Neuberger Berman AIFM SARL
9, rue du Laboratoire
L -1911 Luxembourg, Luxembourg
Tel. +352.2786-6445
R.C.S. B222747

NEUBERGER BERMAN

Sustainable Finance Disclosure Regulation

February 2024

Neuberger Berman AIFM SARL
9, rue du Laboratoire
L -1911 Luxembourg, Luxembourg
Tel. +352.2786-6445
R.C.S. B222747

NEUBERGER | BERMAN

SUSTAINABLE FINANCE DISCLOSURE REGULATION

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

The following statements are being published by Neuberger Berman AIFM Sarl ("**NBAS**") in its capacity as a financial market participant for the purposes of SFDR:

I. Integration of Sustainability Risks

Unless otherwise specified, NBAS applies the Neuberger Berman Environmental, Social and Governance Policy (the "**ESG Policy**") for financial products under its management. In applying the ESG Policy, NBAS (in conjunction with other companies in the Neuberger Berman group (the "**NB Group**")) shall integrate ESG factors (including the consideration of Sustainability Risks) into the investment decision-making process. The specific approach to ESG integration taken by NBAS in applying the ESG Policy, in its role as portfolio manager (together with other companies in the Neuberger Berman group as applicable) will depend on multiple factors, including (i) the objectives of the financial product's strategy, (ii) the assets held by the financial product, (iii) the investment time horizon, (iv) an assessment of the likely impact of Sustainability Risks on the returns of the financial product and (v) the overall investment process.

NBAS (together with other companies in the NB Group), in applying the ESG Policy, determines how to (i) achieve its ESG integration objective (ii) undertake ESG analysis to mitigate risk (including Sustainability Risk) and enhance opportunity, (iii) analyse and measure potential investment opportunities and how each of those influence portfolio construction.

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

NBAS considers Sustainability Risks (as defined in the SFDR as per above) as a broad term which seeks to identify financially material risk that relates to ESG issues. Therefore, potential risk posed by Sustainability Risks can be limited through ESG integration, sustainable investing and the responsible and proper management of portfolios.

The ESG Policy is available on the Neuberger Berman website, www.nb.com/esg

II. Assessment of the Impact on Likely Returns

In applying the ESG Policy, NBAS may, depending on the particular strategy, deliberately forego opportunities for a financial product to gain exposure to certain companies, industries, sectors or countries that it believes may benefit the particular portfolio. Certain financial products may demonstrate adherence to environmental, social and good governance practices. Accordingly, as the universe of investments for those financial products is smaller than that of other funds, NBAS has determined that those financial products could underperform the market as a whole if the investments underperform the market, which could negatively impact on returns.

Notwithstanding the foregoing, the ESG Policy seeks to formalise and focus Neuberger Berman's responsible investment efforts, with the belief that material ESG characteristics are an important driver of long-term investment returns and mitigator of risk and have the follow-on effect of supporting better-functioning capital markets and having a positive impact for people and the planet.

Neuberger Berman AIFM SARL
9, rue du Laboratoire
L -1911 Luxembourg, Luxembourg
Tel. +352.2786-6445
R.C.S. B222747

NEUBERGER | BERMAN

III. Remuneration Considerations

NBAS has adopted remuneration policies consistent with its regulatory obligations. NBAS's remuneration policies (i) promote sound and effective risk management and (ii) discourage excessive risk taking, including without limitation, with respect to Sustainability Risks, as defined above.

NBAS adheres to Neuberger Berman group-wide general principles, policies and practices. The assessment of NBAS personnel performance is based on a multi-year perspective in order to take into account the long-term performance of personnel, as well as the life cycle of the financial product under management. Performance objectives are therefore on a multi-year basis, ensuring that staff and end investors' interests are aligned.

Variable remuneration is dependent upon both corporate results and employee contribution to NBAS's objectives. The determination of an individual's entitlement to variable remuneration will in all cases take into account the individual staff member's performance in the relevant performance period based on an assessment of both quantitative and qualitative criteria. This will include an assessment of the individual's compliance with all applicable NB Group policies, including, the ESG Policy. In addition, with respect to portfolio management teams, the entitlement to variable remuneration is not solely linked to the performance of the financial products managed by that particular team, but to the broader assets under management of the NB Group. This serves to discourage excessive risk taking, as no one individual can influence overall NB Group performance.

Senior management within the NB Group is responsible for approving the award of remuneration and benefits, while the Neuberger Berman Global Group Compensation Committee approves any annual changes to the bonus pools and also provides certain oversight in relation to the awarding of remuneration and any benefits. In no circumstances will any senior staff member who is eligible to participate in a bonus pool have authority (either individually or as part of a committee) to give the final approval for any bonus pool in which they are eligible to participate in nor will they be in a position to approve their own individual remuneration outcome. Given the nature, scale and complexity of NBAS, the board of directors of NBAS have determined not to put in place a remuneration committee of its own and instead relies on the functions within the NB Group.

IV. Consideration of Principal Adverse Impacts

NBAS is supportive of the aims of the principal adverse impact indicators ("**PAIs**") to improve transparency for investors and the wider market as to how it (and other financial market participants) integrates the consideration of adverse impacts of investment decisions on Sustainability Factors[1].

NBAS does not currently consider the PAIs of its investment decisions on Sustainability Factors at entity level in the manner prescribed under the SFDR. Nonetheless, NBAS wishes to affirm its overall commitment to consider ESG factors as an important driver of long-term investment returns from both an opportunity and a risk-mitigation perspective.

NBAS has less than 500 employees, allowing it to 'comply or explain' under the SFDR Article 4(1) requirement to publish a principal adverse sustainability impact ("**PASI**") entity level statement. NBAS has opted against publishing a PASI entity level statement and has explained its reasons for doing so below.

NBAS took this decision because it believes that the current level of PAI data coverage combined with the volatility associated with PAI data (due to portfolio and market movements) would not provide reliable data that investors could consistently assimilate, use and compare from one reference period to another.

NBAS has, instead, sought to provide investors with disclosures on how it has considered the PAIS at portfolio level (where relevant). NBAS considers a selection of the PAIs where relevant for specific Article 8 portfolios and as part of its process for identifying sustainable investments.

NBAS manages a range of different investment strategies across a variety of asset classes with varying investment objectives, some of which promote environmental or social characteristics. These are disclosed at the product level.

NBAS adopts a decentralized investment management model, with each investment team being ultimately responsible for integrating sustainability considerations in their investment decision-making in a manner that is tailored to their investment styles and Portfolios, subject to the NBAS's oversight and overall control framework.

Additionally, NBAS believes that the tailored approaches adopted by investment teams on sustainability matters for specific investment strategies and/or Portfolios means that an entity level statement on PAI consideration would not appropriately represent its approach.

---

[1] "Sustainability Factors" are defined in SFDR as environmental, social and employee matters, respect for human rights and anti-corruption and anti-bribery matters.

Neuberger Berman AIFM SARL
9, rue du Laboratoire
L -1911 Luxembourg, Luxembourg
Tel. +352.2786-6445
R.C.S. B222747

Finally, NBAS is also mindful of the European Supervisory Authorities' (the "**ESAs**") ongoing review of the SFDR regulatory technical standards ("**RTS**") as well as the European Commission's review of SFDR, and the expected impact that these developments will have on the PAI indicators, PAI disclosures, PAI formulae and calculation methodologies and the future comparability of PAI data. NBAS believes that this further evidences its view that the PAI regime is still developing and remains subject to change.

Should you require any further information on SFDR or how NBAS incorporates ESG factors into the investment decision-making process, please reach out to your usual Neuberger Berman contact(s).