help enhance safety of employees.

Community Impact

Seek companies that have implemented best practices in communities in which they operate, through partnerships and active communications with NGOs and the local community.

We recognize that businesses have a broader responsibility to the communities they operate in and in the long run could influence their right to operate in those communities. Below are some representative actions by companies in our portfolio that have stepped up to extend support and resources to the communities during these uncertain times.

- Alphabet
- Launched public information site related to COVID-19 in partnership with the U.S. government that provides curated education, prevention, and local resources nationwide, including links to information from WHO and the Centers for Disease Control (CDC) as well as helpful tips and tools for individuals, teachers, and businesses.
 - Announced a \$50 million commitment through Google.org in support of global COVID-19 response efforts. The funds will support governments, multilateral organizations, and relief organizations working to respond to the virus, with a focus on health and science initiatives, access to educational resources, and small business support.

- Becton
Dickinson
- Deploying \$1.1 million in cash and product donations to seven non-profit organizations including Direct Relief, the International Medical Corps, Americares, the World Health Organization-United Nations Foundation COVID-19 Solidarity Response Fund, Project HOPE, the CDC Foundation and the Wuhan Red Cross. These donations are to advance their work to contain COVID-19, support healthcare workers and treat patients in countries throughout the world.

- JP Morgan
Chase
- \$50 Million committed for philanthropic efforts involving immediate and long-term COVID-19 crisis relief; includes:
 - \$5 million for immediate healthcare, food and other humanitarian relief globally.
 - \$2 million for nonprofits responding to the COVID-19 crisis in their communities.
 - \$8 million for small businesses exposed to significant economic hardships in the U.S., China and Europe.

- MasterCard
- Enabling cashless and contactless transactions through digital wallets and no signature required transactions.
 - Contributed to China Women's Development Foundation, local food banks in the U.S. and donated 25,000 respirator masks to New York City hospitals.
 - Partnered with Scholastic to make a Girls4Tech online curriculum for grades 3–7. This is available to parents and teachers looking for learning resources.

- Microsoft
- Donated \$1 million to Puget Sound's COVID-19 Response Fund, which will provide financial support to nonprofits and community-based organizations on the frontlines of the response. This support will include rental assistance to keep people housed; help ensure children, seniors and families have access to food; and support healthcare workers on the front line.

- Sherwin Williams
- Delivered critical coatings products to producers of ventilators, oxygen tanks and hospital bedframes.
 - Donated thousands of masks, gloves and lab coats to hospitals.
- Unilever
- Provided free soap, sanitizer, bleach and food to the value of €100 million, half of which is going to the COVID Action Platform of the World Economic Forum, supporting global health organizations and agencies responding to the health crisis. Other half will include product donations, partnerships and handwashing education programs.
- US Bank
- Committed \$30 million towards COVID-19 relief efforts in various communities, including \$4 million immediate commitment to organizations focused on small business recovery and crisis relief and the remaining \$26 million to nonprofits by year end.

¹ Sources: Company websites; Neuberger Berman direct company engagements as of March 27, 2020.

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| Advance Auto Parts | https://corp.advanceautoparts.com/ |
| Alphabet | https://blog.google/inside-google/company-announcements/covid-19-how-were-continuing-to-help/ |
| AmerisourceBergen | https://www.amerisourcebergen.com/coronavirus-covid-19-information |
| Becton Dickinson | https://www.bd.com/en-us/support/alerts-and-notices/bd-statement-on-coronavirus |
| Comcast | https://corporate.comcast.com/covid-19 |
| Danaher | https://www.danaher.com/news/feature-story/COVID-19 and NB / Team engagement |
| JP Morgan Chase | https://www.jpmorganchase.com/corporate/news/pr/jpmc-makes-50mm-philanthropic-investment-to-address-impacts-of-covid-19.htm |
| MasterCard | https://www.mastercard.com/global/covid-19-info.html |
| Medtronic | http://newsroom.medtronic.com/news-releases/news-release-details/correction-medtronic-continuing-increase-ventilator-production |
| Microsoft | https://news.microsoft.com/covid-19-response/ |
| National Grid Corp. | NB / Team engagement https://www.nationalgridus.com/NY-Home/covid-19 |
| Regeneron | NB / Team engagement |
| Roche | NB / Team engagement https://www.roche.com/media/releases/med-cor-2020-03-24.htm |
| Sherwin Williams | https://covid-19-update.sherwin-williams.com/ |
| Texas Instruments | NB / Team engagement |
| Unilever | https://www.unilever.com/news/news-and-features/Feature-article/2020/from-our-ceo-we-will-fight-this-pandemic-together.html and NB / Team engagement |
| United Rentals | https://www.unitedrentals.com/covid19#/ |
| US Bank | https://www.usbank.com/newsroom/stories/us-bank-announces-20-percent-premium-pay-program-for-employees-and-30-million-commitment-to-support-individual-and-small-business-recovery.html |

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