

# Sustainable Finance Disclosure Regulation

Neuberger Berman Asset Management Ireland Limited

## Sustainable Finance Disclosure Regulation

Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector ("**SFDR**") seeks to (i) establish a harmonised approach in respect of sustainability-related disclosures made by financial market participants to investors within the European Union's financial services sector and (ii) to achieve more transparency regarding how financial market participants integrate Sustainability Risks into their investment decisions and the consideration of adverse sustainability impacts into the investment process. Financial market participants include AIFMs, investment firms and UCITS management companies, in their capacity as manager of financial products (which includes all forms of AIFs, UCITS and/or segregated client accounts). For the purposes of SFDR, Neuberger Berman Asset Management Ireland Limited ("**NBAMIL**") is a financial market participant for the financial products listed below.

### Integration of Sustainability Risks

Unless otherwise specified, NBAMIL applies the Neuberger Berman ESG Policy for financial products under its management. In applying the Neuberger Berman ESG Policy, NBAMIL (in conjunction with other companies in the Neuberger Berman group for which it is applicable) shall integrate ESG factors (including the consideration of Sustainability Risks) into the investment decision-making process. The specific approach to ESG integration taken by NBAMIL in applying the Neuberger Berman 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) any specific research undertaken by NBAMIL, (v) an assessment of the likely impact of Sustainability Risks on the returns of the financial product and (vi) the overall investment process.

NBAMIL (together with other companies in the Neuberger Berman group as applicable), in applying the Neuberger Berman 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 investee companies/issuers and how each of those influence portfolio construction. The Neuberger Berman ESG Policy requires that research analysts and portfolio managers, including NBAMIL, undertake its own research on ESG factors so it can consider them alongside other inputs as part of the overall investment process.

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.

Sustainability Risks can impact the value of an investment in a number of ways depending on the nature of individual investments, for example, through physical damage to assets, policy or technological changes impacting the economics of the investment or through changes in consumer preferences.

NBAMIL 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.

### Neuberger Berman ESG Quotient

For each of the Article 8 and Article 9 financial products, NBAMIL use the proprietary Neuberger Berman ESG rating system (the "**NB ESG Quotient**") as part of the investment process. The NB ESG Quotient is built around the concept of sector specific ESG risk. Foundational to the NB ESG Quotient is the proprietary Neuberger Berman ("**NB**") materiality matrix, which focuses on the ESG characteristics that are considered to be the most material drivers of ESG risk for each sector. Each sector criteria is constructed using third party and internally derived ESG data and supplemented with internal qualitative analysis, leveraging the investment team's significant sector expertise.

### Assessment of the impact on likely returns

In applying the Neuberger Berman ESG Policy, NBAMIL 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 and it may choose to sell a security when, in hindsight, it might be seen to have been disadvantageous to do so. Certain financial products may focus on investment in companies that relate to certain sustainable development themes and 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, NBAMIL 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 Neuberger Berman 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.

### Remuneration Considerations

NBAMIL has adopted remuneration policies consistent with its obligations under the European Union's Alternative Investment Fund Managers Directive 2011/61/EU ("**AIFMD**"), Directive 2009/65/EC as amended by Directive 2014/91/EU on Undertakings for Collective Investment in Transferable Securities ("**UCITS Directive**"), the European Securities and Markets Authorities' guidelines on sound remuneration policies under AIFMD and the UCITS Directive, 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; as each may be further amended from time to time and including any implementing legislation. NBAMIL'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.

NBAMIL adheres to group-wide general principles, policies and practices. NBAMIL's remuneration policy applies in addition to the remuneration and employment policies and practices operated from time to time within NBAMIL itself and the Neuberger Berman group of companies (the "**NB Group**"). The assessment of NBAMIL staff 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 the NB Group'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. 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 he or she is eligible to participate in nor will he or she be in a position to approve his or her own individual remuneration outcome. Given the nature, scale and complexity of NBAMIL, the board of directors of NBAMIL have determined not to put in place a remuneration committee of its own and instead relies on the functions within the NB Group.

### Consideration of Principal Adverse Impacts

NBAMIL 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.

NBAMIL does not currently consider the PAIs of its investment decisions on Sustainability Factors at entity level in the manner prescribed under the SFDR. Nonetheless, NBAMIL 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.

NBAMIL 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.

NBAMIL has opted against publishing a PASI entity level statement and has explained its reasons for doing so below.

NBAMIL 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. NBAMIL has instead sought to provide investors with disclosures on how they have considered the PAIs at portfolio level (where relevant).

NBAMIL considers:

- a selection of the PAIs and the Sovereign Principal Adverse Impact Indicators (“**Sovereign PAIs**”), where relevant, at portfolio level, for the majority of Article 8 Portfolios;
- all the PAIs and the Sovereign PAIs, where relevant, for their Article 9 portfolios; and
- all the PAIs and the Sovereign PAIs, where relevant, as part of its process for identifying sustainable investments across Article 8 Portfolios and Article 9 Portfolios.

NBAMIL manages a range of different investment strategies across a variety of asset classes with varying investment objectives, some of which have a sustainable investment objective, target particular sustainability outcomes and/or promote environmental or social characteristics. These are disclosed at the product level.

NBAMIL adopts a decentralized investment management model, with each investment team being ultimately responsible for integrating sustainability considerations, and where relevant, PAIs in their investment decision-making in a manner that is tailored to their investment styles and Portfolios, subject to NBAMIL’s oversight and overall control framework. In some cases, the investment team has determined that: i) the PAIs are not relevant to the investment strategy of the Portfolio; or ii) the investment objective of the Portfolio is better served by focusing on financial performance and financially material Sustainability Risks (without considering the PAIs).

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

Finally, NBAMIL 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. NBAMIL believes that this further evidences its view that the PAI regime is still developing and remains subject to change.

### Article 8 & Article 9 Financial Products under SFDR

The following Neuberger Berman Investment Funds plc (“NBIF”) sub-funds are classified as Article 8 financial products under SFDR:

1	Neuberger Berman Emerging Market Debt - Local Currency Fund	549300VLRPBFFXL0DB81
2	Neuberger Berman Emerging Market Debt - Hard Currency Fund	549300M7KHGG3BTZ3979
3	Neuberger Berman Sustainable Emerging Market Corporate Debt Fund	549300GFVJSXLSLRQ502
4	Neuberger Berman Short Duration Emerging Market Debt Fund	549300J30SXW5866TW70
5	Neuberger Berman Emerging Market Debt Blend Fund	549300JASQ1JIDYO8X22
6	Neuberger Berman Emerging Market Debt Sustainable Investment Grade Blend Fund	549300IFJK0FPOE1X496
7	Neuberger Berman Responsible Asian Debt - Hard Currency Fund	54930058PUF4SZOVOD17
8	Neuberger Berman Emerging Markets Equity Fund	549300XPW2SIPQYGFT52
9	Neuberger Berman Japan Equity Engagement Fund	549300ELGQMFUUPHG878
10	Neuberger Berman High Yield Bond Fund	549300IJY8N43QRUU802
11	Neuberger Berman Short Duration High Yield SDG Engagement Fund	5493009EN8Z7034TFP15
12	Neuberger Berman European High Yield Bond Fund	549300Z7RL5FC5H5DB41
13	Neuberger Berman Global High Yield SDG Engagement Fund	549300YE6BLJU5JCDI13
14	Neuberger Berman 5G Connectivity Fund	549300H0H0XG52ES7840
15	Neuberger Berman Global Equity Megatrends Fund	549300NOKC884YXB6S20
16	Neuberger Berman Next Generation Mobility Fund	5493000YD3J3W1CMMU74
17	Neuberger Berman US Long Short Equity Fund	54930034RCIO16VO2Z23
18	Neuberger Berman China Bond Fund	549300I3S2HFIMB3V932
19	Neuberger Berman US Multi Cap Opportunities Fund	549300K77TBAIVA0NY51
20	Neuberger Berman Corporate Hybrid Bond Fund	549300TMYI9EFR4Q1G47
21	Neuberger Berman Global Opportunistic Bond Fund	549300ZNZZ2YDVTNRE14
22	Neuberger Berman Multi-Asset Income Fund	549300P7BLMM0H469F71
23	Neuberger Berman US Real Estate Securities Fund	549300T9PUOV1AK0OR82
24	Neuberger Berman Global Real Estate Securities Fund	549300JYOIU4VRI67006
25	Neuberger Berman China A-Share Equity Fund	54930037QMZTCH4D7291
26	Neuberger Berman US Equity Fund	549300GF328Y6TQJI517
27	Neuberger Berman Euro Bond Absolute Return Fund	549300ZPJNN43P39QR29
28	Neuberger Berman Ultra Short Term Euro Bond Fund	5493005BLB45D11FOM10
29	Neuberger Berman Euro Opportunistic Bond Fund	549300TQ5M6FBE2H8T74
30	Neuberger Berman Global Bond Fund	549300RDJHEJZZ6XVX05
31	Neuberger Berman Strategic Income Fund	549300RBLDK0PHH13M43
32	Neuberger Berman Global Flexible Credit Income Fund	5493004BPE0UFYX6FZ81
33	Neuberger Berman Global Diversified Income FMP-2024	549300577U1V3H24JG33
34	Neuberger Berman US Small Cap Fund	549300CG2QDECVFZQ378
35	Neuberger Berman InnovAsia 5G Fund	549300VMISY5R7FEHX25
36	Neuberger Berman Global Investment Grade Credit Fund	549300TIVE0UW3FSBE51
37	Neuberger Berman Sustainable Asia High Yield Fund	5493005FAT85HZ73DG37
38	Neuberger Berman US Large Cap Value Fund	549300J88053TDGDPM52
39	Neuberger Berman Next Generation Space Economy Fund	549300FT24ZYHNJCVO63
40	Neuberger Berman Global Sustainable Equity Fund	549300XRT8BVEN8POA74
41	Neuberger Berman European Sustainable Equity Fund	549300K7Y3HBTEX71857
42	Neuberger Berman Global Sustainable Value Fund	549300VLTCS1K4EA7H66
43	Neuberger Berman Metaverse Fund	549300GQMGS4FDNJD49
44	Neuberger Berman Developed Market FMP - 2027	549300GF7EOMWXAHXG64

The following NBIF sub-fund is classified as an Article 9 financial product under SFDR:

1	Neuberger Berman Sustainable Emerging Market Debt– Hard Currency Fund	549300OWRIKGBWGYOX93
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This finalised disclosures in respect of each NBIF sub-fund which meets the criteria of an Article 8 financial product under SFDR and those NBIF sub-funds meeting the criteria of an Article 9 financial product under SFDR are contained in the prospectus and relevant supplement at the following links:

<https://www.nb.com/en/gb/legal-documents>  
<https://www.nb.com/en/fr/sustainability-related-disclosures>

The following Neuberger Berman Investment Funds II plc (“NBIF II”) sub-funds are classified as Article 8 financial products under SFDR:

1	Neuberger Berman Global Senior Floating Rate Income Fund	549300N2FZ1HQ08EAX25
2	Neuberger Berman Global Senior Floating Rate Income Fund II	549300E2UQOUYLCU1K56
3	Neuberger Berman European Senior Floating Rate Income Fund	549300VAVSSEOEHL4G52
4	Neuberger Berman High Quality Global Senior Floating Rate Income Fund	54930025WWP1EGX28C06
5	Neuberger Berman Sogecap Emerging Market Debt Fund	5493000OIWC63PQNVG15
6	Neuberger Berman Global Subordinated Financials Fund	549300055LNTCC30CH30
7	Neuberger Berman Brunel Multi Asset Credit Fund	549300IPEU88I8MLHN03
8	Neuberger Berman European Private Loans Fund I	549300U9YYSDFRXXDJ71
9	Neuberger Berman Global ESG Credit Fund	549300CGQ38NQNAC6W93
10	Neuberger Berman Climate Transition Multi-Asset Credit Fund	549300QIZLH5TCSYJ835
11	Neuberger Berman European Private Loans Fund II	5493006AUBAJNG9CLI48

Further disclosures in respect of each NBIF II sub-fund which meets the criteria of an Article 8 financial product under SFDR are contained in the prospectus and relevant supplement at the following link:

<https://www.nb.com/en/gb/legal-documents>  
<https://www.nb.com/en/fr/sustainability-related-disclosures>

NBAMIL has classified the following separate account as Article 8 financial product under SFDR:

1. EMD HC – DUTCH CLIENT 1

**This disclosure is accurate as at 17 November 2023**

## Website Disclosures

Article 10 EU Sustainable Finance Disclosure Regulation (“**SFDR**”) disclosure – in accordance with Chapter IV, Section 2 of Delegated Regulation 2022 / 1288 (“**Level 2 RTS**”)

*In accordance with Article 10 of the SFDR, and Chapter IV, Section 2 of Delegated Regulation (EU) 2022/1288, this document provides information on the environmental and social characteristics promoted by EMD HC – Dutch Client 1 and the methodologies that are used to assess, measure and monitor these characteristics.*

*Defined terms used in this disclosure (unless defined herein) are as set out in Portfolio’s investment management agreement. Terms used in the summary have the same meaning as in the rest of this website disclosure.*

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### EMD HC – Dutch Client 1 (the “Portfolio”) - summary

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#### Summary

The Portfolio is categorised as an Article 8 financial product for the purposes of SFDR.

As part of the investment process, the investment team considers a variety of environmental and social characteristics, as detailed below. These environmental and social characteristics are considered using a proprietary Neuberger Berman ESG rating system (the “**NB ESG Quotient**”). The NB ESG Quotient is built around the concept of sector specific ESG risk and opportunity, and produces an overall ESG rating for issuers by assessing them against certain ESG metrics.

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#### No Sustainable Investment Objective

This Portfolio promotes environmental or social characteristics, but does not have as its objective sustainable investment.

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#### Environmental or social characteristics promoted by the Portfolio

The following environmental and social characteristics are considered as part of the NB ESG Quotient rating for sovereign issuers:

- **Environmental Characteristics:** sovereign energy efficiency; climate change adaptation; deforestation; greenhouse gas (“**GHG**”) emissions; air and household pollution; and unsafe sanitation.
- **Social Characteristics:** progress towards UN Sustainable Development Goals (“**SDGs**”); health and education levels; regulatory quality; political stability and freedoms; gender equality; and research & development.

The following environmental and social characteristics are considered, where relevant to the specific industry and issuer, as part of the NB ESG Quotient rating for corporate issuers:

- **Environmental Characteristics:** biodiversity and land usage; carbon emissions; opportunities in clean technologies; water stress; toxic emissions & waste; financing environmental impact; product carbon footprint; environmental policy; environmental management system; GHG reduction programme; green procurement policy; and non-GHG air emissions programmes.
- **Social Characteristics:** health & safety; human capital development; labour management; privacy & data security; product safety & quality; financial products safety; discrimination policy; community involvement programmes; diversity programmes and human rights policy.

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#### Investment Strategy

The investment objective of the Portfolio is to produce 100-150 basis points out-performance in excess of the Benchmark on a 5-year rolling basis.

The Portfolio will invest in: i) debt instruments denominated in US Dollar, which may include bonds and loan participation notes (“**Securities**”) issued by

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Sovereigns, Quasi Sovereigns and Corporates; and ii) Cash and Cash Equivalents.

Assessment of Good Governance

The governance factors that the Manager tracks for corporate and quasi-sovereign issuers may include: (i) senior management experience and sector expertise; (ii) ownership/board experience and alignment of incentives; (iii) corporate strategy and balance sheet strategy; (iv) financial and accounting strategy & disclosure; and (v) regulatory / legal track record. The Manager may take into account other governance factors as appropriate from time to time.

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**Proportion of Investments**

The Portfolio aims to directly hold a minimum of 80% investments that are aligned with the environmental or social characteristics promoted by the Portfolio. The Portfolio does not commit to holding sustainable investments.

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**Monitoring of environmental or social characteristics**

The investment team considers a variety of sustainability indicators to measure the environmental and/or social characteristics promoted by the Portfolio, including:

- (a) the NB ESG Quotient; and
- (b) NB ESG exclusion policies.

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**Methodologies for environmental or social characteristics**

The investment team will track and report on the performance of the above sustainability indicators. These sustainability indicators will be used to measure the attainment of each of the environmental and social characteristics promoted by the Portfolio and will be included in the Portfolio's mandatory periodic report.

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**Data sources and processing**

ESG data inputs are derived from multiple datasets including international financial organisations, external vendors, company direct disclosures, company indirect disclosures, development agencies and specialty ESG research providers.

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.

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**Limitations to methodologies and data**

Limitations in both methodology and data are listed under this heading in the main body of the website disclosure. Neuberger Berman is satisfied that such limitations do not affect the promotion of environmental or social characteristics as explained further under this heading below.

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**Due Diligence**

Before making investments, Neuberger Berman will conduct reasonable and appropriate due diligence based on the facts and circumstances applicable to each investment.

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**Engagement Policies**

Engagement is an important component of the Portfolio's investment process.

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**Designated Reference Benchmark**

N/A

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## SFDR Level 2 Article 8 website disclosure –EMD HC – Dutch Client 1 (the "Portfolio") – extended disclosure

### No sustainable investment objective of the financial product

This financial product promotes environmental or social characteristics, but does not have as its objective sustainable investment.

The financial product will not make any sustainable investments.

### Environmental or social characteristics of the financial product

As part of the investment process, Neuberger Berman Asset Management Ireland Limited (the "**Manager**") considers a variety of environmental and social characteristics, as detailed below. These environmental and social characteristics are considered using a proprietary Neuberger Berman ESG rating system (the "**NB ESG Quotient**"). The NB ESG Quotient is built around the concept of sector specific ESG risk and opportunity, and produces an overall ESG rating for issuers by assessing them against certain ESG metrics.

The Manager uses the NB ESG Quotient to promote the environmental and social characteristics listed below by prioritising investment in securities issued by issuers with a relatively favourable and/or an improving NB ESG Quotient rating. Pursuant to this, the Manager will limit exposure to issuers with the poorest NB ESG Quotient rating unless there is a reasonable expectation that the NB ESG Quotient rating will improve over time.

The following environmental and social characteristics are considered as part of the NB ESG Quotient rating for sovereign issuers:

- **Environmental Characteristics:** sovereign energy efficiency; climate change adaptation; deforestation; greenhouse gas ("**GHG**") emissions; air and household pollution; and unsafe sanitation.
- **Social Characteristics:** progress towards UN Sustainable Development Goals ("**SDGs**"); health and education levels; regulatory quality; political stability and freedoms; gender equality; and research & development.

The following environmental and social characteristics are considered, where relevant to the specific industry and issuer, as part of the NB ESG Quotient rating for corporate issuers:

- **Environmental Characteristics:** biodiversity and land usage; carbon emissions; opportunities in clean technologies; water stress; toxic emissions & waste; financing environmental impact; product carbon footprint; environmental policy; environmental management system; GHG reduction programme; green procurement policy; and non-GHG air emissions programmes.
- **Social Characteristics:** health & safety; human capital development; labour management; privacy & data security; product safety & quality; financial products safety; discrimination policy; community involvement programmes; diversity programmes and human rights policy.

Performance in relation to these environmental and social characteristics will be measured through the NB ESG Quotient, and will be reported in aggregate in the Portfolio's mandatory periodic report template (as per the requirements of Article 11 of SFDR).



The NB ESG Quotient methodology will evolve over time and all ESG characteristics included therein are reviewed regularly and are subject to annual review to ensure that the most pertinent ESG characteristics are captured. Accordingly, the environmental and social characteristics considered as part of the NB ESG Quotient are subject to change. For the avoidance of doubt, if the environmental or social characteristics considered as part of the NB ESG Quotient change, this website disclosure will be updated accordingly.

Exclusions are also applied (as further set out below) as part of the construction and ongoing monitoring of the Portfolio. These represent additional environmental and social characteristics promoted by the Portfolio.

A reference benchmark has not been designated for the purpose of attaining the environmental or social characteristics promoted by the Portfolio.

### **Investment strategy**

The investment objective of the Portfolio is to produce 100-150 basis points out-performance in excess of the Benchmark on a 5-year rolling basis.

The Portfolio will invest in: i) debt instruments denominated in US Dollar, which may include bonds and loan participation notes ("**Securities**") issued by Sovereigns, Quasi Sovereigns and Corporates; and ii) Cash and Cash Equivalents.

The Manager considers and evaluates ESG characteristics, as an important component of their credit analysis discipline, when making investment decisions. The Manager utilises the NB ESG Quotient criteria, as part of the Portfolio construction and investment management process. As noted above, NB ESG Quotient assigns weightings to environmental, social and governance characteristics to derive the NB ESG Quotient rating.

Issuers with a favourable and/or an improving NB ESG Quotient rating have a higher chance of ending up in the Portfolio. Issuers with a poor NB ESG Quotient rating especially where these are not being addressed by that issuer, are more likely to be removed from the investment universe or divested from the Portfolio.

The ESG analysis is performed internally, with the support of third-party data, and is not outsourced.

ESG characteristics are considered at three different levels:

I. Integrating proprietary ESG analysis

The NB ESG Quotient ratings are generated for issuers in the Portfolio. The NB ESG Quotient rating for issuers is utilised to help to better identify risks and opportunities in the overall credit and value assessment.

The NB ESG Quotient is a key component of the internal credit ratings and can help to identify business risks (including ESG risks), which would cause deterioration in an issuer's credit profile. Internal credit ratings can be notched up or down based on the NB ESG Quotient rating, and this is monitored by the Manager as an important component of the investment process for the Portfolio.

By integrating the investment team's proprietary ESG analysis (the NB ESG Quotient) into their internal credit ratings, there is a direct link between their analysis of material ESG characteristics and portfolio construction activities across their strategy.

Issuers with a favourable and/or an improving NB ESG Quotient rating have a higher chance of ending up in the Portfolio. Issuers with a poor NB ESG Quotient rating especially where these are not being addressed by that issuer, are more likely to be removed from the investment universe or divested from the Portfolio. The investment policy does not utilise minimum NB ESG Quotient scores, or minimum rate of NB ESG Quotient score improvement.

## II. Engagement:

The Manager engages directly with management teams of issuers through a robust ESG engagement program.

The Manager also engages with sovereign issuers in developed and Emerging Market Countries. As part of its sovereign engagement, the Manager's portfolio managers and analysts speak regularly to government officials, policy makers and international financial organisations, such as the International Monetary Fund, World Bank and Asian Development Bank, with onsite visits whenever possible, and utilise such meetings to engage with sovereign issuers on ESG topics, where the Manager sees scope for improvement for the relevant country.

The sovereign engagement process tends to focus on the various areas relating to SDGs under the United Nations Global Compact Principles ("**UNGC Principles**"), and the United Nations Guiding Principles on Business and Human Rights ("**UNGPs**"). In addition, the Manager monitors and engages with countries on reducing GHG emissions and improving policies towards net zero alignment. Sovereign engagement is also carried out with countries to improve fiscal transparency, tackle corruption and comply with the Financial Action Task Force ("**FATF**") recommendations to address strategic deficiencies in counter money laundering, terrorist financing and proliferation financing. Progress on sovereign engagement is tracked centrally in the Manager's engagement log.

The Manager views this direct engagement with issuers, as an important part of its investment process (including the investment selection process). Issuers that are not receptive to engagement are less likely to be held (or to continue to be held) by the Portfolio.

This program is focused on in-person meetings, email and conference calls to understand ESG risks, opportunities, and assess good corporate governance practices of issuers. As part of the direct engagement process, the Manager may set objectives for the issuers to attain. These objectives as well as the issuers' progress with respect to same are monitored and tracked by the Manager through the Manager's engagement log.

In addition, the Manager will seek to prioritise constructive engagements with corporate issuers which have high impact controversies, or which have a poor NB ESG Quotient rating, in order to assess whether those ESG controversies or what the Manager deems as weak ESG efforts, are being addressed adequately.

The Manager firmly believes this consistent engagement with issuers can help reduce credit risk and promote positive sustainable corporate change. It is an important tool to identify and better understand an issuer's risk factors and performance. The Manager also uses it to promote change, when necessary, which it believes will result in positive outcomes for creditors and broader stakeholders. Direct engagement when paired with

other inputs, creates a feedback loop that allows analysts in the investment team to evolve their ESG scoring process and prioritise risks that are most relevant to a sector.

### III. ESG sectoral exclusion policies:

To ensure that the environmental and social characteristics promoted by the Portfolio can be attained, the Portfolio will apply the ESG exclusion policies explained in more detail in the “Methodologies for environmental or social characteristics” section.

#### Policy to assess good governance practices of the investee companies

The governance factors that the Manager tracks for corporate and quasi-sovereign issuers may include: (i) senior management experience and sector expertise; (ii) ownership/board experience and alignment of incentives; (iii) corporate strategy and balance sheet strategy; (iv) financial and accounting strategy & disclosure; and (v) regulatory / legal track record. The Manager may take into account other governance factors as appropriate from time to time.

As described below, the Portfolio will only invest in securities issued by issuers whose activities do not breach the Neuberger Berman Global Standards Policy which identifies violators of (i) the UNGC Principles, (ii) the UNGPs, (iii) the OECD Guidelines for Multinational Enterprises (“**OECD Guidelines**”), and (iv) the International Labour Organization Standards Conventions (“**ILO Standards**”).

Engagement with management is an important component of the Portfolio’s investment process, and the Manager engages directly with management teams of issuers through a robust ESG engagement program. This program is focused on in-person meetings, email and conference calls to understand risks, opportunities and assess good corporate governance practices of investee issuers. The Manager views this direct engagement with issuers, as an important part of its investment process.

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. Ultimately, the Manager aims to prioritise engagement that is expected, based on the Manager’s subjective analysis, to have a high impact on the protection of and improvement to the value of the Portfolio, 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 (including sustainability risks) and take advantage of investment opportunities.

Additionally, the Manager also tracks governance factors for Emerging Market Countries such as: (i) the political sphere of the relevant country, (ii) the adherence to the rule of law, (iii) control of corruption, political uncertainty related to upcoming elections and (iv) a focus of the quality of economic governance, namely the government’s role as an effective regulator and support of the private sector through responsible financial, macroeconomic and international trade policies.

#### **Proportion of Investments**

The Portfolio aims to hold a minimum of 80% investments that are aligned with the environmental or social characteristics promoted by the Portfolio. The Portfolio does not commit to holding sustainable investments. The Portfolio aims to hold a maximum of 20% investments that are not aligned with the environmental or social characteristics promoted by the Portfolio and are not sustainable investments, and which fall into the ‘other’ section of the Portfolio.

Please note that while the Manager aims to achieve the asset allocation targets outlined above, these figures may fluctuate during the investment period and ultimately, as with any investment target, may not be attained.

The exact asset allocation of this Portfolio will be reported in the Portfolio's mandatory periodic report SFDR template, for the relevant reference period. This will be calculated based on the average of the four quarter ends.

The Manager has calculated the proportion of environmentally and/or socially aligned investments in the Portfolio by reference to the proportion of issuers in the Portfolio: i) that hold an NB ESG Quotient rating or a third party equivalent ESG rating that is used as part of the portfolio construction and investment management process of the Portfolio; and/or ii) with whom the Manager has engaged directly. The calculation is based on a mark-to-market assessment of the Portfolio. This calculation may rely on incomplete or inaccurate issuer or third party data.

The Portfolio will not use derivatives to promote environmental or social characteristics.

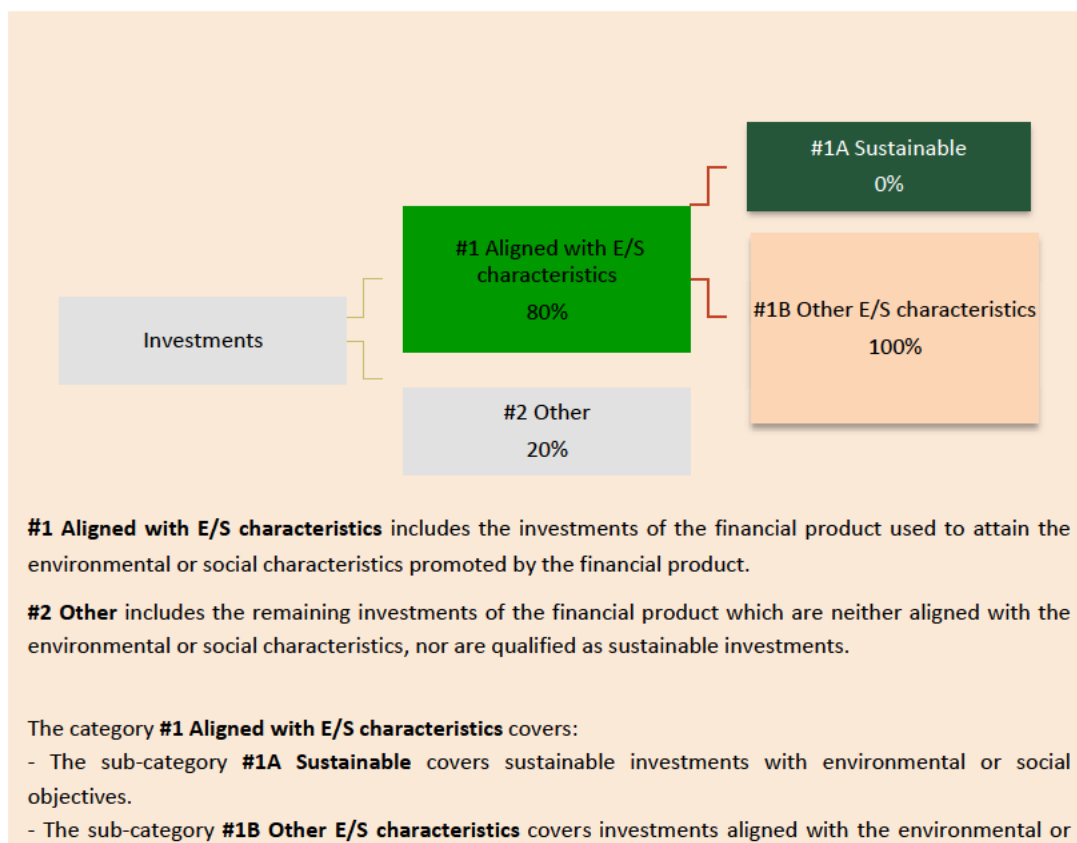
“Other” includes the remaining investments of the financial product which are neither aligned with the environmental or social characteristics, nor are qualified as sustainable investments.

The “Other” section in the Portfolio is held for a number of reasons that the Manager feels will be beneficial to the Portfolio, such as, but not limited to, achieving risk management, and/or to ensure adequate liquidity, hedging and collateral cover.

The Portfolio will be invested in compliance with ESG exclusion policies, on a continuous basis. This ensures that investments made by the Portfolio seek to align with international environmental and social safeguards such as the UNGC Principles, the UNGPs, the OECD Guidelines, and the ILO Standards, captured through the NB Global Standards Policy.

The Manager believes that these policies prevent investment in issuers that most egregiously violate environmental and/or social minimum standards and ensures that the Portfolio can successfully promote its environmental and social characteristics.

The above steps ensure that robust environmental and social safeguards are in place.



## Monitoring of environmental or social characteristics

Following investment, the Manager monitors issuers on an ongoing basis to track their performance with respect to environmental and social characteristics. In particular, the Manager will track and report on the performance of (i) the NB ESG Quotient, and (ii) the adherence to the ESG exclusion lists applied to the Portfolio. These sustainability indicators will be used to measure the attainment of each of the environmental and social characteristics promoted by the Portfolio and will be included in the Portfolio's mandatory periodic report (as per the requirements of Article 11 of SFDR).

## Methodologies for environmental or social characteristics

As part of the investment process, the Manager considers a variety of sustainability indicators to measure the environmental and/or social characteristics promoted by the Portfolio. These are listed below:

### 1. The NB ESG Quotient:

The NB ESG Quotient (as explained in the section headed "Environmental or social characteristics of the financial product") is used to measure the environmental and social characteristics promoted by the Portfolio.

The NB ESG Quotient assigns weightings to environmental, social and governance factors for countries and for corporate sectors to derive the NB ESG Quotient rating. Issuers with a favourable and/or an improving NB ESG Quotient rating have a higher chance of being included in the Portfolio. Issuers with a poor NB ESG Quotient rating, especially where a

poor NB ESG Quotient rating is not being addressed by an issuer, are more likely to be removed from the investment universe or divested from the Portfolio. In addition, the Manager will seek to prioritise constructive engagements with issuers that have a poor NB ESG Quotient rating, in order to assess whether concerns are being addressed adequately.

The Manager embeds ESG factors into its country research and aims to capture the qualitative factors driving the credit quality of sovereigns.

In terms of social factors, the Manager analyses a country's relative position on income, education and health as tracked by local and international organizations and development banks, female participation in society, as well as factors related to education, research & development, gender equality and freedoms. The Manager also monitors countries' contributions to the SDGs.

The environmental factors that the Manager tracks include the energy intensity of GDP, various climate change and air quality factors including GHG emissions levels per GDP, and how countries score in the Notre Dame Global Adaptation Initiative ("**ND-GAIN**") Index, a global adaptation ranking which looks at country preparedness to climate change.

Upon request, the Manager may share a document describing the methodology of the NB ESG Quotient.

## 2. ESG exclusion policies:

To ensure that the environmental or social characteristics promoted by the Portfolio can be attained, the Portfolio will not invest in securities issued by issuers whose activities breach the Neuberger Berman Controversial Weapons Policy and the Neuberger Berman Thermal Coal Involvement Policy. The Portfolio is phasing out its exposure to thermal coal and currently prohibits investment in securities issued by issuers that derive more than 10% of revenue from thermal coal mining or are expanding new thermal coal power generation, as determined by internal screens. The Portfolio also prohibits investments in issuers in the power generation industry that use thermal coal as an energy source for more than 95% of their installed power generation capacity, are expanding into new thermal coal power generation, or whose expansionary capital expenditure budgets do not include a minimum threshold for non-coal investments, as determined by internal screens. The investments held by the Portfolio will not invest in securities issued by issuers whose activities have been identified as breaching the Neuberger Berman Global Standards Policy which excludes violators of (i) the UNGC Principles, (ii) the OECD Guidelines, (iii) the UNGPs, and (iv) the ILO Standards.

In addition, the Portfolio excludes securities issued by issuers which are involved in direct child labour, in tobacco production such as cigars, cigarettes, e-cigarettes, smokeless tobacco, dissolvable and chewing tobacco (this also includes companies that grow or process raw tobacco leaves), as well as certain issuers that derive more than 10% of revenue from oil sands.

Additionally, the Manager will implement the exclusion lists supplied by the Client.

## **Data sources and processing**

The Manager derives ESG data inputs from multiple datasets including international financial organizations, 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.

ESG data is a key domain and part of the internal data governance of the Manager with an assigned ESG Data Steward and a dedicated ESG Technology team. The Manager's ESG Data Steward has periodic engagements with ESG data vendors to discuss issues such as data coverage and will evaluate options to help resolve data gaps. The Manager subscribes to multiple data vendors to enable it to evaluate company coverage and quality of data between vendors. In addition, the Manager continues to explore new data products and vendors to evaluate potential enhancements to its existing data coverage.

The Manager's ESG data feeds are monitored and reconciled by its data quality assurance team and critical data elements are closely reviewed as part of its internal reporting. ESG Data is integrated throughout the Manager's operating management system, compliance and risk management systems, providing those stakeholders transparency into the Portfolio's ESG metrics in real time.

In addition, the Manager's internally derived data team work collaboratively with the ESG Investing team to identify innovative and non-traditional data sources which may provide additional insights. The Manager continuously seeks to identify additional data and research, which may enhance its analysis.

The Manager believes that the most effective way to integrate ESG into an investment process over the long term is for investment teams themselves to research ESG factors and consider them alongside other inputs into the investment process. For this reason, ESG research is included in the work of the Manager's research analysts rather than employing a separate ESG research team. The Manager embeds such research in the work of its security research analysts.

The Manager can then choose how best to apply all the tools of active management, whether that is to engage or ultimately to sell a security when it no longer offers an attractive risk-adjusted potential return.

The Manager expects that a low proportion of data will be estimated. The proportion of data that is estimated will depend on the composition of investee companies – the nature of their business and sectors in which they operate. The Manager expects that data availability and quality will improve as the market and methods for obtaining and reporting data mature.

## **Limitations to methodologies and data**

Limitations in both methodology and data, experienced by the Manager, include but are not limited to:

- Lack of standardization;
- Gaps in company coverage especially in private companies and companies that reside in Emerging Markets;
- Limitations in application for both Public and Private Debt markets versus Public Equity;
- Some data sets such as Carbon Emissions are reported at a significant time-lag; and
- Some of the available third-party data is calculated based on data estimates.

As such, the Manager is not dependent on raw data. The Manager has developed a firm-wide proprietary ratings system, called the Neuberger Berman ESG Quotient, which is under continual testing to enhance methodology and data coverage.

In addition, the Manager continues to advocate for greater standardized disclosures; for example, the Manager is a member of the International Financial Reporting Standards (the “IFRS”) Sustainability Alliance, which aims to develop a more coherent and comprehensive system for corporate disclosure.

The Manager 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.

The Manager is satisfied that such limitations do not affect the attainment of environmental or social characteristics, in particular because of the steps taken to mitigate such limitations:

- As noted above, the Manager periodically engages with data vendors on data quality, and the third party sources relied upon are the same as those relied upon by the broader market and so are likely to be refined as the market for products with environmental or social characteristics matures;
- The Manager engages directly with management teams of corporate issuers through a robust ESG engagement program; and
- Each investment opportunity’s environmental and social characteristics are evaluated in detail by the Manager, in accordance with its internal frameworks and using a variety of data sources, having regard to these limitations as well (where appropriate).

## **Due diligence**

Before making investments, the Manager will conduct due diligence that it deems reasonable and appropriate based on the facts and circumstances applicable to each investment. The Manager will assess the investment’s compliance with the environmental and social characteristics promoted by the product using (as appropriate) internal analyses, screens, tools and data sources, and may also evaluate other important and complex environmental, social and governance issues related to the investment. The Manager may select investments on the basis of information and data filed by the issuers of such securities with various regulatory bodies or made directly available to the Manager by the issuers of the securities and other instruments or through sources other than the issuers.

The Portfolio will not invest in securities issued by issuers whose activities breach the Neuberger Berman Controversial Weapons Policy and the Neuberger Berman Thermal Coal Involvement Policy. Furthermore, the Portfolio does not invest in securities issued by issuers whose activities breach the Neuberger Berman Global Standards Policy. Please see above for a full list of the ESG exclusion policies applied by the Portfolio.

The Neuberger Berman Controversial Weapons Policy, Neuberger Berman Thermal Coal Involvement Policy and the Neuberger Berman Global Standards Policy are subject to internal review by the Neuberger Berman ESG Committee. The implementation of the Neuberger Berman Global Standards Policy is managed by the Neuberger Berman Asset Management Guideline Oversight Team in collaboration with legal and compliance.

The Manager’s investment professionals responsible for portfolio management are the first step in maintaining compliance with the Portfolio’s investment guidelines and ESG exclusions. While the Manager looks to the investment professionals as the first step in the compliance process, it recognizes the need for



additional, independent oversight. To this end, the Manager has a rigorous risk management framework that features dedicated investment and operational risk teams inclusive of independent guidelines oversight such as ESG exclusions who work to protect client assets and its reputation. The Manager's risk professionals act as an independent complement to each investment team's portfolio construction process, driving investment and operational risk reviews in collaboration with other control units of the firm, such as information technology, operations, legal and compliance, asset management guideline oversight and internal audit.

### **Engagement policies**

The Manager engages directly with management teams of issuers through a robust ESG engagement program.

The Manager also engages with sovereign issuers in developed and Emerging Market Countries. As part of its sovereign engagement, the Manager's portfolio managers and analysts speak regularly to government officials, policy makers and international financial organisations, such as the International Monetary Fund, World Bank and Asian Development Bank, with onsite visits whenever possible, and utilise such meetings to engage with sovereign issuers on ESG topics, where the Manager sees scope for improvement for the relevant country.

The sovereign engagement process tends to focus on the various areas relating to SDGs under the UN Global Compact, and the UNGP. In addition, the Manager monitors and engages with countries on reducing GHG emissions and improving policies towards net zero alignment. Sovereign engagement is also carried out with countries to improve fiscal transparency, tackle corruption and comply with the Financial Action Task Force ("**FATF**") recommendations to address strategic deficiencies in counter money laundering, terrorist financing and proliferation financing. Progress on sovereign engagement is tracked centrally in the Manager's engagement log.

The Manager views this direct engagement with issuers, as an important part of its investment process (including the investment selection process). Issuers that are not receptive to engagement are less likely to be held (or to continue to be held) by the Portfolio.

This program is focused on in-person meetings, email and conference calls to understand ESG risks, opportunities, and assess good corporate governance practices of issuers. As part of the direct engagement process, the Manager may set objectives for the issuers to attain. These objectives as well as the issuers' progress with respect to same are monitored and tracked by the Manager through the Manger's engagement log.

In addition, the Manager will seek to prioritise constructive engagements with corporate issuers which have high impact controversies, or which have a poor NB ESG Quotient rating, in order to assess whether those ESG controversies or what the Manager deems as weak ESG efforts, are being addressed adequately.

The Manager firmly believes this consistent engagement with issuers can help reduce credit risk and promote positive sustainable corporate change. It is an important tool to identify and better understand an issuer's risk factors and performance. The Manager also uses it to promote change, when necessary, which it believes will result in positive outcomes for creditors and broader stakeholders. Direct engagement when paired with other inputs, creates a feedback loop that allows analysts in the investment team to evolve their ESG scoring process and prioritise risks that are most relevant to a sector.

**Designated reference benchmark**

A reference benchmark has not been designated by the Manager for the purpose of attaining the environmental or social characteristics promoted by the Portfolio.