

Neuberger Berman Fixed Income: Company Leadership during COVID-19

Assessing Company Leadership during COVID-19 with Active ESG Engagement

Neuberger Berman's global credit platform considers Environmental, Social and Governance (ESG) factors to be an essential component of its credit analysis discipline when making portfolio investment decisions. We believe it improves the risk profile of portfolios over time and through our active engagement with management teams on ESG issues, we are able to identify those companies who are successfully incorporating socially responsible principles into their core operations. While being sound investments, these companies are also leaders in regards to ESG as evidenced by their actions during the COVID-19 health crisis. Throughout the global COVID-19 health crisis and the resulting market disruption, there are examples of companies that are working to find a solution to the crisis and are working to address the needs of their constituents both internally and externally.

While news reports may highlight large investment grade companies with dedicated ESG resource teams as being actively involved in addressing the crisis or adapting their operations to the benefit of their employees, customers and communities, there are also numerous companies in the non-investment grade market which are leading by example. High yield companies are not traditionally known to be at the forefront of ESG which highlights the increased importance that our Non-Investment Grade credit research team places on using active engagement with companies to identify the leaders as well as utilizing our position in the capital markets as an agent of change for others. Leveraging our access to high yield management teams provides us the opportunity to set specific issuer ESG objectives and then systematically track the company's progress against these objectives.

To showcase the various initiatives of issuers across our fixed income platform, we would like to recognize companies that we have identified during our engagement efforts as having addressed the COVID-19 crisis head-on by driving innovative solutions, implementing customer support and employee programs, and providing community assistance.

Driving Solutions to Combat the Crisis

A number of our portfolio companies have utilized their resources and equipment to provide potential solutions in response to the COVID-19 crisis:

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| Abbott Laboratories | <ul style="list-style-type: none"> Abbott has been helping with the fight against COVID-19 by providing testing. It created a rapid, portable testing instrument (ID NOW) and has shipped more than 1.7 million tests to all 50 states, Washington D.C., Puerto Rico and the Pacific Islands. Additionally, the company recently gained FDA emergency use authorization for COVID-19 antibody tests and plans to ship nearly 30 million antibody tests globally in May and will have capacity for 60 million in June. |
| Apple | <ul style="list-style-type: none"> Apple is partnering with Google to help governments and health agencies with COVID-19 contact tracing technology. They will be launching a comprehensive solution that includes application programming interfaces (APIs) and operating system-level technology to assist in enabling contact tracing. The plan is to implement this solution in two steps to help reduce the spread of the virus but keep user privacy and security central to the design. |
| Berry Global, Inc. | <ul style="list-style-type: none"> Berry Global, a manufacturer of plastic packaging products, announced capacity additions in North America to increase supply of materials used in surgical-grade facemasks along with N95 and N99 respirators. This added capacity will support the manufacturing of approximately 200 million facemasks annually. |
| Catalent | <ul style="list-style-type: none"> Catalent, pharmaceutical manufacturer and provider, is collaborating with Janssen Pharmaceutical Companies of Johnson & Johnson whereby Catalent's Biologics unit will prepare for large-scale commercial manufacturing of J&J's lead COVID-19 vaccine candidate. Catalent plans to hire 300 additional employees for this program starting in July 2020 to meet operational readiness and 24x7 manufacturing schedules by January 2021. |
| CIRCOR | <ul style="list-style-type: none"> CIRCOR, a manufacturer of flow and motion control products, retrofitted one of its factories to produce a key product for a major ventilator manufacturer, with its production lines now operating 24 hours per day. CIRCOR's engineering team was able to adapt one of its products for the ventilator application in less than 10 days and the company expects to produce nearly 10,000 units during Q2. |

- HCA
 - HCA, a leading healthcare provider, teamed with Google Cloud and SADA (business and technology consulting services company) to provide anonymous COVID patient data intended to promote data-sharing about the pandemic and how it is spreading in an effort to help hospitals and communities across the nation prepare and respond to the outbreak. The company is also providing 1,000 ventilators as part of the American Hospital Associations collaboration with the federal government and health systems to distribute to hospitals experiencing a surge of patients with COVID-19.
- Ineos Group
 - Ineos is the leading European producer of the two key raw materials needed for sanitizers (isopropyl alcohol and ethanol) and has built four plants in Europe to produce hand sanitizer. Each facility has the ability to produce up to one million bottles per month. The company is already running at full capacity and has been diverting more production of these key raw materials to essential medical use including in the new Ineos hand sanitizer plants.
- Intel
 - Intel has partnered with Medical Informatics Corp. (MIC) to create the Scale to Serve Program to help hospitals install and scale MIC's Sickbay™ platform. The platform is designed to help hospitals rapidly expanding intensive care unit (ICU) by helping monitor multiple patients in real time. Through the Scale to Serve program, Intel has agreed to fund the implementation fees and MIC will waive the first 90 days of software subscription licensing fees for the first 100 hospitals that qualify.
- Oracle
 - Oracle has helped deploy a series of cloud applications to help gauge drug/ vaccine effectiveness. Outside of helping gather data for clinical trials, Oracle built and donated to the US government a COVID-19 Therapeutic Learning System. The system allows physicians and patients to record the effectiveness of promising COVID-19 drug therapies like Hydroxychloroquine, Remdesivir, and Kaletra.
- Ortho Clinical Diagnostics
 - Ortho Clinical Diagnostics recently launched the VITROS® Immunodiagnostic Products Anti-SARS-CoV-2 Total Reagent Pack which is a COVID-19 antibody test. The test kits detect antibodies (including IgG and IgM) to SARS-CoV-2 that can be used to identify an immune response to the virus. Additionally, the test may be used in epidemiological research to help better understand the spread of the disease and may also be used to aid in the diagnosis of suspected COVID-19 patients in conjunction with molecular tests.

Neuberger Berman also recognizes companies whose core products and services push them to the forefront of this crisis by the nature of their business model:

- Albertsons
 - Albertsons, one of the largest conventional food retail companies in the U.S., has introduced or enhanced a number of safety measures within its stores. These include: designated shopping times reserved for senior citizens and other vulnerable customers, plexiglass protective barriers at checkout lanes, cart wipes and hand sanitizer stations in key locations within stores, "contact-free" delivery procedures for home delivery and Drive Up & Go services. The company has also instituted a number of changes for its employees, including increased pay for front line workers and adjusted store hours to give teams time to rest.
- AT&T
 - AT&T has taken measures to ensure connectivity for customers and provide complements to products offered. The company has launched six new Command Centers that are enabling the fast delivery of increased bandwidth, new circuits and unified communication services. This will help enable working from home and support the smooth functioning of institutions that are experiencing a significant increase in data and voice traffic.
- Clean Harbors
 - Clean Harbors' emergency response team is providing critical decontamination services to combat the spread of COVID-19. These services mainly consist of cleaning large retail stores, grocery stores, warehouses and other essential businesses, often provided on short notice. These services are allowing essential businesses to remain open and serve their customers during the COVID-19 crisis.
- Tenet
 - Tenet, a health care services company, has multiple care sites within its health system and is working in partnership with over 50 other health systems in the U.S. to treat COVID-19 patients and ensure that the county has the capacity to care for everyone who needs COVID-19 treatment.
- United Rentals
 - United Rentals is a key provider of equipment and services and is helping provide them to customers as they set up COVID-19 testing centers, expand hospital operations, and support first responders throughout North America. Additionally, the company is supporting special business needs that customers may have as a result of the COVID-19 situation, including portable restrooms, showers, generators, traffic control systems, climate systems, light towers and more.

Addressing the Needs of Employees and Consumers

Social impact is a key component of our proprietary ESG scoring system. Especially during this pandemic, we are evaluating our portfolio companies assurance of the safety and financial needs of their employees and consumers alongside assessing the future sustainability of their businesses. Below are some representative examples of social policy changes across our portfolio holdings, in response to the COVID-19 crisis:

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| ALLY | <ul style="list-style-type: none">• The company has implemented a number of actions to assist its workforce. It will be giving \$1,200 to employees making less than \$100,000 and working to provide COVID testing, child/adult care, virtual doctor access and mental health support. Also, the company is providing comprehensive customer support with increased flexibility for retail and commercial customers to exercise payment deferrals, all late fees waived, in which 25% of retail customers and 76% of commercial customers have sought relief from these programs across its lending platforms (auto and insurance, home loans, and bank). |
| Comcast | <ul style="list-style-type: none">• Comcast is ensuring that customers are staying connected. For current customers, from now until June 30, it is providing free Xfinity wi-fi hotspots in businesses and outdoor locations, pausing data plans to give all customers unlimited data for no additional charge, and not disconnecting services (Internet, Mobile, Voice), and will waive late fees if inability to pay is communicated. Also, the company committed \$500 million to support its employees through continued pay and benefits where operations have been paused or impacted. |
| Taylor Morrison | <ul style="list-style-type: none">• Homebuilding company Taylor Morrison, is awarding any team member who tests positive for COVID-19 five additional days of paid time off (PTO) and guaranteeing that all out-of-pocket medical costs associated with a confirmed case will be covered. All team members working in the field will also receive five additional PTO days for any needed quarantine or sick time. |

Providing Community Assistance

We recognize that businesses have a broader responsibility to the communities they operate in, which in the long run could influence their ability 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 communities during this uncertain time.

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| ALLY | <ul style="list-style-type: none">• Ally has pledged \$3 million in direct financial aid to local communities and organizations including \$1 million each to support relief efforts to organizations in Detroit and Charlotte, \$900,000 directed to other key markets in which Ally operates, and \$100,000 directed to Ally's "Moguls in the Making" partner (the Thurgood Marshall College Fund). |
| Danone | <ul style="list-style-type: none">• Danone provided financial support of € 300 million, financed by its cash flow, to the 15,000 small businesses in its global ecosystem (farmers, suppliers, service providers), to the entrepreneurs of Danone Manifesto Ventures' portfolio, and to the communities of Danone Ecosystem. |
| Netflix | <ul style="list-style-type: none">• Netflix plans to donate \$30 million to third parties and nonprofits, providing emergency relief to out-of-work crew and cast across broader TV and film industry in countries where it has a large production base. This includes donations to well established hardship funds in the U.S. and Canada. In other countries where no such funds exist, the company is working to set them up and is donating to film institutes in the U.K., Italy, France, Brazil, Mexico, Spain and the Netherlands. In total, Netflix is committed to spend \$150 million supporting the industry through this crisis. |
| PepsiCo | <ul style="list-style-type: none">• PepsiCo Foundation has created a \$45 million initiative focused on helping people and communities most affected by the virus. The company's funding and support includes protective gear for health care workers, testing and screening services, and distribution of more than 50 million meals through food banks and other partners around the world. Additionally, PepsiCo is leveraging its own distribution expertise and investing heavily in partnerships to increase access to nutrition in response to worldwide COVID-19-related school closures. |
| Restaurant Brands International | <ul style="list-style-type: none">• Popeyes, a company of Restaurant Brands International, launched the "Nola Strong Meal" and accompanying apparel where 100% of the proceeds will go to Second Harvest Food Bank, the largest anti-hunger network in Louisiana, to provide over one million meals to families in need. |

Vistra Energy

- Vistra committed to donate \$2 million to non-profits and social service agencies, providing direct relief for people with critical needs resulting from the COVID-19 pandemic in communities across the country. Some of Vistra's donation recipients for COVID-19 relief efforts include: TXU Energy Aid, its signature bill-payment assistance program funded by donations from employees, customers, and corporate contributions, and distributed through social service agencies across Texas; and Ambit Cares, a philanthropic program funded by employees, customers and corporate contributions, and a Supporting Partner of Feeding America.

Continued Engagement

Neuberger Berman's unique engagement platform and deep relationship with management teams was instrumental in initial engagements at the onset of this pandemic. Our efforts over the recent months have shown that issuers understand the magnitude of this disruption to their stakeholders, consumers, and broader communities. We recognize that as the economic effects of the health crisis become clearer in the months ahead, companies will face difficult choices. We are realistic enough to know that not every management team will get those decisions right. It is our role as a responsible, long-term active manager, to continue to explain why a focus on stakeholders, consumers and broader communities is important. We believe this vested interest will generate positive outcomes over the long term and we are committed to continue this increased engagement throughout the duration of this crisis to ensure alignment with established objectives.

Sources: Neuberger Berman direct company engagements, company websites and COVID-19 response landing pages

Abbott Laboratories	https://www.abbott.com/corpnewsroom/product-and-innovation/an-update-on-abbotts-work-on-COVID-19-testing.html
Albertsons	https://www.albertsonscorporation.com/helping-you-through-covid-19.html
ALLY	https://www.ally.com/coronavirus-response/
Apple	https://www.apple.com/covid19/
AT&T	https://about.att.com/pages/COVID-19.html
Berry Global, Inc.	https://www.berryglobal.com/covid-19
Catalent	https://www.catalent.com/catalent-news/catalent-signs-agreement-with-johnson-johnson-for-lead-covid-19-vaccine-candidate/
CIRCOR	https://investors.circor.com/news-releases/news-release-details/circor-provides-covid-19-related-business-update
Clean Harbors	https://www.cleanharbors.com/services/industrial-field-services/emergency-response
Comcast	https://corporate.comcast.com/covid-19
Danone	https://www.danone.com/
HCA	https://hcahealthcare.com/covid-19/
Ineos Group	https://www.ineos.com/news/
Intel	https://www.intel.com/content/www/us/en/corporate-responsibility/covid-19-response.html
PepsiCo	https://www.pepsico.com/news/stories/covid-19
Oracle	https://www.oracle.com/corporate/covid-19.html
Ortho Clinical Diagnostics	https://www.orthoclinicaldiagnostics.com/en-us/home/covid-19-antibody-test-released-by-ortho-clinical-diagnostics
Netflix	https://www.netflixinvestor.com/financials/quarterly-earnings/default.aspx
Restaurant Brands International	https://www.rbi.com/file/Index?KeyFile=403447243
Taylor Morrison	http://investors.taylormorrison.com/news-releases/news-release-details/national-homebuilder-takes-proactive-steps-response-covid-19
Tenet	https://www.tenethealthcentralcoast.com/our-response-to-COVID-19
United Rentals	https://www.unitedrentals.com/covid19#/
Vistra (VST)	https://investor.vistraenergy.com/investor-relations/news/press-release-details/2020/Vistra-Energy-Announces-2-Million-Donation-for-COVID-19-Relief-Efforts/default.aspx

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