



NEUBERGER BERMAN

# Environmental, Social and Governance Policy

OCTOBER 2022



## OUR FIRM

Neuberger Berman, founded in 1939, is a private, independent, employee-owned investment manager. The firm manages a range of strategies—including equity, fixed income, quantitative and multi-asset class, private equity, real estate and hedge funds—on behalf of institutions, advisors and individual investors globally. With offices in 26 countries, Neuberger Berman’s diverse team has over 2,600 professionals. For eight consecutive years, the company has been named first or second in *Pensions & Investments* Best Places to Work in Money Management survey (among those with 1,000 employees or more). Neuberger Berman is a PRI Leader, a designation, since last assessed, that was awarded to fewer than 1% of investment firms for excellence in Environmental, Social and Governance (ESG) practices. In the 2021 PRI Assessment, the firm obtained the highest possible scoring for its overarching approach to ESG investment and stewardship, and integration across asset classes. The firm manages \$408 billion in client assets as of September 30, 2022. For more information, please visit our website at [www.nb.com](http://www.nb.com).

All information is as of September 30, 2022 unless otherwise indicated. Firm data, including employee and assets under management figures, reflect collective data for the various affiliated investment advisers that are subsidiaries of Neuberger Berman Group LLC (the “firm”). Firm history and timelines include the history and business expansions of all firm subsidiaries, including predecessor entities and acquisition entities. Investment professionals referenced include portfolio managers, research analysts/associates, traders, product specialists and team-dedicated economists/strategists.

<sup>1</sup>Please see Additional Disclosures for full disclaimer.

WE BELIEVE THAT MATERIAL ENVIRONMENTAL, SOCIAL AND GOVERNANCE FACTORS ARE AN IMPORTANT DRIVER OF LONG-TERM INVESTMENT RETURNS FROM BOTH AN OPPORTUNITY AND A RISK-MITIGATION PERSPECTIVE, AND WE UNDERSTAND THAT FOR MANY CLIENTS THE IMPACT OF THEIR PORTFOLIOS IS AN IMPORTANT CONSIDERATION IN CONJUNCTION WITH INVESTMENT PERFORMANCE.

## 1 | INTRODUCTION

Since the inception of the firm in 1939, Neuberger Berman's purpose has been to deliver compelling investment results for our clients over the long-term supporting them to achieve their investment objectives. We also understand that for many clients the impact of their portfolios is an important consideration in conjunction with investment performance.

From our first application of "avoidance screens" in the early 1940s to the launch of our U.S. Sustainable Equity team in 1989, Neuberger Berman has been at the forefront of integrating ESG factors into investment processes.

Today, we continue to innovate, driven by our belief that ESG factors, like any other factor, should be incorporated in a manner appropriate for 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 maximizing results for our clients, can also support better-functioning capital markets and have a positive impact for people and the planet.



## 2 | SCOPE

Our ESG policy (the “ESG Policy”) applies to all investment strategies and funds across our investment platform that make an ESG-related claim and that have been approved by Neuberger Berman’s ESG Product Committee, including equities, fixed income and private markets. The policy is intended to provide a broad framework for our approach to integrating ESG factors into our investment management for those clients who seek various degrees of ESG integration. The specific approach to ESG integration utilized by our portfolio managers depends on 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 managers. Additional information on how ESG factors are applied by Neuberger Berman investment professionals can be found in offering and marketing materials for investment strategies and funds that incorporate ESG factors. In addition, our integration of ESG factors can be customized to meet the goals and values of clients.

## 3 | OVERSIGHT

The ESG Committee (“Committee”) is responsible for reviewing the ESG Policy annually and amending it as needed. The Committee is chaired by the Head of ESG Investing and is comprised of senior investment professionals across all asset classes, including the Chief Investment Officer (CIO) for Equities, and representatives from Equity, Fixed Income and Private Equity teams. The Committee also includes senior professionals from risk management, legal and compliance, marketing and our client coverage organization.

Our dedicated ESG Investing team is responsible for setting the firm’s ESG strategy in collaboration with the Committee and after consultation with portfolio managers, CIOs and our CEO. The ESG Policy is also reviewed on an annual basis by the firm’s Board of Directors and Partnership Committee, which is comprised of selected leaders of Neuberger Berman and serves as an advisory board for senior management on material decisions and the strategy direction of the firm.

The Committee’s broader responsibilities include:

- Approving updates to the firmwide Climate-related Corporate Strategy on at least an annual basis
- Approving new investment strategies that formally integrate ESG factors or social/environmental impact objectives as part of their investment process
- Monitoring the ESG-related aspects of certain existing investment strategies that formally integrate ESG factors or social/environmental impact objectives as part of their investment process
- Supporting the process of enhancing the integration of ESG factors into investment analysis and decision-making across the firm for those strategies that incorporate ESG factors
- Supporting engagement activities with issuers across equities and fixed income, including reviewing the firm’s proxy voting policy
- Facilitating the sharing of research, analysis and insights on ESG issues and trends internally, and the production of ESG thought leadership for the use of clients where allowed
- Supporting efforts to collaborate with clients and others in the investment industry to support the broader acceptance and implementation of ESG investing
- Supporting efforts to address the emerging and evolving regional regulatory landscape<sup>2</sup>
- Overseeing reporting to third-party organizations on our ESG investing activities, including the UN-supported Principles for Responsible Investment (PRI)
- Listening to clients and anticipating their evolving ESG-related needs and objectives

<sup>2</sup> For example, EU Regulation on sustainability related disclosures in the financial services sector (SFDR).

The ESG Committee delegates responsibility for the approval of strategies making an ESG-related claim to the ESG Product Committee. The ESG Product Committee is responsible for determining whether Portfolio Managers explicitly include material ESG considerations as a factor in their investment analysis and investment decision making for applicable securities.<sup>3</sup> The ESG Product Committee is also responsible for determining the European Union Sustainable Finance Disclosure Regulation (SFDR)<sup>4</sup> classification of in-scope funds and segregated mandates. In addition to periodic monitoring by various control functions to review the application of ESG factors by portfolio managers, the ESG Product Oversight Committee provides an annual review of sustainable and impact-labeled products.

## 4 | OUR BROAD VIEW OF ESG FACTORS

As an active manager, we have a longstanding belief that material environmental, social and governance (ESG) factors are an important driver of long-term investment returns from both an opportunity and a risk-mitigation perspective. Therefore, we take a comprehensive approach toward managing client assets, including the integration of ESG criteria into the investment processes for those strategies and funds that utilize ESG factors.

Additionally, we believe the 17 United Nations' Sustainable Development Goals (SDGs), adopted in 2015 to address the world's most pressing social and environmental challenges by 2030, are important to formulating and communicating objectives of sustainable and impact investment strategies. At Neuberger Berman, we have organized the SDGs into consistent, investable themes across our strategies and believe investors can contribute to the SDGs by investing in or engaging with companies whose products and services have the potential to deliver significant positive social or environmental outcomes.

Below are selected examples of considerations that we may apply to our evaluation of issuers as part of our investment process and during our engagements:

### ENVIRONMENTAL:

**Climate Change:** Neuberger Berman recognizes the impact of climate change and the urgent need to accelerate the sustainable transition toward global net-zero emissions. We also understand that for many of our clients the environmental impact of their portfolio is an important consideration in conjunction with investment performance. We are a signatory to the Net Zero Asset Management Initiative, and many of our portfolio managers manage portfolios in alignment with the goal of achieving net-zero emissions by 2050 or sooner. To evaluate climate factors as part of our investment analysis, we have implemented top-down scenario analysis for modelling both transition and physical risk at the company level for some listed public equity and corporate issuer fixed income portfolios consistent with the recommendations of the TCFD. We conduct bottom-up analysis of the degree of net-zero alignment of some individual issuers using our proprietary Climate Transition Indicator methodology. In addition, we leverage our proprietary NB Quotient ratings and third-party carbon emissions data providers to inform our engagements with selected companies in which we invest.

Our Climate-related Corporate Strategy can be found [here](#).

<sup>3</sup> ESG considerations are not integrated into the analysis of all security types, strategies and client accounts.

<sup>4</sup> "SFDR" means Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector.

## **SOCIAL:**

**Human Rights:** Neuberger Berman recognizes the impact companies may have on human rights as it relates to their employees, contract workers, supply chain workers and within the communities in which they operate. As signatories to the UN Global Compact we are committed to respecting and upholding the protection of human rights, labor laws, environmental protection and anti-corruption practices. As such, we believe it is important to evaluate how companies consider the same principles: support labor rights, comply with local and international laws, give back to the communities they serve and operate in, and have well-managed supply chains as determined by our company analysis and engagements. Acting on that belief, we have created the Neuberger Berman Global Standards policy which applies a combination of four globally recognised principles and guidelines that seek to identify violators of human rights and business conduct. Those include: UN Global Compact, OECD Guidelines, UN Guiding Principles and International Labour Standards. All UCITS and QIAIF portfolios that have been categorised as either Article 8 or Article 9 financial products in accordance with SFDR are committed to prohibiting investment in securities issued by companies whose activities breach any of the Principles and Guidelines. We also incorporate metrics around human rights into our evaluation of sovereign issuers.

**Equity, Inclusion & Diversity:** We believe that firms perform better when there is a diverse population, and a true equitable and inclusive environment. Diversity alone is not enough. Companies with a strong commitment to Equity, Inclusion and Diversity may have higher performance and longer-term value creation, and a company's ability to retain its employees and manage turnover has a strong link to its long-term business strategy. As a result, our analysis and engagement activities with certain issuers may focus on topics such as board diversity, employee diversity, employee retention, governance and management practices, and employee satisfaction and engagement.

## **GOVERNANCE:**

**Board Quality and Independence:** Neuberger Berman believes a board of directors should be comprised primarily of qualified, independent, diverse directors with relevant experience. Quality board composition coupled with effective policies and transparency regarding corporate governance structures and practices are critical to the long-term success of a company.

**Executive Compensation:** Neuberger Berman expects each company to design compensation policies that are appropriate to its situation and that will attract and retain skilled executives who will be incentivized to increase their company's long-term shareholder value. We expect compensation committees to design, adopt and clearly articulate a strong link between executive compensation and performance.

**Risk Management and Accountability:** Boards of directors should actively engage with management to evaluate and control enterprise risk. Companies should provide transparency in communication and reporting on material risks and how they are addressed within long-term strategy and capital allocation decisions.

## 5 | ASSET CLASS-SPECIFIC ESG PHILOSOPHIES

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:** Neuberger Berman believes the analysis of material ESG risks and opportunities along with our engagement efforts are an integral part of the firm's focus on fundamental research and pursuing attractive long-term risk-adjusted returns.
- **PUBLIC FIXED INCOME:** Neuberger Berman believes that the consideration of material ESG factors is important to our credit underwriting process. Integration of those considerations into relative value analysis, combined with our engagement activities, may help us reduce the overall credit risk of our portfolios and enhance our investment process.
- **MUNICIPAL FIXED INCOME:** Neuberger Berman believes ESG factors are an important part of fundamental municipal credit analysis. Consideration of financially material factors, including governance indicators that signal institutional strength and resilience, may be relevant investment parameters during security selection.
- **SOVEREIGN DEBT:** Neuberger Berman believes a responsible sustainable sovereign debt investor requires a deep understanding of a country's business and economic profile, as well as its evolving legal and regulatory context. Neuberger Berman may consider a variety of ESG indicators when assessing a sovereign issuer.
- **ASSET-BACKED SECURITIES (ABS):** Neuberger Berman believes ABS sector and sub-sector analysis should be based on a holistic integration of potential material ESG factors where they are expected to impact investment performance.
- **REAL ESTATE:** Neuberger Berman believes that integrating and evaluating material ESG factors is an important part of real estate investing from both an opportunity and a risk-mitigation perspective. Assessing and engaging with real estate companies regarding relevant ESG factors is an important component of our investment process.
- **PRIVATE EQUITY:** Neuberger Berman Private Investment Portfolios, Co-investment, and Secondary Platforms believe that consideration should be given to material ESG factors as part of its due diligence and ongoing portfolio management processes. We consider material ESG factors when we conduct diligence on particular companies and private equity funds. NB Renaissance recognizes that investing with an ESG integrated approach can help generate shared value for stakeholders, building a resilient portfolio in the long term.
- **PRIVATE DEBT:** Neuberger Berman Private Debt and Capital Solutions (Private Equity Credit Opportunities) believes that integrating ESG factors into the underwriting process can help identify value-creation opportunities. We believe that this supports us to generate consistent investment returns and appropriately manage and reduce risk in the portfolio.
- **HEDGE FUNDS:** Neuberger Berman Alternative Investment Management believes that by assessing the ESG characteristics of managers and their strategies as well as individual investments in co-investment situations, we may enhance our ability to identify attractive investments while also potentially improving the risk/reward characteristics of those client portfolios and investments.
- **SPECIALTY ALTERNATIVES:** Neuberger Berman Private Markets includes certain specialty strategies, including:
  - Marquee Brands believes that assessing ESG risks within the due diligence process helps identify factors that can influence business operations.
  - Neuberger Berman Insurance-Linked Strategies (ILS) believes that climate adaptation and promoting societal resilience are core facets of the ILS asset class. NB ILS further integrates ESG through its proprietary ESG diligence and counterparty risk assessment.
- **MULTI-ASSET:** Neuberger Berman believes that incorporating ESG standards in multi-asset strategies may help improve risk and return profiles. With ESG considerations implemented in many strategies across the firm's wide investment platform, the dedicated Multi-Asset strategies team is able to build diversified portfolios that provide explicit exposure to ESG factors in an effort to drive alpha generation and risk management.

## 6 | INTEGRATION

Individual research analysts in the research department and portfolio managers are responsible for implementing ESG integration in their portfolios and investment research for funds and accounts that incorporate ESG factors. We believe that this bottom-up approach encourages strategy-specific innovation while allowing each portfolio management team to learn from best practices across the investment platform. Our ESG Investing team accelerates this process with top-down expertise and support.

For all ESG integrated strategies, each portfolio management team selects an approach from our ESG Integration Framework: Assess, 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”), tilt the portfolio to best-in-class<sup>5</sup> issuers (“Amplify”) or invest in issuers that are intentionally generating positive social/environmental impact (“Aim for Impact”) or simply exclude particular companies (“Avoid”).

We believe our approach to integrating ESG factors into our investment processes is consistent with our fiduciary duty to investors. Our focus on material and pecuniary ESG factors, as one investment input alongside many other traditional factors, could enable our identification of key risks that individual issuers may face in the near term or over the long haul. We also recognize that certain clients may desire a more outcomes-based approach, which is why we also offer Amplify, Aim for Impact strategies and Avoid. Avoid and Aim for Impact strategies are appropriately labelled in the product name as either “sustainable” or “impact” products.

The approach to integration can be further customized 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 ESG characteristics valued by the client or to seek certain types of positive impact.

### **NEUBERGER BERMAN ESG INTEGRATION FRAMEWORK**

For all ESG integrated strategies, each portfolio management team determines how best to achieve its ESG integration objective and lays out how ESG analysis is conducted to potentially increase return or mitigate risk, how ESG issuers are analyzed and measured at the security level, and how they influence portfolio construction.

We believe that 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 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 security when it no longer offers an attractive risk-adjusted potential return.

<sup>5</sup>For purposes of the ESG Policy, “best-in-class” means issuers that are, in Neuberger Berman’s opinion, leaders compared to their peers in terms of meeting environmental, social and governance criteria.

# 7 | INTEGRATION APPROACH

Neuberger Berman integrates ESG analysis to varying degrees across our firm, including equity, fixed income and private markets. The strategies that are not ESG integrated, such as our co-mingled U.S. Equity Index Put Write options strategy, which writes options on the S&P 500, are in many cases less amenable to considering ESG factors.

ESG factors can be employed in a variety of ways to target enhanced returns, mitigate risk and meet specific client objectives within a portfolio. We also have developed portfolios with a consistent “Amplify” or “Aim for Impact” approach to ESG integration. We use specific terminology to aid the identification of those funds:



## ASSESS

### “ESG INTEGRATED”

(used in description of strategy and fund offering documents, but not in the fund names)

Portfolio manager considers one or more financially material ESG factors alongside traditional factors<sup>6</sup> in their investment decisions. However, these ESG factors are generally no more significant than other factors in the investment selection process. Therefore, ESG factors may or may not be determinative in deciding to include or exclude any particular investment in the portfolio.<sup>7</sup>



## AMPLIFY

### “SUSTAINABLE”

(in name of strategy and offering documents)

Portfolio managers use their judgment to actively seek to identify high-quality, well-positioned issuers with leadership on relevant ESG factors. For corporates, portfolio managers seek to identify issuers with either sustainable business models and practices or sustainable products or services. Where possible, engagement with issuers serves to inform portfolio manager judgment around the trajectory of the issuer and its commitment to continuous improvement. All issuers must exceed minimum levels of good governance, not violate global standards, and not be involved in certain activities as defined by our Sustainable Exclusion Policy.



## AIM FOR IMPACT

### “IMPACT”

(in name of strategy and offering documents)

Portfolio manager seeks to achieve measurable positive social and environmental outcomes for people and the planet alongside a market-rate financial return. The core business, products, services or use of proceeds of each investment contributes to solutions of pressing environmental and social issues. Furthermore, all holdings meet the same minimum levels of good governance, global standards and business activities as in our Sustainable Exclusion Policy.

<sup>6</sup> Our definition of “ESG integrated” aligns with the amendments proposed by the U.S. Securities and Exchange Commission in their “ESG Disclosures for Investment Advisers and Investment Companies”

<sup>7</sup> With regards to its hedged strategies, Neuberger Berman primarily focuses on the integration of material ESG factors for its long portfolios. As noted by the PRI, responsible investment policies and approaches regarding short positions still remain nascent across the asset management industry.

## SUSTAINABILITY OUTCOMES

Some of our strategies, such as our Impact Investing strategies, intentionally seek to generate, measure and report sustainability outcomes. As a firm we have identified five investable impact themes that are aligned with achieving the UN Sustainable Development Goals:

1. Drive sustainable and equitable growth
2. Improve positive health and safety outcomes
3. Promote gender and racial equality
4. Combat climate change and enable energy transitions
5. Conserve the natural environment

At a client's request, we also monitor and report the outcomes generated by portfolio companies for select other strategies where sustainability outcomes are not an intentional investment objective.

## AVOIDANCE POLICIES

For certain clients we believe there are benefits to avoiding certain companies and issuers that present materially negative ESG factors. More generally, we believe engagement efforts that hold companies and issuers accountable to their own and our ESG expectations to be of critical importance.

We believe that where there is an opportunity to partner with portfolio companies on material ESG issues, engaging in constructive dialogue can positively influence corporate behaviors to drive long-term, sustainable return for our clients. We believe that the judgment and credibility of our investment professionals encourages constructive, long-term dialogue with management teams and board members. We fundamentally believe that meaningful change comes when ESG topics are raised consistently and with senior decision makers.

All Sustainable or Impact portfolios are managed in compliance with at least the minimum exclusions laid out in our Sustainable Exclusions Policy in relation to corporate credit and equity.

Additionally, our internally managed registered funds follow our Thermal Coal Involvement Policy. This subjects new direct investments in companies with >25% of revenue from thermal coal mining or are expanding new thermal coal power generation to formal review and approval by Neuberger Berman's Environmental, Social and Governance ("ESG") Committee before the initiation of any new investment positions in the securities of such companies. Registered funds include commingled U.S. mutual, exchange traded and closed-end funds, and international UCITS portfolios. The Thermal Coal Involvement Policy does not apply to sub-advised funds. All UCITS apply a formal Neuberger Berman UCITS Controversial Weapons Exclusion Policy, which defines specific exclusion criteria.

For our UCITS funds that are classified as Article 8 and Article 9 under SFDR, we have established the Global Standards Policy, which defines specific exclusion criteria in relation to the United Nations Global Compact Principles, the OECD Guidelines for Multinational Enterprises, the United Nations Guiding Principles on Business and Human Rights and the International Labour Standards Conventions.

NB Private Markets Avoidance Policy is available to implement for certain mandates and funds across primary, direct co-investment, secondary and private debt strategies. This policy applies to new investment opportunities made on behalf of select clients and commingled funds and is generally consistent with global standards, including United Nations Global Compact (UNGC) principles, and addresses topics related to sanctions, controversial weapons and thermal coal, among others.

The potential for additional avoidance and other ESG considerations is driven by the investment teams, client mandates, third-party ESG label requirements or regulations. Our separate accounts can be customized based on a client's values and preferences. Furthermore, we work with clients to help set and achieve their net-zero objectives. This includes developing lower-carbon portfolios, as well as setting interim decarbonization and net-zero alignment targets across asset classes.

For details of specific fund exclusions, please refer to the relevant investment product documentation.

# 8 | NB ESG QUOTIENT

In keeping with our belief that ESG integration must be based on the principle of materially impacting performance or risk and be appropriate for the specific investment process, our teams do not simply rely on a third-party ESG research provider for ESG analysis. Instead, portfolio managers and research analysts have access to a wide range of ESG data sources and research providers, including our Neuberger Berman Industry Materiality Matrix, as well as the advanced analytics capabilities of our Data Science team and the insights we glean from engaging directly with investee company management teams.

Our Neuberger Berman Industry Materiality Matrix spans more than 75 different industries, under 11 sectors and across 33 ESG factors. The matrix allows us to develop forward-looking views by industry, guiding ESG investment analysis and engagement in a consistent and comparable way, and accommodating real-time insights from sector experts. The matrix is available to all investment teams to use as a starting point for further ESG analysis, and can be applied to asset classes, including private markets.

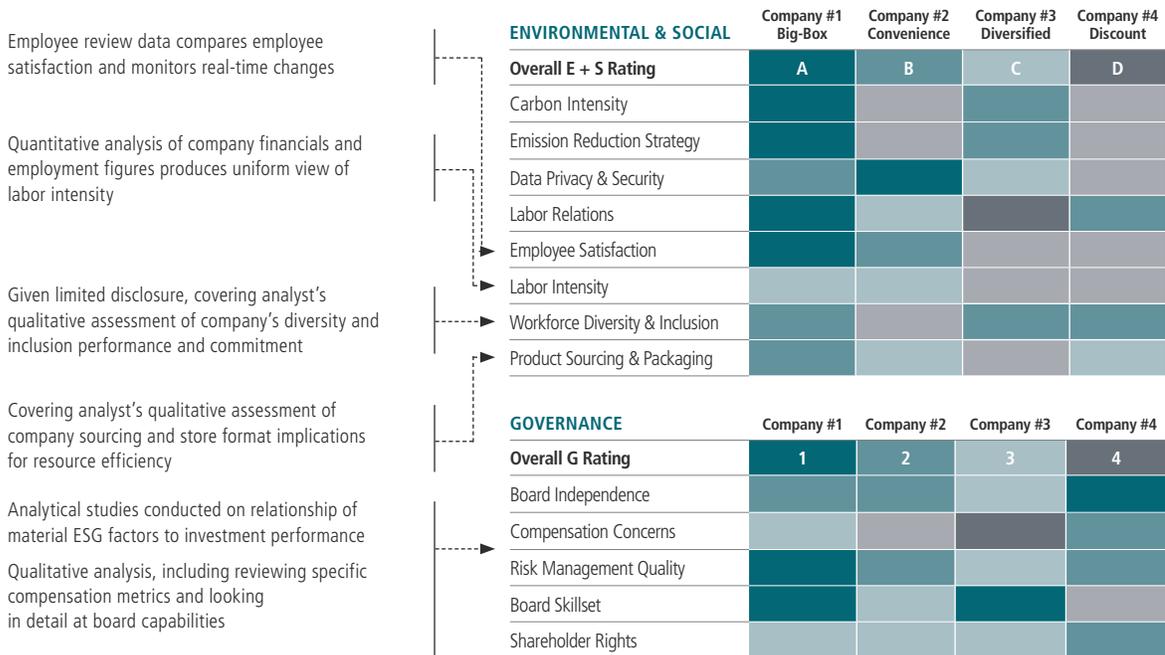
The result of this work is the NB ESG Quotient,<sup>8</sup> an industry-relative rating for many companies covered by our central equity and credit analysts on ESG characteristics. The ratings are available for all investment professionals at Neuberger Berman throughout the research environment. The underlying data is updated weekly and the rating methodology is reviewed at least annually with the sector analysts.

Our custom ratings cover over 7,000 equities and 2,500 credit issuers (including sovereigns), some of which incorporate the analysts' extensive industry experience to make decisions on qualitative categories that may be hard to measure. Given limited disclosure of ESG data in some markets and for some types of issuers, some ratings include significant qualitative judgment from analysts themselves. Those ratings may be used by portfolio managers as part of their approach to ESG integration for corporate issuers, for example, by adjusting internal credit ratings up or down based on the NB ESG Quotient.

## ESG IMPLEMENTATION SPECTRUM

### Developed Systematic and Industry-Specific ESG Ratings by Company

Proprietary ESG Quotient Rating Example: Retail and General Merchandise Industry



Source: Neuberger Berman. Please see disclosures at the end of this material.

<sup>8</sup> Please refer to page 13 for additional information on the NB ESG Quotient.



## 9 | ENGAGEMENT AND ACTIVE OWNERSHIP

We believe that engaging with issuers is an essential part of being a long-term active owner, and that engaging with issuers on ESG topics can improve their performance and reduce their risk profile. We believe that engagement is important not only for public equities, but for other asset classes as well, and that it is the responsibility of each investment team to engage on ESG topics as part of their ongoing dialogue with management. Our ESG Investing team supports these efforts with top-down expertise.

We utilize several methods of engagement in our stewardship efforts including, but not limited to, company meetings, written communication, proxy voting, advance vote disclosure and industry collaboration. The method and frequency of engagement are determined by a host of factors that include our history of engagement with the company, the relevant issue and asset class. Just as we have ESG philosophies for each asset class, our approach to engagement varies by asset class to appropriately consider our relationship with the issuer, the methods of engagement available, our engagement objectives and other asset class-specific considerations. For example, for private equity, we endeavour to identify ESG engagement objectives at the time of due diligence and selection, and monitor progress for primary commitments in particular. More broadly, we disseminate our insights and information through participation on industry boards, working groups and partnerships with GPs to promote best practices and resources related to ESG integration.

The Neuberger Berman Governance and Proxy Voting Committee oversees our active ownership for equities, and is responsible for the proxy voting process, our Proxy Voting Policy Procedures and Proxy Voting Policy Guidelines. We believe that proxy voting is an integral aspect of investment management and must be conducted with the same degree of prudence and loyalty accorded any fiduciary or other obligation of an investment manager. We have developed custom Proxy Voting Guidelines that lay out our voting positions, focusing on the potential financial impact on a company from corporate governance, environmental and social issues. Recognizing the importance of transparency of our voting activities, we publicly disclose all voting records of our registered, co-mingled funds on a monthly basis. Additionally, through our [NB Votes](#) initiative, we publish our vote intentions and rationale in advance of select shareholder meetings.

We provide transparency into our stewardship activities through our Investment Stewardship Report, ESG Annual Report, NB Votes initiative and regular proxy voting, and engagement reports specific to equities and fixed income. Our Investment Stewardship Report reports on our active ownership activities, the philosophies and processes that underpin them, and the outcomes they produce, in accordance with disclosure best practices set forth by various global stewardship codes.

Due to the importance of stewardship to our business, we have established policies and procedures to address actual or potential conflicts of interest that may arise in the scope of our stewardship activities. We acknowledge our 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 as well as potential conflicts which may give rise to a material risk of damage to the interests of our clients.

We believe some sustainability outcomes generated from engagement are an important part of the impact we have as investors. Therefore, we measure and track progress of certain engagement-focused strategies that may set objectives centered around sustainability outcomes.

For further details please see our [Stewardship and Engagement Policy](#).

For financial products in scope of the SFDR, we also consider sustainability risks to identify financially material risk that relates to ESG issues.

As per the SFDR, sustainability risks are defined as environmental, social and governance events or conditions whose occurrence could have an actual or potential material negative impact on the value of an investment (and hence on the net asset value of the fund and on its returns). Typical examples of Sustainability Risks include but not limited to, risks stemming from climate change (notably physical and transition risks), natural resource depletion, environmental degradation, human rights abuses, bribery, corruption, poor governance and social and employee matters.

## 10 | COLLABORATION

We collaborate with clients and others in the investment industry to support the broader acceptance and implementation of ESG investing. Examples of those activities include collaborative engagement with a company on a given topic, joint research projects on an ESG topic and support of industry standard ESG disclosure. We work with a number of like-minded institutions, including PRI, IFRS Foundation and International Sustainability Standards Board (ISSB), UN Global Compact (UNGC), the Task Force on Climate-related Financial Disclosure (TCFD), the Institutional Investors Group on Climate Change (IIGCC) and Ceres. A list of our partnerships and collaborations can be found at [www.nb.com/esg/collaboration](http://www.nb.com/esg/collaboration).



### **Sustainable Finance Disclosure Regulation**

Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector (“**SFDR**”) seeks to (i) establish a harmonised approach in respect of sustainability-related disclosures made by financial market participants to investors within the European Union’s financial services sector and (ii) to achieve more transparency regarding how financial market participants integrate sustainability risks into their investment decisions and the consideration of adverse sustainability impacts into the investment process.

For the purposes of SFDR, Neuberger Berman Asset Management Limited (“**NBAMIL**”) and Neuberger Berman Europe Limited (“**NBEL**”) are financial market participants and have classified the financial products which they manage under SFDR and are committed to ongoing compliance with SFDR.

Further details of our compliance with SFDR can be found at <https://www.nb.com/en/gb/financial-professionals?audience=UK-Financial-Professionals> under the section headed “Sustainability Related Disclosures”.



**JONATHAN BAILEY**  
HEAD OF ESG INVESTING  
[WWW.NB.COM/ESG](http://WWW.NB.COM/ESG)



**Awarded Top Score\*** (5 out of 5 stars)  
for ESG integration across all asset classes awarded by  
UN-supported Principles for Responsible Investment (PRI)\*.



Neuberger Berman was also named to the **2020 PRI Leaders Group** for our overarching approach to managing climate-related risk and opportunity.

\*Please see Additional Disclosures for full disclaimer.

**Additional Disclosures:**

Principles for Responsible Investment (PRI) Scores: For illustrative and discussion purposes only. PRI grades are based on information reported directly by PRI signatories, of which investment managers totalled 3,404. Note that scores for the 2021 reporting cycle cannot be compared to previous years due to the change in PRI assessment methodology. Framework. Unlike previous years, the indicator scores are assigned one of five performance bands (from 1 to 5 stars) instead of six performance bands (from A+ to E). 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. Awards and 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.

Principles for Responsible Investment (PRI) 2020 Leaders' Group: The year 2020 represents the first and most recent 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 the 2100+ 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.

## **NB ESG QUOTIENT METHODOLOGY: DISCLOSURES**

For environmental and social (ES) rankings, A – D quartiles are used, where A is best (top quartile), D is worst (lowest quartile). For governance (G) rankings, 1 – 4 quartiles are used where 1 is best, 4 is worst. Average ESG rating is not a rating of the strategy itself.

Neuberger Berman's Research Department and the ESG Investing team work together to rate corporations on material ESG factors at the industry level, across public equity and fixed income. We measure company performance on material ESG factors by using quantitative data and qualitative analysis, informed by engagement with individual companies. Neuberger Berman's Research Department conducts comprehensive ESG research on company activities and products that are available to all portfolio managers. Our analysts provide comprehensive coverage of companies in their universe, including proprietary ratings and assessments of ESG, as well as ESG data and research available to them through internal portals and external platforms like FactSet and MSCI. Given limited disclosure of ESG data, many ratings include significant qualitative judgment from analysts themselves. These ratings are used by central research analysts in their fundamental analysis of companies and by portfolio managers as part of their approach to ESG integration.

The methodology for determining the proprietary ES ratings is a multi-step process. In the first step, the firm's central research equity analysts determine which Environmental and Social issues are likely to be financially material for the sector that each analyst covers. Neuberger Berman's Research Department then works with the ESG Investing team to identify quantitative sources to measure a particular company's performance against those issues by applying a variety of public and proprietary sources. For ES issues requiring additional incremental insight, research analysts use proprietary quantitative or qualitative assessments. Each company analyzed within a sector is then compared to peer companies on a normalized distribution. That analysis produces an overall ES performance for the company, which is then converted into a quartile rating (A – D). As a final step, further refinements up or down by no more than one quartile are applied to the ranking by the analysts based on their engagement with the company and their overall industry experience. The data underlying the ratings is updated weekly and the entire sector is reviewed at least once annually.

The methodology for determining the proprietary G ratings is also a multi-step process. First, governance indicators are regressed against historical stock performance to identify potential variables for inclusion. The firm's central research equity analysts then review those regressions and apply weighted variables to that data based on their judgment of which factors are likely to be predictors of positive or negative corporate performance. The analysts then rate the companies within the sector on a normalized distribution for their overall G performance, which is converted into a quartile rating (1 – 4). As a final step, analysts are given the opportunity to adjust the ratings, but only after completing a standardized qualitative assessment of the company governance characteristics. The data underlying the ratings is updated weekly and the methodology is reviewed at least once annually.

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For more information, please contact your Neuberger Berman representative or visit [www.nb.com](http://www.nb.com).

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## FOR MORE INFORMATION ABOUT NEUBERGER BERMAN'S APPROACH TO ESG INVESTING, PLEASE VISIT [WWW.NB.COM/ESG](http://WWW.NB.COM/ESG).

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