NEUBERGER | BERMAN

Neuberger Berman Sustainable Exclusion Policy

Updated as of 6/8/2022

1. INTRODUCTION

Founded in 1939, Neuberger Berman is a private, 100% independent, employee-owned investment manager. From offices in 34 cities worldwide, the firm manages a range of strategies—including equity, fixed income, quantitative and multi-asset class, private equity and hedge funds—on behalf of institutions, advisors and individual investors globally.

2. SCOPE

Neuberger Berman is committed across all of our Sustainable labeled vehicles to prohibit investment in securities issued by companies that we believe do not meet a minimum Sustainability criteria explained in the Definitions sections below.

3. DEFINITION OF EXCLUSIONS

Global Standards and Norms. We prohibit the initiation of new investment positions, as well as the retention of existing positions, in securities of issuers, whose activities breach the principles of the United Nations Global Compact (UNGC), the OECD Guidelines on Multinational Enterprises, the International Labor Organization's declaration on Fundamental Rights and Principles at Work and the United Nations Guiding Principles on Business and Human Rights.

Tobacco. We prohibit purchases of companies involved 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.

Civilian Firearms. We prohibit purchases of companies involved in the manufacturing of civilian firearms.

Private Prisons. We prohibit purchases of companies that own, operate or primarily provide integral services to private prisons given significant social controversy, reputational risks, dependency on Justice Department policies and facilities that are not easily reconfigurable for alternate uses.

Fossil Fuels. We believe a sustainable portfolio minimizes or neutralizes the exposure to certain pieces of the fossil fuel value chain owing to the varied contribution to climate and environmental risk.

- **Coal and unconventional oil & gas supply.** Given the high carbon footprint among fossil fuels, we prohibit ownership of businesses with substantial revenue derived from the extraction of coal or unconventional oil methods. We define these as:
  - **Thermal coal.** 10% is the maximum acceptable percentage of revenue derived from the mining of thermal coal.
  - **Unconventional oil supply (oil sands).** 10% is the maximum acceptable percentage of revenue derived from oil sands extraction.
- **Electricity generation.** For companies where power generation makes up more than 10% of revenue, we believe a sustainable portfolio should only invest in generation owners that are aligned with a lower carbon emissions economy. We therefore prohibit investment in generators where:
  - **Thermal coal.** 30% is the maximum acceptable percentage of MWh generation derived from thermal coal.
  - **Liquid fuels (oil).** 30% is the maximum acceptable percentage of MWh generation derived from liquid fuels (oil).
  - **Natural gas electricity generation.** 90% is the maximum acceptable percentage of MWh generation derived from natural gas and this threshold may decline over time to align with a glide path to greater renewables penetration.
- **Conventional oil & gas supply.** We recognize natural gas can play a role in the transition to a lower carbon economy, and believe oil and gas producers should be evolving their businesses to increase the proportion of gas and renewables in the business mix. We therefore prohibit investment in oil and gas producers with less than 20% of reserves from natural gas.

Controversial Weapons. We are committed to supporting and upholding conventions that seek to ban the production of controversial weapons. As a result, we prohibit investing in securities issued by companies that we believe are involved in the manufacture of controversial weapons.

We define involvement in the manufacture of controversial weapons as either being responsible for end manufacture and assembly of controversial weapons or being responsible for the manufacture of intended use components for controversial weapons. We do not include dual-use component manufacturers or delivery platform manufacturers. We define controversial weapons as:

- **Biological and chemical weapons.** Weapons outlawed by the Biological and Toxin Weapons Convention of 1972 and the Chemical Weapons Convention of 1993.
- **Anti-personnel mines.** Weapons that signatories agreed to prohibit the use, stockpiling, production or transfer of under the 1997 Anti-personnel Landmines Convention.[1] The convention was concluded in Oslo on September 18, 1997 and entered into force on March 1, 1999, six months after it was ratified by 40 states. Today, the treaty is still open for ratification by signatories and for accession by those that did not sign before March 1999. The Convention does not address the issue of financial support for companies that manufacture such weapons.
- **Cluster munitions.** Weapons that signatories agreed to restrict the manufacture, use and stockpiling of, as well as components of these weapons, under the 2008 Convention on Cluster Munitions. The Convention was agreed in Dublin, Ireland on May 30, 2008 and entered into force on August 1, 2010, six months after it was ratified by 30 states. Today, the treaty is still open for ratification by signatories and for accession by those that did not sign before August 2000. The implications for financial support of companies that manufacture cluster munitions is left unclear in the Convention. As a result, signatory states and the institutions based on them have taken a range of approaches to the question of prohibiting or allowing investments in cluster munitions producers: some prohibit all investments, some prohibit only direct investments and some have not yet banned investments.
- **Depleted uranium weapons.** Companies involved in the production of depleted uranium (DU) weapons, ammunition and armor.

Sanction-related Exclusions. Neuberger Berman Group LLC (NBG) and its affiliates are committed to complying with all applicable economic sanctions, including those issued by the United States through the Office of Foreign Assets Control (OFAC), European Union, United Nations Security Council and Her Majesty's Treasury (U.K.). In order to ensure compliance, among other things, Neuberger Berman performs ongoing sanctions screening and restricts transactions with sanctions targets at the firm level.

4. PARENT AND SUBSIDIARY RELATIONSHIPS

This policy will also evaluate parent / subsidiary relationships and upon evaluation of an issuer's eligibility pursuant to the Sustainable Exclusion Policy, all subsidiaries which are greater than 50% owned by the issuer, will be considered consolidated for the purpose of considering the metrics and overall worthiness of the issuer to comply with the policy. This policy, however, does not require that the parent company of an issuer be considered when evaluating the issuer's metrics and overall worthiness to comply with this policy. As such, the policy permits investment in an issuer whose products and services meet the requirements of the policy, provided that the issuer is a stand-alone business operation whose obligations are non-recourse to its parent company, such issuers being "Eligible Subsidiaries."

5. IMPLEMENTATION

The policy is subject to review by our ESG (Environmental, Social and Governance) Committee. We use a reputable, recognized third party to identify companies that partake in these controversial businesses. Where a portfolio manager disagrees with a third-party assessment, exclusions are appealable to an ESG Committee.

Implementation of this policy is managed by our Asset Management Guideline Oversight team in collaboration with Legal & Compliance. Investment in companies identified and verified through this process is restricted through Neuberger Berman's trade compliance system.

Our exclusion list will be provided to clients upon request. We can also implement customized additional exclusions based upon a client's own values and objectives in separately managed accounts. Utilizing specialist research, we can help develop investment universes that reflect your values and exclude companies that have a material exposure to a particular issue or that breach specific international standards.

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[1]Formally known as the '1997 Convention on the Prohibition of the Use, Stockpiling, Production and Transfer of Anti-Personnel Mines and on their Destruction,' or as the Ottawa Convention or the Mine Ban Treaty.