

THE BOTTOM LINE ON SUSTAINABILITY

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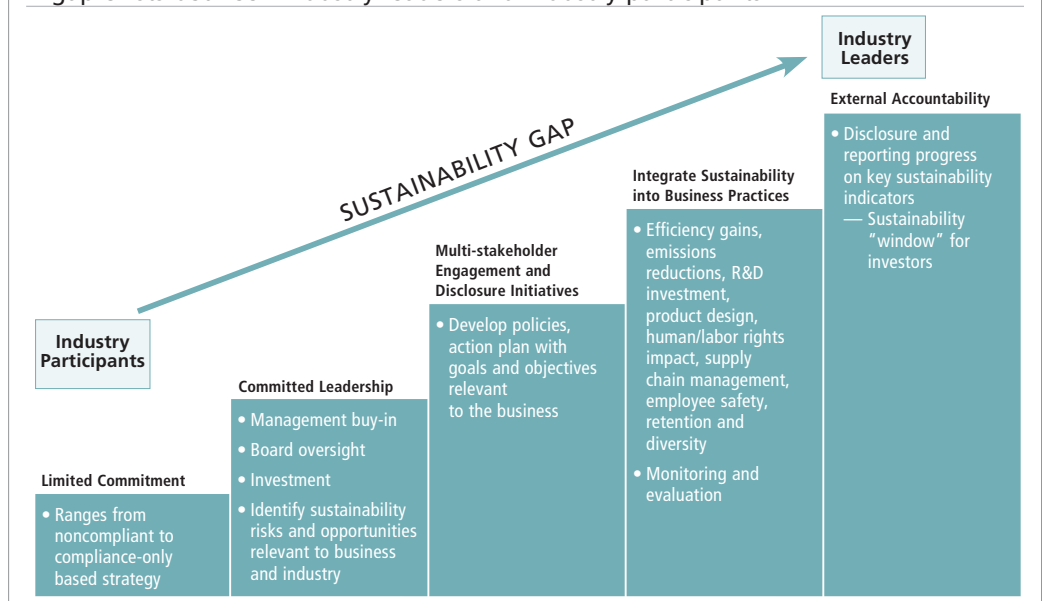
As socially responsive investors, the Neuberger Berman Socially Responsive Investing Team has always evaluated the impact of a company’s social, environmental and financial record on its bottom line. Sustainability earned its present status as a key catchphrase among the socially responsible investing community and increasingly among mainstream investors. Also referred to as the “triple bottom line,” the impact of a company’s social, environmental, and financial records on its long-term viability, or sustainability, is fast becoming one that companies can no longer afford to ignore, and one that could mark the next wave in global competitiveness.

RECONCILING SUSTAINABILITY AND SOCIALLY RESPONSIBLE INVESTING WITH LONG-TERM VALUE POTENTIAL

In today’s complex world, corporations are all too aware of the short-term focus on their financial bottom line. But to what degree do social, economic and environmental factors directly affect a company’s business strategy? Does the viability and sustainability of a company’s business depend on factors such as how companies attract and retain employees, implement labor and supply chain standards and promote stakeholder engagement initiatives? Will proactive leadership strategies put in place today to manage environmental risks, opportunities and community resources, have an impact on a company’s long-term sustainability?

FIGURE 1. THE SUSTAINABILITY SPECTRUM

A gap exists between industry leaders and industry participants.



For illustrative purposes only.

Many companies have established commitments and policies on sustainability. As Figure 1 illustrates, a gap currently exists between companies with a limited commitment to sustainability, and those that are considered industry leaders. On one end of the spectrum are companies that lack any formal sustainability framework, as it relates to such areas including, but not limited to, workplace diversity, the environment, human rights, and product design. On the other end are companies with committed management teams that actively seek to identify sustainability risks and opportunities; engage stakeholders (people or groups within or outside a company that are affected by its activities) throughout the value chain and incorporate their perspectives into the decision-making process; integrate sound sustainability practices into every aspect of their business; and report on progress in each area to provide adequate transparency to inform investors and stakeholders.

Along the sustainability spectrum are companies that fall somewhere in between—our focus has always been on high-quality, financially sound businesses that are showing positive progress in the areas of social and environmental responsibility and, of course, those that we believe have the potential to become industry leaders through their holistic approach.

RAISING THE SUSTAINABILITY BAR—EXAMPLES OF INDUSTRY LEADERS

Herman Miller and Novo Nordisk are representative of companies in our SRI portfolios (as of March 31, 2010) that are taking an integrated approach to sustainability.¹ Both companies have fully embraced an approach to doing business that seeks to maximize their financial performance by strategically managing their economic, social and environmental performance. Though each operates in industries as distinct as furniture and healthcare, both companies believe that sustainability factors can have a direct impact on long-term profitability. In both cases, as with other holdings, these efforts strengthen brand awareness.

Herman Miller, Inc.: (NasdaqGS: MLHR) designs, manufactures and distributes office furniture systems and related services worldwide. The company produces a range of modular systems, seating, storage and furniture products used in offices and other settings and is best known for the innovative design of its Aeron chair.

Herman Miller was among one of the first companies in its industry to achieve operational excellence by embracing the concepts of lean manufacturing and

¹ As of 3/31/10, the companies referenced were held in the Neuberger Berman Socially Responsive Fund and Neuberger Berman Socially Responsive Portfolio. Holdings are as of the date indicated and are subject to change without notice. This list does not constitute a recommendation to buy, sell or hold a security. Specific securities identified and described do not represent all of the securities purchased, sold or recommended for advisory clients. Individual account holdings may vary. It should not be assumed that any investments in securities identified or discussed were, or will be, profitable.

Investors should carefully consider Neuberger Berman Socially Responsive Fund's investment objectives, risks, charges, and expenses before investing. This and other important information is contained in the prospectus, which you can obtain by calling 800.877.9700. Please read it carefully before making an investment.

Middle-capitalization stocks are typically more vulnerable to financial and market risks and uncertainties than large-capitalization stocks. They may trade less frequently and in lower volume than large-capitalization stocks and thus may be more volatile and be less liquid. Consequently, investments in mid-capitalization stocks may not be appropriate or suitable for all investors. A fund with a limited number of holdings may be more greatly affected by any single event or market development than a fund with more holdings; consequently, it has the potential to be more volatile.

Herman Miller—Awards and Recognition

In 2010, Fast Company magazine selected Herman Miller, the only company from the contract furniture industry, as one of its Most Innovative Companies and among the more select “Innovation All-Stars.”

For the 22nd time in 24 years, Herman Miller was ranked as a top industry leader in FORTUNE magazine’s “Most Admired” companies survey; and for the third consecutive year, Herman Miller was listed on Fortune’s 100 Best Companies to Work For in 2010.

In 2009, Herman Miller was featured for the sixth time in the Sustainable Business 20 list as one of the “World’s Top Sustainability Stocks” and, in 2010, Herman Miller announced that it achieved 100% green electrical energy use.

problem-solving design. Underlying this process is leadership and innovation. The company recognized early on that suppliers represent a critical factor to the long-term success of its business. Integrating bold, sustainable initiatives took leadership from the executive level, a commitment from employees across the company, and a disciplined supply management system. The company made significant changes across its business practices to ultimately achieve gains in reliability, quality and efficiency. Environmental quality controls were put in place across the company and are integrated into product design, production, packaging and waste, as well as across its own facilities/ building maintenance, transportation fleet, and external communications.

As part of its sustainability model, management identified sustainability issues relevant to the business, made a commitment to implement innovative changes, engage stakeholders—including customers and employees—and enlisted a third-party certification protocol to ensure stated goals and objectives are met. Such initiatives include conformance with the Cradle to Cradle Design Protocol and the company’s stated goal of 100% product sales by 2020, in addition to zero landfill waste by 2020. Third-party guidelines that relate to these initiatives include the McDonough Braungart Design Chemistry (MBDC) and Leadership in Energy & Environmental Design (LEED) certification.

Herman Miller was able to revolutionize the design for healthy and comfortable seating with the development of its PostureFit technology used to improve the ergonomic standard of the Aeron chair. The company collaborated with experts to construct a chair that would improve posture and comfort when seated for an extended period of time, which in turn could improve an employee’s overall productivity. Aeron implements the Cradle to Cradle Design Protocol, a process that depends on collaboration from a committed supply chain in order to ensure that all materials, ranging from the all-die-cast aluminum, steel and plastic components to the foam, textile and packaging materials used in the chair, are comprised of recycled materials (currently up to 64%) and enable the product to be approximately 94% recyclable by the end of its usable life. This process also incorporates health and safety standards by keeping products free from harmful chemicals, such as volatile organic compounds (VOCs).

As an industry leader, Herman Miller has taken an innovative step to addressing consumer demand and environmental awareness by developing a process to evaluate the material chemistry, safety, disassembly and recyclability within the design and manufacture of its products. Products developed using this process also meet the requirements to obtain LEED certification, a standard that is often a consideration for many of its customers. LEED is an internationally recognized green building certification system, providing third-party verification that a building or community was designed and built using strategies aimed at improving performance across all the metrics that matter most: energy savings, water efficiency, CO₂ emissions reduction, improved indoor environmental quality, stewardship of resources, and sensitivity to their impacts.

Novo Nordisk (NYSE: NVO) is a healthcare company primarily focused on treatments for diabetes. The company’s products and programs reach 180 countries around the world and operate manufacturing facilities in six nations, including the United States. The World Health Organization (WHO) estimates that 285 million people worldwide will suffer with diabetes in 2010. The number is expected to grow to 438 million by

Novo Nordisk—Awards and Recognition

Listed in FORTUNE magazine’s “100 Best Companies to Work For” in 2010.

Awarded a 2008 Medical Design Excellence Award for NovoFine® Autocover®—a needle for insulin injection. The needle was designed to reduce needle injury and to help people with anxiety.

Recognized as one of “The 2008 Global 100 Most Sustainable Corporations” for how effectively they manage environmental, social, and governance risks and opportunities relative to their industry peers.

2030 with low- and middle-income countries bearing the brunt of premature deaths due to lack of sufficient diagnosis, treatment or prevention.

Novo Nordisk’s business model is to develop a full suite of biotechnology products, including insulin products used in the treatment of Type 1 and Type 2 diabetes. One of Novo Nordisk’s many strengths is its research-driven workforce that has taken the lead in fully understanding the physiology of the disease and how it affects diabetics. Given Novo Nordisk’s role as a committed partner to combating this epidemic, the company is incentivized to focus on patients in its addressable market in efforts to provide safe and reliable medical treatments, advocate for responsible health care policies, and responsibly manage relevant medical training and education. In addition, the company strives to improve the design of its devices to be more accurate, convenient, and user-friendly for patients.

Within the framework of its sustainability agenda, Novo Nordisk integrates a range of environmental and social factors along with the disclosure of measurable outcomes. As an industry leader, the company has been proactive in raising awareness of diabetes and has contributed to policies, solutions, and prevention strategies by focusing on medical education and patient-centered care. The company has proactively extended its outreach by improving techniques for early diagnosis and detection, timely treatment, and treatment intensification. Novo Nordisk also supports the UN Millennium Development Goals (MDGs) by expanding access to diabetes care in the 50 poorest nations and offering one of the most competitive pricing schemes for medication, while aiming to address the underlying causes of diabetes.

Other elements of the company’s sustainability framework include:

- A commitment to diversity efforts that has resulted in a more diverse senior management team in recent years, as well as improvement in overall employee retention.
- Staying focused on responsible sourcing as the company believes it is key to ensuring that product safety and integrity is upheld. It also works to ensure that human rights standards are implemented along the value chain, in addition to protecting and enhancing its brand value.
- Decreasing its environmental impact by reducing emissions from production; reducing the consumption of raw and packaging materials; reducing the consumption of water and decreasing wastewater volume; and using more available renewable energy such as wind—all while increasing growth in volume of its products.

We view Novo Nordisk’s response to the global medical and human rights aspects of the diabetes epidemic as a key component of the company’s current sustainability strategy and demonstration of its leadership. The company has benefited from integrating these environmental and social strategies within its core operations and throughout the supply chain. The Neuberger Berman Socially Responsive Investing Team believes such practices build consumer trust while boosting productivity and competitiveness for the future.

STEPPING STONES TO THE FUTURE

For companies like Herman Miller and Novo Nordisk that are committed to addressing sustainability challenges and opportunities into their corporate strategies, the key is taking the steps needed to progress along the relevant characteristics of the sustainability spectrum. Each industry has its own set of sustainability challenges that are unique to the competitive environment in which it operates. In consumer businesses, sustainability challenges relate to the provisioning of products and services that promote healthier lifestyles, including more natural foods and fewer chemicals, while enhancing shelf-life and affordability. For industrial businesses, sustainability challenges include the design, development and distribution of economically viable products and services, while at the same time minimizing the use of critical resources, such as water and toxic chemicals, managing emissions and effluents and conserving community resources, such as parks, pristine coastlines, water resources and forests. Finding a way to address these challenges and take advantage of the opportunities they represent could play a significant part in a company's ability to deliver shareholder value and, in our view, enhance their ability to deliver on their long-term sustainability goals and commitments.

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Holdings referenced herein reflect those of the manager's composite of accounts under his/her management as well as holdings within the SRI Fund and were not selected on the basis of performance. Holdings identified represent companies that are considered industry leaders among companies that are taking an integrated approach to sustainability. Specific securities identified and described do not represent all of the securities purchased, sold or recommended for advisory clients. Individual account holdings may vary. It should not be assumed that any investments in securities identified or discussed were, or will be, profitable.

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