NEUBERGER BERMAN

2022 Investment Stewardship Report

Our Investment Stewardship Report shares our ESG investing and active ownership activities, the philosophies and processes that underpin them, and the outcomes they produce. This report is intended to demonstrate our compliance with the best practices identified in the UK Stewardship Code 2020.

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DIK VAN LOMWEL, CFA
HEAD OF EMEA AND LATIN AMERICA

I am pleased to act as a signatory to NBEL's report for the UK Stewardship Code for the year ending 31 December 2022. I would like to illustrate throughout this report how NBEL's continued approach has resulted in stewardship outcomes that benefit clients.

Stewardship is integral to our investment process. Stewardship responsibilities are embedded within our investment teams which we believe is crucial to integrating stewardship insights into the investment process and informing investment decisions. As a result, no stewardship activity is conducted in a silo—information is shared to better inform investment decisions, engagement priorities and voting decisions. Our decision to embed responsibility for active ownership actions within investment teams serves to deepen the integration of information and insights gathered through stewardship efforts into investment. Neuberger Berman knows it's not enough to talk about stewardship objectives or ESG ideas, but rather embody them in our own practices. In 2020, we secured a sustainability-linked credit facility, which ties our borrowing cost to our performance against key ESG metrics. Having met those targets for 2020, 2021 and 2022, Neuberger Berman remains ambitious in its goals for the coming years to deliver on diversity initiatives and implement our plans to achieve net-zero emission alignment in line with our commitment to the Net Zero Asset Managers Initiative for clients where this is relevant.

Over the past year, we continued to focus our efforts on improving ESG integration to ensure that our processes that analyse financially material ESG factors (alongside other financial metrics) are robust. This prioritisation builds on our belief that material ESG factors are important drivers of long-term investment returns from both an opportunity and risk-mitigation perspective, as well as our commitment to delivering compelling investment results for our clients over the long term. In all of our efforts, we always seek to ensure transparency. As such, we continuously review our reporting efforts to ensure they meet our clients' expectations.

At Neuberger Berman we place great importance on the need to comply with the UK Stewardship Code. We believe that good stewardship and responsible investment will provide our clients with better long-term investment performance. We fully recognise the importance of the Code and we have highlighted the standards we maintain for clients and how we are monitoring this framework to ensure continuous improvement. The Board of Directors of Neuberger Berman Europe Limited has reviewed and approved this report.

DIK VAN LOMWEL, CFA
CHIEF EXECUTIVE OFFICER
19 OCTOBER 2023

Executive Summary

In our 2022 Investment Stewardship report, we present our strategy and our approach to stewardship and ESG integration in our investment management activities. We detail the outcomes of our stewardship activities and assess how the principles of the UK Stewardship Code are reflected in each of these areas. We detail how we comply with the principles of the UK Stewardship Code using current examples and show the outcomes of these activities. Through our engagement efforts, advocacy and transparency, we seek to continue to drive improved standards across the industry.

Whilst this report is written by Neuberger Berman Europe Limited ("NBEL"), NBEL utilises its own resources, but at times also leverages the group resources of its parent company, Neuberger Berman Group LLC ("Neuberger Berman"), and therefore we have set out the approach for Neuberger Berman in this report and made it clear where the approach differs more specifically for NBEL.

Stewardship and ESG integration are at the core of how we deliver investment performance and are integral to how we deliver client objectives. It is important to have the right framework and resources in place to achieve the highest possible standards. Given the increasing client demand for ESG integrated products and associated reporting, we continue to reassess our resources, capabilities and systems to ensure that we are able to meet client objectives.

Furthermore, with evolving investor values, regulatory pressure and global challenges driving interest in ESG, we are focused on our stewardship approach to clients. In light of the increased volume of sustainability-driven regulation across the industry, such as the European SFDR and MiFID II Sustainability Preferences, and the US embarking on its own journey around climate disclosure and product labelling, in 2022, we focused on enhancing our ESG governance processes to ensure our products continuously comply with regulatory requirements. These enhancements included investments in data and reporting automation and the creation of a new oversight committee focused on SFDR classifications for all new products domiciled or marketed in EMEA and third-party European ESG product labelling. At Neuberger Berman we offer a range of Article 8 and Article 9 funds as designated under SFDR, and are here to support clients through the regulatory challenges. Further, with regulators globally focusing on climate risk management, we continue to have a voice through our advocacy efforts.

We advocate for the highest standards of conduct and disclosure from the companies in which we invest. We recognise the growing importance of engagement to our clients and reporting on engagement outcomes. As such, we continue to evaluate the technology and systems used to track and report our engagement activities to ensure we are able to meet client expectations. As a firm, we continually strive to raise our own standards. In partnership with our ESG Technology team, we reviewed these platforms and processes in greater detail in 2022 and intend to leverage an improved research management system in 2023 to enhance our research and reporting capabilities. We also continued to provide engagement reporting both at the firm level and in select strategy- and asset class-specific reports such as our Global Corporate Credit ESG Engagement report and Private Markets ESG report. Additionally, now in its third year, we continue to provide enhanced transparency on our voting activity through our early vote disclosure initiative, NB Votes. In 2022, we announced our voting intentions on 63 key votes and sided against management on 54% of them, compared with announcing 60 votes and pushing back on 52% in 2021.

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

We are delighted by the growth in mandates, the performance of investment strategies and outcomes of our stewardship efforts over the past year. We regularly met with clients, both in ad hoc meetings and performance reviews/due diligence sessions. In addition to one-on-one client meetings, we hosted client roundtables on key topics of interest to our clients. We have also closely monitored the questions and topics of focus included in RFPs and DDQs from clients, and incorporated these observations into our stewardship activities and reporting. As more investors make net-zero commitments, we are partnering with our clients to help them achieve their objectives. These conversations led to the creation of our Net-Zero Alignment Indicator, a tool designed to assess a company's net-zero transition readiness, and hence its ability to mitigate climate risks. The indicator includes multiple quantitative data points from both traditional ESG data providers and specialised climate data sets, as well as real-time insights from both our credit and equity research analysts.

In drafting this report, we have ensured at every stage that it is balanced and clear. We have provided information across asset classes and geographies where relevant. We also provided examples and case studies throughout the report to demonstrate how our investment approach works in practice. We hope you find the report informative and look forward to sharing more about our ongoing efforts in future reports.

Looking Ahead

Amidst the heightened market volatility and geopolitical risk of 2022, we believe our structures and processes detailed throughout this report have enabled and fostered effective stewardship practices. We are pleased with the progress of our stewardship efforts across various asset classes and geographies. Looking ahead to 2023, we will continue to work in close partnership with our clients to better support their objectives and strive to further strengthen our stewardship activities and outcomes.

Principle 1: Signatories' purpose, investment beliefs, strategy and culture enable stewardship that creates long-term value for clients and beneficiaries, leading to sustainable benefits for the economy, the environment and society

Who We Are

Neuberger Berman was founded in 1939 with the purpose of delivering compelling investment results for our clients over the long term, empowering them to achieve their investment objectives. Today, we also integrate Environmental, Social and Governance (ESG) criteria into the investment process where appropriate, to enhance a culture rooted in deep fundamental research; promote the continuous pursuit of investment insight and innovation on behalf of clients; and facilitate the free exchange of ideas across the organisation.

As a private, independent, employee-owned investment manager, Neuberger Berman is structurally aligned with the long-term interests of our clients. We have no external parent or public shareholders to serve, nor other lines of business, thus allowing us to focus on our core mission. And with our employees invested alongside our clients—plus 100% of employee-deferred cash compensation directly linked to team and firm strategies—all stakeholders are well aligned.

Our Corporate Structure

Neuberger Berman Europe Limited ("NBEL") is the legal entity for Neuberger Berman Group's operations in the UK, the Middle East, Africa and Latin America ("LatAm"), which is primarily owned by portfolio managers, members of Neuberger Berman's senior management team and other senior professionals, as well as certain of their permitted transferees.

NBEL is the investment manager to certain of the firm's fund ranges suitable for EMEA-, LatAm- and Asia-based investors, and maintains separate account relationships with institutional investors across the UK, Europe, Middle East, Africa and LatAm. NBEL is authorised and regulated by the UK Financial Conduct Authority and regulated by the US Securities and Exchange Commission.

Our Business Values

1 OUR CLIENTS COME FIRST

2 WE ARE PASSIONATE ABOUT INVESTING

3 WE CONTINUOUSLY IMPROVE AND INNOVATE

4 ALIGNMENT IS ESSENTIAL

5 WE INVEST IN OUR PEOPLE

6 OUR CULTURE IS KEY TO OUR LONG-TERM SUCCESS

These business values inform the initiatives and innovations that we have pursued—from our deepening integration of ESG investing and our growing data science capabilities, to our work in improving and maintaining the diversity of our workforce. With hard work, we believe these business values will continue to guide Neuberger Berman in the future.

Our Culture

Our culture is underpinned by our values.

A partnership with our clients

At Neuberger Berman, we believe that a focus on fundamental research, investment performance and risk management is central to meeting the needs and objectives of our clients. We are deeply attuned to each client's distinct combination of investment goals, risk tolerance, and income and liquidity requirements, and we can act in partnership to address them as they change over time.

We advocate for the highest standards of conduct and disclosure from the companies in which we invest. As a firm, we continually strive to raise our own standards—an effort which has become increasingly important.

Diversity, equity and inclusion are central to the culture at Neuberger Berman

Because our employees' health and well-being remain of utmost concern, management continually seeks feedback from our employees to identify best practices and opportunities for improvement.

We believe that an institution's promotion of equity in the long term will have lasting implications for employee and community relationships. At Neuberger Berman, we continue to build upon our previous efforts to foster an equitable, diverse and inclusive workplace by continuing to address and not shy away from challenging topics. Further details on this are set forth in Principle 2.

We recognise continued momentum is critical. To demonstrate our progress as a responsible corporate citizen across all facets of our work and operations, we continue to measure and report relevant metrics associated with our employees, client portfolios, environmental impact and community engagement. We report on these efforts annually in our dedicated section on Corporate Social Responsibility ('CSR') in the Annual Report.

Innovation

Inherent in this culture of partnership is a commitment to innovation—not for its own sake, but to uncover practical solutions for clients as their needs evolve. Since 1939 we have been at the forefront of a number of industry trends now considered commonplace—from the launch of one of the first no-load mutual funds to the early adoption of socially responsive investment techniques. More recent examples include being the first large asset manager to provide advance vote disclosure through our NB Votes initiative and the development of our Net-Zero Alignment Indicator, a robust bottom-up assessment designed to assess a company's net-zero transition readiness, and hence its ability to mitigate climate risks.

In-depth research and analysis

Our portfolio managers construct portfolios through distinct investment processes tested over market cycles. They base their investment decisions on their own research, drawing on both their dedicated research teams and the many resources of Neuberger Berman—such as the global equity and fixed income research teams, the Data Science team and the ESG Investing team—with the sole purpose of finding attractive investment opportunities. Our managers work independently, but also share ideas and perspectives with each other to seek to achieve attractive outcomes for their clients. We combine this with a strong risk-management culture and thorough investment process oversight to ensure adherence to mandated client guidelines.

How we report and measure relevant metrics

We include multiyear data on key metrics pertaining to our employees, client portfolios, environmental impact and community engagement annually in the dedicated ESG Investing section of our Annual Report. We also publish a Climate-related Corporate Strategy in accordance with TCFD, which is reviewed and updated annually, and in 2023 we integrated our CSR reporting into the Annual Report to provide more disclosure on our community partnerships. Additionally, as part of our sustainability-linked corporate revolving credit facility, our borrowing costs will be higher or lower depending on our performance against various key ESG metrics, including engagement with portfolio companies on material ESG issues, alignment with clients, increasing diversity at the management level, and maintaining top rating as measured by the United Nations Principles for Responsible Investment (UN PRI).

Our Business Model, Strategy and Purpose

We partner with our clients to deliver compelling, long-term investment results in line with their unique investment objectives. To that end, Neuberger Berman has built a comprehensive offering of more than 100 investment strategies across nearly every asset class to serve a diverse client base. This broad-based model generates significant recurring revenue streams and strong operating cash flows.

Neuberger Berman's global strategic priorities are as follows:

- *Execute on the company's business model.* Neuberger Berman is focused on five key areas that we believe will contribute to the company's long-term success:
    1. Delivering strong investment performance
    2. Cultivating deep and lasting client relationships
    3. Enhancing the company's culture to attract and retain talent
    4. Protecting the company through robust risk management
    5. Executing on the company's long-term strategic priorities
- *Diversify our clientele and business.* Neuberger Berman has been expanding its client coverage team as investors increasingly seek leading asset managers regardless of geography. These professionals build close relationships with large financial institutions, intermediary platforms, private banks and sovereign wealth funds. As a result, the percentage of Neuberger Berman's assets under management has grown in recent years. In addition, Neuberger Berman is expanding the number of global and international investment strategies that it offers to clients, as discussed below.
- *Expand alternative investment capabilities.* Over the past several years, Neuberger Berman has responded to client demand for alternative strategies on both the private illiquid and public liquid sides. For example, the firm has launched several private equity funds in multiple jurisdictions focused on a range of strategies and industries.
- *Provide clients with multi-asset class solutions and tailored advice.* Neuberger Berman has built a number of strategic partnerships with large and sophisticated institutional clients. The introduction of tactical and strategic asset allocation capabilities enables the firm to provide customised investment solutions to clients. Our investment professionals conduct rigorous research to address specific requests, and share investment and market insights with clients on a regular basis. We also manage commingled multi-asset class funds.

Investment Beliefs

Our Commitment to ESG

At Neuberger Berman, we employ a purpose-driven ESG investment approach. Since our first application of "avoidance screens" in the early 1940s, and with the launch of our Sustainable Equity team in 1989, Neuberger Berman has been at the forefront of integrating ESG criteria into the investment process. We have continued to build upon this legacy, driven by our belief that companies with proactive leadership strategies to manage ESG-related risks and opportunities have the potential to be industry leaders with sustainable competitive advantages and thus offer the potential for long-term investment outperformance. Here are some of our historical ESG highlights:

Our History: A Decades-Long Commitment to ESG

Neuberger Berman was an early pioneer in ESG investing, and has been an industry leader over time.

GROWING PLATFORM OF ESG OFFERINGS		CONTINUOUS EVOLUTION OF POLICY AND PROCESSES
	1940s	First application of avoidance screens
Sustainable Equity Strategy	1990s	Formed one of the first US sustainable equity investment teams
	2002	Formalised Proxy Voting Policy
	2007	Standardised ESG diligence in private equity
	2012	Established ESG Committee Signed UN-supported Principles for Responsible Investment
Emerging Market Debt Sovereigns	2013	
Fixed Income Platform	2016	ESG working groups for equities, fixed income and private equity
Sustainable Emerging Markets Equity Strategy	2017	Built dedicated ESG investing team Published first Proxy Voting and Engagement Report
Municipal Fixed Income Impact Strategy Climate Insurance-Linked Strategy	2018	Developed NB ESG Quotient, a proprietary ESG ratings system for equities and fixed income
Private Equity Impact Strategy Sustainable Action High Yield Strategy	2019	Established firmwide Climate-related Corporate Strategy Published inaugural ESG Annual Report
Sustainable Emerging Markets Debt Sustainable Research Opportunities Strategy Global Sustainable Equity Strategy US Equity Impact Strategy	2020	Initiated ESG Sub-Committee on Products Announced NB Votes Adopted sustainability-linked corporate credit facility Named to 2020 PRI Leaders Group
Climate Transition Multi-Sector Credit	2021	Signed Net Zero Asset Managers Commitment Formed ESG Advisory Council
Climate-Integrated Strategic Asset Allocation Global High Yield SDG Engagement Strategy	2022	Launched Net Zero Asset Managers Commitment

We continue to build upon this legacy, driven by our belief that financially material ESG factors should be incorporated in a manner consistent with the specific asset class and style of each investment strategy. ESG investing can be employed in a variety of ways to help generate enhanced returns as well as to implement non-financial objectives within a portfolio. We believe our approach not only benefits our clients, but can also support better-functioning capital markets and generate positive impacts for the world as a whole.

Neuberger Berman became a signatory to the UN PRI on June 29, 2012. Although the PRI decided to delay the opening of the next PRI reporting period until 2023, in our 2021 PRI Assessment, and for the third year in a row, we obtained the highest possible scoring across all categories for our overarching approach to ESG.[1] In the last reporting cycle for the report which we submitted to the PRI in 2021 and for the scores we were provided with in 2022, the PRI adopted a new, more stringent assessment methodology. Neuberger Berman earned five stars across every asset category[2] in which it reported, and rated above the median of all reporting signatories. In addition to scoring the best possible ranking across all asset classes, the firm also obtained the highest possible score in PRI's new private debt category and its overarching Investment and Stewardship Policy category.

2021	Neuberger Berman	Median of Reporting Signatories
Investment & Stewardship Policy	★★★★★	★★★
Direct	★★★★★	★★★
Listed Equity – Active Quantitative – Incorporation	★★★★★	★★★★
Listed Equity – Active Fundamental – Incorporation	★★★★★	★★★
Listed Equity – Voting	★★★★★	★★★
Fixed income – SSA	★★★★★	★★★
Fixed income – Corporate	★★★★★	★★★
Fixed income – Securitized	★★★★★	★★★
Fixed income - Private Debt	★★★★★	★★★★★
Indirect		
Private Equity	★★★★★	★★★

[1] For illustrative and discussion purposes only. PRI grades are based on information reported directly by PRI signatories, of which investment managers totalled 3,404 for 2021. Due to some technical problems that the PRI had migrating to a new data platform, the results of the 2021 reporting cycle (based on the calendar year 2020) were delayed. Note that scores for the 2021 reporting cycle cannot be compared to previous years due to the change in PRI assessment methodology. Although there was not a Leaders' Group announced by the PRI based on reporting in 2022, Neuberger Berman achieved a 5-star rating in every eligible module in the PRI's 2021 Reporting 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). 2021 submission remains the current and latest submission.

[2] For illustrative and discussion purposes only. 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.

A Distinct Approach to ESG Investing

Continuous innovation across four key pillars, focused on material investment results and delivering solutions

INTEGRAL TO OUR FIRM

- Awarded top PRI Assessment scores for ESG strategy, governance and integration
- Named to exclusive 2020 PRI Leaders' Group
- Sustainability-linked corporate financing

PROPRIETARY, RESEARCH-DRIVEN APPROACH

- Investment-led integration of ESG into portfolios
- NB ESG Quotient covering 4,000+ equities and 2,700+ credit issuers
- Incorporate climate scenario analysis
- Leverage data science to enhance traditional research

ACTIVE ENGAGEMENT DRIVES VALUE

- In 2022, we conducted 3,439 public equity engagements and 1,254 fixed income engagements
- Engagement led by portfolio managers and research analysts
- Firmwide ESG engagement principles
- Industry-leading advance vote disclosure initiative, NB Votes

SUSTAINABLE AND IMPACT INNOVATIONS

- Offer a range of ESG-integrated investment strategies across public and private markets
- Many seek positive impact alongside competitive risk-adjusted returns
- Create custom solutions to deliver financial and ESG objectives, including multi-asset class mandates

Integration of ESG Criteria Into the Investment Process

As an active manager, we have a long-standing belief that financially material ESG factors are an important driver of attractive long-term, risk-adjusted investment returns. That's why we take a comprehensive approach toward managing client assets, including the integration of ESG criteria into our investment processes. We also understand that, for many clients, the impact of their portfolios is an important consideration in conjunction with investment performance. Some clients want to see social and environmental sustainability issues weighed with an importance commensurate with their financial objectives: they may actively seek to invest in leading issuers with sustainable business models, practices, products or services. Others seek, as a primary objective, investments whose core business, products, services or use of proceeds directly contribute to measurable positive social and environmental outcomes. For these investors, we offer sustainable and impact investing strategies. These strategies are clearly labelled in the name of the fund and come with accompanying disclosures about the types of investments they will and will not make.

ESG Criteria to Be Incorporated in a Consistent Manner

We continue to innovate, driven by our belief that ESG factors should be incorporated in a manner consistent with 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 maximising results for our clients, can also support better-functioning capital markets and have a positive impact for people and the planet.

In the midst of challenging market dynamics, we believe the importance of environmental, social and governance analysis has been reinforced. As investors, we approach markets through an ESG lens to assess dynamics such as the disruption of supply chains, technology-enabled behavioural shifts, and attention to human capital management and employee health.

Throughout the year, we continued to integrate ESG analysis across assets, including equity, fixed income and private markets strategies, to varying degrees. The firm's portfolio managers and centralised research teams factor in many ESG variables, such as environmental and product liabilities, legal risk and corporate governance. Our investment professionals have access to an array of ESG-related analytical resources, providing another lens through which to assess investment candidates.

We consider the integration of financially material ESG factors into the firm's strategic plans to be consistent with our mission statement and investment culture. Along with other material investment factors, Neuberger Berman believes that ESG-related factors can be return-enhancing and risk-mitigating. One way we integrate ESG factors is through our proprietary ESG rating system, the "NB ESG Quotient," which leverages the deep fundamental knowledge of our research analysts and unique insights from our Data Science team to rate thousands of equity and fixed income issuers. In 2022, we expanded the coverage of this rating system to 4,000+ equities and 2,700 credit issuers.

For our clients requesting their capital be managed in line with responsible, sustainable or impact objectives, we spent the past year refining our outcome-focused investing solutions. Specifically, we focused on enhancing our capabilities to deliver innovative "sustainable" and "impact" labelled investment strategies:

- **Net-Zero Alignment:** To provide robust net-zero committed strategies, we developed a proprietary Net-Zero Alignment Indicator. Our forward-looking indicator combines quantitative alignment scores with qualitative analyst input across six sub-indicators. Not only will this tool provide a holistic view on our holdings' alignment status with regard to climate transition plans, but it will also help us construct portfolios aligned with our client's net-zero criteria.
- **Sustainable Development Goals (SDGs):** We expanded our capabilities to better measure company alignment to the SDGs in our Global High Yield SDG Engagement Fund and Short Duration High Yield SDG Engagement Fund. Direct engagement is core to the Fund's investment approach, with the managers prioritising issuers with the ability and willingness to engage and accept the setting of key performance indicators aligned to the UN SDGs.

Actions Enabling Effective Stewardship

Actions Taken to Ensure Our Culture, Investment Beliefs and Strategy Enable Effective Stewardship

Our "client first" culture has resulted in client partnerships and the development of strategies tailored to client needs. Most of our strategies have long-term investment horizons, enabling us to focus on longer-term issues such as climate risk through our engagement and broader stewardship efforts. Further, our employee-owned structure allows us to remain focused on long-term objectives and not be distracted by short-term pressures. Additionally, embedding the importance of our employees into our value system helps us retain top talent. Neuberger Berman are proud to have been ranked first (among those with 1,000 employees or more) in *Pensions & Investments'* 2022 "Best Places to Work in Money Management" survey, where we have finished in the top two for nine consecutive years. We believe our 96% retention rate among senior investment staff is a testament to these efforts.[1]

As an active manager, we see fundamental and proprietary research as core to our investment approach and culture. We embed stewardship responsibilities within our investment teams, which we believe are crucial to integrating stewardship insights into the investment process and informing investment decisions.

Our commitment to innovation promotes collaboration across the firm. For example, our Data Science team works collaboratively with the ESG Investing team and research analysts to identify innovative and non-traditional data sources which may provide additional insights. As a result, the Data Science team plays an important role in partnership with investment teams in the development of our own firmwide proprietary ESG ratings system, NB ESG Quotient. We continuously seek to identify additional data and research that may enhance our analysis, and discuss these efforts further in Principle 7.

[1] Includes senior investment professionals at MD and SVP level since becoming an independent company in 2009.

For details of all relevant policies in relation to our approach to ESG and Stewardship, as well as how we ensure that these support effective stewardship, please refer to Principle 5.

How Our Purpose, Investment Beliefs and Culture Have Guided Our Stewardship, Investment Strategy and Decision-Making

We monitor the progress we are making and are continuously enhancing the integration of ESG into our investment processes. Relevant indicators include the proportion of assets under management that are formally ESG-integrated; our annual score in the PRI assessment report; the effect of ESG analysis on portfolio performance; the impact and outcomes of our engagement and proxy voting activities; and whether we are meeting the needs of our clients for ESG-integrated solutions.

We believe that ESG factors and stewardship activities should be incorporated in a manner consistent with a specific asset class, geography and investment strategy. We believe this integration is most effective when investment teams research ESG factors and consider them alongside other inputs, guided by firmwide principles and supported by extensive resources. This is discussed in Principle 7.

We have embedded the need for effective stewardship across the business as described in Principle 2. We believe this sends a clear example of its importance to our business.

Serving the Best Interests of Our Clients and Beneficiaries

Over the past year, we continued to focus our efforts on improving ESG integration to ensure that our processes that analyse financially material ESG factors (alongside other financial metrics) are robust. This prioritisation builds on our belief that material ESG factors are important drivers of long-term investment returns from both an opportunity and risk-mitigation perspective, as well as our commitment to delivering compelling investment results for our clients over the long term. Our specific enhancements in the past year include:

1. Deepening our efforts

We continued to integrate ESG analysis, focusing on financially materiality across our firm, not only in traditional equity and fixed income strategies, but also in alternative offerings. We have strengthened our core tool for systematic sector-specific integration, the NB ESG Quotient, by not only covering more than 4,000 equity ratings and more than 2,700 credit ratings, but also by enhancing our use of non-traditional ESG data in partnership with our Data Science team and qualitative analyst inputs generated by our central research team.

Recently, we particularly focused on using "big data" to elevate our understanding of human capital trends. We onboarded a new dataset that allows us to conduct deep dives on companies where disclosure on Equity, Inclusion and Diversity (EID) is lacking. This collaboration between the Neuberger Berman ESG and Data Science teams led to the construction of 15 unique EID indicators. Furthermore, to ensure material climate change risk is appropriately factored in our investments, we continued expanding coverage of climate value-at-risk (CVaR) scenario analysis in all equity and fixed income holdings (subject to data availability) to construct more resilient portfolios.

2. Adapting to regulation

In light of the increased volume of sustainability-driven regulation across the industry, such as the European SFDR and MiFID II Sustainability Preferences, and the US embarking on its own journey around climate disclosure and product labelling, we focused on enhancing our ESG governance processes to ensure our products continuously comply with regulatory requirements. At the end of 2022, we resourced and expanded our ESG Product Oversight Committee (EPOC), which includes representatives from our firm's control functions. EPOC conducts periodic monitoring of the application of ESG factors by portfolio managers and provides an annual review of sustainable and impact-labelled products. Further, we introduced the EMEA ESG Product Committee, which provides approval of SFDR classifications for all new products domiciled or marketed in EMEA, and oversees UK stewardship-related matters and third-party European ESG product labelling. In order to proactively navigate the regulatory landscape, we appointed a dedicated ESG Policy and Regulatory Strategist, who is responsible for the firm's engagement with policymakers and other external stakeholders on policy and regulatory developments across EMEA.

3. Turning the lens on ourselves

We understand that it is not enough to talk about ESG ideas, but rather embody them in our own practices. In 2020, we were the first asset manager to secure a sustainability-linked credit facility, which ties our borrowing cost to our performance against key ESG metrics. Having met those targets for 2020, 2021 and 2022, we remain ambitious in our goals for the coming years to deliver on diversity initiatives and implement our plans to achieve net-zero emission alignment in line with our commitment to the Net Zero Asset Managers Initiative.

4. Using our voice

In the past year, we enhanced our capabilities to engage with issuers on ESG topics that we believe can improve performance and reduce risk. In 2022, we conducted 3,162 equity engagements and 1,463 fixed income engagements. As the first large asset manager to regularly provide proxy vote disclosure in advance of company meetings through our NB Votes initiative, we publish our vote intentions in advance of select shareholder meetings, with a focus on companies where our clients have significant economic exposure. In 2022, we pre-disclosed our votes before 63 meetings. Through this effort we hope to enhance the level of transparency around our proxy voting decisions, improve corporate practices amongst companies we invest in, encourage our large asset manager peers to also begin preannouncing proxy votes, and openly encourage better corporate governance practices. Three years since launching this effort, we are pleased with the responsiveness and progress demonstrated by many companies as described in Principle 12.

Engagement Works: 2022 Highlights from NB Votes

Through our NB Votes initiative, we publish our vote intentions in advance of select shareholder meetings, with a focus on companies where our clients have significant economic exposure.

Company	Issue	Result	Action	Why Is It Material?
Bunzl Plc (UK)	No independent directors overseeing material ESG matters despite sustainable supply chains being a strategic objective.	Bunzl's board formalised ESG oversight within a designated board-level committee.	NB engaged with the company and supported the reelection of the board chair following commitment to address this issue at the next board meeting.	Building sustainable supply chains and helping reduce its customers' carbon footprints are key strategic objectives at Bunzl, which makes products for a variety of industries, from grocery to healthcare.
General Motors Co. (US)	Executive compensation insufficiently aligned with performance toward the company's decarbonisation and electric vehicle (EV) objectives.	Various improvements, including new EV-related metrics comprising 15% of GM's 2022 long-term incentive plan (LTIP); and enhanced disclosure of factors used to evaluate each executive.	Multiple engagements and a letter to the board.	With electric vehicles now a cornerstone of GM's long-term strategy, we believed there was an opportunity to tie compensation more explicitly to the company's EV objectives.
Netflix Inc (US)	Repeated failure to implement majority-approved shareholder proposals.	At its last meeting, Netflix proposed to adopt simple-majority-vote requirements; require each director to stand for annual reelection rather than a three-year term, and to receive a majority vote; and allow shareholders to call special meetings at a threshold of 20% of outstanding shares.	Multiple letters and opposition to reelection of directors; since 2020, disclosing our concerns and voting intentions ahead of annual meetings.	We believe sound/good governance practices are foundational to sustained, long-term value creation.
Yamaha Corp (Japan)	Yamaha included ambitious targets for sourcing sustainable wood for musical instruments in its Mid-Term Plan, but few details on how it planned to achieve those targets or its long-term goal of 100% sustainable sourcing; also, its disclosures are not yet aligned with globally recognised ESG standards.	Yamaha set a higher, 75% target for sustainable procurement in its latest Mid-Term Plan, and added detail on initiatives required to meet that target—chiefly, a third-party accreditation system to lower costs for sustainable suppliers; we continue to advocate for standard ESG disclosures.	We recommended increasing specificity on the sustainable sourcing initiative, with more detail on how to achieve the firm's goal of 100% sustainable procurement; and adopting standard ESG disclosures.	Long-term, scarcity and the rising cost of timber, driven in part by climate change and illegal logging, presents a challenge to Yamaha's ability to maintain scale and a strong brand reputation.

Principle 2: Signatories' governance, resources and incentives support stewardship

Our ESG and Stewardship Governance

Investment professionals throughout the firm are responsible for carrying out stewardship activities and incorporating material ESG factors in portfolios and investment research. A high percentage of our professionals have ESG responsibility as a part of their role.

ESG & Stewardship Governance Structure-Shared Membership

NEUBERGER BERMAN GROUP LLC BOARD

NEUBERGER BERMAN EUROPE LIMITED BOARD

OVERSIGHT

ESG COMMITTEE

Oversees firmwide ESG efforts and serves as a cross-asset class forum to foster innovation on ESG issues and trends

- 25-member committee comprised of senior leaders (including President & Chief Investment Officer—Equities and Head of EMEA LatAm) Chaired by Global Head of ESG and Impact Investing

GOVERNANCE & PROXY COMMITTEE

Oversees firmwide proxy-voting guidelines and procedures, including NB Votes initiative

- 8-member committee comprised of senior leaders
- Chaired by President & Chief Investment Officer—Equities

ESG PRODUCT COMMITTEE

Oversees strategies to ensure integrity and consistency of ESG implementation across strategies

- 29-member committee comprised of senior leaders (including President & Chief Investment Officer—Equities)
- Chaired by Global Head of ESG and Impact Investing

EMEA PRODUCT GOVERNANCE COMMITTEE

Oversees product governance processes and controls, including development, management and regulatory compliance

- 13-member committee comprised of senior leaders (including Head of EMEA & LatAm)
- Chaired by Head of Product Strategy – EMEA & APAC

THE EMEA ESG PRODUCT COMMITTEE

Is responsible for the approval of SFDR classifications for products being marketed in EMEA, European ESG badging, and related UK Stewardship matters

- 9-member committee comprised of senior leaders and subject matter experts (including the Director of European ESG Investing)
- Chaired by Head of Product Strategy EMEA and APAC

THE ESG PRODUCT OVERSIGHT COMMITTEE

Oversees global ESG investing matters for Neuberger Berman businesses

- 17-membership committee comprised of members from the ESG Investing, Legal & Compliance, Product, Marketing and Risk groups
- Co-chaired by the Head of Investment Risk EMEA and Head of Business Risk

IMPLEMENTATION

INVESTMENT TEAMS

Responsible for ESG integration approach; leads engagements with investee companies, assesses proxy items in order to vote in the best interest of clients and provides input into development of proxy-voting guidelines

ESG INVESTING TEAM

Provides ESG integration expertise and supports implementation of proxy voting and engagement efforts

- Led by Global Head of ESG and Impact Investing
- Stewardship programme headed by Director of Investment Stewardship

INTERNAL AUDIT & ENTERPRISE RISK TEAMS

Conducts regular ESG portfolio reviews, annual audit of ESG integration practices firmwide and of individual investment teams, and reviews of key stewardship metrics, including elements of PRI reporting

Neuberger Berman employs a risk management framework that features dedicated investment risk, operational risk, and guideline oversight and supervision teams, including Asset Management Guideline Oversight ('AMGO') and Central Supervision. These teams are independent of the firm's portfolio managers.

Resourcing Stewardship

The ESG Investing Team

Our dedicated ESG Investing team is responsible for setting the firm's global ESG Strategy in collaboration with the ESG Committee and after consultation with portfolio managers, CIOs and our CEO of Neuberger Berman. The team drives the implementation of the global ESG strategy by deepening the integration of ESG themes into new and existing investment strategies. The ESG Strategy is reviewed by the firm's Partnership Committee and Board of Directors on an annual basis.

The team also coordinates the firm's approach to proxy voting and engagement, works with research teams on innovating our proprietary ESG assessment of companies and issuers, and leads thought leadership, highlighting our ESG research as a way to encourage dialogue and share best practices.

The team's work is supported by ESG working groups at the asset-class level that are responsible for providing context-specific expertise and assisting with education and implementation among the investment teams.

The Global Head of ESG and Impact Investing reports to the President and Chief Investment Officer—Equities. As at 31 December 2022, the ESG Investing team consisted of 23 full-time professionals with a range of backgrounds, including asset management, portfolio management, environmental management, data science, non-governmental organisations and public policy. Further, several senior team members bring asset class-specific and market-specific expertise. This range of skillsets enables the team to partner effectively with teams across geographies and asset classes on their ESG integration and stewardship efforts. Upon joining the team, new members are trained in our investment processes and approach to ESG integration. Given the increasing client demand for ESG-integrated products and associated reporting, we continue to reassess our resources, capabilities and systems to ensure that we are able to meet client objectives. Looking ahead, we intend to invest in additional technology that enhances our investment and reporting capabilities such as an improved research management tool.

The ESG Investing team also presents to the Operating Committee and the Partnership Committee to engage with them on implementation of ESG across the platform, and to report on progress and goals for the coming year.

Recent efforts undertaken by the ESG Investing team in partnership with the ESG Committee include an in-depth review of trade association memberships, the development of investment tools to better assess climate transition risk, and the development and implementation of a Global Standard Policy in accordance with human rights and ethical business conduct expectations. The team also continues to play a key role in classifying funds and accounts in scope for SFDR, including the European ESG Template ("EET"), SFDR Pre-contractual, Periodic Report Templates and Website Disclosures, and ensuring that a robust process is in place to monitor the classifications on an ongoing basis and in light of developing legislative and industry guidance and best practices.

The ESG Committee

The ESG Committee is responsible for the annual review of the ESG Policy, which is then amended as needed and presented to the board of Neuberger Berman.

The ESG Committee is chaired by the Global Head of ESG and Impact Investing and is comprised of senior professionals across all asset classes and functions of the firm, including the President and Chief Investment Officer—Equities, senior portfolio managers from the Fixed Income and Private Investment teams, the Heads of Research across the investment platform, the Chief Risk Officer and senior professionals from our client coverage teams, and Legal and Compliance.[1]

[1] During 2022, the President and Chief Investment Officer—Equities served as member of the Board of Directors of NBEL and the Neuberger Berman Board, evidencing a direct link in oversight and accountability for effective stewardship between the US, where the global ESG strategy and policy is governed centrally, and the UK. The President and Chief Investment Officer—Equities also was a member of the ESG Committee and the ESG Product Committee, which is responsible for determining whether portfolio managers systematically and explicitly include material ESG risk and opportunities in investment analysis and investment decision-making for all securities. The Board of Directors of NBEL, in turn, shares a common membership with the NBEL Product Governance Committee of the Board of NBEL, comprised of the General Counsel EMEA, the Head of Finance EMEA and LatAm, Director of Operations and Infrastructure, EMEA, and Head of EMEA and LatAm, who also is a member the ESG Committee.

The ESG Committee oversees ESG efforts firmwide, including the review of goals and priorities such as the development of new ESG-integrated investment strategies, monitoring implementation, measuring performance and contributing to annual reporting to networks like the UN PRI, the UN Global Compact and the Task Force on Climate-related Financial Disclosures ("TCFD"). The ESG Committee also acts as a cross-asset-class forum to share research on ESG issues and trends, and to drive deeper engagement and education on ESG topics across the firm. The ESG Committee reviews collaborative initiatives and memberships.

A detailed description of the Committee's broader responsibilities can be found in our ESG Policy.

ESG Product Committee

Neuberger Berman's ESG Product Committee was established as a sub-committee of the ESG Committee to ensure the integrity of any ESG-related claims made by our strategies through our shared labelling system.

The ESG Product Committee is comprised of senior leaders, including the Global Head of ESG and Impact Investing, President and Chief Investment Officer—Equities, and Chief Marketing Officer, and is an additional mechanism embedded to ensure compliance for our ESG integration practices.

The ESG Committee delegates responsibility for the detailed review of new and existing strategies making an ESG-related claim to the ESG Product Committee to ensure integrity and consistency in their integration of ESG. The ESG Product Committee is responsible for determining whether portfolio managers systematically and explicitly include material ESG risk and opportunities in investment analysis and investment decision-making for all securities.

For ESG-integrated funds, the ESG Product Committee focuses on making sure that the investment teams apply firm-level ESG processes and tools in their investment process. These tools include the NB materiality matrix and the NB ESG Quotient. Portfolio managers must also provide case studies showing how ESG is integrated into their investment decision-making as well as an understanding of the low ESG-rated names in their portfolio. For example, for thematic funds, the ESG Product Committee asks the investment teams to explain how companies relate directly to the relevant theme as well as why some have low ESG ratings.

The EMEA ESG Product Committee

On 26 September 2022, Neuberger Berman established the EMEA ESG Product Committee as a sub-committee of the EMEA Product Governance Committee to strengthen the local governance structure and improve the overall effectiveness of the systems of compliance, risk management and internal controls of ESG-related claims made by our products in EMEA or marketed in EMEA. The Committee is comprised of senior leaders and subject matter experts, including the Director of European ESG Investing.

The EMEA ESG Product Committee is responsible for the approval of SFDR classifications for all new products launched in EMEA and all ex-EMEA products being marketed in EMEA, European ESG badging, and related UK Stewardship matters. The Committee makes recommendations to the EMEA Product Governance Committee on any area within its remit where action is needed. Where it is identified that a significant issue has occurred, or a risk has been identified, it may be necessary to engage the Board of NBEL for guidance and approval. For example, at the end of 2022, the EMEA ESG Product Committee reviewed and approved the SFDR Periodic Reporting drafting and approval process for our UCITS and QIAIFs classified as Article 8 or 9 under SFDR. Moreover, the Committee undertake periodic training on relevant subjects to ensure that the members of the Committee can properly discharge their duties.

The ESG Product Oversight Committee

The ESG Product Oversight Committee (the "EPOC") has been established as a sub-committee of the ESG Committee, which is a functional committee overseeing global ESG investing matters for Neuberger Berman businesses. The ESG Product Oversight Committee was redesigned toward the end of 2022 with the objective of providing ongoing assurance that ESG-related claims and commitments approved at the ESG Product Committee are implemented appropriately, and that those claims and commitments are articulated accurately and consistently in key materials (e.g., prospectuses, fund documents, pitchbooks). Examples of strategies/funds/products in scope for review include those with an internal ESG rating of Assess (Integration), Amplify (Sustainable) or Aim for Impact (Impact); where net-zero commitments have been made; and/or SFDR designations, MiFID II Sustainability preferences or independent labels apply. The EPOC is co-chaired by the Head of Investment Risk EMEA and Head of Business Risk, and includes members from the ESG Investing, Legal & Compliance, Product, Marketing and Risk groups.

Internal Audit Function

The Internal Audit team's primary role is to help the firm protect its assets, reputation and sustainability. This team operates as an independent function to provide accountability to senior management through assessment of the control framework. In addition to regular ESG portfolio reviews, the team conducts annual audits of ESG integration practices firmwide and of individual investment teams, and reviews of key stewardship metrics, including elements of PRI reporting.

The role of the Internal Audit team in relation to auditing ESG matters is described in more detail in Principle 5.

Enterprise Risk Management

Neuberger Berman employs a risk management framework that features dedicated investment risk, operational risk, and guideline oversight and supervision teams, including Asset Management Guideline Oversight ("AMGO") and Central Supervision. In order to provide organisational checks and balances, these teams are independent of the firm's portfolio managers. Together, they provide for consistency in and frequency of risk reviews, and have an ability to escalate to executive management and our Board regarding certain issues, including unusual investment, and counterparty credit, operational or reputational risk matters that may have a potential effect on either client portfolios or the investment management business as a whole. Risk teams also collaborate with other control units of the firm as appropriate, including Legal and Compliance, Internal Audit, Finance and Operations.

Since the implementation of SFDR Level 2 at the end of 2022, AMGO distributes weekly Sustainable Investment exposure updates during quarter-ends, listing the percentage of Sustainable Investments in our UCITS that have a sustainable investment commitment. AMGO also conduct a substantial attestation process to ensure that all ESG commitments in our public funds (even those which cannot be coded directly into its system) are complied with. Our control groups meet with portfolio management and business units to help identify risks and proactively mitigate such risks to the extent possible to maintain a strong internal control environment.

Neuberger Berman has an established governance framework for assessing the efficiency of the group enterprise risk management which includes the Neuberger Berman Group Board, Partnership Committee, Operating Committee, Investment Risk Committee, Operational Risk Committee, ESG Committee, and at the regional level, the NBEL Board, EMEA Risk and Compliance Committee, EMEA Product Committee, EMEA ESG Product Committee and EMEA Conflict of Interest Committee. The establishment of these committees' membership ensures fair representation of business skills and competences to deliver an efficient oversight of our Risk Pillars, described further in Principle 4.

Portfolio Managers and Research Analysts

Investment professionals throughout our firm are responsible for carrying out stewardship activities and incorporating material ESG factors in portfolios and investment research. A high percentage of our professionals have the responsibility of ESG as a part of their role.

Each portfolio manager has a customised approach to ESG integration that is driven by multiple factors, including strategy objectives, asset class and investment time horizon, and the specific research and portfolio construction process used by the portfolio manager. Each portfolio management team determines how best to achieve its ESG integration objectives—from conducting research into ESG-related risks, to measuring and comparing ESG issuers at the security level.

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 seek a more holistic understanding of risk and return ("Assess"), tilt the portfolio to best-in-class issuers ("Amplify"), invest in issuers that are intentionally generating positive social/environmental impact ("Aim for Impact") or simply exclude particular companies ("Avoid"). The approach to integration can be further customised by the type of vehicle employed for investing, such as implementing client-specific avoidance criteria, tilting toward specific ESG characteristics valued by the client, or seeking certain types of positive impact. To review the degree of ESG integration across the firm, the Global Head of ESG and Impact Investing actively participates in the investment performance review of a number of ESG integrated investment teams chaired by each platform's Chief Investment Officer.

A Formal Process to Determine Optimal ESG Integration

Portfolio managers work with the ESG Investing team to develop their ESG research and integration approach

DETERMINE OPTIMAL LEVEL OF ESG INTEGRATION FOR INVESTMENT STRATEGY

Consider multiple factors:

- Strategy objectives
- Asset class considerations
- Investment time horizon
- Investment philosophy
- Research process
- Portfolio construction

INCORPORATE FRAMEWORK INTO RESEARCH & PORTFOLIO CONSTRUCTION PROCESS

- Research ESG-related risks and opportunities
- Formalise process to measure and compare ESG issuers at security level
- Consider ESG in operational due diligence of third-party managers
- Construct portfolios influenced by these insights

FORMAL REVIEW AND APPROVAL FROM ESG PRODUCT COMMITTEE

- Focused on ensuring framework is consistent with:
  - ✓ Firm ESG standards
  - ✓ PRI requirements
  - ✓ Regulatory requirements
- Formal review and approval of ESG integration approach by ESG Product Committee

MONITOR THROUGH ONGOING GOVERNANCE AND TRANSPARENCY

- Annual review of sustainable and ESG-labelled products by ESG Product Oversight Committee
- Monitor compliance with guidelines and exclusions, including internal audit
- Risk monitoring
- Regular review of proprietary ratings, Climate VaR
- Investment performance reviews vs. ESG benchmarks
- Compensation tied to ESG research insights and integration

ESG is included in the work of our research analysts rather than a separate ESG research team. To augment our analysis, we regularly add new data sets and leverage the capabilities of our Data Science team. With custom ratings covering more than 4,000 equities and 2,700 credit issuers, the investment teams can choose how best to apply all the tools of active management. Further details of our approach to ESG integration are set out in Principle 7.

Given the dynamic and evolving nature by which ESG factors are material to investment performance, we are committed to continued innovation and improvement.

Governance and Proxy Committee

Neuberger Berman has designated a Governance and Proxy Committee ("Proxy Committee") with the responsibility for: (1) developing, authorising, implementing and updating Neuberger Berman's policies and procedures in relation to governance matters; (2) administering and overseeing the governance and proxy voting processes; and (3) engaging and overseeing any third-party vendors as voting delegates to monitor proxies and/or apply our custom Guidelines. The Proxy Committee consists of Senior Management from across the firm, including the Chief Investment Officer—Equities, the Head of Global Equity Research, the Global Head of ESG and Impact Investing, senior portfolio managers, as well as a senior member of the Legal and Compliance Department, who will advise on matters as they arise.

Reflection on the Effectiveness of Our Governance Structures

Our commitment to continuous improvement includes reviewing the effectiveness of our governance structures and processes. Our committee structures, responsibilities and membership are reviewed on at least an annual basis. Oversight of effective stewardship is integrated into all levels of our governance structure and processes. Whilst we believe our stewardship remains robust, we also strive for continuous improvement, as described below.

2022 Developments

The EMEA ESG Product Committee: In 2022, Neuberger Berman established the EMEA ESG Product Committee as a sub-committee of the EMEA Product Governance Committee to strengthen the local governance structure and improve the overall effectiveness of the systems of compliance, risk management and internal controls of ESG-related claims made by our products in EMEA or marketed in EMEA. Please see section above for further details on its scope and membership.

ESG Advisory Council: Previously, we established the NB ESG Advisory Council, comprised of industry experts, to bring the latest knowledge from academia, the non-profit sector and institutional asset owners, and to guide our ESG investing journey. In 2022, our expert Advisory Council members provided guidance on the future of impact investing and sustainability topics, and challenged us to go further in our own efforts. The council meets quarterly, and has previously focused on the topics of net zero and climate transition investing, biodiversity and ESG investing in China.

The Council consists of respected ESG thought leaders, including:

- George Serafeim – Charles M. Williams Professor of Business Administration and Chair of the Impact-Weighted Accounts Project at Harvard Business School
- Ben Caldecott – Director, Oxford Sustainable Finance Program and Founding Director of the UK Centre for Greening Finance & Investment
- Ingrid S. Dyott – Former Co-Portfolio Manager of Core and Sustainable Equity strategies at Neuberger Berman, Director on the Board of Arbor Brothers Foundation
- Mindy Lubber – President and CEO of Ceres, a sustainability-focused non-profit organisation based in Boston, MA
- Vijay Advani – Former executive chairman of Nuveen, the investment management arm of TIAA, and current Chairman of the US-India Business Council Global Board of Directors
- Theresa Whitmarsh – Former Executive Director of Washington State Investment Board and current Chair of the Board of Directors of FCLT (Focusing Capital on the Long Term)

Governance and Proxy Committee: Our Governance and Proxy Committee oversees our proxy voting activities. Ahead of the 2022 proxy season, we expanded the Committee from six to eight members, and added portfolio managers with expertise in small-cap and international companies. We believe the expanded range of expertise resulted in more robust discussions amongst committee members on companies throughout our investment universe.

Data and Technology: In response to the growing importance of ESG data and stewardship reporting, we created the ESG Data and Technology team in 2021, and in 2022 appointed an ESG Data Stewardship officer, responsible for ensuring data quality and accuracy. The team is responsible for ESG Data management, building ESG technology solutions, integrating ESG data into technology applications and supporting the ESG Investing team. The team also supports our engagement tracking tools and reporting capabilities. Enhancements to these tools have enabled us to capture further details on individual engagements and meet client expectations for detailed engagement reporting. We discuss our investments in systems, processes, research and analysis, as well as the use of services providers throughout this report, particularly in Principles 6, 7, 8, 9 and 12.

2023 Expected Developments

With evolving investor values, regulatory pressure and global challenges driving interest in ESG, we are focused on the following broad sustainability trends and themes:

Regulation: Sustainable policy and regulation are evolving quickly. While disclosure requirements for asset managers continue to emerge around the world, data availability and quality remain a challenge. We are optimistic that the EU's Corporate Sustainability Reporting Directive (CSRD) and other reporting standards like the UK's TCFD mandatory disclosures will help asset managers access key sustainability-related information. However, most International Sustainability Standards Board ('ISSB')-inspired frameworks will take time to materialise into relevant disclosures from investee companies, and standards on other topics than climate change (e.g., biodiversity or human rights) will only be available in a few years. Given the need to improve data and ESG ratings, we welcome that regulators are starting to introduce rules and codes of conduct for ESG ratings/data providers. Finally, we encourage policymakers to continue to consider transition finance as part of taxonomies and disclosure frameworks, and are looking forward to seeing more standards around the credibility of transition plans similar to those proposed by the UK's Transition Plan Taskforce (TPT).

Climate & Net-Zero Commitments: As an asset manager with a long-term perspective, Neuberger Berman recognises the impact of climate change and that the transition toward global net-zero emissions is well underway. Ultimately, countries will be shaping policy around their Nationally Determined Contributions (NDCs), and, as investors, we have to consider the impact of those policies. We are committed to understanding the climate-related risks and opportunities that are material to the portfolios we manage, as well as to our business strategy and operations, and managing risks that are material to our business. We have also joined the Net Zero Asset Managers Initiative, and set interim targets for our in-scope portfolios.

The extent to which climate considerations are factored into investment decisions is twofold. First, in line with our fiduciary duty to our clients, we consider climate risks or opportunities that may affect the financial performance of a security or a portfolio. We believe that climate risks for many sectors are material, and therefore, we consider climate risk factors alongside any other environmental, social and governance (ESG) or financial factor that could impair client capital.

Secondly, we know that, for many of our clients, the climate impact of their portfolio is an increasingly important consideration in conjunction with investment performance. For clients with these outcome-focused objectives, we also consider how climate risks and opportunities may contribute to the requested sustainability outcomes. To serve these clients, we have continued to expand the climate-related solutions we offer at both the asset allocation and individual investment strategy level, including our climate transition, impact and thematic strategies.

Looking ahead, we believe governments, companies and investors will continue to feel and respond to the effects of climate change, and new investment risks and opportunities will arise as a result. We are dedicated to continuing to identify, assess and manage these risks and opportunities to protect client assets. As regulators increase sustainability disclosure requirements, climate data gaps will eventually narrow. We will continue to do our part by thoughtfully engaging with issuers to encourage them to disclose financially material climate risks and formulate action plans to address those risks. As data quality improves, we will also seek to enhance our climate risk measurement tools and extend their applicability across additional asset classes. Finally, we look forward to continuing to partner with our clients on developing solutions that meet their individual investment and climate objectives.

Engagement Reporting
We recognise the growing importance of engagement to our clients as well as of reporting on engagement outcomes. As such, we continue to evaluate the technology and systems used to track and report our engagement activities to ensure we are able to meet client expectations. In partnership with our ESG Technology team, we reviewed these platforms and processes in greater detail in 2022 and intend to leverage an improved research management system in 2023 to enhance our research and reporting capabilities. We also continued to provide engagement reporting both at the firm level and in select strategy- and asset class-specific reports such as our Corporate Credit ESG Engagement report and Private Markets ESG report.

Impact/Thematic Offerings
We find that the majority of stakeholders believe meaningful data on the social and environmental impact of funds could be transformational for the investment industry. Through the integration of the UN SDGs, investors are able to target businesses growing in a sustainable way. Clear and growing demand from investors to quantify impact moving away from purely financial materiality to "double materiality"[1] has led to growth in targeted thematic funds, attracting investors who are able to express their own values and goals through their investment choices.

Data/Technology
A key ESG challenge for the investment industry is the availability and reliability of data and measurement. We are continually exploring new ways to strengthen our investment processes, enhance our data and tools, and provide transparent reporting to our clients. We believe data from non-traditional data sources such as alternative or big data is likely to transform active management over the coming years, minimising the reliance on voluntary disclosure and large third-party data providers. For example, in 2022, we conducted a letter campaign where we wrote to select companies asking for direct disclosure on the Principal Adverse Impact Indicators in order to offer high-quality disclosures to investors via our SFDR reporting obligations. Further, we are also using machine learning and natural-language-processing techniques. At this juncture we believe it allows us to identify non-obvious candidates whose contribution to one or more sub-themes may not be fully expressed in financial disclosures, but still is critical to the fundamental thesis on the security.

We intend to continue efforts to develop a range of investment solutions that respond to specific sustainability needs of clients across asset classes. We are excited to partner with our clients to help manage climate-related risk and ultimately achieve net-zero portfolios. We will also continue to deepen our proprietary, analyst-led ESG insights and engagement efforts to drive meaningful change over time.

Deepening our Engagement Efforts:
In 2023, we intend to launch an internal engagement working group with representatives from investment teams across equity and fixed income. The working group will meet quarterly and is intended to support and improve the effectiveness of our existing engagement practices, drive efficiencies, promote knowledge-sharing across teams, and identify opportunities for further enhancements to our engagement program to better serve client needs.

[1] Double materiality takes into account both the financial impact and environmental impact.

Performance Management and Incentives to Integrate Stewardship

We consider the incorporation of ESG issues as part of our portfolio manager and analysts' overall duties; therefore, incorporating ESG issues into our investment process is tied to overall investment performance, which directly affects the variable pay of investment professionals at all levels. Investment professionals throughout the firm are responsible for incorporating material ESG factors in portfolios and investment research. To reinforce the importance of ESG, compensation for many investment professionals is tied to ESG research insights and integration. As an example, our Central Research equity department of investment professionals incorporate proprietary ESG ratings for the stocks under their coverage. As part of the annual evaluation process, we review each analyst's engagement statistics and outcomes for the year. These considerations are a major factor (incorporated into about one-third of the annual performance measurement) in their annual compensation.

As part of the annual review and reward process, when assessing the performance of staff, NBEL identifies current and future risks, including reputational, ESG and sustainability-related risks. The consideration of NBEL ESG and sustainability risks are incorporated into the relevant NBEL staff performance assessment along with all relevant risks. We believe this incentivises and motivates NBEL staff to consider ESG-related performance as part of their individual performance reviews. This approach promotes sound and effective risk management and discourages excessive risk-taking with regards to ESG or sustainability risks or otherwise. It also showcases the importance NBEL places on integrating ESG into the NBEL investment and remuneration processes.

Training

All of our major investment teams participate in training on stewardship and ESG incorporation, supported by our ESG investing team and external partners. This is not one-time training; we regularly circulate updates as they arise, and provide teach-ins and seminars on global trends and PRI developments.

We continue to develop the necessary procedures to help educate and train the firm's global investment professionals on ESG matters by regularly communicating and providing educational teach-ins, attending departmental meetings and writing internal blogs on global ESG trends such as biodiversity, regulatory updates, proxy voting and internal tools that are available such as the Net-Zero Alignment Indicator (discussed further in Principle 4). To further support our investment teams' engagement efforts, we have developed engagement guides on key thematic topics which include detailed information on the topic along with relevant policies and expectations.

Looking ahead, in 2023, we intend to launch an internal video series focused on ESG Investing at Neuberger Berman that will be available to employees on our internal training and development portal. This series, to be recorded by members of the ESG Investing Team, is designed to help our colleagues learn more about ESG Investing, specifically around how we integrate ESG across our asset classes, our differentiated approach within the industry, the capabilities we offer such as stewardship and engagement, data and metrics we leverage, reporting capabilities and investment exclusions that we can apply and an overview of the ESG regulatory landscape.

In addition, we've recently provided training on the following:

- An introduction to Aladdin-based dashboards that allowed participants to view key ESG ratings, and to understand how client- or regulator-directed exclusions may affect portfolio holdings;
- A training for net-zero committed investment teams that provided an introduction to an Aladdin-based dashboard in order to understand key sector and/or security contributions to current carbon footprint.
- A training for investment teams running European products (UCITS, QIAIF, European SMAs) on the tools designed to support investment teams fulfil obligations specifically with regards to SFDR and MiFID II Sustainability Preferences.

We also encourage all professionals to enhance their skills through their own chosen methods, which may include the CFA ESG course of study, further education and degrees, and/or other activities.

Diversity of the Workforce

As a firm, we aim to hold ourselves to the same ESG standards as the companies in which we invest. We have firmwide goals for each of our sub-indices within our overall Diversity Index:

- **Diversity Index:** We aim for the Neuberger Berman employee population to reflect the overall university-educated population. The closer the correlation, the higher our Diversity Index score. (US employee population only)
- **Equity & Inclusion Index:** We aim for there to be no difference between the experience and opportunities of people of different diversity identifiers across our three key drivers identified above. The closer the survey scores become, the higher our overall Equity & Inclusion Index score. (US employee population only)

In addition to firmwide targets, each department head reviews a diversity reporting dashboard with metrics on the diverse representation within their businesses and develops plans for the mid- and long-term future. The dashboard provides a breakdown of diversity metrics by diversity sub-group and level, as well as hiring, termination and promotion activity for our diverse populations.

Using predictive analytics, the dashboard also projects the diversity makeup of teams into the future if current trends are to continue. Sharing this data with our senior managers enables them to make decisions for their business and contribute toward the firm's diversity goals more strategically and effectively. Each dashboard also includes a strategy planning tool for each department head that is worked on in collaboration with the Senior EID Leader and the Head of Human Capital Management, and reviewed annually.

Neuberger Berman's Employee Resource Groups include NB Pride, NB APPEAL (Asian and Pacific Partners for Empowerment, Advocacy, and Leadership), NB Black Experience, NB Women's Forum, NB Veteran's Group, NB Hispanic and Latinx Network, NextGenNetwork and NB Parents.

We participate in an array of initiatives to help benchmark and ultimately improve our equity, inclusion and diversity efforts, as well as share best practices with the industry. Some examples include:

- **Investment20/20.** NBEL has signed on as a participant. Investment20/20 is an award-winning sector-led talent service for the investment management industry, providing a platform for our industry to reach and develop capable young people from more diverse backgrounds. Investment20/20 is part of the Investment Association and funded separately by 50+ members, all of whom have a shared mission to develop a healthy and diverse entry-level talent pipeline for our industry. The program focuses on three key areas: accessing talent, recruiting talent and developing talent. As a member of Investment20/20, Neuberger Berman will be encouraged to participate in the organisation's pre-entry programs and take on trainees.
- **#10000BlackInterns.** We are participating in the UK-based effort to help Black students kickstart their career in investment management through six- to eight-week paid summer internships in the London office.
- **CEO Action for Diversity & Inclusion.** Neuberger Berman is a signatory of CEO Action for Diversity & Inclusion, the largest CEO-driven business commitment to advance diversity and inclusion within the workplace.
- ***Financial Times* European Diversity Leaders Survey.** Neuberger Berman was named Diversity Leader in 2022 and 2021 by the *Financial Times* in the publication's annual ranking of European Diversity Leaders.
- **Armed Forces Covenant.** Neuberger Berman is a signatory of the Armed Forces Covenant (UK), pledging support for the armed forces community. The firm also received the Defence Employer Recognition Scheme (ERS) Bronze Award, which recognises organizations that support the armed forces community.
- **McKinsey & Company Workplace Studies.** Neuberger Berman is a participant in the McKinsey & Company Workplace Studies, Women in the Workplace, Race in the Workplace and DE&I in Private Markets in an effort to share our employee data and benchmark our efforts to progress toward gender equality.
- **Institutional Limited Partners Association's (ILPA) *Diversity in Action Initiative.*** Neuberger Berman is a signatory of Institutional Limited Partners Association (ILPA) Diversity in Action Initiative, which seeks to promote diversity, equity and inclusion in the private equity industry.
- **UN Global Compact Agreement.** Neuberger Berman is a signatory of the United National Global Compact and committed to reporting and advancing progress across 10 key principles, including human rights and labour.
- **CFA Institute DEI Code.** Neuberger Berman has become a signatory of the CFA Institute's Diversity, Equity, and Inclusion Code, which provides guidance for the investment industry to embrace and realise diversity, equity and inclusion. DEI Code signatories commit to six principles that seek to drive DEI progress as it relates to the talent pipeline, staff acquisition, promotion and retention, leadership, influence and measurement—all of which are well aligned with our EID framework.

We are also proud to have received awards for our ESG efforts. Three include:

- ***Pensions & Investments'* "Best Places to Work in Money Management".** In 2022, the NB ranked first in *Pensions & Investments'* Best Places to Work in Money Management (among those with 1,000 employees or more). This marked the ninth consecutive year the firm has finished first or second in the rankings (and the ninth year in the top three).

- **Corporate Equality Index.** Neuberger Berman received a score of 100 and earn the designation as one of the Best Places to Work for LGBTQ Equality as part of the Human Rights Campaign Foundation's 2022 and 2021 Corporate Equality Index, the foremost benchmarking survey and report in the US measuring corporate policies and practices related to LGBTQ workplace equality. Neuberger Berman is also a member of the Business Coalition for the Equality Act, supporting passage of the legislation that enshrines civil rights protections for LGBTQ people.
- **Social Mobility Data Collection** we have also recently started to collect self-identified social mobility statistics in select countries to further evaluate socioeconomic diversity at the firm. We plan to expand this program to eligible countries in EMEA as part of our continued commitment to equity, inclusion and diversity.

Looking Ahead

We know it's not enough to talk about ESG ideas, but rather embody them in our own practices. It has been roughly three years since we secured a sustainability-linked corporate revolving credit facility that ties our borrowing cost to our performance against key ESG metrics. Having met those targets for 2020, 2021 and 2022, we remain ambitious in our goals for the coming years to deliver on diversity initiatives and more firmly establish our plans to achieve net-zero emissions. Further, as evidenced by our 2022 developments described earlier, we continue to assess the effectiveness of our structures and processes. We will carry the same commitment to improving into 2023.

Principle 3: Signatories manage conflicts of interest to put the best interests of clients and beneficiaries first

Various EU Directives and UK regulatory rules require asset managers to make necessary specific arrangements in terms of organisation and controls to prevent conflicts of interest and, when they cannot be avoided, to identify, manage and monitor them to avoid damaging clients' interests and, should they arise, disclose these situations to clients.

The UK Stewardship Code, under its third principle, provides that its signatories disclose their conflicts policy and how it has been applied to stewardship arrangements.

This section aims to explain NBEL's approach to conflicts of interest arising from its stewardship, including engagement and proxy voting activities. As an investment management firm, NBEL is authorised and regulated by the Financial Conduct Authority (the "FCA"), and therefore will follow the FCA's regulations when it comes to conflicts of interest.

Neuberger Berman is a private company, owned by employees, ex-employees and some family members. NBEL's objective is always to act in the client's best interest when considering matters that are relevant to stewardship, including voting and engagement. In accordance with FCA requirements, NBEL has established and implemented effective conflicts of interest arrangements that are appropriate to its size and organisation, nature, scale and the complexity of its business. Further details are outlined below, as well as within NBEL's Conflicts of Interest Summary, which can be found on Neuberger Berman's website.

Our Conflicts of Interest Policy

NBEL's Conflicts of Interest Summary sets forth its commitment to always act professionally, and to always keep the best interests of clients and their beneficiaries in mind. NBEL will take appropriate steps to identify circumstances that may give rise to actual and potential conflicts of interest that could entail a risk of damage to clients' interests. In the normal course of business, as in any large financial institution, situations resulting in potential or actual conflicts of interest may arise. There is nothing inherently unethical when they do, subject to compliance with regulatory and legal requirements. However, the abuse of such situations is clearly improper, and NBEL is committed to managing these conflicts of interest to prevent abuse and protect clients, employees and counterparties.

Across Neuberger Berman, employees take reasonable steps to identify any conflicts of interest between the firm—including its managers, employees or other relevant persons—and its clients, or among the firm's clients. Integrity, fairness, impartiality and primacy of clients' interests occupy a leading place in our ethical rules and values. NBEL's Conflicts of Interest Policy is detailed and comprehensive, but this report looks in more detail at NBEL's Stewardship Conflicts of Interest Policy, as described below.

Our Stewardship Conflicts of Interest Policy

Due to the importance of stewardship to our business, NBEL has developed a specific Stewardship Conflicts of Interest Policy. We acknowledge NBEL's 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 and potential conflicts that may give rise to a material risk of damage to the interests of our clients.

NBEL's business is also subject to many of wider Neuberger Berman policies, including, but not limited to, the Code of Conduct, which outlines the legal and ethical framework within which we conduct ourselves, and Code of Ethics, which is designed to ensure NBEL employees put client interests first and conduct their activities in a manner consistent with applicable laws and regulations.

Employees are provided with regular conflicts-of-interest training, including those newly joining the firm, who might not have previous experience with identifying conflicts. Employees are also required to provide regular affirmations of conflict identification to the Compliance Department.

Potential Conflicts of Interest
Key aspects of our Stewardship Conflicts of Interest Policy are set forth below, and are complemented by further information and mitigations provided in our Stewardship Conflicts of Interest Policy, accessible here.

Ownership conflicts
The business of Neuberger Berman is investment management. As Neuberger Berman is privately owned by current and former employees and some family members, we believe its ownership structure generally aligns with clients, and we consider the conflicts of interest that may arise in relation to its ownership to be rare.

Client and prospective client conflicts
NBEL and its affiliates provide a range of investment services to institutional investors, including several pension funds sponsored by corporations, governments and other organisations. These services include proxy voting and engagement activities in accordance with our Stewardship and Engagement Policy with companies in which NBEL and its affiliates clients are equity shareholders and/or bond investors.

As a result, the following real or perceived conflicts may arise:

- We may engage with or vote the shares held in a company that is the sponsor of one of our pension fund clients, or is in the same group as one of our clients or prospective clients.
- We may engage with a government or government body that is the sponsor or associate of the sponsor of one of our clients or prospective clients.
- We may engage with a company that has a strong commercial relationship, including as a service provider, with Neuberger Berman/ NBEL and its affiliates, and/or with clients or potential clients.
- We may vote on a corporate transaction, the outcome of which would benefit one client or prospect more than another.
- We may engage with a company in which certain clients or prospects are equity holders and others are bond holders.
- We may otherwise act on behalf of clients who have differing interests in the outcome of our activities.

Employee conflicts
At the individual level, employees may have a personal relationship with senior members of a company or board members, or personally own the securities of that applicable company in which we invest on behalf of our clients. Where such a personal connection exists, employees are required to disclose this to the Compliance Department, where an evaluation of the potential conflict is made, and relevant action taken. Employees are required to highlight any changes to their personal conflict situations as soon as they arise, and this is complemented through regular employee attestations.

Securities lending conflicts
While NBEL is not currently engaged with securities lending activities, some accounts advised by other Neuberger Berman entities do. Income generated from such activity is retained by the relevant account(s). Neuberger Berman entities do not retain any benefit.

Managing and Monitoring Conflicts
In all our activities, we seek to promote the long-term value and success of the companies in which our clients invest.

Our Compliance Department
Stewardship and engagement activities are exercised with the aim of influencing the company's behaviour and enhancing long-term risk-adjusted returns for its investors. However, these activities are not carried out with the intention to change control of the issuer or obtain non-public information, nor is information obtained intended to manipulate the market or to be used in any other impermissible manner. In the case that material non-public information is obtained through stewardship or engagement activities, our Compliance Department is informed, and restrictions are put in place around the issuer until the information is publicly disseminated. During the application of the information barrier, stewardship professionals or any other member of Neuberger Berman's staff are not allowed to act upon, or share, the non-public material information. The Compliance Department of NBEL requires that all staff certify on a quarterly basis that they have complied with all NBEL's policies and conflict arrangements. Detailed management information outlining completion of every certification is provided to the Conflicts of Interest Committee and Board of NBEL. Where employees identified as either Senior Management Functions or Certification Employees under the FCA's Senior Manager and Certification Regime do not complete this exercise, they are highlighted to a Certification Committee consisting of Compliance, Human Capital Resources and NBEL Chief Executive Officer to consider appropriate action.

Using Objective Assessments

While we welcome client input and suggestions for engagement, all our engagement activities are selected and pursued based on an objective assessment of the severity of the problems faced by the companies being engaged or the opportunities available to them, the likely effect of public policy and regulation, and the likelihood of success in achieving value-enhancing change or mitigating value-destroying change. We give due regard to the value of the company to our clients and the value at risk given the issues in question.

In our engagements with companies that are the sponsors of (or in the same group as) our clients, we are careful to protect and pursue the interests of all our clients by seeking to enhance or protect the long-term value of the companies concerned. In the first instance, we make clear to all pension fund clients with corporate sponsors that we will treat their sponsoring parent or associated companies in the same way as any other company. In addition, we ensure that in such situations the relevant client relationship director or manager within Neuberger Berman or NBEL is not involved with the engagement or proxy voting process. This same approach would hold true with respect to any engagement with a company with whom we, our owners or our clients have a strong commercial relationship, including suppliers. To date, this type of conflict has not been identified, but if it were, it would be disclosed to clients. If we become aware of potential conflicts, they are disclosed as appropriate.

Proxy matters are conducted in the best interests of clients, in accordance with Neuberger Berman's fiduciary duties, and applicable rules and standards as outlined by the Investment Advisers Act of 1940, fiduciary standards and responsibilities for ERISA clients set out by the US Department of Labor, the UK Stewardship Code, the Japan Stewardship Code and other applicable laws and regulations.

In instances where NBEL does not have authority to vote client proxies, it is the responsibility of the client to instruct its ballots. In circumstances where NBEL has voting authority, NBEL will on a best-efforts basis comply with specific instructions to vote proxies, whether or not such client directions specify voting proxies in a manner that is different from NBEL's policies and procedures. NBEL will seek to vote all shares under its authority so long as that action is not in conflict with client instructions. There may be circumstances under which NBEL may abstain from voting, when it believes it would not be in the client's best interests for reasons such as the presence of share-blocking requirements or meetings in which voting would entail additional costs.

Clients and internal investment teams may at times have different immediate interests in the outcome of certain corporate activities, most notably in the result of a takeover bid involving two public companies. In addressing such situations, we are open with clients about the conflict and disclose it where practically possible. Written communications would be entered into with the client as applicable, in accordance with FCA rules.

Proxy Voting Guidelines and Proxy Committee

As in other cases, through our company engagements and voting recommendations, we give greater consideration to the long-term value that could be created or is at risk of being destroyed for our clients than to the financial effect of a deal for any one client. For our internal investment teams, our Proxy Voting Guidelines serve to inform their assessment. However, they will make their final judgement independently with a view to their fiduciary obligations to their clients. In the event that a portfolio manager or other investment professional at Neuberger Berman believes that it is in the best interest of a client or clients to vote proxies other than as provided in Neuberger Berman's Voting Guidelines, the portfolio manager or other investment professional will submit in writing to the Proxy Committee the basis for his or her recommendation. The Proxy Committee will review this recommendation in the context of the specific circumstances of the proxy vote being considered and with the intention of voting in the best interest of our clients.

See the following links: Governance and Proxy Voting Guidelines and Proxy Voting Policies and Procedures.

The Proxy Committee has designated responsibility for:

- Developing, authorising, implementing and updating Neuberger Berman's proxy voting policies and procedures
- Administering and overseeing the governance and proxy voting processes
- Engaging and overseeing any third-party vendors as voting delegates to review, monitor and/or vote proxies

The Proxy Committee consists of senior management from across Neuberger Berman, including the Chief Investment Officer—Equities, the Head of Global Equity Research, the Global Head of ESG and Impact Investing, senior portfolio managers, and a senior member of the Legal and Compliance Department who will advise on matters as they arise. If one of more members of the Proxy Committee are not independent with respect to a particular matter, the remaining members of the Committee shall constitute an ad hoc independent sub-committee, which will have full authority to act in the event of a conflict.

Views regarding corporate governance and engagement, and the related stewardship actions, are led by our ESG Investing Team, in consultation with investment teams and professionals in the Legal and Compliance Department and the Global Equity and Fixed

Income Research groups, among others. These insightful, experienced and dedicated groups enable us to think strategically about engagement and stewardship priorities.

Conflicts of Interest Are Reviewed

Glass Lewis, the proxy voting administrator, will vote proxies in accordance with the Neuberger Berman Voting Guidelines, or in instances where a material conflict of interest has been determined to exist, as recommended by a preselected independent third party. NBEL believes that this process is reasonably designed to address material conflicts of interest that may arise in conjunction with proxy voting decisions.

Potential conflicts considered by the Proxy Committee in determining whether to deviate from Neuberger Berman's Proxy Voting Guidelines include:

• A material client relationship with a corporate issuer under consideration

• Personal or business relationships between portfolio managers and an executive officer, director or director nominee of the issuer

• Joint business ventures

• A direct transactional relationship between the issuer and senior executives at Neuberger Berman

Where an investment professional believes that it is in the best interest of a client or clients to vote proxies in a manner which is inconsistent with Neuberger Berman Voting Guidelines, then the investment professional must complete a formal questionnaire in order to provide further rationale to the Proxy Committee for consideration and to determine whether there is a material conflict of interest created in respect to the voting of the proxy in the requested manner. The Proxy Committee will then determine its own recommendation.

In addition to the measures set forth above, all staff members must flag to their line managers any potential conflict of interest they recognise. We also have policies that seek to avoid any potential conflicts for individual staff members of NBEL that arise from engagements with companies in which individuals have personal investments or some material personal relationship with a relevant individual. Where a staff member has a personal connection with a company, they are required to make the necessary disclosure, and are not involved in any relevant engagement activities undertaken by NBEL.

As part of Neuberger Berman's efforts to address and mitigate potential conflicts of interest, it has formed a committee comprised of Chief Investment Officers, Chief Risk Officer, members of Neuberger Berman's Legal and Compliance Department, including Neuberger Berman's Chief Compliance Officer and General Counsel – Asset Management, and the Head of our Asset Management Guideline Oversight function. This committee generally meets quarterly to review the following, among other things: (i) investments by the Funds and other accounts advised by Neuberger Berman or its affiliates in other funds or other pooled investment vehicles (e.g., UCITS funds); (ii) asset allocation decisions, including decisions to allocate assets to internal portfolio managers (e.g., the allocation to a sleeve of a multimanager fund); and (iii) compliance with Neuberger Berman Investment Advisers policy on side-by-side accounts. (This review focuses on trade allocation and rotation, a full holdings review, IPO allocation and performance review.)

Recording and Escalation

We maintain details of instances of conflicts as they arise in respect to proxy voting and engagement matters.

In those limited circumstances where a conflict over our approach to providing voting recommendations (aside from that directed by third-party/client-specific policies) or engagement arises that is not amenable to resolution in the manner set out above, the matter is referred to those members of the Proxy Committee not deemed conflicted. They would form a separate sub-committee to consider appropriate further action. The group is guided by Neuberger Berman's mission to deliver long-term holistic returns, our published Responsible Ownership Principles, voting policies and other appropriate industry-endorsed guidance. Such instances would be documented and reported to the Risk and Compliance Committee, which is a separate sub-committee of the NBEL Board.

Annual Review
Consistent with the firm's active management strategies, Neuberger Berman professionals remain informed of trends and best practices related to the effective fiduciary administration of proxy voting, engagement and stewardship. Neuberger Berman will revise its Proxy Voting Guidelines and engagement policies when it determines appropriate or when we observe the opportunity to materially improve the economic outcome for clients. Additionally, we will regularly undertake reviews of selected voting and engagement cases to better learn how to improve monitoring of our portfolio companies and the effectiveness of our stewardship activities.

We review the Stewardship Conflicts of Interest Policy annually, or at any point outside of that period where we identify a material change, to ensure it adequately reflects the types of conflicts that may arise so that we can ensure that they are appropriately managed and as far as possible mitigated.

Case Study One
Potential conflict: We have been approached by several non-governmental organisations to support their agenda and engagement with select companies in which NBEL invests on behalf of its clients. This may cause a conflict of purpose between their agenda and the best interests of our clients more generally.

How it would be addressed: While we welcome dialogue with broader stakeholders and subject matter experts, our investment decisions including our proxy votes are based on our own independent analysis of companies, and an assessment of what is in our own clients' best interests.

Case Study Two
Potential conflict: A director of Neuberger Berman may serve as a director of a company into which Neuberger Berman has also invested on behalf of its clients. Being an investor and also serving on the board of the company potentially presents a conflict of interest for the director and Neuberger Berman.

How it would be addressed: If our Voting Guidelines do not address a certain voting situation, such as a contested election, Neuberger Berman would defer to a preselected independent third party (for example Glass Lewis) to vote our shares.

This type of potential conflict occurred in 2021. A director of Neuberger Berman served as a director of a company into which Neuberger Berman had also invested on behalf of its clients. In 2021, the company was subject to a proxy contest where the director's re-election was being contested. The Proxy Committee determined that a conflict existed and that we could not exercise our voting discretion. As a result, in accordance with our Conflicts of Interest policy, we deferred to a preselected independent third party to vote our shares.

Case Study Three
Potential conflict: An issuer may be held across multiple Neuberger Berman investment teams through different asset classes (e.g., through asset-backed securities and public equities).

How it would be addressed: We mitigate potential conflicts through promotion of transparency and open communication via mechanisms such as posting engagements on shared calendars, having the Legal and Compliance Department review written correspondence with issuers, such as letters to ensure consistency with Governance and Engagement Principles, and notifying key holders as appropriate. The Proxy Committee must approve any proxy vote that is inconsistent with Neuberger Berman's Proxy Voting Guidelines.

Case Study Four
Potential conflict: From time to time, Neuberger Berman will invest a client's investments into its own affiliated funds. This takes place based on the idea that the investments are in the best interest of the client, and meet that client's investment restrictions and guidelines.

How it would be addressed: As part of Neuberger Berman's efforts to address and mitigate potential conflicts of interest, it has formed a committee comprising Chief Investment Officers, the Chief Risk Officer, members of Neuberger Berman's Legal and Compliance Department, including Neuberger Berman's Chief Compliance Officer and General Counsel – Asset Management, and the Head of our Asset Management Guideline Oversight function. This committee generally meets quarterly to review the following, among other things: (i) investments by the funds and other accounts advised by Neuberger Berman or its affiliates in other funds or other pooled investment vehicles (e.g., UCITS Funds); (ii) asset allocation decisions, including decisions to allocate assets to internal portfolio managers (e.g., the allocation to a sleeve of a multi manager); and (iii) compliance with Neuberger Berman Investment Adviser's policy on side-by-side accounts (this review focuses on trade allocation and rotation, a full holdings review, IPO allocation and performance review).

Case Study Five

Potential conflict: There are instances where we may determine to vote proxies in a manner which is inconsistent with Neuberger Berman Voting Guidelines. For example, in accordance with our Proxy Voting Guidelines, we generally believe a corporate board should identify and appropriately address financially material risks to the company's business fundamentals and to its long-term sustainable growth, including but not limited to ESG issues. If a board does not meet these expectations, we may hold the chair of the governance committee accountable.

This was the case at a large multinational distribution and outsourcing company in 2022. However, after engaging with the company, one of our investment teams believed it was appropriate to support the director's re-election at the April 2022 meeting. In response to our engagement with the company regarding our expectations, the company has committed to formally incorporate material ESG matters into board oversight responsibilities, either at the full board or committee level. As described above, where an investment professional believes that it is in the best interest of a client or clients to vote proxies in a manner that is inconsistent with Neuberger Berman Voting Guidelines, then the investment professional must complete a formal questionnaire to provide a further rationale to the Proxy Committee for consideration and to determine whether there is a material conflict of interest in respect to voting the proxy in the requested manner.

How it was addressed: Portfolio managers from various investment teams across Neuberger Berman invested in this company met with the Proxy Committee to discuss the merits of the proposal and any views teams had regarding the director. The Proxy Committee determined it was in our clients' best interests to support the re-election given the company's commitment to formally incorporate material ESG matters into board oversight responsibilities, either at the full board or committee level. Further, the Proxy Committee with support from portfolio managers decided to publish our vote and rationale in advance of the meeting date to clearly explain the reasoning behind our voting decision.

Principle 4: Signatories identify and respond to market-wide and systemic risks to promote a well-functioning financial system

As a global asset manager, identifying and monitoring market-wide and systemic risks is foundational to our ability to serve our clients. We've developed an enterprise risk assessment framework to identify, monitor and manage risk that allows the organisation to operate even under stressed conditions that may arise from material systemic or market events. These risks can vary in type, scope and severity—from macroeconomic risk to liquidity risk to physical climate risk.

We recognise that we have a vested interest in improving the functioning of capital markets as a whole. We believe encouraging the broader implementation of sound stewardship and ESG investing activities is an important part of this effort. In our view, this can best be achieved through policy advocacy and by working collaboratively with clients and others in the investment industry given the often non-diversifiable nature of market-wide and systemic risks. As policymakers play a crucial role in maintaining and enhancing the sustainability and stability of financial markets, we proactively engage with them on the key jurisdictions in which we invest and operate.

Our Enterprise Risk Framework

Our risk management framework is crucial to our efforts in identifying and managing market-wide and systemic risk. Enterprise risk assessment is intertwined with the investment process, and we have implemented an effective framework to identify, monitor and manage risk that allows the organisation to operate even under stressed conditions that may arise from material systemic or market events. We identify enterprise risk across five pillars:

FIVE PILLARS OF ENTERPRISE RISK

Strategic Risk			Financial Risk	Investment Risk	Operational Risk	Regulatory Risk
Client Platform	**Product Offerings**	**Human Capital and Culture**	**Financial Strength**	**Investment Risk**	**Operating Platform**	**Legal/Regulatory Regime**
Adequacy of client activity to support the target platform footprint	Ability to innovate, maintain and scale competitive and sustainable strategy offerings	Ability to attract and retain talent who embody our business principles	Ability to invest in the business over the long term, maintain a range of equity value/yield to equity owners and meet financial obligations	Potential for portfolios to be negatively affected by market risk factors, active risks or liquidity events	Ability to provide proper operational and technological support and protection for the firm's internal and external activities	Exposure and risk of non-compliance to laws, rules, regulations, contractual obligations, prescribed practices or ethical standards

Risks are identified for each pillar, and each risk is assessed on the basis of quantitative or qualitative measures. Assessment of enterprise risks focuses leadership across business segments and informs committee and board-level oversight needs. While some underlying specific risks might be the particular focus of a function, sustainability-related risk, including climate risk, is one which is assessed throughout the lifecycle of products and cross-functionalities.

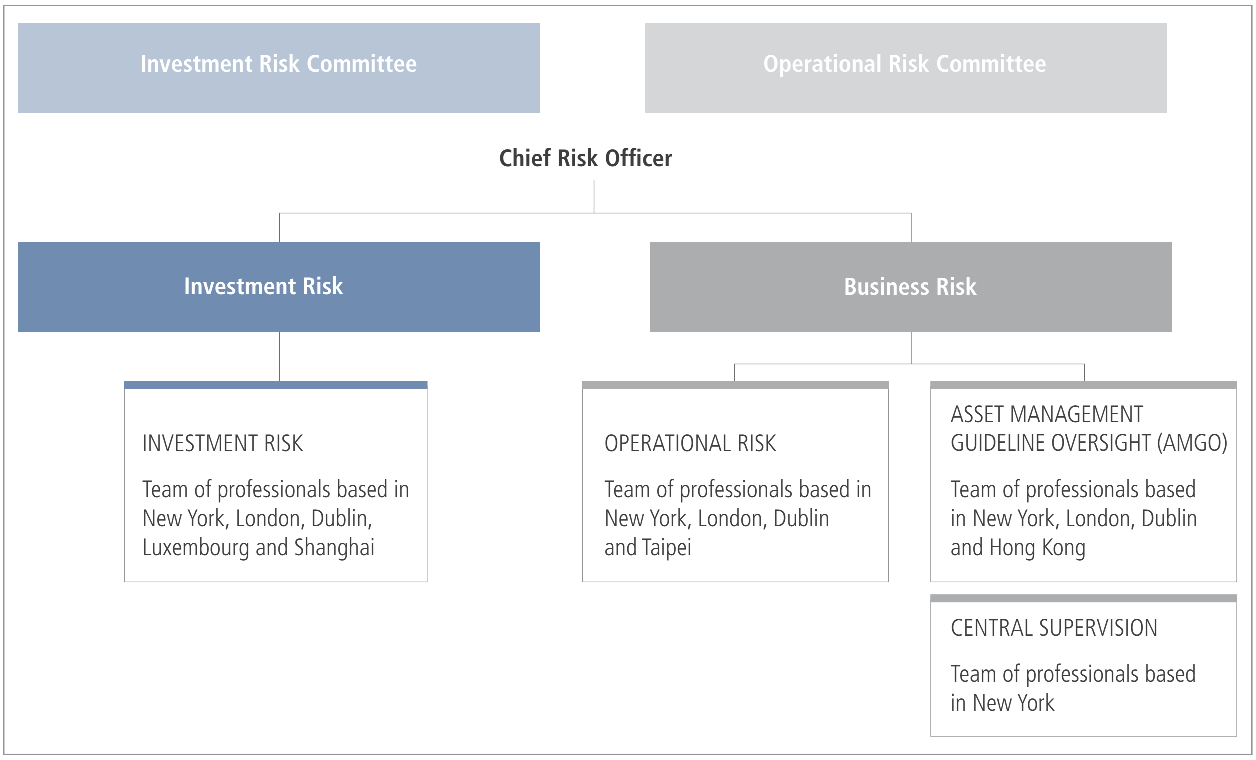
Our enterprise risk management framework and related risk pillars continue to be measured, monitored and assessed to ensure that the framework remains fit and allowing the firm to perform at a high level and maintain our stewardship standards during stressed periods.

In terms of structure, our Chief Risk Officer manages the Risk Group, a dedicated and independent risk group which comprises investment risk and business risk functions. The Risk Group includes four key teams:

- Investment Risk is engaged in the independent identification and measurement of risk exposures within and across portfolios to assist portfolio managers in seeking portfolio returns through intended risk strategies and not by unintentional assumptions of risk.
- Operational Risk coordinates with portfolio management and support and control units in an effort to ensure that operational risks are proactively identified, assessed and mitigated appropriately.

- Asset Management Guideline Oversight (“AMGO”) is an independent supervisory group whose mission is to monitor compliance with client investment guidelines, mitigate potential financial loss from guideline breaches and trade errors, maintain consistency of guideline monitoring across asset classes, seek to ensure the integrity of the process and provide monitoring support to the overall portfolio management process.
- Central Supervision performs independent supervisory reviews with a focus on monitoring investment suitability. The team’s responsibilities include reviewing client suitability for investments, new client accounts and changes to existing client accounts, among other control functions.

The investment risk and operational risk functions are supported by our Investment Risk Committee (“IRC”) and Operational Risk Committee (“ORC”), respectively. The role of these governance committees is to sustain a culture of risk awareness propagated through broad divisional senior management participation, with a goal of protecting the firm’s clients, reputation and financial well-being. The Chief Risk Officer serves as the chair of the IRC and a voting member of the ORC.



Identifying and Monitoring Market-Wide and Systemic Risks

Market-wide and systemic risks are important considerations in our investment processes. As an active manager, we continuously identify macro risks and then consider the impact they have on our operations and investments. Risks such as interest rate risk, foreign exchange risk, inflation, employment rates and the impact of climate transition, are incorporated into our research and investment processes.

Our enterprise risk management framework is embedded in our investment processes and designed to identify various forms of established or rising risks, such as interest rate risk, credit risk, currency risk and climate risk on a global basis. To that purpose, the Investment Risk team engages in the identification and measurement of risk exposures within and across portfolios. As part of this process, it employs data from external sources and leverages the insights gleaned from portfolio managers and analysts across market sectors, to foster a comprehensive and dynamic view of current and future risk patterns.

The Investment Risk team employs multiple levers to identify and respond to market and systemic risks. On an ongoing basis, it watches market indicators and assesses large market movements affecting strategy and firmwide exposures; it employs strategy- and firm-level dashboards to surface trends, and it conducts market scenario analysis and stress-testing where needed. The team also monitors volatility-related data and performs deep-dives into unexpected risk/return profiles should they arise at the portfolio level. The impact of volatility on liquidity is a key aspect of this process, and may trigger more frequent dialogue with portfolio management teams.

In terms of macro risks, engagement with portfolio managers provides a rich source of data and is a crucial tool to ensure that exposures are well within parameters acceptable to the firm and its clients. Each portfolio strategy has dedicated risk analysts to perform ongoing oversight, and the Investment Risk team has regular reviews with portfolio managers of their general risk profiles and periodically may conduct thematic discussions with those managers and their teams to proactively address risk issues.

Importantly, although some risks such as leverage, interest rates and defaults can be monitored and assessed on an ongoing basis, others may be far less predictable, particularly geopolitical events that may, nonetheless, have serious implications for economies, markets and investors. As such, it is crucial to have the ability to work quickly amid such events to identify exposures, escalate communications and seek to contain exposures—something our global, organised risk management structure and procedures are designed to do.

Below, we provide a few examples of risks that we identified in 2022. They illustrate the ongoing interactions and collaborations across our organisation, including between the frontline and the broader support and controls groups, and how we have aligned our investments accordingly.

Geopolitical Risk: Russia's Invasion of Ukraine

Russia's invasion of Ukraine in February 2022 was a surprise to many, despite elevated tensions between the two countries. Since then, the human and economic costs of the war have escalated, and the outcome of the war remains uncertain. Developed nations including the US, EU and UK condemned the attack, and many took swift action to impose economic sanctions on Russia, including banning the export of their oil and gas ceasing trading activities, and imposing sanctions on Individuals and companies, adding to stresses on the geopolitical environment. The consequences of this war are still evident, including its impact on global inflation, which was already elevated. This helped prompt central banks to continue increasing interest rates to levels not seen in years.

On the back of the invasion, Neuberger Berman implemented its material market event protocol, and most functions at the firm were required to deal with new risks.

Several challenges arose that required action on our part to ensure alignment with our fiduciary duty to clients and continued compliance with all regulations:

- **General actions:** When tensions escalated ahead of the invasion, we monitored our overall exposure to Ukraine and Russia. As a result of the sanctions imposed and in order to comply as soon as practical (and with those markets not accessible anymore), investment teams, Operations, Compliance and Risk functions worked on acceptable solutions to exit positions or cease relationships with potential sanctioned individuals invested with us, while dealing with an overall market-stressed environment.
- **Daily valuations:** With the suspension of Ukraine markets and access to Russia local markets, we needed to assess our remaining assets for fair valuation on a daily basis. The firm implemented a daily valuation process which was applied consistently across our portfolios and overseen by our Investment Risk team. Insights gleaned from this process prompted us to increase our liquidity buffers while daily monitoring prevented the need to invoke emergency liquidity tools.
- **Communications with clients, fund and entity boards, and regulators:** Significant market events usually involve more queries from clients. The firm used its established communication channels to update investment views and solutions including assessing the impact of those events from a sustainability and ESG perspective. In addition, the Investment Risk team provided regular updates to senior management on our investment exposure as well as how secondary effects were evolving and their potential effects on the business. Importantly, we remained engaged with relevant regulators on firm exposures and overall resilience.
- **Cyber risk:** Cyber risk became elevated with the conflict. As a result, employees were made aware of the heighten risk and the frequency of spam and phishing testing was increased.
- **Scenario testing:** Finally, with the war's triggering of a market regime shift, we continued our ongoing investment risk scenario testing program. These stress tests include scenarios with different inflation and growth assumptions as well as varying geopolitical escalations.

Case study: Sovereign Debt Investment Implications of Russia's Invasion of Ukraine

Through the NB Sovereign ESG Quotient, our Sovereign Debt team assesses sovereigns in relation to various ESG risks. We conducted a reassessment of Russia following the invasion of Ukraine. Deterioration in various areas, including the rule of law, voice and accountability, trade openness and investment freedom, resulted in the country moving to the bottom decile among more than 150 emerging and advanced economies that we monitor. We structurally limit exposure to sovereign issuers at the bottom decile and accordingly divested Russian sovereign exposure in subsequent months unless otherwise instructed.

Market Risk: UK Liability-Driven Investment Crisis
In September 2022, the UK government proposed a new budget that significantly affected the GBP currency and gilt markets, requiring the Bank of England to intervene via targeted UK government bond purchases to calm markets. One area of impact was to pensions' liability-driven investment (LDI) hedges and their unexpected margins and collateral calls, which forced those plans to sell liquid assets in stressed conditions.

Although Neuberger Berman does not offer or manage LDI products, nor does it have UK-only product offerings, we do have a program of daily market-to-market currency hedging that includes share classes and portfolios hedged back to GBP.

Our daily counterparty processes, performed by a dedicated Global Operations team and overseen by the Risk team, allowed us to perform intraday assessments and further stress scenarios on market-to-market, including the ability to action any decision for future margins calls or enhanced collateral. This included the ability to diversify exposure with additional counterparties and adapt liquidity cash buffers in areas of potential risk.

Overall, this event did not have a material impact to our operations or ability to steward our client's assets. Nonetheless, it is a reminder of how political events can have material impacts on financial markets.

Climate Risk
At Neuberger Berman, we believe the extent and impact of climate change on our economies and societies can be affected by decisions made by consumers, businesses and policymakers. We believe that introduces two types of risk to the broad economy and individual businesses: physical risk (such as risk to real estate and infrastructure assets from extreme weather events and rising sea levels); and risk associated with the policy goal of transition to a low-carbon economy (such as the risks that changes in policy, regulation, consumer behaviour and technology pose to certain products, services and business models).

Climate change is already having an impact, and policymakers are signalling both intent and timeframe for the transition. The US Inflation Reduction Act (IRA) could close two-thirds of the gap between previous emissions policy and 2030 targets. And while the European Union's efforts may be hampered by a lack of centralised compulsion and financing, its Green Deal Industrial Plan (GDIP) is an ambitious attempt to maintain the bloc's green-transition leadership and persuade sustainable business to stay in Europe.

Our clients are increasingly cognisant of these risks and opportunities and eager to know how we integrate them into our investment processes. Many seek to partner with us to develop those processes. They know a deeply complex transition is underway that will create winners and losers among businesses, sectors and regions—and they recognise that this can affect all asset classes, across both public and private companies in their portfolios. Below, we explain how we seek to address climate risk in our investments. For further information on how we assess the impact of climate risk on our operations, please see our Task Force on Climate-related Financial Disclosures (TCFD) Report.

Leveraging Stewardship and Research Tools to Address Climate Risk

1. Data and Assessment Tools:
We have developed proprietary climate-related analytical tools appropriate for each asset class—from listed equities and corporate fixed income to sovereign bonds and private market investments. As a fundamental, research-driven investor, our analysis begins with data from sources such as corporate reporting, third-party data, proprietary data and "big data". Additionally, many of our tools integrate qualitative insights from our investment and research teams; and, ultimately, investment decisions are always made by investment professionals, informed by climate-related data and balancing climate risks and opportunities with traditional factors. We believe that, while backward-looking metrics such as carbon footprint and intensity are important, robust quantification of climate risk should go beyond those metrics and seek to capture forward-looking real-time insights. The figure below identifies the suite of backward- and forward-looking tools we utilise.

MEASUREMENT AND ASSESSMENT TOOLS TO ASSESS CLIMATE RISKS AND OPPORTUNITIES

MEASURING PROGRESS

Carbon Emissions	Climate Solutions	NB ESG Quotient & Controversy Monitoring	Climate VaR	Net-Zero Alignment Indicator	Engagement
• Carbon intesity • Apportioned/Carbon footprint • Scope 1, 2 and 3	• EU taxonomy alignment • Avoided emissions	• Proprietary NB ESG Quotient measures environmental factors where material at the sub-sector level • Media monitoring identifies climate-related controversies	• Climate VaR is a company- and sector-level risk measure broken out into transition risk and physical risk	• Proprietary framework generates a foward-looking view on each company's climate transition readiness	• Ongoing systematic engagement provides a platform to advise companies on strategies and objectives to mitigate risk and advance opportunities related to climate transition

BACKWARD-LOOKING | FORWARD-LOOKING

2. Engagement:

We also see a critical role for engagement, as both shareholders and bondholders. We believe companies that have lower carbon emissions today may face lower levels of climate risks, but we recognise that the transition to a low-carbon economy will require an evolving mix of new and legacy technologies and expertise, implying a need to stay invested in high-emitting companies as long as they commit to engaging with capital providers on credible decarbonisation plans. We use engagement as a tool to mitigate exposure to transition and physical risks by encouraging issuers to enhance disclosures, evaluate their practices, and make changes to mitigate potentially material risks where necessary. Below we provide an overview of our climate engagement and stewardship efforts in 2022.

CLIMATE ENGAGEMENT MEETINGS

	Total Engagement	Green Opportunities	Climate Risk Management	Climate Reporting	Physical Risk
Public Equity	901	454	251	151	45
Fixed Income	1,276	433	393	406	44

Key Climate Stewardship and Engagement Efforts:

- In the 2022 proxy season, we published our voting intentions along with our rationales on proposals at 63 shareholder meetings through NB Votes, our advance proxy-voting initiative. Of these, nine vote intentions related to material climate-related topics.
- We are a lead investor in the Climate Action 100+, a five-year initiative coordinated by the UN-backed Principles for Responsible Investment and other groups, and lead engagement with a large aerospace company through the initiative.
- As part of our efforts to consider "Principal Adverse Impacts" under the Sustainable Finance Disclosure Regulation (SFDR), we engaged in a mass letter campaign directed to issuers where we lacked critical data, including emissions data, requesting that they disclose this information.
- Neuberger Berman engages with private equity managers on a range of ESG topics including climate-related topics. We encourage greater disclosure of climate-related data such as carbon emissions. We also serve as a platform to disseminate knowledge and education related to net-zero initiatives and implementation considerations.

3. Partnerships and Collaboration:
Our research and engagement on the topic are further informed by a number of collaborations with organisations such as the Transition Pathways Initiative (TPI), Science-Based Target Initiative (SBTi) and participation in the Climate Action 100+ campaign, which are discussed in greater detail in Principle 10.

4. Intersecting and Emerging Risks:
We are careful to acknowledge that climate change and its attendant financially material effects should not be considered in a vacuum. This means weighing those effects against other, more traditional investment risks. But it also means recognising the intersections between climate change and other global social and environmental challenges, such as the threat to biodiversity. As the effort to avert the worst impacts of climate change gathers steam, these wider challenges are also likely to become more financially material within investment portfolios.

Assessing Climate Risk in Our Investments Across Asset Classes
Climate considerations are becoming more important for investors across asset classes. For this reason, we have developed proprietary climate risk and opportunity assessments that are appropriate for the asset class. We distinguish our ESG philosophy by process-focused investing and outcome-focused investing. For process-focused investing strategies, such as our ESG-integrated strategies, the conclusions drawn from each assessment can be used by portfolio managers to more accurately price securities in their investment selection process. In doing so, they can construct more resilient portfolios that can help protect client value over the long term. For outcome-focused investment strategies, where our clients specifically seek to achieve climate or sustainability outcomes alongside financial returns, we continue to be dedicated to launching innovative investment strategies to meet their objectives. In pursuit of this, we have developed processes that measure positive outcomes for climate mitigation and adaptation. Ultimately, there is no one-size-fits-all response to the climate transition; each portfolio manager uses the suite of risk and opportunity assessment tools available to them to make decisions that fit their individual investment and sustainability objectives.

Listed Public Equity and Corporate Fixed Income
In equity markets, investors face the risk of losing their entire invested capital. However, they can also participate in upside by investing in companies that are effectively transitioning their business models to net zero or delivering climate solutions. In credit markets, while investors will typically see a return of some principal in the event of a default, credit risk can increase after an acute event such as a hurricane or flood damages corporate assets, impairs cash flows, and thus a corporate's ability to service debt.[1]

Scenario Analysis: Assessment of Climate Value at Risk (CVaR)
We have implemented top-down scenario analysis for modelling transition and physical risks at the company level in line with the recommendations of the TCFD called CVaR. CVaR provides a framework for identifying climate risk and to assist in understanding how issuers can shift their operations and risk practices over time. This scenario analysis currently focuses on listed public equity and corporate-issuer fixed income holdings in the firm's US mutual funds and international UCITS range. The output of the analysis considers transition risks, from both policy and technology changes related to the transition to net-zero emissions and physical risks, including acute weather events and chronic changes in climate patterns. Security-level estimates can be aggregated at the portfolio level, which helps portfolio managers understand CvaR for their portfolios. All scenario analysis is dependent on top-down assumptions that need to be contextualised for individual issuers and portfolios. As such, we believe that scenario analysis should serve as a starting point for further bottom-up analysis and the identification of potential climate-related risks to address through issuer engagement.

Net-Zero Alignment Indicator
To enable more robust bottom-up assessment, we built the Net-Zero Alignment Indicator, which is considered at both the portfolio and security levels across net-zero-committed listed equity and corporate fixed income portfolios. The indicator is designed to assess a company's net-zero transition readiness, and hence its ability to mitigate climate risks. The indicator includes multiple quantitative data points from both traditional ESG data providers and specialised climate data sets, as well as real-time insights from both our credit and equity research analysts. In particular, it is:

- Adaptable by allowing for the constant addition of new factors and data sources, as well as allowing qualitative analyst overrides
- Sector-specific with the ability to build custom models with sector-specific data points
- Integrated throughout our ESG Investing platform to support engagement and new product development

[1] Basel Committee on Banking Supervision, "Climate-related risk drivers and their transmission channels", 2021.

Sovereigns
Climate risks are as important to assess for sovereign issuers as for corporate issuers. For sovereigns, the effects of physical risk are particularly relevant and primarily transmitted through lower tax revenues—as a result of impaired corporates or households—and increased spending to fund adaptation measures.[1] We believe that an effective approach to assessing sovereign sustainability needs to be forward-looking, surmount the challenges of data limitations and be comparable to corporate sustainability measures. We measure climate risks and opportunities for sovereigns through a variety of tools, including the NB Sovereign ESG Quotient and NB Sovereign Sustainability Assessment.

NB Sovereign ESG Quotient
The NB Sovereign ESG Quotient applies to all emerging and developed-market sovereigns and includes eight environmental indicators that make up a combined 20% weight of the quotient. The environmental indicators include energy efficiency, climate adaptation, carbon emissions per GDP, carbon emissions trend adjusted for the economic cycle, amongst others.

NB Sovereign Sustainability Assessment
We also deploy a NB Sovereign Sustainability Assessment. Leveraging Notre Dame Global Adaptation Initiative Index scores, we measure sovereigns' projected vulnerability to climate risks across six categories—food, water, health, ecosystem services, human habitat and infrastructure—and readiness across three key categories: economic, governance and social. Through this analysis, our portfolio managers can gain a better understanding of the risks to sovereigns that will be exacerbated by climate change, such as overcrowding, food insecurity, inadequate infrastructure and civil conflict.

Private Markets and Alternatives
A key benefit of private markets is that they afford investors the opportunity to benefit from climate upside by investing in earlier-stage climate solutions. The private equity industry also tends to invest in lower-carbon industries (e.g., technology and healthcare), which helps mitigate transition risk. However, the ability to mitigate transition risk differs between general partners (GPs), which tend to take controlling stakes in their targets, and thus have direct influence over climate-related decisions, and limited partners (LPs), which exert their preferences mainly through capital commitments and engagements with GPs. In addition, carbon data availability is limited compared to public markets. Within NB Private Equity,[2] we apply a materiality-based assessment to conduct targeted climate risk analysis for certain direct investments. We have a systematic approach for identifying direct investments for which we would conduct our climate risk analysis, which is primarily focused on physical risk, but in some instances includes transition risk. NB Private Equity continues to work toward more comprehensive climate analysis over time by requesting carbon emissions metrics from private equity primaries, co-investments and select secondaries investments, and engaging with GPs on climate-related topics. Engagement remains a key means to encourage greater awareness, disclosure and action on climate risk by private equity managers.

Promoting Continued Improvement of the Functioning of Financial Markets

An important way we promote a well-functioning financial system is by commenting on policy and regulatory topics ranging from sustainability-related disclosures to the global alignment of reporting requirements through formal letters to domestic and foreign financial regulators and responding to policy consultations on ESG topics.

We also find it helpful to be an active member in certain industry groups to debate and share our views on emerging issues. We are therefore members of several trade associations across jurisdictions, including the Investment Association (IA), the Investment Company Institute (ICI), the Securities Industry and Financial Markets Association (SIFMA), the Council of Institutional Investors (CII) and US SIF. In order to ensure that our memberships do not conflict with Neuberger Berman's ESG Policy, our ESG Committee reviews our memberships on an annual basis.

[1] Basel Committee on Banking Supervision, "Climate-related risk drivers and their transmission channels", 2021.
[2] "NB Private Equity" consists of Private Equity Investment Portfolios and Co-investment Platform and Private Equity Secondary Platform.

Throughout 2022, we engaged on emerging sustainability-related reporting standards and ESG disclose requirements for asset managers, as described in the examples below.

The International Sustainability Standards Board's Global Framework	As a global investment manager, we have long advocated for a more harmonised international framework for sustainability standards. As a result, in December 2020, we advocated to the IFRS Foundation for the formation of a Sustainability Standards Board (now the ISSB), and in July 2022, we submitted a comment letter on the ISSB Exposure Draft IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information and the Exposure Draft IFRS S2 Climate-related Disclosures. In our letter, we shared our view that the ISSB exposure drafts will provide investors with critical information needed to adequately assess sustainability information, thereby improving the efficiency and transparency of capital markets.
The Financial Conduct Authority Sustainable Disclosure Requirements	Neuberger Berman responded to the FCA's CP22/20 on Sustainability Disclosure Requirements (SDR) to express our support for the introduction of a deliberate labelling system. We believe a clear labelling regime will provide clarity to the market and is likely to address greenwashing concerns in an effective way. We also highlighted that given asset management is a cross-border business, interoperability between labelling and disclosure regimes is crucial, especially if SDR is to apply to overseas funds.
US Securities and Exchange Commission proposed rules on Climate-related Disclosures	In June 2022, we filed a comment letter on the SEC's proposed rules on the enhancement and standardisation of climate-related disclosures for investors. In our response, we explained that the lack of required high-quality, comparable, decision-useful information on material climate-related information has made it difficult for investors to analyse risk and efficiently allocate capital to companies that can generate strong long-term financial returns. We believe the proposed rule would improve transparency and provide investors with critical information needed to adequately assess climate risk.

Our Role in Relevant Industry Initiatives

As long-term investors and stewards of our clients' assets, we participate in industry initiatives that will increase transparency, protect investors, and foster fair and efficient capital markets. In addition to our own research efforts, we believe partnering or liaising with peers, clients, issuers and third-party experts on market-wide and systemic risks is an effective and necessary approach given the collective action needed to adequately address them. Highlights of our participation in various initiatives and collaborative efforts are included below and discussed further in Principle 10.

United Nations Principles for Responsible Investment ("UN PRI")	Neuberger Berman continued to actively contribute to the PRI's work by participating in its Global Policy Reference Group ("GPRG"), where we share expertise and insights on ongoing policy and regulatory issues. In addition, as members of the Investor Reference Group on Corporate Reporting, we shared our views regarding emerging reporting frameworks on ESG-related data, including the ISSB global baseline and the EU's Corporate Sustainability Reporting Directive ("CSRD").
Asian Corporate Governance Association ("ACGA")	Our Portfolio Manager of Japanese Equities assumed the role of the Chair of the Japan Working Group ("JWG") of the ACGA in 2021. The Group consists of approximately 111 asset owners and managers with a combined assets under management of US$40 trillion and aims to support the improvement of corporate governance across companies in Japan. The role of the Chair involves managing the Group's mid-term strategy, which includes collaborative engagements with key institutions in Japan's investment chain, including companies, and in the future, regulators and industry associations. The Chair will also be supporting ACGA's thought leadership initiatives such as publishing open letters and white papers on key issues related to Japan's corporate governance.
Investment Association ("IA")	Throughout 2022, Neuberger Berman was an active member of the IA's Stewardship Committee, which seeks to promote and enhance asset managers' role as long-term responsible investors on a wide range of material risks and ESG issues while supporting a coherent regulatory environment for stewardship and corporate governance. We are also members of the IA's Climate Change Working Group, which brings together expert members to develop and propose industry positions and recommendations in relation to climate change. This includes developing industry positions to support the transition to net zero and industry action in alignment with the goals on the Paris Agreement.
International Sustainability Standards Board's ("ISSB") Investor Advisory Group ("IIAG")	As a member of the IIAG, we support the ISSB in developing the global baseline for sustainability reporting by providing feedback on the technical and practical aspects of the standards from an investor point of view. By responding to public consultations and surveys launched by the ISSB, we have supported the ISSB's focus on financial materiality and the ability it provides for jurisdictions to go beyond the baseline through building blocks.

Evaluating Our Effectiveness in Identifying and Responding to Market-Wide and Systemic Risks

We believe enterprise risk management framework and related governance structures have been effective in our efforts to identify and respond to market-wide and systemic risks. We continue to review these efforts and implement identified enhancements. For example, we observed an increase in volume and complexity of regulatory consultations and continued developments in the regulatory landscape across markets. As a result, we further increased our resources dedicated to policy advocacy and regulatory expertise particularly for the EMEA region. Additionally, to improve our identification of market-wide and systemic risks as well as our ability to address them independently and collaboratively, we continue to be a member of the Investment Association (IA) and now serve on the IA's Stewardship Committee.

Principle 5: Signatories review their policies, assure their processes and assess the effectiveness of their activities

Ensuring Our Policies Support Effective Stewardship

Each of our policies has a defined review process, including frequency, documentation protocols and approving parties. Below is the review process for key stewardship-related policies and a list of important guiding documents:

- Our ESG Policy is reviewed annually by our Head of our ESG Investing in collaboration with the ESG Committee and executive board members. This is a key policy that applies across our investment platform and is intended to provide a broad framework for our approach to integrating ESG factors into our investment management activities. We previously expanded the list of asset classes that now have asset class-specific ESG philosophies developed by our ESG working groups.
- Our Sustainable Exclusions Policy is reviewed and updated annually by our ESG Committee, which reports into the Board of Neuberger Berman, using a structured exercise which considers extensive feedback from our investment teams, and an external scan of industry issues. This ensures that we continue to identify key themes and carry out effective stewardship.
- Our Stewardship and Engagement Policy sets forth how Neuberger Berman engages with companies that it invests in on behalf of clients and how engagement is integrated into our investment strategy. We've developed this policy in compliance with the requirements of the Shareholder Rights Directive II (EU/2017/828). The policy is reviewed annually by our ESG Committee and Global Head of ESG and Impact Investing. Any changes must be approved by the ESG Committee and the Board of Neuberger Berman.
- Our Global Standards Policy is reviewed annually by our ESG Committee. It is applicable across our UCITS and QIAIF portfolios, which have been categorised as either Article 8 or Article 9 financial products in accordance with the Sustainable Finance Disclosure Regulation. Implementation of this policy is managed by Neuberger Berman's Asset Management Guideline Oversight Team, in collaboration with Legal and Compliance.

POLICY/GUIDING DOCUMENT	POLICY/DOCUMENT DESCRIPTION	PROCESS FOR REVIEW	
ESG Policy	Provides a broad framework for our approach to integrating ESG factors into our investment management activities	Reviewed annually by our Global Head of ESG and Impact Investing, the ESG Committee and executive board members	**Ultimate approval by:** ESG Committee
Stewardship and Engagement Policy	Sets forth how engagement is integrated into our investment processes	Reviewed annually by the ESG Committee and Global Head of ESG and Impact Investing	**Ultimate approval by:** ESG Committee and the NBEL Board of Directors
Governance and Proxy Voting Guidelines	Explains our expectations and approach to voting on key topics	Reviewed annually by the Governance and Proxy Committee, investment teams and Global Head of ESG and Impact Investing	**Ultimate approval by:** Governance and Proxy Committee
Proxy Voting Policies and Procedures	Describes our oversight structures and processes that guide our proxy voting activities	Reviewed annually by the Governance and Proxy Committee, Legal and Compliance, and Global Head of ESG and Impact Investing	**Ultimate approval by:** Governance and Proxy Committee
Sustainable Exclusions Policy	Explains our approach to prohibiting investment in securities issued by companies that we believe do not meet minimum sustainability criteria	Reviewed annually by the ESG Committee, investment teams, Asset Management Guideline Oversight team, Legal and Compliance, and ESG Investing team	**Ultimate approval by:** ESG Committee
Thermal Coal Involvement Policy	Explains our approach to reviewing and approving investment in securities issued by companies that derive revenue from thermal coal mining or are expanding new thermal coal power generation	Reviewed annually by the ESG Committee, investment teams, Asset Management Guideline Oversight team, Legal and Compliance, and ESG Investing team	**Ultimate approval by:** ESG Committee
Global Standards Policy	Explains our approach to prohibiting investment in securities issued by companies whose activities breach any of the principles and guidelines outlined in the policy	Reviewed annually by the ESG Committee, investment teams, Asset Management Guideline Oversight team, Legal and Compliance, and ESG Investing team	**Ultimate approval by:** ESG Committee

As shown above, our policies and guiding documents are reviewed at least annually and require approval from senior business leaders. Our approach to include a key committee in each review process was deliberate as it helps ensure that views from various business functions, asset classes and geographies are well represented in discussions. We believe this results in more robust dialogue and ultimately more effective policies. Further, we determined it was appropriate to require approval from members of senior leadership given the critical role of our stewardship efforts in our investing practices and our ability to achieve outcomes on behalf of clients.

Our Approach to Assurance

We have several internal and external processes in place to maintain high standards of stewardship.

Internal Assurance

Internal Audit Function

The Internal Audit function at Neuberger Berman is fully independent of the business with the Head of Internal Audit reporting into the Neuberger Berman Board Audit Committee Chair, who is an independent director. The function is staffed with highly experienced and credentialed individuals responsible for all audit activities. As at 31 December 2022, the function consists of 12 team members globally, two of which are located in the EMEA region. Internal Audit is responsible for evaluating the adequacy of the design and operating effectiveness of policies, procedures and internal controls. This is achieved through extensive risk assessment and testing processes which generally comply with the Institute of Internal Auditors ("IIA") International Professional Practices Framework. Internal Audit prepares formal reports at the conclusion of each project and issues the reports to senior management. Reports include heat maps, executive summaries and detailed issue matrices. All issues and action plans are tracked until completion, at which time validation is performed.

Internal Audit performs reviews of the ESG Investing function, inclusive of stewardship activities, in accordance with our standard audit cycling methodology. The primary focus of these reviews is to evaluate controls implemented to ensure the proprietary ESG integration framework is maintained as described in marketing materials and policy documents. These reviews also include an evaluation of the accuracy of ESG marketing materials and other ESG-related collateral such as the ESG Policy and annual PRI reporting. The scope included the following elements of ESG Investing:

- **ESG Policy & Procedures**
- **Integration & Screening in Public Securities**
- **Engagement**
- **Regulatory Compliance**
- **Proxy Voting**
- **ESG Incorporation in Alternative Investments**
- **Marketing Materials & Disclosures**

In addition to the cycled reviews, Internal Audit:

- Performs annual reviews of specific elements of ESG Investing such as proxy voting and exclusion screens. These focused reviews are completed in support of expectations as a PRI signatory. They include verification of proxy voting statistics reported externally and analysis of exclusion screens that have been implemented. Furthermore, they evaluate the tracking and reporting of our engagement activities.
- Evaluates ESG integration and engagement practices of individual investment teams when performing audits of such teams. Investment team audits are completed in accordance with the standard audit cycling methodology. Typically, unique audits are completed for multiple investment teams every year.
- Monitors the activities of the ESG Product Oversight Committee ("EPOC"), which is responsible for ongoing verification of ESG and Sustainability claims made by investment teams for products and strategies offered by Neuberger Berman which have been reviewed by the ESG Product Committee.
- Performs ad hoc assessments of ESG practices at the request of senior management.

Given the important role that stewardship and ESG factors serve in our investment processes, we determined it was appropriate to have our Internal Audit team conduct regular reviews of our practices as we would with other critical business elements. The results of these reviews enable us to evaluate the effectiveness of our practices and identify areas for improvement. We believe this process produces an objective assessment given Internal Audit function is fully independent of the business.

Other Safeguards
Additionally, our Mutual Fund Compliance team performs verification of proxy voting and provides the 38a-1 compliance report to the NB Funds' Board which includes a review of our securities lending practices. For the UCITS funds, BBH provide regular reporting to Neuberger Berman to allow the firm to monitor their service and monitor securities lending levels. The ESG team monitors outstanding loans and are able to recall securities on loan or restrict names from being loaned in advance of any vote that we wish to be able to exercise. In addition, our Fund Oversight team liaises with Glass Lewis (our outsourced provider) in relation to proxy voting, with the process overseen by Neuberger Berman. For 2023, Neuberger Berman will cease its securities lending program for UCITS funds.

External Assurance
NBEL will continue to assess its approach to assurance on an annual basis including the use of external assurance providers. NBEL is audited annually in accordance with applicable rules and regulations and whilst this audit does not specifically address our approach to stewardship, our robust internal audit continues to perform this role and we are constantly reviewing and monitoring whether additional external assurance will be required going forward.

Ensuring Our Reporting Is Fair, Balanced and Understandable

Our independent Internal Audit function also reviews the accuracy of ESG marketing materials and other ESG-related collateral such as the ESG Policy and annual PRI reporting to ensure that our reporting on stewardship activities is fair, balanced and understandable. Additionally, our publications pertaining to our stewardship activities are reviewed by our Director of Investment Stewardship and Global Head of ESG and Impact Investing. Further, all votes and supporting rationales disclosed in advance of meetings through our NB Votes initiative are reviewed by our Governance and Proxy Committee and Legal & Compliance team for accuracy and appropriateness.

Continuous Improvement of Stewardship Policies and Processes

Reviewing Our Governance Structure
Our commitment to continuous improvement includes reviewing the effectiveness of our governance structures and processes. Our committee structures, responsibilities and membership are reviewed on at least an annual basis. For example, ahead of the 2022 proxy season, as a result of this review, we refreshed the members of our Governance and Proxy Committee to include a broader range of asset class specialists and wider geographic representation.

Additionally, as discussed in Principle 2, in 2021, we established the NB ESG Advisory Council to guide our ESG investing journey. Our expert Advisory Council members provide guidance on the future of impact investing and sustainability topics and challenge us to go further in our own efforts. The Council consists of respected thought leaders across the ESG landscape whose roles are to provide expert external advice. The Council meets quarterly to provide advice and recommendations to Neuberger Berman, without making investment or voting recommendations. In 2022, some of the topics discussed included stewardship and climate-related stewardship, impact measurement, biodiversity and measuring net-zero alignment.

We further enhanced the existing governance structure in 2022 by creating a new EMEA ESG Product Committee (the "EMEA ESG PC"). It was established as a sub-committee of the Product Governance Committee, which reports to the Board of NBEL.

With delegated authority from the Board of NBEL, the key objective of the EMEA ESG PC is to approve all SFDR classifications for all new products launched in EMEA, products launched ex EMEA being marketed in the region, UK Stewardship-related matters and all other relevant European ESG labelling. The EMEA ESG PC works alongside the new global NB ESG Product Oversight Committee, a sub-committee of the ESG Committee with functional oversight of global ESG investing matters and responsibility for the ongoing verification of ESG and Sustainability claims, ensuring that products are appropriately classified and to verify that investment processes which support ESG remain up to date and relevant following approval.

Reviewing Our Processes and Resources
We also respond to areas for improvement identified through our internal assurance programs. For example, internal audits conducted in 2022 identified instances in which investment teams were not utilising a consistent mechanism to document the ESG analysis completed for portfolio holdings. In response, impacted teams agreed to use a standardised template to capture ESG analysis performed for potential investments, and in certain instances, create reports to track ongoing monitoring of ESG metrics for portfolio holdings.

Observations communicated by the Internal Audit function have also reinforced the need for support and control functions to continuously assess ESG oversight capabilities and implement incremental improvements, where necessary. One such outcome was a deep dive into the account onboarding process with a particular focus on how ESG-related investment guidelines are captured and subsequently communicated to relevant functions for timely implementation.

Given the growing use of third-party data in various processes and client and regulatory reporting, in 2022, we created the role of ESG Data Steward. This role is responsible for strengthening policies and procedures pertaining to data quality and addressing any identified issues with the appropriate vendors. This role partners closely with our ESG Data & Technology team, originally created in 2021. Collectively, these teams help drive improvements in ESG data and technology in an effort to better foster unobstructed access to high-quality ESG data for portfolio management teams to more easily integrate into their investment process.

Reviewing Our Policies

As previously outlined, our policies and guiding documents are reviewed at least annually and require approval from senior business leaders.

When we are reviewing our policies and guiding documents, we are looking to ensure the underlying principles in which they were first established remain relevant and current.

Specifically on our exclusion policies, not only are we assessing that the policy remains relevant to the funds applying to underlying holdings, but also that our interpretation of each of the underlying principles is accurate and up to date.

Our policies and guiding documents are reviewed by our ESG Committee and implementation of these policies are managed by Neuberger Berman's Asset Management Guideline Oversight Team, in collaboration with Legal & Compliance.

As part of the ongoing implementation of our exclusion policies, we will also undertake regular reviews with Neuberger Berman's Asset Management Guideline Oversight Team to ensure companies violating the principles are accurately captured. Neuberger Berman use reputable, recognised third parties to help identify companies that partake in these controversial businesses. For example, where a third-party data assessment indicates that a company is a severe violator of the Global Standards Policy, this company will be added to the Exclusions List. Where a portfolio manager disagrees with the third-party assessment, that portfolio manager may appeal the decision to add the company to the Exclusions List to the ESG Committee. If the appeal is successful, the company will instead be placed on the Watch List for monitoring and reviewed annually to ensure that the appeal is still valid. The review will require the portfolio manager to return to the ESG Committee and provide updated evidence to revalidate the appeal.

As described above, our Governance & Proxy Committee reviews our Governance and Proxy Voting Guidelines annually and makes updates as deemed appropriate. To enhance transparency, in 2022, we published a Summary of Material Changes describing the significant updates made to our Proxy Voting Guidelines. Based on initial feedback received from clients and portfolio companies, we intend to continue this disclosure practice.

Principle 6: Signatories take account of client and beneficiary needs and communicate the activities and outcomes of their stewardship and investment to them

Managing Assets in Alignment with Clients' Stewardship and Investment Policies

NBEL offers a range of strategies across asset classes, each with their own investment style, so that clients are able to invest in products that meet their needs. With 724 investment professionals based in 20 global portfolio management offices, we offer clients around the world a range of strategies and investment solutions across asset classes, capitalisations, styles and geographies in both public and private markets, as well as multi-asset class solutions that bring them all together.

As a firm, Neuberger Berman believes that ESG characteristics can be an important driver of long-term investment returns from both an opportunistic and a risk-mitigation perspective, and we understand that for many clients, portfolio impact is an important consideration in conjunction with investment performance. Not only do we use ESG-integrated strategies, but we also recognise that ESG factors should be incorporated in a manner consistent with the specific asset class and style of each investment strategy.

While each investment strategy is responsible for the investment and stewardship decisions it will apply on behalf of all clients in a fund, significant time is taken to listen to clients' views and inputs. In addition to creating segregated mandates tailored to individual clients and their investment policies, we also offer pooled products with additional types of ESG approaches to suit client needs.

The approach to integration can be further customised by the type of investment vehicle employed for investing; for example, to implement client-specific avoidance criteria, to tilt toward specific ESG characteristics valued by the client or to seek certain types of positive impact. For example, when building a net-zero investment solution, a multi-tool approach is required to identify both risk and opportunity. We utilise climate modelling and stress testing, engaging with companies, targeted climate solution investment or, as a last resort, divesting. Ultimately, it is a combination of all the tools that will help to achieve the goal of net zero. Our starting point is the Net Zero Investment Framework set out by the Institutional Investors Group on Climate Change (IIGCC). The framework provides practical steps and metrics for assessing net-zero alignment. We take this framework as our base and convert it into a seven-step, net-zero action plan to support clients on their journey, from quantifying and defining the targets to implementation and measurement.

Our solutions are:

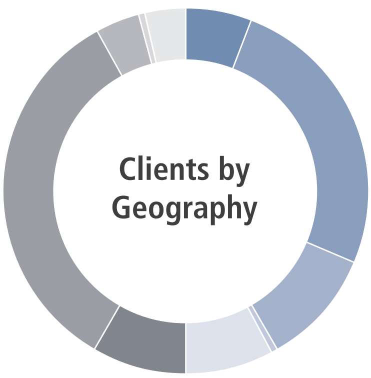
Simple: Setting clear objectives from the outset with milestones in between.

Transparent: We believe our selected metrics provide a transparent approach to measuring success whilst also providing transparency and rationale around the companies we hold.

Portable: The climate transition framework can be calibrated to client-specific needs, so if a client wishes to be more aggressive in the net-zero ambition or requires greater exposure to climate solutions, this can be explored.

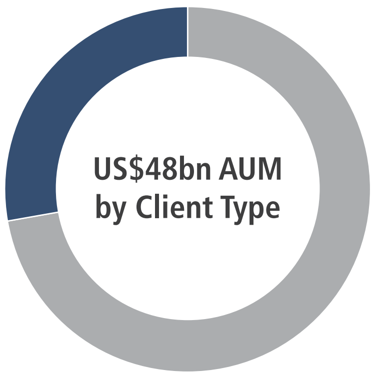
In 2022, there were no cases where we did not manage assets in alignment with our clients' stewardship and investment policies.

NEUBERGER BERMAN EUROPE LIMITED – CLIENT BASE[1]



Institutional	Sum of AUM%
Asia	11.8%
Europe	51.0%
Latin America	20.8%
Middle East	0.9%
North America	15.5%

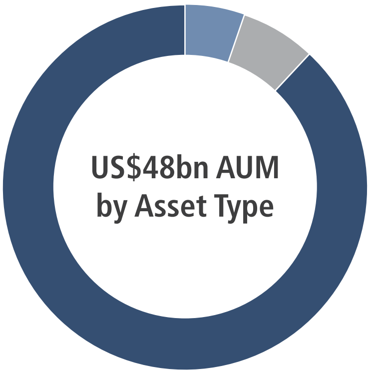
Intermediary	Sum of AUM%
Africa	0.1%
Asia	16.8%
Europe	67.3%
Latin America	7.9%
Middle East	0.8%
North America	7.0%



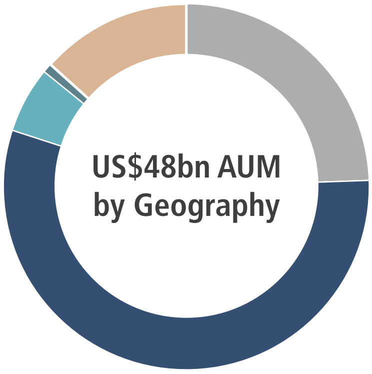
HNW	0.03%
Institutional	72.27%
Intermediary	27.70%

[1] As at 31 December 2022. AUM stated in US dollars to align with the consolidated reporting.

NEUBERGER BERMAN EUROPE LIMITED – ASSETS UNDER MANAGEMENT[1]



Alternatives	5.4%
Equity	6.7%
Fixed Income	87.9%



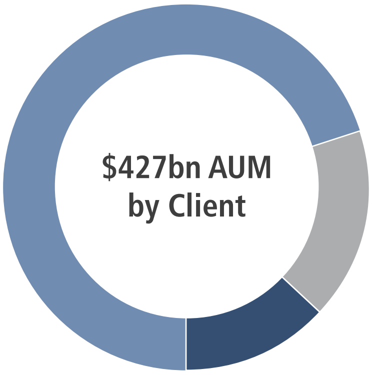
Africa	0.04%
Asia	24.43%
Europe	55.56%
Latin America	5.91%
Middle East	0.91%
North America	13.16%

Our Investment Time Horizon

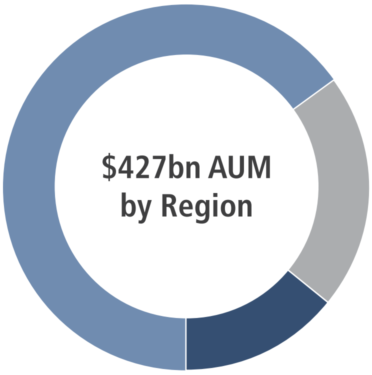
At Neuberger Berman, we believe that a focus on fundamental research, investment performance and risk management is central to meeting the needs and objectives of our clients. We are deeply attuned to each client's distinct combination of investment goals, time horizon, risk tolerance, and income and liquidity requirements, and we can act in partnership to address them as they change over time. As shown in the displays, we invest on behalf of various client types and across multiple asset classes and geographies. As a result, the investment time horizon of our strategies will vary; however, most of our clients seek a longer-term investment horizon. For example, a private equity strategy may have a decade-long investment horizon, while a listed equity strategy may have a five- to seven-year horizon. Importantly, these elements are designed with the client's needs and objectives in mind.

Our portfolio managers construct portfolios through distinct investment processes tested over market cycles to aim to outperform over investment horizons that are appropriate to their particular strategies. They base their investment decisions on their own research, drawing on their dedicated research teams and the many resources of the firm—such as the global equity and fixed income research teams, the Data Science team and the ESG Investing team—with the sole purpose of finding attractive investment opportunities. Our managers work independently, but also share ideas and perspectives with each other to seek to achieve attractive outcomes for their clients. We combine this with a strong risk management culture and close investment process oversight to ensure adherence to mandated client guidelines.

NEUBERGER BERMAN GROUP ASSETS UNDER MANAGEMENT[2]



Pension Funds, Sovereign Wealth Funds and Other Institutions	70%
Financial Institutions, RIAs and Advisors	17%
Private Client	13%



Americas	65%
Asia	21%
EMEA	14%

[1] As at 31 December 2022. AUM stated in US dollars to align with the consolidated reporting
[2] As at 31 December 2022. AUM stated in US dollars to align with the consolidated reporting

FIRM ASSETS UNDER MANAGEMENT $427bn

MULTI-ASSET STRATEGIES

	EQUITIES	FIXED INCOME	HEDGE FUNDS & LIQUID ALTERNATIVES	REAL ESTATE
PUBLIC MARKETS $315bn	**FUNDAMENTAL** Global US EAFE / Japan Emerging Markets – China Thematic Strategies MLPs **QUANTITATIVE** Global US Emerging Markets Custom Beta	Global Investment Grade Global Non-Investment Grade Emerging Markets Municipals Multi-Sector Currency	**FUNDAMENTAL** Hedge Funds Liquid Alternatives **QUANTITATIVE** Options Global Macro Risk Parity Risk Premia	Commodities Diversified Real Assets Global REITs US REITs Long/Short Real Estate – Almanac
	$119bn	$168bn	$24bn	$3bn
PRIVATE MARKETS $112bn	**PRIVATE EQUITY**	**PRIVATE CREDIT**	**SPECIALTY ALTERNATIVES**	**PRIVATE REAL ESTATE**
	Primaries Co-Investments Secondaries Specialty Strategies	Private Debt Credit Opportunities Special Situations Residential Loans Specialty Finance Private Placement European Private Loans	Hedge Fund Co-Investments Insurance-Linked Strategies Late Stage Pre-IPO SPACs	Private Real Estate – Almanac Real Estate Secondaries Real Estate Primaries & Co-Investments Infrastructure
	$79bn	$21bn	$5bn	$7bn

ESG INTEGRATION | GLOBAL RESEARCH CAPABILITIES | DATA SCIENCE

Represents Neuberger Berman's AUM as of December 31, 2022.

How We Seek and Incorporate Our Clients' Views

We believe stewardship is integral to the investment process for active management, and not a separate, siloed effort disconnected from investment decisions. We embed stewardship responsibilities within our investment teams which we believe are crucial to integrating stewardship insights into the investment process and informing investment decisions. As a result, no stewardship activity is conducted in a silo—information is shared to better inform investment decisions, engagement priorities and voting decisions. Our decision to embed responsibility for active ownership actions within investment teams serves to deepen the integration of information and insights gathered through stewardship efforts into investment processes such as NB ESG Quotient ratings, valuation models, proxy voting decisions and engagement escalation.

Most clients choose to give us voting authority because they agree with this integrated approach to stewardship. We publish our proxy voting guidelines and provide transparency to clients on our voting record to enable them to assess our work. This includes NB Votes, our advance vote disclosure initiative launched in 2020, where we publish our vote intention and rationale ahead of select shareholder meetings. We also increased the publication frequency of our vote records for our US mutual funds and Irish UCITS funds to monthly. After further feedback, in 2021 we created a mechanism where clients can receive an email notification when we publish a new vote intention. In 2022, we published a Summary of Material Changes describing the significant updates made to our Proxy Voting Guidelines. Based on initial feedback received from clients and portfolio companies, we intend to continue this disclosure practice.

In the normal course of business, we have regular dialogue with our clients about investment processes, outcomes and stewardship activities where clients may choose to share their views. Clients may have a range of different objectives, which is why we offer a range of co-mingled funds that are clearly labelled, for example those that are "sustainable" or seek to achieve alignment with a "net zero" objective, or to engage in support of achieving the SDGs. Clients are free to select products that align with their needs. In addition, we develop customised solutions for clients in separately managed accounts to further align with their unique objectives. These can include specific stewardship objectives, for example in relation to net zero.

In addition to one-on-one client meetings, we host client roundtables on key topics of interest to our clients. We find these interactions with clients to be beneficial as it provides for conversations on timely topics and enables us to respond to client feedback. For example, we convened a number of clients as a co-sponsor of IIGCC's 2022 Annual General Meeting in Barcelona, where attendees shared opportunities and challenges pertaining to climate change—a key topic of interest for many of our clients. Recognising the importance of climate risk to many of our clients, we joined the IIGCC Bondholder Stewardship Working Group, which aims to support bondholders' influence by engaging with companies to address the material risks and opportunities associated with climate change, discussed further in Principle 10.

Evaluating the Effectiveness of Our Methods to Understand Client Needs

Given our diverse range of clients and investment strategies, we have found it beneficial to engage with our clients through multiple means of communication, including both formal and informal interactions.

Informative Reporting
Providing our clients with high-quality, informative reporting is a critical component of our stewardship activities. We strive to include case studies of our stewardship efforts, both where we have not yet achieved our objective and where we have been successful. We provide this reporting through various communication channels and frequencies as described below.

Client Roundtables
We hosted a number of virtual client roundtables throughout 2022 that provided opportunities to educate on emerging ESG topics, provide updates on our stewardship and integration approaches, and gather feedback. We were also able to host in-person client roundtables at select conferences and industry events as an additional way to connect with and gather feedback from our clients, such as the IIGCC annual meeting mentioned earlier in this section.

RFPs and DDQs
We closely monitor the questions and topics of focus included in RFPs and DDQs from clients, and incorporate these observations into our stewardship activities and reporting. In response to requests for more engagement examples, we have increased the number and type (successful, ongoing, etc.) of engagement case studies provided in our ESG Annual Report and Investment Stewardship Report. We have been pleased by the positive feedback from clients on these enhancements and continue to explore opportunities to deepen our engagement with them and incorporate their feedback into our activities. Further, in response to client feedback, we intend to enhance our tracking systems further to enable us to provide more strategy-specific and firm-level stewardship insights across a range of factors such as proxy voting and engagement statistics.

Publicly Available Documents
We disclose key stewardship materials on our website, including policies, reports and voting records. In addition to the policies and guiding documents described in Principle 5, these include our PRI Transparency Report, PRI Climate Transparency Report, Climate-Related Corporate Strategy, Corporate Credit Engagement Report and Private Market ESG Report. These reports are published and distributed to clients on an annual basis. Looking ahead to 2023, we have published both our firm-level and NBEL-specific Task Force on Climate-Related Financial Disclosures Report.

As discussed in Principle 5, our custom proxy voting guidelines are reviewed annually by our Governance and Proxy Committee and updated as appropriate. As noted earlier in this report, in response to client feedback, we published an additional voting document summarising material changes made to our voting guidelines in 2022. As mentioned above, we publish our vote records for our US mutual funds and UCITS funds on a monthly basis. Additionally, many clients receive reporting on proxy voting activities on a monthly or quarterly basis.

Principle 7: Signatories systematically integrate stewardship and investment, including material environmental, social and governance issues, and climate change, to fulfil their responsibilities

Prioritising ESG Factors When Assessing Investments

We believe that financially material ESG characteristics are an important driver of long-term investment returns from both opportunity and risk mitigation perspectives. We also understand that for many of our clients the impact of their portfolio is an important consideration in conjunction with investment performance.

Investment professionals throughout the firm are responsible for incorporating material ESG factors in portfolios and investment research. A high percentage of our professionals have the responsibility to reinforce and strengthen ESG integration and stewardship activities across our investment teams in all asset classes. To reinforce the importance of ESG to our efforts, compensation for many investment professionals is tied to ESG research insights and integration, as described in Principle 2. Please refer to Principle 2 for further detail on how our ESG Committee, the ESG Investing Team, the ESG Committee and the ESG Product Committee work together with our investment professionals to integrate ESG within NBEL.

Each portfolio manager has a customised approach to ESG integration that is driven by 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 manager. Each portfolio management team determines how best to achieve its ESG integration objectives, from conducting research into ESG-related risk, to measuring and comparing ESG issuers at the security level, to constructing portfolios influenced by these insights.

We believe 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. For this reason, ESG is included in the work of our research analysts rather than a separate ESG research or stewardship team. To augment our analysis, we regularly add new data sets and leverage the capabilities of our Data Science team. With custom ratings covering more than 4,000 equities and 2,700 credit issuers, the investment teams can then choose how best to apply all the tools of active management.

Our investment professionals work within a portfolio management team, which then selects a particular investment approach from our ESG Integration Framework.[1]

Integration Approach

Process	Outcome		
Assess	**Amplify**	**Aim for Impact**	**Avoid**
Portfolio manager considers financially material ESG factors alongside traditional factors in their investment decisions. ESG factors are generally no more significant than other factors in the investment selection process.	Seek to achieve a financial goal by investing in high quality issuers with sustainable business models, practices, products or services and leadership on relevant ESG factors.	Seek to achieve positive social and environmental outcomes for people and the planet alongside a market-rate financial return, by investing in issuers whose core business, products, services or use of proceeds of each investment contributes to solutions of pressing environmental and social issues.	Ability to exclude particular issuers or whole sectors from the investable universe.
"ESG INTEGRATED" In offering documents	**"SUSTAINABLE"** In name of strategy	**"IMPACT"** In name of strategy	**DIVEST/EXCLUDE** Exclusions in documents

[1] Neuberger Berman is closely monitoring the publication of the Sustainability Disclosure Requirements (SDR) by the FCA. We will consider the suitability of our terminology in light of the final naming requirements for in-scope funds upon the publication of the final rule.

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 issuers ("Amplify"), invest in issuers that are intentionally generating positive social/environmental impact ("Aim for Impact") or simply exclude particular companies ("Avoid"). The approach to integration can be further customised by the type of investment vehicle employed for investing; for example, to implement client-specific avoidance criteria, to tilt toward specific ESG characteristics valued by the client or to seek certain types of positive impact.

Determining Material Factors Consistent With Clients' Investment Time Horizons

Our research analysts in partnership with our ESG Investing team developed the Neuberger Berman Materiality Matrix for more than 73 different industries. The matrix identifies which ESG factors are financially material in each industry and is available to all investment teams to use as a starting point for further ESG analysis. For instance, factors such as privacy, data security and intellectual property that may be relevant in technology may be less relevant in packaging, where raw material use, recycling and safety may be more important.

This approach enables our investment teams to prioritise the most material factors in their stewardship and investment processes. As a result, our investment teams focus their efforts on the issues that most directly affect long-term value creation in line with the investment time horizons of our clients.

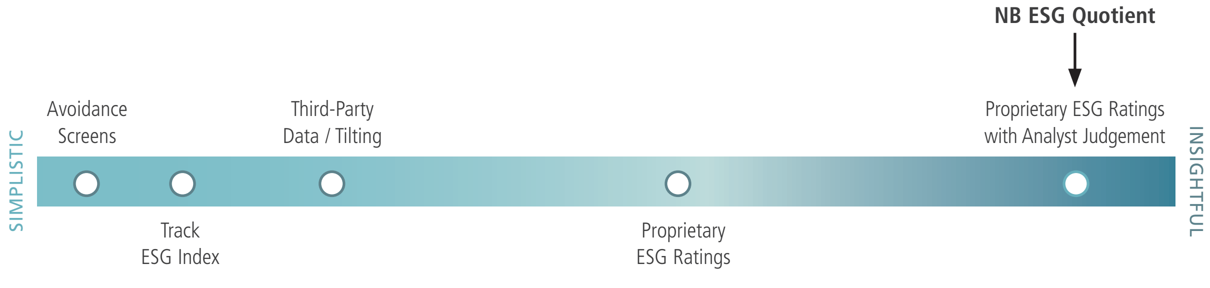
Broad Perspective and Granular Insights from Proprietary ESG Ratings

Investors increasingly accept that financially material ESG factors can have a tangible impact on companies and their general prospects for earnings and credit quality, and by extension, investment performance. To capture these factors and inform investment strategies across asset classes, our firm employs a set of proprietary ratings, NB ESG Quotient, that measures ESG performance in areas that we believe could have potentially material impacts on investment results at both the company and portfolio levels.

NB ESG Quotient is a collaboration between the ESG Investing team and the firm's Global Equity and Fixed Income Research teams, going beyond third-party ESG ratings by leveraging our deep industry knowledge, frequent engagements and our view of financial materiality to better measure ESG characteristics across corporate and sovereign issuers. As described above, we have identified the ESG factors that we believe are material in each of the 73 industries set forth in our NB Materiality Matrix. We then employ three broad tools to measure performance in each category: available third-party ESG data, ESG data from Neuberger Berman's Data Science team and, most significantly, input from our research analysts on hard-to-measure factors such as regulatory risk, expected governance impacts and forward-looking data such as climate-related targets.

The result is an industry-relative rating, or NB ESG Quotient, for each company under coverage on separate Environmental, Social (ES) and Governance (G) characteristics, which can be accessed by our investment professionals, incorporated into their investment process and aggregated on a portfolio-wide basis.

ESG IMPLEMENTATION SPECTRUM



Potential Return Driver

Beyond its value as a resource to investment teams, we see NB ESG Quotient as a potential driver of portfolio returns. Indeed, it is a cornerstone of the firm's Sustainable Research Opportunity (SRO) strategy, which combines the research team recommendations with the top ESG Quotient companies to create a low-cost enhanced index portfolio.

The SRO strategy seeks to capture the attractive characteristics of both passive and active approaches in a Beta Plus format. It combines the low cost of passive investing with the alpha performance objective, fundamentals-driven weightings and investment insights via company engagements of active management. Additionally, the SRO investment team strives to engage with all corporate holdings in the strategy at least annually.

ESG Quotient and Engagement

Engagement is a crucial aspect of Neuberger Berman's active management and has been critical to refining the NB ESG Quotient ratings. The NB ESG Quotient, our proprietary ESG rating system, is built around the concept of sector-specific ESG risk and opportunity, and produces an overall rating for issuers by assessing them against certain ESG metrics. Engagement is an important component of the investment process for most Neuberger Berman funds. The firm leverages internal engagements with management teams of issuers through a robust ESG engagement program to better understand risks and opportunities, and assess good corporate governance practices of investee issuers. For example, an energy infrastructure operator divested high-emission assets that were not reflected yet in backward-looking third-party data. The company provided us with estimates of what portion of historical emissions the assets represented, and we were then able to adjust the inputs to our ratings, resulting in what we believe to be an improved and more forward-looking view through collaboration with the covering analyst.

The ratings can also be highly useful in improving ESG corporate performance. Given the close relationships that our research analysts have with the companies they follow, the ratings have provided them with a tool to discuss and advance ESG objectives. Data science initiatives have also helped reinforce our ratings on specific companies. For example, by scraping online employee sentiment for one holding, we determined that employee views suggested higher-quality labour practices than were reflected in third-party metrics, reinforcing the conclusions we had drawn in multiple engagements, and creating additional confidence in our own ratings for the company.

In our view, NB ESG Quotient ratings are a significant step forward in drawing together what we believe are unique insights that can be applied within portfolios and broadly to promote improved ESG practices across asset classes. They are also a work in progress, and we will continue to refine the integration of data and human perspectives to enhance their contribution.

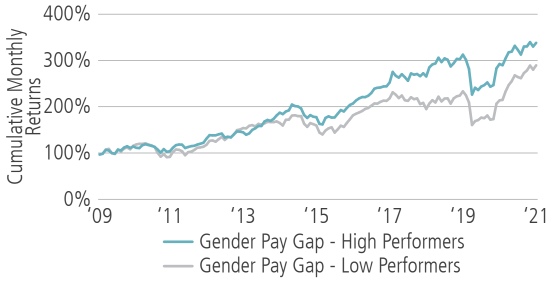
Dynamic Inputs and Data Science Insights

As material ESG factors evolve, the NB ESG Quotient evolves with them. We review the factors with sector analysts at least annually to determine if new material factors have emerged and whether there is a more accurate way to capture them. Qualitative analyst inputs are generated by our central research analysts in partnership with the ESG Investing team for areas where data availability is limited. Currently, our model includes more than 40 custom analyst inputs. Further, through our ongoing partnership with Neuberger Berman's Data Science team, we continuously integrate alternative data sources that go beyond third-party ratings. NB ESG Quotient already integrates alternative data from job postings, publicly available databases (OSHA, etc.) and employment review websites.

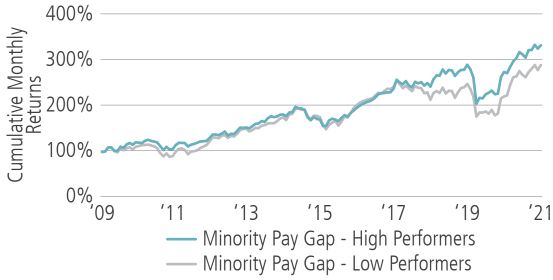
Continuing our efforts from 2021, this year we focused on using big data to elevate our understanding of human capital trends. We onboarded a new dataset that allows us to conduct deep dives on companies where disclosure on Equity, Inclusion and Diversity (EID) is lacking. This collaboration between the Neuberger Berman ESG and Data Science teams led to the construction of 15 unique EID indicators.

Through a historical backtesting exercise, we found that certain of these 15 indicators had a material impact on shareholder returns for the US banking sector. We discovered that gender pay gap and minority pay gap in particular have historically been correlated with stock performance for this industry. These indicators were subsequently integrated into the NB ESG Quotient for US banks. The ESG data landscape is constantly evolving. We will continuously evaluate new and innovative data providers to enhance our proprietary ratings where corporate disclosure may be lacking.

HISTORICAL SHAREHOLDER RETURNS FOR US BANKS DIFFERENTIATED BY GENDER PAY GAP



HISTORICAL SHAREHOLDER RETURNS FOR US BANKS DIFFERENTIATED BY MINORITY PAY GAP



As discussed in Principle 4, our investment teams leverage a variety of tools and data points to assess climate risk. For example, in 2022, we built the Net-Zero Alignment Indicator, which is considered at both the portfolio and security levels across net-zero-committed listed equity and corporate fixed income portfolios. The indicator is designed to assess a company's net-zero transition readiness, and hence its ability to mitigate climate risks. The indicator includes multiple quantitative data points from both traditional ESG data providers and specialised climate data sets, as well as real-time insights from both our credit and equity research analysts.

Stewardship Informs Investment Decisions

No stewardship activity is conducted in a silo—information is shared to better inform investment decisions, engagement priorities and voting decisions. Our decision to embed responsibility for active ownership actions within investment teams serves to deepen the integration of information and insights gathered through stewardship efforts into investment processes such as NB ESG Quotient ratings, valuation models, proxy voting decisions and engagement escalation. As described above, information gathered through engagements and data science initiatives is directly integrated into our investment analysis and decision-making. Further examples of our integration of stewardship can be found in Principle 9, where we provide various case studies, including an overview of certain strategies such as our Global High Yield SDG Engagement Strategy, in which the investment team will consider divestment if a management team remains unresponsive to our attempts at engagement for multiple years.

As described further in Principle 9, engagement is central to our investment process—whether to inform our investment decisions or as part of our stewardship of an asset. We employ a variety of engagement tools, depending on the issuer, the issue being discussed and the accessibility of the issuer. It is also important to consider the relevant asset class and the rights afforded to us when determining an engagement approach, methods and frequency. Since our engagement efforts with a given issuer typically span a multiyear period, it is common to utilise multiple methods of engagement. Further details on our key stewardship activities such as engagement, collaboration and proxy voting can be found in Principles 9, 10, 11 and 12.

Stewardship and Investment Integration Approach Considerations: Asset Class, Geography, Fund Objectives

To further our ESG integration efforts across our investment portfolio, our ESG working groups have developed asset class-specific ESG philosophies that are aligned with our overall firm philosophy. More information can be found in our ESG Policy. Below are details on how ESG factors apply differently for each asset case:

Asset Class	Examples of how our teams determine materiality include:
Public Equity	Analysing material ESG factors can assist in identifying business models and practices that may create sustainable value while reducing risk.
Public Fixed Income	Consideration of material ESG factors is critical to our credit underwriting process. Systematic integration of those considerations, combined with our engagement activities, helps us reduce the overall credit risk of our portfolios and enhances our analysis.
Municipal Fixed Income	Governance has historically been an excellent leading indicator of future credit quality, as fiscal decisions and public policies ultimately flow through to financial performance. Environment and social factors are growing in importance as climate change impacts municipal economies and debt positions or municipal economic development policies influence income disparities.
Sovereign Debt	We are able to better assess the level of risk of countries in our clients' portfolios by incorporating ESG factors as a central component of the fundamental research involved in evaluating sovereigns.
Asset-Backed Securities (ABS)	The valuation impact of ESG risks and opportunities should be considered alongside traditional factors in the investment process within structured products.
Real Estate	Integrating and evaluating material ESG factors is an important part of real estate investing from both opportunity and risk-mitigation perspectives. Assessing and engaging with real estate companies regarding relevant ESG factors is a critical component of our investment process.
Private Equity	We consider ESG factors when we conduct diligence on a particular company or private equity fund (primary or secondary). Given our unique positioning in the private equity ecosystem, we engage with our partners to share and promote best practices and resources related to ESG integration.
Private Debt	We prioritise ESG factors that could present a direct physical risk to the real assets that underlie these debts. Physical climate change risks are among the most material for this asset class.
Hedge Funds	By assessing the ESG characteristics of managers and their strategies, as well as individual investments in co-investment situations, we are enhancing our ability to identify attractive investments while also improving the risk/reward characteristics of our client portfolios and investments.
Multi-Asset Class (MAC)	With ESG considerations implemented in strategies across the firm's wide investment platform, the dedicated Multi-Asset Class team is able to build diversified portfolios that provide explicit exposure to ESG factors in an effort to drive alpha generation and risk management.

In addition to asset class, materiality of ESG factors may depend on the location of an issuer and the regions in which they operate. For example, issues related to human rights, supply chain management and corruption are more prevalent in emerging and developing economies than developed markets. Similarly, the type and severity of physical risks will depend on the location of company operations. Please see Principle 9 for details on how our integration and engagement efforts may differ across geographies, asset classes and funds, as well as for a variety of engagement examples.

Processes Used With Our Service Providers

All of our stewardship is undertaken in-house by our investment teams and ESG Investing team. The investment teams are responsible for integrating ESG and engagement information into their investment processes.

We also use third-party data providers, as described under Principle 8. In some cases, we integrate the third-party data into our propriety tools to enable our investment teams and engagers to access and compare a wide range of data quickly. The criteria and framework for such services are detailed in the relevant contracts, and the ESG Investing Team monitor the provision of such services on an ongoing basis. The key criteria that we consider when assessing a data provider are the quality of the data, the methodology which we use to calculate data points, how often we have to refresh the data, data delivery tools and data coverage.

As part of ESG data oversight, we have dedicated team members in data governance, technology and operations who manage data quality assurance, perform data analysis and engage with third-party data vendors on data. Prior to onboarding a new provider, we conduct extensive due diligence with input from several functions such as Vendor Management, Business Technology, Legal and Compliance, Client Reporting, Research, Data Governance and ESG Investing to ensure that new service providers have received clean and actionable criteria to support our integration of stewardship investment.

The scope of the services is set out in the relevant contracts and the provision of such services is monitored on an ongoing basis. For example, our Governance and Proxy Committee reviews the services provided by Glass Lewis on at least an annual basis to ensure they are consistent with our needs and expectations, which include Glass Lewis, (1) administering Neuberger Berman's custom Proxy Voting Guidelines or as otherwise instructed by Neuberger Berman to proxies, and submit such proxies in a timely manner; (2) providing research on proxy matters; (3) in a timely manner, notifying us of and providing additional solicitation materials available by issuers reasonably in advance of a vote deadline; (4) handling other administrative functions of proxy voting; (5) maintaining records of proxy statements and other solicitation materials received in connection with proxy votes and providing copies of such proxy statements and other solicitation materials promptly upon request; and (6) maintaining records of votes cast. We include details on the services to be provided in Principle 12 as well as in our Proxy Policies and Procedures document. While services will differ by provider, we may establish general criteria where appropriate. For example, for data providers, we would expect complete, accurate and timely delivery of the product. Principle 8 includes examples of steps we have taken when a vendor has failed to meet our expectations.

We continue to explore ways to improve our communication with vendors and monitor the services they provide to ensure they support the integration of stewardship and investment processes. For example, as described in Principle 5, we have engaged our Enterprise Data Governance team to undertake a comprehensive review of third-party ESG data and support the organisation in establishing controls to monitor the quality and completeness of data provided. Details on how we ensure our service providers' methodologies and implementation are consistent with our approach to ESG integration are provided in Principle 8.

Principle 8: Signatories monitor and hold to account managers and/or service providers

Our Approach to Working With Service Providers

NBEL's outsource providers and vendors are defined as follows (known as 'Third Party' or collectively as 'third parties'):

- **Outsource providers:** An arrangement of any form by which the Third Party performs a process, a service or an activity that would otherwise be undertaken by Neuberger Berman (or the relevant Neuberger Berman legal entity or the fund) itself.
- **Vendors:** A third party that does not fall into the above category that is an arrangement by which the Third Party performs a process, a service or an activity that would typically not be undertaken by Neuberger Berman (or the relevant Neuberger Berman legal entity or the fund) itself.
- **Affiliates:** An intragroup agreement in place between two Neuberger Berman entities to delegate the performance of a process or activity to another entity. For example, NBAMIL, as Manager of UCITS funds, may delegate the investment management function of these funds to, among others, Neuberger Berman Europe Limited and Neuberger Berman Investment Advisers LLC.
- **Examples of outsourcing arrangements:** Application processing, middle- and back-office operations (e.g., fund administration, payroll processing, custody operations, quality control, order processing, trade settlement, risk management).

Third-Party Risk Management Framework (the "Framework")

The oversight and monitoring of service providers begins at the onboarding stage. Neuberger Berman has developed and implemented a Framework to identify, assess, manage and escalate risks identified during the onboarding and oversight of third parties. These include entities providing services to the investment, operations, business and infrastructure technology, and client platforms, inclusive of the fund platforms.

The Framework covers all of Neuberger Berman's subsidiaries globally, including in the UK, and is overseen by the NBEL Operational Risk team. The Operational Risk team is responsible for overseeing the implementation of the Framework across the group and collaborates with multiple internal support and control groups, as well as being the first line business function engaging with the third party.

The Framework structure provides a consistent model and structure, whereby ownership of risk, required due diligence and periodic reviews of third parties resides with each business unit, with oversight provided by the risk, technology and other key support functions across the group (where applicable).

The Risk Assessment

The Framework requires new third parties (services provided by new or existing third parties) to be risk-assessed prior to onboarding to drive appropriate preliminary and ongoing due diligence.

The risk assessment requires NBEL to assess four key risk impact categories and rate each using a four-threshold rating scale as part of the initial risk assessment. The rating of each risk impact type drives the level of due diligence and oversight. The risk impact type ratings are also aggregated to provide an overall risk tier, which drives service-level due diligence (many third parties provide multiple services), reporting and escalation requirements. These include the following:

Risk Impact Type	Due Diligence Criteria	Preliminary Due Diligence Undertaken	Ongoing Due Diligence
Data Type	Medium, Significant, Critical	• Information Security questionnaire • Further information requested directly from the third party if required • Review of independent information security controls report (SOC 2 or equivalent)	• Information Security review (at least annual) • Information Security questionnaire completed by third party • Information Security review of information security controls report
Data Hosting	Critical	• Information Access Management questionnaire	• Information Security annual review of critical rated services
Disruption	Significant, Critical	• Third party completes a BCP questionnaire, which is reviewed by the BCP team • Development of a BCP plan	• Annual review BCP of significant and critical rated services • Third party completes a BCP questionnaire • Annual review of the BCP plan
Replacement	Significant, Critical	• Third party provides credit-related information, which is reviewed by Counterparty Risk • Development of a replacement plan	• Counterparty Risk annual review of significant and critical rated services • Annual review of the replacement plan

Onboarding and Due Diligence

As part of preliminary due diligence prior to engaging a service provider, Neuberger Berman may request that the prospective service provider make available key documents such as: completed due diligence questionnaires, a SOC 1 or SOC 2 report under SSAE 18, audited financials and other credit-related information—all of which are evaluated as part of the review. NBEL may also use publicly available information, as well as perform reference checks, to confirm the service provider's credentials. The Global Technology function performs an information security review, and Operational Risk team performs a BCP review, where appropriate. Any exceptions where the service providers have not met our standards have to be signed off by Group Operational Risk committee before we engage them.

It should be noted that critical data vendors and service providers which require significant investment will also be reviewed by various committees, including the Operational Risk committee, to ensure their suitability to support any new products or services NBEL offer.

NBEL's expectation is that third parties are conducting their operations in line with applicable laws and regulations, such as (i) ensuring an appropriate security framework is in place which meets NBEL's expectations and standards; (ii) ensuring a suitable framework is in place regarding the treatment of firm and client data, such as privacy and non-disclosure agreements and processes to ensure information or data provided to and from NBEL remains confidential and secure; (iii) ensuring processes are in place to identify human rights issues in the supply chain through compliance with anti-slavery and human trafficking laws, statutes, regulations and codes.

During the onboarding stage, the risks associated with the vendor and/or outsource provider are evaluated via the risk assessment process. This is facilitated through the internal service onboarding tool, ServiceNow, where new vendor/outsource provider service and contract details are input. Once the risk assessment is reviewed and approved by our Operational Risk function, this drives the due diligence steps to be conducted by Neuberger Berman's Information Security, Business Continuity and Credit Risk teams. In addition, irrespective of the outcome of the risk assessment, Neuberger Berman's Compliance team undertakes a negative news and sanctions check of the vendor/outsource provider to ensure that there are no ongoing lawsuits, regulatory sanctions or other breaches of applicable laws and regulations associated with the vendor/outsource provider. This ensures that we are comfortable that our suppliers do not engage in any unethical practices, such as modern slavery. Neuberger Berman is exploring the addition of automated tracking software to enhance the oversight process. Once completed, the output of this initial due diligence is made available within the internal service onboarding tool for evaluation by the Service Relationship Manager, which, in addition to the due diligence noted above, will develop action plans, if necessary, for concerns or gaps found regarding the third-party service's ability to meet Neuberger Berman's standards. In order to enhance our monitoring further, we may consider mechanisms within our framework to ensure that any fourth parties associated with our third parties are fully risk-assessed. This will be then factored into our ongoing monitoring.

The oversight of delegated activities between Neuberger Berman entities is also covered as part of the third-party onboarding and risk assessment process. In addition to the risk factors noted above for third parties, the risk assessment between Neuberger Berman entities/delegated activities also captures policy alignment considerations, ensuring that, where activities are delegated between Neuberger Berman entities, they are adhering to the same standards from a policy and process perspective. This ensures that key ESG and stewardship considerations at the Neuberger Berman Group level are adopted across different entities. The consistency of the policy alignment is also reviewed as part of the audit cycle to ensure ongoing appropriateness.

In order to ensure that the services and activities of our key third-party providers are aligned with the ESG standards of Neuberger Berman Europe Limited, the firm's third-party risk management programme will be enhanced to ensure that key ESG considerations are reviewed and analysed during the vendor due diligence stage. Furthermore, for the most critical and significant service providers, the Service Relationship Managers shall document the minimum standards that should be adhered to in the operation of the service. This is achieved by a documented Service Level Agreement which sets out the standards of performance by the third-party provider as part of the execution of the service. The adherence to these standards are then monitored via Key Performance Indicators (KPIs), which are monitored periodically; any breach of KPI thresholds is then escalated within the third-party service provider.

Looking ahead to 2023, Neuberger Berman Group intends to procure a third-party system that will allow for the standardised due diligence and assessment process for third-party services to be undertaken, and that as part of the implementation of this tool across the business, including NBEL, we are factoring ESG considerations into the due diligence questionnaire process.

In order to facilitate this step in this new third-party system and our overall Third-Party Risk Management (TPRM) programme, and to ensure that key ESG considerations are fully factored into the programme, we intend to carry out the following steps in 2023:

1. Agree across the business on the criteria required for third parties to be assessed for ESG considerations (e.g., type of service, risk rating, all third parties).
2. Engage with the ESG Investing team and relevant risk teams to determine the specific ESG questionnaires and documentation requests we need to circulate for each tier of third-party service.

3. Agree on a feedback loop between the ESG Investing team and Service Relationship Managers for questionnaire responses on matters that may be considered higher risk.

4. Monitor third parties and their ESG commitments on an ongoing basis as part of the due diligence programme.

The below illustrates the third-party lifecycle including the ongoing monitoring of service provider standards for ESG, Information Security and Business Continuity.

Sourcing / Re-evaluation	Preliminary Negotiation / Re-negotiation and Due Diligence	Contract Finalisation	Ongoing Oversight	Renewal/ Amendment/ Termination
• Defines what services are required • Performs research on potential Third Parties • Shortlists a provider	• Complete the New Service Request Form in ServiceNow • Due diligence requirements defined and undertaken • Draft contract and negotiate contract terms	• Final contract to be signed by the Third Party and an authorised NB signatory • Legal update of contract details in ServiceNow	• Perform day-to-day management of the Third Party service • Perform ongoing due diligence of the Third Party service (including those related to Information Security, Business Continuity and ESG) • Annual review of the Third Party service and strategic alignment	• Discuss renewal/ termination decision with BRM • Legal to confirm renewal notification requirements and make amendments to the existing contract • SRM to reach out to Legal to confirm termination notification requirements including the safe and compliant deletion of NB data

Ongoing Evaluation and Oversight

The business units across the group engaging with outside vendors/suppliers and services have access to a third-party risk toolset. The toolset facilitates appropriate record-keeping for due diligence and an audit trail of approvals; is an effective and efficient means to rate the risk of third parties; and allows for issues and concerns to be appropriately escalated to the Operational Risk team and the relevant management groups and committees. As part of the toolset that NBEL uses for third parties, the business is to attest on an annual basis that the risk assessment/service remains consistent and that there are no open issues that require the development of an action plan.

The internal relationship manager is responsible for performance monitoring of third parties as part of the ongoing due diligence process and shall flag any issues to the third party directly to confirm the appropriate resolution and action plan. As part of the lifecycle of the third-party relationship, the relationship manager will have several regular meetings with the third party to discuss key issues and concerns regarding ongoing performance. For different third parties, such as our fund administrators, critical functions may be reviewed daily (e.g., reconciliation breaks) to ensure that they are resolved accordingly. Neuberger Berman also has a Sourcing and Vendor Management Organisation that assists with the review of any material third-party relationships and consider if a Service Level Agreement (SLA) is required. If applicable, the SLA will include service standards, dependencies and escalation criteria.

Typically, data and outsourced service providers are measured against SLAs and key performance risk and control indicators, with penalties built in for breaches (all of which are recorded on NBEL's risk systems as third-party errors). There are a number of significant and critical third-party relationships where Key Performance Indicators (KPIs) are captured and monitored to identify any signs of deterioration in service performance. These are typically reviewed via service calls with the third parties. For example, with BBH, which provides fund administration and transfer agency activities for several of Neuberger Berman's fund ranges, there are weekly Operations calls, fortnightly and monthly senior management calls, and a monthly service review meeting to review KPIs. In addition, the Neuberger Berman's Operational Risk team meets with the BBH Operational Risk team every two months to discuss control concerns from the perspective of an independent second line of defense.

Sourcing and Ongoing Viability

The determination as to the appropriateness of services provided by a third party is made at the sourcing stage (prior to risk assessment) and, depending on its annual risk tier review, is then re-reviewed annually. NBEL teams utilise the Sourcing and Vendor Management Organisation (SVMO) team to outline the business need for the department and define what services are required. The business line will then work with the SVMO team to research third parties that have the capability to deliver the service. A shortlist is created for the preliminary due diligence phase—only third parties that have demonstrated the ability to meet this business need are taken forward. The ongoing affirmation that the vendor/outsource provider is continuing to meet the needs of NBEL is achieved through the due diligence by the Business Relationship Manager, who reviews the ongoing due diligence results by the Service Relationship Manager. In addition, via the addition of a dedicated Equity, Inclusivity and Diversity (EID) resource within the Neuberger Berman's Employee Platform organisation, we now consider the EID metrics of our third parties at the sourcing stage to ensure that they are suitably aligned with our EID principles and strategy.

Our Relationship Management Approach

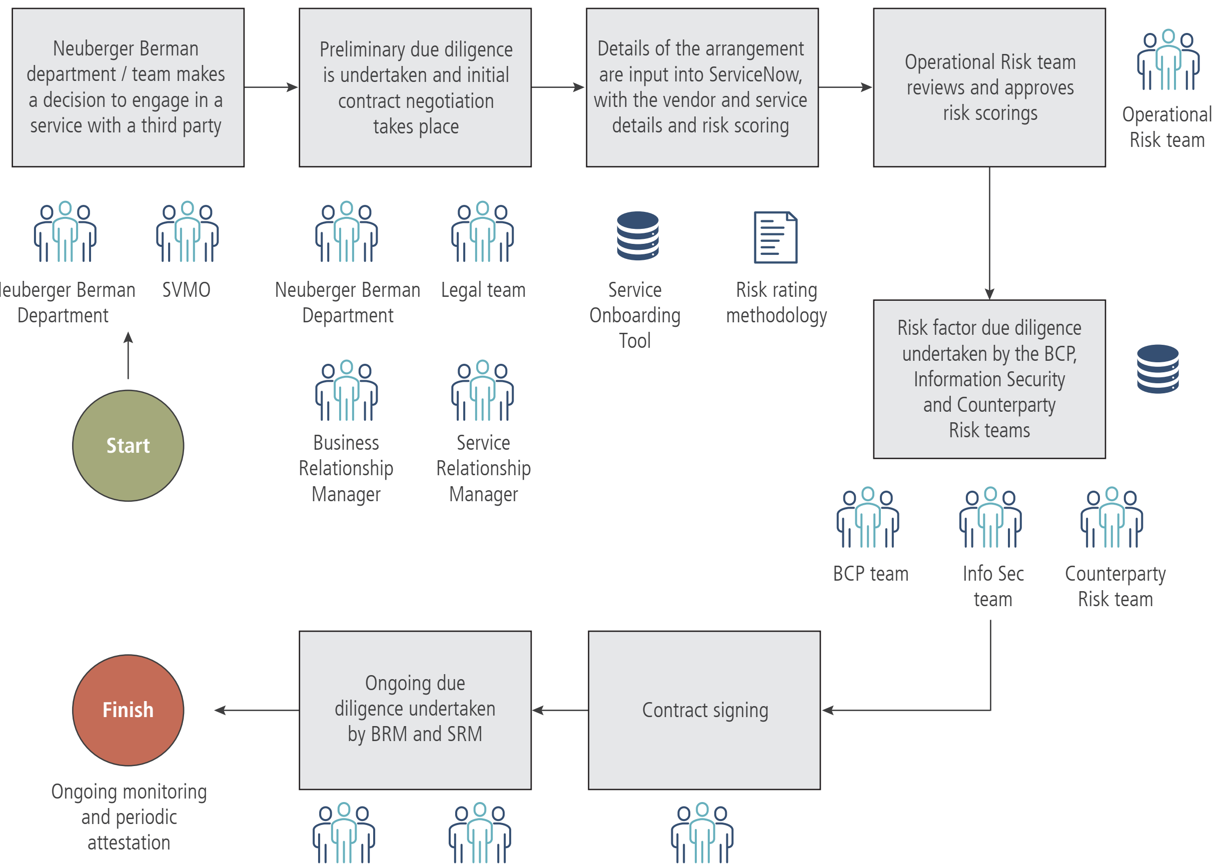
Key roles involved in the oversight of the third parties include but are not limited to:

Service Relationship Manager (SRM)

- Manages the relationship with the third party for a specific service
- Responsible for day-to-day management of the third-party service and ensuring appropriate preliminary and ongoing due diligence is performed
- Responsible for reporting and escalation of issues

Business Relationship Manager (BRM)

- Manages the relationship with the Third Party on a firmwide basis
- Point of escalation for Senior Relationship Managers (SRMs)
- Owns the risk associated with the third-party relationship and makes risk-based decision



Examples of business-based initial and ongoing due diligence include:

	SRM	BRM
Preliminary due diligence	• Assess ability to meet business needs • Review financial health • Identify fourth party and assess the third party's management of this risk • Review key policies, e.g. compliance, error reporting • Review responses to DDQs • Perform virtual or onsite visits	• Review strategic alignment • Review concentration risk • Communication with SRM on due diligence results
Ongoing due diligence	• Monitor changes to service and impact on risk factor ratings • Review of Key Performance Indicators (KPIs) on at least semi-annual basis • Regular communication on issues/errors in BAU activities • Annual review of service, infrastructure and internal control environment • Annual review of service users list • Industry review • Virtual or onsite visits	• Review changes to the service that may impact strategic alignment • Annual review of concentration risk • Communication with SRM on due diligence results, and risk acceptance, if applicable

Monitoring of ESG Data Providers

Disclosure of ESG data is often incomplete or provided in a non-standardised manner.

Limitations in both methodology and data may include:

• Lack of standardization

• Gaps in company coverage especially in private companies and companies that reside in Emerging Markets

• Limitations in application for Private Markets (Debt and Equity)

• Some data sets can be reported at a significant time-lag

• Some of the available third-party data is calculated using data estimates

As such, investment teams are not dependent on raw data. As discussed in earlier principles, Neuberger Berman has developed a firmwide proprietary ratings system, called the NB ESG Quotient, which is continuously reviewed to enhance methodology and data coverage.

However, as this is an industry-wide challenge we continue to advocate for greater standardised disclosure and transparency. We promote acceptance and implementation of the PRI through collaborative industry-wide initiatives that aim to increase awareness, understanding and disclosure. For example, Neuberger Berman is a founding member of the Sustainability Accounting Standards Board ("SASB") Alliance (now the IFRS Sustainability Alliance), which aims to help develop and maintain standards for public-company ESG disclosures using a rigorous process of evidence-based research and broad, balanced stakeholder participation. We use the SASB framework as the starting point for assessing material ESG factors across our investment platform. Neuberger Berman is also a formal supporter of the recommendations of the Taskforce on Climate Related Financial Disclosure ("TCFD") because we believe that climate change is a material driver of investment risk and return across industries and asset classes. The TCFD will help develop voluntary, consistent climate-related financial risk disclosures.

To help address these challenges in the near term, we are working with several third parties to receive data on material ESG matters, which our investment teams are, in turn, able to consider in their investment processes. ESG inputs are derived from multiple datasets, including international financial organisations, external vendors, company direct disclosures (e.g., sustainability reports, annual reports, regulatory filings and company websites), company indirect disclosures (e.g., government agency published data industry and trade association data and third-party financial data providers) development agencies and specialty ESG research providers. These data sources are used by individual analysts and portfolio management teams, depending on their focus and strategy, and include but are not limited to:

• Bloomberg ESG Data Service – ESG data analysis

• Carbon Delta – Climate Value-at-Risk Scenario Analysis

• Carbon Disclosure Project Environmental data

- Climate Action 100+
- Glass Lewis
- Global Real Estate Sustainability Benchmark (GRESB)
- International Finance Corporation – "Doing Business: Measuring Business Regulations" Survey
- International Monetary Fund ("IMF") – Financial Soundness Indicators
- ISS-Oekom
- MSCI ESG Research
- RepRisk
- Standard & Poor's - Banking Sector Country Risk Assessment
- Sustainalytics
- Transparency International – Corruption Perceptions Index
- Transition Pathway Initiative
- Trucost
- United Nations Development Programme – Human Development Index
- World Bank – World Development Indicators
- World Economic Forum – Global Competitive Ranking
- World Bank – Worldwide Governance Indicators

ESG data is a key domain and part of our internal data governance with an assigned ESG Data Steward and a dedicated ESG Technology team. The ESG Data Steward has periodic engagements with ESG data vendors to discuss issues such as data coverage, and is continuously evaluating options to help resolve data gaps. Subscription to multiple data vendors enables us to evaluate company coverage and quality of data between vendors. Prior to onboarding a new provider, we conduct extensive due diligence with input from several functions such as Vendor Management, Business Technology, Legal and Compliance, Client Reporting, Research, Data Governance and ESG Investing to ensure that new service providers have received clean and actionable criteria to support our integration of stewardship investment. In addition, our investment teams continue to explore new data products and vendors to evaluate potential enhancements to our existing data coverage.

The criteria and framework for such services are detailed in the relevant contracts and the ESG Investing team monitors the provision of such services on an ongoing basis. ESG data feeds are monitored and reconciled by our data quality assurance team and critical data elements are closely reviewed as part of internal reporting. The key criteria that we consider when assessing a data provider are the quality of the data, the methodology which we use to calculate data points, how often we have to refresh the data, data delivery tools and data coverage. ESG data is integrated throughout the firm's operating management system, compliance and risk management systems, providing all stakeholders transparency into portfolio ESG metrics in real time.

In addition, the firm's Data Science team works collaboratively with the ESG Investing team to identify innovative and non-traditional data sources, which may provide additional insights. We continuously seek to identify additional data and research that may enhance our analysis. We are committed to continually testing and enhancing our ratings methodology through our partnership with our Data Science team.

Monitoring our Proxy Service Provider

As further discussed in Principle 12, although our proxy voting decisions are informed by our in-house custom proxy voting guidelines and proprietary research, we have retained a third-party service provider, Glass Lewis, to assist in the implementation of certain proxy voting-related functions such as, administrative, operational and recordkeeping services. In this capacity, we have engaged Glass Lewis to: (1) provide research on proxy matters; (2) in a timely manner, notify us of and provide additional solicitation materials made available reasonably in advance of a vote deadline; (3) vote proxies in accordance with the Neuberger Berman Proxy Voting Guidelines or as otherwise instructed, and submit such proxies in a timely manner; (4) handle other administrative functions of proxy voting; (5) maintain records of proxy statements and other solicitation materials received in connection with proxy votes, and provide copies of such proxy statements and other solicitation materials promptly upon request; and (6) maintain records of votes cast. As discussed in Principle 7 and 12, our Governance and Proxy Committee has oversight of our proxy voting activities and reviews the services provided by Glass Lewis on at least an annual basis to ensure they are consistent with our needs and expectations. For example, we expect the research and services provided to be timely, accurate and complete. These expectations have been set by the Governance and Proxy Committee in partnership with the Director of Investment Stewardship with input from investment teams. We include details on the services to be provided in Principle 12 as well as in our Proxy Policies and Procedures document.

Action Taken Where Third Parties Have Not Met Expectations

We regularly engage with data and service providers to share our views on the quality of service received and make suggestions for future improvements. When expectations are not met or when a breach or service-related issue occurs with one of our third parties, these are communicated to the appropriate relationship manager and are logged in NBEL's internal operational risk system. This includes consistent business and/or operational KPI breaches.

For example, we encountered material issues with one of our key service providers in 2022, which did not provide key investor documentation in line with regulatory expectations. In this case, the issue was escalated via the Relationship Management, Risk and Compliance teams to ensure that the appropriate remediation measures were put in place, and that monitoring of the processes surrounding the third party would be enhanced. Since that time, we have noted an improvement in the service.

Proactive ongoing engagement with the third parties is crucial for NBEL in addressing control gaps/weaknesses within third parties. During 2022, we observed control failures from one of our key Fund Administrator providers, in particular as to execution of "BAU processes" for more complex fund offerings. Following identification of these trends through internal Management Information ('MI'), the NBEL relationship teams and Operational Risk function then met with the external fund administrator to discuss the drivers behind the incorrect processing of these trades, and recommended control enhancements and additional training requirements to prevent reoccurrence. This information is tracked using NBEL's risk tools, including its error database and issue tracking tools.

In addition, a number of governance forums are available for the escalation of material issues and errors to ensure the right level of senior manager engagement. Locally, these issues are escalated and discussed at the regional Risk and Compliance Committee and more recently, the inception of a new EMEA Outsourcing Risk and Oversight Committee, a sub-committee of the regional Risk and Compliance Committee, who is responsible for reviewing and overseeing identified risks associated with our third-party relationships (both vendors and outsourced relationships). These matters can then be escalated further to the Group Operational Risk committee or the NBEL Board, depending on the nature of the issue. Reporting metrics on key Third Parties are presented and discussed at the monthly Operations Metrics meeting, discussed with the Global Head of Operations, and for critical Third Parties, are discussed directly with the Third Party as part of the service review (conducted at least annually).

When, during the lifecycle of the engagement with third parties, incorrect information or data is identified through NBEL's internal control environment, timely escalation to the relevant team within the third parties is required in order to prevent adverse impacts to NBEL and its clients. For example, where any inaccurate portfolio/security information has been identified in our Order Management System provided by our third-party vendor, it shall be raised to our dedicated support contact at the third-party vendor for investigation and resolution. Regular check-ins with the third-party vendor will occur until the cause of the incorrect data/information is discovered and resolved. This will then be followed with the third-party vendor providing root cause analysis and outlining preventative measures to be implemented.

Principle 9: Signatories engage with issuers to maintain or enhance the value of assets

Our Approach to Engagement

Engagement is core to our investment process—whether to inform an investment decision or as part of our stewardship of the asset. We embed stewardship responsibilities, including engagement within our investment teams, which we believe are crucial to integrating stewardship insights into the investment process and informing investment decisions. We look for companies where we can constructively exchange insights with board members and management teams. As an active manager, we combine subject matter expertise with fundamental insights to engage on financially material issues specific to a given company and its operating profile to drive sustainable value creation on behalf of our clients. Much of our engagement with issuers arises organically from the investment diligence process, but we are also focused on ensuring that the same attention and intensity are sustained throughout our stewardship of the asset.

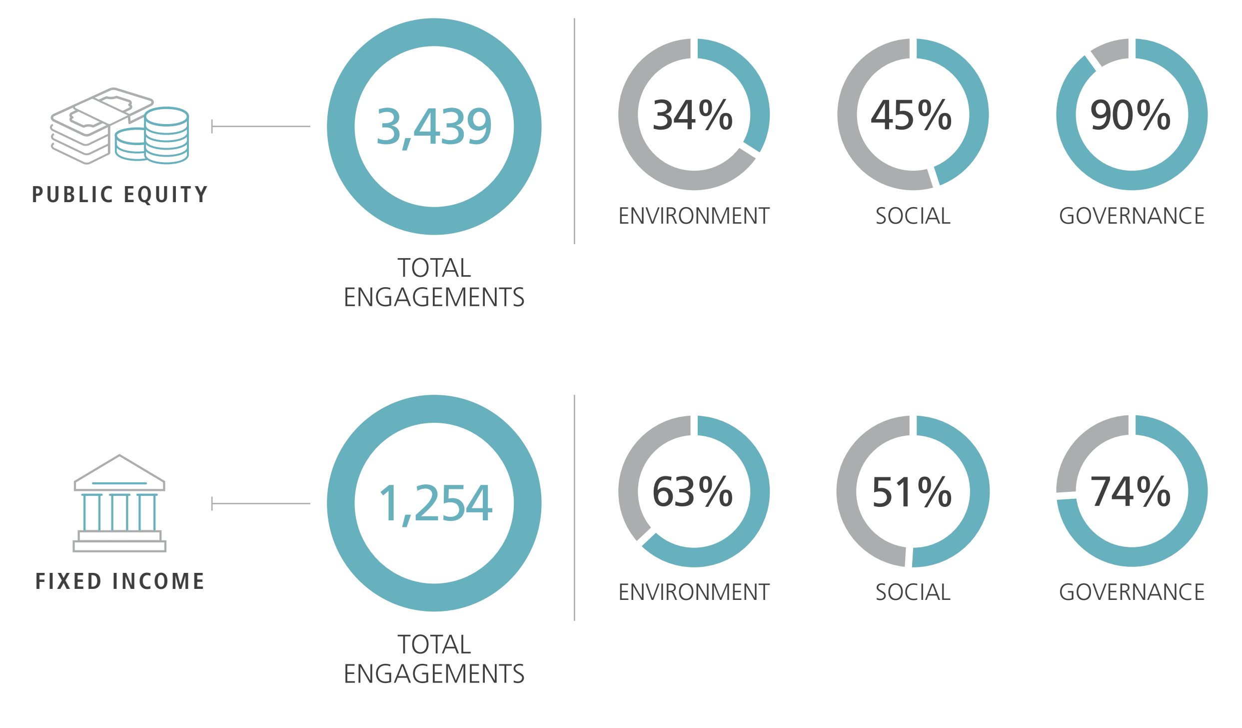
We believe that engaging with issuers is an essential part of being a long-term active owner, and that engaging with issuers on financially material ESG topics can improve their performance and reduce their risk profile. With our long-term relationships with companies, Neuberger Berman's investment teams are well positioned to engage with companies on these key issues. In 2022, we conducted 3,439 public equity engagements and 1,254 fixed income engagements.

As an active owner, we employ a variety of engagement tools depending on the issuer, the issue being discussed and the accessibility of the issuer. Since our engagement efforts with a given issuer typically span a multi-year period, it is common to utilise multiple methods of engagement, such as one-on-one meetings with company. Yet as will become clear through the case studies and statistics we share in this Principle, the tools and techniques we use for engagement continue to evolve.

As discussed further in Principle 11, while the overwhelming majority of our engagement is done in collaboration with companies and their management teams, we strongly believe that the exercise of investor rights prescribed in regulations and company bylaws are part of our responsibility in the pursuit of value creation and the protection of our clients' investments. We believe engagement should not be a top-down dictated approach, but rather investment-driven, taking into consideration matters such as investment objectives, issuer-specific circumstances and our history of engagement.

Where a company does not respond to our concerns or our concerns have not been sufficiently addressed, we may take escalated action such as withholding support from directors, supporting a shareholder proposal, sending letters to the board of directors, making our concerns public, or joining a collaborative initiative, amongst others. The escalation tools leveraged will depend on the rights available to us and the circumstances of the case in question. Importantly, escalation methods are not exclusive and when an escalation method is utilised, we continue to seek to drive change through private one-on-one engagements.

Engagement Overview



Engagement numbers reported in this figure represent the number of company meetings held as defined in this section. We believe engagement is a two-way dialogue between Neuberger Berman and an entity on material topics to the entity in question where we provide context and feedback on areas of concern or opportunities for improvement. Engagement should not be one-sided, but rather involve knowledge-sharing so both parties benefit from the interaction.

Primary Engagement Topics

TOP ENVIRONMENTAL

- Green opportunities
- Climate risk management
- Pollution and mitigation management
- Waste and water management
- Environmental and climate reporting

TOP SOCIAL

- Human capital management
- Labor relations
- Community and government relations
- Workforce diversity
- Supply chain management

TOP GOVERNANCE

- Long-term business strategy
- Capital structure
- Disclosure and financial control
- Board independence and quality
- Compensation structure

Methods of Engagement

We employ a variety of engagement tools, depending on the issuer, the issue being discussed, and the accessibility of the issuer. Since our engagement efforts with a given issuer typically span a multi-year period, it is common to utilise multiple methods of engagement. As described in Principle 6, most of our clients have long-term investment horizons which enables us to focus on material long-term issues on our engagements. Our most commonly used method of engagement regardless of asset class is company meetings where our investment teams engage in direct dialogue with an issuer in a private or small group setting. For our listed equity strategies, proxy voting-related methods are important engagement tools. Our most important engagement tools include:

- **Company Meetings:** The Neuberger Berman research department and portfolio management teams host on average over 3,000 one-on-one meetings with company management teams in-person at our offices and via conference calls, in addition to a similar number of outside meetings and on-site company visits. These meetings provide an opportunity to communicate views and concerns directly to company managements.

- **Written Communication:** Should portfolio managers determine that additional means to communicate with company management teams is warranted, they can pursue formal written communication with management teams and boards of directors on identified areas of concern and recommended courses of action. We expect companies to be responsive to our formal and informal communications.
- **Shareholder Proposals and Proxy Contests:** Portfolio management teams may seek governance change through shareholder proposals, proxy contests and other measures of shareholder activism if a company's responsiveness is deemed inadequate.
- **NB Votes:** Through our NB Votes initiative, we publish our vote intentions in advance of select shareholder meetings, with a focus on companies where our clients have significant economic exposure.
- **Proxy Voting:** One important way in which we exercise engagement is through voting proxies on behalf of our advisory clients for whom we have voting authority. We do this in order to fulfil our fiduciary responsibility to protect our clients' best interests and as an important component of our approach to creating shareholder value.
- **Industry Collaborations:** We collaborate with several organisations, especially where we feel our leadership can make a significant contribution.

Prioritizing Our Engagement Efforts

Neuberger Berman has identified nine key governance and engagement principles focused on positively influencing corporate behaviours to seek to drive long-term, economic value. As a multi-asset class manager, we engage with issuers across the capital structure using a range of tools and approaches guided by these principles. We leverage the NB Materiality Matrix to identify material long-term issues as described in Principle 7.

Our engagement prioritisation is a function of the following considerations: severity of ESG concern as assessed by our proprietary ESG Ratings, potential economic exposure to the risk, relative level of influence on a situation (be it through engagement or a voting decision), and the existence of an emergent risk as identified through our internal assessment or collaborative engagement campaigns. Engagement targets and topics may also be informed by a specific strategy's objectives, commitments or thematic focus areas. For example, a strategy that has made a net-zero commitment to achieve a carbon footprint reduction target of 50% by 2030 will additionally seek to prioritise engagements on climate risk management and carbon transition plans.

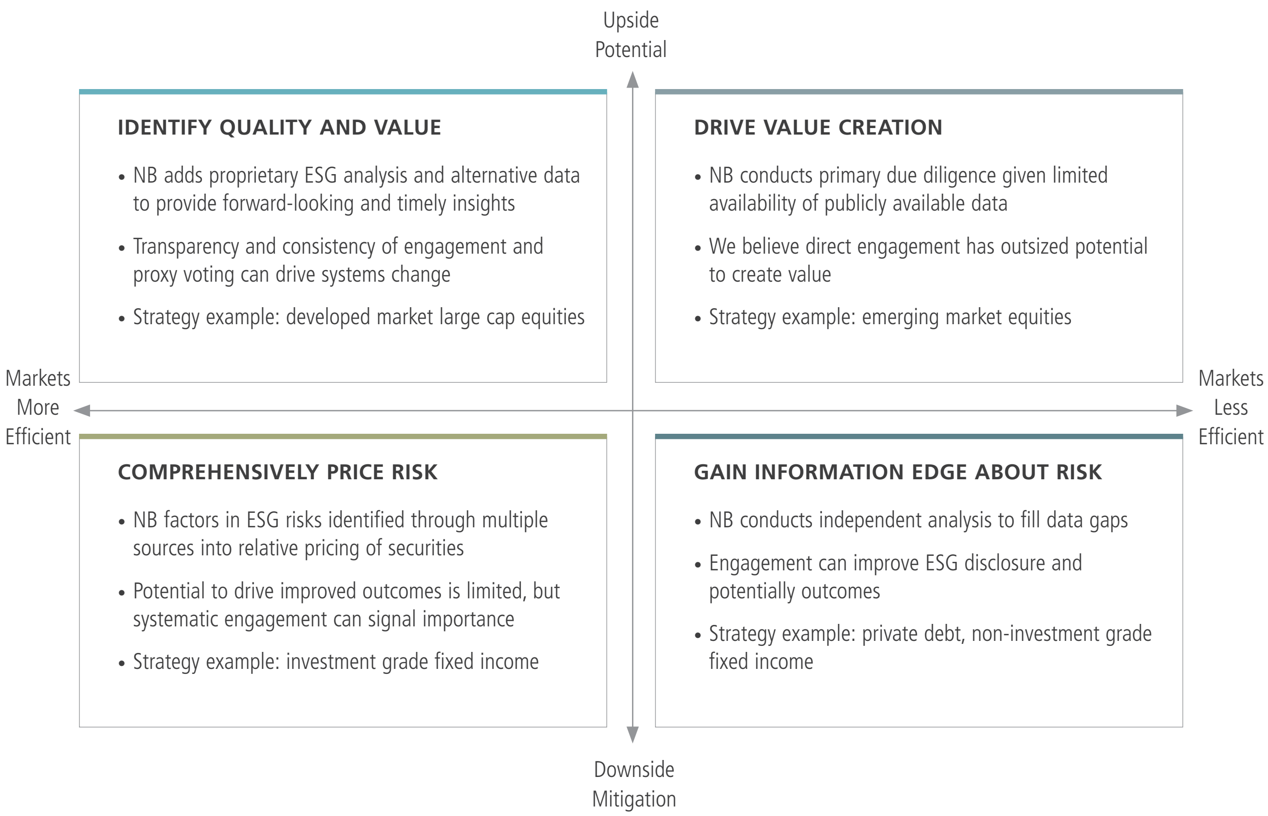
While the prioritisation assessment is ongoing, the timing of the engagement may be reactionary in certain cases, opportunistic in cases of industry events or pre-planned meetings, or proactive where time allows and without undue restrictions such as during quiet periods or M&A events that may prevent outreach actions.

STRATEGY Adopt, formulate and communicate value-enhancing long-term strategies	**INCENTIVES** Align management and board incentives with long-term shareholder goals	**BOARD INDEPENDENCE** Effective boards of directors must be truly independent
SHAREHOLDER REPRESENTATION Strive to maximise shareholder representation	**CAPITAL DEPLOYMENT** Allocate capital to maximise long-term risk-adjusted shareholder value	**TRANSPARENCY AND COMMUNICATIONS** Provide transparency in communication and reporting
RISK MANAGEMENT Boards of directors should actively engage with management to evaluate and control enterprise risk	**ENVIRONMENTAL ISSUES** Consider the material impacts of their business operations on the environment	**SOCIAL ISSUES** Actively assess the material impacts of their business and operations on their employees, customers, local communities and society

Ultimately, we aim to prioritise engagement that is expected to have a high impact on the protection of and improvement to the value of our clients' assets, be it through the advancement of actionable disclosure, understanding of risks and risk management at an issuer, or through influence and action to mitigate risks and take advantage of investment opportunities.

Engagement May Differ by Market, Geography and Asset Class

Important elements to consider when engaging across asset classes and markets include, but are not limited to: access to management, ownership rights, nature of the investment (direct or indirect) and engagement history with the issuer. As a result, our chosen engagement approach and method is informed by the relevant market and asset class.



Our Approach to Engagement

The following examples are intended to showcase different approaches that may be utilised for various asset classes, geographies and funds.

Sovereign Debt

Actively engaging with governments and other institutions to build a more holistic picture beyond the data is crucial. This helps to improve economic prosperity and accelerate progress not only for sustainability enhancement, but also for generating long-term excess returns in our portfolios. The ability to access a sovereign is not comparable to that of a corporate issuer, but it is certainly not impossible, and where opportunities arise, we always look to engage while respecting the sovereign's democratic process. We believe it is important for investors to focus on the UN SDGs, while also seeking to advance the narrative around nationally determined contributions (NDCs) and country-specific issues such as anti-money laundering, corruption, labour and human rights, financial terrorism or child labour. We also believe collaborative engagements through industry initiatives such as Emerging Markets Investor Alliance and the Principles for Responsible Investment, as well as at investor conferences and bond roadshows, are key to improving the outcomes of engagements.

Private Equity

Neuberger Berman's engagement on ESG issues has increasingly extended to the private equity universe, where we believe fostering a dialogue with clients and private equity managers on material ESG topics is an important part of our role in the ecosystem. However, engagement within private equity can take on a somewhat different "look" from other asset classes.

We engage with our general partners (GPs) to share ESG best practices. Within NB Private Equity, our ESG due diligence can often serve as a starting point for engagement with GPs. We connect with GPs in seminars and one-on-one settings to provide guidance and support to improve ESG integration policies and practices. More broadly we disseminate our insights and information through participation on industry advisory boards and working groups, particularly on timely topics like ESG-related regulations, climate analysis, and diversity and inclusion.

We believe NB Private Equity is differentiated in that we are able to serve as a strategic partner to GPs across the spectrum of their capital needs (primaries, secondaries and co-investments). These multiple touchpoints afford NB Private Equity a certain level of influence over the lead sponsors with whom we partner, as we are seen as "true partners" with scale and vast resources. As such, we are able to engage with GPs in an effective way, and have the ability to encourage lead sponsors to address certain areas of concern with respect to specific investments, including ESG.

Additionally, our position within the private equity ecosystem provides us with enhanced information, as we have both a fund and direct investment perspective with many of the lead GPs with whom we work. For example, having completed a primary investment in the fund of a particular GP, we are often well positioned to track the underlying assets and, in many cases, may have even co-invested in a portfolio company of a fund on whose advisory board we sit. This may provide us with additional insight and the ability to monitor our co-investments, including voicing our concerns and exercising influence over the GP, should we feel that there is an ESG concern.

Beyond deal-specific engagements, NB Private Equity seeks to engage formally and informally with private equity managers and encourage them to incorporate ESG considerations into their investment strategy. Examples of our engagement efforts include our GP roundtable series on ESG, organised with the help and leadership of our dedicated ESG Investing team. To date, we have hosted events in New York, London and virtually. At these events, we have successfully convened a group of private equity sponsors to discuss ESG best practices in the industry.

As part of the GP roundtable series, our speakers and GPs share experience and insight around ESG integration as well as useful industry resources. In 2020, NB Private Equity hosted a virtual GP engagement series in partnership with the United Nations Principles for Responsible Investment (UN PRI) on current topics related to integrating ESG factors in private equity investing, including practical insights on becoming a PRI signatory. In 2021, we hosted a virtual GP webinar with the Institutional Investors Group on Climate Change (IIGCC), who provided a preview of a forthcoming paper on net-zero alignment in the private equity context. In 2022, we hosted a GP webinar with Ceres on the topic of the evolving ESG landscape as further discussed in Principle 10.

We believe we have a responsibility to encourage ESG investing capabilities through collaborative work with both clients and others in the investment industry. We engage with industry stakeholders, contribute research and time to advisory groups, and support the creation and adoption of industry standard ESG disclosures, measurement and reporting.

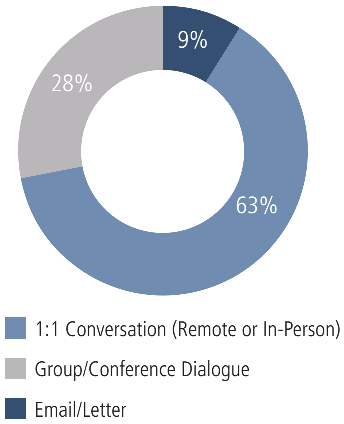
Fixed Income: Global High Yield SDG Engagement Strategy

Our Global High Yield SDG Engagement strategy is a United Nations Sustainable Development Goals engagement-focused fund that invests in global high yield fixed income securities and prioritises competitive yield and total returns.

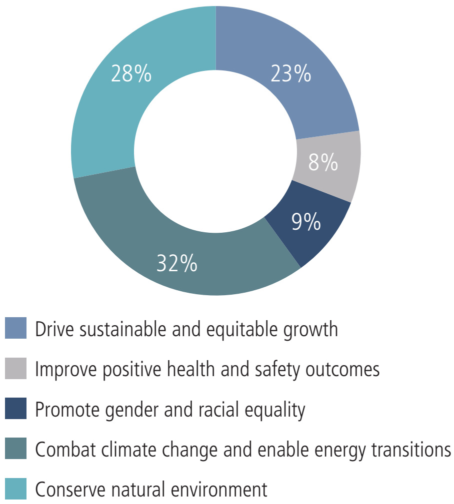
Our research teams and ESG Investing team collaborate and establish engagement objectives aimed at amplifying each issuer's contribution to the UN SDGs. Our research teams engage with each issuer on the specific UN SDG-aligned engagement objective and review progress with the ESG Investing team on a semi-annual basis to incorporate their feedback and oversight. Notably, our engagement efforts extend to both public and privately owned issuers, which we believe captures engagement opportunities not traditionally covered by market participants. We closely monitor our engagement activity for progress toward these objectives by assigning specific indicators which measure and track issuer responses. Progress toward engagement objectives is tracked with a multi-staged tracking system.

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.

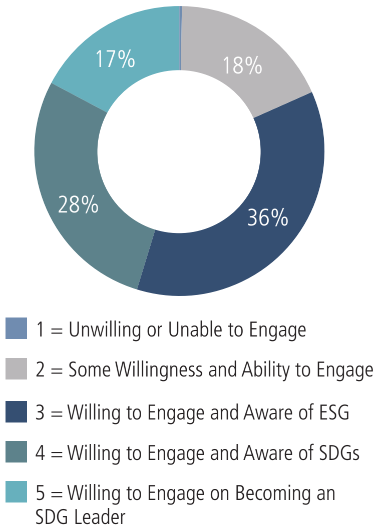
Engagement Mechanism



NB Impact Theme Distribution



NB Engagement Potential Indicator



Engagement example: A successful outcome was achieved with a private natural gas exploration and production company. The issuer was focused on reducing its environmental intensity through emissions and water use, but could improve disclosures on its impact and strategy by expanding reporting and establishing medium-term targets. We developed an engagement objective with the issuer aligned with SDGs 13 and 6 and engaged with the issuer on disclosing scope 2 emissions, establishing emissions reduction targets, and increasing water use efficiency. As a large bondholder, our strong relationship with the issuer led to over 10 discussions with management over a 36-month period. In the company's 2021 ESG report published in August 2022, they disclosed scope 2 emissions for the first time. The issuer also publicly committed to achieve net-zero emissions across scope 1 and 2 by 2025. We continue to monitor the company in its progress toward this goal as well as encourage more transparent reporting on gross emissions reduction versus the use of carbon offsets to achieve this target. Specifically, we encourage the issuer to report aligned with TCFD standards. While the company has not set a quantitative long-term goal related to water use, the issuer did announce investments in infrastructure to improve water re-use, and the company has materially improved on water intensity metrics and doubled its water recycle rate in the past three years.

United States: Our US Public Equity Impact Strategy

Our US Public Equity Impact strategy seeks to invest in companies whose products or services have the potential to deliver significant positive social and environmental outcomes. The universe of potential companies is evaluated through an integrated process using proprietary impact analysis, traditional fundamental financial assessment and material ESG considerations.

We actively engage with companies to increase their impact through capital allocation decisions, target setting, industry collaboration and reporting. We set detailed impact engagement objectives for each company holding and report on progress over time (see below). We also seek to engage with portfolio holdings on their own equity, inclusion and diversity initiatives to directly advance one of the five NB Impact Themes[1] specifically regarding the promotion of gender and racial equality aligned with SDGs 5 and 10. As a result of active engagement, our investor role has the potential to go beyond providing capital to driving positive impact by working with companies.

The team uses proprietary analysis to assess the quantitative and qualitative impact of companies that is aligned with a theory of change. Through this process, we assess the collinearity between financial performance and positive outcomes before including a company in the portfolio.

[1] To learn more about our five NB Impact Themes, please see our 2021 ESG Annual Report.

EXAMPLE IMPACT PORTFOLIO REPORTING[1]

195 million	1 million	4 million	1 billion
tons of avoided greenhouse gas emissions from portfolio companies annually	customers in rural areas across the US provided with high-speed internet access by portfolio companies	quality-adjusted life years provided through therapeutics and treatments per year by portfolio companies	gallons of water treated per day by portfolio companies

Impact analysis example: In Healthcare, a cheaper treatment for a widespread condition is likely to have a more material impact toward achieving Sustainable Development Goals than an expensive, specialised treatment, irrespective of its effectiveness. We can quantify this by using peer-reviewed studies and cost benefit analysis for the treatments in each company's portfolio to determine which produce the most positive health outcomes at the lowest cost. This analysis led us to invest in a company that makes cost-effective treatments for cancer and diabetes, the second and seventh biggest causes of death in the US, respectively. This company also produces an annual pricing report that demonstrates more transparency and cost awareness than many peers, addressing a topical ESG risk in the industry.

Japan: Our Japan Equity Engagement Team

In Japan, the largest companies are typically the focus of investors, especially when it comes to engagement. The Neuberger Berman Japan Equity Engagement team invests in small to mid-size companies that we believe have strong business fundamentals and attractive growth outlook that many investors have seemingly passed by. Given our knowledge of the market and local presence, we have an enhanced ability to find companies that would often be overlooked and that we believe would benefit from engagement and the adoption of sustainable business practices.

Once we initiate a position in a company, we set an engagement objective and a customised strategy to periodically and on an ad hoc basis address capital management and financially material ESG issues, typically employing a milestone system to monitor progress being made. A key point in this process is presenting our case to the company—to clear away any outdated misperceptions about ESG and emphasise the potential financial benefits to the business of committing to sustainable business practices. During our engagements with management, we provide a comprehensive presentation material including a list of issues that we believe should be prioritised and warrant their focus with a view to strengthening the business and improving performance. A smaller company may have more limited resources, so our focus on financially material issues can help companies allocate resources more effectively to achieve sustainable growth of corporate value.

In engaging with companies, meeting with senior leaders is crucial, because, if convinced, they can use their authority to clear the way for change, especially where mid-level managers may be reluctant to move forward. We believe the case for sustainability can be compelling, and presenting our ideas in a cogent fashion, backed by data and experience, can help lay the groundwork for long-term investment success.

[1] Annual statistics for the time period from July 1, 2021 – June 30, 2022.

Engagement example: We have been engaging the president and senior executives of a regional telecommunications company on its capital efficiency and transparency of its capital management strategy. Despite having little capital investment needs, the company has historically maintained low payouts, resulting in a significant build-up of surplus capital that has weighed on return on equity and consequently its valuations. What made the situation particularly challenging was that the company has been taking the surplus capital and loaning it to its parent company, which we viewed as not an appropriate method of managing shareholder's capital.

Despite numerous engagements with the company, management had made little progress addressing the above-mentioned issues, which resulted in the company remaining stagnant at Milestone 3 (acknowledgement of material issues) of our engagement framework. We therefore decided to escalate our engagement. First, we conducted an in-depth engagement meeting with the president, sharing a 54-page report that outlined all of the above issues with specific recommendations that we believe would be accretive to shareholder value. Second, we submitted a letter to the Board requesting the company address these issues in a timely manner. Third, we pre-disclosed our proxy voting decision to vote against top management and its external directors at the June 2022 AGM as part of NB Votes for failure to adequately address the capital inefficiencies as well as the low board independence. Fourth, we engaged the parent company and requested the parent address this issue directly with its subsidiary.

As a result of our engagement, the company announced a plan to buy back its shares in April 2022—the second time ever in the company's history. That was followed by its first-ever mid-term business plan in October 2022, which included specific financial targets including a 3-year EPS target as well as a capital management strategy that outlined the company's use of capital and more importantly a commitment to return surplus capital to shareholders in the form of share repurchases.

We consider this as a positive move by the company to improve shareholder value and have elevated the company's engagement on capital management to Milestone 4 (Action Plan). However, we continue see other underutilised balance sheet items that we believe should be used for growth or returned to shareholders, while key issues regarding board independence and sustainability disclosure remain a work in progress (still at Milestone 3). We will continue to engage the management on these topics in a timely manner.

The following case studies provide examples of our engagement activities and outcomes on a range of material topics across different markets, asset classes and sectors.

CASE STUDY

ISSUE: Human Capital Management
CATEGORY: Social
ASSET CLASS: Equity
STRATEGY: Global Research Strategies
SECTOR: Multi-sector
STATUS: Ongoing

Labour Management Practices in the Post-COVID Era

Background:

Shifting workplace expectations and an escalating talent war have led to higher employee-turnover rates in recent years. These trends prompted our team to explore how best-in-class companies are trying to attract and retain high-performing employees in the post-COVID era. We believe this research not only will provide valuable insights into our holdings' potential long-term performance, but also will allow us to share best practices with management teams and encourage more meaningful engagement with them over time.

Scope and Process:

Starting in the fall of 2021, our team engaged with companies across an array of industries—from technology companies to railroads. Armed with alternative third-party data, we demonstrated how companies' employee retention stacked up against their peers (figures not readily found in public documents). While the findings garnered attention and facilitated discussion, raw data never tells the whole story. A company with extremely low turnover may be holding onto mediocre performers for longer than it should; likewise, a high number of job openings could indicate business momentum or a talent leak due to underlying cultural issues.

That's why we also gathered propriety research by surveying management teams on various human-resources topics—including what seems to motivate workers (beyond compensation) and why employees decided to leave their firms. Ultimately, our main goal was to gain a deeper understanding of how great companies cultivate strong workforces and enduring cultures.

Outcome and Outlook:

While labour-management practices continue to evolve, our team did uncover some common themes. One important one was that most companies agreed that actively seeking employee feedback is crucially important to success—be it in the form of one-on-one meetings with managers or during town-hall forums designed to address broader questions about the health of the business. And what do employees say they want? More flexibility, for a start. Though some organisations still require Monday-through-Friday attendance, we found that many have adopted hybrid work schedules to help workers attend to life's other commitments.

Opportunity is another key demand. Management teams concurred that many of their employees seek career development and a fair shot at upward mobility. Diversity matters, too. Studies suggest a strong correlation between diversity across gender and ethnicity and higher profitability and value creation. For example, one leading ride-sharing company said it established a policy to seek new applicants from a representative sample of its local communities.

In addition to seeking regular feedback, we found that many companies are taking steps to improve their onboarding practices to make sure new hires feel connected and hit the ground running. Many have also added dedicated affinity networks to help recruit, retain and raise awareness of diverse employee groups. While we've yet to find a one-size-fits-all approach to building a strong team, we believe our research efforts will continue to enhance the quality of our engagement with portfolio companies, and ultimately help our team make better-informed long-term investment decisions.

CASE STUDY

ISSUE: Climate Transition
CATEGORY: Environmental
ASSET CLASS: Fixed Income
STRATEGY: Investment Grade Credit
SECTOR: Utilities
STATUS: Ongoing

Assessing Climate Risk Management

Background:

Algonquin Power & Utilities Corp. provides infrastructure services including electricity, natural gas, water and wastewater transmission for more than one million customers, primarily in North America. Neuberger Berman has invested in Algonquin's bonds and hybrid securities over the years, and although it faces some exposure to energy transition risks, we believe the issuer can make certain policy improvements to manage these risks and the potential impact on its business. For example, climate change may increase the frequency and severity of weather events, which could pose mechanical and operational risks to some of the company's assets. Additionally, regulatory risks, such as stranding of the company's capital investments due to climate change, could pose additional risks for cost recovery and be subject to legislative proposals that would impact the extent to which such costs could be recovered. Given these potential impacts, it is essential that we integrate material climate risks into our bond valuation for Algonquin. Moreover, it is critical that we understand the credibility of the company's net-zero objectives and its climate transition plan, and how related capital allocation decisions could impact credit risk and, thus, our investment.

Scope and Process:

Our engagements with Algonquin initially began in 2018, and following our participation in the company's bond offering in the Fall of 2020, we engaged three times over the course of 15 months. These engagements included discussions with the CEO, CFO and investor relations team. Because the issuer significantly lagged its peers with respect to emissions reduction targets, we advised them to set longer-term, science-based targets and to submit them for verification from a credible third party. Not only do we consider these best-in-class practices, but a target to reach net-zero emissions is necessary for Algonquin to mitigate risks associated with a climate transition. We believe that the establishment and verification of these targets, along with transparent disclosure of Algonquin's capital allocation plan would provide investors with clarity concerning the deployment of incremental capital to meet end electricity demand. This would provide bondholders with greater visibility into future cash flow metrics, ensuring these projections remain appropriate for the level of business risk.

Outcome:

In 2022, the company announced its target to achieve net-zero emissions by 2050. Additionally, it aims to generate 75% of its power from renewable sources by 2023, up from 50% in 2020. Given the continuous and growing legislative push for stricter renewable energy generation targets, we believe Algonquin is taking meaningful steps toward managing its climate transition risk. Thus, the company is mitigating long-term credit risks, which further supports our investment thesis and ongoing engagement strategy.

CASE STUDY

ISSUE: Sustainable Procurement
CATEGORY: Biodiversity
ASSET CLASS: Equity
STRATEGY: Japan Equity
SECTOR: Consumer Discretionary
STATUS: Ongoing

Harmonising with the Environment

Background:

Yamaha Corporation is the world's largest manufacturer of musical instruments and a long-term holding of the Japan Equity Engagement strategy. The investment appeal of the company includes what we consider strong financials and attractive growth prospects, as well as proactive efforts to address material environmental and social issues. Keys to the business include scale and brand: scale to maintain cost effectiveness, and brand to ensure that customers associate Yamaha with a high level of quality. A long-term challenge that could affect these characteristics is the scarcity and cost of timber used to make musical instruments, driven in part by climate change and illegal logging.

Scope and Process:

As part of our broad engagement, we connected with Yamaha in 2021 on biodiversity and specifically the reliable procurement of certified timber—an issue that could affect its ability to make high-end acoustic pianos and other instruments, and thus affect its brand image. At the time, the company sought to procure 50% of its certified timber from clearly identifiable sources, to avoid the risk of obtaining timber that has been illegally logged.

As long-term investors, we believe Yamaha's ability to maintain global scale and brand loyalty is contingent on its continued manufacture of high-quality acoustic musical instruments. Hence, the sustainable sourcing of its prime raw material is critical to its business fundamentals and growth outlook. For this reason, we encouraged new approaches to enhance the company's responsible procurement and to plan for periodic supply bottlenecks given timber's status as a finite resource. We approached the company as it prepared its mid-term business plan, where it would set its strategic agenda and establish key performance indicators for the next three years. Among our recommendations, we asked that the company integrate its sustainable procurement initiatives into its business plan and consider improving related disclosures in line with globally recognised ESG standards. Later, we continued our discussions and toured a company piano plant to better understand its manufacturing and timber processing.

Outcome and Outlook:

Yamaha was receptive to our ideas, noting that it was already working to expand its certified timber allocation. In fiscal (March) 2022, the company was able to procure 52% of its timber from certified sources, and in its new three-year plan, it committed to raising this target to 75%. To do so, Yamaha joined forces with an accredited third party to create an internal certification system, which would reduce the financial burden on suppliers from licensing. We believe this is a significant step that could help the company eventually achieve 100% procurement of certified timber. Importantly, Yamaha's actions could have broad implications, encouraging others to adopt similar standards. Going forward, we will continue to engage Yamaha to strengthen its biodiversity disclosures, consistent with globally-recognised ESG reporting guidelines.

CASE STUDY

ISSUE: Energy Efficiency Disclosure
CATEGORY: Environmental
ASSET CLASS: Fixed Income
STRATEGY: US High Yield
SECTOR: REITs
STATUS: Ongoing

SDG-Aligned Engagement on Energy Efficiency Disclosure

Background:

Neuberger Berman engaged with Starwood Property Trust, a large commercial mortgage REIT and commercial mortgage special servicer. As an issuer that owns, manages and finances real estate property, energy management is an important issue that can reduce operating costs, improve a property's potential capital appreciation and overall sustainability profile. We utilised our long-term relationship with management to encourage the issuer to enhance its energy efficiency disclosure related to its real estate portfolio in line with recommendations of SASB and TCFD and to set a public goal to increase the energy efficiency of its properties.

Scope and Process:

We believe environmental considerations are material to the overall credit profile of an issuer that owns, manages and finances real estate property. We engaged with senior management, including the CEO, CFO, COO and Investor Relations team over a period of multiple years. The company was highly receptive and committed to improving their disclosures.

Outcome and Outlook:

Since our engagement efforts began, the issuer launched SASB and TCFD indices on their website, highlighting the company's climate-related considerations and incorporation of ESG factors in asset management and credit analysis. Additionally, the company's recent disclosures included the energy management metrics we requested in our engagements. We believe that the issuer will remain focused on the environmental footprint of its assets and will continue to integrate environmental considerations into its business practices. We continue to engage the issuer on tenant engagement efforts and enhancing the coverage and reporting of energy data tracked.

CASE STUDY

ISSUE: Enhancing Sourcing Reliability

CATEGORY: Supply Chain Management

ASSET CLASS: Equity

STRATEGY: US Equity Impact

SECTOR: Information Technology

STATUS: Completed

Adding Impactful Solar Capacity

Background:

First Solar is a US-based company that manufactures solar panels—a product that has come into increased demand due to cost-competitiveness and policy support in the fight against climate change. It has been a holding of the Neuberger Berman US Equity Impact strategy since inception. Although viewing it as a leader in its field, we believed there was additional potential, particularly relating to capital investment choices.

Scope and Process:

As part of a cyclical industry, First Solar generated significant cash holdings through 2020 and was considering uses for that capital, including calls from the investor community to return capital to shareholders. Although it had been historically hesitant to invest in new facilities given the potential oversupply of panels, we advocated for expansion of new capacity in the US, in the belief that it would not only prove profitable, but have a significant positive impact by increasing the capacity of the domestic supply chain and reducing emissions. We continued a dialogue over the next two years on the manufacturing issue, on enhancing the independence of its board of directors and on setting science-based emission reduction targets. As supply chain security and the environmental footprint of solar moved up the priority lists of customers and policymakers, we also wanted the company to be positioned for any potential benefits.

Outcome and Outlook:

In 2021, First Solar announced a $700 million investment in a new Ohio facility, as well as $700 million in a new plant in India, creating more than 1,000 direct manufacturing jobs. In the fall of 2022, President Biden signed the Inflation Reduction Act, providing significant tax credits for US-manufactured panel production, and adding to the competitive advantages enjoyed by First Solar—something that was reflected in record bookings last year. To further meet customer demand, the company announced $1.4 billion in outlays for an Alabama production plant and an Ohio R&D center. In aggregate, the announced capacity will help First Solar triple its positive impact from avoided emissions over 2020 levels while providing 3,000 manufacturing jobs in the US and supporting the addition of 15,000 jobs at other companies.

In addition, First Solar appointed its first lead independent director in 2021 and two new members to the board in 2022, enhancing its governance profile. It also set science-based emission targets to reduce its scope 1 and 2 GHG emissions by 34% by 2028 and achieve net-zero emissions by 2050.

CASE STUDY

ISSUE: Access to Finance
CATEGORY: Social
ASSET CLASS: Fixed Income
STRATEGY: Emerging Markets Debt
SECTOR: Financials
STATUS: Ongoing

SDG-Aligned Emerging Markets Engagement on Access to Finance

Background:

Shriram Transport is a non-bank financial institution focused on pre-owned commercial vehicle-backed loans in India. The issuer offers affordable financing solutions to micro, small and medium enterprises (MSME), in particular first-time vehicle buyers and small road transport operators. The financing provided by Shriram empowers many drivers to become truck owners typically within two to three years, supporting poverty alleviation in the rural regions of the country by creating steady income-generating opportunities for drivers. The company's business model and performance are supported by its efforts to increase access to finance to the local population, making it a material issue to the company.

Scope and Process:

In our view, Shriram has demonstrated a strong and proven track record over decades in aligning access to finance efforts and profitability through its ability to price loans and manage credit costs efficiently. Given the strong balance sheet performance and community impact the company has already demonstrated, we engaged with the company on opportunities to broaden the application of its social finance framework.

We engaged with Shriram in relation to the company's social finance framework, long-term strategy and governance topics. Since 2020, our due diligence process consisted of eight conversations with senior management, including the CEO, CFO and corporate finance team.

Outcome and Outlook:

Since we started following Shriram's ESG developments in 2020, we believe the company has demonstrated a high level of consistency in supporting the financing needs of socially and economically underserved populations of society. In demonstration of improvement in ESG-related disclosure and performance, MSCI upgraded Shriram's ESG rating from BB in January 2020 to A in April 2022. We expect Shriram to gradually expand its social finance framework, which is likely to positively impact both social inclusion and funding costs. We look forward to increased disclosure on social and environmental topics at the firm level with more quantifiable indicators as the company continues to deepen its related commitments.

CASE STUDY

ISSUE: Emissions Reduction Targets
CATEGORY: Environmental
ASSET CLASS: Fixed Income
STRATEGY: US High Yield
SECTOR: Energy
STATUS: Ongoing

Proactive Engagement on Setting Emission-Reduction Targets

Background:

Southwestern Energy is a natural gas exploration and production company. We view regulatory and legislative developments in global emissions as having a tangible and material impact on the business over time as natural gas end markets increasingly track and differentiate the full value chain emissions of consumed natural gas. We believe it is important that the company discloses relevant emissions information so investors can incorporate the competitiveness of the company's emissions profile into their investment analysis. The company's ability to reduce emissions will become increasingly important in its competitiveness in US and global markets to end users. We believe reducing emissions is financially material to the business as it should help the company maximise its realised pricing versus competing natural gas over time and reduce stranded asset risk of the company's natural gas reserves not being fully developed. We engaged Southwestern Energy on disclosing its emissions and reporting aligned with the Task Force on Climate-related Financial Disclosures (TCFD) guidelines, as well as on establishing emission-reduction targets.

Scope and Process:

We had four engagements with management in 2022, including with the issuer's CEO, CFO and COO. The issuer is focused on addressing emissions in its business operations and has been seeking guidance on best practices and standards related to disclosure and emission-reduction goals from our team. Specifically, we encouraged Southwestern to commit to disclosure aligned with TCFD standards and establish quantitative emission-reduction targets.

Outcome and Outlook:

Since our engagement efforts began, the issuer has published its scope 1 and scope 2 emissions, a TCFD and SASB index in its Corporate Sustainability Report (CSR) report and established an emission-reduction goal related to scope 1 absolute emissions and intensity by 50% by 2035. This goal includes a commitment to utilise at least 70% direct operational abatement activities to reduce emissions, which we view favourably as opposed to reduction via carbon offsets. We continue to work with the issuer to establish a scope 2 emission-reduction target. We believe the establishment of scope 1 and scope 2 emission-reduction targets will help drive improvement in the emissions profile of the business and maintain the competitiveness of its product in an increasingly emissions-focused global regulatory and legislative environment.

Principle 10: Signatories, where necessary, participate in collaborative engagement to influence issuers

Our Approach to Collaborative Engagement

We recognise that we have a responsibility to improve the functioning of capital markets as a whole. We believe encouraging the broader implementation of sound stewardship and ESG investing activities is an important part of this effort. In our view, this can best be achieved by working collaboratively with clients and others in the investment industry, including by engaging with individual companies and whole industries, conducting joint research on ESG topics, and supporting the creation and adoption of industry-standard ESG disclosures. Below are examples of these groups and the role we play in each.

Organisation/Initiative	Our Role
Asian Corporate Governance Association ("ACGA")	Member Chair of the Japan Working Group
British Private Equity and Venture Capital Association ("BVCA")	Member
CDP (formerly "Carbon Disclosure Project")	Investor Member and Signatory Signatory to Science Based Targets Campaign
Ceres	Member
Climate Action 100+	Signatory and member Lead investor
Council of Institutional Investors ("CII")	Member Member of Corporate Governance Advisory Council
European Fund and Asset Management Association ("EFAMA")	Member Member of the ESG and Stewardship Committee
ESG Data Convergence Initiative ("EDCI")	Member
Farm Animal Investment Risk and Return ("FAIRR")	Member
Global Impact Investing Network ("GIIN")	Member
Global Real Estate Engagement Network ("GREEN")	Member
Harvard Business School Impact-Weighted Accounts Project	Practitioner Council member
Impact Management Project	Advisor
Initiative Climate International ("iCI")	Member
Institutional Investors Group on Climate Change ("IIGCC")	Member
	Member of Bondholder Stewardship Working Group
Investment Company Institute ("ICI")	Member
	Member of the ESG Taskforce
Institutional Limited Partners Association ("ILPA") Diversity in Action	Member
Interfaith Center on Corporate Responsibility ("ICCR")	Member
The Investment Association ("IA")	Member
	Member of Stewardship Committee and Climate Change Working Group
Japan Stewardship Code	Signatory
Operating Principles for Impact Management	Signatory
Oxford University Initiative on Rethinking Performance	Partner
IFRS Sustainability Alliance (formerly the Sustainability Accounting Standards Board ("SASB") Alliance)	Founding member Corporate engagement working group member APAC Working Group member Participant in Standards Advisory Groups ("SAG") Member of the ISSB Investor Advisory Group ("IISB") (formerly, the SASB Investor Advisory Group)
Swiss Sustainable Finance Association	Member
Task Force on Climate Related Financial Disclosures ("TCFD")	Supporter

Organisation/Initiative	Our Role
Transition Pathway Initiative ("TPI")	Research funding partner
UK Sustainable Investment and Finance Association ("UKSIF")	Member
US Investor Stewardship Group	Signatory
UN Global Compact	Signatory
United Nations Principles for Responsible Investment ("UN PRI")	Signatory Member of Corporate Reference Reporting Group ("CRRG"), Global Policy Reference Group ("GPRG"), and Sovereign Debt Advisory Committee Founding member
US SIF – The Forum for Sustainable and Responsible Investment	Member
	Board of Directors
Workforce Disclosure Initiative ("WDI")	Signatory
World Benchmarking Alliance	Member
30% Club Japan Investor Group	Member

While we support many highly impactful groups and initiatives, each year, we seek to particularly focus our efforts where we feel our leadership can make a unique and significant difference. Below are examples from 2022:

UN PRI: Neuberger Berman continued to actively contribute to the PRI's work by participating in its Global Policy Reference Group ("GPRG"), where we share expertise and insights on ongoing policy and regulatory issues. In addition, as members of the Investor Reference Group on Corporate Reporting, we shared our views regarding emerging reporting frameworks on ESG-related data, including the ISSB global baseline and the EU's Corporate Sustainability Reporting Directive ("CSRD").

Investment Association ("IA"): Throughout 2022, Neuberger Berman was an active member of the IA's Stewardship Committee, which seeks to promote and enhance asset managers' role as long-term responsible investors on a wide range of material risks and ESG issues while supporting a coherent regulatory environment for stewardship and corporate governance. We are also members of the IA's Climate Change Working Group, which brings together expert members to develop and propose industry positions and recommendations in relation to climate change. This includes developing industry positions to support the transition to net zero and industry action in alignment with the goals on the Paris Agreement.

Global Real Estate Engagement Network ("GREEN"): In 2022, we joined GREEN, a collaboration network of asset owners and asset managers representing approximately €2 trillion of assets under management. The network focuses on climate risk within the real estate investment trust ("REIT") sector. As a member of the network, Neuberger Berman will lead or co-lead engagements with select REIT companies.

Institutional Investors Group on Climate Change ("IIGCC"): Neuberger Berman is a member of IIGCC, a leading global investor membership body and the largest in Europe focusing specifically on climate change. Through our IIGCC membership, we support and help shape the public policies, corporate action and investment practice required to address financially material climate risks. In 2022, Neuberger Berman co-sponsored IIGCC's Annual General Meeting in Barcelona and was an active member of the Bondholder Stewardship Working Group. The working group—comprising nine core member investors representing £2.66 trillion assets under management and a mixture of asset owners and asset managers—aims to support bondholders' influence by engaging with companies to address the material risks and opportunities associated with climate change.

ESG Data Convergence Initiative: In 2022, Neuberger Berman Private Equity[1] became a signatory to the ESG Data Convergence Initiative, an industry collaboration representing over 260 limited partners and general partners ("GPs") (as of January 2023), which seeks to standardize ESG metrics and provide a mechanism for comparative reporting for the private market industry. Neuberger Berman Private Equity has begun requesting the standard set of ESG metrics from GPs and portfolio companies, which includes carbon emissions-related data.

International Sustainability Standards Board's ("ISSB") Investor Advisory Group ("IIAG"): As a member of the IIAG, we support the ISSB in developing the global baseline for sustainability reporting by providing feedback on the technical and practical aspects of the standards from an investor point of view. By responding to public consultations and surveys launched by the ISSB, we have supported the ISSB's focus on financial materiality and the ability it provides for jurisdictions to go beyond the baseline through building blocks.

[1] "Neuberger Berman Private Equity" refers to Neuberger Berman's Private Equity Investment Portfolios and Co-investment Platform.

Interfaith Center on Corporate Responsibility ("ICCR"): We have been a member of ICCR for several decades. Each year, ICCR members conduct roughly 300 dialogues with over 200 companies on a wide range of issues. Throughout this time, we have participated in ICCR-led collaborative corporate engagements on various environmental and social issues. More recently, we became a member of the ICCR Just Transition Working Group, where we collaborate with various stakeholders and utilities to discuss how companies can carefully manage workplace challenges as they enable an energy transition to a low carbon economy. We have participated in multiple dialogues with grassroots environmental organisations, labour unions and utility companies to bring all stakeholders together and align expectations for what we believe to be the key considerations for a just transition. We continue to be active members in this dialogue and monitor progress.

Transition Pathway Initiative ("TPI"): Neuberger Berman is a Research Funding Partner of the TPI, which is a global asset-owner-led initiative that assesses companies' preparedness for the transition to a low carbon economy by encouraging companies to set practical targets and increase disclosure. Our support has helped the TPI team to broaden coverage and continue making their important analysis a public good. We have incorporated this analysis into some of our proprietary ESG ratings and will continue to leverage this tool in our investment processes.

UN Global Compact: Neuberger Berman is a signatory of the UN Global Compact and is committed to aligning our operations with universal principles on human rights, labour, environment and anti-corruption, and to taking actions that advance societal goals. In 2022, Neuberger Berman submitted its fourth Communication on Progress ("COP"), demonstrating Neuberger Berman's commitment to implement the Ten Principles, and qualified for the Global Compact Advanced Level 1.

Asian Corporate Governance Association ("ACGA"): Our Portfolio Manager of Japanese Equities assumed the role of the Chair of the Japan Working Group ("JWG") of the ACGA in 2021. The Group consists of approximately 111 asset owners and managers with a combined assets under management of US$40 trillion and aims to support the improvement of corporate governance across companies in Japan. The role of the Chair involves managing the Group's mid-term strategy, which includes collaborative engagements with key institutions in Japan's investment chain, including companies, and in the future, with regulators and industry associations. The Chair will also be supporting ACGA's thought leadership initiatives such as publishing open letters and white papers on key issues related to Japan's corporate governance.

Advocacy and Public Policy Engagement

As mentioned in Principle 4, we recognise that policymakers play a crucial role in maintaining and enhancing the sustainability and stability of financial markets. We proactively comment on policy and regulatory topics ranging from sustainability-related disclosures to the global alignment of reporting requirements through formal letters to domestic and foreign financial regulators, responses to policy consultations on ESG topics, and participation in industry-wide working groups and collaborative efforts, like the PRI's Global Policy Reference Group. Given policymakers play an important role in increasing transparency for investors and shareholders as well as reducing greenwashing, we proactively engage with them on the key jurisdictions in which we invest and operate.

We have recently engaged on policy debates and consultations impacting shareholder rights, including:

- The International Sustainability Standards Board (ISSB) proposed global baseline
- The US Securities and Exchange Commission's (SEC) Proxy Voting reform
- The SEC's proposed rule to enhance and standardize climate-related disclosures
- The UK Financial Conduct Authority's (FCA) consultation paper on its Sustainability Disclosure Requirements (SDR), introducing a disclosure, naming, labelling and marketing regime
- The EU's public consultation on a Level 2 review of the Sustainable Finance Disclosures Regulation (SFDR) to enhance the current framework

In addition, as part of the Taskforce for Nature-related Financial Disclosures (TNFD) Forum, we are actively contributing to the work of the Taskforce through consultations. In our response to the final TNFD recommendations, we expressed our support for a framework requiring the disclosure of financially materially nature-related information by companies. By serving as a member of the ISSB's Investor Advisory Group, we share our practitioner's views on the global baseline and what we believe should be the next priorities.

We also find it valuable to be an active member in key industry groups to debate and share our practitioner views on emerging policy issues, including the Investment Association's Stewardship Committee. In addition, we are members of the Investment Company Institute (ICI), the Securities Industry and Financial Markets Association (SIFMA), the European Fund and Asset Management Association (EFAMA), the UK Sustainable Investment and Finance Association (UKSIF), the Council of Institutional Investors (CII), and other groups that actively contribute to policy and regulatory discussions. Our ESG Committee reviews our membership organisations on an annual basis to ensure our memberships do not conflict with our ESG Policy. Where we believe our views on a particular policy topic diverge from those of our membership bodies, we may consider engaging with such organisation to bring our views to the table, and/or publishing our individual position.

Collaborative Engagement Case Studies

While most of our engagements are conducted independently, we believe collaborative engagements with like-minded investors can be a helpful tool in achieving outcomes. We collaborate with several organisations and initiatives, especially where we feel our leadership can make a significant contribution. Below we provide examples of collaborative engagements Neuberger Berman has undertaken.

CASE STUDY

ISSUE: Climate Risk Management
CATEGORY: Environmental
STATUS: Ongoing

Climate Action 100+

Overview:

Neuberger Berman is a member of the Ceres network of investors and companies, which tackles the world's biggest sustainability challenges, including climate change, water scarcity and pollution, and human rights abuses. Through the Climate Action 100+ initiative, we partner with like-minded investors to work with companies to ensure they take necessary action on climate change. We are the lead investor for an aerospace company and the leading manufacturer of commercial jet transports. As key player in the aerospace industry, the company will play an important role in the decarbonisation of the industry.

Engagement Scope and Process:

For the past four years, Neuberger Berman has engaged with the company both independently and as a lead investor with fellow investors through the Climate Action 100+ to encourage the company to strengthen its climate-related practices and disclosures. Our engagements have included discussions with the company's board chair, senior management and chief sustainability officer, and multiple letters to the board of directors. We engaged with the company to encourage formalising board oversight of climate-related risk in a committee charter or corporate governance guidelines, disclose Scope 3 emissions, set GHG emissions-reduction goals, provide disclosure in alignment with the Task Force on Climate-related Financial Disclosures and implement practices to ensure political activities are aligned with the company's climate ambitions. These engagements included a call with the independent chairman on the topic of formalising board oversight of climate issues and enhancing its overall disclosures.

Outcomes:

We are pleased by the company's responsiveness to our feedback through updating and expanding the Governance & Public Policy Committee's responsibilities to include overseeing matters related to environmental stewardship and climate change. Additionally, it issued its inaugural comprehensive sustainability report that included TCFD-aligned reporting and disclosure regarding estimated Scope 3 emissions from the use of sold products. In 2022, we supported a shareholder proposal requesting further disclosure on climate-related efforts. Notably, the board recommended shareholders vote in support of this proposal, a rarity for US boards. While we are pleased with the continued progress, we believe there is still opportunity for the company to further enhance its climate practices and disclosures pertaining to target-setting, climate-aligned lobbying and alignment of capital allocation decisions.

CASE STUDY

ISSUE: Gender Diversity

CATEGORY: Social, Governance

STATUS: Ongoing

ACGA Japan Working Group

Overview:

The Asian Corporate Governance Association (ACGA) consists of approximately 111 asset owners and managers with combined assets under management of US$40 trillion; its Japan Working Group (JWG) of approximately 30 asset owners and managers aims to support the improvement of corporate governance at companies across Japan.

Engagement Scope and Process:

Our Portfolio Manager of Japanese Equities assumed the role of the Chair of the Japan Working Group (JWG) of the ACGA in 2021. The role of the Chair involves managing the Group's mid-term strategy, which includes collaborative engagements with key institutions in Japan's investment chain, including companies, regulators and industry associations as well as thought leadership initiatives and advocacy work.

In October of 2022, ACGA and its JWG co-authored an open letter to Japan's Tokyo Stock Exchange and Financial Services Agency to promote more women in senior management positions across Japanese companies and their boardrooms. The letter includes recommendations to revise Japan's existing listing rules in the coveted Prime market section of the Tokyo Stock Exchange (TSE) to include a concrete 30% board gender-diversity target while also suggesting amendments to the existing Corporate Governance to encourage other listed companies to enhance the role of women on boards and in management positions.

Outcomes:

Ultimately, 28 global asset managers and owners co-signed the letter. This letter has also been shared with Japan's Financial Services Agency (FSA) and its Council of Experts as it looks to revamp Japan's ongoing corporate governance reforms. Most recently, Japan's Prime Minister Fumio Kishida also announced TSE Prime section-listed companies should aim to achieve 30% representation in senior management positions by 2030 as the Premier continues to push for enhanced workforce gender diversity.

The JWG intends to meet with the FSA as part of this process to provide feedback.

CASE STUDY

ISSUE: Climate Change
CATEGORY: Environmental
STATUS: Ongoing

IIGCC Bondholder Stewardship Working Group

Overview:

Neuberger Berman is a member of the Institutional Investors Group on Climate Change (IIGCC), a leading global investor membership body and the largest in Europe focusing specifically on climate change. Through our IIGCC membership, we support and help shape the public policies, corporate action and investment practice required to address financially material climate risks. In 2022, Neuberger Berman became an active member of the Bondholder Stewardship Working Group.

Engagement Scope and Process:

The working group—composed of nine core member investors representing £2.66 trillion in assets under management, and a mixture of asset owners and asset managers—aims to support bondholders' influence by engaging with companies to address the material risks and opportunities associated with climate change. The working group convenes monthly to discuss key objectives, including bondholder engagement tools and financing structures and frameworks for new issuance.

Outcomes:

As part of the working group, Neuberger Berman is contributing to the IIGCC's forthcoming report, *A Critical Element: Net Zero Bondholder Stewardship Guidance – Engaging with Corporate Debt Issuers*. The guidance will identify best-practice engagement standards and techniques over the life of the bond and beyond. It will explore the differences in engagement with publicly listed companies, private companies and sovereign-owned companies, as well as between investment grade and high yield, and how to effectively conduct bondholder stewardship in emerging markets.

CASE STUDY

ISSUE: ESG Disclosures and Practices
CATEGORY: Environmental, Social and Governance
STATUS: Ongoing

Ceres GP Engagement Webinar

Overview:

Neuberger Berman Private Equity engages with clients and private equity managers to share ESG best practices. Neuberger Berman believes it has a responsibility to encourage ESG investing capabilities through collaborative work with both clients and others in the investment industry. It engages with industry stakeholders, contributes research and time to advisory groups, and supports the creation and adoption of industry-standard ESG disclosures, measurement and reporting. In 2022, Neuberger Berman promoted education through hosting a webinar with Ceres on the topic of the evolving ESG landscape.

Engagement Scope and Progress:

Neuberger Berman hosted a general partner engagement webinar led by Neuberger Berman's Chairman and CEO, George Walker, together with Mindy Lubber, CEO and President of Ceres, and a member of Neuberger Berman's ESG Advisory Council. The conversation provided an overview of the "state of play" in ESG engagement for both corporations and investors, with a focus on emerging trends in the evolving regulatory and political backdrop. Mindy Lubber provided an overview of Ceres' work, centred on financial materiality and its role in the broader private equity ecosystem, and she and George Walker opined on how they expected the ESG landscape to evolve over the coming years.

The questions from participants focused on assessing climate risk, implementation of net-zero commitments and future trends in ESG investing.

Outcomes:

Results from this educational effort are still in early stages as Neuberger Berman Private Equity continues to engage with industry stakeholders and advisory groups on the various topics discussed during the webinar. We continue to seek to share best practices with general partners on the current state of the market.

Principle 11: Signatories, where necessary, escalate stewardship activities to influence issuers

Escalation of Stewardship Activities

While the overwhelming majority of our engagement is done in collaboration with companies and their management teams, we strongly believe that the exercise of shareholder rights prescribed in regulations and company bylaws is part of our responsibility in the pursuit of value creation and the protection of our clients' investments. The issues we focus on are guided by the Governance and Engagement Principles described in Principle 9. We believe escalation should not be a top-down dictated approach, but rather investment-driven, taking into consideration matters such as investment objectives, issuer-specific circumstances and our history of engagement.

Where a company does not respond to our concerns or our concerns have not been sufficiently addressed, we may take escalated action such as:

- Withholding support from directors, opposing a management proposal or supporting a shareholder proposal at annual general meetings
- Joining a collaborative initiative
- Engaging with the board of directors
- Sending letters to the board of directors
- Visiting company sites
- Making our concerns public or pre-disclosing voting intentions
- Nominating new directors to the board
- Reducing exposure
- Withholding or ceasing investment in the company

Our general approach to escalation is applicable across geographies and asset classes. The escalation tools leveraged will depend on the rights available to us and the circumstances in question. Importantly, escalation methods are not exclusive and, when an escalation method is utilised, we continue to seek to drive change through private one-on-one engagements. Some examples of our escalation in engagements are included below.

CASE STUDY:
Eliminating a Problematic Share Structure: Constellation Brands

ISSUE: Governance

FORMS OF ESCALATION: Letter to the board, multiple engagements with the board

STATUS: Completed

As a firm believer in strong corporate governance, we encouraged the company to increase shareholder representation by eliminating its dual-class share structure, as an increasing number of companies have shifted away from these legacy structures to single-class shares structures. In 2022, Constellation's controlling shareholder offered to convert its Class B voting shares to Class A common stock, thereby consolidating the share classes and democratising voting control of the company.

Neuberger Berman engaged with the independent special committee of the board charged with negotiating the agreement, which ultimately involved a $1.5 billion cash payment to the Class B shareholders—equal to a substantial 26.5% premium over the then-recent closing price of the common stock.

While we advocated for a lower conversion premium, we were pleased with other proposed governance upgrades—including anti-pledging policies (to limit how much executives can borrow against their shares), a majority voting standard in uncontested elections and the board's commitment to rotating the lead independent director position. In our view, such policies generally increase management's accountability to shareholders and improve overall governance practices.

We believe Constellation Brands has taken significant steps to improve its governance profile—and we intend to continue engaging with the company on material environmental, social, and governance issues to help serve shareholders well in the long term.

CASE STUDY:

Strengthening Board Oversight: Costco Wholesale Corp.

ISSUE: Board oversight of material ESG issues

FORMS OF ESCALATION: Letter to the board, multiple engagements, voting action, publishing views

STATUS: Completed

In 2022, we implemented a new voting guideline where we may hold the chair of the nominating and governance committee accountable if a board fails to establish oversight of ESG matters at either the full board or board committee level. In this case, while the full board was regularly briefed on ESG matters, it did not maintain explicit oversight of ESG issues. We encouraged the company to update its governing documents to formalise the board's role in these matters. Consistent with our new guideline, we voted against the re-election of the chair of the nominating and governance committee at the company's January 2022 annual general meeting (AGM). Given our concerns, we also wrote a letter to the board and published a vote rationale ahead of the AGM via our NB Votes program.

In June 2022, we were pleased when the company updated the nominating and governance committee charter to give the committee oversight of important strategic decisions, including "environmental, diversity and sustainability policies and initiatives, including climate-related risks and opportunities."

CASE STUDY:

Seeking More Transparency: Amada Co. Ltd.

ISSUE: Governance

FORMS OF ESCALATION: Engaging with the board, voting action, publishing views

STATUS: Ongoing

We believe companies should maintain an efficient capital structure that minimises the risk-adjusted cost of capital, avoids excessive leverage or cash build-up, and allows for the return of surplus capital to shareholders. A significant surplus of cash, marketable securities, cross-shareholdings and land assets have limited the company's five-year average return on equity to a lacklustre 5.9%. After many years of stymied engagement, Amada decided—for the second time in two years—to postpone its intermediate-term capital allocation strategy, citing uncertainties in the global macroeconomic environment.

While we have engaged the company on multiple occasions to address these issues, it has not made significant progress, as reflected in its decision to postpone its mid-term strategy despite fundamental inefficiencies in its capital structure. Although we recognise that global conditions are not ideal, many Japanese companies, including peers and those operating in more volatile environments, have managed to set forth a roadmap to improve capital returns that would help to raise corporate value over the intermediate to long term. In this case, since our concerns had not been addressed, we decided to vote against the company's president, Tsutomu Isobe, as we believe top management should be held accountable for continuing to maintain an opaque capital management policy that is detrimental to corporate value creation. Further, we sent a letter to the board expressing our concerns and published our views via NB Votes.

CASE STUDY:

Governance and Credibility Concerns: Minerals Technologies Inc.

ISSUE: Governance

FORMS OF ESCALATION: Divestment

STATUS: Completed

After engaging with the company's CEO and CFO to gain insight into Minerals Technologies Inc.'s (MTX) business strategy, products, end markets and financial policy, we participated in the company's new issuance of 5% senior notes due in 2028. Our favourable credit opinion was supported by MTX's modest leverage with a commitment from management to maintain 2.0x – 2.5x net leverage, a history of free cash flow generation, sufficient liquidity, leading Bentonite (a form of clay used in pet litter and waterproofing applications) and PCC (precipitated calcium carbonate, a synthetic mineral used in paper production) market positions, and revenue diversification by end market.

During November 2020, MTX made two all-cash offers to acquire Elementis PLC, a UK-based specialty chemicals company. We believed that, if successful, MTX would have likely funded the all-cash acquisition via a combination of cash on hand and secured debt, which would have primed the 5% Senior Notes due in 2028. We estimated that, in such a scenario, net leverage would have increased from 2.1x to around 4.5x. We found this activity by MTX to be discouraging given that, five months prior, management had told us that transformative mergers and acquisitions were unlikely, and that management intended to manage the company with 2.0x – 2.5x net leverage. If the acquisition were completed, we felt that it would negatively affect the company's credit profile given the potential for higher leverage and lower cash on the balance sheet. We chose to sell out of the senior notes given our altered our view of management's governance and credibility.

CASE STUDY:
Lack of Management Transparency and insight into the Competition: Perimeter Solutions

ISSUE: Governance

FORMS OF ESCALATION: Divestment

STATUS: Completed

Perimeter Solutions (PERIMS) is a manufacturer of firefighting products and lubricant additives. Based on our initial assessment of the company, we developed a favourable credit opinion, supported by its market share with limited direct competition, high margins, increased demand for its products given the growing prevalence of wildfires, and the non-discretionary nature of its product demand. We therefore chose to participate in a new bond offering from PERIMS in 2021.

However, we later came to believe that, upon PERIMS' contract expiration with the United States Forest Service (USFS), the USFS could bring in alternative providers, resulting in a loss of market share for PERIMS. Given the prevalence of wildfires over the past 10 years—particularly in the western US—we believed the USFS would increasingly consider the environmental impact of the products it sources. We engaged with the PERIMS CEO regarding the changing competitive landscape, and specifically discussed a start-up competitor and its development of a magnesium-based retardant, which the start-up claims is more effective and better for the environment than PERIMS' phosphate-based retardant. If magnesium-based products are approved by the USFS, we believe the competitor could take market share from PERIMS, threatening volumes and pricing. We also expressed concerns about the potential harmful environmental impact of phosphate-based fire retardants on wildlife, and discussed the competitor's claims regarding the effectiveness and lower environmental impact of a magnesium-based product.

We believe PERIMS did not provide adequate detail and disclosure regarding the firefighting effectiveness and environmental impacts of its product and potential alternatives. Given the accelerating competitive landscape, a lack of transparency and limited insight by the company on competitive dynamics, we decided to exit our position. Subsequently, the USFS fully qualified for use two aerial fire retardants from the start-up competitor—the first time in 20 years the USFS has used a product from a new entrant.

CASE STUDY:
Influencing Board Changes: Ashland Global Holdings Inc.

ISSUE: Governance

FORMS OF ESCALATION: Nominating new directors to the board

STATUS: Completed

While we didn't engage in a proxy contest in 2021, we have previously escalated our engagements to that level. For example, in 2019, we reached an agreement with Ashland Global Holdings Inc. to enhance its governance, increase board-level oversight of capital allocation decisions and more closely tie executive compensation to returns. The agreement called for the addition of a total of three new independent directors: one already included among the management-side slate of nominees and two additional yet-to-be-named board members that would be jointly agreed upon.

We pursued this action due to concerns about capital allocation decisions pertaining to Ashland's 2017 purchase of a nutraceutical ingredients producer. We felt the purchase was inconsistent with its stated goal of moving toward a less complex business. In late 2018, an activist investor initiated a proxy fight, calling for the replacement of four directors. Although we had voiced concerns privately with Ashland in the past, the new proposals caused a shift in our approach. In our view, a protracted proxy fight could prove distracting and lead to a suboptimal outcome. Moreover, we doubted that the company's investor base would agree to install the dissident slate of nominees. Consequently, we proposed a separate agreement with Ashland that we felt could lead to better results for all stakeholders.

As a result, the activist investor dropped its proxy battle and signed the agreement as part of its own settlement with the company. Continuing our past practice, we have maintained a dialogue with the company on multiple issues.

Principle 12: Signatories actively exercise their rights and responsibilities

Our Rights and Responsibilities as an Investor

Listed Equities: Our Voting Approach

We believe that proxy voting is an integral aspect of active investment management. Many of our clients entrust us with the responsibility of proxy voting on their behalf, and we take that responsibility seriously. Accordingly, we believe proxy voting must be conducted with the same degree of prudence and loyalty accorded any fiduciary or other obligation of an investment manager.

Neuberger Berman has developed custom Proxy Voting Guidelines that comprehensively lay out our voting positions, including the potential financial impact on a company from corporate governance, environmental and social issues. In our voting activities across all geographies, we consider the Proxy Voting Guidelines as well as region-specific best practices where appropriate. For example, in Japan we have a voting guideline on cross-sharing given the prevalence of the practice in the market. The Proxy Voting Guidelines are updated as deemed appropriate and reviewed at least on an annual basis. Additionally, our Proxy Voting Policies and Procedures (together with the Proxy Voting Guidelines) detail the governance of our process that is designed to reasonably ensure that Neuberger Berman votes proxies prudently and in the best interest of its advisory clients for whom Neuberger Berman has voting authority. In 2022, we began publishing a Summary of Material Changes if significant updates are made to our Proxy Voting Guidelines. These documents are available on our website and dedicated proxy voting webpage.

Neuberger Berman seeks to vote all shares under its authority so long as that action is not in conflict with client instructions. In 2022, on a global basis, we voted at 4,900 meetings, which represents 98% of the total meetings in which we were eligible to vote. Unvoted meetings were typically due to cases where Neuberger Berman determined voting would not be in clients' best interests for reasons such as the presence of share-blocking requirements, meetings in which voting would entail additional costs, or where Powers of Attorney were missing or late. Additionally, given the evolving sanctions environment as a result of the Russia-Ukraine war, Neuberger Berman chose to refrain from voting proxies at any Russian portfolio companies. Neuberger Berman understands that it must weigh the costs and benefits of voting proxy proposals relating to securities and make an informed decision with respect to whether voting a given proxy proposal is prudent and solely in the interests of the clients. Neuberger Berman's decision in such circumstances will take into account the effect that the proxy vote, either by itself or together with other votes, is expected to have on the value of the client's investment and whether this expected effect would outweigh the cost of voting.

Looking ahead to 2023, we intend to publish a separate set of voting guidelines for investment companies. While we provide our views on general voting matters in our Governance and Proxy Voting Guidelines, we recognise that investment companies such as mutual funds, closed-end funds and ETFs present different issues and considerations for investors than operating companies. As a result, we believe creating a separate set of guidelines that outlines our general approach to common voting matters at investment company shareholder meetings would provide improved clarity on our approach.

Approach to Client-Directed Voting

As part of our Proxy Voting Procedures, for clients for whom we manage a segregated account, if a client provides voting instructions on a specific matter, we will vote their shares consistent with those instructions, whether or not they differ from Neuberger Berman's custom Proxy Voting Guidelines. These clients may also opt to retain voting authority or adopt a bespoke voting policy. We are evaluating third-party providers to enable client-directed voting for clients invested in pooled accounts.

In the event that a portfolio manager or other investment professional at Neuberger Berman believes that it is in the best interest of a client or clients to vote proxies other than as provided in our Voting Guidelines, the portfolio manager or other investment professional will submit in writing to the Proxy Committee the basis for his or her recommendation. The Proxy Committee will review this recommendation in the context of the specific circumstances of the proxy vote being considered and with the intention of voting in the best interest of our clients.

Monitoring Our Voting Rights

As part of the account set-up process, we partner with custodians and our proxy voting service provider to ensure that we will receive ballots for all shares we are eligible to vote. We provide a list of our holdings to our proxy voting service provider on a daily basis to be used in a ballot reconciliation process to ensure that expected ballots have been received. Any discrepancies are addressed with the appropriate custodians or ballot distributors and internal teams.

Securities Lending

Some Neuberger Berman products or client accounts where we have authority and responsibility to vote the proxies may participate in a securities lending program that we administer. We maintain thresholds on the amount of shares permitted to be lent per stock and per fund, and retain a portion of shares in each votable stock to be able to vote. Where a security is currently on loan ahead of a shareholder meeting, we will generally attempt to terminate the loan in time to vote those shares. Where a security that is potentially subject to being loaned is eligible to be voted in a stockholder meeting, a portfolio manager may restrict the security from lending. We maintain the list of securities restricted from lending and receive daily updates on upcoming proxy events from the custodian. We may also restrict shares from being lent if we are leading a collaborative engagement effort with the issuer. As of December 31, 2022, our lent securities through our mutual funds and UCITS funds securities lending program at the time of the potential proxy event represented less than 0.32% of our votable shares.

Disclosing Our Votes

Recognising the importance of transparency in our voting activities, in addition to providing our Proxy Voting Guidelines and Procedures via our website, we publicly disclose all voting records of our registered, UCITS funds here. In addition to disclosing our vote records, we disclose our rationale for any items voted in opposition to management. Neuberger Berman cannot publicly disclose vote-level records for separate accounts without the express permission of the client; however, we publicly disclose aggregate reporting on at least an annual basis for all votes cast across comingled and separate accounts.

As discussed below and in Principle 1, we launched the NB Votes advance proxy vote disclosure initiative in 2020 to regularly disclose our positions to the public and explain our voting rationale and intentions at select shareholder meetings. NB Votes presents an opportunity to communicate our expectations on a variety of topics and to demonstrate the nuanced judgement that goes into voting decisions. It improves the overall transparency on our approach to proxy voting, which is an area of interest to clients, as well as to companies, regulators and market participants more broadly. We disclosed our vote intention and rationale in advance of over 60 meetings in 2022.

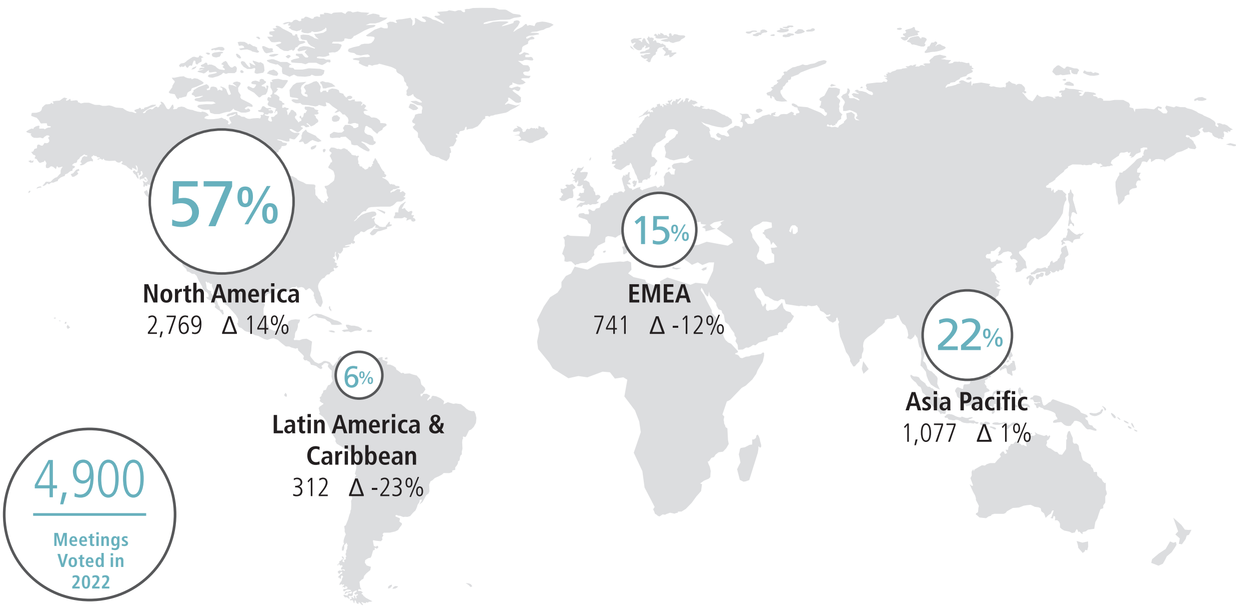
Oversight of Proxy Voting Activities

Neuberger Berman has designated a Proxy Committee with the responsibility for: (1) developing, authorising, implementing and updating our policies and procedures; (2) administering and overseeing governance and proxy voting processes; and (3) engaging and overseeing any third-party vendors as voting delegates to review and monitor proxies and/or apply our Proxy Voting Guidelines. The application of our Proxy Voting Guidelines is audited on a quarterly basis to ensure accuracy. Further, our internal audit team audits our proxy voting policies and procedures in an effort to ensure their soundness and identify opportunities for improvement. This is set forth in more detail in Principle 5.

Neuberger Berman has engaged Glass Lewis as its proxy voting service provider to: (1) provide research on proxy matters; (2) in a timely manner, notify us of and provide additional solicitation materials made available reasonably in advance of a vote deadline; (3) vote proxies in accordance with the Proxy Voting Guidelines or as otherwise instructed, and submit such proxies in a timely manner; (4) handle other administrative functions of proxy voting; (5) maintain records of proxy statements and other solicitation materials received in connection with proxy votes, and provide copies of such proxy statements and other solicitation materials promptly upon request; and (6) maintain records of votes cast. While we utilise research from proxy advisors, Glass Lewis and ISS as supplementary data to help inform our analysis, our voting decisions are determined by the Proxy Voting Guidelines and our proprietary research.

Our Approach to Voting in Practice

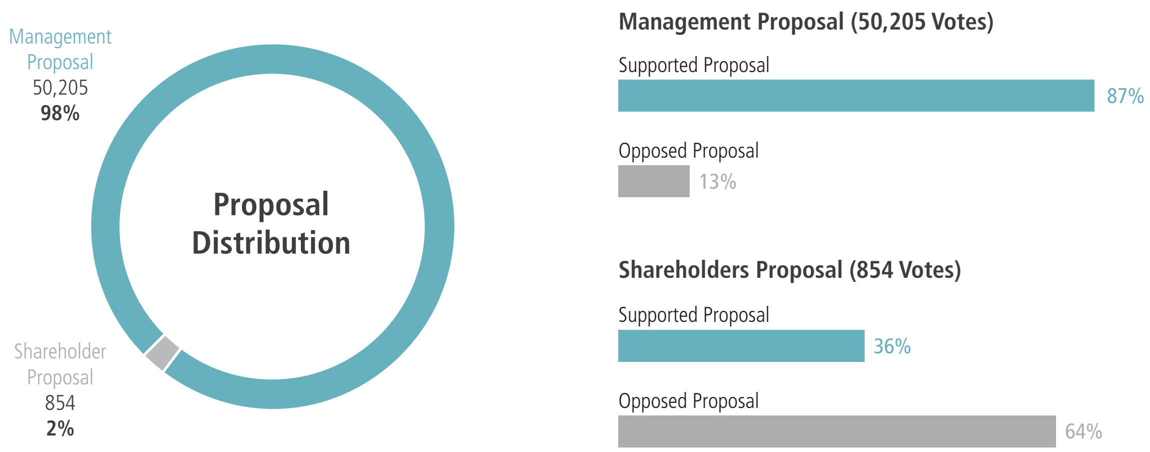
2022 Meetings Voted by Region and Percentage Change Since 2019



Voting Statistics

In our consideration of voting decisions, we always look to balance the expectation that we set a high bar for board effectiveness while acknowledging the information asymmetry between shareholders and company management. This means that we must, at times, begin with the assumption that management and the board are carrying out their duties faithfully; however, it does not mean that we are shy about voicing our concerns through engagement and voting. We feel it is important to reiterate that our public voting policy, and not deference to management, is always our default position.

Management and Shareholder Proposal Vote Distribution for 2022



In 2022, our investment teams voted at 4,900 meetings globally. At meetings voted, management put forth 98% of the proposals, with shareholder proposals comprising the remaining 2%. We find ourselves opposing many proposals that are either unclear in their alignment with shareholder interests or at odds with our judgement as to the best course for the company. This is reflected in both the 13% of management proposals and the 64% of shareholder proposals we opposed. We opposed management on at least one ballot item at 46% of meetings in 2022. Some of the main areas of opposition for management proposals involved director elections, management compensation and share issuances without a clear justification for high levels of dilution. Main drivers for opposing management recommendations on shareholder proposals were related to the separation of chair and CEO, disclosure of emissions data, and political spending and lobbying disclosure. In this section, we provide our voting record on common proposal categories, and highlight a selection of votes that we deemed notable from 2022.

MANAGEMENT PROPOSALS	SUPPORTED PROPOSAL		OPPOSED PROPOSAL	
AUDIT-RELATED	6,325	95%	354	5%
Appointment of Auditor	614	90%	66	10%
BOARD-RELATED	26,547	88%	3,598	12%
Election of Directors	23,634	89%	2,919	11%
Ratification of Board Actions	885	89%	114	11%
Related Party Transactions	245	97%	7	3%
CAPITAL MANAGEMENT	2,341	79%	635	21%
Authority to Issue Shares	618	73%	229	27%
Increase in Authorised Common Stock	71	86%	12	14%
CHANGES TO COMPANY STATUTES	1,668	91%	160	9%
Adoption of Majority Voting for the Election of Directors	5	100%	0	0%
Amend Articles, Constitution, Bylaws	388	88%	54	12%
Elimination of Supermajority Requirement	75	100%	0	0%
COMPENSATION	5,148	82%	1,161	18%
Advisory Vote on Executive Compensation	1,682	84%	329	16%
Stock Option Plan	141	75%	46	25%
MERGERS AND ACQUISITIONS	436	95%	21	5%
Divestiture/Spin-off	26	100%	0	0%
Merger/Acquisition	210	96%	9	4%

Source: Neuberger Berman. Data for the calendar year 2022.

The table above profiles broad categories and select examples of our voting activity on management proposals in 2022. Each case is unique, but the high-level picture reflects our views on issues such as director elections, share issuances and executive remuneration, and how often those proposals met our expectations. The particular positions that led to our opposition on these issues are articulated in our Proxy Voting Guidelines, but are most commonly a reflection of concerns on the clarity of disclosure, board composition, the structure of executive compensation plan or capital management practices of a company. Below we provide examples of key management proposals to illustrate the factors considered and rationales that underpinned our vote decisions.

Key management proposal votes in 2022

NETFLIX, INC.

MEETING DATE: June 2, 2022 — **OUR VOTE: FOR**

PROPOSAL: Repeal of Classified Board, Elimination of Supermajority Requirement, Restoration of Right to Call Special Meeting — **VOTE RESULT: 99.6%+**

OUR RATIONALE: Over the past several years, we have signaled our concerns about the company's failure to implement majority-approved shareholder proposals by writing letters to the board and opposing the reelection of directors. Since 2020 we have also disclosed our concerns—along with our voting intentions—ahead of the company's annual meetings. At this year's meeting, the company put forth several proposals to improve its governance practices and structures.

OUTLOOK AND OUTCOMES: Additionally, the company announced that the board intends to adopt a majority vote standard for the election of directors and a market-standard director resignation policy.

CONSTELLATION BRANDS, INC.

MEETING DATE: November 9, 2022 — **OUR VOTE: FOR**

PROPOSAL: Reclassification of Common Stock — **VOTE RESULT: 96.9%**

OUR RATIONALE: The company proposed to reclassify and convert its Class B Common Stock to Class A, effectively eliminating its dual class voting structure and transitioning from a controlled to a non-controlled company. As a long-term investor in the company, Neuberger Berman engaged extensively with the independent special committee charged with evaluating and negotiating the agreement. This included a letter to the committee detailing our views on the proposed reclassification. We voted for the proposal to signal support for the company's progress and continued efforts to advance its governance practices.

OUTLOOK AND OUTCOMES: The proposal passed. We believe the reclassification will result in an improved governance profile for the company.

GENERAL MOTORS COMPANY

MEETING DATE: June 13, 2022 — **OUR VOTE: FOR**

PROPOSAL: Advisory Vote on Executive Compensation — **VOTE RESULT: 96.8%**

OUR RATIONALE: With electric vehicles now a cornerstone of GM's long-term strategy, we believed there was an opportunity to tie compensation more explicitly to the company's EV objectives. Multiple engagements included sending a letter to the board stressing the design and disclosure of executive compensation plans that more clearly reflect GM's decarbonisation efforts and its actual annual performance. In 2022, the board announced various improvements to align compensation with GM's electric vehicle production efforts, including: (i) Rewards for GM North America (GMNA) EV Volume, GMNA EV Launch Timing, and GMNA EV Launch Quality will be added to the 2022 long-term incentive plan (LTIP); (ii) New EV-related metrics comprising 15% of LTIP; (iii) Enhanced disclosure of factors used to evaluate each executive, including those pertaining to ESG performance.

OUTLOOK AND OUTCOMES: We are pleased with the company's responsiveness to our feedback and will continue to monitor the plan for alignment with long-term strategy.

COSTCO WHOLESALE CORPORATION

MEETING DATE: January 20, 2022 — **OUR VOTE: AGAINST**

PROPOSAL: Elect Jeffrey S. Raikes — **VOTE RESULT: 80.9%**

OUR RATIONALE: In 2022, we implemented a new voting guideline where we may hold the chair of the nominating and governance committee accountable if a board fails to establish oversight of ESG matters at either the full board or board committee level. In this case, while the full board is regularly briefed on ESG matters, the board did not maintain explicit oversight of ESG issues. We encouraged the company to update its governing documents to formalise the board's role in these matters. Consistent with our new guideline, we voted against the reelection of Mr. Raikes as the chair of the nominating and governance committee.

OUTLOOK AND OUTCOMES: In June 2022, we were pleased when the company updated the nominating and governance committee charter to give the committee oversight of important strategic decisions, including "environmental, diversity and sustainability policies and initiatives, including climate-related risks and opportunities."

AMADA CO. LTD

MEETING DATE: June 28, 2022 — **OUR VOTE: AGAINST**

PROPOSAL: Elect Director Mr. Tustomu Isobe — **VOTE RESULT: 91.8%**

OUR RATIONALE: A significant surplus of cash, marketable securities, cross-shareholdings and land assets has weighed down the company's 5-year average return on equity to a lackluster 5.9%. After many years of stymied engagement, Amada decided—for the second time in two years—to postpone its mid-term allocation strategy, citing uncertainties in the global macroeconomic environment. We expressed our dissatisfaction by voting against the reelection of the president to the company's board.

Key management proposal votes in 2022

SHAREHOLDER PROPOSALS	SUPPORTED PROPOSAL		OPPOSED PROPOSAL	
ENVIRONMENTAL	51	38%	83	62%
Climate Change-Related Reporting	15	33%	30	67%
Reporting and Reducing Greenhouse Gas Emissions	22	73%	8	27%
Climate Lobbying	4	50%	4	50%
SOCIAL	94	38%	155	62%
Human Capital Management	22	79%	6	21%
Reviewing Political Spending or Lobbying	31	57%	23	43%
Report on EEO-1 Data	1	100%	0	0%
GOVERNANCE	134	33%	271	67%
Eliminating Supermajority Provision	6	55%	5	45%
Separation of Chair and CEO	33	79%	9	21%
Right to Act by Written Consent	2	29%	5	71%
Declassification of the Board	6	100%	0	0%
Majority Vote for Election of Directors	7	100%	0	0%

Source: Neuberger Berman. Data for the calendar year 2022.

The number of shareholder proposals we voted on in 2022 increased by 28% from 2021, while our average level of support decreased by seven percentage points to 36%. This was due to both a higher number of proposals on topics we deemed immaterial and improved company disclosures and progress in line with our expectations. We continued to support resolutions that focused on financially material topics for the relevant company where we determined company practices or disclosures warranted improvement. For example, we supported proposals pertaining to reporting of greenhouse gas emissions and human capital management data, signalling to companies the importance of providing disclosure on financially material topics. Additionally, given the potential reputational impact of the use of company funds in relation to trade associations and political processes, we continued to support a high percentage of resolutions pertaining to political spending or lobbying activities, including ones focused on climate-aligned lobbying. Below we provide examples of key shareholder proposals to illustrate the factors considered and rationales that underpinned our vote decisions.

Key Shareholder Proposal Votes in 2022

THE BOEING COMPANY

MEETING DATE: April 29, 2022 — **OUR VOTE: FOR**

PROPOSAL: Shareholder Proposal Regarding Net Zero — **VOTE RESULT: 89.1%**

OUR RATIONALE: As the aerospace industry faces challenges from evolving climate regulation, this major jetliner manufacturer will play an increasingly important role in meeting those challenges. After engaging for several years with Boeing's senior management, board of directors and sustainability team, last year we successfully encouraged the company to update and expand the Governance & Public Policy Committee's responsibilities to include formal oversight of environmental stewardship and climate change. Boeing also issued its inaugural comprehensive sustainability report, including disclosure of Scope 3 emissions from the use of sold products and alignment with the Task Force on Climate-related Financial Disclosure (TCFD) framework. We believe Boeing can further enhance its climate practices and disclosures pertaining to target setting, climate-aligned lobbying and alignment of capital-allocation decisions, and thereby supported a climate risk management proposal alongside the board's recommendation.

OUTLOOK AND OUTCOMES: Since the vote, the company has further enhanced its climate-related disclosures.

COSTCO WHOLESALE CORPORATION

MEETING DATE: January 20, 2022 — **OUR VOTE:** FOR

PROPOSAL: Shareholder Proposal Regarding Adoption of Targets to Achieve Net-Zero Emissions by 2050 — **VOTE RESULT: 66.6%**

OUR RATIONALE: While the company did not have reduction targets for Scope 1 and 2 emissions, it publicly stated that it planned to establish targets by the end of 2022 and provided additional disclosure in a supplementary filing on January 13, 2022. Overall, we believed there was opportunity for the company to strengthen its practices and disclosures pertaining to GHG emissions. This could include establishing Scope 1 and Scope 2 reduction targets and interim targets, and having these targets verified by the Science-based Targets initiative. While we recognised the company's stated commitment to make progress in this area, we believe support for the proposal was warranted given the opportunity for further improvement and to reinforce its efforts and signal the importance of the topic to the company.

OUTLOOK AND OUTCOMES: The company announced it will set science-based emissions reduction targets.

THE MOSAIC COMPANY

MEETING DATE: May 19, 2022 — **OUR VOTE:** AGAINST

PROPOSAL: Shareholder Proposal Regarding Right to Call Special Meetings — **VOTE RESULT: 41.4%**

OUR RATIONALE: We generally support the right of shareholders to call a special meeting and—where the right does not exist—to act by written consent. We generally believe a special meeting threshold in the range of 20 – 25% of shares outstanding is appropriate at most companies. We recognised the company has adopted a policy whereby holders representing 25% of shares outstanding have the ability to call a special meeting and, therefore, considered the shareholder proposal regarding the ability of shareholders to call special meetings as unnecessary.

OUTLOOK AND OUTCOMES: We are comfortable with the company's current governance practice of granting the right to call a special meeting and shared our views with the company via engagement.

CATERPILLAR, INC.

MEETING DATE: June 8, 2022 — **OUR VOTE:** FOR

PROPOSAL: Shareholder Proposal Regarding Report on GHG Targets and Alignment with the Paris Agreement — **VOTE RESULT: 95.5%**

OUR RATIONALE: As part of its long-term strategy, Caterpillar remains committed to achieving meaningful sustainability objectives by offering innovative products and services. In 2021 we supported a shareholder proposal to align the company's climate reporting with the TCFD, disclose Scope 3 emissions data and set emissions-reduction targets verified by a third party. Since then, the company has responded by enhancing its sustainability efforts. While Caterpillar has disclosed that it has set science-based reduction targets for its own operations, we would still encourage it to have its targets verified by a third party. We are pleased that the company has committed to further enhance its reporting and, consistent with the board's recommendation, supported a new greenhouse gas-related proposal.

OUTLOOK AND OUTCOMES: We continue to engage with the company on its climate reporting.

THE TORONTO-DOMINION BANK

MEETING DATE: April 14, 2022 — **OUR VOTE:** AGAINST

PROPOSAL: Shareholder Proposal Regarding Say-on-Climate — **VOTE RESULT: 25.4%**

OUR RATIONALE: While we encourage companies to publish reporting on their management of climate risk, we recognise that an annual vote on the company's climate strategy report may not be the most effective mechanism to achieve consistent, comparable and quality reporting on climate risk and ESG topics more broadly. The company provides disclosure on its emissions and maintains a target to achieve net-zero GHG emissions associated with its operations and financing activities by 2050. The Board has oversight of climate-related risks and opportunities through Corporate Governance Committee and the company was the first Canadian insurance provider to establish an advisory board on climate change. We also believe climate action plans are inherently long-term and would not expect these strategic plans to change significantly on an annual basis, therefore making an annual vote potentially administrative in nature. There are also concerns that this type of proposal could have unintended consequences, such as insulating directors from accountability on climate issues. For these reasons, we opposed this proposal.

OUTLOOK AND OUTCOMES: We continue to engage with the company on its climate risk practices and disclosures, including those pertaining to financed emissions.

[1] The US Equal Employment Opportunity Commission collects workforce data (EEO-1 data) from employers with more than 100 employees on an annual basis.

Bringing Transparency and Accountability to Proxy Voting: NB Votes

In 2020, we launched NB Votes, an advance proxy vote disclosure initiative in which our firm announces our voting intentions in advance of the annual general meetings (AGMs) of a select group of companies in which we invest on behalf of clients. Now in its third year, this program seeks to share our opinions and provide insight to our analysis by preannouncing our proxy-voting intentions on an array of voting topics that we believe have material economic consequences for our clients. The program underscores our commitment to bringing more transparency into the proxy voting decision-making process.

NB Votes has three main goals:

- Encourage companies in which we invest for our clients to improve their governance practices, thereby enhancing long-term value for our clients
- Improve the transparency of our voting process
- Demonstrate how our long-term, active-management approach drives our voting decisions

Meeting those goals often means going against the grain. In 2022, we announced our voting intentions on 63 key votes and sided against management on 54% of them, compared with announcing 60 votes and pushing back on 52% in 2021. In this latest proxy season, we focused on proposals addressing a host of issues—from board independence and ESG oversight, to incentive schemes and capital allocation—that we believe ultimately shape companies' long-term financial performance.

At Neuberger Berman, we believe sound corporate governance policies and transparent reporting are essential for navigating the cross-currents of this challenging economy. That is why we will continue to urge companies and their boards to embrace what we see as best practices through our NB Votes program, while also assessing our own ability to identify the most salient issues and use our voice effectively.

Pre-announcement of proxy voting intentions may still not be common practice. Yet as an active manager with voting responsibility on behalf of our clients, we believe we are well positioned to continue serving our clients by being transparent in encouraging companies to raise their governance standards and enhance their financial performance.

Looking forward, we will watch the follow-through of managements and boards in relation to our votes, and continually assess our own practices to ensure that we are focusing on the right matters and using our leverage in the most effective ways. Throughout this report we discuss several votes we disclosed through the initiative. For a full list of the votes disclosed as part of our NB Votes initiative in 2022, please see our NB Votes website.

Exercising Rights and Responsibilities Beyond Listed Equities

Fixed Income

The thorough review of credit documentation is an important component of Neuberger Berman's credit process. We examine structural elements embedded within the issuers' credit agreements and indentures. While financial maintenance covenants are part of this analysis, we also look to ensure there are limitations on the incurrence of senior, *pari passu* and junior debt, the ability of an issuer to pay dividends, restrictions around the use of asset sale proceeds, affirmative covenants related to reporting requirements and restrictions on broader payment and value transfers outside of the restricted group. Additionally, we thoroughly examine the security package, seeking to confirm that we have a pledge on the most valuable assets of the company. In respect of the amendment process, we evaluate the impact of an amendment on an issuer's credit profile as well as the compensation received from approving the amendment.

Neuberger Berman engages with capital markets participants in respect to new issue documentation and pushes back on weaknesses identified in the documentation, when possible. We believe engagement with management teams is also critical in identifying material ESG factors as credit documentation generally provides a range of flexibility to an issuer in respect to capital allocation and business strategy. Engagement with respect to capital allocation provides an opportunity to better appreciate an issuer's financial and operating strategy, as well as points of potential risks which could be material to the credit profile of the issuer.

For example, a few years ago, we identified an issuer in which credit documentation flexibility, coupled with governance concerns at the issuer's parent, led to weakness in the issuer's trading levels due to market concern that the equity owners would extract value from the issuer. Based upon our ongoing engagement with the management team and their commitment to conservative capital allocation policies and a strong ratings profile, we encouraged the issuer to proactively strengthen the credit documentation in its indentures to alleviate market concerns. The issuer ultimately enhanced structural bondholder protections and its governance framework, which was a positive development for the issuer's credit profile.

The volume of ESG-linked bond issuances has increased significantly over the last several years. With limited standardisation for ESG-linked issuances, we believe engagement with management teams prior to such issuance can be a powerful tool to encourage them to align their capital markets activity with best-in-class standards. We believe it is important for companies to have strong ESG track records, clearly identify the use of proceeds, adhere to strong reporting standards, and set KPIs that are material and ambitious where appropriate.

For example, we identified an opportunity to engage with an issuer to establish a social bond framework that reinforced the company's commitment to responsibly servicing its communities and underserved customer population. We engaged on the importance of transparency in oversight, reporting and performance tracking. The company later released a social bond framework that aligned with the International Capital Market Association's Social Bond Principles for 2020, received a third-party alignment opinion from Standard & Poor's, and is intended to align with UN Sustainable Development Goals 1.4, 8.10 and 10.2.

Private Markets: Pre-IPO Governance Considerations

In certain strategies where we may invest in a company prior to its IPO, we may have the opportunity to vote on a variety of matters, including those pertaining to governance structures, compensation and new share issuances. When engaging with private companies and evaluating the opportunity to participate in a new issuance, including an IPO, we may seek improvements in investor rights or governance features before agreeing to participate.

Looking Ahead

Amidst the heightened market volatility and geopolitical risk of 2022, we believe our structures and processes detailed throughout this report have enabled and fostered effective stewardship practices. We are pleased with the progress of our stewardship efforts across various asset classes and geographies. Looking ahead to 2023, we will continue to work in close partnership with our clients to better support their objectives and strive to further strengthen our stewardship activities and outcomes.

Definitions of Key Terms

AMGO: the Asset Management Guideline Oversight team

BBH: Brown Brothers Harriman & Co, the administrator and depositary to the UCITS fund, Neuberger Berman Investment Funds plc

CVaR: climate value at risk

DDQs: a due diligence questionnaire sent from a current client looking to monitor their investment mandate and the investment managers' operations

EMEA region: the UK, Europe, the Middle East and Africa

ERM: the enterprise risk management process as described in Principle 4 in this report

ESG: environmental, social and governance criteria

ESG Committee: a committee of Neuberger Berman which is responsible for the firm's global ESG strategy

ESG Investing Team: the dedicated ESG investing team which is responsible for the firm's global ESG strategy in collaboration with the ESG Committee

ESG Product Committee: the sub-committee of the ESG Committee established to ensure the integrity of any ESG-related claims made by our strategies through our share labelling system

GHG: greenhouse gas emissions

LatAm region: Latin America

NBEL: Neuberger Berman Europe Limited

NB ESG Advisory Council: an advisory council set up to provide guidance on the future of impact investing and sustainability topics

NB Materiality Matrix: Neuberger Berman's view on which ESG factors are financially material in each industry

NBSH: NBSH Acquisition LLC

NB Votes: the initiative where Neuberger Berman publishes in advance its vote intentions and supporting rationale at select meetings

Neuberger Berman: Neuberger Berman Group LLC

Neuberger Berman Voting Guidelines: These serve as a guide to our voting approach and represent our general views on voting matters

Operating Committee: Composed of members of Neuberger Berman's senior management representing each major operating unit of the firm

Governance & Proxy Committee: administers and oversees proxy voting processes

Proxy Voting Policies and Procedures: Neuberger Berman's proxy voting policies and procedures detail the governance of our voting process that is designed to reasonably ensure that Neuberger Berman votes proxies prudently and in the best interest of its advisory clients for whom Neuberger Berman has voting authority

RFPs: a request for proposal questionnaire sent by a prospective client to select an investment manager for a specific investment mandate. Neuberger Berman answers questions in a proposal format which helps the client gather information and select the right partner

Third Parties: NBEL's outsource providers and vendors as described in Principle 8

SFDR: the EU Sustainable Finance Disclosure Regulation

UN PRI/ PRI: the UN Principles for Responsible Investment

UN SDGs: the UN Sustainable Development Goals

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