



**ALLIANCEBERNSTEIN®**

# AB GLOBAL STEWARDSHIP STATEMENT

AB's policy on responsible investing, ESG integration,  
engagement and collaboration



**“WE’RE COMMITTED TO BEING LEADERS IN  
RESPONSIBILITY—IN BOTH HOW WE ACT AS  
A FIRM AND HOW WE INVEST ON BEHALF OF  
OUR CLIENTS.”**

—Seth Bernstein, President and CEO, AllianceBernstein

# TABLE OF CONTENTS

INTRODUCTION ..... ii

1. AB'S MISSION AND RESPONSIBILITY .....1

2. AB'S GOVERNANCE, RESPONSIBILITY AND STEWARDSHIP  
STRUCTURE: FORM ENABLES FUNCTION ..... 3

3. RESPONSIBILITY, RESPONSIBLE INVESTING, AND STEWARDSHIP  
POLICY DEVELOPMENT AND IMPLEMENTATION ..... 9

4. RESPONSIBLE INVESTING: INTEGRATING ESG AND CLIMATE  
CONSIDERATIONS THROUGHOUT THE INVESTMENT PROCESS .....12

5. ENGAGING WITH ISSUERS .....16

6. EXERCISING VOTING RIGHTS .....21

7. TRANSPARENCY, DISCLOSURE AND REPORTING ..... 23

8. AB: A PROACTIVE MEMBER OF THE GLOBAL INVESTMENT COMMUNITY ..... 24

# INTRODUCTION

At AllianceBernstein (AB), we believe it's impossible to separate the notions of corporate responsibility, responsible investing and stewardship. To be effective stewards of our clients' investments, we must invest responsibly—constantly assessing, engaging on and integrating all material issues, including environmental, social and governance (ESG) and climate change considerations. We must also have an unwavering commitment to being a responsible firm in order to be truly responsible investors.

We're a leading global investment-management and research firm—our clients trust us to manage their investments in alignment with their investment objectives. This responsibility includes being diligent stewards of their investments, so we take an active approach as we carry out our stewardship duties throughout the investment process. Our corporate governance, ESG and climate integration practices are robust, and we use an integrated approach to evaluate and monitor investments. We actively engage directly with the companies and issuers we invest in, and we're strong advocates for industry policies that advance responsible investing.

Our promise is to be a good corporate citizen for all of our stakeholders. That means dedicating ourselves to reducing AB's environmental footprint through initiatives such as greener buildings and reductions in greenhouse gas emissions and operational waste. It also means making social advances, including supporting diversity in our firm and our communities. And it means being better corporate agents by strengthening our corporate governance practices and protecting our clients' information.

Our efforts to advance our own corporate responsibility make us better responsible investors. The foundation of our responsible investing effort is integrating ESG and climate change considerations into our investment and research processes, and actively engaging on these issues.

AB's Global Stewardship Statement is a comprehensive overview of our activities in corporate responsibility, responsible investing and stewardship. Because responsibility starts from the top, we begin this report with our Mission and Responsibility, describing how our structure enables both responsible investing and effective stewardship. In the following sections of this report, we also describe

how we set policy, integrate ESG and climate factors, and serve as active stewards in both our actively and passively managed strategies across all asset classes.

1. AB's Mission and Responsibility
2. AB's Governance, Responsibility and Stewardship Structure: Form Enables Function
3. Responsibility, Responsible Investing, and Stewardship Policy Development and Implementation
4. Responsible Investing: Integrating ESG and Climate Considerations Throughout the Investment Process
5. Engaging with Issuers
6. Exercising Voting Rights
7. Transparency, Disclosure and Reporting
8. AB: A Proactive Member of the Global Investment Community

To reduce duplication and align the various policies, statements and disclosures required in different regions and countries, this statement amalgamates, replaces and supersedes the following previous and separate policy documents:

- + AB Responsible Investment Policy
- + AB Engagement Policy
- + Global Stewardship Statement
- + Response to UK Stewardship Code
- + Response to Japan Stewardship Code
- + Response to Shareholder Rights Directive II (SRD II)

# 1. AB'S MISSION AND RESPONSIBILITY

## OUR MISSION

AB's mission is to deliver better investment outcomes to our clients through differentiated research insights and innovative portfolio solutions designed to address clients' specific challenges. We are an active manager, and our differentiated insights drive our ability to deliver alpha and design innovative investment solutions. ESG and climate issues are key elements in forming insights and in presenting potential risks and opportunities that can impact the performance of the companies and issuers we invest in and the portfolios we build.

When we became a signatory to the Principles for Responsible Investment (PRI) in 2011, we formalized the integration of ESG into our investment processes for all actively managed equity and fixed-income client accounts, funds and strategies. This effort resulted in a management structure for responsible investment leadership that drives our firm's strategy and commitment to these issues.

Unlike many other asset managers, we're singularly focused on providing asset management and research for our clients. We don't engage in activities that could be distracting or create conflicts—such as investment banking, insurance writing, commercial banking and proprietary trading for our own account.

Our clients face new challenges in meeting their investment objectives today, and their needs are evolving. We're confident we can help them address their economic, ESG and climate-related investment challenges through our expertise in a wide range of investment disciplines and close collaboration among our investment experts.

Asset management and research are our firm's foundation, but our culture and core values—specifically, our firm's commitment to continuous improvement—help us deliver value to clients in ever-changing markets. Our strong organizational culture empowers our employees to reach their potential, while helping our clients realize theirs. Our ability to generate differentiated insights across a global research and investment platform stems from our diverse, inclusive and collaborative culture, and is powered by technology and innovation. This enables us to partner with clients to design and deliver improved investment outcomes.

## OUR INVESTMENT PHILOSOPHY

Our ability to generate differentiated insights is vital as a high-conviction, active manager. Key to this philosophy is developing and integrating ESG and climate research, as well as our approach to engagement. Our global research network, intellectual curiosity and collaborative culture allow us to advance clients' investment objectives—whether our clients are seeking responsibly generated idiosyncratic alpha, total return, downside mitigation, or sustainability and impact-focused outcomes.

Our investment expertise includes:

1. Actively managed equity strategies across global and regional universes, as well as capitalization ranges and investment strategies, including value, growth and core equities;
2. Actively managed traditional and unconstrained fixed-income strategies, including taxable and tax-exempt strategies;
3. Portfolios with Purpose, including actively managed screened, low-carbon, goal-based, sustainable and impact-focused equity, fixed-income, and multi-asset strategies that address our clients' evolving need to invest their capital with purpose while pursuing strong investment returns (more details are provided in Section 4 of this statement);
4. Passively managed equity and fixed-income strategies, including index, ESG index and enhanced index strategies;
5. Actively managed alternative investments, including hedge funds, funds of hedge funds and direct assets (e.g., direct real estate, private equity); and
6. Multi-asset services and solutions, including dynamic asset allocation, customized target-date funds and target-risk funds.

Our investment experts across geographies, asset classes and sectors continually share their best ideas with each other, collaborating closely to drive innovation and better outcomes for all of our clients.

<sup>1</sup> See Appendix, page 27

## OUR RESPONSIBLE INVESTMENT AND STEWARDSHIP PHILOSOPHY

The foundation of responsible investment and stewardship at AB is generating and integrating ESG and climate research insights. Insight from our stewardship activities is fundamental to our research process, enabling us to influence change. We engage with the companies and issuers we invest in, as well as those we don't currently hold. We also engage with industry bodies, policymakers, academics, regulators, governments and community stakeholder groups.

This engagement helps us build better corporate relationships, improve our access to people and information, advocate for policy improvements, and influence company and issuer behavior. While we develop deeper research insights from this process, we engage

to generate higher and more sustainable risk-adjusted investment returns for our clients.

As stewards of our clients' assets, we believe that proxy voting is a fundamental responsibility. That's why we vote all active and passive shareholdings and unit holdings in accordance with our proprietary, publicly available [Proxy Voting and Governance Policy](#).

The philosophy and principles in this statement apply across the firm. However, because our investment capabilities and operations are broad and span several geographies, legal jurisdictions and regulatory environments, the execution of various elements of this statement may differ from strategy to strategy and country to country in accordance with each team's investment approach, local law and regulation.

## 2. AB'S GOVERNANCE, RESPONSIBILITY AND STEWARDSHIP STRUCTURE: FORM ENABLES FUNCTION

### OUR ROLE AS A FIDUCIARY

Maintaining a vigorous fiduciary culture is paramount to our business. As a fiduciary, we place the interests of our clients first, and treat all of our clients fairly and equitably. Our business model rests on prudent risk-taking on behalf of our clients and the firm. We maintain a strong risk-aware culture and a robust governance framework, as articulated in our risk-appetite framework. Developed by our risk-management team, this framework is a set of guiding principles aligned with best practices in the industry to bring consistency to how we identify, measure, monitor and manage risk across the firm. It is reviewed periodically by senior management to ensure that key medium- and long-term risks are captured. Underscoring how seriously we take our fiduciary obligations, employees receive risk training throughout their time at the firm—upon joining, on an annual basis, when policies or regulations are updated, and on specific topics that are relevant to staff roles and positions.

### AB CORPORATE GOVERNANCE AND OVERSIGHT

AB's Board of Directors oversees the strategic direction of the firm. The board has 12 members, including an independent chairman, seven independent directors and four affiliated directors. We believe that separating the duties of the chairman and the chief executive

officer (CEO) represents better corporate governance. We also feel that an effective board includes a diverse group of individuals across gender, ethnicity and background who collectively possess the skills and perspectives to successfully guide the company.

Our directors possess a wealth of leadership experience from managing large, complex organizations in their roles as senior executives, board members or government officials. Collectively, they have extensive knowledge and capabilities applicable to our business, including expertise in areas such as corporate governance; regulation and public policy; public accounting and financial reporting; investment management; risk management; operations; strategic planning; management development; succession planning; and compensation. The board has four standing committees—executive, audit and risk, compensation and workplace practices, and corporate governance.

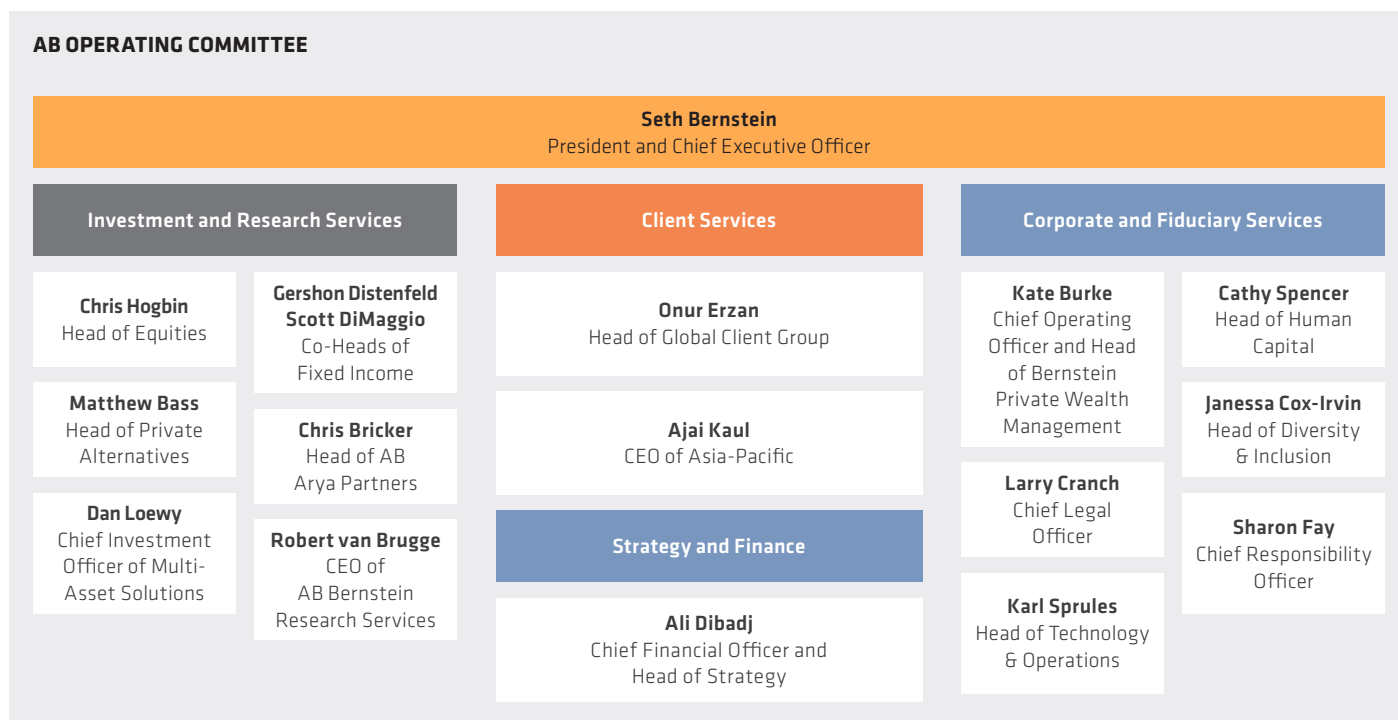
AB's senior management team comprises our CEO, Chief Operating Officer, Chief Financial Officer (CFO) and Head of Strategy, General Counsel, and Head of Technology and Operations. These individuals maintain primary responsibility for creating and executing the firm's strategy and operations.

### AB BOARD OF DIRECTORS

NAME	ROLE/BACKGROUND	JOINED AB BOARD	YEARS ON AB BOARD	OWNERSHIP INTEREST
<b>Independent Chairman</b>				
<b>Ramon de Oliveira</b>	Independent Chairman, Equitable Holdings Board of Directors; former Chairman and CEO, J.P. Morgan Investment Management and the Private Bank	April 2017	4	Yes
<b>Affiliated Directors</b>				
<b>Mark Pearson</b>	President and CEO, Equitable Holdings	February 2011	10	No
<b>Seth Bernstein</b>	President and CEO, AllianceBernstein L.P.	April 2017	4	Yes
<b>Jeffrey J. Hurd</b>	Chief Operating Officer, Equitable Holdings	April 2019	2	No
<b>Nicholas Lane</b>	President, Equitable Financial	April 2019	2	No
<b>Independent Directors</b>				
<b>Daniel G. Kaye</b>	Independent Director, Equitable Holdings	April 2017	4	Yes
<b>Paul Audet</b>	Founder and Managing Member of Symmetrical Ventures	November 2017	3.5	Yes
<b>Das Narayandas</b>	Edsel Bryant Ford Professor of Business Administration, Harvard Business School	November 2017	3.5	Yes
<b>Charles G. T. Stonehill</b>	Director, Equitable Holdings; Founding Partner, Green & Blue Advisors	April 2019	2	Yes
<b>Kristi Matus</b>	CFO and COO at Buckle	July 2019	1.5	Yes
<b>Nella Domenici</b>	CFO at Dataminr	January 2020	1	Yes
<b>Bertram Scott</b>	Director, Equitable Holdings	September 2020	0.5	Yes

As of February 28, 2021  
Source: AB

## AB OPERATING COMMITTEE



The AB Operating Committee, 17 senior business leaders from across our firm, serves as an advisory council for senior management. The Operating Committee includes the AB senior management team, as well as the leaders of (1) Investment and Research Services: the heads of equities, multi-asset solutions, fixed income (co-heads), public alternatives, and private alternatives, and the CEO of AB Bernstein Research Services; (2) Client Services: the heads of the Global Client Group and Bernstein Private Wealth Management, and the CEO of Asia-Pacific; and (3) other Corporate and Fiduciary Services: Chief Responsibility Officer (CRO), and the heads of Diversity & Inclusion (D&I) and Human Capital.

For complete information on our governance structures and policies, please visit the Corporate Governance and Investor & Media Relations sections of our [website](#).

### CORPORATE RESPONSIBILITY, RESPONSIBLE INVESTING, AND STEWARDSHIP GOVERNANCE AND OVERSIGHT

To reflect our commitment to responsibility at all levels of our organization, we've created a robust structure to oversee our corporate responsibility, responsible investing and stewardship activities.

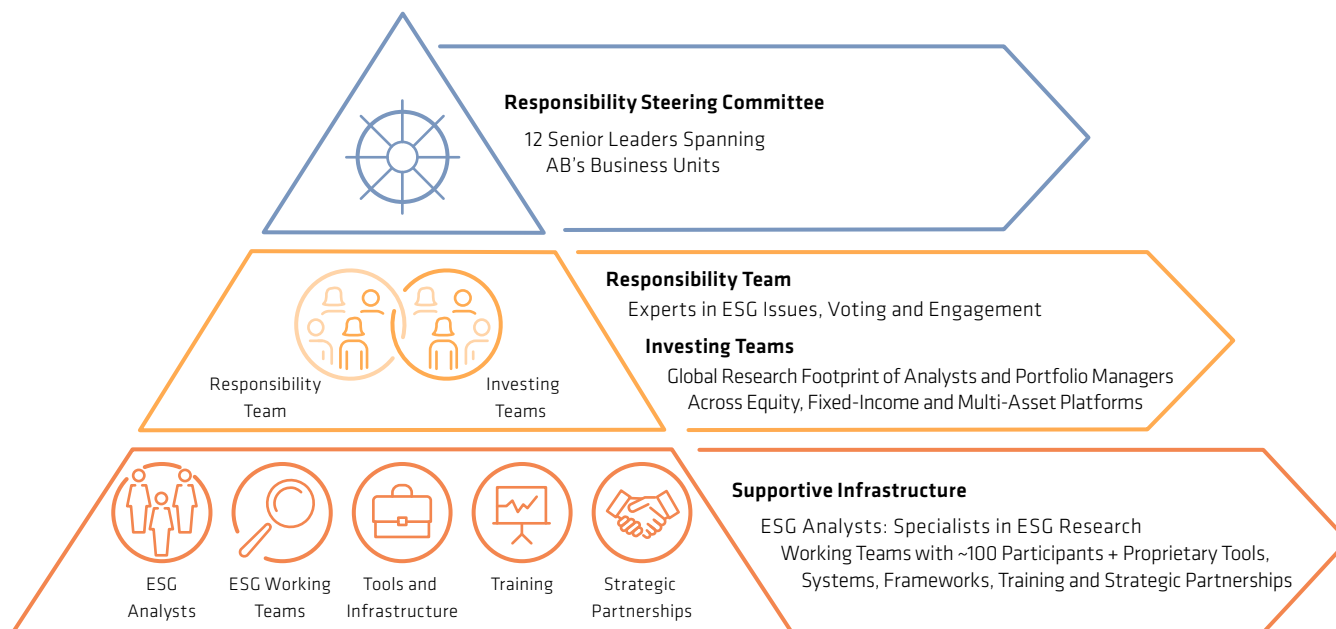
AB's Board of Directors and CEO established the position of CRO and a new Responsibility Strategic Business Unit (SBU) in 2020 to increase our focus on, and augment our capabilities in, this area. Our CRO has direct supervisory control over AB's corporate responsibility and responsible investing efforts. The CRO is also a member of AB's Operating Committee. The Responsibility SBU comprises both the

Responsible Investing team and the Corporate Responsibility team, headed by our Global Head of Responsible Investing.

At AB, many of our Investment Professionals have a hand in crafting, overseeing and executing our responsible investing strategy, including engagement and proxy voting.

- + The **Audit and Risk Committee** of our Board of Directors provides formal oversight for responsibility and responsible investing.
- + The **Responsibility Steering Committee**, cochaired by our CRO and Global Head of Responsible Investing, develops strategy and oversees execution. This committee is composed of senior professionals from across AB.
- + Our **Responsible Investing team** of subject-matter experts partners with investors as the team develops ESG and climate research insights and engages with issuers. In conjunction with our various ESG and climate working groups, the Responsible Investing team also develops proprietary frameworks and toolsets, manages our strategic ESG and climate partnerships, develops training programs, and executes our proxy votes.
- + Our **Corporate Responsibility team** develops our firm's approach to responsibility. The team is responsible for designing and delivering our purpose and values, D&I, sustainability, and corporate philanthropy activities.
- + Our **investors**—analysts and portfolio managers—are at the heart of our responsible investing process. They engage with issuers, analyze and quantify ESG factors and climate risks, and ultimately





incorporate this information into their investment decisions. Some investment teams have a dedicated ESG analyst and also collaborate with the Responsible Investing team.

To support the Responsibility Steering Committee, AB has six additional committees that are crucial to the oversight and implementation of our corporate responsibility, responsible investing and stewardship activities.

- + **Proxy Voting and Governance Committee.** This committee includes senior representatives from our equity and fixed-income investment teams, Responsible Investing team, operations, and legal and compliance department. They establish our policy, oversee proxy-voting activities and provide formal oversight of the proxy-voting process. They also ensure that our proxy policies and procedures capture our latest thinking, formulate AB's position on new proposals and consult on votes not covered by our policy.
- + **Controversial Investments Advisory Council.** This council consists of senior representatives from across AB and is cochaired by our CEO and CRO. The council provides a forum for discussion and debate on issues such as controversial weapons, tobacco, private prisons, fossil fuels and international norms. The council discussion informs specific investment decisions and helps to establish AB policy in these areas.
- + **Asia-Pacific (APAC) Responsible Investing Subcommittee.** This regionally based subcommittee is cochaired by the Head

of Asia Business Development—Equities and a director from the Responsible Investing team. It comprises representatives from our investment, sales, client services, risk and compliance teams in the APAC region. This subcommittee ensures that the strategy and policy set by the Responsibility Steering Committee is implemented within the region, and it acts as a channel between the Responsibility Steering Committee and our APAC Client Group.

- + **ESG Equity and Fixed-Income Committees.** These committees include portfolio managers, research analysts and ESG analysts from our active equity and fixed-income investment teams. They discuss proprietary investment research conducted by the firm and its integration into our investment processes. The committees work to continuously improve our ESG data and infrastructure as well as our ESG and climate insights.
- + **Diversity Champions Council (DCC).** The mission of the DCC is to ensure that D&I remains at the center of AB's culture, policies and practices. The members of the DCC champion and model D&I by increasing accountability within the SBUs for hiring, promoting and retaining diverse talent. DCC members help to monitor and review SBU-specific D&I goals and share best practices across the firm.
- + **Operational Risk Oversight Committee.** This committee oversees AB's climate risks, and regularly verifies or provides internal assurance on various reports and practices.

## RESPONSIBILITY BUSINESS UNIT

### AB RESPONSIBILITY TEAM

#### TEAM LEADS

**Chief Responsibility Officer**



**Sharon Fay**  
34 Years of Experience  
30 Years at AB  
New York

**Global Head of Responsible Investing**



**Michelle Dunstan**  
24 Years of Experience  
17 Years at AB  
New York

#### STRATEGY AND COMMUNICATIONS

**Director of Corporate Responsibility**



**Caroline Everett**  
10 Years of Experience  
<1 Year at AB  
Nashville

**Head of Community and Civic Engagement**



**Katherine Chinn**  
23 Years of Experience  
3 Years at AB  
Nashville

**Director of Strategy**



**Jodie Tapscott**  
15 Years of Experience  
1 Year at AB  
London

**Communications and Reporting Manager**



**Catherine Ziac**  
6 Years of Experience  
4 Years at AB  
New York

#### ESG RESEARCH, ENGAGEMENT AND INTEGRATION

**Director of Environmental Research and Engagement**



**Sara Rosner**  
15 Years of Experience  
3 Years at AB  
New York

**Director of Social Research and Engagement**



**Saskia Kort-Chick**  
13 Years of Experience  
10 Years at AB  
Melbourne

**Director of Corporate Governance**



**Diana Lee**  
6 Years of Experience  
6 Years at AB  
New York

#### TEAM RESOURCES



**ESG Analysts**



**ESG Working Teams**



**Tools and Infrastructure**



**Training**



**Strategic Partnerships**

#### OUR COMMITMENT TO CORPORATE RESPONSIBILITY

We're fully committed to being a responsible firm and modeling the same behaviors we demand from our portfolio companies and issuers. We've established best practices to ensure that responsibility pervades our organization; our internal corporate responsibility practices, targets, measurements and evaluations help inform our approach.

On environmental stewardship, we're working to reduce our impact on the global environment—rethinking our business operations to use less of Earth's resources. Socially, we're striving to become a more dynamic, diverse and inclusive firm that engages employees, advances corporate social behavior and stays connected to our many communities. And on corporate governance, our business model is built on a strong risk-aware culture, prudent risk-taking and a robust governance framework that continues to evolve in the context of our limited partnership.

## Governance

- + Board and committees
- + Regulatory compliance
- + Fiduciary role
- + Security and business continuity

## Environmental Stewardship

- + Carbon footprint
- + Energy efficiency
- + Waste reduction
- + Sustainability



## Social Impact

- + Diversity and inclusion
- + Employee engagement
- + Ethical supply chain
- + Community involvement

## MANAGING CONFLICTS OF INTEREST

When AB is acting as a fiduciary, we must be loyal to our investment-advisory clients. This includes the duty to address or, at a minimum, disclose conflicts of interest that may exist between different clients, between the firm and clients, or between our employees and our clients.

We've established and maintain policies and procedures to identify conflicts of interest and, if they are unpreventable, mitigate and manage any that may arise in relation to services we or our affiliates provide.

As an investment manager, we must always act in our clients' best interests. All AB employees are required to follow our **Code of Business Conduct and Ethics**, which summarizes our values, ethical standards and commitment to addressing potential conflicts of interest that arise from our activities. We've designed policies and procedures to implement the principles in this code.

Conflicts arising from fiduciary activities that we cannot avoid (or choose not to avoid) are mitigated through written policies that we believe protect the interests of our clients. In these cases, regulators have generally prescribed detailed rules or principles for investment firms to follow. By complying with these rules and using robust compliance practices, we believe we handle these conflicts appropriately.

However, some potential conflicts are outside the scope of compliance monitoring. Identifying these conflicts requires careful and continuing consideration of the interaction of different products, business lines, operational processes and incentive structures. Changes in the firm's activities and personnel can lead to new potential conflicts. It is the responsibility of every employee to be sensitive to situations and relationships that may create conflicts of interest and to bring any related questions or concerns to the Chief Compliance Officer or Conflicts Officer as they arise. To assist in this area, AB has appointed a Conflicts Committee, which is chaired by the firm's Conflicts Officer. The Committee comprises compliance directors, senior firm counsel and experienced business leaders who review areas of change and assess the adequacy of controls. The work of the Conflicts Committee is overseen by the Code of Ethics Oversight Committee.

The Chief Compliance Officer or Conflicts Officer will determine (through consultation with line managers, SBU heads and other parties, as appropriate) the most appropriate method of handling a reported conflict. This may require business units to implement controls or procedures. Each conflict and its mitigating controls and/or procedures will be assigned to a line manager and an SBU head, who will be responsible for the management of the conflict by following the controls/procedures. The Chief Compliance Officer or

Conflicts Officer should be consulted prior to the implementation of any changes to such controls or procedures.

Our conflict-of-interest policies help guide us whenever a conflict might arise in our business. These policies are outlined in the firm's **Form ADV Part 2A**, **Code of Business Conduct and Ethics**, and **Proxy Voting and Governance Policy**, among other internal policies.

### **INSIDER TRADING**

All AB employees are prohibited from buying or selling, or recommending the purchase or sale of, securities of public companies, either personally or for clients, on the basis of material nonpublic or "inside" information. Employees are also prohibited from disclosing such information to others (commonly referred to as "tipping"). The prohibition against the use or disclosure of inside information is applicable to all types and classes of securities and

securities transactions (e.g., equity, corporate debt, government-issued, etc.). This policy also applies to transactions in corporate loans, which may not fall under the current definition of "securities."

Investment advisors, broker-dealers and their controlling persons are required to establish and enforce written policies and procedures that are designed to prevent the misuse of inside information. To ensure that we comply with the prohibition against trading based on material nonpublic information, AB maintains an internal Insider Trading and Control of Material Nonpublic Information Policy. This policy prevents the disclosure of material nonpublic information to persons within or outside our organization who are in a position to trade on the basis of such information or transmit that information to others. It also includes procedures intended to block the flow and potential misuse of inside information from employees whose duties bring them into contact with nonpublic information.

### 3. RESPONSIBILITY, RESPONSIBLE INVESTING, AND STEWARDSHIP POLICY DEVELOPMENT AND IMPLEMENTATION

We believe that to be truly effective responsible investors, we must also be a responsible firm. Therefore, developing and implementing our stewardship policy is a firmwide effort, with broad involvement and participation from our Responsibility SBU as well as investors and others across AB.

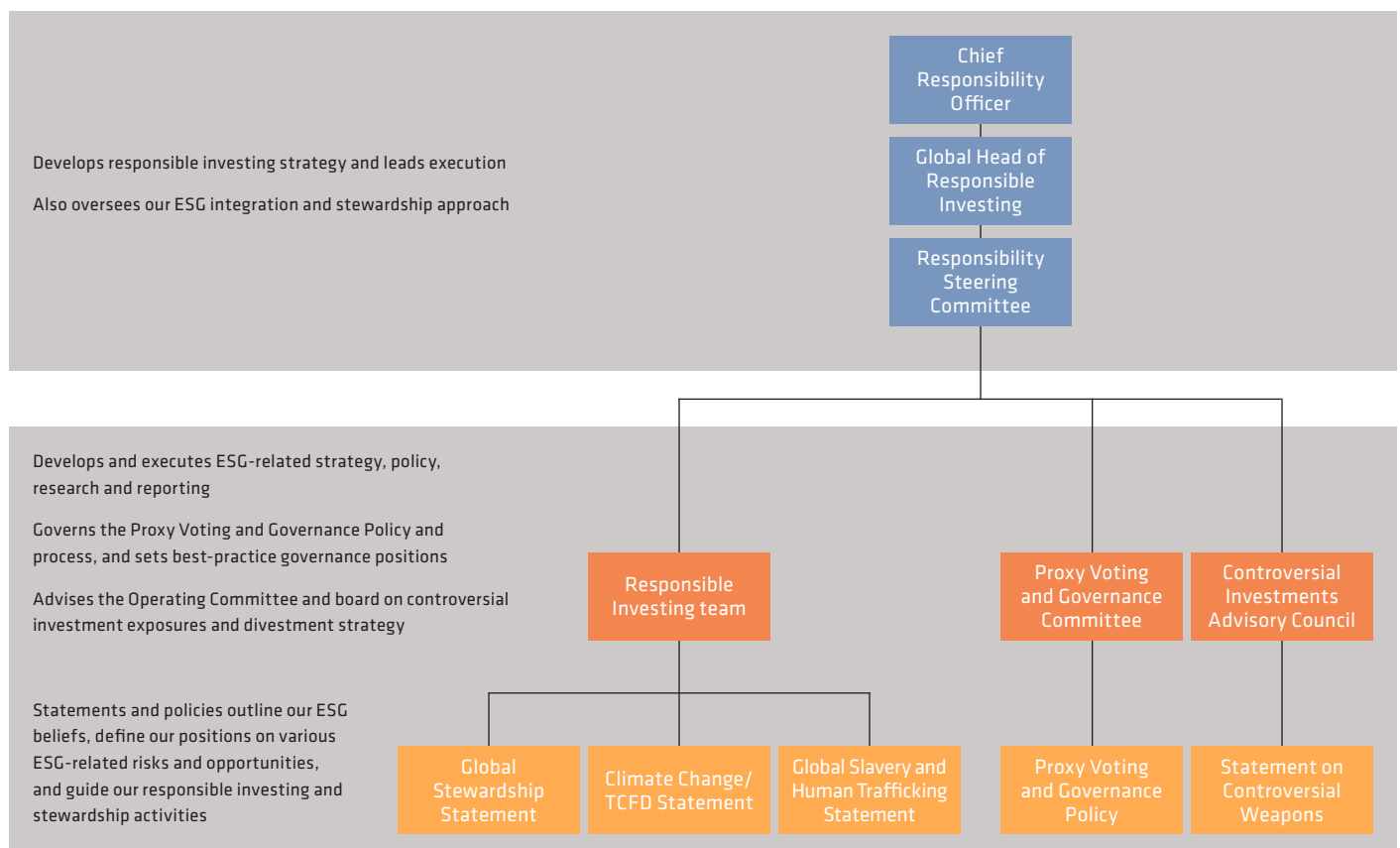
#### FOCUS ON OUR CLIENTS

Our process starts with understanding the needs of our clients. We employ a robust account-onboarding process that includes all teams that will support the new client's account, including our client services, portfolio management, account transitions, legal, compliance, client reporting and operations teams. These teams conduct pre-funding calls to understand clients' desires and needs (including stewardship requirements), and ensure that specific guidelines are reviewed, documented and coded in our compliance systems. After onboarding, we have ongoing discussions with clients to provide relevant ESG and climate-related data, information, and stewardship reporting and to ensure that we are meeting our clients' needs and expectations.

#### POLICY DEVELOPMENT

After ensuring that we understand our clients' needs, we maintain an ongoing process for evaluating our responsibility strategy and its related policies, processes and frameworks. The diagram below illustrates our broader responsible investing policy framework and the roles of the internal groups and committees responsible for the oversight and implementation of these policies.

Our CRO and Global Head of Responsible Investing develop and maintain our responsible investing—related policies, in conjunction with members of the Responsible Investing team, Responsibility Steering Committee and investment teams. These policies, including this statement, are reviewed and approved annually by our Responsibility Steering Committee, our Proxy Voting and Governance Committee, or our Board of Directors. The full mandate of the aforementioned oversight groups has been outlined in the sections above.



- + Our **Global Stewardship Statement** is governed by the Responsibility Steering Committee in alignment with our responsibility strategy. This statement includes our approach to ESG and climate integration, engagement, proxy voting and governance, controversial investments, and conflict management. It's reviewed and approved annually and complies with the requirements of the SRD II and the following global stewardship frameworks: the US Stewardship Framework for Institutional Investors, the UK Stewardship Code, the Japan Stewardship Code and the International Corporate Governance Network (ICGN) Global Stewardship Principles.
- + Our **Proxy Voting and Governance Policy** is overseen by the Proxy Voting and Governance Committee, which provides formal oversight of the policy and process. It is reviewed and updated annually to ensure that we reflect contemporary market practices and incorporate what we learned from past proxy seasons. This policy considers corporate governance frameworks provided by regulators.
- + Our **Climate Change/Task Force on Climate-related Financial Disclosures (TCFD) Statement** describes AB's strategy, governance and risk-management approach on climate change and aligns with the recommendations from the TCFD. This statement is governed by our Board of Directors, approved by our Responsibility Steering Committee and reviewed annually by our Global Head of Responsible Investing and the Responsible Investing team.
- + Our **Global Slavery and Human Trafficking Statement** outlines how we assess and manage modern slavery risk in our operations, supply chain, and investments, and our investee company and issuer supply chains. This statement is managed by our Board of Directors, reviewed by the Responsible Investing team and approved annually by our Responsibility Steering Committee. It responds to the requirements outlined in both the UK Modern Slavery Act and the Australian Modern Slavery Act.
- + Our **Statement on Controversial Weapons** is maintained by the Controversial Investments Advisory Council and is prepared by the Responsible Investing team. It is reviewed and updated on an as-needed basis as our policy stance on controversial issues and investment exclusions evolves. The statement complies with various national laws and international conventions prohibiting investment in cluster munitions and anti-personnel landmine manufacturers.

These statements, policies and their corresponding reports are available on our [website](#).

## POLICY IMPLEMENTATION

While the Responsibility Steering Committee is tasked with overseeing the execution of our stewardship strategy and policies, implementation occurs throughout the firm.

- + Our investment teams—analysts and portfolio managers—are at the heart of our stewardship activities. They're in the best position to manage the day-to-day implementation of ESG and climate change integration, engagement, and voting activities. Our large global research team and history of deep fundamental research give us detailed knowledge of the firms and issuers we invest in, and are complemented by the issue-specific knowledge of the Responsible Investing team.
  - + Investors understand their sectors and issuers, and conduct detailed research on the issues that are most material and relevant to an investment decision.
  - + Investors monitor their investments and issuers on an ongoing basis to ensure that performance and strategy are consistent with the investment thesis.
  - + Investors typically lead engagements with management and other stakeholders. They understand the issues best and are ideally positioned to obtain information to make improved investment decisions and advocate for impact—to encourage issuers to make decisions that could enhance value for our clients.
  - + Investors are highly involved in our proxy analysis and voting processes.
- + Our Responsible Investing team includes ESG experts who partner with the fundamental investment teams to conduct ESG and climate change–related research, develop frameworks, and prepare for and conduct engagements both alongside and independently of the investment teams. Members of the Responsible Investing team also manage the proxy-voting process, ensuring that votes are aligned with our policy, and coordinate with the investment teams to conduct incremental analysis or engage with an issuer on a specific proposal.
- + Our risk, legal, compliance and internal audit functions help create, implement and monitor our responsibility-related strategy, statements and policies, and ensure compliance with any controversial investment restrictions.

## REMUNERATION FOR AB PROFESSIONALS

Compensation for our Investment Professionals is designed to align with our mission and responsibility—generating investment outcomes while promoting responsibility and stewardship. Total compensation for our Investment Professionals is determined by quantitative and qualitative factors. Assessments of all Investment Professionals are formalized in a year-end review process that includes 360-degree feedback other professionals across the investment teams and firm.

AB's compensation philosophy is governed by a widely used model for managing SBU and senior leader performance, called an "SBU Head Scorecard." The scorecard serves to direct SBU heads' priorities away from a solely revenue-based evaluative model, shifting instead to a leadership-focused management and measurement tool. The priorities and needs of clients are considered alongside the expectation of creating long-term, sustainable value for clients, and they complement revenue expectations. We assess each executive's performance relative to business, operational and cultural goals established at the beginning of the year and reviewed in the context of the current-year financial performance of the firm. "ESG Progress" is a prominent measure noted on the scorecard, with individual SBU heads, through their management efforts, tasked with cascading these expectations throughout their individual teams. Both firm and SBU performance assessed against material ESG efforts will influence compensation awards. The structure of the firm's incentive compensation plans plays an additional role in this effort through the use of unit awards, not just cash, and deferral periods that instill a deeper commitment to clients and the positive progress of the firm.

Remuneration for our Investment Professionals—our portfolio managers and analysts—who are also responsible for ESG integration is designed to align with our mission and values. Remuneration includes both quantitative and qualitative components. The most significant quantitative component focuses on measures of absolute and relative investment performance in client portfolios for portfolio managers, and on contribution to that performance for research analysts. The qualitative portion is determined by individual goals set at the beginning of the year, with measurement and feedback on how those goals are being achieved provided at regular intervals. Every portfolio manager and analyst has goals that promote the integration of ESG and sustainability in their investment processes. The exact goals will vary, depending on the individual's role and responsibilities. Typical goals for portfolio managers include discussion of ESG or sustainability risks and opportunities at research reviews, and integration of these factors in portfolio decision-making. Analysts' goals typically focus on providing assessments of ESG and sustainability factors in their research and recommendations, engaging with issuers for insight and action on ESG and sustainability topics, and documenting these

engagements in our ESIGHT platform (more details on ESIGHT are provided in Section 5 of this statement).

## REVIEW AND AUDIT OF STEWARDSHIP ACTIVITIES

AB views stewardship as a critical function, so we embed checks and balances throughout our processes, including:

- + Risk oversight of firm, fund and client restrictions on securities
- + Review of our proxy-voting process
  - + A dedicated team, independent of AB's Responsible Investing team, reviews each vote to ensure that the Responsible Investing team has voted in line with AB's policy.
  - + Our voting process is reviewed periodically by our Internal Audit team. AB's Internal Audit team adheres to the standards of the Committee of Sponsoring Organizations of the Treadway Commission and The Institute of Internal Auditors. Therefore, we have not sought independent assurance at this point.
- + Review of PRI reporting
  - + Our Internal Audit team reviews and provides independent validation of AB's responsible investment activities, as represented in our annual PRI Transparency Report.
- + Review of responsible investing process
  - + Our compliance team has reviewed select strategies to provide validation that our investing process, as it relates to responsible investing and the incorporation of ESG and climate change factors, functions as we describe it in public materials.

We also monitor and review our third-party data and service providers. While we do not outsource our ESG research, integration, engagement or proxy-voting activities, we do subscribe to a variety of external data sources that serve as sources of information for our activities and decisions. These primarily include ESG ratings and risk providers, carbon and climate risk providers, and corporate governance and proxy research services. We take reasonable steps to verify that the vendors to which we have full-level subscriptions are in fact independent, based on all the relevant facts and circumstances. For proxy research services providers, our Proxy Voting and Governance Committee reviews vendors' conflict-management procedures on an annual basis. When reviewing these conflict-management procedures, we will consider, among other things, whether the proxy research services vendor: (1) has the capacity and competency to adequately analyze proxy issues; and (2) can offer research in an impartial manner and in the best interests of our clients. We routinely add new data sources where we see the opportunity to integrate better or additional information.



## 4. RESPONSIBLE INVESTING: INTEGRATING ESG AND CLIMATE CONSIDERATIONS THROUGHOUT THE INVESTMENT PROCESS

AB focuses intently on our clients and their needs, which are often centered on achieving a desired level of risk and return. Analyzing and assessing issuers through the lens of long-term value creation often allows us to achieve strong financial outcomes while reducing risk through a more thorough analysis of all the factors that will impact a security throughout the course of the investment horizon and beyond.

AB has long recognized that ESG issues can affect the performance of investment portfolios. When we became a PRI

signatory in 2011, we formalized the integration of ESG into our investment processes and created a management infrastructure for responsible investment leadership that drives our firm's strategy and commitment to these issues firmwide. Our annual Stewardship Report details our activities.

We take a three-pronged approach to responsibility and ESG integration.



Effective responsible investing must start with an **unwavering commitment to being a responsible firm**



ESG integration and **engagement** are fundamental to our active investment and research processes



Leveraging our perspective as a responsible firm and investor, we've designed **Portfolios with Purpose** to deliver the outcomes investors expect

- + First, we focus on being a responsible company. If we ask our portfolio companies and issuers to improve their practices and do things differently, our own policies and processes need to reflect those aspirations. We continually evaluate our own corporate responsibility practices to ensure that they align with those we expect of others.
- + Second, we integrate ESG and climate change factors across all actively managed strategies because these issues can impact investment performance; ESG integration is fundamental to our research process. Thinking broadly and deeply about ESG and climate issues, our analysts and investment teams can better identify and quantify risks and opportunities for specific issuers,

and help create better financial outcomes for our clients. We integrate ESG and climate factors into all research and investment processes for all actively managed client accounts, funds and strategies. As of December 31, 2020, integrated assets represented \$531 billion,<sup>2</sup> or approximately 77% of our firm's total assets under management of \$686 billion.

- + Third, we've developed a suite of Portfolios with Purpose, which go beyond ESG and climate change integration and engagement to offer diverse solutions for investing with purpose. These solutions include impact strategies, sustainable investment strategies that align with the United Nations Sustainable Development Goals (UN SDGs) and goal-based strategies, such as our low-carbon funds.

<sup>2</sup> Includes AB's Portfolios with Purpose



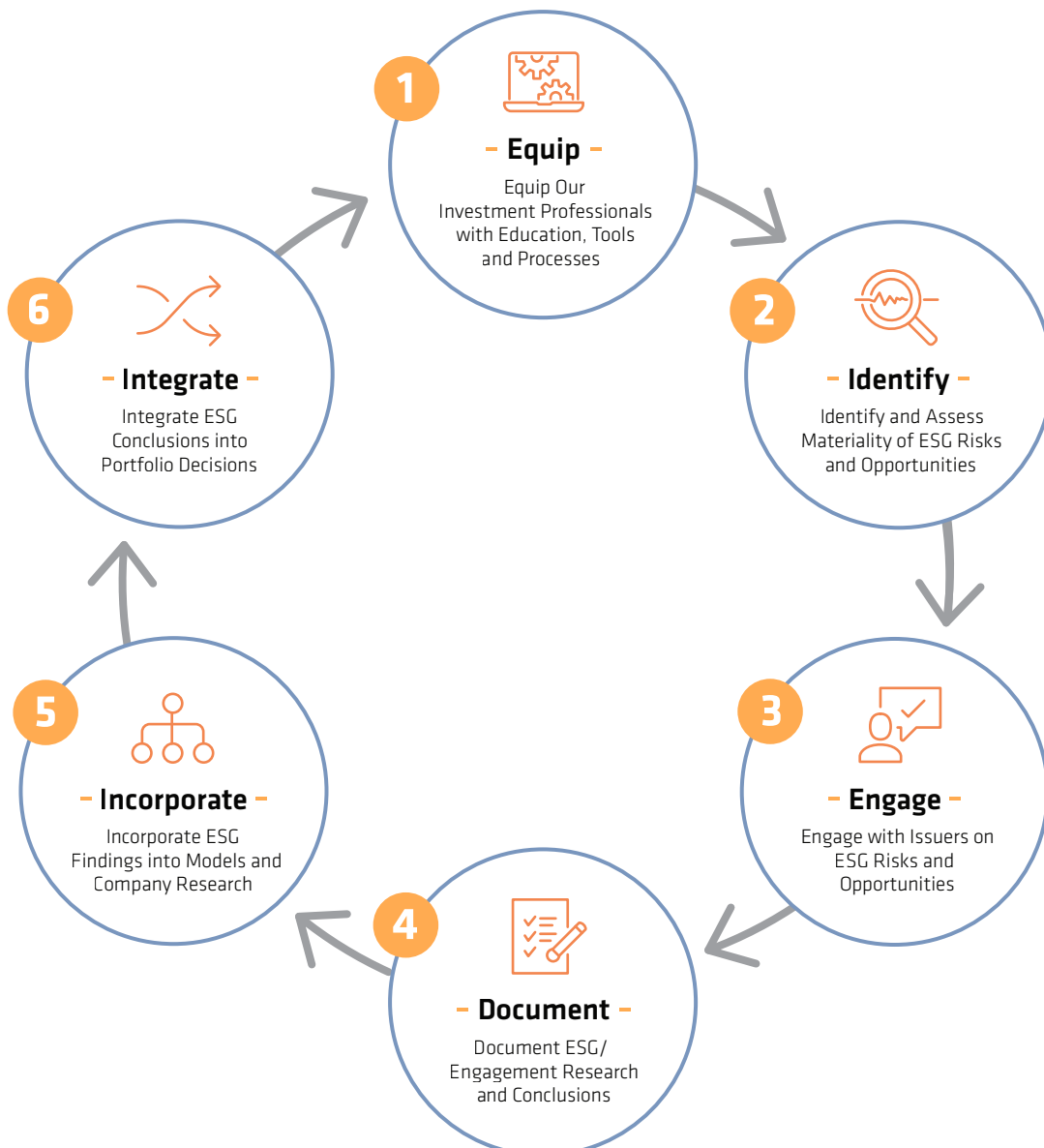
## REFLECTING CLIENT FEEDBACK IN OUR APPROACH

Our integration process begins with understanding our clients' needs. We engage with clients and their advisors to better understand how we may align with their own responsible investing principles and help them meet their own governance and regulatory obligations. This takes place in a variety of ways, including: (1) customization of investment guidelines to align with clients' principles; (2) transparency on engagement and voting reporting; (3) communications and thought leadership on key investment and industry matters; and (4) on occasion, providing training to clients' in-house staff and stakeholders.

We strive to remain relevant to our clients and their stakeholders, and actively engage to identify emerging trends and requirements that will help shape our own practices and future investment solutions.

## A DEEPER DIVE ON ESG INTEGRATION

As we've mentioned, our investors are at the heart of AB's ESG integration, partnering with our dedicated responsible investing professionals to integrate ESG and climate change considerations into every step of our research process (as outlined in the diagram below). Our ESG integration process is broadly applicable across all asset classes and geographies, and we strive to integrate ESG considerations across all of our actively managed strategies.



The process starts with **equipping** our investors with education, tools and processes to enable them to adequately understand, research and integrate material ESG and climate issues. These include:

- + **Proprietary platforms.** To augment third-party data and toolsets, we've developed proprietary research and collaboration tools to strengthen ESG and climate research, and systematize integration across the firm—including our ESIGHT platform for research and collaboration and PRISM for credit ratings and scoring. More details on ESIGHT and PRISM are provided in Section 5 of this statement. We've also created an Alternative Data Dashboard that combines the industry-specific knowledge of our fundamental analysts with the capabilities of our Data Science team to create better insights from alternative data and our research.
- + **Third-party data and research.** All investors have access to a range of data services that enable them to gain a broad understanding of the ESG and climate risk characteristics of an issuer, a sector or a portfolio. These include, but are not limited to, ESG data from Bloomberg and FactSet, MSCI ESG Ratings, Carbon Delta and MSCI carbon emissions data, Sustainalytics ESG Risk Ratings, Global Norms and Controversies analysis, ISS-Ethix controversial weapons analysis, and ISS and Glass Lewis corporate governance and proxy research. We view these third-party data sources as a starting point for analysis; on their own, they don't provide the level of detail or insight necessary to fully understand the risks and opportunities inherent in an issuer or portfolio. Our Responsible Investing team continually evaluates our slate of current and new providers to ensure that we're providing our investors with the best possible data and information.
- + **Strategic partnerships with world-class institutions.** AB has collaborated on climate change with the Earth Institute at Columbia University. Phase one of our collaboration involved the joint development of a Climate Science and Portfolio Risk curriculum that addresses the science, regulatory, legal and public policy aspects of climate change, as well as how to integrate climate change into company and issuer financial analysis. More than 250 of AB's investment staff have taken the training. Phase two will involve joint research with the scientists on an array of climate change topics.
- + **Extensive training programs.** In addition to our flagship climate change curriculum, we offer ongoing ESG training to all investment staff. This includes peer-to-peer learning for chief investment officers and portfolio managers, during which a select group of managers present how ESG is integrated into their specific strategies. We also have systematized training on external data, systems and tools, and educational sessions across a suite of topics, including modern slavery, corporate governance, sector-specific themes and integrating ESG in portfolio decision-making.
- + **Global participation in developing ESG-related intellectual property, frameworks, tools and systems.** In addition to our dedicated Responsible Investing team, approximately 100 AB personnel participate in one or more ESG working teams centered

on generating deeper ESG and climate research insights within each asset class, developing new products and responding to various regulatory changes.

The investment teams begin the ESG integration process by **identifying** and assessing material ESG and climate risks and opportunities. Materiality differs by sector and industry. For example, how a company or issuer manages its water consumption and treats wastewater could present ESG and financial issues for food and beverage companies. For financial firms, however, data and privacy concerns take precedence.

Working with more than 120 AB analysts across asset classes, we've developed a proprietary materiality map that covers more than 40 ESG issues and spans almost 70 subsectors. We can apply the map to a range of ESG challenges, giving us valuable perspective on how the balance of shareholder and stakeholder interests will likely affect both our long-term financial forecasts and other stakeholder concerns. In our view, a consistent framework for balancing financial forecasts and ESG materiality helps us make better-informed investment decisions and ultimately enables us to deliver better investment outcomes.

Our investors also **engage** with issuers on ESG and climate risks and opportunities. Engagement has always been a vital part of our investment process. Each year, analysts engage with the leaders of public and private companies and noncorporate entities, including municipalities, supranationals and sovereign issuers. In 2020, we logged more than 12,500 meetings, including issuer-specific engagements and strategic thematic engagements. Engaging specially on ESG and climate issues is a key part of our research and stewardship processes. We elaborate more on our engagement in Section 5 of this statement.

Investors **document and incorporate** their ESG research and engagement findings and conclusions. We believe that it's critical to integrate ESG factors into ground-level fundamental research; by documenting and sharing research insights across investment teams, we can fully leverage our ESG integration across the firm. To put momentum behind this effort, we've developed tools and platforms—ESIGHT, PRISM and our Alternative Data Dashboard—that foster better ESG documentation, integration and collaboration within—and across—investment platforms. More details on ESIGHT and PRISM are provided in Section 5 of this statement.

Investment teams then **integrate** ESG and climate factors into their decision-making process. Putting our investors at the heart of our stewardship activity enables us to integrate ESG at every step of the investment process, leading to better consideration of these issues in investment decisions. Analysts take ownership of the ESG and climate change issues from the start, identifying them, researching them, engaging with the issuers on them, and incorporating them into their models and frameworks. An analyst's recommendation and evaluation of risks and opportunities for a security reflect impacts from ESG issues.

Portfolio managers include ESG and climate risks and impacts in their investment evaluations and decisions from the outset. There's no need to try to reconcile the differing ESG, climate change and fundamental analyses that may result from separate, parallel ESG and fundamental evaluations if ESG is integrated throughout the process. The impact of ESG and climate change analysis on cash flows, credit ratings or discount rates clearly influences investment decisions and position sizing.

## EXCLUSIONS AND SCREENING

At AB, we apply negative or exclusionary screening in a variety of ways, depending on the investment strategy and on whether a screening request is client-driven or determined by country or regional regulation, and based on the activity, ESG or climate risk in question.

AB applies some exclusions at the request of clients who provide us with a list of companies to be restricted from their portfolios, while others prefer that we screen on one or more factors using data from a third-party research provider. Client-driven exclusions can take several forms, including those based on product involvement, ESG ratings and carbon footprints, as well as exclusions at the industry and sector levels. These screens are developed in conjunction with our clients, updated regularly, and captured electronically in our firm's pre-trade and post-trade compliance systems, which then restrict those securities from the client's account.

We can also apply positive screens if our clients request them. In these cases, we seek to invest specifically in companies that have demonstrated clear ESG leadership and are widely recognized as exhibiting a "best-in-class" approach through their recognition of ESG and climate risks and opportunities.

At a regional level, we recognize that legislation prohibiting investment in companies involved in controversial weapons manufacture (anti-personnel landmines, cluster bombs and/or munitions made with depleted uranium) is growing, and client engagement on this issue is rising. As a result, products issued by AllianceBernstein (Luxembourg) S.à r.l., an AB affiliate, exclude both debt and equity securities issued by companies involved in the production of controversial weapons from the universe of potential investments in publicly available funds on this platform. We have engaged a third-party service provider (ISS-Ethix) to provide us with the list of controversial weapons manufacturers to be excluded from our Lux Funds and other relevant client accounts. We continue to monitor the evolution of regulation around the world regarding investment in companies involved in controversial weapons production and work with our service provider to ensure that the screening for AB funds remains up to date.

On a firmwide basis, we exclude investments in private prisons. We discussed and debated the business model, investment risk,

relation to racial justice and social equity, misalignment of the companies' incentives with positive societal outcomes, and whether the companies' policies are at odds with international norms and our own **Global Slavery and Human Trafficking Statement**. We explored the data and analysis, read views from all perspectives, took legal guidance from outside advisors, and conducted engagements on these issues with major companies in the space. After carefully considering this information, we determined that the conduct of private prisons is not compatible with either AB's position on modern slavery or commonly accepted international norms. Furthermore, our engagements with the companies showed that at this time, they will not advocate for any changes to their business models. Consequently, we believe that there is reputational risk, as well as additional investment risk for our clients, associated with investing in private prisons and have chosen not to initiate any new long positions or add to existing long positions in our actively managed strategies (as of November 30, 2020). Any existing long positions will be exited in a timely manner that minimizes any financial impact on clients. We will continue to monitor the strategy, behavior and other developments at private prisons. Should we see a material positive change in the strategy or behavior of these companies, we will reevaluate AB's stance.

Across all actively managed investment strategies, we also monitor for UN Global Compact breaches. However, we believe that whether an issuer is breaching international norms is subjective. We have found that there is no reliable source of data and that the various lists published by third-party providers differ, often with very little overlap. Second, these data are historical in nature; many of the breaches occurred several years (if not decades) in the past, and it is unclear what an issuer must do to be removed from the list. Instead of relying on third-party data in this regard, we believe that the risk of breaching international norms is best understood and addressed through ongoing in-depth fundamental research, which enables us to fully analyze a wide range of information and properly assess the risk at an issuer-specific level. Where a major third-party service provider has deemed an issuer to be in violation of international norms, our investment teams are required to research and document the nature of the breach, including, if applicable, why our internal research demonstrates that the security remains a reasonable investment. Our Responsible Investing team, in conjunction with our risk division, has implemented a systematic process to ensure that this research has been completed upon initiating a position, and annually thereafter as long as the position continues to be held.

Finally, our Portfolios with Purpose apply a multitude of additional ESG and carbon-related screens appropriate to their investment strategy. For example, our Sustainable Thematic product platform excludes companies involved in alcohol, tobacco, gambling, pornography, coal and conventional weapons production, and applies positive screens aligned with the UN SDGs. The exact specifics of these screens are detailed in each strategy's regional product disclosure documentation.

## 5. ENGAGING WITH ISSUERS

Because we're an active investment manager, engaging stock and bond issuers on strategic and financial issues—including ESG and climate change issues—is critical to our research and investment processes. To engage effectively, we must have an ongoing, open dialogue with stakeholders.

Engagement helps us better understand issuers, protect shareholders' and bondholders' interests, and encourage management teams to deploy strategies and take actions that we believe will drive better financial outcomes for our clients. Depending on the nature and influence of our engagement, it may generate positive outcomes for other stakeholders, including employees, suppliers, clients and communities, as well as the environment.

Because engagement is so important to ESG integration and asset stewardship, we don't outsource it. AB Investment Professionals engage directly with companies or issuers, often collaborating with our Responsible Investing team. In our view, hands-on engagement is the path to better access, research, client service and outcomes.

Engagement, simply put, helps create long-term, sustainable value for all stakeholders.

This engagement policy section describes why we engage, how we engage, where we focus our engagements, how we document and track engagement, and our guidelines for escalating issues that aren't adequately addressed through our typical engagement process. The policy also discusses our collaboration in industry engagement and how we identify and resolve potential engagement conflicts of interest. We integrate our investment approach globally, across regions, equities, debt and other capital structures.<sup>3</sup>

### WHY WE ENGAGE

We engage with issuers for two main reasons: to generate research insights and to advocate for action. We believe that as active managers, we're uniquely positioned to generate superior, risk-adjusted returns through our access to, and engagement with, issuers. Information from engagement informs our qualitative and quantitative analysis and investment decisions, with a view toward providing better outcomes for our clients. Engagement is also an opportunity for AB to build long-term value, as we provide perspective and guidance to our portfolio companies and issuers on developing best practices in managing material issues, including ESG. We achieve these goals by engaging to generate research insights and advocate for action.

### ENGAGING FOR INSIGHT

Engagement enhances our research process, generating insight into issuers' corporate strategies and competitive positioning. It also reveals how management teams address and manage risks and opportunities, including ESG considerations that could be material.

By engaging, we're also able to better assess the quality of an issuer's management, strategy, operations and corporate governance structure. We incorporate this valuable information into our quantitative and qualitative security analysis and investment decisions—with the ultimate goal of generating superior risk-adjusted returns for our clients. We consider financial and nonfinancial performance factors when we believe they could materially impact long-term financial outcomes.

### ENGAGING FOR ACTION

Engagement helps us support our clients' interests by enabling us to share our ESG philosophy and corporate governance policies to effect positive and sustainable change with issuers. Discussions can focus on strategic, financial, and ESG and climate-related issues, but the goal is always the same: to encourage firms to make decisions with a long-term view that supports positive, sustainable financial outcomes for them, their stakeholders and our clients.

Engaging for change can happen through individual conversations or a broader engagement campaign on a particular theme or topic. All engagements are conducted in accordance with relevant market regulations and frameworks. We provide more details on engagement topics below.

## HOW WE ENGAGE: STRATEGY AND PROCESS

### WHICH AB PROFESSIONALS ENGAGE WITH ISSUERS?

Our engagement policy applies firmwide. Investment Professionals from our equity, fixed-income and direct alternatives teams, as well as those representing other capital structures, engage with issuers, often in a joint effort with our Responsible Investing team. By leveraging our investors' diverse expertise and AB's broad research footprint, we believe we can better understand issues and engage more effectively.

Fundamental research teams focus on issuer-specific topics, including financial and nonfinancial performance, risk management, strategy, operations, governance, and material ESG issues; our

<sup>3</sup> References to AB in this policy apply to ABLP and our European entities, ABL and AB Lux and CPH, for the purposes of the European SRD II.

Responsible Investing team has a holistic view of governance practices and relevant ESG issues. Our investment teams may also collaborate on engagement when they share exposures to the same issuer or have research responsibilities for the same sector.

#### **WITH WHOM DOES AB INTERACT DURING ENGAGEMENT?**

Typically, analysts engage with leaders of public and private companies and noncorporate entities, including municipalities, supranationals and sovereign issuers. Our Investment Professionals interact with senior executives and managers, including CEOs and CFOs, and may also engage with directors and other employees or executives to share our perspectives or escalate concerns from talks with senior executives and management. For sovereign issuers, we may engage with key members of governments and regulatory agencies or departments. For securitized investments, we may engage beyond the originators to the servicers and other third parties.

Engagement can happen anywhere within the investment process: during research and analysis, before initiating a position, while holding a position, and after divestment. These conversations are often ongoing, as we continue to revisit previous topics and discuss progress. Engagement can be face-to-face, via conference or video calls, or through written communication.

#### **FIVE DISTINCT TYPES OF ENGAGEMENT**

We engage with issuers in five ways: fundamental, thematic, proxy voting, collaborative and policy advocacy.

**Fundamental Engagement:** We engage directly with issuers and stakeholders as part of our research and investment process for equities, fixed-income and other capital structures. Constructive engagements create a channel to discuss topics such as strategy, business operations, and ESG and climate change issues. A long-term approach fosters more productive relationships with issuers: over time, we build a forum for open dialogue, not only with senior leaders but also with other stakeholders such as suppliers and customers.

We engage before we make an investment and while monitoring current investments. We determine and prioritize the level of direct engagement, based on factors including the size of the investment and potential impacts on the issuer, and we always represent our clients' best interests. The security type also comes into play when approaching each engagement and assessing ESG risk. For example, if creditors don't have voting rights, we can help issuers understand how the market's perception of key ESG risks could impact their credit quality, future access to capital, valuation/funding costs and broader stakeholders. Issuers may be more inclined to change their behavior or address a misperception with added disclosure.

**Thematic Engagement:** In addition to one-on-one issuer engagement, we coordinate proactive campaigns to identify issuers with ESG practices that are below our expectations. Our

objective is to address perceived gaps in areas such as climate change risk disclosure or the incorporation of ESG metrics into executive compensation.

The degree of focus varies based on materiality, and underlying ESG issues and the degree of likely material impact may differ by sector and/or industry. ESG-focused engagements typically involve members of our Responsible Investing team and the fundamental analyst who covers an issuer. This partnership drives better-informed and coordinated engagement, with outcomes that clearly link ESG considerations to tangible financial impacts.

**Proxy-Voting Engagement:** We also engage with issuers as part of our proxy-voting process. We're strong shareholder advocates, supporting robust corporate governance structures, shareholder rights, and transparency for both AB and the companies and issuers we research and invest in. For issuers in client portfolios, we keep a comprehensive in-house policy and a process that guides our decisions.

We believe that boards of directors and senior management should have the authority to set and execute corporate policies, goals and compensation. But we also support strong shareholder rights that hold directors and management accountable if they don't act in the best interests of shareholders and other stakeholders. We may engage with firms before their annual general meetings and during the year, and we interact with proponents of shareholder proposals, and other stakeholders, to understand diverse viewpoints and objectives.

We determine when engagement is needed to uphold our clients' best interests, both when issuers offer meetings and when we initiate engagement on a potentially material issue. Our proxy-voting process may also consider ESG issues and other factors when a vote may affect the valuation and performance of an issuer's securities. For more information, please see our [Proxy Voting and Governance Policy](#).

**Collaborative Engagement:** We work closely with non-AB investors, asset owners and ESG-focused organizations on engagement. This can happen when we've independently arrived at the same conclusion as other managers and believe that collaboration might help address specific issues. Collaboration can also occur when we believe that issues might be better addressed through a "common ask."

The goal of collaborating is to share information and ideas, but we don't share our investment intentions or agree to "act in concert" with other fund managers, activist investors or other large shareholders. For example, we're a lead investor and member of Climate Action 100+, a global investor initiative engaging for corporate action on climate change, and our Investment Professionals work closely with our legal and compliance teams to understand and work within the limits of this type of collaboration.

**Policy Advocacy Engagement:** We engage with governments, regulators and other drivers of public policy when we feel it's in our clients' best interests. These engagements take the form of comment letters, appearances at formal meetings of regulatory bodies and direct engagement with key government stakeholders. They often center on the investment impacts or stewardship concerns related to existing or proposed regulatory changes, such as share classes,

reporting requirements, or the treatment of ESG and climate issues. For more information on our political advocacy, spending and activity, please see our [Statement on Political Influence](#).

#### FOCUS AND PRIORITY AREAS FOR ENGAGEMENT

Because we're global investors, we engage on a wide variety of strategic, financial, and ESG and climate change–related topics, including (but not limited to) the following areas:

ENVIRONMENTAL AND CLIMATE CHANGE	SOCIAL	GOVERNANCE
<ul style="list-style-type: none"> <li>+ Biodiversity and land use</li> <li>+ Carbon emissions</li> <li>+ Climate change</li> <li>+ Vulnerability</li> <li>+ COVID-19</li> <li>+ Electronic waste</li> <li>+ Opportunities in clean tech, green buildings and renewable energy</li> <li>+ Packaging waste</li> <li>+ Product carbon footprint</li> <li>+ Resource management</li> <li>+ Environmental impact of supply chain</li> <li>+ Toxic emissions and hazardous waste</li> <li>+ Water management</li> </ul>	<ul style="list-style-type: none"> <li>+ COVID-19</li> <li>+ Employee health and safety</li> <li>+ Financial product safety</li> <li>+ Human capital development</li> <li>+ Insuring health and demographic risk</li> <li>+ Labor management</li> <li>+ Opportunities in education, communications, financial inclusion, healthcare and nutrition, and healthier products</li> <li>+ Privacy and data security</li> <li>+ Product safety and quality</li> <li>+ Responsible investment</li> <li>+ Social impacts of supply chains</li> <li>+ Modern slavery</li> <li>+ UN Global Compact</li> </ul>	<ul style="list-style-type: none"> <li>+ Accounting</li> <li>+ Anticompetitive practices</li> <li>+ Board structure, independence, diversity and entrenchment</li> <li>+ CEO duality</li> <li>+ Over-boarding</li> <li>+ Business ethics</li> <li>+ Corruption and instability</li> <li>+ COVID-19 governance</li> <li>+ Financial system instability</li> <li>+ Shareholder rights</li> <li>+ Organizational culture</li> <li>+ Executive remuneration</li> <li>+ Reporting transparency and disclosure</li> <li>+ Sanctions</li> <li>+ Proxy access</li> <li>+ Special meetings</li> </ul>



When we're prioritizing companies or issuers to engage with, or themes and topics to discuss, we consider a number of factors. We assess the ESG issue's materiality, using our proprietary AB materiality map and industry-recognized frameworks. We also consider the company or issuer's size and ESG ratings, our historical proxy-voting record at the company, the size of AB's portfolio exposure, the proportion of issuer assets we hold, the significance of our security holding, and the history and success of previous conversations.

We may also conduct event-driven engagements when a company or issuer's activity has had a significant negative impact, as well as company-led engagements when a firm reaches out to us to discuss an issue. Thematic-driven engagement campaigns are determined by the strategic agenda of our Responsible Investing team, spanning a broad range of topics that evolve over time, based on specific focus areas.

#### **DOCUMENTING AND MONITORING ENGAGEMENT**

Because tracking, documenting and integrating our dialogues with issuers is a key pillar of a successful engagement program, we've developed proprietary systems to advance these efforts. When engagements include a substantive discussion of ESG issues, our analysts document the purpose of the engagement, ESG topics discussed and the outcome in our proprietary ESIGHT system.

ESIGHT, a proprietary research and collaboration platform, integrates our ESG issuer assessments, proxy-voting history, engagements and third-party research from MSCI and Sustainalytics. It's also a knowledge center with a wealth of ESG information, including thematic sell-side research reports, academic studies, nongovernment entity reports, specialist sustainability and climate change think-tank papers, and our own proprietary ESG ratings. We've also incorporated COVID-19 as a research factor in ESIGHT, enabling us to better capture and share engagement information on this global challenge.

With ESIGHT, AB has a hub where corporate bond and equity investment teams can access and share information in real time

about issuers' ESG practices. When our Investment Professionals conduct research or prepare for an engagement, they can explore previous interactions—querying by issuer, AB investment team, or ESG topic and theme. ESIGHT also enhances portfolio management and reporting: we can assess ESG topics by company or issuer, industry, or portfolio, and share engagement statistics, examples and outcomes with our clients.

The engagement efforts of AB's fixed-income investors are enhanced by PRISM. This proprietary credit rating and scoring system is integrated into our fixed-income research analysis portal, which is a fully digitalized data and security analysis platform. With PRISM, analysts can develop and share views on individual issuers in a consistent, comparable and quantifiable way across industries, ratings categories and geographies. Analysts also have access to MSCI scores through the system. Analysts evaluate each issuer on multiple dimensions, using research and engagement insights to assign specific ESG scores, which are used in credit scoring. ESG weights are determined by the industry being analyzed and are based on what we view as the most important factors for the company or issuer. Any fixed-income portfolio manager or analyst can access PRISM's ESG scores in real time.

Engagement is a critical channel for our investment teams to monitor issuers' strategies, financial/nonfinancial performance, risk, capital structures and ESG impacts. Through thoughtful, ongoing dialogue with issuers, and by documenting key engagements, we can track progress over time and identify issues for further research or exploration.

To reinforce the organization's commitment to engaging issuers, we've incorporated a qualitative engagement component in the evaluation process for Investment Professionals and Responsible Investing team members. Individuals are assessed on the quantity, frequency and quality of their contributions to AB's engagements, their recording of the process and outcomes in ESIGHT and PRISM, and the integration of this information into their research insights and investment decisions.

### **POLICY FOR ESCALATING ISSUES**

Most direct, ongoing engagement is productive, often clarifying an issuer's strategy and practices, and potentially spurring changes that make an issuer's conduct more value-creating for our clients. Engagement is a long-term process, and we'll continue our dialogue if we believe that management is receptive to addressing our questions and considering our views. Engagements typically employ the following process, often over a series of meetings:

- + Introduce the issue(s)
- + Obtain management's views and rationale
- + Identify requested change(s)/action(s) and rationale
- + Evaluate progress

We do, however, sometimes encounter situations where we believe continued engagement is no longer productive or helpful in driving progress. In cases where we feel that the issuer's behavior isn't aligned with our clients' best interests, we can escalate our engagement in one or more of the following ways:

- + Write a private letter to the board and/or management team
- + Vote against relevant board members at the next annual general meeting (e.g., committee chair or incumbent board members)

- + Collaborate with other investors and/or stakeholders
- + Publish a public letter stating our views
- + Craft, or collaborate in crafting, a shareholder proposal to file
- + Reduce our position or sell the security

The decision to escalate often identifies whether an engagement is intended for research enhancement or to influence change. Because it often involves exercising our voting rights, it ties our stewardship actions together, highlighting how we use our shareholder position to take action against company management teams when we no longer believe their actions create long-term, sustainable shareholder value. Our escalation approach, which is part of our engagement policy, is consistent across asset classes and geographies. The nature of the issue and the response of management will dictate which approaches are used.

### **CONFLICTS OF INTEREST AND INSIDER TRADING**

For more details on our conflict-of-interest and insider-trading policies, please see Section 2 of this statement.



## 6. EXERCISING VOTING RIGHTS

### PHILOSOPHY

We actively exercise our right to vote, and we have a robust, rules- and principles-based, global in-house **Proxy Voting and Governance Policy** and process that is applicable to all of our voting activities across all geographies. We're shareholder advocates, and we make investment and proxy-voting decisions in our clients' best interests. We support strong corporate governance structures, shareholder rights and transparency. We believe that an issuer's ESG practices may have a significant impact on the value of the issuer, and we take these factors into consideration when voting.

All of our internally managed equity assets are covered by our policy; we vote proxies in all the active and passive equity funds and accounts that we manage. Our policy is to vote all proxies in a timely manner, for the full number of shares, for all securities held in client accounts for which we have proxy-voting authority, whenever it is administratively and logistically possible to do so. Our policy details how we vote on specific items, as well as the processes for managing conflicts of interest, voting transparency, recordkeeping and voting execution.

### POLICY

Our proxy-voting guidelines are both rules-based and principles-based. We adhere to a core set of principles and assess each proxy proposal according to these principles. We evaluate each agenda item carefully and will vote against management where appropriate. For example, we vote against management if an agenda item violates our minimum required governance standards, if we support a shareholder proposal that is not endorsed by company management, or on case-by-case items where company-specific circumstances warrant a vote against (such as remuneration proposals).

We believe that a company's ESG and climate practices may have a significant impact on the value of the company, and we take these factors into consideration when voting. In addition, these guidelines are not intended to address all issues that may appear on all proxy ballots. We will evaluate on a case-by-case basis any proposal not specifically addressed by these guidelines, whether submitted by management or shareholders, always keeping in mind our fiduciary duty to make voting decisions that, by maximizing long-term shareholder value, are in our clients' best interests.

While our policy and votes are public, we generally keep our vote confidential until the meeting deadline has passed. Our proxy votes are posted on our public website in the quarter following the meeting.

We also disclose **voting rationales for significant votes** for many of our portfolios. More details on significant votes are provided in Section 7.

### PROCESS

Our Responsible Investing team votes our proxies globally and is responsible for the implementation of our policy. Because AB is a research-driven firm, our proxy-voting activities and investment-process implementation are closely aligned and integrated—in evaluating proxy issues and determining how to vote a specific item, the Responsible Investing team actively seeks and assesses input from the investment teams. This ensures consistent application of our policy while at the same time leveraging issuer-specific knowledge and insights. For example, the Responsible Investing team evaluates the structure of a remuneration package, and the investment team evaluates whether the financial performance goals and compensation-linked targets set by management are appropriate. We take this thorough approach because we believe that it leads to the most thoughtful application of our voting principles and the best stewardship application of our research and engagement insights. Particularly different issues, or those where the views of different investors are in conflict, are escalated to the Proxy Voting and Governance Committee, which provides guidance and ultimately has final voting authority. This committee reviews proxy-voting regulations regularly during the year.

We support strong investor rights that allow shareholders to hold directors and management accountable if they fail to act in the best interests of shareholders. We generally vote in accordance with these guidelines, and, consistent with our rules- and principles-based approach to proxy voting, we incorporate company-specific contexts that may result in different vote implementation by issuer on certain proposals that repeatedly appear across companies.

As part of our holistic approach to proxy voting, we may consult issuer management, issuer directors, interest groups, shareholder activists and research providers to get additional insight when needed. Research provided for all of our holdings by an external proxy service, ISS, is available to all of our research analysts through our proxy managers. We may review further information from our ESG research providers.

We also work with clients to meet their individual reporting requirements, varying from statistical reports to providing a voting rationale for specific meetings.

## LOANED SECURITIES

Many of our clients have entered into securities lending arrangements with agent lenders to generate additional revenue. We won't be able to vote securities that are on loan under these types of arrangements. However, under rare circumstances, for voting issues that may have a significant impact on the investment, we may request that clients or custodians recall securities that are on loan if we determine that the benefit of voting outweighs the costs and lost revenue to the client or fund, and the administrative burden of retrieving the securities. For the socially responsible investing—labeled Thematic funds, we recall US securities that are on loan in order to vote proxies, and have discontinued lending for non-US securities.

In some cases, for commingled vehicles, we may engage in a stock lending program and typically do not recall stock for voting purposes. For institutional assets, clients determine whether to participate in a stock lending program with their custodians, and any such recalls of loaned securities would be at the discretion of the client and the agreement with its custodian.

## FIXED INCOME

Our fixed-income team seeks to ensure that investors have protections despite their inability to vote or influence issuers through other means afforded to shareholders. First and foremost, our fixed-income team does this through our disciplined credit underwriting process, where fundamental analysts attempt to identify and dimension key medium- and long-term risks and potential outcomes. This also involves in-depth review of and engagement on legal

documentation and bond covenants, which dictate contractual terms with which issuers must comply. Some examples of this could involve setting the maximum amount of debt that a company can borrow, how much a company can pay out in dividends or what a company is required to do with asset sale proceeds. While our analysts are highly experienced at reviewing covenants, we also involve our legal department in this analysis.

Further, we augment our internal expertise with the insights from Covenant Review, a third-party service that reviews and analyzes bond and loan covenants, and external legal advisors. When necessary, we will engage with underwriters and company management to leverage these resources to try to negotiate better covenant protection for ourselves and our clients.

There are several other ways we seek to protect our clients' investments. We proactively engage with companies, sovereigns, financial and legal advisors, and other bondholders ahead of potential financial restructurings to ensure that our investors' rights are protected and that value is preserved. We frequently engage directly with sovereigns, their leaders and ministers of finance, and the international financial community (e.g., the World Bank, the International Monetary Fund and other bondholders) when we see a potential deterioration in governance. Additionally, we are members of several investor alliances that work to coordinate responses and actions by the investment community, to ensure that rights and value are protected.

## 7. TRANSPARENCY, DISCLOSURE AND REPORTING

We view transparency, disclosure and our reporting to clients as paramount to effective stewardship and responsibility. We endeavor to be transparent in all that we do, from our philosophy and policies to our investment process and outcomes. This transparency manifests itself in both disclosures and reporting.

### AB POLICIES AND STATEMENTS

We make all firmwide stewardship policies and statements available on our [website](#) so that any stakeholder can access them. These documents include:

- + This Global Stewardship Statement
- + Our [Proxy Voting and Governance Policy](#), along with the [Charter of the Proxy Voting and Governance Committee](#)
- + Our [Climate Change/TCFD Statement](#)
- + Our [Global Slavery and Human Trafficking Statement](#)
- + Our [Statement on Controversial Weapons](#)

### AB REPORTS AND DISCLOSURES

We provide stakeholders with access to several different AB reports on our [website](#), including:

- + Our [Responsible Investing and Stewardship Report](#). Updated annually, this report provides an overview of both AB's corporate responsibility and firmwide responsible investing activities.
- + Our Engagement Reports. These include reports on our thematic engagement campaigns and quarterly or annual summaries of engagement activities pertaining to individual investment strategies.
- + Our PRI Reports. We complete an annual PRI Report that includes information on our responsible investment approach, management of climate change risk, and active ownership and stewardship activities. AB's [PRI Transparency Report](#) and our [PRI Assessment Report](#) are available on our website.
- + Our Proxy-Voting Records. We support transparency in issuer disclosure and similarly disclose our own voting records. We publicly disclose our [full proxy-voting record](#) as well as the voting

records for our [US mutual funds](#) on our public website in the quarter after the vote is cast. We also disclose [voting rationales for significant votes](#) for many of our portfolios.

- + We consider votes from our significant holdings universe (as defined by the absolute value of the shareholding or AB's stake in the company relative to other shareholders) that meet one or more of the following criteria: proposals that address issues material to the company's business and shareholder value; proposals related to AB's thematic priorities, which include climate risk, modern slavery and D&I; proposals in which there is substantial public, political or media interest in the vote or company; and votes against the recommendation of the board, which require case-by-case analysis, according to AB's [Proxy Voting and Governance Policy](#).

### CLIENT REPORTS AND DISCLOSURES

We provide regular updates to our clients, not only on the financial performance of their investments but also on our stewardship activities via strategy-level engagement and proxy-voting reports. Many of these disclosures are proactively given to clients. Others are easily available upon client request. In addition, AB clients have access to all publicly available material. Account-specific information that is available to clients includes:

- + Risk/return performance of their investments. This includes commentary on both macroeconomic and idiosyncratic factors as they relate to the performance of securities.
- + Proxy-voting reports. These detail how shares were voted and the rationale for significant votes.
- + Engagement activities. We typically provide formal reports on our engagement activities in response to specific client requests. We have several clients to whom we provide quarterly ESG integration reports, which include examples of how we analyzed and engaged with issuers in their portfolios.
- + ESG, carbon and climate metrics. We can provide clients with information from third-party ESG ratings providers on security-level and portfolio-level ESG metrics and carbon exposures.

## 8. AB: A PROACTIVE MEMBER OF THE GLOBAL INVESTMENT COMMUNITY

While AB has robust practices and policies to integrate stewardship and responsible investing within our own activities, that alone isn't enough because the world of investing is complex and fast-moving. We must stay current on best practices, evolving principles, and changing frameworks and regulatory developments. We can influence these areas by advocating for progress with issuers, regulators and others as we continue to advance responsible investing and stewardship practices. We can often be more effective at both learning and advocating by collaborating with others. To support these efforts, AB is a proactive and participating member of the global investment community.

### RESPONSIBLE INVESTING ORGANIZATIONS

AB espouses the Principles for Responsible Investment, as stipulated by the UN PRI. We joined the PRI in 2011 and have been an active member, aligning our investing activities with the organization's principles ever since. In addition to the PRI, we've joined a number of other organizations focused on responsible investing. These include organizations aimed at establishing responsible investing principles, setting corporate governance best practices, encouraging enhanced integration and disclosure, and providing data, information, tools, and support that enable the aforementioned activities. AB's corporate memberships include:



### STEWARDSHIP AND GOVERNANCE ORGANIZATIONS

Similarly, AB is an active member of many organizations focused on enhancing governance and stewardship activities, or that progress the adoption of ESG in local markets. These include:



## CLIMATE CHANGE-RELATED ORGANIZATIONS

In addition, AB participates in the working groups of several organizations focused on supporting investors facing the challenges of addressing climate change risk. These include:



## PLEDGES, INITIATIVES, FRAMEWORKS AND CODES WE HAVE SIGNED

Japanese Principles for Financial Action for the 21st Century (Japan PRI)

Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD)

Stewardship Principles for Institutional Investors in Taiwan

UK Stewardship Code

Japan Stewardship Code

Eurosif European SRI Transparency Code

Pensions and Lifetime Savings Association Stewardship Disclosure Framework

Investor Stewardship Group Stewardship Framework for Institutional Investors

The Child Safety Pledge

CCLA's "Find It, Fix It, Prevent It" Modern Slavery Initiative

Investors Against Slavery and Trafficking Asia-Pacific

KnowTheChain Investor Statement: Investor Expectations on Addressing Forced Labor in Global Supply Chains

### **COLLABORATING WITH ASSET MANAGERS, ASSET OWNERS AND OTHER INDUSTRY PARTICIPANTS**

AB collaborates with other industry participants in several ways, including:

- + Collaborative engagements (see Section 5)
- + Attendance at numerous industry events (e.g., conferences, workshops, seminars, webinars, etc.)
- + Speaking at numerous industry events to share our perspectives
- + Hosting or sponsoring similar events for peers and other industry participants

AB also seeks out partnerships beyond the investment-management community where we feel that outside expertise and collaboration will enhance our responsible investing and stewardship activities.

The most prominent of these collaborations is our partnership with the Earth Institute at Columbia University, which is focused on climate change. To better understand and incorporate the impact of climate change more thoroughly into our investment process, we embarked on a journey with Columbia in 2019. The first phase of our collaboration involved cocreating the Climate Science and Portfolio Risk curriculum for our investors, which addresses the basic science of climate change, the policy/legal/regulatory aspects, climate change solutions and how to translate climate change into financial impact. As of 2020, we had trained more than 250 investors and are pivoting our collaboration to focus on research that will have a specific and tangible impact on our investment process.

### **INFLUENCING REGULATORS AND AGENCIES**

AB also views offering opinions, advice and comments on responsible investing and stewardship to regulators, organizations and other relevant bodies as a critical part of our role as a proactive member of the investment community.

AB regularly participates in discussions and offers advice and feedback to industry bodies that represent the asset-management or investment communities, such as the Investment Company Institute or regional organizations such as Asia Securities Industry & Financial Markets Association or the Australian Financial Services Council.

Working together often brings diverse viewpoints, creates greater alignment between members, and results in a more powerful way to advance regulatory and other responsible investing and stewardship efforts. Where we feel that we have a differentiated point of view or the topic at hand is of critical importance, we will communicate directly with the regulator or other agency through the submission of letters and consultation responses.

## **CONCLUSION**

At AB, we're fully invested in being a responsible firm—and committed to being our stakeholders' most valued partner. We foster a diverse, connected, collaborative culture that encourages different ways of thinking and differentiated insights. We embrace innovation to address increasingly complex investing challenges, including those related to ESG and climate-related factors. We pursue responsibility at all levels of our firm—from how we work and act to the solutions we design for clients.

## 9. APPENDIX

### ALIGNMENT WITH THE ICGN GLOBAL STEWARDSHIP PRINCIPLES

<p>PRINCIPLE 1: Internal governance: the foundation of effective stewardship</p> <p>Investors should keep under review their own governance practices to ensure consistency with the aims of national requirements and the ICGN Global Stewardship Principles and their ability to serve as fiduciary agents for their beneficiaries or clients.</p>	<p>Section 2 AB's Governance, Responsibility and Stewardship Structure: Form Enables Function</p>
<p>PRINCIPLE 2: Developing and implementing stewardship policies</p> <p>Investors should develop and implement stewardship policies which outline the scope of their responsible investment practices.</p>	<p>Section 1 AB's Mission and Responsibility</p> <p>Section 3 Responsibility, Responsible Investing, and Stewardship Policy Development and Implementation</p>
<p>PRINCIPLE 3: Monitoring and assessing investee companies</p> <p>Investors should exercise diligence in monitoring companies held in investment portfolios and in assessing new companies for investment.</p>	<p>Section 4 Responsible Investing: Integrating ESG and Climate Considerations Throughout the Investment Process</p> <p>Section 5 Engaging with Issuers</p>
<p>PRINCIPLE 4: Engaging companies and investor collaboration</p> <p>Investors should engage with investee companies with the aim of preserving or enhancing value on behalf of beneficiaries or clients and should be prepared to collaborate with other investors to enhance engagement outcomes.</p>	<p>Section 5 Engaging with Issuers</p>
<p>PRINCIPLE 5: Exercising and protecting voting rights</p> <p>Investors with voting rights should seek to vote shares held and make informed and independent voting decisions, applying due care, diligence, and judgement across their entire portfolio in the interests of beneficiaries or clients.</p>	<p>Section 6 Exercising Voting Rights</p>
<p>PRINCIPLE 6: Promoting long-term value creation and integration of environmental, social and governance (ESG) factors</p> <p>Investors should promote the long-term performance and sustainable success of companies and should integrate material environmental, social and governance (ESG) factors in investment decision-making and stewardship activities.</p>	<p>Section 4 Responsible Investing: Integrating ESG and Climate Considerations Throughout the Investment Process</p> <p>Section 5 Engaging with Issuers</p> <p>Section 6 Exercising Voting Rights</p> <p>Section 8 AB: A Proactive Member of the Global Investment Community</p>
<p>PRINCIPLE 7: Meaningful transparency, disclosure and reporting</p> <p>Investors should publicly disclose their stewardship policies and activities and report to beneficiaries or clients on how they have been implemented so as to be fully accountable for the effective delivery of their duties.</p>	<p>Section 7 Transparency, Disclosure and Reporting</p>

## ALIGNMENT WITH THE JAPAN STEWARDSHIP CODE (2020 REVISION)

PRINCIPLE 1: Institutional investors should have a clear policy on how they fulfill their stewardship responsibilities, and publicly disclose it.	<p>Section 1 AB's Mission and Responsibility</p> <p>Section 3 Responsibility, Responsible Investing, and Stewardship Policy Development and Implementation</p> <p>Section 5 Engaging with Issuers</p>
PRINCIPLE 2: Institutional investors should have a clear policy on how they manage conflicts of interest in fulfilling their stewardship responsibilities and publicly disclose it.	<p>Section 2 AB's Governance, Responsibility and Stewardship Structure: Form Enables Function, subsection Managing Conflicts of Interest</p> <p>Section 3 Responsibility, Responsible Investing, and Stewardship Policy Development and Implementation</p> <p>Section 6 Exercising Voting Rights</p>
PRINCIPLE 3: Institutional investors should monitor investee companies so that they can appropriately fulfill their stewardship responsibilities with an orientation towards the sustainable growth of the companies.	<p>Section 1 AB's Mission and Responsibility</p> <p>Section 2 AB's Governance, Responsibility and Stewardship Structure: Form Enables Function, subsection Managing Conflicts of Interest</p> <p>Section 4 Responsible Investing: Integrating ESG and Climate Considerations Throughout the Investment Process</p> <p>Section 5 Engaging with Issuers</p>
PRINCIPLE 4: Institutional investors should seek to arrive at an understanding in common with investee companies and work to solve problems through constructive engagement with investee companies.	<p>Section 4 Responsible Investing: Integrating ESG and Climate Considerations Throughout the Investment Process</p> <p>Section 5 Engaging with Issuers</p> <p>Section 6 Exercising Voting Rights</p> <p>Section 7 Transparency, Disclosure and Reporting</p> <p>Section 8 AB: A Proactive Member of the Global Investment Community</p>
PRINCIPLE 5: Institutional investors should have a clear policy on voting and disclosure of voting activity. The policy on voting should not be comprised only of a mechanical checklist; it should be designed to contribute to the sustainable growth of investee companies.	<p>Section 6 Exercising Voting Rights</p> <p>Section 7 Transparency, Disclosure and Reporting</p>
PRINCIPLE 6: Institutional investors in principle should report periodically on how they fulfill their stewardship responsibilities, including their voting responsibilities, to their clients and beneficiaries.	<p>Section 6 Exercising Voting Rights</p> <p>Section 7 Transparency, Disclosure and Reporting</p>
PRINCIPLE 7: To contribute positively to the sustainable growth of investee companies, institutional investors should develop skills and resources needed to appropriately engage with the companies and to make proper judgments in fulfilling their stewardship activities based on in-depth knowledge of the investee companies and their business environment and consideration of sustainability consistent with their investment management strategies.	<p>Section 2 AB's Governance, Responsibility and Stewardship Structure: Form Enables Function</p> <p>Section 3 Responsibility, Responsible Investing, and Stewardship Policy Development and Implementation</p> <p>Section 4 Responsible Investing: Integrating ESG and Climate Considerations Throughout the Investment Process</p> <p>Section 7 Transparency, Disclosure and Reporting</p> <p>Section 8 AB: A Proactive Member of the Global Investment Community</p>
PRINCIPLE 8: Service providers for institutional investors should endeavor to contribute to the enhancement of the functions of the entire investment chain by appropriately providing services for institutional investors to fulfill their stewardship responsibilities.	<p>Although we recognize that this principle is not directed at us as an institutional investor, we regularly exchange information with service providers for institutional investors, such as proxy advisors and investment consultants for pensions, to enhance the functions of the entire investment chain. This process is outlined more in Section 4.</p>



## ALIGNMENT WITH THE UK STEWARDSHIP CODE

PRINCIPLE 1: Signatories' purpose, investment beliefs, strategy, and culture enable stewardship that creates long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society.	Section 1 AB's Mission and Responsibility
PRINCIPLE 2: Signatories' governance, resources and incentives support stewardship.	Section 2 AB's Governance, Responsibility and Stewardship Structure: Form Enables Function Section 3 Responsibility, Responsible Investing, and Stewardship Policy Development and Implementation Section 4 Responsible Investing: Integrating ESG and Climate Considerations Throughout the Investment Process
PRINCIPLE 3: Signatories manage conflicts of interest to put the best interests of clients and beneficiaries first.	Section 2 AB's Governance, Responsibility and Stewardship Structure: Form Enables Function Section 6 Exercising Voting Rights
PRINCIPLE 4: Signatories identify and respond to market-wide and systemic risks to promote a well-functioning financial system.	Section 4 Responsible Investing: Integrating ESG and Climate Considerations Throughout the Investment Process Section 8 AB: A Proactive Member of the Global Investment Community
PRINCIPLE 5: Signatories review their policies, assure their processes and assess the effectiveness of their activities.	Section 3 Responsibility, Responsible Investing, and Stewardship Policy Development and Implementation
PRINCIPLE 6: Signatories take account of client and beneficiary needs and communicate the activities and outcomes of their stewardship and investment to them.	Section 1 AB's Mission and Responsibility Section 4 Responsible Investing: Integrating ESG and Climate Considerations Throughout the Investment Process
PRINCIPLE 7: Signatories systematically integrate stewardship and investment, including material environmental, social and governance issues, and climate change, to fulfil their responsibilities.	Section 4 Responsible Investing: Integrating ESG and Climate Considerations Throughout the Investment Process Section 5 Engaging with Issuers Section 6 Exercising Voting Rights
PRINCIPLE 8: Signatories monitor and hold to account managers and/or service providers.	Section 3 Responsibility, Responsible Investing, and Stewardship Policy Development and Implementation Section 4 Responsible Investing: Integrating ESG and Climate Considerations Throughout the Investment Process
PRINCIPLE 9: Signatories engage with issuers to maintain or enhance the value of assets.	Section 5 Engaging with Issuers
PRINCIPLE 10: Signatories, where necessary, participate in collaborative engagement to influence issuers.	Section 5 Engaging with Issuers, subsection Collaborative Engagement Section 8 AB: A Proactive Member of the Global Investment Community
PRINCIPLE 11: Signatories, where necessary, escalate stewardship activities to influence issuers.	Section 5 Engaging with Issuers, subsection Policy for Escalating Issues, subsection Policy Advocacy Section 8 AB: A Proactive Member of the Global Investment Community
PRINCIPLE 12: Signatories actively exercise their rights and responsibilities.	Section 6 Exercising Voting Rights





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