



ALLIANCEBERNSTEIN®

ADVANCING RESPONSIBLE INVESTING

SEPTEMBER 2020



A WORD FROM OUR CEO



At AB, we're committed to responsibility, both as a firm and as investors. Responsible Investing is a key component of our strategy and an area we continue to invest in, as it's inextricably linked with corporate responsibility. I and the company's senior leadership are striving to advance both.

COVID-19 has caused vast suffering and disruption to the global economy and financial markets, and it has been particularly devastating for people from underserved or marginalized communities. The focus on racial injustice in the US, together with political challenges globally, has created an environment that we must respond to.

As a firm, AB has adapted rapidly to protect our employees' health and welfare, support our communities, and ensure we can continue managing clients' investments safely and securely. Our employee gift-matching program to support COVID-19 relief was met with an overwhelming response, and AB employees used their own innovation and creativity to aid the cause.

To fight racial injustice and inequity, we've started a search to continue to increase the diversity of our board members with the goal of appointing a new diverse member in 2021. We're also evaluating how we can better recruit, develop and retain diverse talent—including senior leaders. We're revisiting corporate philanthropy and working to coalesce the financial-services sector around action.

We're committed to elevating our corporate environmental, social and governance (ESG) practices—to that end, we're strengthening our corporate statements on climate change, modern slavery and human trafficking, and vendor management in 2020. We're also building up our corporate environmental metrics and targets.

We've put investors at the heart of our responsible investing effort, appointing Sharon Fay as Chief Responsibility Officer and Michelle Dunstan as Global Head of Responsible Investing. Together, Sharon and Michelle, who have a combined 45 years of experience at AB as analysts and portfolio managers, will oversee AB's responsible investing strategy, including research and stewardship, integration and collaboration with our broader teams on product development.

Among our responsible investing initiatives is thought leadership. We're deepening our collaboration with Columbia University's Earth Institute on climate change and investing, developing a curriculum that more than 150 AB investors have completed to date. I've completed it, as has Ramon de Oliveira, AB's Chairman of the Board.

We're considering collaboration in other areas, too. We're advancing ESG integration with proprietary tools and frameworks, and we're extending our Portfolios with Purpose platform—four new solutions will receive initial funding in 2020.

COVID-19 has become a prominent theme in engagement: it not only impacts business models but also shines a light on corporate ESG practices. We're advocating that issuers be responsible corporate citizens, and we're working to better understand opportunities and threats created by the pandemic. By incorporating COVID-19 in our ESIGHT and Prism platforms, we're enabling Investment Professionals to share company information in real time.

In 2020, we're embarking on a strategic ESG engagement campaign, with our analysts focusing on companies that exclude ESG metrics from their executive compensation plans and those without climate-change targets or metrics. We'll ask for those metrics to be established in 2021, as we do the same for AB. We've made a commitment to using our position of influence as investors to help drive positive change that also creates better financial outcomes for our clients.

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. Working together, we continue to make progress on our ESG journey.



**We're committed
to being leaders in
responsibility—in both
how we act as a firm
and how we invest on
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SETH P. BERNSTEIN
President and CEO

TABLE OF CONTENTS

COMMITMENT TAKES ACTION	1
Responsibility at AB: Vision, Strategy and Structure	2
CORPORATE RESPONSIBILITY	
Reducing Our Environmental Footprint	3
Driving Social Advances	4
Supporting Communities	5
Focusing on Good Governance	6
Adapting Our Firm to the COVID-19 Pandemic	7
AT A GLANCE: RESPONSIBLE INVESTING AT AB	8
RESEARCH, ENGAGEMENT AND STEWARDSHIP	
ESG Research Integration	9
Delivering—and Measuring—Impact	10
UN Sustainable Development Goals: A Road Map for Investors	11
Integrating Climate Science and Investing	12
Enhancing ESG Integration and Collaboration Through Digitization	13–14
Integrated ESG Research in Action: Case Studies	15
Engaging with Issuers	16
Incorporating COVID-19 into Issuer Engagement	17
Stewardship: Proxy Voting	18–19
AB BERNSTEIN RESEARCH	
ESG in Sell-Side Analysis	20–21
INVESTING WITH PURPOSE	
Empowering Clients to Invest with Purpose	22
Sharing ESG Insights and Perspectives	23
Taking an Active Role in the Responsible Investing Industry	24
A FINAL WORD	25

Commitment isn't passive. At all levels of the firm, we pursue responsibility—from how we work and act to the solutions we deliver to clients.

COMMITMENT TAKES ACTION

From our perspective, it's impossible to separate the notions of corporate responsibility and responsible investing. We must have an unwavering commitment to being a responsible firm in order to be truly effective responsible investors.

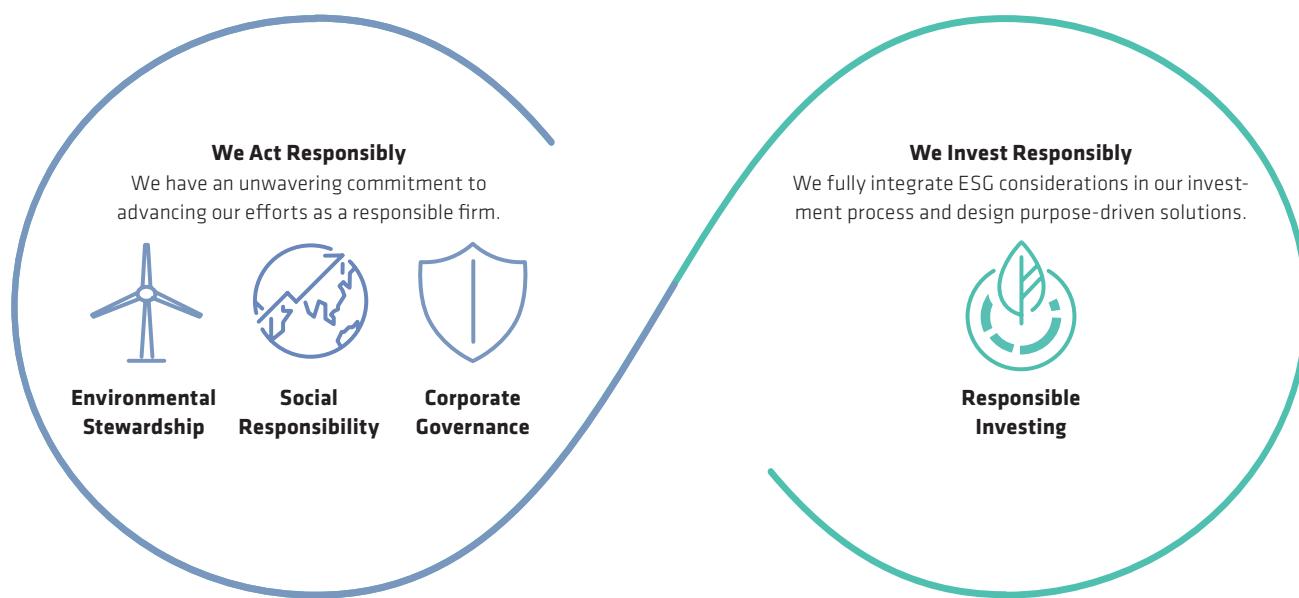
Our promise is to be a good corporate citizen for all stakeholders. That means dedicating ourselves to reducing our environmental footprint through initiatives such as greener buildings and reductions in greenhouse gas (GHG) emissions.

It also means making social advances, including increasing diversity and supporting our diverse communities. And it means being better corporate stewards by strengthening governance and protecting our clients' information.

The pursuit of corporate responsibility makes us better responsible investors. The foundation of our responsible investing effort is to integrate ESG into our investment and research process and actively engage on ESG-related issues.

We also leverage our perspective as a responsible firm and as ESG-integrated investors to design differentiated Portfolios with Purpose. Our solutions—goal-based, sustainable and impact—address our clients' evolving needs to invest their capital with purpose while pursuing strong investment returns.

RESPONSIBILITY-IN ACTIONS AND INVESTMENTS



RESPONSIBILITY AT AB: VISION, STRATEGY AND STRUCTURE

OUR VISION

Our vision is to become a recognized industry leader in responsible investing, with solutions that combine strong financial outcomes with excellence in ESG research, integration and product design.

To realize this vision, we're leveraging our research heritage to integrate ESG consistently across product offerings and to deliver a differentiated, cohesive and compelling suite of Portfolios with Purpose. We're also working to raise the bar on AB's corporate responsibility efforts.

To further these goals, we're investing in several key initiatives:

Building ESG thought leadership. We continue to deepen our collaboration with Columbia University's Earth Institute on climate change and investing while exploring globally the potential for other relationships on ESG issues. We're also launching a proactive engagement campaign to advance the quantity, quality and impact of our ESG engagement with issuers.

Deepening our ESG integration capabilities. Within our investor-driven ESG integration model, our ESG and fundamental analysts conduct joint research to develop or enhance proprietary frameworks and tools that improve investment decisions. We're committed to developing ongoing training modules for portfolio managers and analysts, in addition to our flagship climate-change curriculum with Columbia.

Extending our platform of Portfolios with Purpose. We'll continue to build out our purpose-driven product lineup across equity, fixed-income and multi-asset. We're introducing four new products in 2020, which include additions to our sustainable solutions platform and innovative products, such as our low-carbon strategies.

Elevating AB's ESG practices. We continually examine our own corporate ESG practices to ensure that we're advancing our policies and behaviors—the same standard we expect from the companies we engage with and invest in. We're releasing new statements on climate change and modern slavery, and updating our vendor management policy to put more emphasis on both modern slavery and diversity and inclusion considerations. Also, the process of establishing environmental targets and metrics is under way.

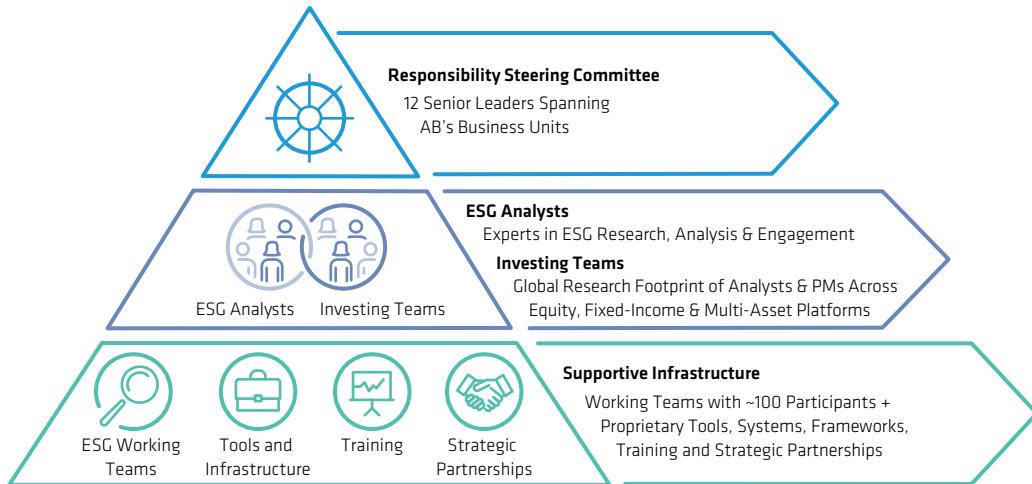
STRUCTURE: RESPONSIBILITY AT ALL LEVELS

To implement our responsibility strategy and measure its progress, we've created a structure that reflects our commitment to responsibility at all levels of our organization. Our Board of Directors and CEO created the position of Chief Responsibility Officer (CRO) in 2020. This position has direct supervisory control over AB's corporate responsibility and responsible investing efforts. The CRO is also a member of AB's Operating Committee.

At AB, many of our Investment Professionals have a hand in crafting, overseeing and executing our responsible investing strategy. The Responsibility Steering Committee, co-chaired by our CRO and Global Head of Responsible Investing, develops strategy and oversees execution.

Our investors—analysts and portfolio managers—are at the heart of our responsible investing process. They engage with companies, analyze and quantify ESG factors, and ultimately incorporate these inputs into their investment decisions.

Our Responsible Investing team, composed of subject-matter experts in this field, partners with investors in this effort. In conjunction with our various ESG working groups, the Responsible Investing team develops proprietary frameworks and toolsets, manages our ESG strategic partnerships, and develops training programs.



As of August 31, 2020

REDUCING OUR ENVIRONMENTAL FOOTPRINT

As we progress on our own corporate ESG journey, we're working to reduce our impact on the global environment—rethinking business operations to use less of Earth's precious resources. In 2020, our goal is to release our Climate Change and Taskforce for Climate-Related Financial Disclosure statement.

We're also working to establish appropriate science-driven environmental metrics and targets for AB. Across all types of environmental metrics, we're exploring the best ways to report more accurately and in a more timely fashion.

TRANSITIONING TO GREENER BUILDINGS AND OFFICES

We're working toward our goal of placing 65% of our employees into more environmentally friendly buildings and greener workspaces by 2025. The transition to our new global headquarters building in downtown Nashville, Tennessee, USA, is well under way, with the building's completion expected in 2021.



Target for percentage
of AB employees
working in sustainable
environments by 2025*

We're also executing on plans to move into greener office spaces with our remaining New York employees and to transition our London staff to a new office location. We're pleased that our new office location in Shanghai recently achieved gold level in the Leadership in Energy and Environmental Design's (LEED's) widely used green building rating system.

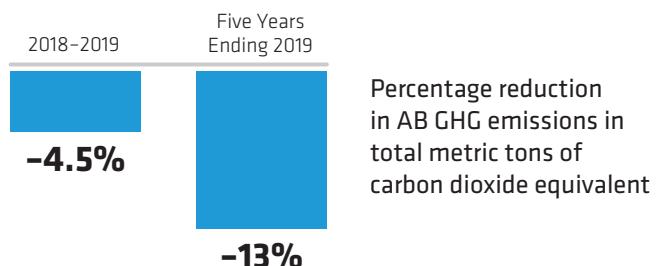
NEW AB SHANGHAI OFFICE LOCATION CERTIFIED LEED GOLD



*From major AB office locations in New York City, Nashville, Tennessee, and London, England.
Source: AB

REDUCING OUR GREENHOUSE GAS FOOTPRINT

We're constantly striving to reduce our GHG emissions, and in 2019 we recorded our lowest total emissions (as measured by total metric tons of CO₂e (carbon dioxide equivalent) since we started reporting on this internally in 2010. Between 2018 and 2019, we were able to reduce our emissions by a further 4.5%, and by 13% over the five-year period ending 2019.



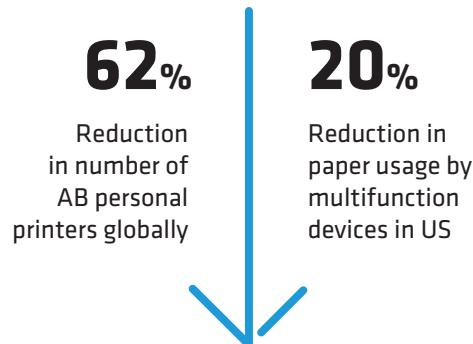
WORKING TOWARD A PAPERLESS FIRM

Reducing paper consumption is another initiative of ours to become more sustainable and reduce our environmental footprint. Between 2017 and 2019, we reduced the number of AB personal printers by 62% globally.

Over the same time frame, the amount of paper used by multifunction devices in the US has decreased by 20%. Paper usage of the personal printing devices that remain has decreased by 5%.

The Bring Your Own Device program, which we launched in 2017, continues to make an impact in reducing paper and expenses. As of June 30, 2020, 73% of AB's active employees have taken advantage of the tablet stipend program, which not only reduces paper usage but also reduces the number of duplicate devices purchased.

2017–2019



DRIVING SOCIAL ADVANCES

BECOMING A MORE DIVERSE FIRM

Recent racial tensions in the US have been a stark reminder to all of us about the need to pursue equality on all fronts. In the workplace, we're striving to become a more dynamic, diverse and inclusive workplace—one in which employees feel challenged, valued and excited about building a career with us.

We believe that a diverse culture fosters diverse thinking—and drives better outcomes. Of our 2019 US new hires, 31% were ethnically diverse. As of June 2020, 22% of our senior vice presidents (SVPs) are women, and from 2017 to 2020, female SVP promotions as a percentage of total SVP promotions rose to 33% from 27%. Female vice president (VP) promotions as a percentage of all VP promotions rose to 45% from 37%.



Ethnically Diverse
New Hires*



Female VP
Promotions†

In 2020, we enhanced our operating committee by adding three members. Janessa Cox-Irvin, Head of Diversity and Inclusion, helps ensure that diverse perspectives are woven into everything we do. Ajai Kaul, CEO of Asia-Pacific, represents our largest growing market and a vital regional perspective. Cathy Spencer, Head of Human Capital, applies the lens of our people, culture and well-being across all firm initiatives.

ENGAGING AND SUPPORTING EMPLOYEES

Employee Resource Groups (ERGs) are voluntary, cross-divisional employee-led groups that support our diversity and inclusion efforts. They were created to advance employees from traditionally underrepresented groups, the allies who support them and people who share a common purpose, interest or background.

The wellness of employees and their families is top of mind at our firm, too—and has never been more important than during the COVID-19 pandemic, with so many colleagues working from home. We've enhanced our programs broadly to focus on employee mental and physical health, and we've emphasized a transparent relationship about senior leadership decision-making.

These are a few examples of our efforts to make AB a better and more fulfilling place to work—and a company that better reflects the society that we wish to live in.

*Ethnically diverse includes African-American/Black, Hispanic/Latino and Asian. Ethnic diversity information is for the US only. As of December 31, 2019

†All gender information is global. As of August 31, 2020

‡Total charitable impact includes employee donations, the AB matching program and other firm contributions to more than 1,400 organizations.

STRIVING TO ADVANCE CORPORATE SOCIAL BEHAVIOR

By the end of 2020, AB will adopt the systematic integration of international norms (United Nations [UN] Guiding Principles on Business and Human Rights and the Organisation for Economic Co-operation and Development's Guidelines for Multinational Enterprises). These efforts are designed to identify, research and document ESG issues for firms in breach of norms.

In 2020, AB will also release a firmwide global statement communicating our stance on modern slavery and human trafficking. This includes the updating of our vendor management policies, which will better enable us to identify and respond to these very important issues.

SERVING OUR MANY COMMUNITIES

We're also striving to give back to our communities by participating in community groups, promoting charitable giving through employee matching and encouraging volunteering with paid time off. In 2019, we launched AB Gives Back, a platform for all volunteerism efforts, matching gifts and grant-giving.

For the full-year 2019, AB and its people logged 7,000 service hours and held 124 Day of Service events globally. In total, AB's charitable impact in 2019 was \$8.4 million.

\$8.4M

Total
charitable
impact in
2019‡

7,000 Total volunteer
service hours in 2019

124 Day of Service events
globally in 2019

PERFECT SCORE FOR FIVE STRAIGHT YEARS



SUPPORTING COMMUNITIES

In many ways, 2020 has demonstrated to all of us how global and expansive the concept of community is. From the COVID-19 pandemic to natural disasters and inequities in race and gender relations, the call for community service is stronger than ever.

COVID-19: ADDRESSING A GLOBAL CHALLENGE

The spread of COVID-19 has caused human tragedy and economic hardship across the globe, particularly for those from underserved or marginalized communities. To marshal resources, AB launched a two-for-one employee gift-matching program supporting COVID-19 relief. The response was overwhelming, channeling funds to more than 160 charities globally.

AB employees also applied their innovation and creativity to aid the cause. A member of our investment technology team used AB's 3D printers to make adapters that can transform respiratory aids into potentially lifesaving ventilators. Another leveraged 3D printing to make tension release bands and face shield visors for local healthcare professionals and essential workers.

PROMOTING RACIAL EQUITY AND INCLUSION

The civil injustice and unrest that erupted in the US and elsewhere has reinforced the need for progress. At AB, we recognize the value of diverse perspectives, ideas and backgrounds, and we're committed to being a force for change.

To fight racial injustice and inequity, we're taking—and evaluating—many actions. We've begun a broad talent search with the goal of appointing a diverse AB board member in 2021, and we're looking at ways to advance the recruiting, development and retention of diverse talent—and to ensure that more diverse leaders are on a path to senior decision-making roles.

We've made a commitment to using our position of influence as investors to help drive positive change that also creates better financial outcomes for our clients.

To advance racial equality, we're revisiting our corporate philanthropy as well as promoting supplier diversity and adherence to ethical and human rights standards.

PROGRESS ON GENDER EQUITY

In 2019, AB and hundreds of other major corporations signed an amicus brief for the US Supreme Court expressing a commitment to create workplaces that afford lesbian, gay, bisexual, transgender and queer (LGBTQ) employees the chance to earn a living, excel in their professions and provide for their families free from fear of unequal treatment.

On June 15, 2020, the Court ruled that the 1964 Civil Rights Act, which bars sex discrimination in the workplace, indeed protects LGBTQ employees from being fired because of their sexual orientation. It's a major step forward in increasing gender equality, and it's particularly satisfying that the decision was delivered in the middle of Pride month.

TORNADO RELIEF IN NASHVILLE, TENNESSEE, USA

In early March 2020, powerful tornadoes struck the Middle Tennessee region, including Nashville, home of our new corporate headquarters and many of AB's employees. To help communities, AB supported four Nashville nonprofit organizations playing a critical role in the recovery efforts. The Red Cross-Tennessee Region, the Community Foundation of Middle Tennessee, Hands on Nashville, and Gideon's Army played frontline roles in disaster relief, distributing supplies, marshaling volunteers and supporting those impacted by the storm.

COMMITTED TO COMMUNITY AND CIVIC ENGAGEMENT

We're committed to advancing our social impact inside and outside of AB, and community and civic engagement are important components of our social responsibility platform.

We're now a proud member of the Civic Alliance, a nonpartisan coalition of businesses committed to promoting civic engagement with their employees. To support civic involvement, we're offering paid time off to our US employees to vote in—and in some cases serve as poll workers for—upcoming elections. Beyond 2020, we'll look to offer similar benefits to our colleagues in regions outside North America.

OTHER COMMUNITY-SERVICE HIGHLIGHTS

It's impossible to provide an exhaustive account of all community-service initiatives, but we hope this overview and the following examples convey the scale of our efforts:

- + Employees in AB's Hong Kong office donated to an initiative to distribute 400 packs of sanitary supplies to families in need, with logistical support provided by local nongovernment organizations.
- + The Nashville Chapter of the AB OUT employee resource group provided meals at both lunch and dinner for LGBTQ youths sheltered by Nashville Launch Pad in partnership with the Oasis Center.
- + In London, we donated 5,000 masks to the London Ambulance Service at the beginning of the crisis due to a shortage of masks and personal protective equipment for frontline workers.

FOCUSING ON GOOD GOVERNANCE

DIVERSE, INDEPENDENT CORPORATE LEADERSHIP

As fiduciaries, we take our obligations seriously, and we expect our people to treat all our clients fairly and equitably. Clients' interests come first. Our business model rests 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.

AB's executive officers, board of directors and board committees oversee the firm's strategic direction. The board's characteristics reflect our belief in strong governance guided by diversity of thought:

- + Majority-independent 11-person Board of Directors
- + Independent Chairman of the Board
- + Separation of duties between Chairman and CEO
- + Unique skills, perspectives and backgrounds
- + Four standing board committees, including Compensation and Workplace Practices



Executive



Audit and Risk



Compensation and
Workplace Practices



Corporate
Governance

We continue to add diverse voices to our leadership. In 2020, the Head of Diversity and Inclusion, CEO of Asia-Pacific and Head of Human Capital joined the operating committee. And we've begun an extensive search to continue increasing the diversity of our board, with the goal of appointing a new diverse member in 2021.

ROBUST COMPLIANCE FRAMEWORK

Our framework is designed to ensure that our business operations stay compliant, and that we empower all employees to raise and resolve potential issues.

Code of Business
Conduct and Ethics

Compliance
Program

Compliance
Manual

Risk Appetite
Framework

SECURITY AND BUSINESS CONTINUITY

At AB, we take information security—in particular, the protection of our clients' and employees' information—very seriously. Our Information Security Standards and Guidelines and our Corporate Information Security Policy outline our efforts, which include the following:

- + Our Chief Security Officer and his team monitor and control the processes related to our cybersecurity infrastructure.
- + All websites and cybersecurity infrastructure are also third-party tested with state-of-the-art software to safeguard sensitive information.
- + A comprehensive business continuity strategy and disaster recovery plan allow us to maintain critical functions while minimizing client impact.

COMPLIANCE TRAINING REGIMEN

Specialized employee training is designed to protect our clients—and to protect the firm from litigation and reputational risk—by outlining the potential conflicts of interest that individuals and financial firms may face.

Our firm compliance training modules focus on building an ethical culture. New employees are required to take mandatory compliance and ethics training, and are required to complete a web-based program comprising video segments, case studies and a presentation by the Chief Compliance Officer.

In conjunction with the firm's Anti-Corruption Policy, all employees are required to complete a global anti-corruption training module. New employees complete a special training program that serves as an introduction to the various international anti-corruption laws.

WHISTLE-BLOWER POLICIES: EMPOWERING AN ETHICAL MIND-SET

Employees have several options for securely reporting and escalating ethical, compliance or other concerns, including through:

- + Formal reporting channels (a supervisor or manager) or the AB Compliance Department, General Counsel's Office or Head of Audit
- + The AB Ombuds Office—a confidential channel to obtain assistance on ethics-related issues or questionable practices
- + EthicsPoint, a third-party service, which gives employees, customers, suppliers and other stakeholders a secure online way to report potential ethics and compliance issues quickly, easily and anonymously (if desired)

» Learn More About
Corporate Governance at AB

ADAPTING OUR FIRM TO THE COVID-19 PANDEMIC

The COVID-19 pandemic required us to adapt rapidly to ensure business continuity while protecting employees' health and safety. Guidance from local authorities and health officials varied widely and evolved quickly as the virus spread globally, so our model had to be tailored to each location. To date, our plan has been successful, and we continue to refine it.

Except for a handful of critical staff, all AB offices in the US, Europe, mainland China, Singapore, Japan and Australia ultimately moved to a 100% remote working model, while some offices in Asia did not. Our teams functioned fully outside the office in a secure technology environment, with virtual access to office desktops and videoconferencing technologies, enabling us to collaborate and communicate with clients.

We've communicated clear procedures for employees diagnosed with COVID-19, or who have had direct or indirect exposure to those who may be carrying the virus. Clearly, these protocols are designed to maintain not only business continuity but also the health and safety of our employees and their loved ones.

Travel has clearly been impacted by the pandemic, and we regularly update our policy to reflect evolving public-health conditions—including prohibiting travel to or from higher-risk countries. All employees who travel internationally for personal reasons are also required to follow the protocols.

To address the human impacts of social distancing mandates, management is maintaining open lines of communication with employees to keep our people engaged and informed with a coronavirus information portal on *The Loop*, our intranet hub.

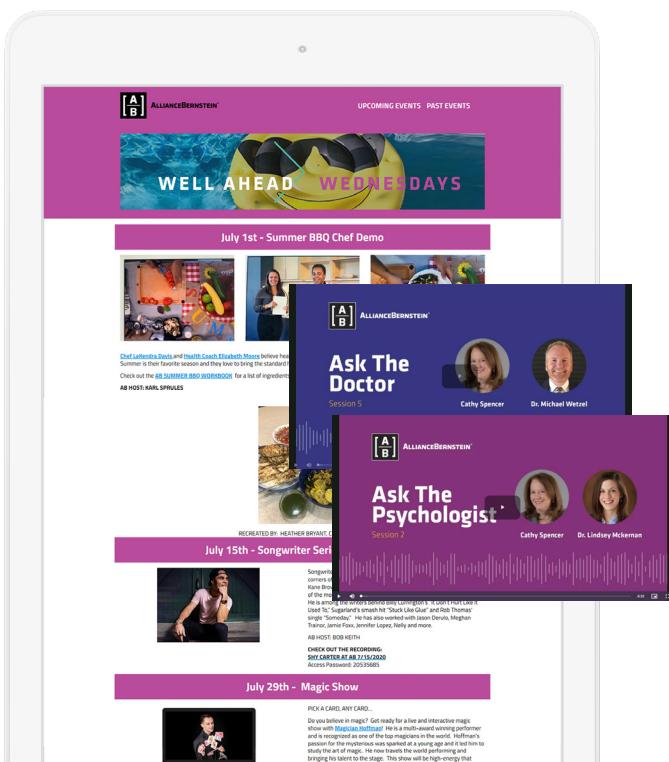
The pandemic created a challenging working paradigm for our employees and their families. Their health and well-being is of primary importance to us, and each employee's needs and family situation are different. That's why we've focused on creating a diverse slate of initiatives to support physical and mental well-being.

These include tools for sleep improvement and connections with licensed therapists. Podcasts, including *Ask the Doctor* and *Ask the Expert*, help people understand and cope with COVID-19. Health and fitness as well as other activity classes promote physical fitness, and we've provided resources such as mental health first-aid leaders, bereavement resources and family care support.

As we evaluate the path to an eventual return to AB offices around the world, the transition is being planned and executed carefully and gradually.

We're adhering to four principles: ensuring our people's safety and well-being; taking a measured pace; determining schedules by state or country factors, including local government guidance, health authority recommendations and input from local AB leadership; and ensuring that our physical office environment is as safe as possible.

PROMOTING EMPLOYEE WELLNESS



RETURN-TO-OFFICE: GUIDING PRINCIPLES

1	Ensure the Safety and Well-Being of AB Employees
2	Take a Measured Approach to Office Returns
3	Base Schedule on Guidance of Local Authorities
4	Keep Physical Office Spaces as Safe as Possible

AT A GLANCE: RESPONSIBLE INVESTING AT AB



\$456

billion in assets managed using ESG integration*



\$12

billion in Portfolios with Purpose*



99

employees directly supporting responsible investing initiatives[§]



10,000+

meetings with company management teams in 2019†



150+

AB analysts, portfolio managers and CIOs completed Columbia University climate science training



188

analysts across equities, fixed income and multi-asset[#]

These select facts and figures highlight our responsible investing efforts at AB. The following pages offer a deeper look.

Received **A+ PRI rating** for our Responsible Investing Strategy for the fifth year in a row.[‡]



78%

vote support for diversity-related shareholder proposals globally during the 2019 proxy season^{||}

*As of June 30, 2020. Assets using ESG integration include active fixed-income, equity, multi-asset and alternative strategies. Portfolios with Purpose are listed separately and therefore are not included in the integration total.

†Includes economic meetings with sovereign issuers.

‡PRI: UN Principles for Responsible Investment. In 2020, AB received "A+" scores in key modules: Strategy and Governance, Equity Incorporation, Equity Active Ownership, and Fixed Income SSA. We received "A" scores in Fixed Income Corporate Financial and Fixed Income Corporate Non-Financial. We received a "B" score in Fixed Income Securitized. Collectively, these categories represent 99.7% of our assets under management (AUM).

[§]Includes employees fully dedicated to responsible investing, members of committees and those involved in workstreams as of December 31, 2019.

^{||}Proxy vote results are for the 2019 proxy season. Investment Professional numbers are as of December 31, 2019.

#As of December 31, 2019.

ESG RESEARCH INTEGRATION

INVESTOR-DRIVEN INTEGRATION

Our global analyst team is at the heart of the ESG integration process, with fundamental analysts partnering closely with ESG subject-matter experts from our Responsible Investing team.

Our investors—research analysts and portfolio managers—understand the companies and industries they cover in depth. This puts them in the best position to determine which ESG issues are material for a particular company, to determine the financial impact of an ESG issue and to incorporate that insight into their cash-flow, earnings and credit models.

Because AB's investors make the decisions on whether to buy, hold or sell companies, they're also best suited to engage with company management teams. Investor-led engagement sends a clear message that we take ESG integration and companies' actions seriously—and are willing to press companies to improve their practices.

Because investors ultimately own the investment decision, it's critical that they fully understand and embrace the impact of ESG considerations on portfolio returns and outcomes—and have a framework to assess materiality.

THE MATERIALITY MATRIX: A FLEXIBLE ESG FRAMEWORK

When we view a company through an ESG lens, the first question we ask is: How do we evaluate the materiality of an ESG issue?

Two sets of criteria—ESG materiality and financial materiality—are critical to answering that question, and to managing risk, return and responsibility in line with portfolio goals and investment horizons.

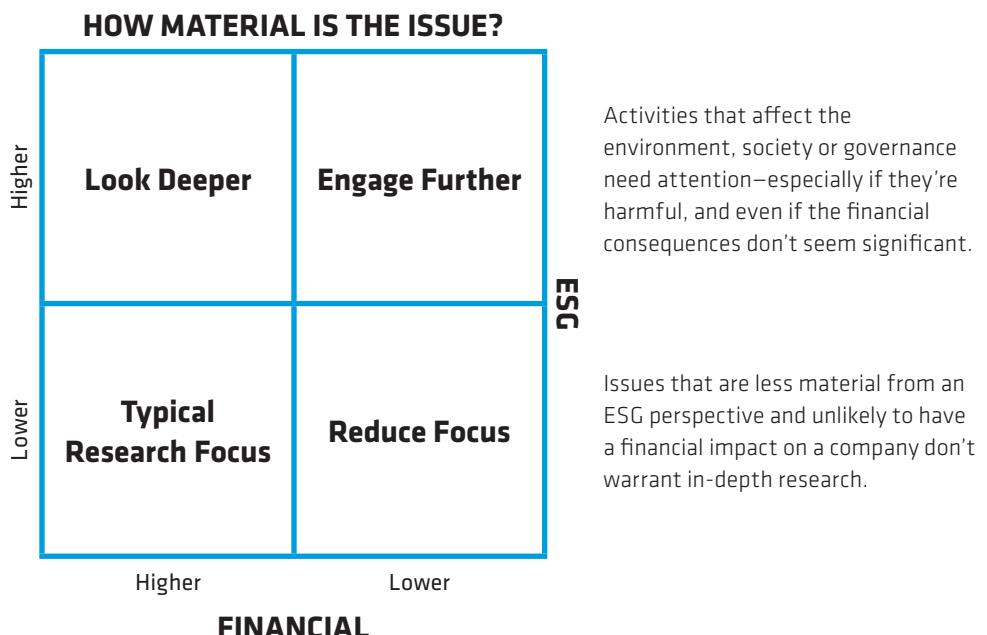
With a flexible materiality framework, we're able to take a comprehensive approach to addressing issues that are central to responsible investing—and we're better able to weight them transparently relative to traditional financial metrics.

Materiality differs by sector and industry. How a company manages its water consumption and treats wastewater, for example, could present ESG and financial issues for food and beverage companies. For financial firms, however, data and privacy concerns take precedence.

Working with over 120 AB analysts across asset classes, we've developed a proprietary matrix that covers more than 40 ESG issues and spans almost 70 subsectors. We can apply the matrix 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 forecast 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.

ESG RESEARCH AND ENGAGEMENT FRAMEWORK



DELIVERING—AND MEASURING—IMPACT

MEASURING IMPACT IN BOND MARKETS

Bond markets can provide investors with a clear way to measure environmental and social impact. Proceeds from fixed-income securities are often used for specific purposes stated in the bond documentation, which can be tracked and reported on.

The US municipal bond market, in particular, offers many avenues to channel investor funding to impactful initiatives and projects in education, healthcare, sustainable water and community development, creating opportunities for our Municipal Impact Portfolio. The market also offers the potential to benefit underserved populations.

ESSEX COUNTY, NJ: FUNDING SUSTAINABLE WATER

The Essex County Improvement Authority in New Jersey is one such example. The Authority issued guaranteed project bonds in 2019 to help fund the replacement of 18,000 service lines containing lead in Newark, New Jersey, USA.

At the start of that year, more than 10% of Newark homes had reported lead levels well above the federal action level recommendations by a national pediatric organization and regulators' goals.

Over the past three years, nearly 130 million Americans got their drinking water from systems that violated the Safe Drinking Water Act, according to a Natural Resources Defense Council report. And repeat violations were 40% more likely in areas heavily populated by residents of color.

The Newark project, when completed, is likely to improve the quality of life and health for a community of more than a quarter of a million people. As of May 2020, more than 10,800 lines had been replaced.

Outside of the muni market, the green and social bond markets—both of which have defined uses for issue proceeds—also offer concrete opportunities for investors to deliver impact via the public securities markets.

CON ED: TRACKING ENVIRONMENTAL IMPACT THROUGH ENERGY-EFFICIENCY RESULTS

Consolidated Edison's (Con Ed's) green bond issue in 2020 uses the proceeds to invest in improving the company's energy efficiency, with explicitly stated goals that include tripling energy efficiency by 2030, moving to 100% clean electricity generation by 2040, supporting electric vehicles and accelerating the reduction of fossil fuels used for heating.

Given Con Ed's stated goals, investors can use a number of metrics to track the impact of the company's progress, including reduced emissions, energy savings and increasing support for electric vehicles.

For example, 1 million of Con Ed's customers have upgraded to energy-efficient equipment since 2009, saving more than 7 million metric tons of carbon emissions. A \$1.4 billion smart-meter investment is expected to yield 1.5% in energy savings and reduce GHG emissions in Con Ed's service area by about 2%. To date, 3 million smart meters have been installed.

THE FOUNDATION FOR MEASURING IMPACT

Because we've fully integrated ESG considerations into our equity and fixed-income research and investment processes, engagement is a critical tool in evaluating and tracking ESG practices and advocating for improvement.

The ability to develop a deep understanding of each issuer and its ecosystem better positions our research analysts to assess an issuer's ESG practices, compare it to peers' and determine whether it's advancing. We apply both quantitative and qualitative perspectives to make these assessments.

Some fixed-income and equity portfolios go beyond ESG integration, with specific purpose-driven objectives. These portfolios have developed specific measurements to guide issuer analysis and portfolio construction.

The UN Sustainable Development Goals (SDGs) are one approach followed by our Sustainable Thematic Equity and Sustainable Thematic Credit portfolios. By mapping products to SDGs, we can measure the percentage of revenues derived from products aligned or misaligned with SDG outcomes. Companies can then be analyzed based on their net revenue exposure to the SDGs.

In our Responsible US Equities strategy, additional ESG metrics, both internally developed and externally sourced, are incorporated in the fundamental investment process. For example, our Board Effectiveness Index uses 23 metrics to create a weighted score that incorporates independence, governance, committee effectiveness, commitment and refreshment, and diversity and skill.

While we've made strides in measuring impact across our portfolios, we're certainly aware that it's an evolving process, and we continue to look for ways to improve in this critical area.

UN SUSTAINABLE DEVELOPMENT GOALS: A ROAD MAP FOR INVESTORS

IDENTIFYING SUSTAINABLE OPPORTUNITIES

The world faces big challenges, and it takes innovation to address them—innovation that spurs growth. We can organize these efforts around three themes: climate, healthcare and empowerment. The UN's SDGs are a good guide for identifying the products that will be among the keys to solutions.

With 17 goals and 169 specific targets, the SDGs are an ambitious program. They address areas of critical importance to humanity, including the elimination of poverty and hunger, improving access to education and healthcare, and addressing the negative impact of climate change. Created and signed by 193 nations, the SDGs attempt to build on the UN's earlier Millennium Development Goals by broadening the focus beyond developing markets and explicitly considering a private sector role.

These important changes make the SDGs a more useful tool for equity and fixed-income investors, but investing opportunities for the private sector aren't spread equally across all 17 SDGs. That's why we aim to identify SDGs that offer the best investible equity and fixed-income opportunities—and target those specific areas.

UNLOCKING INVESTMENT POTENTIAL

The SDGs aren't detailed enough to serve as an investment foundation. Instead, we evaluated the 169 SDG targets that exist underneath the 17 SDGs—the targets are the keys to unlocking the investment potential of the SDGs, in our view. Our research found that 106 of the targets presented opportunities for the private sector, with the rest more in the domain of policymakers.

For those in the private sector group, we then identified about 140 specific products and services that directly contribute to the achievement of these targets. In health, for example, we identified 24 product relationships for seeds, fertilizers and agricultural chemicals, as well as 21 product relationships to healthcare-service provision. We identified 16 climate products related to the Sustainable Transportation theme, including electric vehicles, batteries and vehicle safety equipment.

SDG target 3.4 calls for reducing, by one-third, premature mortality from noncommunicable diseases through prevention and treatment and promoting mental health and well-being. We outlined 10 diverse groups of products, including medical devices, drugs and vaccines, and athletic apparel, which all contribute toward reaching this goal (*display, top*).

FROM PRODUCTS TO COMPANIES

Finding products aligned with the SDGs is the first step to discovering companies that support a sustainable investing agenda.

Among companies we surveyed globally with at least \$1 billion in equity market capitalization, 2,456 are aligned with the SDGs, and 1,137 of those are included in the MSCI ACWI. Together, these firms represent 62% of the benchmark's market capitalization as of June 30, 2020. They exist in all regions and sectors (*display, bottom*), so there's ample opportunity to design well-diversified global or regional portfolios using a sustainable investing lens.

For example, we found 800 US companies that are aligned with the SDGs, including 259 in the S&P 500, representing 69% of the benchmark's capitalization weight. By applying a growth and stakeholder lens to identify products and companies aligned with the SDGs, we believe that investors can build diversified sustainable portfolios that can help them create social benefits while generating strong returns.

PRODUCTS ALIGNED WITH UN SDG TARGET 3.4: GOOD HEALTH AND WELL-BEING



UN SDG SECTOR EXPOSURES* UNIVERSE AND MSCI ACWI (CAP-WEIGHTED) (PERCENT)		
Sector	UN SDG-Aligned Universe	MSCI ACWI
Information Technology	21.6	19.5
Healthcare	18.1	13.2
Financials	12.9	13.8
Communication Services	12.4	9.4
Industrials	10.6	9.7
Consumer Discretionary	10.2	11.5
Consumer Staples	5.8	8.3
Utilities	3.3	3.3
Materials	2.5	4.6
Energy	1.7	3.0
Real Estate	0.9	3.0
Total	100.0	100.0[†]

*Sector exposures are as of June 30, 2020. Sector weightings will vary over time. Source: Bloomberg, MSCI, United Nations and AB
†Numbers may not sum due to rounding

INTEGRATING CLIMATE SCIENCE AND INVESTING

The effects of climate change can be far reaching. And given the stakes, there's a growing commercial, economic and regulatory imperative to more proactively address the complex issues climate change creates for financial markets.

That need is driving AB's collaboration with leading climate scientists at Columbia University's Earth Institute to develop a "Climate Science and Portfolio Risk" curriculum. It's designed to help portfolio managers, analysts and others better understand, analyze, engage on and integrate climate risks and opportunities.

The curriculum covers the scientific foundation behind climate change, including rising sea levels, extreme weather and natural hazards. It also covers the potential mitigation of and adaptation to climate risk, policy implications, technological solutions and related data sources to augment the investment process.

FROM CLIMATE SCIENCE TO INVESTMENT ANALYSIS

With an improved understanding of the science behind climate change, we believe we'll be better able to translate its broad impacts into inputs and tools to sharpen our investment analysis.

That knowledge includes macro trends that influence asset prices. As climate change intensifies, for example, population growth will slow and productivity will fall, reducing economic output and hurting corporate profits. Inflation pressures will also likely rise. Climate change will strand some issuers' assets, such as fossil-fuel reserves, and impair others. Capital spending will evolve, with more spending for climate-change protection and adaptation.

CLIMATE SCIENCE AND INVESTING CURRICULUM

MODULE	TITLE
I	Intro to Climate Science
II	Global Policy and Legal Implications
III	Climate and COVID-19
IV	Climate Solutions
V	Incorporating Climate into the Investment Process

This process will create winners and losers. Fossil-fuel producers, as mentioned, will struggle, and we factor these risk issues into the investments we make. Companies that develop new technologies and services that facilitate adaptation and mitigation, including strengthening physical defenses against climate change, will benefit.

TRACING CLIMATE RISKS TO FINANCIAL STATEMENTS

Connecting physical and transitional climate risks to their impact on financial statements can help analysts pin down issuer-specific impacts. A hurricane, for example, might damage physical assets, increasing capital costs as management invests in repairs or replacement.

Transitional risks from the move toward a carbon-free economy can be revealed by issuers' carbon footprints and the diverse revenue and cost impacts on income statements. If consumers avoid high-carbon food sources, and as carbon costs rise, beef producers' profitability will suffer. Firms that produce more efficient technologies like biofuels and smart grids, however, will be better positioned. If our analysts better understand the region- and industry-specific impacts of climate change, they can paint a clearer picture of how it translates into individual issuers' financial statements.

We're pursuing several paths for the next phase of our Columbia University relationship. These include opportunities for collaborative climate-related investment research to enhance portfolio decisions, evaluating and possibly developing in-house climate-risk assessment tools, and creating more training modules for global use. We're also exploring new climate-related products and strategies.

THE EARTH INSTITUTE COLUMBIA UNIVERSITY



ENHANCING ESG INTEGRATION AND COLLABORATION THROUGH DIGITIZATION

It's critical to integrate ESG factors into ground-level fundamental research—but without sharing research insights across investment teams, it won't be fully successful. To put momentum behind this effort, we've developed tools and platforms that foster better ESG integration and collaboration within—and across—investment platforms.

Prism, our fixed-income credit rating and scoring system, allows analysts to share views on individual issuers—and to do it in a consistent, comparable and quantifiable way across industries, ratings categories and geographies. Analysts evaluate each issuer on many dimensions, assigning specific ESG scores.

Any portfolio manager or analyst can access Prism's ESG scores in real time. Equity analysts tap into them through ESIGHT, a proprietary research and collaboration platform that integrates ESG issuer assessments, engagements and third-party research from MSCI and Sustainalytics.

Company Analysis - **GDH** GUANGDONG INVESTMENT LTD

ESIGHT
Change History
→ ADVISE OPTIONS

Controversies Date Controversy Rating

Sustainability Report	Aug 28, 2019	3
UNiC	Jul 01, 2019	Compliant

Proxy Vote Date Mgmt Comp SHP

Vote Against	Jun 17, 2019	Yes	Yes	N/A
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MSCI Environmental Rating CCC

	Exp	Mgmt	Wgt	Score	Quartile
Carbon Emissions	4.4	5	17	7.69	3
Natural Capital	5	0	19	0	4
Biodiversity & Land Use	6.2	1.7	17	2.30	4
Water Stress	8.5	1.7	22	0	4
Total Environmental	3.4	0	0	1.80	4

Social Rating CCC

	Exp	Mgmt	Wgt	Score	Quartile
Human Capital	4.5	0	0	4.70	4
Health & Safety	5.6	3.2	0	4.69	3
Human Capital Development	5	3.5	0	5.50	3
Labor Management	5	0	17	0	4
Total Social	2.9	0	17	4.10	4

Governance Rating CCC

	Exp	Mgmt	Wgt	Score	Quartile
Corporate Behavior	NA	0	0	5	4
Anti-Corruption Practices	NA	5	0	5	4
Business Ethics and Fraud	NA	0	5	0	4
Corruption & Briability	9.1	1.6	9	0	4
Corporate Governance	GLOBAL	HOME	18	3.00	4
Overall Governance	10	10	0	0	4
Accounting	31	29	0	0	4
Board	10	13	0	0	4
Ownership	45	39	0	0	4
Pay	54	60	0	0	4
Total Governance	27	280	0	0	4

Engagements

Jan 6, 2019 Thomas Stoebejerg | Core Equities Rating N/A

E Biodiversity & Land Use, Water Stress, Diversify

ESG is dependent on water stress, which poses extreme risk of operational disruptions from water shortages and associated compliance costs. GDI does not have other data points regarding water stress, except for lower water intensity rates, which are not readily available.

Analysts have provided disclosure in relation to biodiversity and land use, but GDI does not management targets and programs in place which helps keep the company to operational disruptions, litigation and higher costs.

G Ownership

GDI is majority owned by Guangdong Holdings Ltd which is a Chinese SOE and GDI is therefore effectively controlled by the Chinese government.

Last updated on Feb 6, 2019

Engagements

Jan 5, 2019 Thomas Stoebejerg | Core Equities Rating N/A

E G Biodiversity & Land Use, Water Stress, Diversify

Objective: GDI has been a holding of Global Core since 2013 and the most recent engagement is part of the ongoing engagement with the company.

Last updated on Feb 6, 2019

Engagements

Jul 2, 2017 Thomas Schmitt Christensen | Core Equities Rating N/A

E G Biodiversity & Land Use, Water Stress, Diversify

Objective: To discover potential left-tail and non-normally distributed risks associated with ESG exposures and management not captured in our direct modelling of generation of Economic Profits.

Last updated on Mar 10, 2019



ESIGHT

FORMALIZING ANALYSIS, FACILITATING COLLABORATION

This proprietary digital platform provides a common framework for evaluating ESG issues, enabling our analysts to leverage the full breadth of research insights from equities and fixed income. It also keeps a running catalog of company engagements and allows us to monitor and document progress.

PRISM

PROPRIETARY ESG SCORING

Our fixed-income Prism research platform includes proprietary ESG scores that directly impact analysts' forward ratings for each issuer we research.

ENHANCING ESG INTEGRATION AND COLLABORATION THROUGH DIGITIZATION (continued)

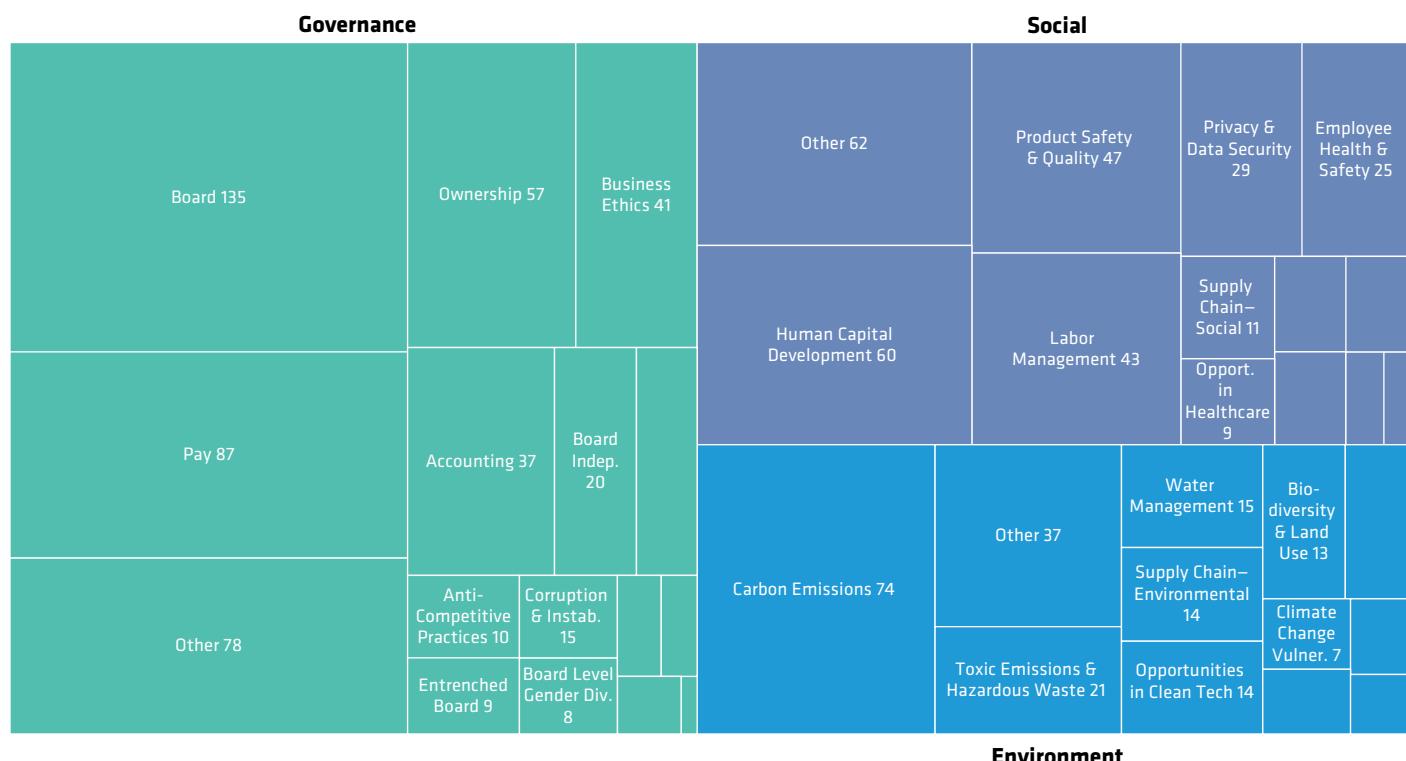
Why is it so important that ESG integration and collaboration span asset classes?

Investors in stocks and bonds often approach security analysis from different perspectives. Bond investors are often focused more on creditworthiness. Equity investors often focus on current and future cash flows and growth. If our analysts exchange perspectives across asset classes, they gain a more complete picture of corporate operations.

When we have meetings with company management teams, the opportunity often presents itself for both equity and fixed-income teams to attend. When they do, they're able to interact and question management teams from different perspectives. We feel that close collaboration between our equity and fixed-income research and portfolio teams gives us a more complete view of issuers.

The goal with the Prism and ESIGHT platforms is simple—to give our analysts and investment teams better and faster access to information that leads to better-informed research and investment conclusions.

TRACKING ESG ENGAGEMENT ON THE ISSUES



Based on 1,061 ESG topics logged in ESIGHT during 2019. Engagements can cover more than one topic.
Source: AB



We feel that close collaboration between our equity and fixed-income research and portfolio teams gives us a more complete view of issuers.”

INTEGRATED ESG RESEARCH IN ACTION: CASE STUDIES

ENEL CHILE: ACCELERATING DECARBONIZATION

Enel Chile, a subsidiary of Enel Group and the largest electric utility in Chile, recently decided to close all of its coal-fired power plants within the next two years. That's about 20 years ahead of the company's original 2040 decarbonization target.

In one of our recent engagements with Enel's management, we dug deeper into the basis for management's decision. Enel's rationale for accelerating its decarbonization plan includes the low cost of installing new renewable power plants, growing customer demand for low-carbon energy generation and potential rising regulatory costs for coal plants with high-carbon footprints.

We also assessed Enel's initiatives to help low-income utility clients during the COVID-19 crisis. In addition to philanthropic efforts, Enel is facilitating remote digital interactions with clients, offering special payment plans to the most vulnerable customers and forgoing power cuts due to unpaid bills.

To provide additional incentive for Enel to elevate its ESG trajectory, we encouraged management to issue a new sustainability bond that would link coupon payments to the firm's progress on sustainability goals—a structure similar to a bond issued by parent Enel Group in 2019.

ALSTOM: PURSUING DIVERSITY AT ALL LEVELS

We engaged with Alstom, a French multinational conglomerate, to discuss gender diversity at the company. Alstom develops and markets systems, equipment and services for the transportation sector globally.

Company management explained that Alstom's workforce has traditionally been biased toward males, so it has increased its focus on promoting diversity at all levels. The CFO is passionate about the company's goal of reaching 25% female management by 2025 (the board of directors is already 25% female).

One challenge is the limited pipeline of candidates who are female engineers graduating in France. The CFO noted that the company started a mentoring program for female students at French universities and sponsors a program for young graduates in India that's 60% female.

As of March 1, 2020, Alstom had received a score of 94 points out of 100 on the 2019 Gender Equality Index in France, making it a best-in-class company. This score results from the firm's implementation of an equal-pay policy—an integral part of the company's strategy, values and culture.

Alstom has hired and developed strong female executives. For example, we've met with Alstom's female head of investor relations and group head of corporate strategy, who has a master's degree from Harvard University and degrees in engineering and economics from École des Ponts ParisTech. She previously worked at McKinsey in Washington, DC, USA, and the World Bank, as well as in the prime minister's delivery unit in France, and as an advisor to the economic minister.

We look forward to maintaining a dialogue with her and the CFO on gender-diversity progress at Alstom, as we believe it is an essential component of the company's future.

PAYPAL: ADAPTING EFFECTIVELY TO COVID-19

In 2020, many issuer engagements have focused on how management is adapting to the COVID-19 pandemic, in both business operations and employee health and welfare. Those topics have been top of mind in our recent engagements with PayPal, a US-based firm that operates a global online payments system.

Based on our engagements with PayPal, business continuity appears to be flexible without sacrificing productivity or security. The company has implemented strong internal access controls and distributed company-granted hardware, such as laptops, because personal devices are the most vulnerable access points.

From the perspective of leadership, the COVID-19 crisis highlights the importance of board members' capacity and tenure. With PayPal, knowledge sharing among board members and real-time problem solving seem to indicate benefits from board members with multiple roles at outside firms and with longer tenures that include navigating previous crises.

PayPal is striving for best-in-class in both its existing and newly implemented employee-support structures, including wage stress-testing and increased health benefits. Regional human capital structures provide flexibility and nuance. Employee support structures include annual wage tests to ensure employees are paid a "thriving wage." PayPal's employee relief fund supports workers and their families in times of crisis, helping maintain cultural continuity.

Based on our assessments from ongoing engagement, PayPal management has done an effective job at managing proactively in the COVID-19 crisis; future engagements will revisit these and other aspects of PayPal's business, including further clarity on actions to support customers and merchants.

ENGAGING WITH ISSUERS

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 2019, we logged over 10,000 meetings, including issuer-specific engagements and strategic thematic engagements.

We also engaged selectively through our proxy-voting activities, covered in greater detail on the following page, and as a core component of our research and investment processes. We want to understand the impact of ESG considerations on investments and—increasingly—advocate for changes in corporate behavior and practices that will create value for shareholders or bondholders, on both fundamental and ESG issues. As large stewards of capital with a long-term orientation, we can—and should— influence management teams and boards.

In 2020, we're embarking on a strategic ESG engagement campaign. We've tasked our research analysts to engage deeply with 400 of our largest holdings—representing the majority of our active holdings that don't have the ESG criteria we're seeking. We're asking them to implement these metrics in 2021.

Our equity and fixed-income analysts and Responsible Investing team frequently engage issuers independently to understand the issues

from their own perspectives, and they often work together on joint engagements. Using our proprietary research and collaboration tools, they can share insights in real time and track any needed follow-ups for extended engagements. Often, engagements involve many meetings over multiple years, so it's critical to monitor and document progress.

Constructive engagement with management teams and, where appropriate, directors creates a forum to discuss many industry-related topics, including ESG issues. Analysts, partnering with ESG experts from our Responsible Investing team, must understand the industry ecosystem to have an open two-way dialogue with management that helps both parties.

For example, over the years, we've suggested that firms:

- + Enhance disclosure on ESG risks material to their business
- + Set diversity and inclusion goals across all levels of employees
- + Implement governance structures that foster long-term shareholder value
- + Align executive compensation with corporate performance
- + Maintain environmentally and socially responsible supply chains
- + Ensure robust data security oversight and management

FOCUS ON ENGAGEMENT

Our Analysts' Engagements Have Included the Following Companies:

- + Two Chinese original equipment manufacturers (OEMs) to understand how relocation of at least part of their operations to Vietnam has impacted labor supply and management
- + A French multinational hospitality company regarding governance practices, specifically its sponsorship of a sporting event franchise with ties to the CEO
- + A specialized waste management provider in the US on executive compensation and material weaknesses in internal controls and shareholder rights, with a focus on the discretionary part of long-term incentive plans
- + An Indian energy company regarding how the firm approaches liquefied natural gas development to position itself in the transition to a lower-carbon economy
- + A central European bank on governance processes and policies to ensure management pursues a capital allocation program that's in the interest of all shareholders

- + A large US consumer-financial-services firm about the creation of Scopes 1, 2 and 3 greenhouse gas emissions targets and whether they're meaningful or integrated with the firm's business strategy
- + A Japanese information technology company regarding its progress on increasing board independence and resourcing efforts to develop clean technology in areas such as autonomous vehicles
- + A South American beverage company on performance, disclosure and impact of single-use beverage packaging, specifically initiatives to mitigate the environmental impact of packaging waste from beverage sales
- + A Brazilian insurer to discuss discrepancies between its ESG ratings and the firm's actual practices and disclosures for financial product safety and health-insurance access
- + A government-controlled transmission-line developer on the environmental impact and permitting process for project development, and on providing greater access to electricity

INCORPORATING COVID-19 INTO ISSUER ENGAGEMENT

ASSESSING THE FAR-REACHING IMPACTS OF COVID-19

The novel coronavirus pandemic is impacting societies, economies and industries in many ways. It's vital to incorporate companies' COVID-19 responses directly into our ESG framework and ESIGHT platform, enabling all of our teams to share information on this rapidly evolving issue.

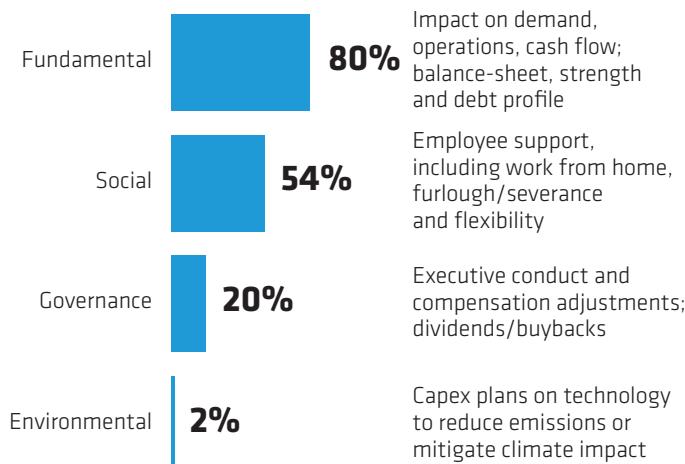
Engaging on COVID-19 issues is a critical component of dialogues with company management teams—right along with traditional engagement topics such as compensation and carbon emissions. We want to ensure that issuers are being responsible corporate citizens and to better understand opportunities and threats.

To facilitate engagement, we quickly incorporated COVID-19 into our ESIGHT platform, allowing our Investment Professionals to share company information in real time. Our credit analysts updated roughly 90% of company ratings during March alone. Through early June, we logged nearly 300 engagements—two-thirds of them discussing at least one COVID-19 ESG issue as well as the fundamental impact of the virus.

APPLYING ALTERNATIVE DATA TO COVID-19 RESEARCH

To capture insights from fast-moving COVID-19 developments, we built a Coronavirus Alternative Data Center that combines research from our fundamental analyst and data-science teams. The goal is to drive better analysis and investment decisions.

COVID-19: WHAT ARE WE ENGAGING ISSUERS ON?



Engagement percentages are based on 274 substantive COVID-19 company engagements through June 9, 2020. Percentages sum to more than 100%, since engagements cover multiple topics across categories.

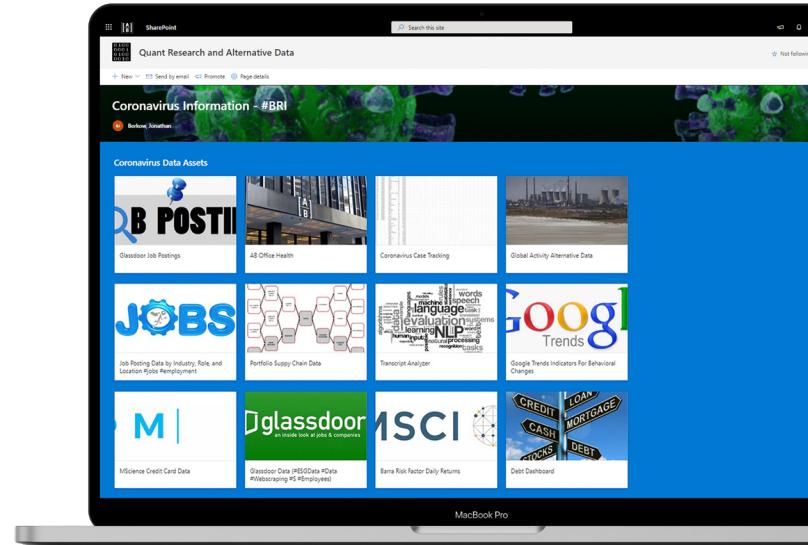
The center includes proprietary tools that track various aspects of the virus globally, including cases, hospitalizations and transmission rates. We've also sourced global activity metrics that monitor personal mobility, credit-card purchases, factory pollution and restaurant bookings. We've tracked drug tests, which could indicate employment checks for industries such as trucking that are likely to ramp up as economies reopen.

With alternative data, we've also mapped multiple tiers of company supply chains and linked them to the prevalence of COVID-19 spread and government-imposed shutdowns. And we've scraped public websites for employee reviews or sentiment to assess opinions of companies' remote-work efforts or senior managements' handling of the crisis.

Some of these metrics deal with the immediate impact of the crisis, but sentiment metrics could have a long-term impact. For example, will companies whose navigation of the crisis was viewed positively by employees be better able to attract and retain employees? We'll track this data over time to understand whether it has an impact on long-term company and stock performance.

By combining traditional management engagement with fundamental analysis and harnessing alternative data, we're working to quantify both the short- and long-term impact of the pandemic on the financial performance of our holdings.

CORONAVIRUS ALTERNATIVE DATA CENTER



STEWARDSHIP: PROXY VOTING

ACTIVE OWNERSHIP AND ROBUST ANALYSIS

Because issuers' ESG practices and behaviors impact their financial value and stakeholders, ESG considerations are central to our proxy voting. We've historically supported proposals that promote strong corporate governance, shareholder rights and transparency. By actively engaging, we're a voice for our clients' concerns on ESG issues. We've built our proxy-voting framework on teamwork and four pillars:

- 1. Robust, Collaborative Process**—Proxy voting is a joint effort between our fundamental investment analysts—the industry and company experts—and our Responsible Investing team, with its extensive ESG knowledge. An independent group within the Responsible Investing team analyzes each proxy proposal on shareholder-meeting agendas, discusses relevant proposals with the investment analysts and ensures that our final votes align with AB's policy. This partnership gives us the broadest perspective, enforces consistency in our ESG efforts and ensures that our vote has a positive impact.
- 2. Comprehensive Proxy and Governance Policy**—Our proprietary proxy and governance policy guides our votes on ESG matters. It's reviewed regularly and modified when necessary to ensure that it continues to reflect our stance on ESG issues. For example, we carefully analyze all shareholder proposals and generally support them unless we believe that they're overly prescriptive or that management has already adequately addressed the concerns.

3. Strong Internal Governance

Our Proxy and Governance Committee oversees our proxy efforts. It includes senior Investment Professionals as well as legal and operations experts. The committee partners with the investment teams, meeting at least three times a year to review the voting process, formulate AB's positions on new proposals and update policies to capture our latest thinking.

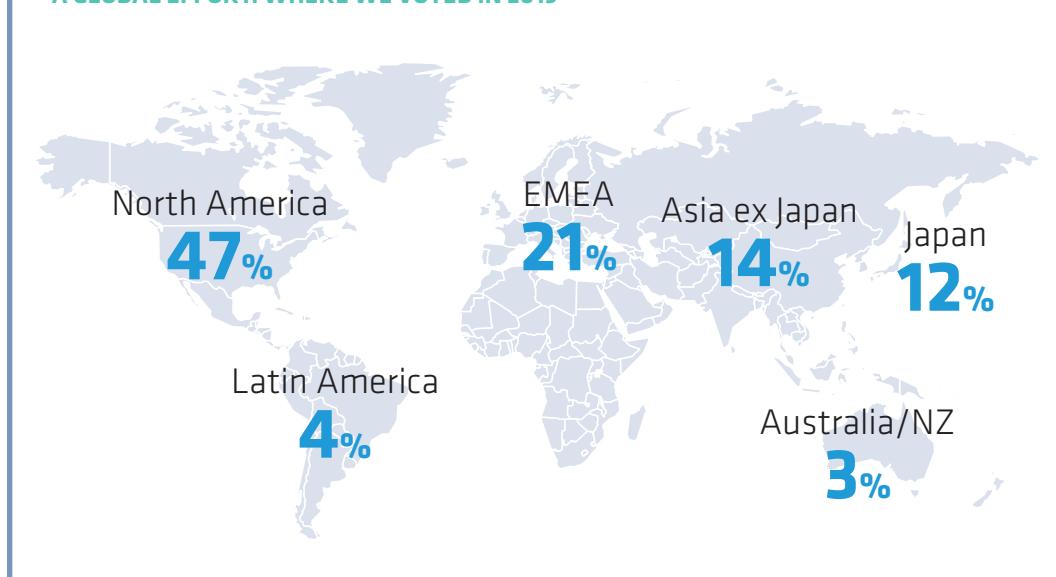
- 4. Commitment to Transparency**—We hold ourselves to the same standards of transparency and openness that we encourage in company management. We've disclosed our proxy votes online quarterly since 2013, and we were one of the earlier investment managers to do so. We also publicly disclose our proxy and governance policy and stewardship statements. As members of the Council of Institutional Investors and the International Corporate Governance Network, we advocate for effective corporate governance.

EVOLVING OUR PROXY POLICY

We update our proxy policy regularly to reflect emerging trends, new analysis and the higher standards we expect from companies in which we invest. Our Proxy and Governance Committee introduced two significant changes in 2019 focused on boards of directors:

First, we believe it's essential to assess the capacity of each director being considered for election in order to promote effective board oversight of company management. In 2019, we tightened our director overboarding guidance to generally limit the total number of

A GLOBAL EFFORT: WHERE WE VOTED IN 2019*



SUPPORTING SUSTAINABILITY PROPOSALS

AB was ranked as the sixth most supportive of 50 large asset managers on shareholder sustainability proposals for the five proxy seasons ending in 2019.[†]

*Based on 9,062 total shareholder meetings in 2019. Numbers may not sum due to rounding.

†2019 ESG Proxy Voting Trends, Morningstar Manager Research, February 2020

Source: Morningstar and AB

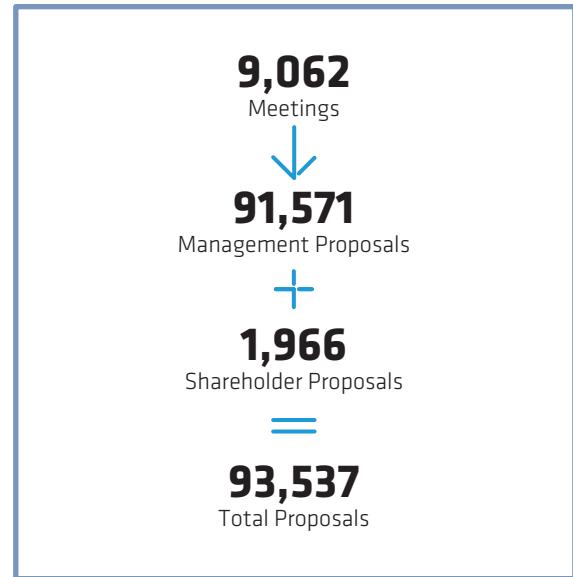
STEWARDSHIP: PROXY VOTING (continued)

public company board seats for directors to four seats for non-CEO director nominees and two seats for CEO director nominees. This total includes the board membership under consideration.

Second, we believe that diversity is an important element of assessing a board's capability, because it brings broader perspectives to strategy and risk management. Diversity is more than gender—it should consider aspects like business experience, ethnicity, tenure and nationality.

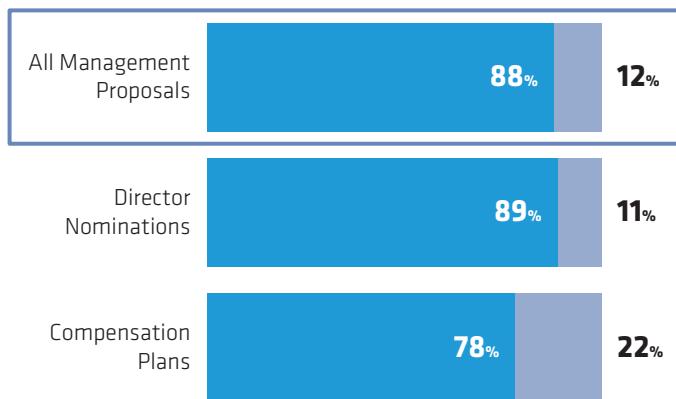
In our view, an absence of gender diversity signals that a firm's efforts at board diversity are lagging. In general, we'll vote against the nominating/governance committee chair, or a relevant incumbent member in the case of classified boards, when the board has no gender diversity.*

>> Access AB's Complete Proxy Voting Archive



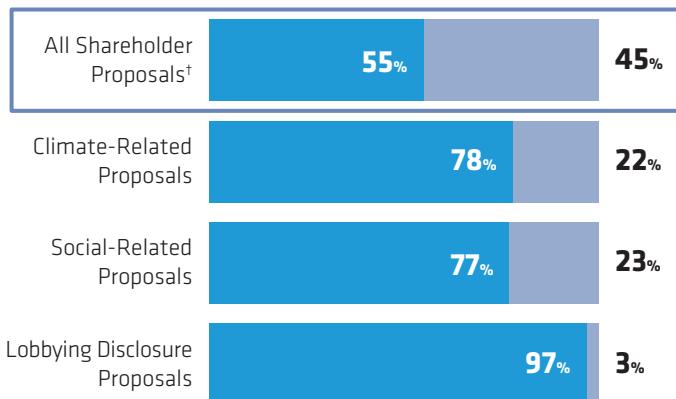
PROXY-VOTING RECORD

Management Proposals



● Supported ● Opposed

Shareholder Proposals



● Supported ● Opposed

>> View AB Proxy and Governance Policy

>> View AB Global Stewardship Statement

Proxy-voting results are as of the 2019 proxy season.

*This policy applies globally, excluding Japan. We will revisit this exclusion in 2020.

†Reflects US shareholder proposals

AB BERNSTEIN RESEARCH: ESG IN SELL-SIDE ANALYSIS

At Bernstein Research, AB's sell-side brokerage business, we're deeply committed to integrating ESG considerations across our equity research globally. By integrating ESG issues into our fundamental sector research, we seek to offer institutional investors an independent industry perspective to help them make better investment decisions.

Bernstein's senior analysts, with extensive experience in their respective industries, understand how ESG factors translate to impacts within their sectors. This knowledge enables analysts to identify relevant ESG considerations and connect them to value drivers, tying them to company financials and our stock recommendations.

Rather than hiring separate, siloed ESG teams or focusing on only scores or ratings, we've made a long-term commitment to developing ESG investing knowledge and skills across our global research teams. Internal ESG workshops are supplemented with external training to develop analysts' skill at drawing ESG assessment into the core of their research work.

We center our approach on a proprietary materiality, analysis and quantification (MAQ) framework. It guides our analysts in identifying industry-specific material ESG issues, analyzing them and ultimately

quantifying them within their financial models and valuations. A key milestone has been the publication of an ESG materiality matrix by every sector analyst, ensuring consistent bottom-up ESG integration across all sectors.

ENGAGEMENT WITH CORPORATES AND INVESTORS

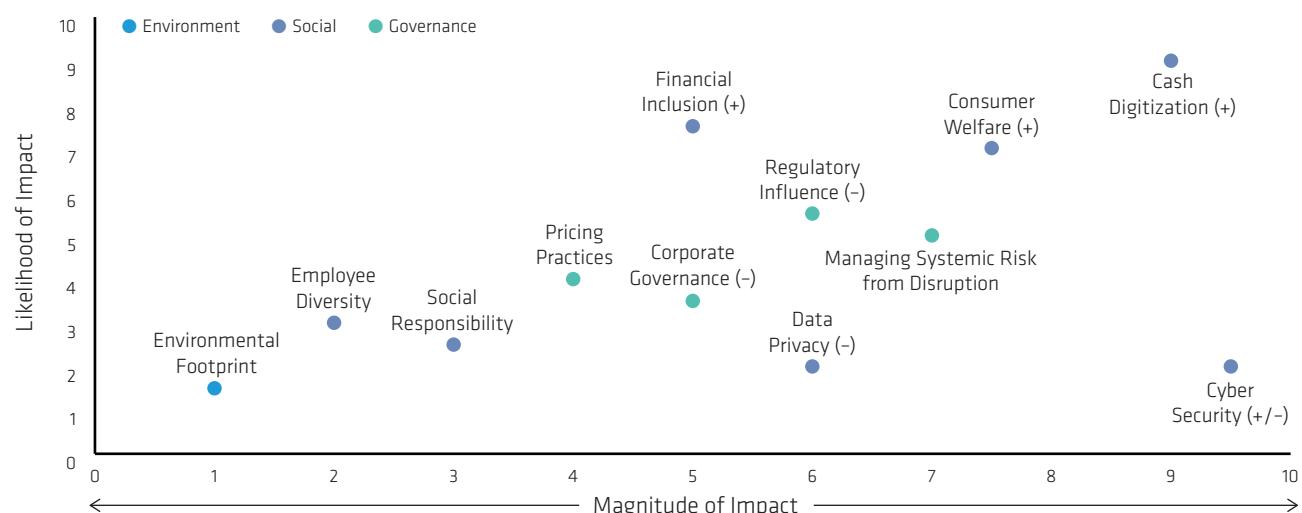
As one of the few independent sell-side research firms, we're uniquely well positioned to partner with our institutional-investor clients as they engage with corporate management teams on ESG considerations. Our culture encourages our analysts to ask challenging questions and create a dialogue on issues such as unusual accounting practices or management incentives.

THEMATIC RESEARCH, CORPORATE ACCESS AND INVESTOR EVENTS

Our focus on long-term trends and disruption naturally draws us to analyze important sustainability themes that span sectors and regions. We've conducted global research on electrification, renewables, vaccines and many more topics with far-reaching implications. Importantly, we consider how these trends can cause value to migrate, and we seek to identify the ultimate beneficiaries from these trends and themes.

THE MAQ MATRIX: A TOOL FOR ASSESSING WHICH ESG ISSUES ARE MATERIAL

Bernstein US Payments: ESG Materiality Matrix



Source: Sustainability Accounting Standards Board and Bernstein Research

Note: Bernstein Research and AllianceBernstein operate with ethical safeguards that preclude the sharing of material information or proxy-voting information between business units.

AB BERNSTEIN RESEARCH: ESG IN SELL-SIDE ANALYSIS (continued)

We complement our written research by hosting comprehensive seminars for institutional investors globally on key ESG topics, including electric vehicles, health and nutrition, and climate change. In addition to Bernstein Research professionals, select corporate and expert speakers also share their perspectives and insights. Entire days are dedicated to taking deep dives into these themes across relevant value chains, regions and sectors—and to identifying the most compelling investment opportunities.

Bernstein Research also regularly hosts sector-specific events and conference calls. Recent topics addressed the importance of sustainability within the chemicals sector and the consumer packaged-goods space. We also host ESG or socially responsible investing road shows and reverse inquiries.

Our strategy teams offer top-down perspectives on the growth in ESG investing, including weighing in on topics such as the relationship between fiduciary duty and ESG practices and the importance of engagement on ESG issues for active managers.



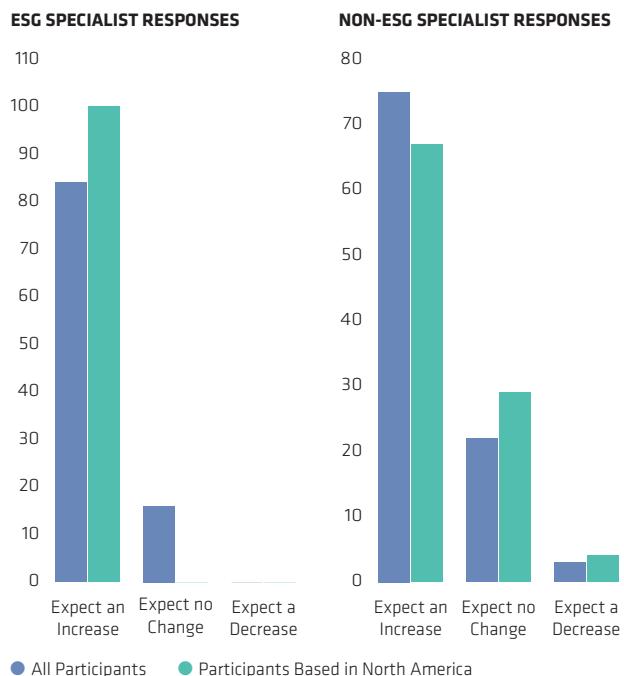
GROWTH IN ESG INTEREST CONTINUES

The current global health and economic crisis related to the COVID-19 pandemic and unprecedented policy response no doubt pose significant challenges, but in our view, it won't interrupt the inexorable drive toward greater prominence for sustainability and ESG considerations.

Our recent survey, conducted in conjunction with our partner Procensus, confirmed this perspective. Less than 3% of the more than 100 investors who participated in the survey expressed a belief that ESG interest among asset owners and investors will decline as a result of the crisis.

MAJORITY OF INVESTORS EXPECT INCREASED ESG DEMAND FROM CLIENTS

"Do you expect any change in the level of pressure from your underlying allocators/investors/customers when it comes to the influence of ESG on your investment strategy?"



Source: Procensus and Bernstein Research

Note: Bernstein Research and AllianceBernstein operate with ethical safeguards that preclude the sharing of material information or proxy-voting information between business units.

EMPOWERING CLIENTS TO INVEST WITH PURPOSE

Responsible investing requires a full-time commitment across the organization to understand how the dynamics of ESG issues are impacting—and will impact—firms and industries.

Our commitment starts at the top. With the support of our company's senior leaders, we've made responsible investing a priority. We've invested in the infrastructure and tools our teams need to enhance and collaborate in this effort. ESG considerations are fully integrated into our process—that's a huge piece of the puzzle in developing fully informed risk/return assessments and investment conclusions.

Fundamental analysts—nearly 140 across our equity, fixed-income and multi-asset strategies—are at the heart of our ESG analysis. These investors are best positioned to understand which ESG issues are material to their companies and sectors, to quantify their impact and to embrace their integration into portfolio decisions and proactive engagement.

The goal is to encourage better business practices, from improved disclosure to help stakeholders assess climate risk to capital-allocation issues.

PORFOLIOS WITH PURPOSE CATEGORIES



IMPACT

Impact solutions seek to make a measurable social or environmental impact

Muni Impact

A fixed-income strategy that invests in historically marginalized and low-socioeconomic-status communities throughout the US. Each investment has a specific intention of reducing a societal disparity (e.g., education, health, clean water) between groups.



SUSTAINABLE

Sustainable solutions seek issuers that meet present needs without compromising future well-being

Sustainable Thematic Platform

Includes equity, fixed-income and multi-asset portfolios that invest in companies whose products and services contribute to achieving the UN's Sustainable Development Goals. These portfolios focus on three themes: climate, health and empowerment.

A 13-member Responsibility Steering Committee develops strategy and oversees execution, addressing issues and challenges. AB's Investment Professionals collaborate closely with a dedicated Responsible Investing team. Firmwide, about 100 AB employees support responsible investing, some in full-time roles and others as members of committees and work streams—all striving to advance our responsible investing efforts.

ESG integration and engagement are a foundation, but many investors want solutions that enable them to invest both for financial objectives and with purpose. Responsible investing isn't "one-size-fits-all," so we've developed a diverse range of Portfolios with Purpose. They range from impact strategies, designed to seek a measurable social or environmental impact, to goal-based, which have a responsibility goal as well as a traditional risk/return goal.

Today, we manage a total of \$12 billion in Portfolios with Purpose—one of the most rapidly growing segments of our business. We also manage \$456 billion in assets that use ESG integration and other enhancements. This platform gives our clients diverse options for allocating their capital, and we continue to develop new strategies.



GOAL-BASED

Goal-based solutions have a responsibility goal as well as a traditional risk/return goal

Low-Carbon Platform

Low-carbon versions of flagship AB equity offerings, including Global Strategic Core, Asia ex-Japan and Australian Managed Volatility Equities

REUSE*

A diversified US large-cap core equity portfolio with investments that are performing well or improving on dimensions of corporate responsibility, including carbon emissions, board effectiveness and board diversity

Global ESG Improvers

An equity solution that engages with companies providing necessary goods or services, seeking to drive ESG improvement and create positive change in the world

*REUSE: REsponsible US Equities

AUM are as of June 30, 2020. AUM using ESG integration include active fixed-income and equity strategies. Analyst and responsible investing personnel numbers are as of June 30, 2020.

SHARING ESG INSIGHTS AND PERSPECTIVES

Interest in responsible investing is intensifying, exemplified in both the number of products being offered and the number of ideas on the best ways to invest for purpose. Investors of all types—from individuals to large institutions—are hungry for more differentiated insights and perspectives in this burgeoning field.

We're constantly researching and analyzing ESG-related topics at the portfolio, industry and security levels, and we've made a commitment to sharing these perspectives with our clients across the globe. We regularly publish insights and perspectives across diverse formats, including blogs, videos, white papers, webcasts and podcasts.

TIMELY PERSPECTIVES ON RESPONSIBLE INVESTING

One of our most popular topics looked at how the global COVID-19 response has reinforced the importance of sustainable investing. Sustainable stocks fell much less than the broader market in the first-quarter market crash, and we believe ESG-focused portfolios can deliver in a variety of market conditions.

We also looked at a new bond format that links a company's progress on its sustainability goals to the issue's coupon payments—a departure from labeled green bonds, which are project-specific. With this new security type, companies have financial incentives to continue improving their ESG practices to avoid financial penalties—such as higher coupon payments. These provisions are explicitly written into the bond issue's documentation.

Other recent topics covered ESG integration in European equity portfolios, how technology stocks may actually be integral to a responsible investing portfolio and how investors can hold US companies accountable for their pledges to consider all stakeholders, not just shareholders.

The June 2020 edition of *AB IQ*, an institutional e-newsletter shared with institutional clients globally, focused on the theme of advancing climate science in investment analysis. With climate change growing in importance, it's critical that investors bring climate science further into the mainstream of investing.

AB investors and experts from Columbia University and Willis Towers Watson examined how climate scientists and Investment Professionals can—and must—collaborate to develop better tools and approaches. They also explored how climate-change risks and opportunities can be translated to industry, issuer and portfolio-level analysis.

Responsible investing will continue to grow rapidly and evolve in the years to come, and no single firm has all the answers to questions such as how to integrate ESG considerations, measure impact or ultimately gauge success. As an industry, we should be working toward a more diverse and inclusive environment, which can improve outcomes for everyone. That's why it's critical that all of us—both within the asset-management industry and beyond—continue to share our insights and thoughts as we work toward creating better outcomes for investors and the world we live in.

The first screen shows an article titled "Why Investors Need to Calibrate Climate Risk Now" with a subtitle: "The global climate is enormously complex, challenging investors to determine ground-level impacts on individual issuers. With climate change likely to accelerate, it's time to ramp up analysis now—and not let the perfect be the enemy of the good." It includes a "READ THE ARTICLE" button and a small image of a compass.

The second screen shows an article titled "Science and Investing: Addressing the Climate Imperative" with a subtitle: "Tackling climate change will require enormous amounts of capital—invested smartly. Climate scientists and investors can learn from each other, an idea driving collaboration among Columbia University climate experts and AB investment professionals." It includes a "READ THE ARTICLE" button and a small image of a melting glacier.

The third screen shows an article titled "Assessing Climate Risk in Portfolios: Expert Roundtable" with a subtitle: "With climate change, portfolio managers face a new type of variable with climate risk often crossing industries and companies. AB Investors and experts from Columbia University and Willis Towers Watson weigh in on how to address climate change in the investment process." It includes a "READ THE ARTICLE" button and a small image of a city skyline at sunset.

The top screen shows an article titled "Coronavirus Crisis Adds Urgency to Sustainable Investing Agenda" with a subtitle: "The global response to the coronavirus crisis has reinforced the importance of sustainable investing. Why the private sector plays a key role in efforts to stop the virus and accommodate evolving consumer needs, investors should look for companies with strong environmental, social and governance (ESG) credentials for the dramatic changes unfolding around the world." It includes a "READ THE ARTICLE" button and a small image of a tea plantation.

The bottom screen shows a chart titled "Companies with Higher ESG Ratings Fell Less in COVID-19 Sell-off" with a subtitle: "Companies with the strongest ESG practices fared best in their performance in the first quarter. During the first quarter, companies with the highest ESG ratings (AAA and AA) in the MSCI ACWI Index lost by 0.6% on average, about 60 basis points less than the lowest ESG ratings (B and CCC). (Exhibit 1). The spread was even wider for US equities, where ESG leaders declined by 10.8% in a market that fell by 20.8%. As a result, funds that focus on such ESG leaders fared well during the quarter. Mizuho research reports that 70% of available funds ended in the top quartile of their respective categories and outperformed their category's best quartile in the first quarter." The chart shows a bar graph comparing the percentage change in stock prices for different ESG rating groups: AAA (0.6%), AA (-0.6%), A (-15.4%), BBB (-22.3%), BB (-20.8%), B (-22.2%), CCC (-23.1%), and CCC (-23.1%).

TAKING AN ACTIVE ROLE IN THE RESPONSIBLE INVESTING INDUSTRY

We're committed to helping the asset-management industry advance responsible investing. It's not possible to catalog every activity and initiative in this format, but we hope the following highlights are a helpful cross section of our commitment.

REGULATORY AND INVESTOR ORGANIZATIONS

- + In November 2019, AB's Global Head of Responsible Investing addressed the Securities and Exchange Commission Investor Advisory Committee on ESG integration and disclosure.
- + Three AB investors joined the Standards Advisory Group of the Sustainability Accounting Standards Board, an organization connecting businesses and investors on the financial impacts of sustainability.
- + In October 2019, our Australia CEO was appointed as a Director to the Financial Services Council (FSC) Board, and our Director of ESG Research and Engagement joined the FSC ESG working group and the FSC and Responsible Investment Association Australasia Modern Slavery working group.
- + A Senior Investment Strategist from AB is a member of the Hong Kong Securities and Futures Commission Public Shareholders Group.

RESPONSIBLE INVESTING EVENTS

- + Hosted the 2019 Emerging Markets Investors Alliance annual ESG conference, which addressed key themes, including the usefulness of ESG data and ESG frameworks and methodologies.
- + Co-hosted, along with the Sanford C. Bernstein & Co. Center for Leadership and Ethics at Columbia Business School, a purpose-driven investing panel that discussed current trends and how stakeholders are engaging in the conversation.
- + Hosted a Modern Slavery Roundtable in the UK that included discussions on potential actions to combat exploitation, which is coming under greater scrutiny in companies and their supply chains.

ESG SPEAKING ENGAGEMENTS

- + Canadian Leadership Congress
- + Ceres Conference 2020
- + Sustainability Leaders Congress (Germany)
- + Global Investment Conference
- + Government Pension Fund-Bloomberg Sustainable Investing Forum (Thailand)
- + BNP Paribas Sustainable Future Forum (Singapore)



There is a clear and compelling need for more complete, accurate and standardized data...this is one area where the SEC could take a lead..."

Michelle Dunstan

Global Head—Responsible Investing at AllianceBernstein

November 7, 2019, Meeting of Securities and Exchange Commission Investor Advisory Committee



Note: AB has been a PRI signatory since 2011.

A FINAL WORD



COVID-19 has in many ways defined 2020—in terms of its human toll and suffering as well as its impact on the global economy and financial markets. We've worked tirelessly to ensure our employees' health and safety, continue to serve our clients, and support communities across the globe.

As investors, we've combined company engagement with fundamental analysis and data innovation, including a Coronavirus Alternative Data Center—to quantify the pandemic's impact. We're assessing aspects, from cash flows and supply chains to work-from-home policies and capital-spending plans, to reduce climate footprints.

Our collaboration with Columbia University's Earth Institute is helping us better evaluate the impact of climate change. Integrating climate-related risks and opportunities is critical to creating a better world and better financial outcomes for our clients. So far, more than 150 AB analysts, portfolio managers and CIOs have completed the climate-science training curriculum—as have our CEO and Board Chair.

We're committed to investing responsibly at all levels of the firm—a commitment reflected in our structure. ESG investing at AB is investor-led, in collaboration with our Responsible Investing team. The Chief Responsibility Officer directly supervises our corporate-responsibility and responsible-investing efforts, and is a member of the operating committee.

ESG is a journey. Working together, we've made great progress in 2020: developing ESG thought leadership, integrating ESG across our portfolios and expanding our Portfolios with Purpose. We've also advanced our own ESG practices—just as we expect from the companies with which we engage. I look forward to helping AB make further advances in responsibility in the coming years.

MICHELLE DUNSTAN

Global Head—Responsible Investing



We're intensifying the Board's focus on—and commitment to—advancing our efforts in responsible investing. It's the right thing to do, our clients demand it and it's a key pillar supporting the future of AB."

RAMON DE OLIVEIRA
Chairman of the Board—AB

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