NEUBERGER BERMAN

Private Markets ESG Report 2019

NEUBERGER | BERMAN

About Neuberger Berman

Founded in 1939, Neuberger Berman is a private, 100% independent, employee-owned investment manager. From offices in 35 cities in 23 countries, 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. With more than 600 investment professionals and over 2,300 employees in total, 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. Our culture has afforded us enviable retention rates among our senior investment staff and has earned us a citation from *Pensions & Investments* as a Best Place to Work in Money Management for six consecutive years.[1]

NB Private Markets has been an active and successful private equity investor since 1987. NB Private Markets manages over $90 billion of investor commitments across fund and direct investments since inception and has committed over $10 billion annually on average over the past three years. NB Private Markets has a global presence with over 220 professionals in offices in the United States, Europe, Asia and Latin America.[2]

Over the past 10 years, NB Private Markets has seen strong and prudent growth, 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 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. The platform invests in funds (both on a primary and secondary basis) as well as direct investments, including equity co-investments, private credit, minority stakes in asset management firms ("Dyal"), brand licensing ("Marquee"), direct Italian investments ("Renaissance" and "Aurora"), healthcare credit ("Athyrium") and real estate investments ("Almanac").

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. ESG ratings for equities and fixed income are the Central Research Analysts' view of the environmental, social and governance characteristics of a company on material factors relative to the peer group. The summary output of the material factors evaluated by the Central Research Analysts are summarized as a proprietary resource available to the firm. ESG ratings developed for public securities are not directly applied to private markets. Subject to Neuberger Berman's policies and procedures, including certain information barriers within Neuberger Berman that are designed to prevent the misuse by Neuberger Berman and its personnel of material information regarding issuers of securities that has not been publicly disseminated.

First North American asset manager with a Sustainability-linked Credit Facility[4]

Investor in

530

private equity funds and representation on over

180

Limited Partner advisory committees[9]

Investment offices in New York, Dallas, Boston, London, Milan, Hong Kong, Tokyo, Zurich and Bogota

P&I Best Places to Work

Awarded Last 6 Consecutive Years By *Pension & Investments*[7]

150 colleagues in ESG across committee and working groups[5]

Private Equity Manager of the Year[8]

–Asset Management Awards 2020

A+

Awarded Top Score

In the most recent UN-supported Principles for Responsible Investment (PRI) assessment report for our overarching approach to ESG strategy and governance, as well as ESG integration across each asset class, including Private Equity[3]

Unique access to proprietary firm resources such as research analysts, data science and ESG analytics as a multi-asset class manager[3]

$90 billion

Private markets commitments managed

100%

Assets are ESG aware[6]

Please refer to page 15 for associated disclosures.

"WE BELIEVE THAT THE INCORPORATION OF ESG IS FUNDAMENTALLY GOOD UNDERWRITING. WE PARTNER WITH OUR CLIENTS AND PRIVATE EQUITY MANAGERS TO ADVANCE ESG PRACTICES IN THE PRIVATE MARKETS."

–ANTHONY D. TUTRONE
Global Head of Alternatives

Neuberger Berman Private Markets ESG Philosophy

We believe that integrating ESG considerations throughout our investment process can 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 engage with our partners to promote best practices in ESG integration.

Our Approach to ESG Integration

We believe 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.

The firm's ESG Investing team provides expert guidance, resources and training to continuously improve our ESG practices. Our ESG Committee formally reviews ESG integration claims and processes of investment strategies with a lens of integrity and consistency across strategies, while internal audit periodically tests to confirm whether our overall framework and application by portfolio managers remain consistent with our representations and UN PRI requirements.

Our ESG Integration Framework

We seek to formally integrate ESG factors into our private markets investment processes. Because we consider ESG analysis to be an essential part of fundamental investment due diligence, our diversified private equity portfolios and private debt portfolios are ESG-integrated or in the "Assess" category.

We also manage certain portfolios focused on the "Amplify" or "Aim for Impact" approach to ESG integration, as well as the ability to apply "Avoid" negative screens for certain accounts.

Neuberger Berman ESG Integration Framework

Avoid

Ability to exclude **particular companies or whole sectors** from the investable universe

In Practice

Ability to customize exclusions for separate accounts. Clients can utilize NB's Sustainable Exclusions Policy as the basis for exclusions

Assess

Considering the **valuation implications of ESG risks and opportunities alongside traditional factors** in the investment process

In Practice

Materiality-driven ESG analysis is a part of every fund and direct investment due diligence

Amplify

Focusing on **'better' companies** based on environmental, social and governance characteristics

In Practice

Emphasis on positive ESG and sustainability characteristics, e.g. investing in "ESG Leaders"

Aim for Impact

Seeks to **intentionally generate positive social and environmental impact** alongside a financial return

In Practice

Investing in solutions to pressing social and environmental challenges (e.g. UN Sustainable Development Goals)

"WE APPROACH ESG WITH RIGOR, AND WE ARE FOCUSED ON CONTINUOUS IMPROVEMENT. WE ARE ABLE TO DELIVER SOLUTIONS FOR CLIENTS ACROSS THE SPECTRUM OF ESG AND IMPACT INVESTING."

–**MAURA REILLY KENNEDY**
Managing Director

ESG in Practice at NB Private Markets

OVERSIGHT AND RESPONSIBILITY

- Deal teams are responsible for conducting the ESG analysis and the Investment Committee generally evaluates ESG considerations as a part of their overall investment evaluation. ESG is also generally a part of Operational Due Diligence
- Private markets team is able to leverage the firm's broader ESG capabilities and resources, including: firm ESG policy and climate strategy, proprietary ESG ratings for equities and fixed income, and ESG data and analytics[10]

DUE DILIGENCE AND SELECTION

- ESG analysis is a part of fund and direct investment due diligence and is included in all Investment Committee memos
- Fund due diligence generally includes an assessment of ESG integration of the firm and fund strategy, and direct investments are frequently focused on assessing industry-specific material ESG factors

MONITORING AND OWNERSHIP

- Investments may be monitored for ESG violations and risks in real time by leveraging big data capabilities
- We frequently engage with our GP partners to share ESG best practices and play an active leadership role in ESG-related industry collaborations

Due Diligence and Selection

Primary Fund Investments

When conducting diligence on primary fund commitments, the investment team is able to utilize our proprietary Manager ESG Scorecard to assess the lead GPs' 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).

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 serves as a starting point for engagement with GPs on areas of improvement. We also engage with 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.

Manager ESG Scorecard

FUND MANAGER	FUND STRATEGY
What is the firm's ESG commitment and governance?	How is ESG integrated throughout the investment lifecycle?
POLICY	DUE DILIGENCE
GOVERNANCE	SELECTION
RESOURCES	OWNERSHIP
	REPORTING

The case study discussed does 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 non-public and confidential and is intended to show investment process and not performance.

ESG Diligence in Practice – Primary

While conducting due diligence on a primary fund investment, our Manager ESG Scorecard identified significant areas for improvement relative to other lower-middle market buyout fund managers in their market. We engaged with the GP about ESG in private equity and provided the GP with relevant resources, including introducing industry-specific ESG factors, and shared best practices such as incorporating ESG analysis into IC memos and having investment team responsibility with senior oversight.

The GP has made initial improvements and is still undergoing additional improvements to its ESG integration process based on our recommendations. The Investment Committee approved a primary fund commitment to the GP, and we continue to engage with the GP.

Direct Investments

Neuberger Berman Private Markets is able to leverage our position as a diversified asset manager to integrate ESG insights in order to identify opportunities with respect to direct private markets investments.

When conducting diligence on direct investments (e.g. equity co-investment and private debt), the investment team utilizes our proprietary NB Materiality Matrix to assess industry-specific ESG factors that are likely to be financially material (informed by the firm's research sector experts) as well as the lead GP's level of ESG integration based on our Manager ESG Scorecard.[11]

NB Materiality Matrix[12]

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

Represents a subset of factors for illustrative purposes only.

ESG Diligence in Practice – Equity Co-Investment

While conducting due diligence on a co-investment in a company that provides biologic drug development services, the NB Materiality Matrix was utilized to help identify the material ESG factors in the industry. Factors such as product safety and integrity, access to medicine, and governance were important areas of due diligence.

The investment team honed in on topic areas highlighted by the NB Materiality Matrix, such as understanding safety- and quality-related track records and ongoing management, and believed that the company and management were appropriately managing potential risk exposures. From an opportunity standpoint, the company was deemed to be a global leader, uniquely positioned to provide end-to-end, high quality technical services to pharmaceutical companies developing critical treatments in areas such as cancer and infectious disease.

In addition, the team assessed the lead sponsor's integration of ESG in the investment process using the Manager ESG Scorecard. The GP evaluated the ESG factors as part of due diligence and identified introducing a formal data security program to enhance quality controls as a part of its value creation plan. The Investment Committee approved the investment opportunity.

ESG Diligence in Practice – Private Debt

While conducting due diligence on a manager of energy efficiency and demand response programs in the U.S., the NB Materiality Matrix was utilized to help identify the material ESG factors in the industry. The Company provides the marketing, operations and management required to run energy efficiency programs through long-term contracts, and factors such as climate and environment considerations, resource efficiency, and infrastructure sustainability were important areas of due diligence.

The investment team honed in on topic areas highlighted by the NB Materiality Matrix, such as the reduced usage of electrical and gas resources, energy efficiency programs as part of energy conservation mandates, and demand response programs to minimize energy consumption. The investment team believed potential ESG risk factors were appropriately managed and the company was playing a key role to help reduce usage of electrical and gas resources by financially incentivizing the purchase of Energy Efficiency products.

In addition, the team assessed the private equity sponsor's integration of ESG in the investment process using the Manager ESG Scorecard. The Investment Committee approved the investment opportunity.

Secondary Investments

When conducting diligence on secondary investments, the investment team has the ability to leverage Manager ESG Scorecards that may be available from primary fund due diligence. The investment team similarly may assess GPs' level of ESG integration at both the firm and the fund strategy level based on industry best practices. In addition, the investment team has the ability to leverage the NB Materiality Matrix when assessing existing portfolio companies.

The application of ESG due diligence is dependent on the particular secondary opportunity at hand. Generally, company-level ESG due diligence may be more applicable when evaluating the restructuring of a GP-led asset or concentrated portfolio of companies, and for traditional LP stake purchases, for a sub-group of companies in the portfolio that represent a significant proportion of the overall transaction purchase price.

ESG Diligence in Practice – Secondary

While conducting due diligence on a transaction that included a company in the biomass supply chain, ESG considerations were particularly central to understanding the risk and opportunity of the investment opportunity. Areas of focus that were material ESG-related areas of due diligence included company's responsible forestry practices and worker safety management as well as the end market's emissions regulatory environment.

It was clear through the due diligence that the company management was acutely focused on the material ESG issues highlighted. Given the evolving regulatory environment of the end market, the investment team incorporated a high level of conservatism in the underwriting and scenario analysis. The Investment Committee approved the investment opportunity.

The case studies discussed on pages 6 – 7 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 non-public and confidential and is intended to show investment process and not performance.

Monitoring and Ownership

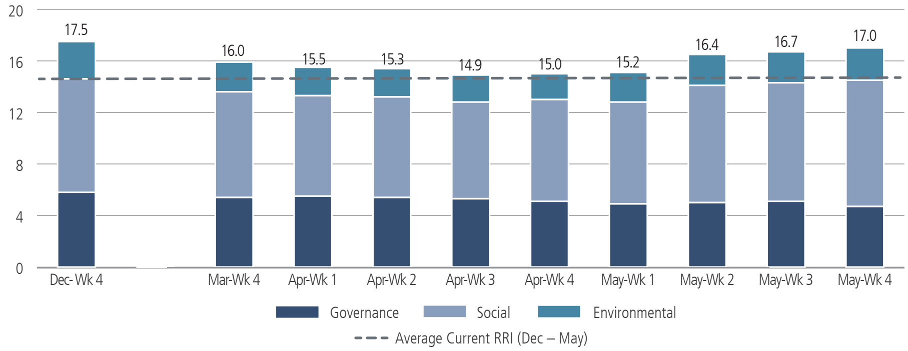
Investment Monitoring

ESG is a part of the Investment Monitoring Committee, which provides regular updates to the Investment Committee. NB Private Markets monitors each investment through the periodic review of the fund's 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. We are an active investor with investments in over 530 private equity funds and representation on over 180 LP advisory committees.[13]

In addition to monitoring investments for ESG issues as a part of our ongoing dialogue with the GP, we leverage data analytics to track publicly available information to flag significant ESG-related issues. We track portfolio companies and GPs, updated on a quarterly basis, to identify key ESG risks such as United Nations Global Compact 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.

Sample Portfolio ESG Monitoring

Portfolio ESG Incidents Trend

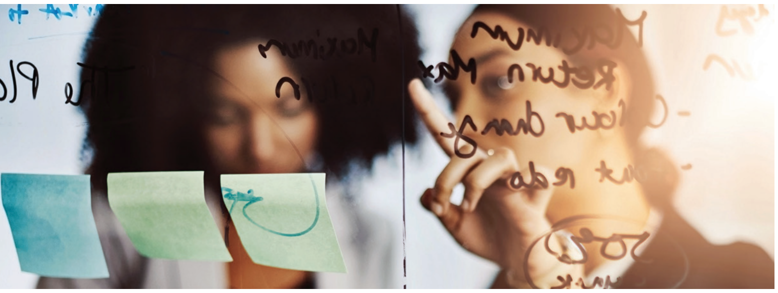


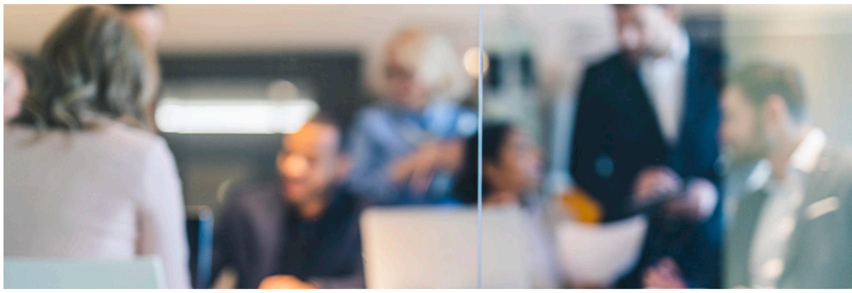
Source: RepRisk. As of May 31, 2020.

RepRisk Index (RRI) is a quantitative measure (0-100) of a company's risk exposure to ESG risks. As shown, current RRI traces risk incidents back 2 years (i.e. a company with a current RRI of 0 has 0 risk incidents in the past 2 years). Companies with current RRI of 0 are excluded from weekly averages.

Engagement

We believe that engagement with private equity managers on ESG topics is an important part of our role in the ecosystem. Our ESG due diligence, informed by the Manager ESG Scorecard and NB Materiality Matrix, serves as a starting point for engagement with GPs on areas of improvement. We engage with GPs in both seminar and one-on-one settings to provide guidance and support to improve ESG integration policies and practices.





Insights

JENNIFER SIGNORI
Principal and Senior Vice President

ESG in Private Markets: Investing for the Long Term

From a state of broad awareness but uneven adoption only a few years ago, private market asset managers have generally come to accept environmental, social and governance (ESG) integration as a standard part of doing business. Driven by growing evidence of the efficacy of ESG analysis and interest among institutional investors, based on our experience, most general partners have an ESG policy in place that lays out their intention to apply ESG principles to investment decisions and in interactions with portfolio companies. Now, a key question is what comes next?

Connecting ESG with Value Creation

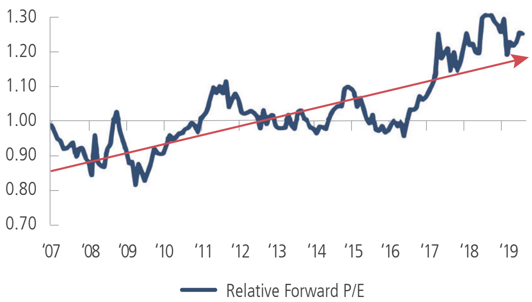
Beyond the structure of an ESG program, it must also focus on the right elements. As a general proposition, we believe that assessing ESG factors that are likely to be financially material is a good starting point, with the recognition that a broader focus on sustainability can have positive cascading effects on companies' long-term performance. Along those lines, we see two crucial areas where ESG factors may affect private company valuations:

- The first category is in *day-to-day operations,* in which incremental improvements can, in the aggregate, have implications for EBITDA over time. A commonly cited example is taking a proactive approach to environmental issues, which may help lower operating costs while staying on the right side of regulations and public opinion; separately, conscientious policies with respect to employees can lead to greater employee retention.
- The second category is *tail risks*, which are also highly relevant to financial results. ESG considerations such as climate and diversity are slow-moving yet pervasive. As recent "once-in-a-lifetime" current events have demonstrated, these systemic ESG issues have the potential to completely upend businesses and societies, with likely implications for private market portfolios. For instance, seeking to understand the effect of climate risk on portfolio companies may mitigate risks associated with extreme weather, while inclusive hiring and talent development can enhance companies' brand value, which in turn may translate into enhanced valuation multiples.

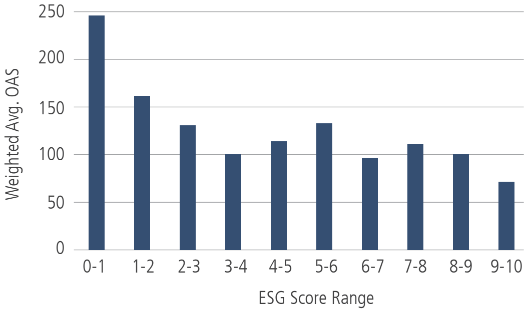
Industry studies have increasingly documented the connection between ESG and financial performance. In June of 2020, Bank of America Merrill Lynch reported analysis capturing this relationship between ESG and company valuation multiples and cost of capital. They found that "just like consumers have credit scores, companies pay different rates depending on their risk profiles. For U.S. companies, the cost of debt for 'good' versus 'bad' companies based on MSCI ESG scores can be nearly 200 basis points. Similarly, valuation multiples (forward price-to-earnings ratio) for 'good' companies rose from historically as low as a 20% discount to a 20% premium—effectively lowering the cost of capital."[14]

More recently, during the market upheaval stemming from the coronavirus pandemic, a UBS study found that 60% of the largest sustainable and ESG-focused mutual funds and ETFs lost less market value than the S&P 500.[15]

Multiple re-rating lowers the cost of capital for companies with high ESG scores (U.S.)
Relative forward P/E of S&P 500 companies in top vs. bottom quintile by MSCI ESG Score (1/2007 – 8/2019)



Companies with higher ESG scores tend to enjoy lower cost of capital (U.S.)
Weighted average option-adjusted spread (OAS) vs. MSCI ESG scores of S&P 500 companies as of 8/31/2019



Source: MSCI ESG Research LLC, BofA Global Research U.S. Equity & Quant Strategy.

In the context of private markets, there isn't the same standardization of third-party ESG ratings and daily stock price movements to conduct the same scale of analysis. However, we believe that the logic should still apply to a company, whether it is listed in the public markets or not (and companies are increasingly choosing to remain private longer). Qualitatively, driving strategic and operational improvements is at the heart of private markets investing. A bias to quality and resilient companies is especially pronounced in an environment of economic uncertainty and potential volatility. A recent McKinsey study, for example, found that 83% of C-suite leaders surveyed would be willing to pay about a 10% median premium to acquire a company with a positive ESG record over one with a negative record.[16]

Looking Forward, Broadening the Aperture

Global events in the context of rapid technological change and information flows are prompting calls to action. Businesses and investors are part of the broader system and play a key role. Companies may have myriad effects on employees, the community and the environment through their operations, products and services. Given the heightened public and investor focus on the social and environmental outcomes effected by companies (such as outlined by the United Nations Sustainable Development Goals), we could potentially enter a feedback loop to companies' valuations.[17]

These impacts are becoming increasingly important to governing organizations and regulators on a global basis. For instance, the European Union's sustainable finance taxonomy, or "green taxonomy," and Japan's transition taxonomy seek to create more structure while also facilitating investment toward activities that contribute to positive sustainability outcomes. Interestingly, the European Union's €750 billion COVID-19 recovery plan is expected to be linked to sustainable finance, which may influence the path of capital flows in the coming years.[18] Certainly, views differ across regions and stakeholders as to the path and degree of change, but such efforts are heightening expectations for businesses and investors.

It goes without saying that private markets investors generally have a long-term view, and many ESG issues typically play out over the span of years. A perennial challenge is the difficulty of isolating and quantifying improvements in company value from better stakeholder management, business continuity or enhanced brand recognition tied to ESG initiatives. However, it is becoming increasingly clear that without ESG, it is more difficult to be a top-tier, high-quality company or asset manager. In our view, positive ESG performance is inextricably linked with high-quality companies and high-quality managers; thus, a general partner that is able to create the policies and processes, and ultimately follow through with implementation on ESG is likely to get many other things right as well.

This is an excerpt from *ESG in Private Markets: Investing for the Long Term.*

Climate Commitment

In March 2019, Neuberger Berman released its first-ever comprehensive Climate-related Corporate Strategy in line with voluntary disclosure recommendations of the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD), reflecting climate risk's growing role in our operations and investments. Climate change is, and will continue to be, a critical driver of long-term risk and investment returns. Since releasing that strategy, Neuberger Berman has continued to make substantial investments in data-driven risk mitigation and analytical capabilities.

Neuberger Berman's climate policy is built around two core pillars. First, our Board bears oversight of climate risk and addressing attendant issues. Second, climate risk affects all sectors and asset classes, but it affects them differently. Consistent with our focus on materiality for ESG issues more broadly, we assess risks associated with climate change across asset classes.[19]

Climate Risk Analysis in Practice

Neuberger Berman Private Markets conducted due diligence on an opportunity to co-invest alongside an external manager in a healthcare company with a large single manufacturing facility site. Given the location and concentration, the team partnered with climate scientists at the firm to run probability models of a physical climate-related event affecting the facility. This analysis was conducted in addition to the assessment of material ESG factors for a healthcare manufacturing facility (such as tornado and flood risk).

Neuberger Berman Private Markets assessed the outputs of the climate-related risk models and determined that the likelihood of a catastrophic extreme weather event was minimal. NB shared this analysis with the GP as part of our commitment to engage with our GP partners on ESG-related topics such as climate risk.

"AS THE WORLD TRANSITIONS TO A LOWER CARBON ECONOMY, IT IS IMPORTANT FOR US TO HELP OUR CLIENTS UNDERSTAND THE IMPLICATIONS ON THEIR PORTFOLIOS, ACROSS ASSET CLASSES."

–JONATHAN BAILEY
Head of ESG Investing

More ESG in Practice at NB Alternatives

Insurance-Linked Strategies ("NB ILS")

Invests in instruments that help governments and institutions manage the risk of catastrophic climate events, enhancing the resiliency of global reinsurance markets. The NB ILS team includes climate and environmental scientists who bring their experience to bear developing and using detailed models of the intensity, frequency and duration of climate-related events. These models inform the team's investment analysis and risk management approach.

ILS advances many of the objectives embodied in the UN Sustainable Development Goals: reducing the human impact of disasters; building resilience against and capacity to combat climate change; and improving access to financial resources for inclusive and sustainable growth. NB ILS has a deep understanding of the climate-related risks driving catastrophic events and what is required to protect against them.

Renaissance Partners ("NBRP")

Supports ambitious entrepreneurs and management teams with a goal to create market-leading businesses in Italy. NBRP recognizes that by integrating ESG factors into the investment process, it will build a more resilient portfolio in the long term and help foster best practices across the business community.

ESG principles are deeply rooted within NBRP operations, from a thorough due diligence process on potential investments, to the promotion and integration of ESG best practices in its existing investments. Specifically, the diligence process includes a review of a potential portfolio company's adherence with ethical business guidelines and sustainability framework, as well as material ESG factors. NBRP engages with its portfolio companies to improve sustainability policies and practices to international best practice standards.

Industry Collaborations and Engagements

Sustainable Development Goals

The United Nations Sustainable Development Goals (SDGs) provide a common set of social and environmental outcomes that governments, non-profits, companies and investors can work together to achieve. This common framework across asset classes, combined with other impact dimensions—such as depth, scale, and who is being affected and their level of need—is helpful to align and aggregate impact objectives across a portfolio.

Neuberger Berman Private Markets Impact strategy seeks social and environmental solutions that are aligned with the UN SDGs and relevant social and environmental themes.

Fund Investment Themes (Aligned with UN SDGs)

Social

Improve sustainable growth and employment

Improve health outcomes

Promote gender equality

Environmental

Address climate change and energy needs

Conserve natural environment

Select Industry Organizations

Neuberger Berman is an active member of the PRI since 2012. In 2019, we were appointed as a member of PRI's Private Equity Advisory Committee (PEAC).

Neuberger Berman is a founding member of the SASB Alliance and the SASB Standards Advisory Group, and a member of its Investor Advisory Group.

Neuberger Berman is a member of the Advisory Board of the Impact Management Project, an industry collaboration on the measurement and management of impact.

Commitment to Diversity

Diverse and Emerging Managers Program

Within Neuberger Berman Private Markets, the NorthBound platform is focused on identifying high-performing investment opportunities in diverse and emerging managers. Established in 2007, the NorthBound platform seeks to capture the value proposition of emerging managers, which are often overlooked and underappreciated. Neuberger Berman Private Equity serves as a long-term partner who can anchor first-time funds and help managers scale and institutionalize throughout their development.

We are a key sponsor of many conferences and events focused on increasing diversity in private equity. This includes, but is not limited to: Women in Private Equity Summits, SEO Conference, Consortium Conference, Executive Leadership Council, Big Ideas Conference focused on Private Equity at largest HBCU in the country, NAIC Annual Private Equity and Hedge Fund Conference, Annual NY Common Emerging Manager & MWBE Conference, Kayo Annual Women's Private Markets Summit, Thirty Percent Coalition, and Private Equity Women Investor Network, and 100 Women in Finance.

"WE'VE SEEN THAT DIVERSE AND EMERGING MANAGERS OFFER THE POTENTIAL OPPORTUNITY FOR DIFFERENTIATED OUTPERFORMANCE BECAUSE OF THEIR ALIGNMENT, THEIR NETWORKS AND THEIR SPECIALIZATION."

–**PATRICIA MILLER ZOLLAR,** Managing Director

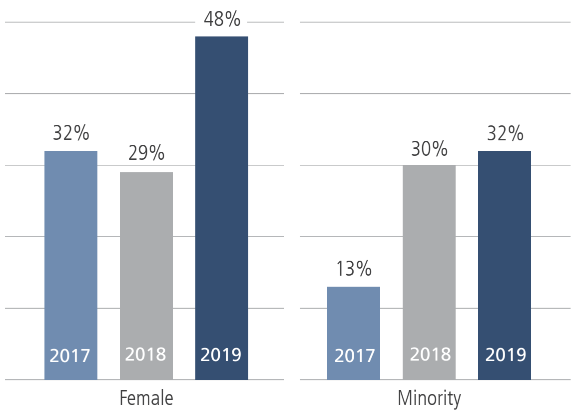
At Neuberger Berman

We firmly believe in fostering an equitable, inclusive and diverse environment, in which all of our people are respected and have an equal opportunity to flourish and be their best selves. Equity drives inclusion, which in turn drives diversity—improving on all three dimensions will make a significant impact. Diversity alone is not enough.

1 in every **4**
NB Private Markets Senior Investment Team Members (SVPs & MDs) are Female

NB Private Markets Global Business Heads (MDs)
32%
FEMALE

New Hires within NB Private Markets[20]



[1] Among organizations with over 1,000 employees by *Pensions & Investments*. For additional information on the criteria for the award, please visit https://www.pionline.com/specialreports/best-places-to-work/20181210.

[2] As of 3/31/2020.

[3] PRI grades are based on information reported directly by PRI signatories, of which investment managers totaled 1,119 for 2019, 1,120 for 2018 and 935 for 2017.

All signatories are eligible to participate and must complete a questionnaire to be included. The underlying information submitted by signatories is not audited by the PRI or any other party acting on its behalf.

Signatories report on their responsible investment activities by responding to asset-specific modules in the Reporting Framework. Each module houses a variety of indicators that address specific topics of responsible investment. Signatories' answers are then assessed and results are compiled into an Assessment Report. The Assessment Report includes indicator scores, summarizing the individual scores achieved and comparing them to the median; section scores, grouping similar indicator scores together into categories (e.g. policy, assurance, governance) and comparing them to the median; module scores, aggregating all the indicator scores within a module to assign one of six performance bands (from E to A+). Awards and ratings referenced do not reflect the experiences of any Neuberger Berman client and readers should not view such information as representative of any particular client's experience or assume that they will have a similar investment experience as any previous or existing client. Awards and ratings are not indicative of the past or future performance of any Neuberger Berman product or service. Moreover, the underlying information has not been audited by the PRI or any other party acting on its behalf. While every effort has been made to produce a fair representation of performance, no representations or warranties are made as to the accuracy of the information presented, and no responsibility or liability can be accepted for damage caused by use of or reliance on the information contained within this report. Information about PRI grades is sourced entirely from PRI and Neuberger Berman makes no representations, warranties or opinions based on that information.

[4] 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.

[5] Neuberger Berman, as of Dec 31, 2019.

[6] Neuberger Berman, as of Dec 31, 2019. Subject to Neuberger Berman's policies and procedures, including certain information barriers within Neuberger Berman that are designed to prevent the misuse by Neuberger Berman and its personnel of material information regarding issuers of securities that has not been publicly disseminated. ESG Aware is defined as taking into consideration ESG ratings and ESG factors in the traditional investment process.

[7] See footnote 1.

[8] The Asset Management Awards 2020. https://www.moneyage.co.uk/assetmanagementawards/winners20.php. The Asset Management Awards' judging is undertaken by a group of judges with expertise across the UK institutional and retail asset management spaces. Each judge reviews submitted entry material and then scores the entries out of a total of score of 10 providing their reasoning as to why they have submitted that score. Two judges analyze each category and the firm with the highest overall score wins that category. Votes are verified by Insurance Asset Management's editorial team. NB Private Equity did not pay a fee to participate. 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.

[9] As of 3/31/2020. Includes Limited Partner Advisory Committee observer seats.

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[11] Subject to Neuberger Berman's policies and procedures, including certain information barriers within Neuberger Berman that are designed to prevent the misuse by Neuberger Berman and its personnel of material information regarding issuers of securities that has not been publicly disseminated.

[12] Neuberger Berman, 2020.

[13] As of 3/31/2020. Includes Limited Partner Advisory Committee observer seats.

[14] Bank of America Merrill Lynch, *ESG Is Transforming Asset Management,* June 2, 2020.

[15] UBS, Sustainable ETFs: *Resilience amidst market drawdowns,* March 2020.

[16] "The ESG premium: New perspectives on value and performance," McKinsey & Company, February 2020.

[17] United Nations Principles for Responsible Investment, "Investing with SDG Outcomes: A Five-Part Framework." Consultation Draft as of April 2020.

[18] European Commission, *Europe's moment: Repair and prepare for the next generation.* May 27, 2020.

[19] Neuberger Berman research and analysis. Original source data from Federal Emergency Management Agency (FEMA), National Weather Service, United States Geological Survey, NOAA Great Lakes Environmental Research Lab.

[20] Please Note: Data is as of 12/31/19 for U.S. employees only. Employees are not legally required to self-identify their race/ethnicity or gender. Accordingly, this information is provided only as an overview of the estimated race/ethnicity and gender makeup of our current employees.

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Prospective investors should be aware that an investment in any private equity fund is speculative and involves a high degree of risk that is suitable only for those investors who have the financial sophistication and expertise to evaluate the merits and risks of such investment and for which the investment does not represent a complete investment program. An investment should only be considered by persons who can afford a loss of their entire investment. This material is not intended to replace any the materials that would be provided in connection with an investor's consideration to invest in an actual private equity fund, which would only be done pursuant to the terms of a confidential private placement memorandum and other related material. Prospective investors are urged to consult with their own tax and legal advisors about the implications of investing in a private equity strategy, including the risks and fees of such an investment.

You should consider the risks inherent with investing in private equity funds:

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Default or Excuse: If an Investor defaults on or is excused from its obligation to contribute capital to a private equity fund, other Investors may be required to make additional contributions to replace such shortfall. In addition, an Investor may experience significant economic consequences should it fail to make required capital contributions.

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 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 may 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 funds, 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 funds' 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 occurrences of other epidemics, pandemics and outbreaks of disease, such as H5N1, H1N1 and the Spanish flu, had material adverse effects on the economies, equity markets and operations of those countries and jurisdictions in which they were most prevalent. A recurrence of an outbreak of any kind of epidemic, communicable disease, virus or major public health issue could cause a slowdown in the levels of economic activity generally (or push the world or local economies into recession), which would be reasonably likely to adversely affect the business, financial condition and operations of private equity funds. Should these or other major public health issues, including pandemics, arise or spread farther (or continue to worsen), private equity funds could be adversely affected by more stringent travel restrictions (such as mandatory quarantines and social distancing), additional limitations on fund operations and business activities and governmental actions limiting the movement of people and goods between regions and other activities or operations.

Valuation Risk: Due to the illiquid nature of many fund 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.

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Where an unrealized investment has been valued by the general partner of the fund, there can be no assurance that these values will ultimately be realized upon disposition of the investments. The values of unrealized investments are estimated, inherently uncertain and subject to change. Actual returns on unrealized investments will depend on, among other factors, future operating results, the value of the assets and market conditions at the time of disposition, legal and contractual restrictions on transfer that may limit liquidity, any related transaction costs and the timing and manner of sale, all of which may differ from the assumptions and circumstances on which the valuations used in the prior performance data contained herein are based. Accordingly, actual realized returns on unrealized investments may differ materially from the returns indicated herein.

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