NEUBERGER BERMAN

Global Corporate Credit ESG Engagement Report

September 2020

NEUBERGER | BERMAN

Contributors

JONATHAN BAILEY
Head of ESG Investing

STEVE RUH, CFA
Co-Director of Non-Investment Grade Credit Research

RACHEL YOUNG
Co-Director of Non-Investment Grade Credit Research

STEVE FLAHERTY, CFA
Director of Investment Grade Credit Research

KELLY WEBER, CFA
Senior Research Analyst, Investment Grade

GREG MAGNUSON, CFA
Senior Corporate Analyst, Emerging Markets Debt

MANUEL GUERENA GANDARA
Senior Corporate Analyst, Emerging Markets Debt

DOREEN SAIK
Senior Corporate Analyst, Emerging Markets Debt

TYLER LEE
Client Analyst

ESG RISKS AND OPPORTUNITIES EVOLVE QUICKLY AND THE UNPRECEDENTED EVENTS OF 2020 HAVE REINFORCED THE IMPORTANT ROLE ACTIVE ESG ENGAGEMENT SERVES TO NEUBERGER BERMAN'S FUNDAMENTAL RESEARCH PROCESS.

Over the past few years, Neuberger Berman has highlighted the importance of integrating environmental, social and governance (ESG) factors into our fundamental credit research process. We have also discussed the important role that we believe active engagement plays in identifying and seeking to reduce material credit risks over time. The global COVID-19 pandemic and the rise of social issues demonstrated the relevance of active engagement. In our view, access to senior management is key to a successful engagement process. With our long-term relationships with companies, Neuberger Berman's credit teams are well positioned to engage with companies on these key issues.[1]

The events of 2020 have highlighted the benefits of active engagement with issuers, as ESG risk factors have the potential to be financially material to an issuer's credit profile if they are not properly mitigated. Our research team responded to the need for active engagement during this unprecedented period and engaged with issuers on the importance of workplace safety, supply chain management, and alignment of capital allocation and long-term business strategies for all stakeholders. Our total number of issuer engagements increased nearly 20% since we last reported in September 2019, and discussions around social issues grew more than 40%. These results are a reflection of our ability to identify key ESG issues and leverage our strong relationships with management teams to improve the effectiveness of our engagement efforts. We seek to maximize positive outcomes by determining which issuers are successfully navigating the new environment and encouraging laggards to incorporate socially responsible principles into their core operations.

Within this report, we provide an update on our recent engagement activity, discuss the importance of long-term relationships in effecting change, describe our fixed income ESG product initiatives and highlight growing areas of engagement. Finally, our case studies provide insight into the ESG framework we use to engage with issuers to seek to promote positive outcomes for creditors and broader stakeholders.

THE GROWTH OF ESG INVESTING REQUIRES AN ACTIVE ENGAGEMENT STRATEGY FROM ASSET MANAGERS

As a UN PRI signatory since 2012, Neuberger Berman is committed to the six Principles of Responsible Investment (PRI), which aim to incorporate ESG principles into investment analysis. Two of these principles state that we will be active owners and will seek appropriate disclosure on ESG issues by the entities in which we invest. Through Neuberger Berman's fully integrated ESG evaluation process at the corporate analyst level, our proprietary ESG scoring system, our understanding of regulatory, governmental and social risk factors, and our established relationships with issuers in the developed and emerging markets, we believe we have the framework and the platform to help seek to drive positive long-term outcomes for all stakeholders through active engagement.

[1] Subject to Neuberger Berman's policies and procedures, including certain information barriers within Neuberger Berman that are designed to prevent the misuse by Neuberger Berman and its personnel of material information regarding issuers of securities that has not been publicly disseminated.

Prioritizing Our Engagement Efforts

Neuberger Berman believes a strategy of consistent engagement with issuers will result in the most effective dialogue and ultimately a greater probability of a successful outcome. Our 2020 engagement data is a reflection of this commitment to consistent issuer outreach. Our fixed income research teams hosted 1,153 meetings during the period, 56% of which were with CEO or CFO leadership.

Another advantage of consistent engagement is the long-term relationships that are built among our research team and management over time. We believe the value of these trusted relationships are especially relevant in the dynamic environment we live in today. Our engagement data supports the importance of these relationships as our engagements increased nearly 20% year-over-year. The scope of our engagements focused on timely social topics such as human capital management, community and government relations, as well as health and safety.

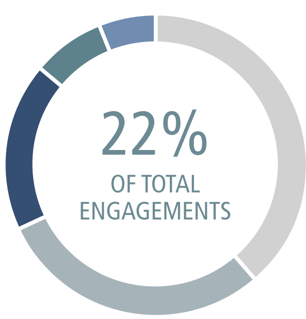
1,835 ESG ISSUES ENGAGED UPON

1,153 ENGAGEMENT MEETINGS

56% OF ENGAGEMENTS WITH CEO OR CFO

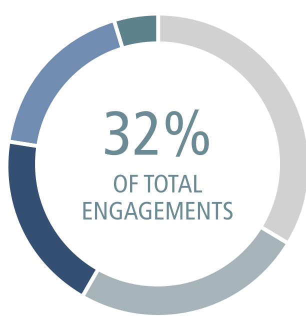
11 TOTAL ENGAGEMENTS THAT LED TO REDUCED OR NO EXPOSURE TO CREDIT

ENVIRONMENTAL



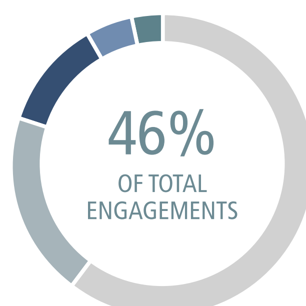
- GREEN OPPORTUNITIES
- CLIMATE CHANGE
- POLLUTION AND MITIGATION MANAGEMENT
- WASTE/WATER MANAGEMENT
- OTHER

SOCIAL



- COMMUNITY/GOVERNMENT RELATIONS
- HEALTH AND SAFETY
- LABOR RELATIONS
- HUMAN CAPITAL MANAGEMENT
- ACCESS TO HEALTHCARE

GOVERNANCE



- LONG-TERM BUSINESS STRATEGY
- RISK MANAGEMENT
- DISCLOSURE AND FINANCIAL CONTROLS
- BOARD INDEPENDENCE AND QUALITY
- COMPENSATION STRUCTURE

Source: Neuberger Berman. As of July 1, 2019 to June 30, 2020.

Engagement Areas in Focus

LABOR RELATIONS AND HEALTH AND SAFETY

Recent events like the COVID-19 pandemic and the social justice movement have demonstrated the importance of robust labor relations and health and safety strategies. We believe strong policies in these areas will mitigate risks in the areas of talent retention, labor shortages, legal liability and reputational risk.

Goals of our engagement on labor relations and health and safety:

- Evaluate an issuer's health and safety policies and assess whether it is taking the necessary precautions to ensure employee and customer safety and the ongoing operation of its business.
- Promote robust diversity and inclusion strategies and resulting performance of these strategies as a way to attract and retain talent.
- Incorporate increased business risks into our thesis for issuers identified as laggards, engage with management regarding desired improvements and track progress over time to ensure accountability.

CLIMATE CHANGE

We view climate change as a critical business risk factor across many industries and believe strong emissions policies and transition risk strategies will be important to mitigate long-term risks.

Goals of our engagement on climate change:

- Encourage issuers to disclose historical emissions records and adopt emission reduction targets.
- Understand how companies are managing transition risks as well as physical risks to their assets.
- Integrate increased business risk into our thesis for issuers with outsized exposure and subpar performance, while tracking progress over time to ensure accountability.

LONG-TERM BUSINESS STRATEGY

Engaging with issuers on long-term business strategy is a critical factor in determining the effectiveness of a management team's operating strategy, growth plans and capital allocation decisions. Because of the COVID-19 pandemic, Neuberger Berman's engagement activity on long-term business strategy focused on an issuer's ability to adapt to short-term challenges and potential longer-term implications the pandemic could have on a company's business.

Goals of our engagement on long-term business strategy:

- Assess an issuer's long-term business strategy and its alignment with fixed income investors' long-term interest.
- Promote a transparent and balanced capital allocation strategy to improve the issuer's long-term credit profile.
- Understand how issuers are adapting their businesses and managing risks relating to evolving competitive dynamics, regulatory and political factors, macroeconomic trends and other risks.
- Incorporate increased business and financial risks into our proprietary ESG scores for issuers viewed as laggards; engage with management regarding desired improvements and track progress over time to ensure accountability.

Partnering on Engagement

HOW WE WORK CREATIVELY TO SEEK LONG-TERM POSITIVE OUTCOMES

NEUBERGER BERMAN-SPONSORED CREDIT ROUNDTABLE:
Connecting Issuers to Advance ESG Initiatives

In February 2020, representatives from our Non-Investment Grade Credit and ESG Investment teams hosted a roundtable in Miami for an in-depth discussion of ESG engagement in the Non-Investment Grade Credit market. Management leaders from 13 high yield bond issuers representing over $44 billion in high yield issuance attended across various sectors, including financial services, energy, manufacturing, industrials and telecommunications, among others.

The roundtable was an opportunity for Neuberger Berman to engage with issuers on the importance of identifying the materiality of ESG factors to the business and related market expectations for ESG disclosure and transparency. Neuberger Berman representatives encouraged issuers to develop clear ESG performance goals that investors can use to measure and track their progress over time.

Management attendees sought feedback on how to address future opportunities as well as ESG challenges. Some challenges identified were communication of their ESG policies, goal-setting and managing investor expectations on their ESG progress.

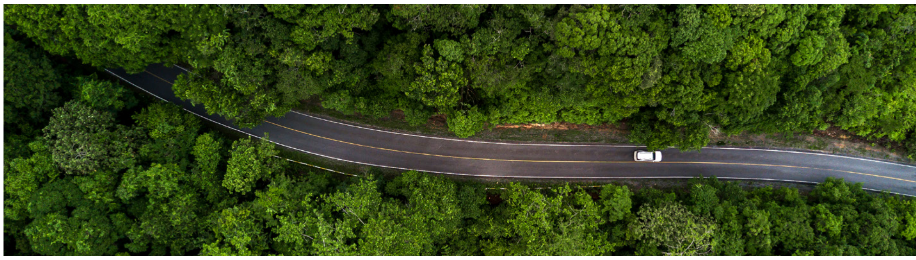
Working with issuers to develop their ESG strategies is a crucial component of our investment approach. The collaborative approach Neuberger Berman takes was highlighted by Talen's President and CFO, Alex Hernandez, who commented: *"Neuberger Berman has been a thoughtful and long-term partner in our efforts to incorporate ESG factors in Talen's business plans and investor communications. They have a unique understanding of our business and the materiality of the ESG factors that affect us. The roundtable and discussions in Miami were a productive continuation of this collaboration."*

CAPITAL MARKETS PARTNERSHIP:
Strengthening the Corporate Green Bond Structure

Due to our long-term relationship and direct ESG engagement initiatives, a leading U.S. investment bank has reached out to Neuberger Berman for input on how to structure their inaugural green bond. Through our engagement discussions with the bank, we highlighted our concerns that greater ESG disclosure and accountability are needed in the corporate green bond market. We pointed out that the fungible nature of cash, the potential for limited disclosure requirements and a lack of project performance-tracking post debt issuance is a significant concern for investors and a reputational risk for issuers.

The investment bank subsequently used Neuberger Berman as a thought partner on how they should structure a green bond that would be "best in class" in terms of ESG disclosure and provide investors with a high level of confidence that

DIRECT ENGAGEMENT IS AN IMPORTANT TOOL WHICH MAXIMIZES OUR LONG-TERM RELATIONSHIPS AND PARTNERSHIP



the project proceeds would be applied appropriately. Using the voluntary process guidelines of the International Capital Market Association's Green Bond Principles as a guiding framework, we highlighted the importance of issues, including a clearly defined third-party opinion, the look-back period for refinancing green projects, reporting, impact measurement and project selection. In particular, we focused on both reporting and impact measurement as it is our belief that issuers must be measured post-issuance on how the proceeds are being allocated and the impact they are having on the environment. We believe these two aspects are critical to keep green bond issuers accountable for their investment decisions with capital raised in the green bond markets.

We have subsequently built our long-term relationships with other leading U.S.-based investment banks to directly engage on this topic and will continue to highlight the need for more accurate disclosure and issuer accountability as the green bond market evolves.

SECTOR ENGAGEMENT IN EMERGING MARKETS:
Engaging to Address the Ongoing Expansion of Coal-Fired Power Generation in Emerging Markets

While much of the world has seen thermal coal trend lower as a share of total power generation capacity, emerging markets have seen continued investment in new coal-fired capacity to meet rapidly growing energy demand. In particular, Asia's share of total coal consumed in power generation worldwide has grown from 36% in 2000 to 75% at the end of 2019.

In response, the Neuberger Berman EM corporate credit research team initiated a sector-wide engagement effort in 2020, targeting power generators with thermal coal-fired capacity. The focus of the engagement is the assessment of long-term business strategy and future expansionary capital investment, with the intention of better understanding each issuer's commitment to a transition to non-coal fuel sources. Engagement outcomes from 10 issuers have factored into investment decisions thus far, with seven issuers demonstrating commitment to positive, cleaner fuel transition strategies. Continued engagement with these and other companies in the sector in future years will ensure sustained commitment to lower-carbon expansion and the Paris Agreement on Climate Change. As more investors align with our concerns regarding coal-fired expansion, we expect to see the cost of funding for those generators continue to skew higher; this should ultimately have a positive impact on our performance in the sector.

PRIVATE EQUITY SPONSORS:
Communicating the Importance of ESG to Owners

In addition to our consistent engagement efforts with management teams, Neuberger Berman has also extended its ESG engagement focus to private equity sponsors. Private equity sponsors often play an important role in capital allocation, governance, long-term business strategy, and board composition for high yield and leveraged loan issuers. As a result, our team believes it is critical to engage directly with the sponsor owners to help foster a long-term dialogue around ESG considerations through the lifecycle of a private equity investment. In many cases we believe this not only benefits the near-term performance of the individual companies, but it may also help better position these private issuers longer-term to possibly become publicly listed entities.

We believe formal ESG engagement between private equity sponsors and our investment professionals can help foster successful investment outcomes for both the sponsors and debt investors of private companies. Neuberger Berman has engaged with sponsors on the importance of incorporating ESG considerations into their investment strategy by enhancing company disclosures, crafting explicit ESG policies and goals, and engaging in specific ESG discussions with fixed income investors. We believe over the long term this will not only help private equity sponsors differentiate their portfolio companies from peers, it may ultimately enhance their access to capital and potentially lower funding costs over time.

WE BELIEVE THE CONSISTENT ENGAGEMENT OVER TIME BETWEEN MANAGEMENT AND OUR RESEARCH TEAM IS WHAT CREATES THE TRUE VALUE OF THESE LONG-TERM, TRUSTED RELATIONSHIPS; THIS IS ESPECIALLY RELEVANT IN THE DYNAMIC ENVIRONMENT WE LIVE IN TODAY.

Our Views and Reflections from a Fixed Income Perspective

Long-term, trusted relationships are the foundation of active engagement

Our established ESG engagement process and long-term relationships with management teams helped increase engagement activity, even during a challenging period amid the COVID-19 pandemic.

A multi-pronged approach to ESG engagement can lead to positive long-term outcomes

Neuberger Berman's research team drives active engagement through a variety of channels, including direct engagement with management teams, sponsors and capital markets participants in roundtable discussions and forums.

Establishing ESG-related goals and tracking progress toward these objectives provides additional opportunities for active engagement

Clearly communicated ESG goals, which are relevant to an issuer's product or services, provide an opportunity to directly engage with a management team and measure their response, actions and progress toward such stated goals over time.

ESG risks and opportunities can evolve quickly as proven by the events of 2020

All stakeholders, including a company's employees, surrounding communities and suppliers, can be impacted by ESG topics. We intend to leverage our access to management to encourage issuers to commit to supporting these stakeholders and providing enhanced disclosure on topics such as equity, inclusion and diversity.

ENGAGEMENT CASE STUDY[2]

Incorporating Green Bond Issuance in Real Estate

FIVE ENGAGEMENTS FROM 2018 TO JUNE 2020

BACKGROUND

The real estate investment (REIT) sector has been a more frequent issuer of green bonds in recent years. It is a natural progression for the industry, which has become more focused on building sustainable and LEED-certified projects. We agree with S&P Global's assessment that the sector is well positioned to access the green bond market because proceeds can be earmarked for specific development projects and third-party certifications like LEED can give investors comfort that proceeds are used properly.[3]

We believe it is important for issuers to avoid greenwashing by clearly identifying the use of proceeds and adhering to strong reporting standards. Several years ago, we noticed that companies were issuing green bonds to refinance maturing debt that had not been explicitly associated with green projects. While it may be appropriate to refinance maturing green bonds with a similar green security or to issue green bonds to repay short-term borrowings used for eligible projects, we think it is important that the use of proceeds can be traced back to specific projects versus refinancing legacy long-term debt. This distinction is key in order for investors to distinguish what is truly green.

For example, in 2018, another issuer used proceeds from its inaugural green bond issuance to refinance bonds that had original maturities of 10 years. The long-tenured nature of the maturing bonds made it difficult to track what projects the original proceeds were used for and raised concerns that the issuer was greenwashing.

OBJECTIVE

Our intent was to leverage our long-term relationship with the REIT issuer to advocate for better delineation of its green bond use of proceeds and ensure that it did not include the repayment of long-tenured maturing debt.

SCOPE AND PROCESS

While we historically had biannual meetings with the REIT's senior management team, we have focused our more recent conversations on our concerns about greenwashing and the ability to track the use of proceeds for its green bonds. Following its inaugural green bond issuance, we communicated our view that the use of proceeds for green bonds should include a reasonable and easily traceable look-back period of two to three years for eligible projects. We have also reminded the company about the importance of allocation reporting that is certified by a third party, such as the company's auditors.

OUTCOME

Shortly after our engagement, the REIT issued two bonds: a green bond and a traditional non-green senior note. We were pleased that the company made the delineation between the two so that the use of proceeds for the green bond did not include the repayment of long-term debt. Rather, it limited the use of proceeds to eligible green projects and the repayment of outstanding amounts under the revolver with a three-year look-back period. The traditional bond proceeds were used to refinance long-term debt. Additionally, the company has produced annual allocation reports that are verified by its auditors.

[2] Note: The case studies discussed in this report do not represent all past investments. It should not be assumed that an investment in the case studies listed was or will be profitable. The information supplied about the investment is non-public and confidential and is intended to show investment process and not performance.

[3] https://www.spglobal.com/marketintelligence/en/news-insights/latest-news-headlines/green-bond-market-growing-more-popular-with-reits-52289512

ENGAGEMENT CASE STUDY

Driving Change Toward Cleaner Energy Sources

BACKGROUND

As recently as 2016, thermal coal accounted for over 44% of the power generated in Chile.[4] In January 2018, the government of Chile agreed with power generators that no new coal-fired plants would be developed. In June 2019, the parties to those negotiations reached a voluntary agreement to phase out existing coal-fired plants by 2040. This positive outcome aligned the industry with Neuberger Berman's commitment to the Paris Agreement on Climate Change.

OBJECTIVE

The objective is to understand forward capital allocation plans and differentiating levels of commitment to the transition to a lower-carbon generation mix. Leadership in this transition will be a key determinant in the flow of capital within the sector going forward.

SCOPE AND PROCESS

The Emerging Markets Debt team has been engaging with issuers in the Chilean utility sector for a number of years to discuss the country's transition from coal to cleaner fuels. Engagement with Chile's largest generators has included in-person meetings in Santiago and at conferences as well as conference calls with management, during which future capital allocation to non-coal and renewable generation was a key point of discussion.

OUTCOME

Issuers have accelerated transition plans over the past two years. One generator will disconnect half of its coal-fired capacity by 2024 and another issuer has initiated an innovative program de-linking existing off-take agreements from coal plants and replacing that contracted capacity with renewable energy in a potential win-win for both parties. Off-takers receive a lower, more stable price with lower associated emissions while the generator captures higher margins. In line with our engagement efforts, we also eliminated exposure to coal-specific project bonds in Chile as we expect spreads on these bonds to move wider as negative investor sentiment increases the cost of funding for such projects.

Issuers showed further progress in recent months in response to investor concerns by accelerating the phase-out of coal-fired capacity. One generator will disconnect its last two thermal coal plants by May 2022, 18 years earlier than initially planned. New renewable capacity will offset these early retirements. Another generator recently reached an agreement with a major customer in the mining sector to early settle an off-take agreement tied to a coal-fired unit that was set to run through 2029. After 2022, the unit will be retired as soon as it is no longer required to meet system reliability needs.

OUTLOOK

Currently, 20% of Chile's generation capacity remains coal-fired, down from 23% at the end of 2018.[4] Early retirement announcements validate our engagement focus, with 40% of the country's remaining coal-fired capacity set to be retired through 2024. More recently we participated in the sector's inaugural green bond issuance. We view support of green bond issuance as key to accelerating Chile's transition toward a cleaner power generation mix. We will continue to emphasize the importance of the transition to a lower-carbon future in our discussions with management teams as we look to encourage this accelerating trend.

[4] http://generadoras.cl/generacion-electrica-en-chile

Innovation and Leveraging Our Robust Engagement Platform

ESTABLISHING AND TRACKING OBJECTIVES: LAUNCH OF GLOBAL HIGH YIELD SUSTAINABLE ACTION FUND

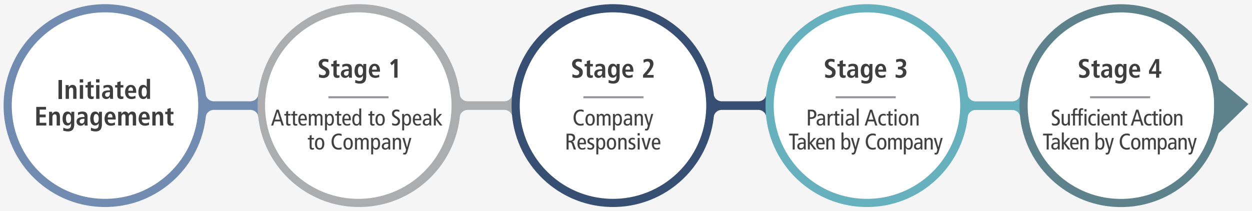
As a leader in ESG integration, Neuberger Berman launched the Global High Yield Sustainable Action Fund in 2020 to meet the growing demand for strategies that focus on high-quality companies that have the potential to meet environmental, social and governance objectives.

The Global High Yield Sustainable Action strategy is actively managed by focusing on global high yield bonds that meet the Sustainable Investment criteria. Credit selection focuses on issuers whose business operations have the potential to contribute to the United Nations Sustainable Development Goals ("SDG"), or issuers the investment team identifies as an opportunity for increased alignment through active engagement.

Our research teams and ESG Investing team collaborate and establish engagement objectives that have the ability to help meet the Sustainable Development Goals for each issuer in the fund. Our research teams engage with each issuer on the specific SDG engagement objective and reviews progress with the ESG Investing team on a semi-annual basis to incorporate their feedback and oversight.

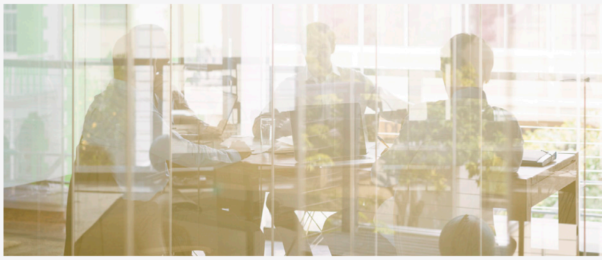
We closely monitor our engagement activity for progress against these objectives by assigning specific benchmarks which measure and track issuer responses. Progress toward engagement objectives are tracked with a multi-staged tracking system.

TRACKING PROCESS



The opportunity for engagement with each issuer is a critical factor in 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 will consider divestment from the fund.

THE GLOBAL HIGH YIELD SUSTAINABLE ACTION FUND LEVERAGES AND EXPANDS THE ROBUST ENGAGEMENT PROCESS ESTABLISHED BY OUR FIXED INCOME RESEARCH TEAMS.



Global High Yield Sustainable Action Credit Selection Process

APPLY SUSTAINABLE INVESTMENT CRITERIA

- Implement Sustainable Exclusions criteria, such as avoiding investment opportunities in oil and gas companies among others, and consider climate value-at-risk (CVaR) scenario analysis
- Evaluate issuers' engagement potential by using the framework set by the UN Sustainable Development Goals

UNDERWRITE USING DISCIPLINED AND REPEATABLE CREDIT RESEARCH FRAMEWORK

- Apply bottom-up fundamental credit research framework leveraging global research capabilities
- Evaluate material ESG factors systematically through sector-specific criteria to influence proprietary internal credit ratings

ASSESS ENGAGEMENT OPPORTUNITY

- Establish engagement goals for each issuer that are aligned with the Sustainable Development Goals
- Progress toward engagement objectives will be evaluated semi-annually by ESG Investing Team and reported annually to investors
- Consider portfolio action for issuers unresponsive within a two- to three-year period

SUSTAINABLE ACTION FUND ENGAGEMENT DATA

This process has led to a high level of engagement activity with 73 engagement meetings from January 21, 2020 to June 30, 2020, which were within the first six months of the fund's launch. The majority of these engagements focused on topics such as water management, climate change, green opportunities, access to healthcare, community relations and diversity of workforce.

89% of engagements exhibit issuer responsiveness being classified as Stage 2 or higher

33% of engagements result in action taken by the company

71% of engagements were with Senior Management

Source: Neuberger Berman.

ENGAGEMENT CASE STUDY

Committing to Sustainability in Industrial Sectors

SIX ENGAGEMENTS FROM 2019 TO JUNE 2020

BACKGROUND

As one of the largest global manufacturers of doors and door components, we believe the issuer is positioned to increase its focus on sustainable and responsibly sourced materials. Through a proactive and investment team-led process, Neuberger Berman was able to engage with the issuer on priorities aligned with the UN Sustainable Development Goals.

OBJECTIVE

We leveraged our proprietary ESG scoring assessment to prioritize our engagement efforts on what we believed were the most material issues. Based on this assessment, we established an engagement goal that aligned with SDG 15.2 for the issuer. This SDG promotes the implementation of sustainable management of all types of forests, halts deforestation, restores degraded forests and substantially increases afforestation and reforestation globally.

SCOPE AND PROCESS

We conducted a diligence process that included semi-annual discussions with the issuer's management team, specifically the CFO and treasurer. Additionally, we developed engagement priorities that aligned with the Sustainable Development Goals. They focused on the following factors:

- Confirm the issuer's commitment to maintaining third-party certification from the Forest Stewardship Council (FSC) for responsibly and ethically sourced wood.
- Expand commitment to environmental responsibility by using more sustainable raw materials as a replacement for traditional wood
- Continue to develop sustainable innovations from their innovation center such as creating energy-efficient doors, using water-based coatings to minimize product emissions and partnering with coatings suppliers to develop coatings that incorporate sustainable principles into paint formulation
- Increase disclosure to and engage with investors on ESG-sensitive topics

OUTCOME

We ultimately encouraged the company to quantify and disclose the impact of its use of wheat straw, a by-product of wheat production and a rapidly renewable material. This has had a direct improvement on forestation for an overall positive environmental result. The company uses wheat straw as a replacement for wood in many of its door cores and reported that it saved over 70,000 trees in its manufacturing process in the prior year.

Conclusion

The unprecedented events of 2020 have reinforced our view that ESG integration and engagement are critical aspects of our fundamental credit research process. As a leader in fixed income investing, Neuberger Berman is well positioned to actively engage with key parties on ESG topics, including with issuers, sponsors and capital markets participants. Our long-term trusted relationships with management teams position us to drive change in meaningful ways. Through our engagements over the past year, we have been able to assess those issuers that are successfully navigating ESG risks and opportunities in our view and encourage laggards to incorporate socially responsible principles into their core operations. Moving forward, we plan to leverage our access to management to encourage a formal commitment to diverse work environments and better disclosure on workforce and supplier diversity. We believe this next step in our ESG engagement process aligns with Neuberger Berman's values and will generate positive outcomes over the long term. We look forward to reporting our findings and progress in future engagement reports.

Market Risk: The risk of a change in the value of a position as a result of underlying market factors, including among other things, the overall performance of companies and the market perception of the global economy.

Liquidity Risk: The risk that the Fund may be unable to sell an investment readily at its fair market value. In extreme market conditions this can affect the Fund's ability to meet redemption requests upon demand.

Credit Risk: The risk that bond issuers may fail to meet their interest repayments, or repay debt, resulting in temporary or permanent lossesto the Fund.

Interest Rate Risk: The risk of interest rate movements affecting the value of fixed-rate bonds.

Derivatives Risk: The Fund is permitted to use certain types of financial derivative instruments (including certain complex instruments). This may increase the Fund's leverage significantly which may cause large variations in the value of your share. (Investors should note that the Fund may achieve its investment objective by investing principally in Financial Derivative Instruments (FDI). There are certain investment risks that apply in relation to the use of FDI.)

Counterparty Risk: The risk that a counterparty will not fulfill its payment obligation for a trade, contract or other transaction, on the due date.

Operational Risk: The risk of direct or indirect loss resulting from inadequate or failed processes, people and systems including those relating to the safekeeping of assets or from external events.

Currency Risk: Investors who subscribe in a currency other than the base currency of the Fund are exposed to currency risk. Fluctuations in exchange rates may affect the return on investment.

Sustainable Risk: The Fund may focus on investments in companies that relate to certain sustainable development themes and demonstrate adherence to environmental, social and corporate governance practices. This may mean the universe of securities from which the Fund can invest in may be smaller than that of other strategies and may underperform the market as a result.

FOR MORE ABOUT OUR APPROACH TO ESG AND IMPACT INVESTING, PLEASE VISIT WWW.NB.COM/ESG.

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Neuberger Berman
1290 Avenue of the Americas
New York, NY 10104-0001

www.nb.com