



Neuberger Berman 2021 Proxy Season Summary

Voting Positions and Engagement Trends



NB's Views on ESG

(E) Climate

As the issue of climate has become increasingly influential across business and society at large, the focus has shifted from whether companies provide disclosure on **climate risk management** to the substance and quality of that disclosure.

(S) Equity, Inclusion and Diversity

There is limited disclosure on workforce composition, and where information is disclosed, it is often not comparable across companies. **NB voted for all the shareholder proposals related to EEO-1 and diversity reporting this season.**

(G) Corporate Governance

A key topic of interest during proxy voting was company reactions to the pandemic, where managements and boards made strategic choices about how to respond to short-term pressures while maintaining a focus on the long-term health and economic wellbeing of their business. Given the unique challenges posed by the pandemic, certain changes to compensation plans were deemed warranted on a case-by-case basis. In general, NB looked less favorably on changes made to long-term plans. NB believes that **when performance targets are reduced, potential payout levels should also be lowered.** They expect boards to establish performance targets that are sufficiently challenging and believe doing so is of heightened importance for awards granted outside of regularly scheduled compensation plans.

About Neuberger Berman:

NB is a private, independent, employee-owned investment manager. The firm manages \$405B in client assets (Dec 2020). In 2020, the PRI recognised Neuberger Berman for excellence in ESG practices. This past year the firm took positions against management 48% of the time focusing particularly on issues, including **management of environmental risks, equity, inclusion and diversity (EID) policies, and governance concerns.**

Company	Issues	Outcome
Response to COVID-19 (Compensation)		
General Electric	Company extended the employment agreement of GE's chairman and CEO, H. Lawrence Culp, Jr. to secure his retention for two additional years to realise a financial turnaround. The agreement included adjustments made to compensation-related performance targets. Note as a result, GE was one of 13 S&P 500 companies that received less than 50% support for its say-on-pay proposal.	Supported Decision Due to COVID-19 Challenges Despite Opposing Compensation Adjustments

Company	Issues	Outcome
Board Diversity		
First Solar	Board with no minority representation and Shareholder proposal for additional disclosure on how First Solar seeks diverse candidates. In response, the company later appointed a diverse candidate to its board.	Voted Against Supported Shareholder Proposal
EEO-1 Disclosure		
Union Pacific	Shareholder proposal for the mandatory disclosure of U.S. Equal Opportunity Commission workforce data (so-called EEO-1 reporting, submitted to the EEOC by larger employers), which passed with 86% support.	Supported Shareholder Proposal
Pay Gap Disclosure		
Cigna	A proposal for a report on median gender and racial pay equity and enhance the disclosure on the results of pay as well as include more granularity on the links between diversity progress and executive compensation.	Supported Shareholder Proposal
Failed Engagement		
Daibiru Corp.	Engaged with the company on capital efficiency, given its subpar return on equity due to weak growth in its core business and a poorly run balance sheet. Despite some progress (eg: conducting first share buyback), it has failed to address fundamental issues around allocation. <i>Explanation: NB will continue to engage companies in order to address issues such as poor capital management and boardroom independence and diversity. Where inadequate progress is made NB will vote against.</i>	Voted Against the Re-Election of Top Management
Political Spending Disclosures		
Netflix	The company did not appear to maintain board-level oversight of political activities or a corporate political spending policy and did not disclose information regarding political contributions or trade association memberships. <i>Explanation: Given the potential reputational impact of the use of company funds in relation to trade associations and political processes, NB encourages companies to provide disclosures that enable investors to understand both their political spending practices and related oversight mechanisms. This proxy season NB voted for 65% of shareholder proposals related to political spending and lobbying activities.</i>	Supported Shareholder Proposal

Company	Issues	Outcome
Quality of Disclosures		
Berkshire Hathaway Phillips 66 Caterpillar	Shareholder proposals for enhanced emissions disclosure, and encouraged adoption of Task Force on Climate-Related Financial Disclosures (TCFD) framework.	Supported Shareholder Proposals
Say on Climate Proposal		
Charter Communications, Inc.	Say on Climate proposal, which included a request to submit a company’s climate risk management report or strategy to an advisory shareholder vote. <i>Explanation: The company provides some information related its sustainability initiatives, it does not disclose a climate change risk strategy, or its GHG emissions and related reduction targets/plans. Although supportive of the company providing more climate disclosure, NB didn’t believe an annual vote would be appropriate, given the complexity and dynamic nature of ESG issues and that they do not expect strategic plans on these topics to change significantly on an annual basis. NB deemed it would be more appropriate to express their views through direct engagement or collaborative efforts.</i>	Abstain

Understand How ESG Weighs into Investor Considerations to Make Your Next Engagement More Successful.

ZMH Advisors LLC. is a technology-based shareholder and ESG advisory firm. We combine two decades of corporate governance and investor engagement experience with next-gen data analytics to deliver customized solutions for clients ranging from pre-IPO to S&P 500 companies. Our data-driven approach is powered by a proprietary **ESG Engagement Dashboard™**, which provides unique insights on investors with \$45T AUM.

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Our Proprietary ESG Engagement Dashboard™ allows you to leverage technology and data to optimize your shareholder interactions.

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- Understand how investors will vote on your ballot
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