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NEUBERGER | BERMAN

Neuberger Berman Disclosure Statement
Operating Principles for Impact Management

31 August 2021

I. Statement by Authorized Executive

Neuberger Berman is a founding signatory of the Operating Principles for Impact Management ("the Impact Principles"), a framework adopted by leading global impact investors. We are committed to integrating impact management best practice and through this statement affirm that the Neuberger Berman Municipal Impact Fund, including (i) policies and practices and (ii) impact management systems are managed in alignment with the Impact Principles since 2019.

This disclosure statement covers $81,145,761 of Neuberger Berman's Assets Under Management (the "Covered Assets"), which covers the Neuberger Berman Municipal Impact Fund[1].

Principle 9 requires a regular, independent verification that discloses alignment with the Impact Principles in the form of an independent verification statement. The verification statement is enclosed as a part of this disclosure statement.

Sincerely,

George Walker
CEO and Chairman, Neuberger Berman

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[1] As of August 31, 2021.

II. Statement of Alignment, The Impact Principles

Principle 1.
Define strategic impact objective(s), consistent with the investment strategy

The Manager shall define strategic impact objectives for the portfolio or fund to achieve positive and measurable social, economic, or environmental effects, which are aligned with the Sustainable Development Goals (SDGs), or other widely accepted goals. The strategic intent does not need to be shared by the investee. The Manager shall seek to ensure that the impact objectives and investment strategy are consistent; that there is a credible expectation of achieving the impact objectives through the investment strategy; and that the magnitude (scale and/or intensity) of the expected portfolio impact is proportionate to the size of the investment portfolio.

Neuberger Berman is committed to investing responsibly and has been a signatory of the UN-supported Principles for Responsible Investment (PRI) since 2012. In the most recent PRI Assessment report, we were awarded an A+ for our overarching approach to strategy and governance as well as ESG integration across each asset class, including Fixed Income.

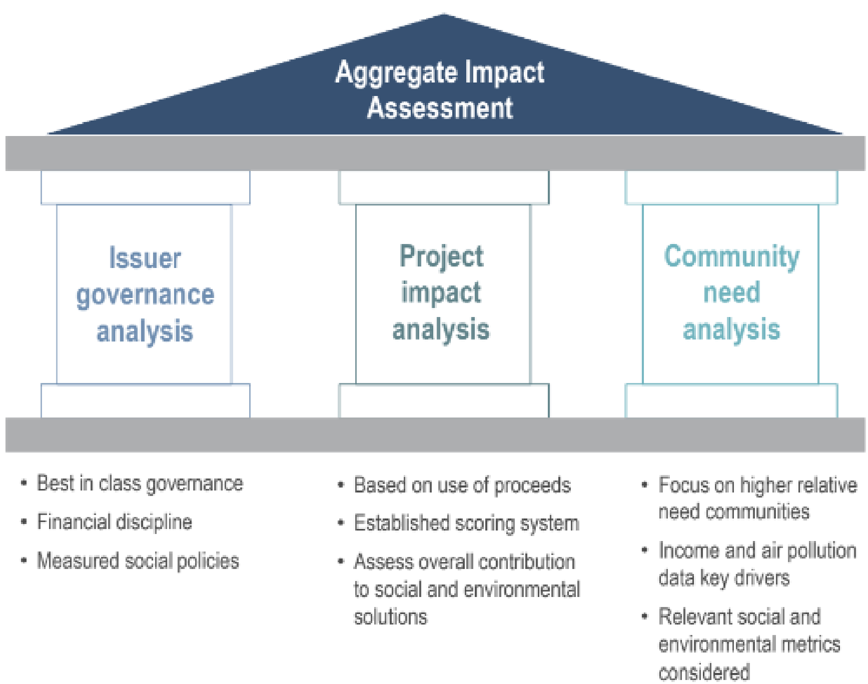
We are also committed to industry-wide accepted frameworks for defining and managing impact. Neuberger Berman Municipal Impact Fund invests in bonds that finance projects supporting sustainable communities in the U.S., targeting environmental and social impact alongside a financial return. Examples of positive social outcomes include improving access to basic needs such as housing, education and health services. Projects could include, for example, low-to-moderate income housing or school district related financing. Examples of positive environmental outcomes include: addressing climate change, providing for energy needs in a sustainable manner, and conserving the natural environment. Projects could include, for example, mass transit and green infrastructure, water and sewage system improvements, and recycling and waste management.

Like many investors, the investment team has found the UN Sustainable Development Goals (SDGs) to be a helpful framework for communicating objectives and connecting them to investable opportunities.

Principle 2.
Manage strategic impact and financial returns at the portfolio level

The Manager shall have a process to manage impact achievement at the portfolio level, similar to that of managing financial returns. The objective of the process is to establish and monitor expected impact performance for the whole portfolio, while recognizing that impact may vary across individual investments in the portfolio. As part of the process, the Manager shall consider aligning staff incentive systems with the achievement of impact, as well as with financial performance.

The Neuberger Berman Municipal Impact team applies a three-pillar methodology focused on the bond issuer, the use of proceeds and the place-based potential for impact to discern investable candidates. Positive and negative factors within this framework are balanced and debated to reach an investment decision. These factors for each holding are monitored over their life in the portfolio to ensure the Initial Impact threshold is maintained. Impact is integrated throughout the entire investment process – from security selection, to portfolio management, and reporting. Incorporating ESG issues into our investment process is tied to overall investment performance. We believe with strong performance, we will gather additional assets which lead to increasing team compensation.



Principle 3.
Establish the investor’s contribution to the achievement of impact

The Manager shall seek to establish and document a credible, transparent narrative on the investor’s contribution to the achievement of impact for each investment. Contributions can be made through one or more financial and/or non-financial channels, and assessed for the individual investment, or from a portfolio perspective. The narrative should be stated in clear terms and supported, as much as possible, by evidence.

The Municipal Impact strategy invests in bonds that finance projects that seek to support sustainable communities in the U.S., with a bias to underserved communities, and generate positive outcomes for people and the planet alongside a financial return.

As an investor, we can signal that environmental, social and governance considerations matter by incorporating them into our investment criteria and process, but we go a step further and engage with issuers to help influence outcomes. At a minimum, we require issuers to provide an appropriate level of disclosure that enables our research team to analyze the issuer’s capital, budgetary policy, governance, and management of material social and environmental issues. The investment team engages with issuers; the most common reason is on the topic of transparency and disclosure, as disclosure in the municipal market is inconsistent. In addition, when a project goes awry for a bond in our portfolio, we engage with the issuer to help identify and work toward a solution, to secure the stability and cash flows but to also lead to better social and environmental outcomes. However, we recognize that engagements may not always lead to the outcomes we seek and If issues persist, we will seek to exit the position at the appropriate point in time.

Principle 4.
Assess the expected impact of each investment, based on a systematic approach

For each investment, the Manager shall assess, in advance and, where possible, quantify the concrete positive impact potential deriving from the investment. The assessment should use a suitable results measurement framework that aims to answer these fundamental questions: (1) What is the intended impact? (2) Who experiences the intended impact? (3) How significant is the intended impact?

The Manager shall also seek to assess the likelihood of achieving the investment's expected impact. In assessing the likelihood, the Manager shall identify the significant risk factors that could result in the impact differing from ex-ante expectations. In assessing the impact potential, the Manager shall seek evidence to assess the relative size of the challenge addressed within the targeted geographical context. The Manager shall also consider opportunities to increase the impact of the investment. Where possible and relevant for the Manager's strategic intent, the Manager may also consider indirect and systemic impacts. Indicators shall, to the extent possible, be aligned with industry standards and follow international best practice conventions.

The nature and structure of the municipal bond market makes it an ideal asset class for sustainable and impact investing. The foundation of the municipal market is to fund projects that support and improve local communities, and there is high potential to connect the use of proceeds to impact objectives in addition to fulfilling place-based investing objectives. The Municipal Impact strategy focuses on directing capital to bonds that support projects that generate positive social and environmental outcomes for public benefit (*what is the intended impact?),* managed by sustainable and responsible issuers, with a bias to communities with a higher relative need (*who experiences the intended impact)*. Impact scoring and evaluation is embedded into the investment process, and specifically is a part of the investment requirements in the investment team's trading system. Therefore, in order to make a new purchase, they must have a view and minimum impact characteristics as well as a spectrum of the use of proceeds (*how significant is the intended impact?)*

Portfolio Managers evaluate investments based on their understanding of the following impact criteria: Issuer Governance (e.g., to what extent the Portfolio Managers believe the issuer is sustainable with respect to governance, fiscal responsibility, management of material social and environmental issues, and transparency and disclosure practices); Project Impact Analysis of the use of proceeds (e.g., will the debt proceeds be used for a project that the Portfolio Managers believe is essential, significant and overall positive); and Community Need Analysis , which focuses on locations with higher potential for incremental impact (e.g., does the project target a geographical location that the Portfolio Managers believe to have a higher relative need). Impact is integrated throughout the entire investment process – from security selection, to portfolio management, and reporting.

Principle 5.
Assess, address, monitor, and manage the potential negative effects of each investment

For all investments, the Manager shall seek to avoid, minimize, or mitigate potential negative effects by assessing and monitoring Environmental, Social and Governance (ESG) and other non-financial risks, as well as the performance of the investee in managing material ESG issues. Where appropriate, the Manager shall engage with the investee company to seek its commitment to take action to address potential gaps in current investee systems, processes, and practices, using an approach aligned with good international industry practice. As part of portfolio management, the Manager shall monitor investees' ESG risk and performance, provide support where appropriate, and address unexpected events.

Neuberger Berman also considers ESG as an integrated part of traditional investment analysis, with a particular focus on risk mitigation. The quality of issuers' governance and management practices are assessed, including corruption, sound budgetary practices and responsible use of debt. The team also considers environmental and social risks that may affect the borrower's ability to repay. For instance, the team looks at whether chronic social or environmental factors are a significant risk to the economic viability of the issuer (e.g., crime or polluted drinking water), and if the issuance is reliant on annual appropriation, the team closely examines the use of proceeds and whether the project being funded is essential to a community and thus likely to be repaid.

The Municipal Impact strategy specifically applies a negative screen to exclude issuers deemed not governed to an appropriate level and use of proceeds that have an overall negative impact on people and the planet. The strategy targets bonds that fund projects that have an overall positive impact based on our proprietary Community Need Analysis framework and as mentioned, with a bias to underserved communities.

For more on Neuberger Berman's approach to ESG, please refer to our firm ESG Philosophy and ESG Policy at our website: https://www.nb.com/en/global/esg/philosophy.

For more on the Neuberger Berman Municipal Impact Framework and our Community Need Analysis, please refer to the following piece on our website: https://www.nb.com/en/us/insights/aim-for-impact-municipal-bonds.

Principle 6.
Monitor the progress of each investment in achieving impact against expectations and respond appropriately.

The Manager shall use the results framework to monitor progress toward the achievement of positive impacts in comparison to the expected impact for each investment. Progress shall be monitored using a predefined process for sharing performance data with the investee. To the best extent possible, this shall outline how often data will be collected; the method for data collection; data sources; responsibilities for data collection; and how, and to whom, data will be reported. When monitoring indicates that the investment is no longer expected to achieve its intended impacts, the Manager shall seek to pursue appropriate action. The Manager shall also seek to use the results framework to capture investment outcomes.

During research and selection, the Municipal Impact portfolio managers have a clear impact thesis and objective for the Portfolio Manager to conclude, in their view, that the bond has a positive social or environmental impact in accordance with the impact framework.

The team reviews Official Statements published by issuers, publicly available information, supplemented by third party data providers to inform the impact attributes of each investment.

Monitoring and reporting on the impact of our investments is at the heart of the Municipal Impact strategy. As such, on a quarterly basis, the team conducts a portfolio review in partnership with the ESG investing team to discuss related updates and portfolio management considerations. In addition, the investment team provides impact reporting in the form of an annual impact report. Annual reporting includes clients' portfolio exposure based on the team's Municipal Impact framework as well as illustrative case studies, which is incremental to conventional municipal bond strategies. Case studies include issuer overview, impact thesis, use of proceeds and place-based potential for impact as well as the impact theme and the UN Sustainable Development Goals being targeted and key impact metrics.

Areas for further alignment: While progress is monitored on an ongoing basis, and impact reported on annually, the frequency and method for data collection is an area for further alignment. We are continuously evaluating third party data sources to help augment the data available for municipal bonds and seeking to improve our approach to impact management and monitoring.

Principle 7.
Conduct exits considering the effect on sustained impact.

The Manager shall, in good faith and consistent with its fiduciary responsibilities, consider the effect which the timing, structure, and process of its exit will have on the sustainability of the impact.

The investment team conducts rigorous research upfront to ensure that security selection is in alignment with the stated impact objectives. Additionally, our periodic surveillance process confirms that the bonds continue to remain consistent with the original thesis and if not, we try to work with the issuer to remedy the situation. If we are unsuccessful, we will look to exit the position.

Principle 8.
Review, document, and improve decisions and processes based on the achievement of impact and lessons learned.

The Manager shall review and document the impact performance of each investment, compare the expected and actual impact, and other positive and negative impacts, and use these findings to improve operational and strategic investment decisions, as well as management processes.

Neuberger Berman is committed to continuously reviewing and improving our approach to impact investing and our impact management systems in a joint effort with the Municipal Impact strategy Portfolio Managers, investment team and the ESG Investing team along with senior management and in collaboration with industry standards like the Operating Principles for Impact Management.

As previously mentioned, on a quarterly basis, the team conducts a portfolio review in partnership with the ESG investing team to discuss related updates and portfolio management considerations.

Principle 9.
Publicly disclose alignment with the Principles and provide regular independent verification of the extent of alignment.

The Manager shall publicly disclose, on an annual basis, the extent to which impact management systems are aligned with the Principles and, at regular intervals, arrange for independent verification of this alignment. The conclusions of this verification report shall be publicly disclosed, subject to fiduciary and regulatory concerns.

This Disclosure Statement re-affirms the alignment of Neuberger Berman's Municipal Impact strategy investment process with the Impact Principles and will be updated annually.

Independent assurance of this report was obtained from Neuberger Berman Internal Audit.

The Neuberger Berman Internal Audit Department is responsible to evaluate the adequacy of design and operating effectiveness of policies, procedures and internal controls of functions across the Firm. The Internal Audit department is an independent function and the Head of Internal Audit reports to the Audit Committee Chairman and has an administrative reporting line into the Firm's Chief of Staff. As of July 31, 2021 the department is staffed with a team of 10 professionals. One employee has 5 years of experience, the remainder have experience ranging from 11 to 32 years. Most team members have graduate degrees (e.g., MBA, MS, etc.) and/or industry certifications (e.g., CPA, CISA, CIA, CFSA, Series 7, 63. 66, etc.).

The Neuberger Berman Internal Audit Department performed an assessment of internal controls over the Neuberger Berman Municipal Impact Fund including certain controls designed to ensure compliance with ESG objectives, which were determined to align with the Impact Principles. Governance controls were tested as part of the 2019 and 2021 ESG Investing function audits. Controls specific to the Municipal Impact Fund were tested as part of the 2019 Municipal Fixed Income Audit. A limited scope audit is to be completed annually, with the full scope audit to be completed on a cycled basis every 3-4 years.

Public statement by independent verifier: Attached