

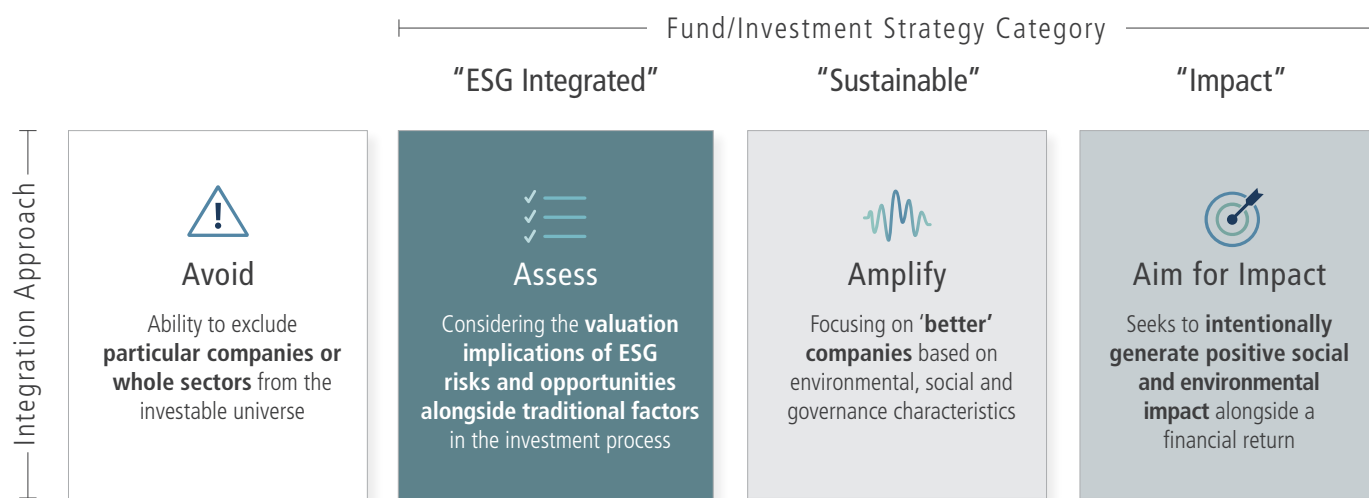
# Environmental, Social and Governance Investing Capabilities

## Our ESG Philosophy

"As a firm, Neuberger Berman believes that material environmental, social and governance (ESG) characteristics are an important driver of long-term investment returns from both an opportunity and a risk mitigation perspective. We also understand that for many of our clients the impact of their portfolio is an important consideration in conjunction with investment performance."

**A+**  
AWARDED TOP SCORES

In the most recent UN-backed Principles for Responsible Investment (PRI) assessment report for its overarching approach to ESG strategy and governance and integration across asset classes<sup>1</sup>



**"ESG Integrated"** Portfolio manager systematically and explicitly includes material ESG risks and opportunities in investment analysis and investment decisions for all securities.<sup>2</sup>

**"Sustainable"** Portfolio manager selects and includes securities on the grounds that they fulfil certain sustainability criteria, such as being best-in-class issuers. There is a clear investment rationale for focusing on sustainability leaders, such as its potential to signal business quality, or to align with secular sustainability trends. Engagement outcomes are set and tracked with influence on sell decisions.

**"Impact"** Portfolio manager seeks to achieve positive social and environmental outcomes for people and the planet alongside a market-rate financial return. The core business, products or services of each holding contributes to solutions of pressing environmental and social issues. Furthermore, all holdings meet the firm's ESG threshold for a "Sustainable" fund.

## Neuberger Berman Investment Strategy Examples<sup>3</sup>

FIXED INCOME		
Category	Capability	Description
ESG INTEGRATED	<b>Investment Grade Fixed Income</b> (Includes Cash Management)	By going beyond the traditional fundamental analysis to incorporate an ESG integrated process specific to each security type, the team is better able to differentiate how material ESG risks and opportunities may affect valuations.
ESG INTEGRATED	<b>Non-Investment Grade Fixed Income</b>	Analyzing ESG characteristics enhances traditional credit analysis. Our proprietary credit analysis framework integrates bottom-up ESG research to better assess risk and influences view on pricing.
ESG INTEGRATED	<b>Emerging Markets Debt</b>	Integrates ESG criteria in their investment process across its platform as it provides a more comprehensive view of the issuer's fundamentals to assess the risk premium.
ESG INTEGRATED	<b>Municipal Fixed Income</b> (Includes Cash Management)	Assessing the ESG considerations of the issuer is integrated into the standard credit analysis framework.
ESG INTEGRATED	<b>European Private Loans</b>	Invests in long-term, non-sponsored corporate loans. ESG considerations are integrated in the bottom-up credit analysis of the target borrowers as well as part of the due diligence of sourcing banks.
ESG INTEGRATED	<b>Special Situations</b>	Invests in restructuring hard assets and debt/claims backed by assets. Integrating ESG factors is an integral part of the underwriting process to reduce overall portfolio risk and to deliver consistent investment returns.
SUSTAINABLE	<b>Emerging Markets Debt Sustainable</b>	Invests in Emerging Markets countries with a strong bias toward issuers with ESG profiles deemed best-in-class while avoiding exposure to countries and sectors that are considered to have negative ESG profiles.
SUSTAINABLE	<b>Global High Yield Sustainable Action</b>	Invests in high yield bonds that meet sustainable investment criteria together with active engagement with issuers. Specific goals aligned with the SDGs are established and progress toward engagement objectives reported annually.
IMPACT	<b>Municipal Fixed Income Impact</b>	Invests in projects that support socially and environmentally sustainable communities, such as mass transit, affordable housing and school classrooms, with a bias toward underserved communities.
EQUITY		
Category	Capability	Description
ESG INTEGRATED	<b>Emerging Markets Equity</b>	Believes strong corporate governance aligns interests, and environmental and social factors can help identify businesses that may create sustainable value while avoiding poor environmental and labor practices.
ESG INTEGRATED	<b>Multi-Cap Opportunities Equity</b>	Integrates ESG by focusing on companies and business models that demonstrate strong corporate governance, high-quality management, environmental and social leadership, and efficient capital allocation.
ESG INTEGRATED	<b>Small Cap Intrinsic Value Equity</b>	Focuses on corporate governance by investing in companies that have effective and independent boards with aligned interests, long-term incentive plans and CEO/management succession plans in place.
SUSTAINABLE	<b>Sustainable Equity</b>	Believes responsibility is the hallmark of quality and invests in companies that have a sustainable competitive advantage derived from ESG characteristics such as environmental sustainability, workplace diversity and supply chain integrity.
SUSTAINABLE	<b>Emerging Markets Equity Sustainable</b>	Incrementally avoids subsectors that have detrimental long-term outcomes (e.g., tobacco), while engaging portfolio companies on ESG topics.
SUSTAINABLE	<b>Autonomous Vehicles</b>	Thematic equity strategy investing in companies and technologies that promote the development of automation that correspond with a more sustainable and efficient transportation infrastructure.
SUSTAINABLE	<b>Sustainable Research Opportunities</b>	Enhanced Index ESG integrated solution that combines industry analyst recommendations with proprietary ESG ratings to produce a best-in-class ESG portfolio of fundamental-driven ideas.

## ALTERNATIVES

Category	Capability	Description
<b>ESG INTEGRATED</b>	<b>Private Equity</b>	Integrating ESG considerations throughout the investment process to identify both material risks and opportunities to drive value, with a focus on long-term partnerships and engagement with sponsors.
<b>ESG INTEGRATED</b>	<b>Private Debt</b>	Identifying and incorporating ESG analysis into the due diligence of portfolio companies and private equity sponsors to appropriately manage and reduce overall portfolio risk.
<b>ESG INTEGRATED</b>	<b>Insurance-Linked Strategies</b>	Uncorrelated yield strategy that invests in insurance-linked securities in catastrophe risk markets, and involves proprietary analysis of both short-term weather variables and longer-term climate trends.
<b>IMPACT</b>	<b>Private Markets Impact</b>	Target investments with a thematic lens that address the UN Sustainable Development Goals while meeting Neuberger Berman Private Equity underwriting standards.

## QUANTITATIVE

Category	Capability	Description
<b>ESG INTEGRATED</b>	<b>Quantitative Strategies</b>	Researching ESG screens to supplement existing premia and uncover alternative risk-mitigating and return-generating signals.
<b>SUSTAINABLE</b>	<b>Systematic Global Equity Sustainable</b>	Incorporates proprietary ESG ratings with traditional quantitative factors to seek strong investment outcomes. Concentration on stronger ESG issuers and excludes certain sectors in line with NB Sustainable Exclusions Policy.

## MULTI-ASSET CLASS

Category	Capability	Description
<b>ESG INTEGRATED</b>	<b>Multi-Asset Class Strategies</b>	A collaborative, research-driven approach allocating across asset classes and styles to Neuberger Berman investment strategies that consider ESG factors.
<b>SUSTAINABLE</b>	<b>Multi-Asset Class Sustainable</b>	A collaborative, research-driven approach allocating across asset classes and styles to Neuberger Berman investment strategies that consider ESG factors with a bias to Sustainable or Impact strategies when possible.

## ALL ASSET CLASSES

Category	Capability	Description
<b>EXCLUSIONS &amp; SUSTAINABLE</b>	<b>Separately Managed Accounts</b>	Customized investment criteria based on a client's values and preferences.
<b>EXCLUSIONS</b>	<b>UCITS Funds</b>	Avoid companies that produce anti-personnel land mines, cluster munitions and biological/chemical weaponry.

<sup>1</sup>For illustrative and discussion purposes only. PRI grades are based on information reported directly by PRI signatories, of which investment managers totaled 1,119 for 2019. All signatories are eligible to participate and must complete a questionnaire to be included. The underlying information submitted by signatories is not audited by the PRI or any other party acting on its behalf. Signatories report on their responsible investment activities by responding to asset-specific modules in the Reporting Framework. Each module houses a variety of indicators that address specific topics of responsible investment. Signatories' answers are then assessed and results are compiled into an Assessment Report. The Assessment Report includes indicator scores, summarizing the individual scores achieved and comparing them to the median; section scores, grouping similar indicator scores together into categories (e.g. policy, assurance, governance) and comparing them to the median; module scores, aggregating all the indicator scores within a module to assign one of six performance bands (from E to A+). 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.

<sup>2</sup>This is not an exhaustive list of ESG Integrated strategies, nor does this imply that all strategies are "ESG Integrated."

<sup>3</sup>This does not represent an exhaustive list of strategies applying this ESG integration framework.

FOR MORE ABOUT OUR APPROACH TO ESG AND IMPACT INVESTING, PLEASE VISIT [WWW.NB.COM/ESG](http://WWW.NB.COM/ESG).

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