



# Sustainability-Related Disclosures:

- Sustainable Global Thematic Portfolio
- Sustainable US Thematic Portfolio
- Sustainable Global Small Cap Portfolio

The following information is provided in accordance with Article 10 of SFDR including details on sustainable investments of the Portfolios. Capitalized terms, unless otherwise defined herein, shall have the meaning in the Prospectus.

## A. Summary

According to SFDR, a Sustainable Investment is an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee issuers follow good governance practices.

For AB Portfolios with a sustainable investment objective, when selecting securities, AB combines the relevant Portfolio's investment strategy of investing in securities that contribute to an environmental objective and/or social objective with a dedicated assessment that the securities satisfy the "Do No Significant Harm" principle, and follow good governance practices under AB's Good Governance Policy.

The Portfolio invests in securities that AB believes are positively exposed to investment themes derived from the UN SDGs, based on the products and services they provide. All issuers must contribute directly to the achievement of at least one UN SDG. The attainment of the sustainable investment objective is measured through an assessment of alignment with one or more of the UN SDGs, as well as bottom-up ESG integration and compliance with minimum scoring thresholds.

The majority of the data sources used are internally sourced, based on fundamental research, and supported by external data, as well as direct due diligence and engagement with individual issuers. Where there are limitations in data, and subsequent analysis fails to clarify if an issuer meets the sustainable investment framework, then the issuer in question will not be eligible for investment until this limitation is satisfactorily met.

As a result of this investment process, these Portfolios will only hold sustainable investments plus cash, cash equivalents, and derivatives as further outlined in the Prospectus, which can be found [here](#)<sup>1</sup>. This Portfolio commits to investing a minimum of 80% of its assets in sustainable investments.

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<sup>1</sup> For Singapore shareholders, click [here](#) to access the local offering document.

As part of the investment process for this Portfolio, AB engages with issuers on a variety of topics for both gaining insights on the issuer and encouraging action that AB believes will benefit its clients as shareholders.

AB is not constrained by its benchmark when implementing the Portfolio's investment strategy.

This document is designed to provide an overview of the Portfolios and their sustainable investment characteristics and follows the structure outlined in the SFDR RTS.

## **B. No Significant Harm to the Sustainable Investment Objective**

All securities<sup>2</sup> held within the Portfolio must satisfy AB's proprietary methodology to determine that a specific security meets the "Do No Significant Harm" principle ("DNSH principle") outlined in SFDR.

This methodology uses all mandatory principal adverse impact ("PAIs") indicators detailed in SFDR. It is comprised of a threshold-based scoring system on environmental and social issues aligned to the mandatory PAIs, which uses a combination of internal and external data, alongside exclusions. The methodology also takes into account the following optional PAIs: "investments in issuers without carbon emission reduction initiatives"; and "lack of a human rights policy".

For any sustainable investment held by the Portfolio, alignment with the OECD Guidelines for Multinational Enterprises, the UN Guiding Principles on Business and Human Rights, and the UN Global Compact is required as part of AB's proprietary methodology to determine that a security meets the DNSH principle.

If at any point a security breaches the scoring threshold for any of the mandatory PAIs, OECD guidelines or UN Guiding principles detailed above, then they are deemed to fail the "Do No Significant Harm" Principle.

## **C. Sustainable Investment Objective of the Financial Product**

The Portfolio seeks to invest in issuers that AB believes are positively exposed to environmentally- or socially-oriented sustainable investment themes derived from the UN SDGs, such as Health, Climate, and Empowerment. All issuers must contribute directly to the achievement of at least one UN SDG. The sustainable investment themes may change over time based on AB's research.

## **D. Investment Strategy**

### **i. Strategy**

These Portfolios invest in securities that AB believes are positively exposed to environmentally- or socially-oriented sustainable investment themes derived from the UN SDGs.

AB employs a combination of "top-down" and "bottom-up" investment processes to identify eligible securities. For the "top-down" approach, AB identifies sustainable investment themes that are consistent with achieving the UN SDGs such as Health, Climate, and Empowerment. These sustainable investment themes may change over time based on AB's research.

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<sup>2</sup>Cash and cash-equivalents are not sustainable investments and not subject to AB's proprietary methodology to determine that securities meet the "Do No Significant Harm" principle outlined in SFDR. These securities may be held for liquidity purposes only.



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The Portfolio's corporate investible universe only includes issuers deriving a certain percentage of revenue from products and services within these sustainable investment themes, that contribute to the achievement of one or more UN SDGs. It also excludes corporate issuers generating revenue from products or services that AB deems to be misaligned with the UN SDGs. Corporate issuers must meet the minimum revenue threshold to be included in the investible universe.

For the "bottom-up" approach, AB analyses individual issuers, including an assessment of exposure to ESG factors. After the eligible universe of securities has been identified, AB enters into a detailed research process to assess the securities from a risk/return perspective. Such process includes the incorporation of ESG factors into the analysis of the financials of an issuer in accordance with the AB Stewardship Approach.

For corporate issuers, AB has established a proprietary materiality map, which serves as a comprehensive guide to the most material ESG factors covering each subindustry. The results of the analysts' research on ESG factors, and corresponding ESG scoring, are incorporated in the investment decision-making process of the Portfolio.

Minimum ESG scoring thresholds are used to assess eligibility for portfolio inclusion., as well as to ensure that all securities meet the thresholds of AB's proprietary methodology for assessing good governance and the DNSH principle.

**ii. Good Governance**

As part of the security selection process, all securities are assessed for compliance with AB's Good Governance Policy and the DNSH principle. AB has developed a proprietary Good Governance Policy which consists of security-specific analysis and scoring based on specific governance criteria, including sound management structures, employee relations, remuneration of staff and tax compliance, using a combination of external and internal data sources. The specific governance indicators include, inter alia, UNGC principles and controversies related to the aforementioned governance criteria.

**E. Proportion of Investments**

**i. What is the asset allocation and the minimum share of sustainable investments?**

- Sustainable Global Thematic Portfolio, Sustainable US Thematic Portfolio



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Minimum Sustainable: 80% (environmental: 20%, social: 40%), taxonomy aligned: 1%  
Maximum Other: 20%



Based on the Portfolio's net assets. All numbers are shown based on normal market conditions.

Each Portfolio commits to investing a minimum of 80% of its assets in sustainable investments. These sustainable investments are securities that are positively exposed to environmental or social objectives, derived from the UN SDGs, within the themes of Climate, Health, and Empowerment. The allocation to securities within these specific themes may differ over time, but each theme must comprise at least 20% of the Portfolio's assets at all times. As such, A minimum of 20% of the Portfolio's assets are invested in sustainable investments with an environmental objective, within the Climate theme, and a minimum of 40% of the assets are invested in sustainable investments with a social objective, within the Health and Empowerment themes.

- Sustainable Global Small Cap Portfolio

Minimum Sustainable: 80% (environmental: 20%, social: 20%), taxonomy aligned: 1%  
Maximum Other: 20%



Based on the Portfolio's net assets. All numbers are shown based on normal market conditions.



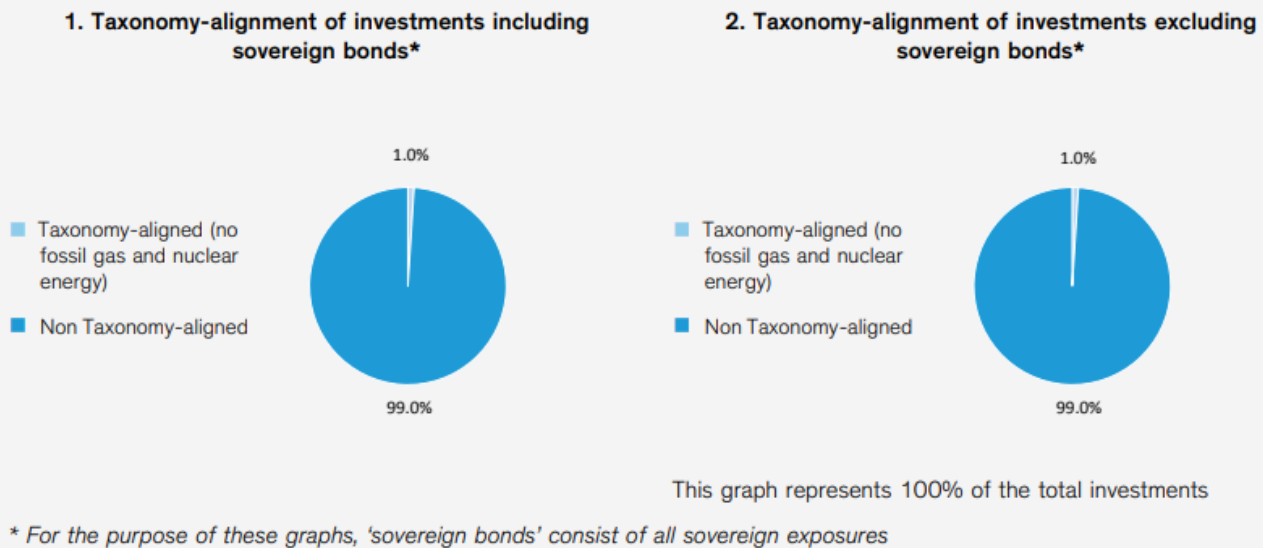
The Portfolio commits to investing a minimum of 80% of its assets in sustainable investments. These sustainable investments are securities that are positively exposed to environmental or social objectives, derived from the UN SDGs, within the themes of Climate, Health, and Empowerment. The allocation to securities within these specific themes may differ over time, but each theme must comprise at least 20% of the Portfolio's assets at all times. As such, a minimum of 20% of the Portfolio's assets are invested in sustainable investments with an environmental objective, within the Climate theme, and a minimum of 20% of the assets are invested in sustainable investments with a social objective, within the Health and Empowerment themes.

**ii. How does the use of derivatives attain the sustainable investment objective?**

The Portfolio may use derivatives for hedging, efficient portfolio management, and other investment purposes. For derivatives used for other investment purposes, exposure must be limited to securities that are deemed to be sustainable investments in accordance with the Portfolio's investment process described herein.

**iii. To what minimum extent are sustainable investments with an environmental objective aligned with the EU Taxonomy?**

*The two graphs below show in light blue the minimum percentage of investments that are aligned with the EU Taxonomy. As there is no appropriate methodology to determine the Taxonomy-alignment of sovereign bonds\*, the first graph shows the Taxonomy-alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy-alignment only in relation to the investments of the financial product other than sovereign bonds.*



**iv. What is the minimum share of investments in transitional and enabling activities?**

There is no commitment to a minimum proportion of investments in transitional and enabling activities in the Portfolio.

**v. What is the minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy?**



There is no commitment to a minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy.

Data on alignment with the EU Taxonomy may evolve over time. Please note that, as indicated above, the Portfolio will invest a minimum of 20% in sustainable investments with an environmental objective that are aligned and non-aligned with the EU Taxonomy.

vi. **What is the minimum share of sustainable investments with a social objective?**

40% is the minimum share of sustainable investments with a social objective for Sustainable Global Thematic Portfolio and Sustainable US Thematic Portfolio.

20% is the minimum share of sustainable investments with a social objective for Sustainable Global Small Cap Portfolio.

vii. **What investments are included under “#2 Not Sustainable”, what is their purpose and are there any minimum environmental or social safeguards**

Cash and cash-equivalents are not sustainable investments and may be held for liquidity purposes. The Portfolio may also use derivatives for hedging and efficient portfolio management. More information can be found in the “Derivatives and EPM Techniques” section of the Prospectus. For these assets, there are no minimum environmental or social safeguards.

## **F. Monitoring of Sustainable Investment Objective**

For the Portfolio, the attainment of the sustainable investment objective is measured through an assessment of alignment with one or more UN SDGs, as well as bottom-up ESG integration and compliance with minimum scoring thresholds.

Alignment with the UN SDGs, through an analysis of products and services and the associated revenues derived from them, is a primary consideration in determining the eligibility of a corporate issuer. Contribution to the achievement of the UN SDGs helps the Investment Team to understand how an issuer’s products or services are affecting society. Each corporate issuer must derive at least 25% revenue from products or services that support the achievement of one or more UN SDG sub targets. The degree of revenue alignment for each issuer, as well as the average revenue alignment for the Portfolio, is monitored on an ongoing basis.

All securities in the investible universe must also avoid involvement in misaligned activities as per the Portfolio’s Exclusion Policy. Only ‘aligned’ issuers that satisfy AB’s inclusion criteria and do not breach the terms of the Portfolio’s Exclusion Policy are contained within the investible universe. This aligned investible universe is fully updated at least annually.

From the aligned investible universe, the Portfolio uses proprietary research and scoring on material ESG factors to identify issuers with strong fundamentals and optimal risk/return characteristics through a bottom-up evaluation process.

As part of this process, AB assesses various indicators in relation to its proprietary frameworks for establishing Good Governance and Do No Significant Harm. Fundamental research on material ESG factors, enhanced by third-party data, is critical to evaluating investment candidates under these frameworks. A proprietary methodology for scoring on ESG issues, which are related to PAI indicators, and the four good governance pillars, is used to conduct bottom-up investment analysis, and ensure that portfolio holdings do not breach the minimum thresholds set under these frameworks.



AB uses compliance systems to assist the monitoring of the aforementioned information used in the investment process. These systems monitor the Portfolio on both a pre-trade and post-trade basis, and are administered either by the Portfolio Management Group (PMG) with oversight by others, or by departments independent of portfolio management, such as AB's Investment Guidelines Compliance (IGC) Group.

The IGC Group encodes all client guidelines into AB's internal systems to develop a robust constraint system and ensures they are reviewed and approved by the Portfolio Manager to ensure correct interpretation. Once approved, AB's compliance systems then monitor client portfolios against approved guidelines on both a pre-trade and post-trade basis.

## **G. Methodologies**

AB uses a number of methodologies to measure the attainment of the Sustainable Investment objective:

### **(i) UNSDG Alignment**

All sustainable investments held within the Portfolio must be aligned with one or more UN SDGs. To measure alignment, AB analyses the percentage of corporate issuer's revenues derived from products or services that support the achievement of UN SDG sub targets. The degree of revenue alignment is a key indicator for assessing securities. No issuer deriving less than the minimum threshold of revenue from these activities is in the investible universe. Aligned issuers typically generate greater than 25% of their revenue from the direct production of products or provision of services that support the achievement of one or more UN SDGs.

### **(ii) ESG Integration & Scoring**

Many of AB's proprietary top-down frameworks assess 'sustainability' based on the activities that issuers undertake – including the products and services they provide – whilst analysis of the management of material ESG issues is a core part of bottom-up individual security analysis.

For the "bottom-up" approach, AB analyses individual issuers, including an assessment of exposure to material ESG factors. After the eligible universe of securities has been identified, AB enters into a detailed research process to assess the securities from a risk/return perspective. Such process includes the incorporation of ESG factors into the analysis of the financials of an issuer in accordance with the AB Stewardship Approach.

For corporate issuers, AB has established a proprietary materiality map, which serves as a comprehensive guide to the most material ESG factors facing each subindustry. The results of the analysts' research on ESG factors, and corresponding ESG scoring, are incorporated in the investment decision-making process of the Portfolio.

Minimum ESG scoring thresholds are used to assess eligibility for portfolio inclusion, as well as to ensure that all securities meet the thresholds of AB's proprietary methodology for assessing good governance and the DNSH principle (as described below).

### **(iii) Exclusions**

These Portfolios utilize exclusions as detailed in the relevant Exclusion Policy and offering materials.

[www.alliancebernstein.com/go/ABSICAVIExclusionChart](http://www.alliancebernstein.com/go/ABSICAVIExclusionChart)

[www.alliancebernstein.com/go/EquityExclusionPolicy](http://www.alliancebernstein.com/go/EquityExclusionPolicy)

### **(iv) Good Governance**



AB has developed a proprietary Good Governance Policy which consists of security-specific analysis and scoring based on specific governance criteria, including sound management structures, employee relations, remuneration of staff and tax compliance, using a combination of external and internal data sources. The specific governance indicators include, inter alia, UNGC principles and controversies related to the aforementioned governance criteria.

**(v) “Do No Significant Harm” Principle**

All securities held within the Portfolio must satisfy AB’s proprietary methodology that uses the principal adverse impact (“PAIs”) indicators to determine that a specific security meets the “Do No Significant Harm” principle outlined in SFDR. This methodology is comprised on a threshold-based scoring system, which uses a combination of internal and external data along with exclusions. This methodology including the relevant data sources may evolve over time as more data becomes available and tools evolve.

If at any point a security breaches the scoring threshold for any of the mandatory PAIs, OECD guidelines or UN Guiding principles detailed above, then they are deemed to fail the “Do No Significant Harm” Principle. This methodology including the relevant data sources may evolve over time as more data becomes available and tools evolve.

## **H. Data sources and processing**

Several data sources are used by the Portfolio to measure relevant indicators and monitor the attainment of the sustainable investment objective. The majority of the data sources used are internally sourced, based on fundamental research, and supported by external data, as well as direct due diligence and engagement with individual issuers.

For corporates in these Portfolios, proprietary research and analysis enables the creation of an investible universe of issuers that provide products and services aligned with the UN SDGs. In assessing alignment, AB identifies the best investible opportunities for each UN SDG sub-target, resulting in the identification of a proprietary list of over 100 products and services that contribute to their achievement. Issuers generating the associated revenues from these products and services are selected using a mix of proprietary data science capabilities, external data and, and further analyst research. The data science tools used reference publicly available data, such as annual reports and public filings, and allow AB to cross-reference output from third-party sources to ensure data quality. Revenue alignment data may be estimated.

Similarly, in conducting bottom-up ESG analysis, AB places most weight on its analysts’ own proprietary analysis of ESG issues and resulting conclusions. External third-party ESG data is available via AB’s proprietary screening tools and used as a reference by analysts, but it is rarely the sole basis for an investment decision.

AB’s Investment teams have access to a range of data services that enable them to supplement their understanding of the ESG characteristics of an issuer or a sector. These include but are not limited to ESG data from Bloomberg and FactSet, MSCI ESG Ratings, and MSCI Carbon Emissions data, Sustainalytics Risk Ratings, Global Norms and Controversies analysis, ISS-Ethix Controversial Weapons Analysis, and ISS and Glass-Lewis corporate governance and proxy research.

In order to enhance third-party data, AB conducts additional research and seek to identify opportunities to enhance data quality when we see gaps in coverage or when some data is outdated. The Responsible Investing team continually evaluates its current and new providers to ensure AB is providing AB’s Investment teams with the best possible data and information. Some of these data sets are used to implement investment exclusions and assist in the consideration of PAIs.





To augment third-party data and tool sets, AB has developed proprietary research and collaboration tools to strengthen ESG research and systematize integration across the firm—including AB’s ESIGHT platform for research and collaboration and PRISM for credit ratings and scoring.

- **ESIGHT:** ESIGHT is a proprietary research and collaboration platform that integrates AB’s ESG issuer research and assessments, proxy-voting history, engagements, and third-party data. ESIGHT houses ESG information including thematic sell-side research reports, academic studies, non-government entity reports, and proprietary ESG ratings for the teams that create them. It provides a common framework from AB’s equity and bond investment teams to identify and evaluate material ESG issues. A key feature of ESIGHT is its ability to serve as a “check and balance” for the Investment Teams by enabling the comparison of analyst’s research conclusions from both internal and external resources. In addition, the tool catalogues company engagements and enables tracking of progress, which triggers reminders for follow-up at a specified time. This tool promotes transparency both internally and externally as engagement information is shared, reviewed, and acted upon.
- **PRISM:** PRISM is a proprietary credit rating and scoring system, which is integrated into our fixed-income research analysts’ portal, and 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. Issuers are evaluated on multiple dimensions and assigned specific ESG scores, which are used in credit underwriting. 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. AB fixed-income analysts, portfolio managers and traders can access PRISM’s ESG scores in real time.

Depending on the source of information used, data is processed on a regular basis by pulling the latest information on issuers which is reviewed and may be coded into AB’s internal systems, where necessary. This information enables the terms of the Portfolio’s Exclusion Policy to be implemented. Data is sourced in several ways, some of which are automated data feeds received daily or monthly. Some data points are coded on a pre-trade and/or post-trade basis and are accessible to control functions in order to ensure compliance with investment guidelines. AB is unable to provide the proportion of estimated data but provides further details in section I.

## **I. Limitations to Methodologies and Data**

**Proprietary Data:** AB does not outsource any aspect of its ESG research, integration, engagement, or stewardship activities, meaning that proprietary data and analysis is often the basis for research conclusions. This data and analysis may differ from that provided by third-parties. For this reason, several of AB’s proprietary tools, including ESIGHT, are used to serve as a “check and balance” by enabling the comparison of analyst’s research conclusions from both internal and external resources.

AB has formalized an ESG Compliance Program focused on reviewing marketing materials, documentation and note-taking, risk and compliance governance, training, and emerging regulations. The program also serves as an internal assurance mechanism, as we review a sampling of ESG investment notes for reasonableness in ESIGHT and PRISM, our proprietary credit rating and scoring system, to evidence our stewardship. **Third Party Data:** AB sources data from third-party providers to support its research teams in their analysis. Vendor coverage and methodology frequently changes and there may be significant differences in methodology between providers, resulting in different outcomes for similar datapoints.

AB’s Responsible Investing team regularly evaluates our slate of current and new data providers to ensure that our investors have access to the most relevant data. We review third-party sources periodically, and our working relationships provide ongoing feedback on the quality and accuracy of data that we receive. Where AB’s expectations have not been met by third-party data providers, AB provides timely and actionable



feedback and requests to fully understand the relevant methodologies, and propose solutions to improve or augment those methodologies. AB helps identify discrepancies in data versus alternative providers and resolve disagreements on individual issuer assessments. AB's Market Data team also acts as an escalation point for users when vendor issues are encountered.

**Estimated Data:** AB conducts rigorous evaluations of data vendors when identifying third-party data sets to support analysis. However, there are occasions where third party data coverage is limited and inadequate for the specific use case across the investible universe and associated benchmarks. On such occasions of inadequate data coverage, AB may use estimated data to support meaningful analysis at portfolio and benchmark levels. AB may employ one of several statistical methods to fill gaps as best as possible.

AB's frameworks for identifying sustainable investments use both proprietary data and third-party data to support its analysis of sustainable investments. Where there are limitations to methodologies or data, AB may use alternative data sources, conduct further research, or engage with the issuer in question to ensure that it meets the standards of the investment framework. All sustainable investments will have documented and demonstrable alternative data and/or research to ensure the issuer satisfies the requirements of the framework. Where there are limitations in data, and subsequent analysis fails to clarify if an issuer meets the sustainable investment framework, then the issuer in question will not be eligible for investment until this limitation is satisfactorily met.

## **J. Due Diligence**

For a Portfolio, the corporate investible universe is constructed by identifying issuers that contribute to the achievement of one or more sub-targets of the UN SDGs, through the products and services they provide. Only issuers that meet the requirements of this framework are permitted to be included in the corporate investment universe and held within the Portfolio.

Through proprietary research, AB identifies a list of products and services that AB believes contribute to the achievement of UN SDG sub-targets. These products and services fall within the sustainable investment themes of Climate, Health, and Empowerment. A combination of internal and external data is then used to identify issuers that generate at least 25% of their revenues from these UN SDG-aligned products and services.

In a similar way, corporate issuers generating revenue from products and services that inhibit the achievement of the UN SDG sub-targets (i.e., those linked to the sectors in the Portfolio's Exclusion Policy) are deemed to be misaligned and are excluded from the investible universe. Revenue data is used in the same way to identify the affected corporate issuers. Only 'aligned' issuers that do not breach the terms of the Portfolio's Exclusion Policy make up the investible universe, and only securities in the investible universe are eligible for inclusion in the Portfolio. Products and services that neither contribute to the UN SDGs, nor work against their achievement, are considered to be neutral. Issuers providing these products and services are not included in the investible universe.

AB's in-house Portfolio Management Group (PMG) uses internal tools to conduct comparisons of the Portfolio's investible universe and the Portfolio's holdings on an ongoing basis. Pre-trade compliance systems prevent the Portfolio from purchasing securities of issuers that are not contained within this investible universe. If an existing holding falls out of the universe on the basis of updated revenue data, post-trade compliance will flag this to the PMG. The PMG will then alert the Investment Team to confirm if a security should be sold.



The team also run periodic checks using third-party data to understand conflicts in revenue alignment data, as well as AB's own discussions with the relevant issuers. Any disparities are assessed, documented in analysts' notes, and may result in changes to the investment thesis, or inclusion in the universe for specific issuers.

From the aligned investible universe, the Portfolio uses proprietary research and scoring on material ESG factors to identify issuers with strong fundamentals and optimal risk/return characteristics through a bottom-up evaluation process.

As part of this process, AB assesses various indicators in relation to its proprietary frameworks for establishing Good Governance and Do No Significant Harm. A proprietary methodology for scoring on ESG issues, which are related to principle adverse impact (PAI) indicators, and the four good governance pillars, is used to conduct bottom-up investment analysis, and ensure that portfolio holdings do not breach the minimum thresholds set under these frameworks. Compliance with minimum scoring thresholds is also monitored on a pre-trade basis.

## **K. Engagement Policies**

As part of the investment process for a Portfolio, AB engages with issues on a variety of topics for both gaining insights on the issuer and encouraging action that AB believes will benefit its clients as shareholders. All engagements are conducted from a fiduciary perspective in accordance with relevant market regulations and frameworks. More information on AB's approach to engagement can be found [here](#). More information on the AB Stewardship Approach can be found at the Management Company website found [here](#).

AB uses engagement in two ways: insight and action.

- **Insight:** AB engages for additional insight into issuers and that insight is integrated into AB's fundamental research on the investment. For example, through engagement AB gains a deeper understanding of an issuer's renewable energy strategy and therefore more insight on the investment when AB is assessing alignment to environmental and/or social characteristics.
- **Action:** AB engages to encourage issuers to take actions that AB believes can help them to better address material ESG risks or take advantage of ESG opportunities, in our clients' best interests. For example, AB may encourage an issuer to consider a reduction of its environmental footprint, outlining the benefits of improved resilience to future regulation, carbon taxes and an enhanced ability to retain market share and talented employees. This active engagement helps promote environmental and social advancement, creates long-term issuer value, and maintains the investment alignment to environmental and social characteristics.

AB engages with issuers of securities held by a respective Portfolio but may also engage with issuers into which that Portfolio have not yet, or will not, invest.

Engagements, which AB analysts and portfolio managers initiate directly with the issuer, may take place both before the initial investment is made and as part of AB's ongoing monitoring. Engagements are often with senior executives, including an issuer's CEO and CFO. During engagements, AB discusses strategy, business operations, governance, and a wide variety of other topics, including material ESG issues, with company management. Over time, analysts build a forum for open dialogue. AB may also engage with directors, generally either to share its perspective on specific issues, or to escalate specific concerns after AB has engaged with management.

When AB is prioritizing issuers to engage with, or themes and topics to discuss, a number of factors are considered. AB's analysts assess the ESG issue's materiality, using the proprietary AB materiality map and



industry-recognized frameworks. They also consider the issuer's size and the magnitude of the ESG risks or opportunities identified, AB's historical proxy-voting record at the issuer, the size of AB's portfolio exposure, the proportion of issuer assets held, the significance of AB's security holding and the history and success of previous conversations.

AB may also conduct event-driven engagements when an issuer's activity has had a significant negative financial impact, as well as company-led engagements when a firm reaches out to discuss an issue.

On a periodic basis, the relevant investment teams for the Portfolio may create "Engagement Reports" that summarize issuer engagements and their outcomes. AB believes it is important to integrate material ESG Factors into ground-level fundamental research and documenting the engagement research and conclusions allows the AB Stewardship Approach to be successfully utilized.

AB sometimes encounter situations where continued engagement is no longer productive or helpful in driving progress. In cases where we think that the issuer's decision isn't aligned with our clients' best interests, we can escalate by communicating AB's stance more directly on key issues, conveying the gravity of our concern or encouraging the issuer to take action. We may take one or more of the following actions: proxy voting; sharing our views with other investors and/or stakeholders; publication of a public letter; writing a private letter to the board and management team; reducing a position or selling/ not refinancing a security.

#### **L. Attainment of the Sustainable Investment Objective**

AB is not constrained by its benchmark when implementing the Portfolio's investment strategy. Although the Portfolio may hold, in certain market conditions and subject to AB's full discretion, a significant part of the components of the benchmark, it will not hold every component of the benchmark and may also hold securities that are not part of it.