



NEUBERGER BERMAN

Private Markets ESG Report 2022



About Neuberger Berman

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Neuberger Berman is a private, 100% independent, employee-owned investment manager. From offices in 39 cities worldwide, the firm manages a range of strategies—including public equities, fixed income, quantitative and multi-asset class, private equity, private credit, real estate, and hedge funds—on behalf of institutions, intermediaries, and individual investors globally. With over 2,600 employees,¹ Neuberger Berman has built a diverse team of individuals united in their commitment to delivering compelling investment results for our clients over the long term. That commitment includes active consideration of environmental, social and governance characteristics that Neuberger Berman believes help drive long-term returns for our clients. The firm managed \$427 billion¹ in client assets as of December 31, 2022. For more information, please visit our website at www.nb.com.

NB Private Markets has been an active private equity investor since 1987.² NB Private Markets manages over \$110 billion of investor commitments across fund and direct investments since inception through December 31, 2022³ and, over the past three years, has committed over \$25 billion across primary investments, co-investments and secondary investments.⁴ NB Private Markets has a global presence with over 290 private markets professionals in offices in the United States, Europe and Asia as of December 31, 2022.

Since 2009, NB Private Markets has experienced consistent and managed growth. This growth is largely driven by (i) our product innovation as we have continued to capitalize on opportunities we see in the market, as well as (ii) our increased focus on delivering strategic partnerships and customized solutions to our clients. We have continued to scale our business model, team and portfolio planning commensurate with our private equity clients' needs and requirements. We will likely continue to add complementary business lines in the future. The platform invests in funds (both on a primary and secondary basis) as well as direct equity co-investments, private credit and specialty strategies including brand licensing ("Marquee"), direct investments in Italy-based companies ("Renaissance" and "Aurora"), health care credit ("Athyrium") and real estate investments ("Almanac").

As used in this document, NB Private Markets consists of the following investment strategies that are classified as ESG-Integrated by the Neuberger Berman ESG Product Committee: Private Equity Investment Portfolios and Co-investment Platform, Private Equity Secondary Platform, Almanac ARS Funds, Private Credit Platform, Marquee, NB Insurance-Linked Strategies Platform, Renaissance, Athyrium, and NBAIM Fund-of-Funds Platform. Unless explicitly noted, the ESG integration processes described in this document apply solely to the Private Equity Investment Portfolios and Co-investment Platform and Private Equity Secondary Platform ("NB Private Equity").

Please note that the following material is intended as a broad overview of the portfolio managers' style, philosophy and process and is subject to change without notice. Many of the firm-level processes described herein are subject to Neuberger Berman's policies and procedures, including certain information barriers within Neuberger Berman that will, from time to time, limit communications between the NB Private Markets team and the public side investment and ESG teams.

\$110
BILLION

PRIVATE MARKETS
COMMITMENTS
MANAGED⁵



Private Markets Investment offices
in New York, Dallas, Boston, London,
Hong Kong, Shanghai, Singapore,
Milan, Tokyo and Zurich

Investor in

650+

ACTIVE PRIVATE
EQUITY FUNDS⁶

Representation on over

300+

LIMITED PARTNER
ADVISORY
COMMITTEES⁷



FIRST NORTH AMERICAN
ASSET MANAGER
with a Sustainability-Linked
Credit Facility⁸



NAMED TO
THE UN PRINCIPLES FOR
RESPONSIBLE INVESTMENT ("PRI")
2020 LEADERS' GROUP⁹

awarded to only 20 of 2,100+
PRI investment manager signatories



(5 out of 5 stars)

AWARDED TOP SCORE

Obtained the highest possible score in our 2021 PRI
Assessment Report for the Indirect – Private Equity
category for the fourth year in a row and for the
new Private Debt category¹⁰



BEST PLACES TO WORK

Awarded Last 9 Consecutive Years
by *Pension & Investments*¹¹



Access to proprietary firm resources
such as research analysts, data
science and ESG analytics as a
multi-asset class manager¹²



Excellence in ESG Award¹³

In the Limited Partner category in recognition of ESG integration and engagement

Neuberger Berman Private Markets ESG Philosophy

NB Private Markets believes that incorporating ESG considerations throughout its investment process can potentially lead to more consistent and better investment outcomes by helping to identify both material risks and opportunities to drive value.

We are focused on long-term partnerships and engaging with our partners to share ESG integration best practices.

Highlights

Over the course of 2022 and leading into 2023, Neuberger Berman Private Markets has focused on internal ESG enhancements that drive value while leading external engagements to advance both the industry and our partners.

Since our last publication we have:



INTERNAL ESG ENHANCEMENTS

- Established a formal Private Markets ESG Working Group as an open forum for communications across the private markets platform to discuss important and timely ESG-related topics.
- Enhanced climate analysis capabilities, including company data collection, carbon footprinting, and developing industry tools such as the Neuberger Berman Net Zero Matrix™ powered by Ortec Finance ClimateALIGN. See Insights beginning on page 14.



ENGAGEMENT WITH PARTNERS

- Hosted our annual GP engagement webinar focused on the evolving ESG regulatory landscape and how GPs can navigate ESG initiatives within their organizations as well as within their portfolio companies.
- Held our first Emerging Managers Roundtable, hosting a select group of investors for an afternoon of discussion and networking with LPs and emerging managers across strategies and geographies.
- Almanac Realty Investors hosted a forum gathering senior executives from portfolio companies to connect and engage in discussions with industry speakers on key environmental risks and opportunities within real estate. See Case Study on page 21.



THOUGHT LEADERSHIP AND INSIGHTS

- In 2022, NB Private Equity became a member of the Initiative Climat International (iCI) net zero working group and contributed feedback to the iCI's recent whitepaper, "A Case for Net Zero in Private Equity."
- NB Private Equity contributed a dedicated section on the opportunities and challenges for net zero-aligned strategies in the asset class to the paper titled "Key Considerations When Navigating the Net-Zero Transition" published by Neuberger Berman in November 2022.

ESG integration discussed herein may be subject to Neuberger Berman's policies and procedures, including certain information barriers within Neuberger Berman that are designed to prevent the misuse of material information between the NB Private Markets teams and the public side investment and ESG teams.


NB Private Markets Approach to ESG Integration

NB Private Markets believes the most effective way to integrate ESG factors into an investment process is for investment teams to consider ESG factors as part of rigorous due diligence and ongoing portfolio management. As such, the investment teams are responsible for researching and integrating ESG issues into the investment decision-making process. The firm's ESG Investing team provides expert guidance, resources, and training to investment professionals during the investment process and works to continuously improve the firm's ESG practices.¹⁴

Our ESG Integration Framework

NB Private Markets seeks to formally integrate ESG factors into our investment processes. Because we consider ESG analysis to be an essential part of fundamental investment due diligence, applicable investment strategies are ESG-integrated or in the "Assess" category.¹⁵ Financially material ESG factors are considered alongside traditional factors in investment decisions and are generally no more significant than other factors in the investment selection process. NB Private Markets can apply investment exclusions for certain client accounts, including through application of our Private Markets Avoidance Policy.

Within NB Private Equity, we can also manage certain portfolios focused on the "Amplify" or "Aim for Impact" approach to ESG integration. "Amplify" seeks to achieve a financial goal by investing in companies with sustainable business models, practices, products or services and/or leadership on relevant ESG factors. The emphasis is on positive ESG and sustainability characteristics. "Aim for Impact" seeks to achieve positive social and environmental outcomes alongside a market-rate financial return, by investing in companies whose core business, products or services contribute to solutions of pressing environmental and social issues.

A portrait of Anthony D. Tutrone, a middle-aged man with short grey hair, smiling. He is wearing a dark blue suit jacket, a light blue dress shirt, and a patterned tie. He is sitting at a white table with his hands clasped in front of him. The background is a blurred office interior with large windows.

"WE BELIEVE INTEGRATING FINANCIALLY MATERIAL ESG FACTORS INTO OUR INVESTMENT PROCESS HELPS US DELIVER ENHANCED VALUE TO OUR CLIENTS."

ANTHONY D. TUTRONE
Global Head of Alternatives

Oversight of ESG Integration at Neuberger Berman

As much as ESG is a focus across Neuberger Berman, the Firm's ESG Committee has top-down responsibility for overseeing ESG integration and activity across the firm. The ESG Committee is chaired by the Global Head of ESG Investing and composed of senior investment professionals, including representatives from Private Markets, Equity and Fixed Income teams. The ESG Committee also includes our Chief Risk Officer and senior professionals from our client coverage organization, as well as representatives from our legal and compliance teams.

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 oversee integrity and consistency in their integration of ESG considerations. The ESG Product Committee is responsible for determining whether portfolio managers systematically and explicitly include financially material ESG considerations as a factor in their investment analysis and investment decision-making. The ESG Product Committee is also responsible for determining the European Union Sustainable Finance Disclosure Regulation ("SFDR") classification of in-scope funds and segregated mandates. In addition to periodic monitoring by risk and internal audit teams to confirm whether our overall framework and application by portfolio managers remain consistent with representations and UN PRI guidelines, the ESG Product Oversight Committee provides an annual review of sustainable and impact-labeled products and the application of ESG factors by portfolio managers.

Neuberger Berman also has a dedicated ESG Investing team which is responsible for setting the firm's global ESG strategy in collaboration with the ESG Committee and with consultation with portfolio managers, CIOs, and CEO.¹⁶ The ESG Investing team drives the implementation of the global ESG strategy by deepening the integration of ESG themes into new and existing investment strategies. The ESG Investing 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.



INTERNAL ESG ENHANCEMENTS

Formalization of the Private Markets ESG Working Group

NB Private Markets formally established the Private Markets ESG Working Group to create a platform-wide forum to encourage knowledge sharing on ESG-related topics. As the complexity of ESG regulations and expectations increase, the working group enables streamlined dissemination of learnings and alignment across a global platform.

The working group meets on a regular basis and is comprised of members across the private markets platform, including representatives from senior leadership, investments, ESG Investing, legal and compliance, marketing, and operations.

Recent topics for discussion have included:

- ESG governance & oversight
- Regulatory updates and requirements
- Platform-wide ESG initiatives
- Spotlights on individual team ESG case studies and engagements

"WE BELIEVE OUR PLATFORM BENEFITS FROM OPEN DIALOGUE AND SHARING BEST PRACTICES ACROSS A RANGE OF INVESTMENT STRATEGIES."



SAMUEL PORAT

Managing Director,
Head of Alternative Yield Strategies

ESG in Practice within NB Private Equity



OVERSIGHT AND RESPONSIBILITY

- NB Private Equity deal teams are responsible for conducting the ESG analysis and the Investment Committee is responsible for considering ESG factors as a part of their overall investment evaluation.¹⁷ ESG is also a part of Operational Due Diligence.¹⁸
- Deal teams can leverage the firm's broader ESG capabilities and resources, including firm ESG policy and climate strategy, and ESG data and analytics.¹⁹



DUE DILIGENCE AND SELECTION

- ESG analysis is generally a part of primary fund and direct co-investment due diligence processes, is subject to certain materiality thresholds and limitations, as well as secondary due diligence processes, and is included in the IC memos.
- ESG fund due diligence focuses on assessing ESG integration of the firm and fund strategy. Direct co-investment ESG due diligence, as well as certain components of secondary due diligence, focus on assessing industry-specific material ESG factors and an ESG assessment of the lead sponsor.



MONITORING AND OWNERSHIP

- Investments are monitored for ESG violations and real-time risks by leveraging big data capabilities.
- Watchlists and monitoring questionnaires may flag material risk incidents which inform engagement with GPs when applicable.
- In addition, NB Private Equity generally engages with our GP partners to share ESG best practices and resources. Together, we are able to play a role in ESG-related industry collaborations.

ESG Investing Continued Education & Training

In partnership with the firm's ESG Investing team, the NB Private Equity investment professionals are trained on ESG due diligence best practices and guidance at least once a year but often more frequently.

Neuberger Berman's dedicated ESG Investing team supports strategy-specific ESG integration and the development of ESG-focused funds across asset classes. The NB Private Equity investment team works closely with this team to adhere to industry best practices in terms of ESG integration into the due diligence process. Investment teams conduct regular meetings with the ESG Investing team with the goal of continuously improving ESG awareness, and the ESG Investing team can provide ongoing guidance during due diligence and ownership, such as sharing in-depth knowledge on complex ESG issues. Specifically, the ESG Investing team has held several teach-ins with investment teams to educate colleagues on further improving implementation of the proprietary ESG framework and tools developed in-house.

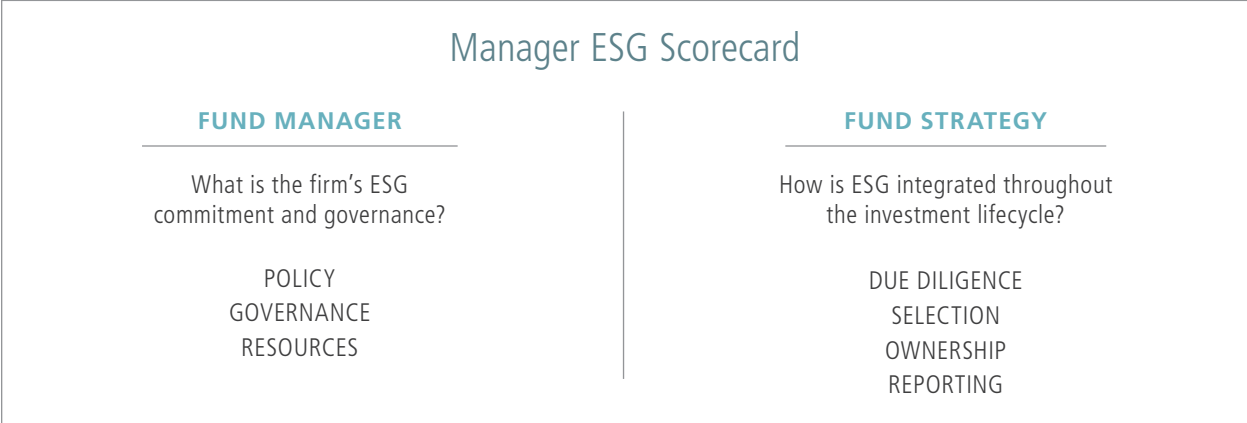
The ESG Investing team continues to engage and collaborate to gain new perspectives and share relevant industry information.

NB Private Equity Due Diligence and Selection Tools

Manager ESG Scorecard

When conducting diligence on primary fund commitments, NB Private Equity investment teams are able to utilize our proprietary Manager ESG Scorecard to assess the lead GP’s level of ESG integration at both the firm and the fund strategy level based on industry best practices. Our Manager ESG Scorecard assesses the GP’s commitment to ESG by evaluating the firm’s ESG policy and governance, ESG objectives and how well ESG is incorporated into the investment process (due diligence and selection, ownership, and ongoing monitoring and reporting).

Completed Manager ESG Scorecards are included in the dedicated ESG section of Investment Committee memos. Our Manager ESG Scorecard results in a weighted quantitative score (on a scale of 1 to 4) that can be tracked over time. Importantly, it can serve as a starting point for engagement with GPs on areas of improvement. We also engage with certain GPs in both seminar and one-on-one settings to provide guidance and support to improve ESG integration policies and practices. Over the past several years, we have observed an improvement in the private equity industry overall in ESG integration policies and practices.



ESG DILIGENCE IN PRACTICE – Primary Fund Investment

While conducting diligence on a primary investment opportunity, the investment team identified that the GP did not have a formal ESG policy or consistent ESG diligence processes in place. The investment team together with the ESG Investing team engaged the GP to discuss potential ways to begin formally integrating ESG considerations into its investment process. During engagement conversations, the GP disclosed it is working on developing an ESG policy statement and described its approach to engaging portfolio companies on ESG topics, for instance, by promoting board diversity. NB Private Equity reinforced the importance of developing ESG processes across the investment lifecycle and offered to serve as a resource as the GP enhances its ESG integration practices. NB Private Equity intends to continue the dialogue with the GP to encourage adoption of more consistent ESG practices over time.

Case studies discussed throughout the Neuberger Berman Private Markets ESG Report do not represent all past investments. It should not be assumed that an investment in the case studies listed was or will be profitable. The information supplied about the investment is intended to show investment process and not performance. There is no guarantee that other opportunities will have similar characteristics or results to those described herein.

NB Materiality Matrix

Neuberger Berman Private Markets can apply the Firm’s position as a diversified asset manager to integrate ESG insights to identify opportunities with respect to direct private markets investments.

When conducting due diligence on companies (e.g., direct co-investment, private debt, capital solutions, and GP-led secondary), the investment team can utilize the proprietary NB Materiality Matrix to assess industry specific ESG factors that are likely to be financially material (informed by the firm’s research analysts)²⁰ as well as the lead GP’s level of ESG integration based on our Manager ESG Scorecard. NB Private Equity also seeks to collect carbon footprint and intensity data on potential direct co-investments, to the extent available.

NB Materiality Matrix²¹

	ENVIRONMENTAL		SOCIAL		WORKFORCE		SUPPLY CHAIN		LEADERSHIP AND GOVERNANCE	
FACTOR	Emissions	Water Management	Data Privacy & Security	Pricing Transparency	Health & Safety	Human Capital Development	Product Safety & Integrity	Materials Sourcing	Innovation	Policy & Regulation Risk
Consumer Goods										
Financials										
Food & Beverage										
Health Care										
Services										
Transportation										

Represents a subset of factors for illustrative and discussion purposes only.

ESG DILIGENCE IN PRACTICE – Direct Co-Investment

While conducting due diligence on a direct co-investment in a specialized retailer, the investment team utilized the NB Materiality Matrix to help identify financially material ESG factors.

The business model, supply chain, environmental impact, and employee safety and retention were expected to be potentially material ESG factors and thus informed areas for focused due diligence.

For example, the Company works with hundreds of suppliers around the world; some of the raw material inputs used in the goods it sells, as well as its manufacturing partners overseas, may potentially be at higher risk for social or environmental concerns. The investment team inquired about potential ESG concerns in the supply chain, and documented the Company’s supply chain management controls, which include ethical sourcing policies, supply chain mapping, and third-party supply chain audits.

In addition to the Company-specific ESG diligence, the investment team assessed the lead sponsor’s integration of ESG in the investment process using the Manager ESG Scorecard. The investment team concluded the GP had evaluated material ESG factors as part of due diligence and noted it engages portfolio companies on ESG practices throughout its investment period. The investment team also found the GP has generally committed to tracking and reporting ESG data from portfolio companies during ownership, including metrics relevant to the Company, such as greenhouse gas emissions.

Spotlight: Secondaries

When conducting diligence on secondary investments, the investment team generally considers financially material ESG issues as an integrated part of its due diligence process. The investment team has committed to complete the Manager ESG Scorecard to the best of its ability for fund exposures greater than 1% of the NB secondary fund size. For direct positions and individual exposures to a given company greater than 1% of the NB secondary fund size, the team has committed to complete the Manager ESG Scorecard and utilize the NB Materiality Matrix to assess ESG materiality to the best of its ability.

ESG DILIGENCE IN PRACTICE – Secondaries

While conducting due diligence on a GP-led secondary in a company that provides communication services, the investment team utilized the NB Materiality Matrix to help identify financially material ESG factors.

NB assessed ESG considerations such as potential workforce and leadership & governance risk factors likely to be financially material given the Company's business in infrastructure development. NB noted the specific industry is highly regulated and that there are likely to be inherent risks to employees and the environment as part of its development activities. In addition, given the Company's services promote expansion of communications coverage, NB assessed ESG opportunities related to improving access to reliable coverage.

In addition, the team evaluated the lead sponsor's integration of ESG in the investment process using the Manager ESG Scorecard. The GP conducts ESG due diligence on new investment opportunities and seeks to improve the performance of its portfolio companies.

Spotlight: Private Debt

NB Private Debt believes integrating ESG factors into the investment process can potentially lead to more consistent and better investment outcomes by helping to identify both financially material risks and opportunities to drive value. During due diligence, deal teams are responsible for conducting the ESG analysis and the Investment Committee is responsible for considering ESG factors as a part of its overall investment evaluation.

ESG DILIGENCE IN PRACTICE – Private Debt

While conducting diligence on a private debt investment opportunity, the deal team utilized the NB Materiality Matrix to help identify financially material ESG factors and the Manager ESG Scorecard to evaluate the acquiring sponsor.

Given the company is a pharmaceutical manufacturing company operating several sites, relevant ESG indicators included environmental impact, supply chain and workforce safety. The deal team identified past safety incidents and conducted further diligence to confirm new oversight had been implemented and the company has prioritized safety going forward. Additionally, the deal team was able to review third-party sustainability reports as part of the diligence process which highlighted strong third-party sustainability ratings for several facilities and good performance across business ethics and practices.

In addition to company specific ESG diligence, the deal team assessed the sponsor's integration of ESG considerations using the Manager ESG Scorecard. The deal team continues to review ongoing sponsor ESG reporting and recently noted improvements on its ESG progress and carbon footprint assessment, as well as its expansion of third-party sustainability assessments to an additional site.

“AS A DIRECT LENDER, WE PRIMARILY FOCUS ON CAPITAL PRESERVATION. WE BELIEVE ESG INTEGRATION IS AN IMPORTANT TOOL TO IDENTIFY RISKS IN UNDERWRITING.”



SUSAN KASSER
Managing Director,
Head of Private Debt

An aerial photograph of a red semi-truck with a white trailer driving on a two-lane asphalt highway. The highway is flanked by green fields and a row of trees. The scene is captured from a high angle, showing the truck's shadow on the road.

Observations of Private Equity ESG Integration

NB Private Equity Manager ESG Benchmarking

NB Private Equity’s Manager ESG Scorecard analyses are aggregated in a proprietary database that the ESG Investing team uses to benchmark by asset class and geography. The database, which is comprised of 280 private equity funds as of December 31, 2022²², provides us the ability to assess a GP’s progress on ESG integration over time as well as compared to peers.

Asset Class

Across NB Private Equity’s three prominent asset classes—large-cap, small-/mid-cap, and venture/growth capital—larger firms continue to demonstrate higher levels of ESG integration. This is often a reflection of having greater access to resources and the ability to build out in-house ESG expertise. In addition, GPs investing in larger and more mature companies, that may already have ESG practices in place themselves, may face fewer hurdles in their efforts to collect and report ESG metrics.

However, we have also noticed growing engagement around ESG topics with small and mid-cap GPs, who are facing increased investor and regulatory pressures to implement ESG best practices. While these firms recognize ESG integration helps improve their internal decision-making processes, they may also face challenges building out robust practices given their smaller size and more limited resources.

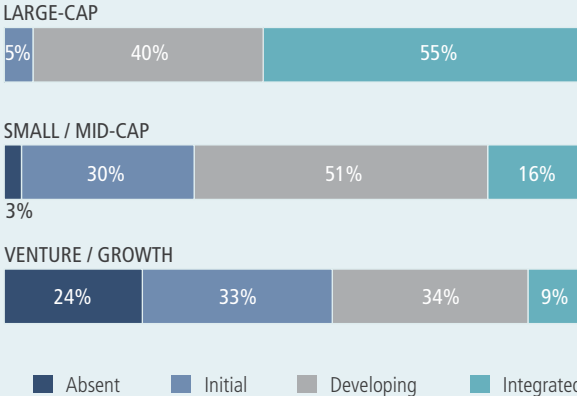
Venture capital firms have traditionally been slowest to adopt ESG integration best practices in a formalized way. This is perhaps due to the maturity of the businesses being considered and the related challenge of reliably tracking key ESG metrics at an early point in a company’s life cycle, as well as other general industry dynamics. Despite these challenges, we have noticed an increased focus on ESG in the past year by early-stage investors who are developing comprehensive ESG diligence frameworks or hiring specialized support.

Geography

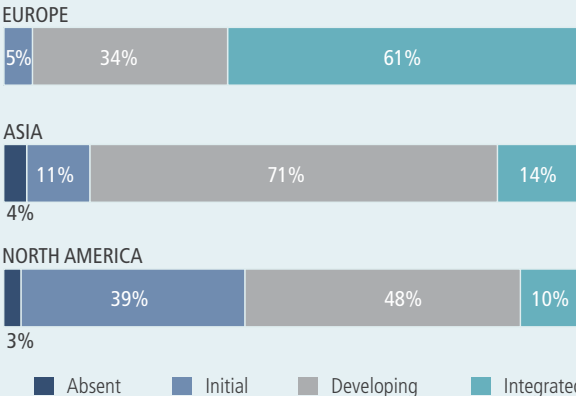
From a geographical standpoint, European GPs remain generally more advanced in their levels of ESG integration than GPs in other parts of the world as Europe has generally been more forward-looking in its standardization of ESG expectations and commitments to mitigate climate change through policy. European regulation, particularly the Sustainable Finance Disclosure Regulation (SFDR), has continued to drive a focus on ESG which has influence more broadly given the global nature of the asset management industry.

Many North American GPs continue to make progress in integrating ESG into their investment approaches driven by regulatory factors as well as an evolving understanding of industry best practices. For instance, many North American GPs are following their European counterparts in implementing robust ESG metric-tracking systems and are beginning to assess and take action on climate initiatives across their portfolios. In Asia, we also see proactive interest with respect to the encouragement of broader ESG integration as an integral part of investment activities, especially in Australia and Japan. GPs across pan-Asia are also making notable strides in their ESG integration practices. ESG integration is truly global in nature.

MANAGER ESG BENCHMARKING BY ASSET CLASS²²



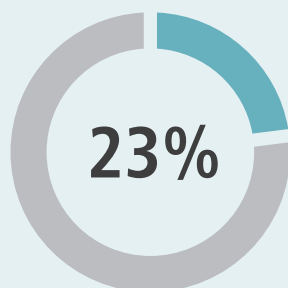
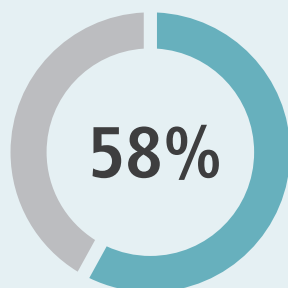
MANAGER ESG BENCHMARKING BY GEOGRAPHY²³



Industry Participation

In the last year, we have seen increasing participation from our GPs of all sizes and geographies in ESG and responsible investment industry organizations. Many of our GPs have been long-time members of the UN-supported Principles of Responsible Investment (UN PRI) and, in 2022, a number of additional GPs achieved UN PRI Signatory status as a part of further formalizing their broader ESG integration efforts. In addition, a growing number of our GPs have committed to the ESG Data Convergence Initiative (EDCI) in recognition of the importance of providing comparable ESG data across the private equity industry. We continue to encourage participation in these and other industry efforts through our engagement with GPs and anticipate growing participation in the coming years.

PERCENTAGE OF NB PRIVATE EQUITY GPs THAT ARE SIGNATORIES OF:²⁴



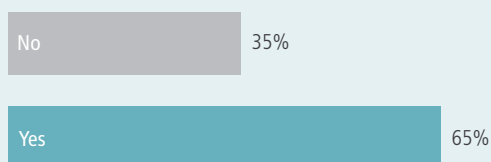
Carbon and Climate Considerations

Climate change has become a prominent area of interest for many of our clients and is thus facing increasing attention from GPs. We believe that engagement with the broader private equity industry to raise awareness and understanding of climate-related initiatives and frameworks helps to lay the foundation for the delivery of climate investment solutions for our clients who are focused on this topic. As part of our GP ESG Engagement Series, we surveyed a subset of our private equity GP partners on the topic in December 2022.²⁵

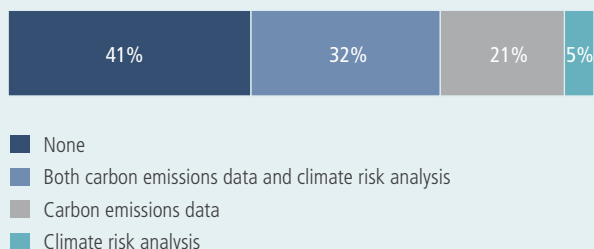
Most GPs surveyed indicated they have formalized ESG policies describing how they identify and manage ESG factors within the investment process. However, formalized approaches for integrating climate considerations into investing practices are still less common across the industry. Given a majority of GPs are now facing LP requests for carbon emissions-related reporting, we anticipate the percentage of GPs collecting and reporting emissions data will continue to grow. Only a subset of surveyed GPs is currently conducting climate risk analysis as part of their investment processes. Yet, given recent regulatory trends, particularly in Europe, we might also expect greater adoption of climate risk reporting in the coming years.

Increased focus on developing standards for carbon measurement and climate risk assessment in private markets has led to additional guidance from industry bodies such as the Institutional Investors Group on Climate Change (IIGCC), as well as the Initiative Climat International (iCI). However, surveyed GPs indicated that they still face challenges when integrating climate considerations into their investment processes, namely related to lack of resources to implement new initiatives and insufficient systems to support implementation.

ARE LPS ASKING FOR CARBON EMISSIONS REPORTING ON YOUR PORTFOLIO COMPANIES AND/OR FUND?



ARE YOU CURRENTLY EVALUATING CLIMATE-RELATED CONSIDERATIONS AT YOUR PORTFOLIO COMPANIES?




NB Private Equity Monitoring and Ownership

Investment Monitoring

NB Private Equity monitors investments through the periodic review of the underlying portfolio; meetings with the sponsoring private equity firm and, in certain cases, the fund's portfolio company management; quarterly and annual reviews; and active participation on advisory boards and committees when appropriate. NB Private Equity is an active investor with investments in over 650 active private equity funds²⁶ and representation on over 300 LP advisory committees.²⁷

In addition to monitoring investments for ESG issues as a part of our ongoing dialogue with the GP, NB Private Equity utilizes data analytics to track publicly available information to flag significant ESG-related issues, when applicable. NB Private Equity is able to track portfolio companies and GPs to identify key ESG risks such as United Nations Global Compact principles violations and safety issues via a watchlist and alert system on a real-time basis. Our ESG monitoring system helps to identify potential topics of ESG engagement and to track ESG-related reputational risk of a company compared to peers and over time. This risk score fluctuates over time based on the frequency and severity of publicly reported events and is one of many factors that inform ongoing monitoring, requiring investment team judgment. The ESG Investing team as well as certain program teams manage the ESG watchlists and depending on the level of materiality and severity, the ESG Investing team notifies the deal team members to determine appropriate next steps for possible engagement.

In addition to the incorporation of ESG questions in the Operational Due Diligence (ODD) process for primaries and certain co-investments, NB Private Equity has a formalized GP questionnaire and system utilized for monitoring purposes for its primary investments, co-investments and select secondary investments. This systematic collection of information from GPs occurs on a periodic basis and includes a standard set of ESG questions to help understand updates to a GP's ESG practices and policies, as well as collect information on known material risk incidents at the portfolio company-level.



“WE SEEK TO IMPLEMENT OUR ESG AND
IMPACT INVESTING CAPABILITIES IN A
CLIENT-FOCUSED AND DATA-DRIVEN MANNER.”

JENNIFER SIGNORI

Managing Director,
Head of Private Markets ESG and Impact

Engagement

As a leading participant in the private equity ecosystem, with over \$110bn of assets under management²⁸ and a GP-centric model, we believe that NB Private Equity has an important role to play in engaging with private equity managers on ESG topics.

NB Private Equity ESG due diligence, informed by the Manager ESG Scorecard and NB Materiality Matrix, can often serve as a starting point for engagement with GPs on areas of improvement. We endeavor to identify ESG engagement objectives at the time of due diligence and selection and monitor progress for primary commitments in particular. We connect with GPs in seminars and one-on-one settings to provide guidance and support to improve ESG integration policies and practices.

We continue to refine our tracking and reporting of ESG engagement, building upon existing systems and processes. Neuberger Berman has a Stewardship & Engagement Policy,²⁹ which sets out how Neuberger Berman generally engages with companies that we invest in on behalf of our clients, primarily as it pertains to the public side of the firm.³⁰ NB Private Equity believes fostering a dialogue with clients and private equity managers on ESG topics is an important part of our role in the ecosystem.

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.



ENGAGEMENT WITH PARTNERS

Fireside Chat on the Evolving ESG Landscape



Neuberger Berman Private Equity GP Engagement Series

In December 2022, NB Private Equity hosted a GP engagement webinar led by Neuberger Berman's Chairman and CEO, **George Walker**, together with **Mindy Lubber**, CEO and President of Ceres, and 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 provided an overview of Ceres' work centered on financial materiality and its role in the broader private equity ecosystem, and she and George 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.

WE WORK CLOSELY WITH OUR CLIENTS TO UNDERSTAND THEIR ESG INTEGRATION AND IMPACT INVESTING GOALS, HELPING US TO SEEK MEANINGFUL, TAILORED OUTCOMES IN PARTNERSHIP WITH LEAD SPONSORS.



JOANA ROCHA SCAFF

Managing Director,
Head of Europe Private Equity

An aerial photograph showing a dense forest of evergreen trees on the left, a winding asphalt road in the center, and a body of water with a turquoise hue on the right. The scene is captured from a high angle, looking down on the landscape.

Insights: Navigating Climate Analysis in Private Equity

JENNIFER SIGNORI

Managing Director, Head of Private Markets ESG and Impact

ALYSSA REARDON

Vice President, ESG Integration Manager – Private Markets

The climate transition continues to be a topic of strategic focus for asset owners and private equity managers alike, but major hurdles remain in order to implement and evidence the progress toward decarbonization.

In November 2022, Neuberger Berman presented 11 key issues asset owners who are interested in the net zero transition should take into consideration now, as well as the significant challenges that come with solving for them across all phases of the net zero transition (see [Key Considerations When Navigating the Net-Zero Transition](#)). Although private equity is a key piece to the net zero transition puzzle, the obstacles within private equity are unique to the asset class and the best practices are still in development. At a high level, one of the drivers is limited, inconsistent ESG and climate data disclosures, which makes measurement and setting targets particularly challenging.

In this paper, we outline some of these challenges and the work NB Private Equity undertook to address them by developing tools to potentially assess climate risk and net zero alignment of a private equity portfolio.

Introduction: Assessing Climate Change within Private Equity

Private equity (PE) has several characteristics that make it well suited for decarbonization. PE managers tend to take controlling stakes in their targets, which can lend more direct influence over key strategic decisions, including those related to addressing climate change. They may also focus their investments on climate solutions that can contribute to reducing carbon emissions and enable the transition to net zero. And finally, PE allocations tend to skew toward industries with lower direct greenhouse gas emissions. However, as an asset class, private equity faces unique challenges stemming from:

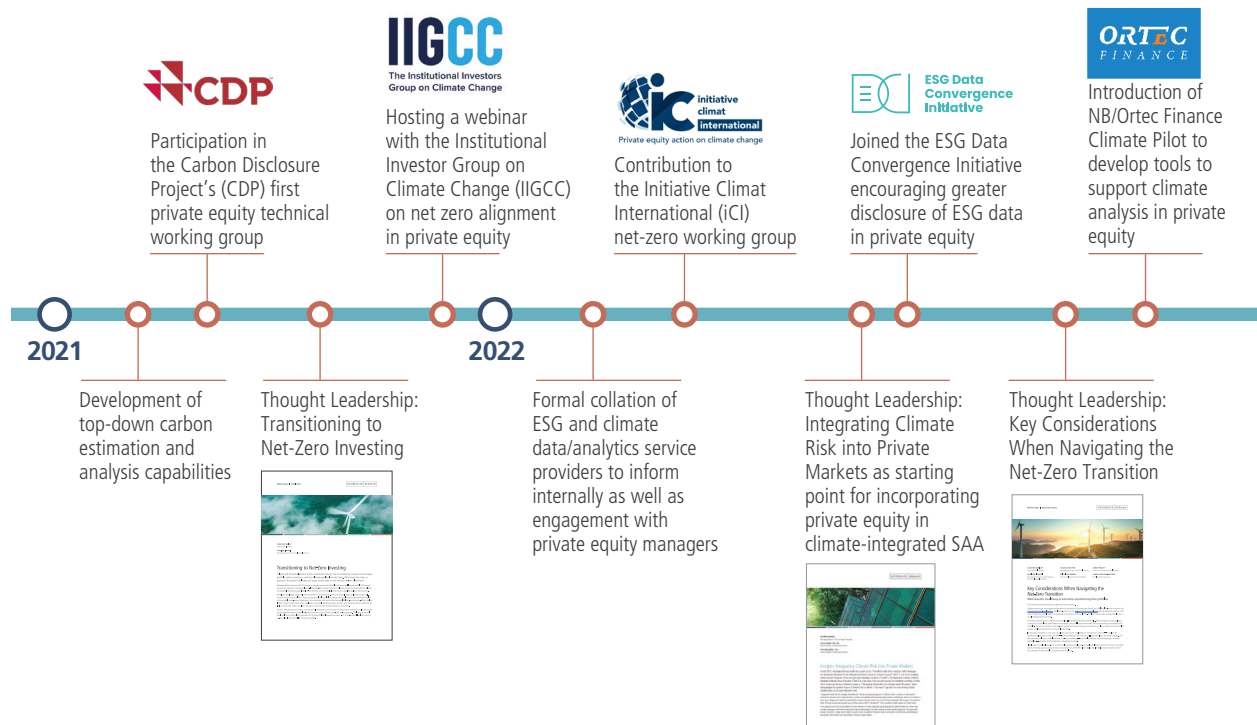
- **Limited, Inconsistent Emissions Reporting**
 - The lack of actual data makes target setting and alignment analysis difficult for General Partners (GPs) and Limited Partners (LPs).
- **Target Setting**
 - Given private equity’s multi-year investment period, with companies entering and exiting the portfolio at different stages of the closed-end life cycle of a fund, setting annual fund-level climate targets may not fully capture an investor’s true progress towards net zero.
- **Role of GPs vs. LPs**
 - While GPs may hold greater potential influence on net zero issues at the portfolio company level given their majority ownership and board positions, LPs may have to exert their preferences mainly through capital commitments and by engagement with GPs.

Although market-driven initiatives and regulations have heightened the need for the private equity industry to react quickly to these challenges, a gap still remains between data availability and the

reporting demands of both clients and regulators. Based on NB Private Equity’s role in the private equity ecosystem bridging LPs and GPs, through our work managing private equity portfolios on behalf of some of the largest and most sophisticated asset owners globally, while simultaneously serving as a capital solutions provider to GPs, we have observed a gap in where LPs and GPs are in their climate journeys. Asset owners or LPs’ top-down climate commitments are often made at the organizational level, and within the GP community, the level of understanding and action on net zero alignment is nascent. Based on our engagement with GPs, we believe many are making advancements in improving the collection and disclosure of data. Some are building carbon reduction playbooks as another tool for value creation at portfolio companies. However, most are falling short of setting formal targets that are Paris Agreement-aligned or verified by a third-party. There are efforts underway to help GPs communicate the action they are taking and the real-world progress they are making at portfolio companies in a way that is pragmatic and works within the holding period of a typical private equity backed company. For example, there is a collaborative initiative among GPs underway to implement decarbonization road-maps that seek to align on clear guidelines and progression steps.

NB Private Equity continues to engage in the broader evolving ESG and climate data landscape to anticipate solving for client and regulatory requirements, as well as to build differentiated capabilities and client solutions, for interested clients. For NB Private Equity to best understand climate-related portfolio risks, the data supporting portfolio carbon footprinting and implied carbon footprint reductions is necessary.

EXHIBIT 1: NB PRIVATE EQUITY CLIMATE INITIATIVES TO-DATE



NB Private Equity has focused on what is within its control by encouraging greater disclosure from GPs while also developing capabilities to inform engagement with clients and GPs on climate-related topics where our contribution can help drive the creation of value. Building on this foundation, we embarked on a pilot to understand how estimates may inform climate risk and net zero alignment of a private equity portfolio.

Reflections of Initial Learnings

Alongside NB Private Equity's various climate initiatives focused on establishing industry standards and encouraging ESG and climate disclosures, there were still outstanding questions:

How could we assess forward-looking climate-related risks within a diversified portfolio?

How could we plan to address these climate-related risks both within a diversified portfolio and those of our GP private equity partners?

Our goal in pursuing these questions was to not only gain insights for a private equity portfolio, but also to deploy tools to potentially engage with our private equity GPs who have the ability to initiate direct change at the portfolio-company level but may not have the resources or tools to do so. These questions coupled with the breadth of our coverage in the private equity universe and our understanding of both LP and GP challenges became the basis of our search to address these asset class specific nuances.

We decided to partner with Ortec Finance on a pilot engagement using their ClimateALIGN solution. Ortec Finance is a provider of technology and solutions for risk and return management with strong academic ties and a global footprint. The Climate & ESG Solutions team brings technical and climate knowledge to the table and positions itself as a thought leader with detailed involvement in key industry initiatives, such as contribution to the Climate Biennial Exploratory Scenario (CBES) climate stress-test scenarios, as well as the technical development of the Science Based Targets initiative (SBTi) Finance tool. Finally, Ortec Finance has worked with other financial institutions who are similarly grappling with data gaps, but want to understand how to analyze their portfolios, across asset classes, relative to various climate change scenarios to better understand net zero alignment.

Alongside these credentials, Ortec Finance demonstrated a strong willingness to collaborate to create outputs and tools. As a result, our pilot focused on co-development and shared learnings which helped amplify this joint effort.

The **Neuberger Berman Net Zero Matrix™** powered by Ortec Finance ClimateALIGN is one of the emerging tools we are excited to socialize with GPs. We observed that much of the public markets transition pathways available in the market were largely focused on the highest carbon intensive sectors initially, due to prioritization and sequencing of resources. While this is understandable, much of these resources do not apply to the vast majority of the private equity investment universe, that typically invests in lower carbon intensive sectors. We noticed that a default temperature rise was often assigned to these lower carbon intensive companies. Ortec Finance's partnership with Cambridge Econometrics enabled more nuanced outputs for the sectors most relevant to private equity investors, covering more sectors in the economy. We developed the concept of a sector-region matrix over time-intervals (e.g., 2025, 2030, 2050) that could be used as a tool to engage with private equity GPs to sign-post what a net zero aligning company could look like over time, with respect to carbon intensity. By translating portfolio Implied Temperature Rise (ITR) back to the basic building block of implied carbon intensity, we now had a measure that could be understandable by companies, comparable, and potentially actionable, as a result. This proprietary Matrix was structured to help GPs understand what decarbonization pathways and targets may look like to encourage improved actual emissions disclosures and to assess the appropriate next steps in taking action. Our hypothesis was: perhaps the lower carbon-intensive sector companies that private equity firms are invested in weren't so far off after all, and perhaps GPs may be more inclined to take action to help implement the goals of their net zero target setting LPs.

The Neuberger Berman Net Zero Matrix™ illustrates decarbonization pathways as well as current median carbon intensity trajectories by sector-region for initiating engagement with private equity GPs to consider with their portfolio companies.

- **Sector-Region Materiality** to understand which sector-regions are of highest priority to consider for further analysis and engagement, based on current-state projections and in the context of decarbonization pathways required for alignment with net zero.
- **Decarbonization Pathways** to provide an indication of how companies without disclosure are likely performing based on their sector-region and to raise awareness among companies of decarbonization pathways.

EXHIBIT 2: CURRENT-STATE PROJECTIONS

Represents the current median estimate for how emissions intensity will change over time.

NEUBERGER BERMAN
Neuberger Berman Net Zero Matrix™

		2025						2030						2050				
		Region						Global						Global				
		North America	European Economic Area (EEA) incl. UK	Asia Pacific	Global			Global						Global				
High Carbon	High Carbon Sector 1	ETR	1.5	1.5	1.5	1.5												
		Median (BP) (tCO2e/USDm)	2,887.2	1,528.8	1,392.5	2,283.5												
	High Carbon Sector 2	ETR																
		Median (BP) (tCO2e/USDm)																
	High Carbon Sector 3	ETR																
		Median (BP) (tCO2e/USDm)																
Non-High Carbon	Low Carbon Sector 1	ETR																
		Median (BP) (tCO2e/USDm)																
	Low Carbon Sector 2	ETR																
		Median (BP) (tCO2e/USDm)																
	Low Carbon Sector 3	ETR																
		Median (BP) (tCO2e/USDm)																

For illustrative and discussion purposes only.

In addition, we explored Portfolio Implied Temperature Rise (ITR) to potentially illustrate the temperature score of a sample portfolio and to help distill key hotspots that can become areas of focus in order to reduce the portfolio's ITR in the future. A portfolio's ITR attempts to articulate the amount of global warming expected if the entire world operated at the same emissions intensity as this portfolio and how the portfolio holdings are likely impacting the climate. In the absence of consistent and actual reporting of emissions data, our analyses defaulted to proxy scores derived from public companies based on sector-region mappings of the underlying sample portfolio, which underscores the importance of getting the data disclosures right. We are still iterating and evaluating the applicability of ITR to communicate the net zero alignment of a private equity portfolio. Given the value NB Private Equity places on decision-useful tools, there are key considerations when applying ITR. First, ITR is a static metric relative to evolving private equity portfolios given the eventual change of control of portfolio companies entering and exiting the portfolio. Additionally, at the moment, the range of scenarios captured within a single ITR, based on estimates derived from public companies, may oversimplify complex challenges.

Key Takeaways

The Net Zero transition is a marathon, and it is a collective marathon where systemic change is required. At this stage, NB Private Equity remains focused on what is within its control by encouraging greater disclosure of climate data, while developing estimation tools and

EXHIBIT 3: NET ZERO PATHWAY

Represents the current best estimate for the emissions intensity needed to reach Net Zero goals.

NEUBERGER BERMAN
Neuberger Berman Net Zero Matrix™

		2025						2030						2050				
		Region						Global						Global				
		North America	European Economic Area (EEA) incl. UK	Asia Pacific	Global			Global						Global				
High Carbon	High Carbon Sector 1	ETR	1.5	1.5	1.5	1.5												
		Median (BP) (tCO2e/USDm)	1,728.2	1,121.9	1,226.5	1,487.0												
	High Carbon Sector 2	ETR																
		Median (BP) (tCO2e/USDm)																
	High Carbon Sector 3	ETR																
		Median (BP) (tCO2e/USDm)																
Non-High Carbon	Low Carbon Sector 1	ETR																
		Median (BP) (tCO2e/USDm)																
	Low Carbon Sector 2	ETR																
		Median (BP) (tCO2e/USDm)																
	Low Carbon Sector 3	ETR																
		Median (BP) (tCO2e/USDm)																

For illustrative and discussion purposes only.

methodologies to inform engagement on climate-related topics and address current gaps in the market. We acknowledge we are still in the early stages of the climate transition including investor education. Our initial work has helped us to better understand and consider how we can address questions the broader industry is facing. Ultimately, dialogue with private equity managers also grappling with similar challenges will be key and we welcome the opportunity to engage in collaborative problem-solving on this important and material topic. Our role in helping to bridge LPs and GPs to align on expectations and timelines will be critical to drive action: meet the industry where it is and encourage practical tools to help the industry improve, step by step. GPs who lead in addressing the climate transition have the opportunity to distinguish themselves among peers to LPs who have set net zero targets. We continue to focus on encouraging climate data disclosures and contribute tools and guidance to the broader private equity industry, as the real change needs to take place at the portfolio company level, and only then, can an investor possibly realize net zero alignment within a private equity portfolio. We remain committed to helping our investors who are interested in assessing the progress of private equity managers on their climate initiatives and are also committed to helping the private equity industry up the curve and to drive improvements that ultimately can create value.

Ortec Finance ClimateALIGN Methodology

Ortec Finance's ClimateALIGN methodology leverages [E3ME](#), an advanced macro-economic model by Cambridge Econometrics, coupled

with Ortec Finance's own internal model [OFS](#), a robust and realistic stochastic financial model, to power its [ClimateMAPS](#) scenarios. Built on 500+ sector-region modeled combinations that cover the entire economy and planet, Ortec Finance's granular climate scenarios provide insight based on a sectoral decarbonization approach (SDA) to allow for distinct decarbonization pathways per sector-region combination.

The ClimateALIGN methodology builds on Ortec Finance's methodological contribution to [OS-Climate's Portfolio Alignment tool](#), this tool is in line with standards and best practices set by the [Task Force on Climate-](#)

[Related Financial Disclosures \(TCFD\)'s Portfolio Alignment Team \(PAT\)](#) and the [Glasgow Financial Alliance for Net Zero \(GFANZ\)](#). OS-Climate is a membership-based organization including a breadth of stakeholders such as the Net Zero Asset Owner Alliance. By building on top of an open-source methodology, ClimateALIGN leverages pre-competitive market collaboration and transparency to accelerate portfolio alignment analytics in the financial sector. ClimateALIGN's underlying methodology incorporates both a company's historical carbon footprint / emissions and a company's ambitions / targets to reduce emissions in the future.



THOUGHT LEADERSHIP AND INSIGHTS

A Case for Net Zero in Private Equity

Neuberger Berman is a member of the Initiative Climat International (iCI), a global community of private equity firms and investors seeking to better understand and manage climate change risks, and in 2022, became a member of the iCI Net Zero working group.

As part of the working group, NB Private Equity was invited to provide early feedback on the development of the iCI's latest publication, [A Case for Net Zero in Private Equity](#).

While there is support for net zero across the financial sector, the number of private equity firms making public commitments remains quite low. This publication introduces iCI's new signatory roadmap. It builds on existing recommendations and encourages iCI members to commit to aligning with a net zero trajectory. The publication covers the current contributions of the private equity industry on net zero, outlines reasons for private equity investors to act on climate and net zero target-setting and provides a roadmap of actions for private equity investors, from initial stages of raising climate awareness within their firm, to setting targets, measuring progress, and disclosing outcomes.

Key Considerations When Navigating the Net Zero Transition

In November 2022, Neuberger Berman published a paper titled [Key Considerations When Navigating the Net-Zero Transition](#), which explored eleven key issues the firm believes asset owners should take into consideration—as well as the significant challenges that come with them—based on feedback from numerous well-informed clients and industry experts. The discussion spans all phases of implementing a net zero commitment—from initially codifying it, to sharing progress with key stakeholders—and offers food for thought on navigating next steps.

NB Private Markets contributed to the section of the paper focused on the challenges around implementing net zero strategies in private markets, such as lack of consistent and available emissions reporting as well as considerations around target-setting within private equity's multi-year investment period. The team also provided insights on the opportunities private markets investors may have given the ability for majority ownership of portfolio companies as well as the potential path forward for development of net zero alignment best practices for the asset class.

“WITH THE EXTENSION OF ESG-RELATED REGULATIONS TO PRIVATE MARKETS, WE BELIEVE THERE IS AN EVEN GREATER NEED TO THINK DEEPLY ABOUT THE FUTURE EVOLUTION OF ESG ISSUES IN ORDER TO STAY AT THE FOREFRONT OF THE INDUSTRY”



JONATHAN BAILEY
Managing Director,
Global Head of ESG Investing

An aerial photograph of a glacier, showing large, white, jagged ice formations and deep blue crevasses. A semi-transparent white rectangular box is overlaid on the center of the image, containing the title and subtitle text.

Case Studies: NB Private Markets

Features of ESG as a Value Driver within
NB Private Markets

FEATURE: Insurance-Linked Securities (ILS)

By enhancing ESG integration within the investment process

Insurance-Linked Securities (ILS) are unique when it comes to ESG considerations as it is important to highlight the distinction between the ILS asset class and more traditional asset classes; namely that ILS are insurance solutions to transfer natural disaster risk rather than direct investment in a company's equity or debt.

As an overarching theme, the ILS asset class involves the transfer of natural catastrophe risk into the broader capital markets, which the team believes may contribute to the enhancement of commercial and societal climate resiliency, especially when considered in light of current climate change considerations. The ILS asset class is therefore unique in that it inherently incorporates many environmental and social factors as part of the direct investment process.

PERILS COVERED



Tropical Cyclones
(Hurricanes)



Severe Convective Storms
(Tornados)



Winter Storms



Earthquake / Tsunami



Wildfire / Bushfire

With these concepts in mind, NB ILS has developed a proprietary ESG rating matrix that the team uses to score our counterparties, ultimately producing what the team has termed the ILS ESG Assessment. The factors are generally based on globally accepted best practice doctrines, such as the UN's Principles for Responsible Investment and Principles for Sustainable Insurance, as well as through close coordination, review, and input from the ESG Investing team to ensure alignment with NB's overall ESG philosophy.

The guiding principle throughout is that of materiality, with a goal of promoting opportunities that consider one or several ESG objectives, accurately assessing positive or negative underwriting factors as well as identifying controversial exposures that might necessitate closer consideration due to a particularly sub-standard factor or overall score.

Entities that have utilized the Catastrophe Bond markets to facilitate natural catastrophe risk transfer



Covering earthquake, windstorm and pandemic risk worldwide



Covering windstorm risk in New York



Covering windstorm risk in Texas



Covering flood risk across the U.S.



Covering earthquake and windstorm risk across the U.S.



Covering wildfire risk in California

FEATURE: Almanac Realty Investors

By engaging and educating on relevant ESG topics

Almanac Realty Investors (“Almanac”) believes that formal and informal engagement with portfolio companies is a key part of its active management strategy, enabling positive corporate behaviors to drive long-term, sustainable returns for clients.

In January of 2023, Almanac hosted the “What is the E in ESG?” Forum, inviting the full Almanac investment team and senior executives from its portfolio companies to connect and engage in discussions with industry speakers on key environmental risks and opportunities for a real estate portfolio. Attendees of this two-day event represented 75% of the flagship strategy portfolio and 100% of the GP-stakes portfolio at the time. Speakers included academics, consultants, real estate owners, solar developers, energy procurement specialists, industry framework leaders, and more.

Panelists explored environmental factors relevant to real estate owners:



Foundational environmental questions



Energy utilization and carbon emissions



Implementing building level projects



Risks and opportunities within regulations

This event was one of the first formal events sponsored by Almanac’s newest business division, AlmanacIQ. Formed in 2022, AlmanacIQ is a business services platform working alongside portfolio company management teams as a resource to advance a range of value creation initiatives.



Select Almanac team members including senior leaders,

From left to right, David Haltiner, Madeline Wick, Mollie Eisler, Matthew Kaplan, Engy Gadelmawla, Spencer Reiter, and Trip Burke.



Illustrator Tracey Berglund conducted a live illustration during the event. For illustrative and discussion purposes only.

Since the event, Almanac has engaged directly with portfolio companies on a few key challenges:



Procuring Renewable Energy

by working with a specialist to identify jurisdictions to negotiate lower energy costs and identify opportunities to implement solar projects.



Evaluating Carbon Footprint Technologies

to collect environmental metrics to inform footprint reduction and build a reporting infrastructure for future disclosure requirements.



Drafting ESG Policies and Procedures

with several portfolio companies that are unique to their business plan and their materiality considerations.

The Forum provided an entry point for further engagement, including bi-monthly webinars, quarterly resource groups, and periodic meetings with management teams. Given feedback, Almanac expects to hold this event bi-annually going forward, expanding the focus to include social and governance factors as well.

FEATURE: Renaissance

By monitoring and measuring ESG factors as part of ownership

NB Renaissance's (NBR) investment strategy focuses on identifying mid-market companies with strong growth potential and partnering to achieve their strategic objectives. NBR typically takes majority or controlling stakes in its portfolio companies and works closely with management to implement operational improvements to drive growth. This approach involves thorough due diligence on target companies, which includes a review of material ESG factors to ensure that the investment aligns with NBR's values and strategy. Values are centered around the belief that the integration of ESG best practices can enhance long-term value for investors.

Based on the improvement areas and gaps identified within ESG Due Diligence, 100-day Action Plans and 3-year plans are defined for acquisition targets. Additionally, as of 2022, portfolio companies will work to define 3-year ESG Action Plans. Within these ESG Action Plans, NBR requires portfolio companies to include their commitment to three goals: the appointment of an ESG manager, the establishment of an ESG working group, and the development of specific Management by Objectives (MBOs) tied to the achievement of goals included in the ESG Action Plan. NBR considers engagement of portfolio companies' management to be an essential driver to enhance value and promote accountability on ESG topics.

In addition, NBR requires its portfolio companies to perform, update and disclose their materiality assessment in line with GRI standards guidance. KPIs are identified and collected based on specific industry requirements and business nuances. Since NBR strives to enhance ESG disclosure and improve transparency and accountability to its stakeholders, portfolio companies are required to deliver an annual Sustainability Report to give an overview of ESG metrics, performance, and goals for the future.³¹ NBR is committed to monitoring action and achievement of the KPIs for each ESG Action Plan. NBR presents these metrics and results to NBR's Board of Directors and includes them in its annual ESG Report.

IN PRACTICE



Arbo S.p.A., acquired by NB Renaissance in June 2022, is the largest independent Italian distributor of spare parts for heating systems.

As part of the diligence process, NB Renaissance conducted ESG Due Diligence with the support of a specialized consulting firm, with the aim of evaluating the company on ESG matters. Based on the gaps and areas for improvement identified during ESG Due Diligence, Arbo is currently developing its ESG Action Plan, setting out sustainability goals for the period 2023-2025 and a detailed timeline to achieve them. The Action Plan will serve as a blueprint for the future, highlighting commitments towards the Sustainable Development Goals and helping to structure and refine efforts in focused areas.

Moreover, in 2022, with the support of NBR, Arbo has begun taking action ahead of the finalization of the above-mentioned Action Plan. Since NBR's entry in the company, Arbo appointed an ESG manager and substituted the use of plastic bottles by giving all employees reusable metal bottles and installing water re-fillers in all branches. Additionally, Arbo published its first Sustainability Report, to track ESG-related initiatives to communicate them to stakeholders. For the publication of its first Sustainability Report, the company, with the support of a dedicated ESG advisor, has carried out a materiality analysis to identify the most relevant topics, leading to a shortlist of financially material topics. As a reporting supplement, the relevant Sustainable Development Goals have been mapped and associated with the material topics.

“THE EMERGING MANAGERS ROUNDTABLE WAS A GREAT OPPORTUNITY TO BRING TOGETHER A DIVERSE GROUP OF WORLD CLASS INVESTORS FOR NETWORKING, INSTITUTIONAL INVESTOR INTRODUCTIONS, AND TANGIBLE ADVICE ON BUILDING AND SCALING THEIR FIRMS.”

PATRICIA MILLER ZOLLAR

Managing Director,
Head of Northbound Equity Partners

Neuberger Berman Private Equity’s Commitment to Diversity and Inclusion

NB Emerging Manager Platform:

As fundraising slows and the largest funds attract the greatest amount of capital, NB Private Equity actively scouts diverse and emerging managers.³² Within NB Private Equity, our emerging manager platform, known as NorthBound, is focused on seeking attractive absolute and relative returns by identifying high-performing investment opportunities in emerging managers and funds with diverse leadership. NB Private Equity believes that emerging managers are often overlooked and underappreciated, and NB Private Equity has the ability to serve as a long-term partner who can anchor first-time funds and help managers scale and institutionalize their firms.



ENGAGEMENT WITH PARTNERS

November 2022: NB Emerging Managers Roundtable

NB Private Equity hosted its first Emerging Managers Roundtable, gathering a select group of investors for an afternoon of discussion and networking among LPs and emerging managers across strategies and geographies. The emerging manager GPs in attendance participated in market discussions, working sessions with internal NB teams, and networking. Sessions included:

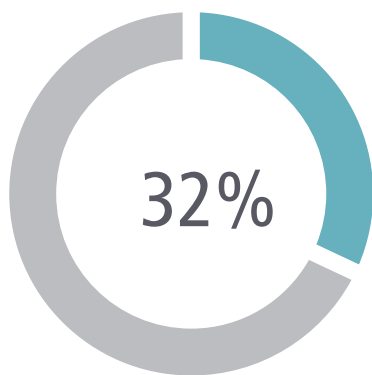
- Market Trends, Opportunities and Adapting in the Current Environment
- Round Robin Style Networking with LPs and members of the NB Private Equity Investment Committee
- Working Session with the NB Operational Due Diligence (ODD) and ESG Investing teams

NB Private Equity strives to utilize its unique position in the private equity ecosystem by supporting emerging manager GPs and offering assistance ranging from sharing operational best practices to network development to deal sourcing and execution support.

Our Commitment to Equity, Inclusion & Diversity (EID)

We believe firms perform better for clients and stakeholders when there is a **diverse** population and a true **equitable** and **inclusive** environment. **Diversity alone is not enough.** We are actively engaged to improve diversity and inclusion in the private equity industry.

Diversity by the Numbers in
Neuberger Berman Private Equity



Of all PIPCO Investment Team
Managing Directors are women³³

NB Private Equity Commitment to Diversity Focused Industry Groups



Women's Private
Equity Summit

To learn more about Neuberger Berman's EID partnerships and recognitions, please visit our [website](#).



Industry Collaborations and Engagements

We believe we have a responsibility to facilitate ESG investing best practices through collaborative work with clients, managers, and others in the investment industry. We engage with industry stakeholders, contribute research and time to advisory groups, speak regularly at industry conferences, and support the creation and adoption of industry standard ESG disclosures, measurement, and reporting.

To learn more about Neuberger Berman's ESG Investing Industry Collaborations, please visit our [website](#).

Select Industry Organizations



Neuberger Berman has been an active member since 2012. We served as a member of PRI's Private Equity Advisory Committee (PEAC), a collaborative group that advises the PRI on its private equity initiatives, in 2019-2022.



Neuberger Berman is a member of the Initiative Climat International (iCI), a global community of private equity firms and investors seeking to better understand and manage climate change risks and, in 2022, became a member of the net zero working group.



Neuberger Berman joined the ESG Data Convergence Initiative in early 2022, an industry partnership of private equity investors, managers, and advisors to improve ESG data collection for private companies.



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. In 2021, we hosted a virtual GP webinar with the IIGCC who provided a preview of a forthcoming paper on net-zero alignment in private equity.



Neuberger Berman is a member of the British Private Equity & Venture Capital Association Limited Partner Committee and one of our senior investment professionals serves as Chair of the Association's LP Committee.



In 2022, Neuberger Berman participated in its inaugural submission year of the GRESB Infrastructure Fund Management Assessment.



Neuberger Berman is a member of the Invest Europe Limited Partner Council and engaged in ESG-related working groups.



Neuberger Berman participated in CDP's first Private Markets Pilot in 2021 focused on increasing disclosure from private companies of all sizes.



Neuberger Berman joined the Pension Fund Leadership Council of Ownership Works, a non-profit helping companies and investors implement innovative shared ownership programs, in 2023.

¹ Firm data reflects the collective data for the various subsidiaries of Neuberger Berman Group LLC as of December 31, 2022.

² NB Private Markets and its affiliates are the successor to its predecessor entities (the "Predecessors"), the oldest of which was founded in 1981. All of the Predecessors' operational assets and substantially all key personnel employed at the time of the succession became assets and employees of NB Private Markets. NB Private Markets became either the advisor or sub-advisor to all then-existing Fund Accounts previously advised by the Predecessors. References to NB Private Markets include the Predecessors.

³ As of December 31, 2022. Represents aggregate committed capital since inception in 1987, including commitments in the process of documentation or finalization.

⁴ Represents opportunities reviewed, made and committed to across primaries, co-investments and secondaries by NB Alternatives from 1Q 2020 – 4Q 2022 for PIPCO and Secondaries

⁵ As of December 31, 2022.

⁶ Data reported as of June 30, 2022.

⁷ Includes limited partner advisory committee seats and observer seats for the representatives appointed by the PIPCO Investment Committee and Secondary Investment Committee since inception as of September 30, 2022.

⁸ Neuberger Berman Sustainability-Linked Corporate Revolving Credit Facility, as of February 2020. The firm's cost of debt will be higher or lower depending on its performance against key ESG metrics. The \$175 million credit facility, which matures on February 4, 2025, will be benchmarked annually against principles and practices, some of which include: 1) Alignment with clients, 2) Objective ESG integration and 3) Increased diversity.

⁹ The year 2020 represents the first year that asset managers became eligible for PRI Leader designation, which formerly included asset owners only. The new designation was awarded to only 20 of the ~2100 investment manager PRI signatories. The Leaders' Group showcases signatories at the cutting edge of responsible investment, and highlights trends in what they are doing. PRI uses signatories' reporting responses and assessment data to identify those that are doing excellent work in responsible investment – across their organizations and with a focus on a given theme each year. The 2020 theme is climate reporting. Information about PRI Leader is sourced entirely from PRI and Neuberger Berman makes no representations, warranties or opinions based on that information.

¹⁰ For illustrative and discussion purposes only. PRI grades are based on information reported directly by PRI signatories, of which investment managers totaled 3,404 for 2021, 1,924 for 2020, and 1,119 for 2019. Note that scores for the 2021 reporting cycle cannot be compared to previous years due to the change in PRI assessment methodology. 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). All PRI 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+). Neuberger Berman pays a fee to be a member of PRI and the Grades are only available to PRI members. 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.

¹¹ Among organizations with over 1,000 employees by Pensions & Investments Best Places to Work in Money Management survey. For additional information on the criteria for the award, please visit The Best Places to Work in Money Management in 2022 | Pensions & Investments (pionline.com)

¹² Subject to Neuberger Berman's policies and procedures, including certain information barriers within Neuberger Berman that are designed to prevent the misuse of material information between the NB Private Markets teams and the public side investment and ESG teams.

¹³ The BVCA "Excellence in ESG" awards seek to recognize outstanding contributions to ESG and impact investment from across private equity and venture capital. Now in its third year, 'Excellence in ESG' celebrates firms from across the private capital ecosystem that have made an outstanding commitment to ESG principles. Winners are selected by a panel of multi-sector ESG experts. The judges seek clear explanations of the LP's rationale, commitment to responsible investment principles, linkage to investment strategy, and justification for why the outcome has been positive.

¹⁴ See Endnote 12.

¹⁵ Our definition of "ESG integrated" aligns with the amendments proposed by the U.S. Securities and Exchange Commissions in their "ESG Disclosures for Investment Advisers and Investment Companies"

¹⁶ See Endnote 12.

¹⁷ When conducting diligence on secondary investments, the investment team generally considers material ESG issues as an integrated part of its due diligence process. The investment team may complete the Manager ESG Scorecard to the best of their ability for fund exposures greater than 1% of the NB secondary fund size. For direct positions and individual exposures to a given company greater than 1% of the NB secondary fund size, the team may complete the Manager ESG Scorecard and the co-investment ESG materiality analysis to the best of their ability.

¹⁸ Applies to primaries and certain direct co-investments

¹⁹ See Endnote 12.

²⁰ See Endnote 12.

²¹ Neuberger Berman, 2021.

²² Proprietary aggregate Manager ESG Scorecard data including Large-cap, Small / Mid-cap, and Venture / Growth Capital funds. As of December 31, 2022. Chart totals may not equal 100% due to rounding.

²³ Proprietary aggregate Manager ESG Scorecard data including Large-cap, Small / Mid-cap, and Venture / Growth Capital funds across North America, Europe, and Asia. As of December 31, 2022. Chart totals may not equal 100% due to rounding.

²⁴ Includes GPs to which NB Private Equity has committed a primary investment as of March 31, 2023. UN PRI Signatory status is as of March 31, 2023, and ESG Data Convergence Initiative Member status as of April 26, 2023.

²⁵ NB GP Survey conducted in advance of the Neuberger Berman Private Markets GP Engagement Series, December 2022.

²⁶ See Endnote 6.

²⁷ See Endnote 7.

²⁸ See Endnote 3.

²⁹ Neuberger Berman Stewardship and Engagement Policy. https://www.nb.com/handlers/documents.ashx?id=aba155d6-e78e-4668-800f-fa69f05d45d0&name=Stewardship_and_Engagement_Policy_043021.pdf

³⁰ See Endnote 12.

³¹ Excluding the minority investment in Atos that was part of the portfolio of Intesa Sanpaolo before the spin-off

³² An Emerging Manager is defined in three ways, as either (i) a small GP whose fund size is under \$750mm in total size, (ii) a GP who is raising a first- or second-time flagship fund, or (iii) a GP who NB Private Equity has defined as Diverse. A Diverse Manager is a GP with a historically underrepresented minority (female or minority) in a position of leadership.

³³ As of March 31, 2023. Reflects the Managing Directors of the Private Equity Investment Portfolios and Co-investment Platform ("PIPCO") Investment Team

³⁴ Real Deals Private Equity Awards 2023 Diversity and Inclusion Leader of the Year-LP. The diversity and inclusion leader of the year award recognizes excellence in the LP communities with respect to companies who have made a difference to improving D&I within their firm, at portfolio company level and in the wider investment community. Applicants were evaluated based on their firm policies and procedures to promote diversity and inclusion. Of the firms who applied, four were short-listed in the category. This award is not a performance ranking nor does it constitute an investment recommendation. NB Private Markets did not pay a fee to participate and 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. For more information, please visit <https://privateequityawards.com/>.

ESG-RELATED DISCLOSURES

The use of ESG factors could result in selling or avoiding investments that subsequently perform well or purchasing investments that subsequently underperform.

As used in this document, NB Private Markets consists of the following investment strategies that are classified as ESG-Integrated by the

Neuberger Berman ESG Product Committee: Private Equity Investment Portfolios and Co-investment Platform, Private Equity Secondary Platform, Almanac ARS Funds, Private Credit Platform, Marquee, NB Insurance-Linked Strategies Platform, Renaissance, Athyrium, and NBAIM Fund-of-Funds Platform. Unless explicitly noted, the ESG integration processes described in this document apply solely to the Private Equity Investment Portfolios and Co-investment Platform and Private Equity Secondary Platform ("NB Private Equity").

This material is intended as a broad overview of the portfolio managers' style, philosophy and process and is subject to change without notice. Many of the firm level processes described herein are subject to Neuberger Berman's policies and procedures, including certain information barriers within Neuberger Berman that are designed to prevent the misuse of material information between the NB Private Markets teams and the public side investment and ESG teams.

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Leverage. Investments in underlying portfolio companies whose capital structures may have significant leverage. These companies may be subject to restrictive financial and operating covenants. The leverage may impair these companies' ability to finance their future operations and capital needs. The leveraged capital structure of such investments will increase the exposure of the portfolio companies to adverse economic factors such as rising interest rates, downturns in the economy or deteriorations in the condition of the portfolio company or its industry.

Highly Competitive Market for Investment Opportunities. The activity of identifying, completing and realizing attractive investments is highly competitive, and involves a high degree of uncertainty. There can be no assurance or guarantee that a private equity strategy will be able to locate, consummate and exit investments that satisfy the rate of return objectives or realize upon their values or that it will be able to invest fully its committed capital.

Reliance on Key Management Personnel. The success of a private equity strategy will depend, in large part, upon the skill and expertise of investment professionals that manage the strategy.

Limited Liquidity. There is no organized secondary market for investors in most private equity strategies, and none is expected to develop. There are typically also restrictions on withdrawal and transfer of interests.

Epidemics, Pandemics, Outbreaks of Disease and Public Health Issues. Private equity strategy's operations and investments could be materially adversely affected by outbreaks of disease, epidemics and public health issues in Asia, Europe, North America, the Middle East and/or globally, such as COVID-19 (and other novel coronaviruses), Ebola, H1N1 flu, H7N9 flu, H5N1 flu, Severe Acute Respiratory Syndrome, or SARS, or other epidemics, pandemics, outbreaks of disease or public health issues. In particular, coronavirus, or COVID-19, has spread and is currently spreading rapidly around the world since its initial emergence in December 2019 and has negatively affected (and will likely continue to negatively affect or materially impact) the global economy, global equity markets and supply chains (including as a result of quarantines and other government-directed or mandated measures or actions to stop the spread of outbreaks). Although the long-term effects of coronavirus, or COVID-19 (and the actions and measures taken by governments around the world to halt the spread of such virus), cannot currently be predicted, previous

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Valuation Risk: Due to the illiquid nature of many strategy investments, any approximation of their value will be based on a good-faith determination as to the fair value of those investments. There can be no assurance that these values will equal or approximate the price at which such investments may be sold or otherwise liquidated or disposed of. In particular, the impact of the recent COVID-19 pandemic is likely to lead to adverse impacts on valuations and other financial analyses for current and future periods.

Geopolitical Risk. Neuberger Berman's business activities as well as the activities of the Fund and its operations and investments could be materially adversely affected by geopolitical issues in Asia, Europe, North America, the Middle East and/or globally. In particular, the current Ukraine-Russia conflict, which commenced in 2021, has caused, and is currently expected to continue to cause a negative impact on and significant disruptions to the economy and business activity globally (including in the countries in which the Fund invests), and therefore could adversely affect the performance of the Fund's investments. The conflict between the two nations and the varying involvement of the United States and other NATO countries could preclude prediction as to their ultimate adverse impact on global economic and market conditions, and, as a result, presents material uncertainty and risk with respect to the Fund and the performance of its investments or operations, and the ability of the Fund to achieve its investment objectives. Developing and further governmental actions (sanctions-related, military or otherwise) may cause additional disruption and constrain or alter existing financial, legal and regulatory frameworks and systems in ways that are adverse to the investment strategy that the Fund intends to pursue, all of which could adversely affect the Fund's ability to fulfill its investment objectives. Additionally, to the extent that third parties, investors, or related customer bases have material operations or assets in Russia or Ukraine, they may have adverse consequences related to the ongoing conflict.

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