



# Sustainability-Related Disclosures – Article 8 SFDR Products

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

The following disclosures are applicable to all Equity Article 8 classified products under SFDR as outlined in the Prospectus that can be found here:

[AB SICAV I](#)<sup>1</sup>

[AB FCP I](#)

[AB FCP II](#)

[W.P. Stewart Holdings Fund](#)

## A. Summary

AB offers a variety of Portfolios that are classified as Article 8 (Portfolios that promote environmental and/or social characteristics (“E/S Characteristics”) under SFDR.

These Portfolios do not have an objective of Sustainable Investments but promote the following E/S Characteristics:

- ESG Integration;
- ESG scoring;
- Engagement; and
- Exclusions.

Some of these Portfolios also partially invest in Sustainable Investment.

While these Portfolios may hold some securities that do not promote E/S Characteristics, all issuers of securities held by the Portfolios must follow good governance practices under AB’s Good Governance Policy.

The Portfolios are actively managed, and AB uses the AB Stewardship Approach when seeking to achieve their investment objectives. Through the AB Stewardship Approach, fundamental research includes a robust ESG integration process whereby AB assesses and incorporates material ESG Factors in each applicable phase of the investment process. As part of the investment process of these Portfolios, 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.

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



AB measures the attainment of E/S Characteristics promoted by the Portfolios through various quantitative and qualitative methodologies including the measurement of documented ESG research, documented ESG engagement, and compliance with relevant investment exclusions and minimum scoring thresholds, subject to satisfactory data and data sourcing. AB uses a minimum threshold with regards to the percentage of securities in the Portfolio that must promote E/S Characteristics; a security may be deemed to promote one or more E/S Characteristics if ESG integration for the issuer of the security is evidenced via documented ESG research and ESG engagement, the issuer follows good governance practices according to AB's Good Governance Policy, and the Portfolio's investment exclusions are met. The threshold for the Portfolios is 75 % or 80% (China Net Zero Solutions Portfolio and Global Climate Transition Equity Portfolio) as outlined in the Prospectus.

Several data sources are used by the Portfolios to measure relevant indicators relating to the promotion of E/S Characteristics. The majority of the data sources used are internally sourced, based on fundamental research, and supported by external data, as well from direct due diligence and engagement with individual issuers. 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.

These Portfolios do not use a designated reference benchmark to measure the promotion of E/S Characteristics.

This document is designed to provide an overview of AB's Article 8 Portfolios and their promotion of environmental and/or social characteristics.

## **B. No Sustainable Investment Objective**

### **i. Statement of no sustainable investment objective**

The Portfolio promotes environmental and/or social characteristics, but does not have a sustainable investment objective.

Global Climate Transition Equity Portfolio partially invest in Sustainable Investment. For more information regarding on the Monitoring, Methodology, Limitation of Data and Due diligence related to the Sustainable investment please refer: [www.alliancebernstein.com/go/EQ9webdisclosures](http://www.alliancebernstein.com/go/EQ9webdisclosures)

## **C. Environmental and/or social characteristics of the financial product**

The environmental and/or social characteristics ("E/S Characteristics") promoted by the Portfolio include:

### **i. ESG Integration**

Consideration of material ESG Factors is important to the investment process. When making investment decisions, AB uses fundamental research to assess target and investee companies. As part of the AB Stewardship Approach, this fundamental research includes the consideration of material ESG Factors at each applicable stage of the investment decision-making process. Through the AB Stewardship Approach, AB is able to identify companies that are aligned with the relevant environmental and/or social characteristics that the Portfolio promotes. More information on the AB Stewardship Approach can be at found at the Management Company website found [here](#).

A central part of the methodology through which AB integrates ESG Factors is AB's assessment of the materiality and effect of ESG Factors, including environmental, social or governance events or conditions that, if they occurred, could cause an actual or a potential material negative impact to the returns of the Portfolio. The consideration of ESG Factors may also present investible opportunities. 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 material ESG Factors, and any corresponding ESG scoring, are incorporated in the investment decision-making process of the Portfolio.



In particular, analysts within AB's Investment teams are responsible for considering material ESG Factors at the beginning of the investment decision-making process by identifying them, researching them, engaging with issuers, and incorporating material ESG Factors into the Portfolio's investment models and frameworks. Analysts' recommendations and assessments of ESG Factors may impact investment decisions in multiple ways. For example, the effect of ESG Factors on cash flows or discount rates may have an influence on the investment decision and position sizing.

AB's proprietary systems and tools strengthen ESG research and assist in the integration of ESG Factors within Portfolios. ESIGHT, AB's ESG research and collaboration platform, acts as a knowledge centre that houses proprietary ESG assessments and ratings, engagement entries, proxy-voting records, and third-party data. With ESIGHT, AB's Investment teams can access and share information during any steps of the investment process about issuers' ESG practices. When AB Investment teams conduct research or prepare for an engagement, they can explore previous interactions, querying by issuer, AB Investment team, or ESG topic and theme.

When implementing the Portfolio's investment strategy, AB takes into account the desired level of risk and return and as well as the financial or economic impact of ESG Factors as part of the risk and return assessment.

After consideration of the relevant material ESG Factors, AB may still purchase a security and/or retain it in the Portfolio if the security is in line with the respective investment objective and strategy, provided, however, the issuer of the security follows good governance practices under AB's Good Governance Policy. More information on the investment policies for these Portfolios is provided in the Portfolio Descriptions and at the Management Company website found [here](#).

- i. **ESG Scoring:** As part of ESG Integration, ESG scoring is used in the research process for equity securities. ESG scoring allows AB to review, monitor, and measure the various ESG Factors for both a single issuer, but also collectively for a Portfolio. Minimum ESG scoring thresholds are used to assess eligibility for portfolio inclusion, as well as to ensure that all issuers of securities meet the thresholds of AB's proprietary methodology for assessing good governance practices.
- ii. **Engagement:** As part of AB's engagement on environment and/or social characteristics, AB may encourage issuers to undertake actions that AB believes can help them to better address material ESG risks or take advantage of ESG opportunities, in our clients' best interests. AB documents engagements on environmental and social issues allowing AB to review, monitor, and measure the frequency and amount of these engagements. All engagements are conducted from a fiduciary perspective in accordance with relevant market regulations and frameworks. Please see section K for further details.
- iii. **Exclusions:** The Portfolio utilises investment exclusions which include controversial weapons, cannabis, and private prisons. Select Portfolios may also exclude issuers with activities in other sectors. More information on the investment policies for the Portfolio is provided in the Prospectus found here:

[AB SICAV I](#) <sup>2</sup>

[AB FCP I](#)

[AB FCP II](#)

[W.P. Stewart Holdings Fund](#)

## **D. Investment Strategy**

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<sup>2</sup> For Singapore shareholders, click [here](#) to access the local offering document.



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**i. Strategy**

The Portfolio is actively managed, and AB uses the AB Stewardship Approach when seeking to achieve the investment objective. Through the AB Stewardship Approach, fundamental research includes a robust ESG integration process whereby AB assesses and incorporates material ESG Factors in each applicable phase of the investment process.

More information on the Portfolio's investment objective and investment strategy can be found in the relevant Portfolio Description in the Prospectus here:

[AB SICAV I](#) <sup>2</sup>

[AB FCP I](#)

[AB FCP II](#)

[W.P. Stewart Holdings Fund](#)

**ii. Good Governance**

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

**E. Proportion of Investments**

**i. What is the asset allocation planned for this financial product?**

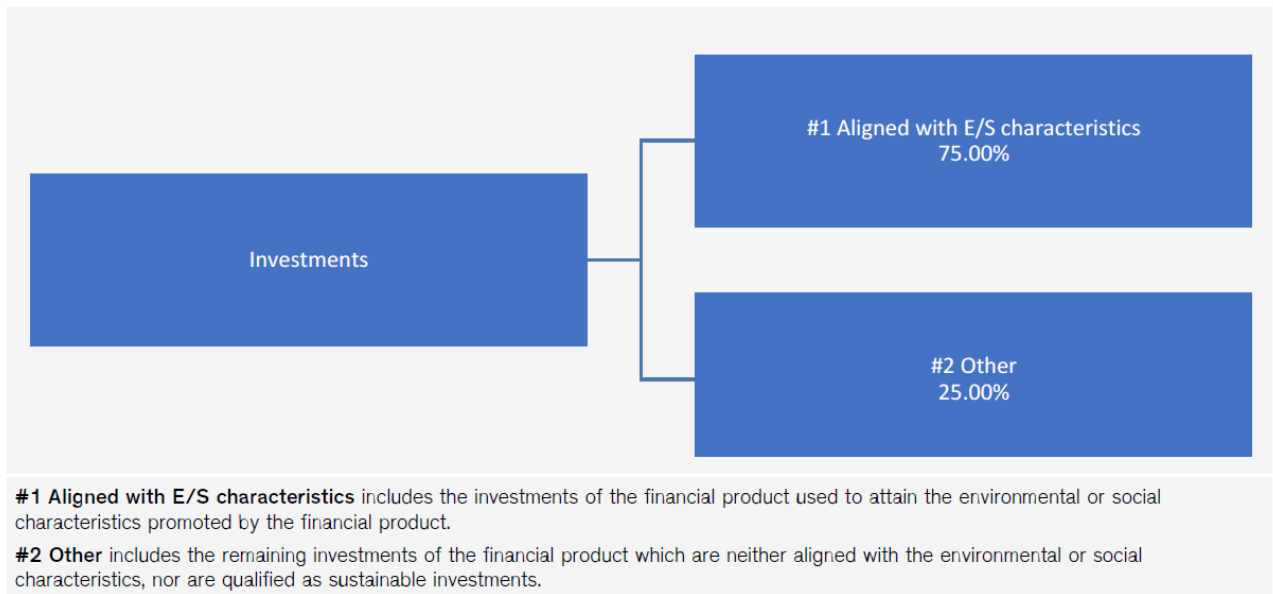
**For all Portfolios (unless otherwise provided below):**

#1 Minimum Aligned with E/S: 75%

#2 Maximum Other: 25%



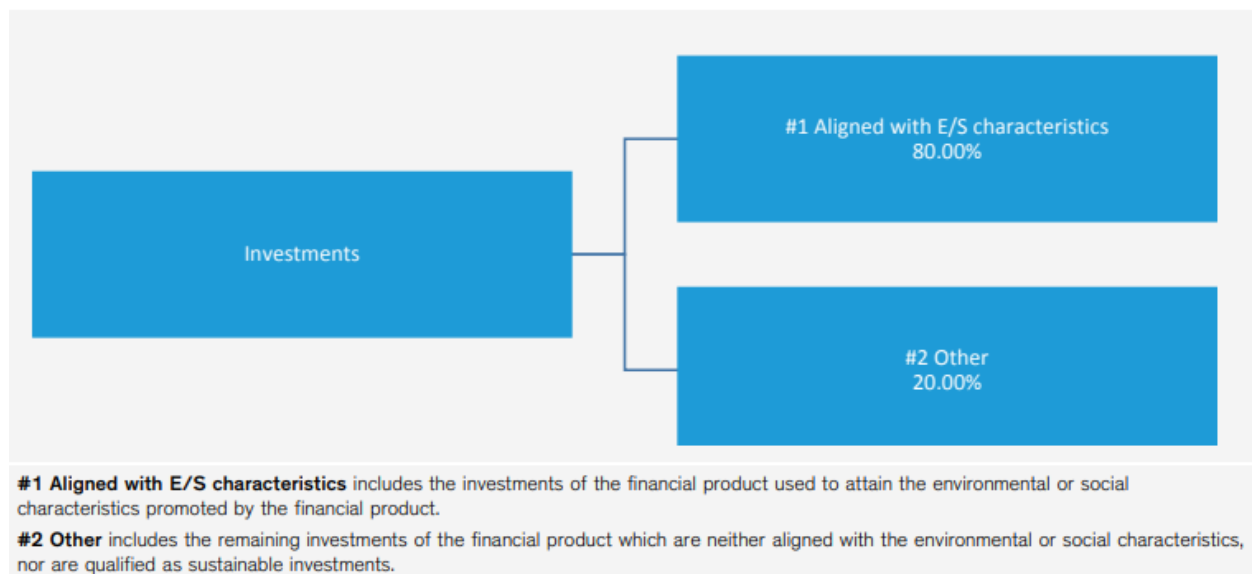
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Based on the Portfolio's net assets. All numbers are shown based on normal market conditions and are based on the average holdings of each month end for the fiscal year. The Portfolio will publish information regarding the percentage of net assets that promote E/S Characteristics in the Fund's annual report.

#### For China Net Zero Solutions Portfolio

- #1 Minimum Aligned with E/S: 80%
- #2 Maximum Other: 20%



Based on the Portfolio's net assets. All numbers are shown based on normal market conditions and are based on the average holdings of each month end for the fiscal year. The Portfolio will publish information regarding the percentage of net assets that promote E/S Characteristics in the Fund's annual report.

#### For Global Climate Transition Equity Portfolio:

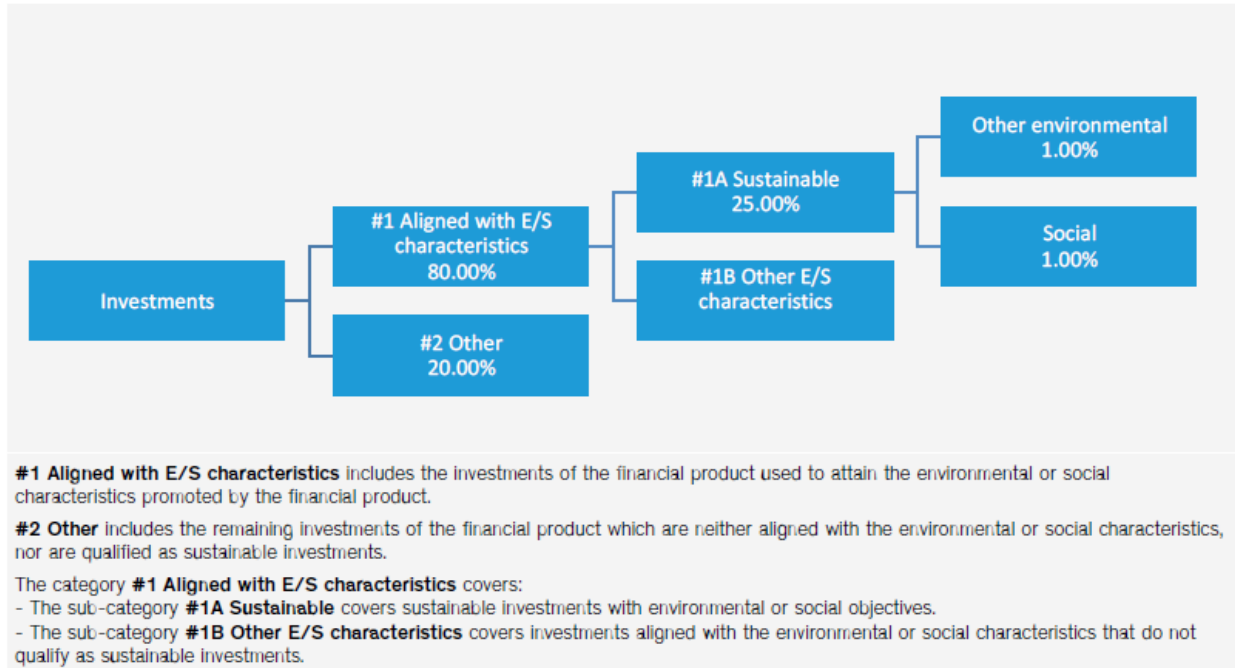


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#1 Minimum Aligned with E/S: 80%

#2 Maximum Other: 20%

#1a Minimum Sustainable Investment: 25% (1% with environmental objective and 1% with social objective)



ii. **How does the use of derivatives attain the environmental or social characteristics promoted by the financial product?**

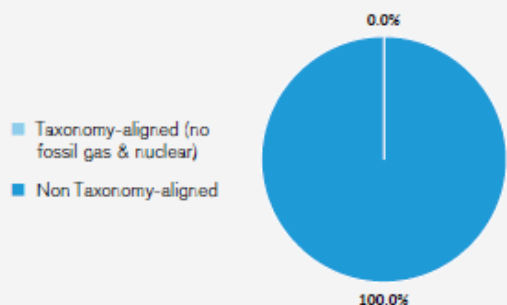
The Portfolio may use derivatives for hedging, efficient portfolio management, and other investment purposes. For derivatives used for other investment purposes, exposure may be to securities that are deemed to promote E/S Characteristics.

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

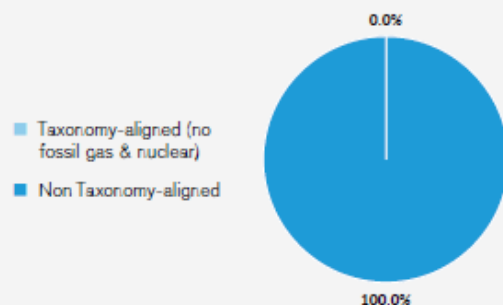


The two graphs below show in light blue the minimum percentage of investments that are aligned with the EU Taxonomy. As there is no appropriate methodology to determine the Taxonomy-alignment of sovereign bonds\*, the first graph shows the Taxonomy-alignment in relation to all the investments of the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

1. Taxonomy-alignment of investments including sovereign bonds\*



2. Taxonomy-alignment of investments excluding sovereign bonds\*



This graph represents 100% of the total investments

\* For the purpose of these graphs, 'sovereign bonds' consist of all sovereign exposures

iv. **What investments are included under “#2 Other”, what is their purpose and are there any minimum environmental or social safeguards?**

This includes:

- Securities that AB believes can be held by the Portfolio in order to achieve its investment objective but are not deemed to promote E/S Characteristics, as outlined above, subject to satisfaction of AB's Good Governance Policy.
- Cash and cash-equivalents held for liquidity, risk management purposes, or collateral management purposes.
- Derivatives used for the purposes outlined in Portfolio Descriptions in the Prospectus. Exposure to securities that promote E/S Characteristics will be captured in #1 Aligned with E/S Characteristics

For these assets, there are no minimum environmental or social safeguards.

## F. Monitoring of environmental or social characteristics

AB measures the attainment of E/S Characteristics promoted by the Portfolio through various quantitative and qualitative methodologies including the measurement of documented ESG research, documented ESG engagement, and compliance with relevant investment exclusions and minimum scoring thresholds, subject to satisfactory data and data sourcing.

The Portfolio promotes E/S Characteristics by holding securities that AB believes promote E/S Characteristics. AB uses a minimum threshold with regards to the percentage of securities in the Portfolio that must promote E/S Characteristics. The threshold for the Portfolio is 75% or 80% as outlined above in section E.

In order to establish compliance with this threshold, the assessment process includes, but is not limited to, reviewing, monitoring, and/or measuring the various ESG Factors or topics that are considered as part of the Portfolio's quantitative and qualitative methodologies for ESG Integration and Engagement.



As part of the research process, the Investment Manager analyses individual issuers, focusing on exposure to ESG Factors. For corporate issuers, AB has established a proprietary materiality matrix, 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 any corresponding ESG scoring, are incorporated in the investment decision-making process of the Portfolio.

Analysts research includes an assessment of Principle Adverse Impact ("PAIs") indicators. The manner in which PAIs indicators are considered may include exclusions, ESG integration, engagement, or proxy voting. Only PAIs which are considered consistently, for all holdings, on a repeatable and systematic basis are deemed relevant and reported. The exact PAIs considered for each AB product may differ depending on the policies implemented and procedures followed. The specific PAIs indicators that are taken into consideration may evolve over time. Additional information on PAIs will be published in the Fund's annual report, as required by SFDR Article 11(2).

AB also assesses various indicators in relation to its proprietary frameworks for establishing Good Governance. Fundamental research on ESG Factors, enhanced by third-party data, is critical to evaluating investment candidates under this framework. A proprietary methodology for evaluating issuers on the four good governance pillars, including sound management structures, employee relations, remuneration of staff and tax compliance, is used to conduct investment analysis, and ensure that portfolio holdings do not breach the minimum thresholds set.

Additionally, all securities are monitored to ensure that they comply with a Portfolio's investment exclusion criteria. Only issuers that do not breach the exclusion criteria are eligible for investment.

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 Group (IGC).

The IGC Group codes 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**

The Portfolio promotes E/S Characteristics by holding securities that AB believes promote E/S Characteristics. A security may be deemed to promote one or more E/S Characteristics if the following binding elements are satisfied:

- Documented ESG integration via evidenced ESG research and Engagements;
- The issuer of the security follows good governance practices according to AB's Good Governance Policy; and
- The Portfolio's investment exclusions are met.

### **i. ESG Integration & Engagement**

When making investment decisions, including the ongoing assessment and monitoring of the Portfolio's holdings, AB uses fundamental research to assess issuers. As part of the AB Stewardship Approach, fundamental research includes the consideration of material ESG Factors, meaning AB will assess ESG Factors for a target issuer at each applicable stage of the investment decision-making process. This includes ESG scoring of equity securities.

AB uses data and records from its proprietary ESG system, ESIGHT, to calculate the level of documented ESG research and engagement activity and the specific E or S issues that were covered. If ESG research is not documented, and engagements are not conducted, for a particular security, it cannot be deemed to be promoting E/S Characteristics.





In addition, any securities that are poorly rated by third-party providers, or are in violation of global norms in accordance with the UN Global Compact, will be subject to review by an independent committee. This review will include an assessment of the relevant research and engagement activity on ESG Factors to determine if the security can be deemed to promote E/S Characteristics. Issuers may not be deemed to promote E/S Characteristics if the related documentation is not satisfactory.

ii. **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. If at any point a security breaches the scoring threshold for any of the Good Governance indicators, then the security is deemed to fail the criteria for inclusion in the portfolio. This methodology, including the relevant data sources, may evolve over time as more data becomes available and tools evolve.

iii. **Exclusions**

This Portfolios utilise 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/ABFCPIExclusionChart](http://www.alliancebernstein.com/go/ABFCPIExclusionChart)

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

iv. **Clear and measurable path to transition**

For **Global Climate Transition Equity Portfolio**, a clear and measurable path to environmental transition is assessed at the Portfolio level and is based on the fund objective of capital growth, whilst seeking significantly lower carbon exposure than global equity markets in view of the global efforts to transition to a lower carbon economy.

Issuers in the Portfolio are assessed against this criteria, and all holdings in aggregate contribute to the Portfolio-level objectives and construction-criteria

For **China Net Zero Solutions Portfolio**, a clear and measurable path to environmental transition is assessed at the security level by ensuring that at least 80% of the Portfolio is invested in equity securities that the Portfolio Manager believes align with and are positively exposed to China's policies to transition towards a net zero carbon economy, these equity securities being "China Net Zero Solutions"

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

Several data sources are used by the Portfolio to measure relevant indicators relating to the promotion of E/S Characteristics. The majority of the data sources used are internally sourced, based on fundamental research, and supported by external data, as well from direct due diligence and engagement with individual issuers.

In conducting 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 assess whether 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 relevant PAIs where considered.

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 FI products that include 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 AB's 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. PRISM ESG scoring is integrated into ESIGHT so that AB equity and 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 may be coded into AB's internal systems, where necessary. This information enables the terms of the Portfolio's exclusion criteria 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.

#### **Proportion of data that is estimated**

For more information on estimated data see below.

## **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 proposes 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 securities that are deemed to promote E/S Characteristics use both proprietary and third-party data. 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. ESG research conclusions 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 that an issuer follows good governance practices, then the issuer in question will not be eligible for investment until this limitation is satisfactorily met.

## **J. Due Diligence**

The Portfolio follows the AB Stewardship Approach. This involves actively integrating material ESG issues at each applicable step of the investment process, ensuring that the related risks and opportunities are thoroughly identified, assessed, and incorporated in investment decisions. AB's Stewardship Statement describes the process by which material ESG Factors are integrated into its investment decision-making process in detail ([www.alliancebernstein.com/go/ABGlobalStewardship](http://www.alliancebernstein.com/go/ABGlobalStewardship)).

To evidence that the Portfolio follows AB's Stewardship Approach and promotes E/S Characteristics, AB uses a minimum threshold with regards to the percentage of securities in the Portfolio that must promote E/S Characteristics. The threshold for this Portfolio is 75% or 80% as outlined above in section E.

In order to measure compliance with this criteria, AB's Investment teams must undertake fundamental research and engagement on environmental and social issues.

The starting point for corporate ESG research and analysis is AB's proprietary Materiality Map which determines the ESG issues that are material, and should be prioritized, for each issuer. This Materiality Map that covers more than 40 ESG Factors and spans almost 70 subsectors. For certain sectors, where AB deems the sustainability risks associated with investment to be significant, industry-wide exclusions may be used.

AB's analysts then research and analyse the E, S and G Factors highlighted by the Materiality Map and incorporate their findings into their investment process. AB's proprietary ESG research and collaboration tool, ESIGHT, assists



analysts in doing this, as well as hosting a variety of third-party data as a starting point for their analysis. AB's investment professionals can access ESG research notes, proprietary scoring, and information on the engagement activity of other AB analysts and teams when formulating, and documenting, their research conclusions.

AB uses data and records these proprietary systems to calculate the level of documented ESG research, proprietary scoring, and engagement activity and the specific E, or S issues that were covered on an ongoing basis. If ESG research is not documented, and engagements are not conducted within a 12-month rolling period, for a particular security, it cannot be deemed to be promoting E/S Characteristics.

In addition, any holdings that are poorly rated by AB, external third-party providers, or are in violation of global norms, will be subject to review by an independent committee. This committee will review the relevant ESG research and engagement records to see if the holding can still be deemed to promote E/S Characteristics. The committee may also raise highly controversial names to the AB Controversial Investment Committee to review for firm-wide exclusion.

If AB analysts determine that, after integrating ESG Factors into their fundamental research, there are aspects of an issuer's ESG-related behaviour that are material to its future expected returns, they will reflect these concerns in their research forecasts and investment decisions. AB's Investment teams also engage with certain companies where they believe they can encourage and work with them to improve their practices in relation to various E, S, or G issues.

As part of this process, AB assesses various indicators in relation to its proprietary frameworks for establishing Good Governance and relevant PAIs where considered. A proprietary methodology for scoring on the four good governance pillars is used to ensure that portfolio holdings do not breach the minimum thresholds set under the framework. Compliance with minimum scoring thresholds is also monitored on a pre-trade basis.

Finally, only issuers that do not breach the terms of the Portfolio's exclusion criteria are eligible for inclusion in the Portfolio. Pre-trade compliance systems prevent the Portfolio from purchasing securities of issuers that are not compliant with the criteria. If an existing holding breaches the criteria on the basis of updated data, post-trade compliance will flag this to the Portfolio Management Group (PMG). The PMG will then alert the Investment team to confirm what investment action should be taken in a manner consistent with Portfolio shareholders' best interest.

## **K. Engagement Policies**

As part of the investment process for this 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 at 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 and any potential material financial impact.
- **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 company or issuer's size and the magnitude of the ESG risks or opportunities identified, AB's historical proxy-voting record at the company, 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 a company's or 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 AB' 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 actions. We may take one or more of the following actions: proxy voting; sharing our 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. Designated Reference Benchmark**

These Portfolios do not use a designated reference benchmark to measure the promotion of environmental and/or social characteristics.