AB 2020 STEWARDSHIP REPORT

AB's 2020 report on corporate responsibility, responsible investing, ESG integration, engagement, voting and collaboration

AllianceBernstein®

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

—Seth Bernstein, President and CEO, AllianceBernstein

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INTRODUCTION

At AB, we're committed to responsibility and stewardship, both as a firm and as investors. Responsible investing is a key component of our strategy and an area in which we continue to invest because it's inextricably linked with corporate responsibility. The year 2020 was very challenging: COVID-19 caused vast suffering, disrupted the global economy and financial markets, and was 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 demands response and action.

Our mission is to deliver better investment outcomes for our clients through differentiated research insights and innovative portfolio solutions. That mission and our commitment to help clients address their economic, environmental, social and governance (ESG), and climate-related investment challenges guided us in 2020. As a firm, AB has adapted rapidly to protect our employees' health and welfare, support our communities, and ensure that we can continue managing clients' investments safely and securely. To fight racial injustice and inequity, we increased the diversity of our board and continue to evaluate 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 ESG practices by 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 (CRO) and Michelle Dunstan as Global Head of Responsible Investing. With a combined 45 years of experience at AB as analysts and portfolio managers, they'll oversee AB's responsible investing strategy, including research and stewardship, integration, and collaboration with our broader teams on product development.

Thought leadership is one of our key responsible investing initiatives. We're deepening our collaboration with Columbia University's Earth Institute on climate change and investing, developing a curriculum that more than 250 AB investors have completed to date. By systematically incorporating medium- and long-term risks and opportunities created by climate change into our investment processes, we're committed to delivering better financial outcomes for clients. We're also advancing ESG and climate integration through proprietary tools and frameworks, and we're extending our Portfolios with Purpose platform—four new solutions received initial funding in 2020, including two low-carbon strategies.

In 2020, we embarked on a strategic thematic engagement campaign, with our analysts focusing on companies that either excluded ESG metrics from their executive compensation plans or did not have climate change targets or metrics. We asked for those metrics to be established in 2021—just as we ask of ourselves. We're committed to using our position of influence as investors to help drive positive change that also creates better financial outcomes. And 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 progress on our ESG journey.

This 2020 Stewardship Report should be read in conjunction with our **Global Stewardship Statement**—our policy outlining AB's responsibility and stewardship objectives, strategy and approach. This Stewardship Report summarizes the activities we've undertaken in being responsible investors and long-term stewards of our clients' capital during 2020. It also highlights the progress we've made in implementing our responsibility strategy and discusses the achievements of the firm in further developing our governance, approaches to diversity and inclusion (D&I), ESG practices, and climate-risk management, as well as our advances in ESG integration, engagement, proxy voting, policy advocacy and collaboration.

1. AB'S MISSION AND RESPONSIBILITY

AB is a public limited partnership, independently operated and majority owned by Equitable Holdings. We provide research, diversified investment management and related services globally to a broad range of clients through our three distribution channels—Institutions, Retail and Private Wealth Management—as well as our sell-side business, Bernstein Research Services.

The foundation of our business is high-quality, in-depth research, which we believe gives us a decided edge as we strive to achieve long-term, sustainable investment success for our clients. Our global research network spans many disciplines, including economic, fundamental equity and fixed income, and quantitative research. We also have experts focused on multi-asset strategies, wealth management and alternative investments.

As of December 31, 2020, AB managed $686 billion on behalf of our clients.

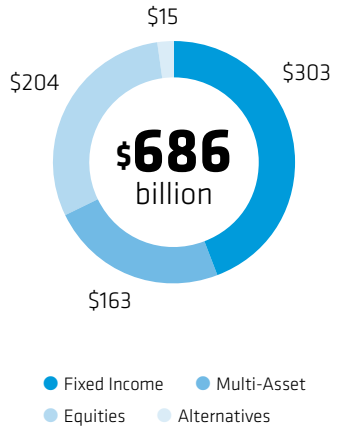
As a responsible firm and responsible investor, we're committed to addressing ESG and climate issues—both as a corporate citizen and in striving to deliver better outcomes for clients. We foster a culture of diversity and inclusion because different backgrounds and perspectives lead to better decisions and insights. We've built our business model 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.

Our stewardship practices, investment strategy and decision-making are guided by our common beliefs:

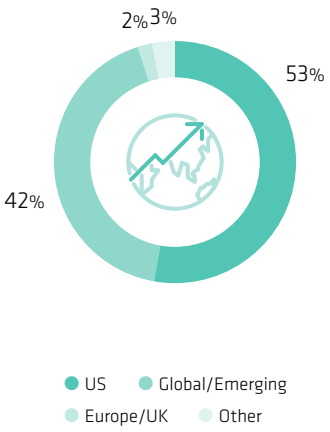
+ We must be fully invested in delivering better outcomes for our clients—as our clients define those outcomes.
+ Being a responsible firm and responsible investor are inextricably linked: our practices must align with those we expect from the firms we engage with and invest in.
+ Advancing responsibility at all levels of our firm helps us make better informed risk/return assessments and investment conclusions.
+ Fostering diverse perspectives helps us see and think differently—that's why we invest in our people and celebrate their unique differences.
+ Climate change is a global crisis: addressing it on all fronts is critical to the well-being of our people, our company, our communities, our clients and the planet.
+ Because we're actively engaged shareholders, it's our duty to vote in favor of proposals that strengthen corporate governance.

We believe strongly that ESG issues can affect the performance of investment portfolios. When we became a Principles for Responsible Investment (PRI) signatory in 2011, we formalized the integration of ESG into our investment processes and created a management infrastructure for responsible investment leadership that drives our firm's strategy and commitment to these issues firmwide.

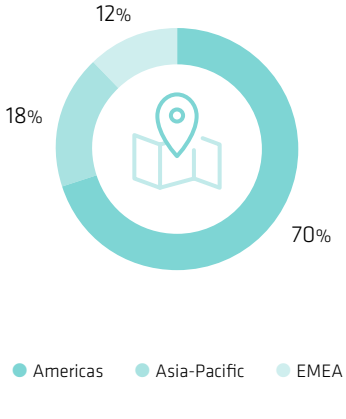
AUM by Asset Class*



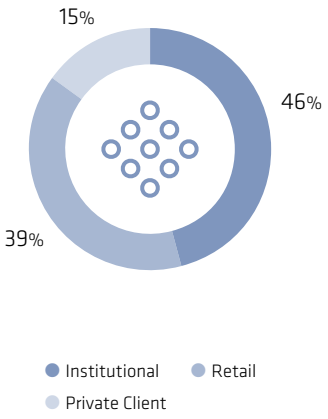
AUM by Region



AUM by Client Geography

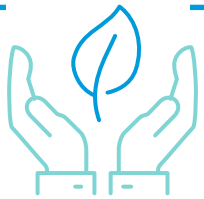


AUM by Channel



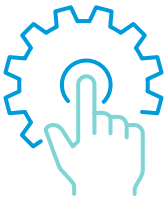
*Numbers may not sum due to rounding.

1 See Appendix, page 39.



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

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



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

At AB, we focus intently on our clients and their needs, which often center on achieving a desired level of risk and return. Analyzing issuers through the lens of long-term value creation often allows us to achieve strong financial outcomes and reduce risk by more thoroughly assessing all factors that will affect a security during the investment horizon and beyond.

That's why we take a three-pronged approach to responsibility and ESG integration.

+ First, we focus on corporate responsibility. If we ask our portfolio companies and issuers to improve their practices and to do things differently, we should do the same for our own policies and processes. We continually evaluate our corporate responsibility practices to ensure that they align with and inform what we expect of others.
+ Second, we integrate ESG and climate change factors into the research and investment processes of all our actively managed client accounts, funds and strategies because these factors can affect the performance of investment portfolios. ESG integration is fundamental to our research process: by thinking broadly and deeply about ESG and climate issues, analysts and investment teams can better identify and quantify medium- and long-term risks and opportunities for specific issuers and help drive better financial outcomes for clients.
+ Third, we've developed a diverse suite of Portfolios with Purpose that go beyond ESG and climate change integration and engagement, enabling clients to invest with purpose. These solutions include impact strategies, sustainable investment strategies that align with the United Nations Sustainable Development Goals and goal-based strategies such as our low-carbon funds.

As of December 31, 2020, ESG is integrated in $515 billion, or 75%, of our $686 billion in assets under management (AUM). Portfolios with Purpose accounted for a further $16 billion (2%) of our assets. The remaining $155 billion, or 23%, was primarily invested in passive or index funds.

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

To be effective stewards of capital and responsible investors, AB needs its own governance structure and policies to reflect those that we advocate in our portfolio companies. Best practices evolve; to continue advancing, we constantly reevaluate our structure and policies.

AB CORPORATE GOVERNANCE AND OVERSIGHT

BOARD OF DIRECTORS

AB's Board of Directors oversees the strategic direction of the firm. The board has 12 members, including an independent chairman, seven independent directors and four affiliated directors. We believe that separating the duties of chairman and chief executive officer (CEO) represents better corporate governance and that an effective board includes a diverse group of individuals across gender, ethnicity and backgrounds who collectively have the skills and perspectives to guide the company.

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

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

As of February 28, 2021
Source: AB

In 2020, we scrutinized the need for more gender and racial diversity as well as more independence on our Board of Directors. The goal is to better reflect the composition of all stakeholders—including clients, shareholders, employees and our communities. More diversity brings more perspectives and varied experiences, strengthening AB's resilience and ability to thrive. We made advances in 2020, and we're continuing these efforts in 2021.

In January 2020, we added Nella Domenici to our Board of Directors and the Audit and Risk Committee as an Independent Director. Nella, an experienced asset-management professional, is currently the Chief Financial Officer (CFO) of Dataminr and until late 2018 was the CFO of Bridgewater Associates. She is also on the board of Change Healthcare.

In September 2020, we added Bertram Scott to our Board of Directors and the Compensation and Workplace Practices Committee as another Independent Director. Bert brings extensive strategic and operational expertise from a variety of executive roles and experience as a board member of public companies. He's currently a member of the Board of Directors of Becton, Dickinson and Company and Lowe's Companies, Inc. Bert is also a director of Equitable America since May 2012 and was appointed a Director on the Equitable Holdings Board in March 2019.

We're confident that Nella and Bert will bring valuable perspective to advance our business and culture.

We also strengthened the Board's mandate to oversee our responsibility activities, including both corporate responsibility and responsible investing. AB's Board has always actively sought and provided guidance on our responsibility activities, but we believe that as best practices evolve and our responsible investing platform grows, explicit and formal oversight is warranted. Our Audit and Risk Committee has assumed this role.

SENIOR MANAGEMENT TEAM & OPERATING COMMITTEE

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

AB OPERATING COMMITTEE

Seth Bernstein
President and Chief Executive Officer

Investment and Research Services

Chris Hogbin
Head of Equities

Matthew Bass
Head of Private Alternatives

Dan Loewy
Chief Investment Officer of Multi-Asset Solutions

Gershon Distenfeld
Scott DiMaggio
Co-Heads of Fixed Income

Chris Bricker
Head of AB Arya Partners

Robert van Brugge
CEO of AB Bernstein Research Services

Client Services

Onur Erzan
Head of Global Client Group

Ajai Kaul
CEO of Asia-Pacific

Strategy and Finance

Ali Dibadj
Chief Financial Officer and Head of Strategy

Corporate and Fiduciary Services

Kate Burke
Chief Operating Officer and Head of Bernstein Private Wealth Management

Larry Cranch
Chief Legal Officer

Karl Sprules
Head of Technology & Operations

Cathy Spencer
Head of Human Capital

Janessa Cox-Irvin
Head of Diversity & Inclusion

Sharon Fay
Chief Responsibility Officer

The AB Operating Committee, 17 senior business leaders from across AB, serves as an advisory council for senior management. The Operating Committee includes the AB senior management team, as well as the leaders of: (1) Investment and Research Services: Heads of equities, multi-asset solutions, fixed income (co-heads), public alternatives, private alternatives and CEO of AB Bernstein Research Services; (2) Client Services: Heads of global client group, private wealth management and CEO of Asia-Pacific; and (3) other Corporate Services: CRO, Heads of D&I and Human Capital.

In 2020, we also increased the diversity of our Operating Committee, adding three new members who bring new perspectives:

Janessa Cox-Irvin, Senior Vice President (SVP), Head of Diversity and Inclusion, will provide a needed voice and viewpoint to ensure that diverse perspectives are woven into all we do at AB.

Cathy Spencer, SVP, Head of Human Capital, will apply the lens of our people, culture and well-being across firmwide initiatives.

Ajai Kaul, SVP, CEO, Asia-Pacific, represents our largest growing market: Asia. He'll offer a point of view from a region vital to AB's future.

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

RESPONSIBILITY BUSINESS UNIT

Because responsibility is an imperative—both to AB as a firm and to our investments—we created a new Responsibility Strategic Business Unit (SBU) in 2020 to enhance our focus and capabilities. Our Board of Directors and CEO also established the CRO position in 2020, which directly supervises AB's corporate responsibility and responsible investing efforts. The CRO is also a member of AB's Operating Committee.

We appointed Sharon Fay CRO to lead and oversee the firm's responsibility strategy while working closely with senior leadership to ingrain responsible investing and corporate responsibility practices into AB's everyday global activities. Sharon has served in many leadership roles in more than three decades at AB, including CIO of Equities and Global Head of Equities for over a decade.

We also appointed Michelle Dunstan as Global Head of Responsible Investing in 2020. Michelle partners with Sharon to oversee AB's responsibility strategy. This role includes driving the firm's ESG, climate-research and stewardship activities, helping to further integrate responsible investing into investment decisions, and working to embed that ethos into the firm's culture. Michelle joined AB in 2004 and has nearly 25 years of industry experience. She is also a portfolio manager for the Global ESG Improvers strategy and has served as an equity portfolio manager and senior research analyst.

To ensure that we continue to advance on our responsibility journey, we've created a new Director of Corporate Responsibility position to focus solely on AB's activities. Our new director will help develop purpose-driven corporate responsibility strategies that inspire employees, drive business growth and create social impact. In 2020, we also added a Director of Responsible Investing Strategy, a Responsible Investing Communications and Reporting Manager, an ESG Product Specialist, and more ESG analysts.

We believe that our structure has been effective in enabling a higher level of responsibility, responsible investing and stewardship. As outlined in our **Global Stewardship Statement** and in this report, AB's activities in policy development, corporate responsibility, ESG integration, the launch of new Portfolios with Purpose, engagement, collaboration and proxy voting all advanced markedly in 2020. But as we stated at the beginning of this section, while the structure is working, we don't intend for it to be static: we hope to continue learning, developing and advancing.

AB RESPONSIBILITY TEAM

TEAM LEADS

Chief Responsibility Officer

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

Global Head of Responsible Investing

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

STRATEGY AND COMMUNICATIONS

Director of Corporate Responsibility

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

Head of Community and Civic Engagement

Katherine Chinn
23 Years of Experience
3 Years at AB
Nashville

Director of Strategy

Jodie Tapscott
15 Years of Experience
1 Year at AB
London

Communications and Reporting Manager

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

ESG RESEARCH, ENGAGEMENT AND INTEGRATION

Director of Environmental Research and Engagement

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

Director of Social Research and Engagement

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

Director of Corporate Governance

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

TEAM RESOURCES

ESG Analysts

ESG Working Teams

Tools and Infrastructure

Training

Strategic Partnerships

For 2021, we are focusing on activities such as improving our executive compensation plans to better align them with stewardship and leveraging our new Director of Corporate Responsibility to ensure that AB's own practices remain best-in-class. We'll continue to invest in our responsible investing capabilities, adding to the team, expanding our research and analytical capabilities, and launching new Portfolios with Purpose.

CORPORATE RESPONSIBILITY, RESPONSIBLE INVESTING AND STEWARDSHIP GOVERNANCE AND OVERSIGHT

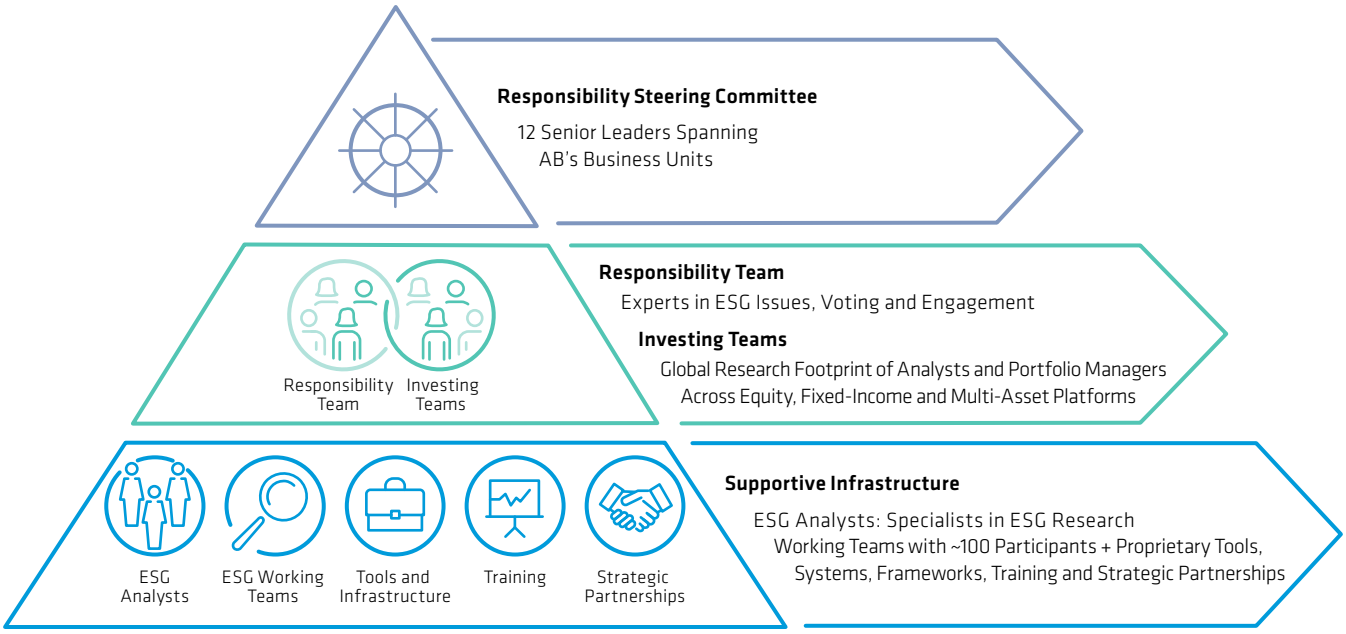
To govern the Responsibility SBU and oversee our corporate responsibility, responsible investing and stewardship activities, AB has created a structure that reflects our commitment to responsibility at all levels of our organization. Many AB investment professionals have a hand in crafting, overseeing and executing our responsible investing strategy, including engagement and proxy voting:

+ The **Audit and Risk Committee** of our Board of Directors provides formal oversight for responsibility and responsible investing.
+ The **Responsibility Steering Committee**, cochaired by our CRO and Global Head of Responsible Investing, develops strategy and oversees execution. This committee comprises senior professionals from across AB.

- Our **Responsible Investing team** of subject-matter experts partners with investors as they develop ESG and climate research insights and engage with issuers. In conjunction with our various ESG and climate working groups, the Responsible Investing team also develops proprietary frameworks and toolsets, manages our strategic ESG and climate partnerships, develops training programs, and executes our proxy votes.
- Our **Corporate Responsibility team** develops our firm's overarching approach to responsibility, designing and delivering our purpose and values, D&I, sustainability, and corporate philanthropy activities.
- Our **investors**—analysts and portfolio managers—are at the heart of our responsible investing process. They engage with issuers, analyze and quantify ESG factors and climate risks, and ultimately incorporate this information into their investment decisions. Some investment teams have a dedicated ESG analyst and also collaborate with the Responsible Investing team.

To support the Responsibility Steering Committee, AB maintains six other committees that are crucial to overseeing and implementing our corporate responsibility, responsible investing and stewardship activities. Three of the committees were established in 2020, when we also broadened the membership of the Proxy Voting and Governance Committee—adding a nonvoting fixed-income representative to enhance the diverse perspectives informing the committee's decision-making.

- **Proxy Voting and Governance Committee**. This committee includes senior representatives from our equity and fixed-income investment teams, Responsible Investing team, operations, and legal and compliance departments. Together, they establish our Proxy Voting and Governance Policy, oversee proxy-voting activities and formally oversee the proxy-voting process. They also ensure that proxy policies and procedures capture our latest thinking, formulate AB's position on new proposals and consult on votes not covered by our policy.
- **Controversial Investments Advisory Council**. Cochaired by our CEO and CRO, the council consists of senior representatives from across AB. The council provides a forum for discussing and debating issues such as controversial weapons, tobacco, private prisons, fossil fuels and international norms. The council's discussions inform specific investment decisions and help establish AB policy in these areas.
- **Asia-Pacific (APAC) Responsible Investing Subcommittee**. This regionally based subcommittee is cochaired by the Head of Asia Business Development—Equities and a director from the Responsible Investing team. Representatives come from our investment, sales, client service, risk and compliance teams in the APAC region. The subcommittee ensures that the strategy and policy set by the Responsibility Steering Committee is implemented within the region and acts as a channel between the Responsibility Steering Committee and our APAC Client Group.
- **ESG Equity and Fixed-Income Committees**. These committees include portfolio managers, research analysts and ESG analysts from our active equity and fixed-income investment teams. They



discuss proprietary investment research conducted by the firm and how it can be integrated into our investment processes. The aim is to continuously improve our ESG data and infrastructure as well as our ESG and climate insights.

+ **Diversity Champions Council (DCC)**. The DCC's mission is to ensure that D&I remain at the center of AB's culture, policies and practices. Council members advocate and act as role models for D&I by increasing accountability within SBUs for hiring, promoting and retaining diverse talent. DCC members help monitor and review SBU-specific D&I goals and share best practices across the firm.
+ **Operational Risk Operating Committee**. This committee oversees AB's climate risks and regularly verifies or provides internal assurance on various reports and practices.

ASSESSING OUR RESPONSIBILITY GOVERNANCE STRUCTURE

We continually evaluate how our responsibility governance structure supports our stewardship obligations, and we work to fill potential gaps. For instance, as previously described, we formalized board oversight for responsibility, created the position of CRO and added three new committees in 2020. We believe that the combination of oversight at the highest levels of the firm, having senior leaders directly responsible for policy and implementation, and fostering broad participation across AB in committees and working teams ensures that responsibility is viewed as critical and infused into all aspects of our work. Feedback from clients helps us understand how effectively our structure meets their needs and their expectations of our stewardship capabilities and activities.

We believe that our governance structure more than adequately supports our stewardship obligations, but we're always striving to improve. For 2021, we've identified a few areas of focus. We'll define the metrics by which our board will measure our responsibility activities. We'll also continue improving diversity within our governance structure. As mentioned, we created the new position of Director of Corporate Responsibility to oversee our internal responsibility activities: one of her first activities is a thorough audit of current practices to identify other areas for improvement. We'll advance our climate and environmental efforts by setting targets for AB and formalizing oversight for climate change risk—for both AB and our investments—with our Operational Risk Operating Committee.

OUR ROLE AS A FIDUCIARY

Maintaining a vigorous fiduciary culture is paramount to our business. As a fiduciary, we put our clients' interests first and treat all clients fairly and equitably. Our business model rests on prudent risk-taking on behalf of our clients and the firm. We maintain a strong risk-aware culture and a robust governance framework, as articulated in our risk-appetite framework.

The framework, developed by our risk-management team, is a set of guiding principles aligned with industry best practices. It's designed to bring consistency to how we identify, measure, monitor and manage risk across AB. It's reviewed periodically by senior management to ensure that it captures key medium- and long-term risks. Underscoring how seriously we take our fiduciary obligations, employees receive risk training throughout their time at the firm—upon joining, annually, when policies or regulations are updated, and on specific topics when relevant to staff roles and positions.

PROMOTING WELL-FUNCTIONING MARKETS

As a responsible investor with a global footprint, we're committed to serving our clients' and shareholders' needs, building sustainable financial markets, and creating prosperity for people and the planet. It's part of our role as a fiduciary and proactive member of the global investment community to identify and address systemic risks in the market. To promote well-functioning financial markets, we participate in the following industry organizations:

Corporate Call to Action (CCA)

Our CEO, Seth Bernstein, has joined Connecticut state treasurer Shawn T. Wooden and the Ford Foundation's CCA to confront long-standing racial economic disparities in the US. The CCA is a coalition of CEOs with the mission to establish long-term solutions and measurable commitments to achieve greater economic prosperity for all. AB's focus area within the coalition is to work toward growing a diverse talent pipeline into the financial-services industry, knowing that diverse and inclusive teams generate better ideas and results for our clients.

Council of Institutional Investors (CII)

AB is an associate member of the CII. We attend the council's meetings and participate in teleconferences on proxy-related issues to share our insights. In January 2021, our Director of Corporate Governance was appointed to the CII Corporate Governance Advisory Council, which advises the board and staff on trends and best practices in corporate governance. Members of our Responsible Investing team have previously served on the council in 2020, 2018 and 2015.

Financial Services Council (FSC) (Australia)

Our CEO for AB in Australia was appointed a Director to the FSC Board in October 2019. The FSC has more than 100 members representing Australia's retail and wholesale funds management businesses, superannuation funds, life insurers, financial-advisory networks, and licensed trustee companies. The FSC promotes best practices for the financial-services industry by setting mandatory standards for its members and providing guidance notes to assist in operational efficiency. The FSC's mission is to protect and enhance confidence in a strong, sustainable financial-services sector that serves Australians with integrity. Our Director of Social Research and Engagement joined the FSC ESG working group and the modern slavery working group in October 2019. Our Managing Director, Australia Client Group, joined the investment expertise group in July 2020.

Investor Group on Climate Change (IGCC)
AB joined IGCC in August 2019. This organization is a collaboration of Australia and New Zealand investors focusing on the impact of climate change on the financial value of investments, seeking to encourage government policies and investment practices that address the risks and opportunities of climate change—for the ultimate benefit of superannuants and unitholders. The IGCC collaborates with its sister organizations focused on the same objectives in other regions: Institutional Investors Group on Climate Change (IIGCC, Europe), CERES (North America) and the Asia Investor Group on Climate Change (AIGCC, Asia). Our Director of Social Research and Engagement sits on IGCC's Transition to Zero Carbon working group, which focuses on developing investor solutions for facilitating the transition to a net-zero emissions economy in Australia and New Zealand and to track global progress.

Sustainability Accounting Standards Board (SASB)
Valerie Grant, Senior Portfolio Manager for AB's Responsible US Equities portfolio, and Alexia Howard, Senior Sell-Side Equity Research Analyst for US Foods, are members of the SASB Standards Advisory Group, which advises SASB on issues that should be considered in developing corporate disclosures on material ESG issues. AB believes that taking a senior leadership role in developing consistent standards for materiality and disclosure is vitally important for improving market efficiency and capital allocation as well as creating better societal outcomes over the long term.

Financial Stability Board Task Force on Climate-related Financial Disclosures
In September 2018, AB became a supporter of the Task Force on Climate-related Financial Disclosures (TCFD) and its framework for voluntary, consistent climate-related financial risk disclosures by companies in providing information to investors, lenders, insurers and other stakeholders. We provide more details about our Climate Change/TCFD Statement in Section 3 of this report.

MANAGING CONFLICTS OF INTEREST

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

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

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

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

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

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

Our conflict-of-interest policies help guide us wherever a conflict might occur in our business. The policies are outlined in the firm's Form ADV Part 2A, Code of Business Conduct and Ethics, and Proxy Voting and Governance Policy, among other internal policies. While we don't believe that AB faces any conflicts that pose material risks to our clients' interests, the following are examples of potential conflicts inherent in our structure and activities:

Acting for more than one client—We operate most services for many clients. This means that an account might be required to invest or divest less quickly and over a larger number of transactions than might have been the case had we operated just that account. Our priority is to ensure that our systems of order aggregation and trade allocation are fair between different clients' accounts.

Allocation of investment opportunities—Our policies generally call for the pro rata distribution of investment opportunities across appropriate accounts. Sometimes, however, investment opportunities are in short supply and not enough securities are available to create a meaningful holding in every suitable account. In these cases, our policies allow us to allocate available securities among accounts with investment objectives most closely aligned with the investment's attributes. For example, we may choose to allocate a small-cap initial public offering among investors in our small-cap service, even though the stock might also be suitable for other portfolios with a broader range of holdings.

Employee investments—Personal securities transactions by an employee of an investment advisor might raise a conflict of interest when that employee owns or trades in a security owned or considered for purchase or sale by a client—or recommended for purchase or sale by an employee to a client. AB's Code of Ethics includes rules designed to detect and prevent conflicts of interest when investment professionals and other employees own, buy or sell securities that may be owned by, or bought or sold for, clients.

Errors—We correct trading errors affecting client accounts in a fair and timely way. If correcting an error has resulted in a loss, we may decide to make the client whole. Ultimately, however, it's AB that decides whether an incident is an error that requires compensation. In some cases, an element of subjective judgment is required to determine whether an error has taken place, whether it requires compensation and how to calculate the loss involved. In certain circumstances, correcting an error may require the firm to take ownership of securities in its own error account. The disposition of those securities may create a gain in the firm's error account. To manage potential conflicts concerning errors, we've implemented a written error-resolution policy and have created an Error Review Committee chaired by risk-management personnel, among other steps.

Fees—We have a large client base, and the fee arrangements with our clients vary widely. Because our revenues are represented by the fees we charge our clients, we can't be considered to be acting as a fiduciary when negotiating fees.

Gifts & entertainment—Our employees may give or receive gifts and entertainment to clients and other third parties in the normal course of business. Employees who acquire products and services used in our investment activities should not be unduly influenced by receiving gifts, meals or entertainment from the sellers. Similarly, our employees should not attempt to unduly influence clients or potential clients with these or other inducements, such as charitable or political contributions. To help identify and manage other potential conflicts of interest, we've adopted a Policy and Procedures for Giving and Receiving Gifts and Entertainment (the "Gifts Policy") under our Code of Ethics.

Outside business activities—Outside business activities of an employee of an investment advisor may raise potential conflicts of interest, depending on the employee's position within AB and AB's relationship with the activity in question. Outside business activities may also create a potential conflict of interest if they cause an AB employee to choose between that interest and the interests of AB or any client of AB. All employees are required to disclose outside business activities in accordance with our Code of Ethics.

Selecting execution brokers—AB and its employees have diverse relationships with the financial-services firms that execute our client trades. For example, many of those firms distribute shares of AB's sponsored mutual funds or other services to their customers. At any given time, those firms or their affiliates can themselves be asset-management clients of AB or institutional clients of Bernstein. Our portfolio managers may take a significant position in the securities issued by those firms as investments for client portfolios. One of the brokers we may use, Sanford C. Bernstein & Co., is our wholly owned subsidiary. Our selection of trading vendors is not based upon those relationships. Rather, AB has a duty to select brokers, dealers and other trading venues that provide best execution for our clients in accordance with our Best Execution Policy.

Proxy voting—As an investment advisor that exercises proxy-voting authority over client securities, AB has a fiduciary duty to vote proxies in a timely manner and make voting decisions in our clients' best interests. We recognize that there may be potential for a conflict of interest that could affect our investment decision or engagement with an issuer. For example, an issuer may be a client, sponsor a retirement plan we manage (or administer), distribute AB-sponsored mutual funds, or have another business or personal relationship with AB or one or more of AB's employees. All such conflicts must be raised to an AB Conflicts Officer.

Recognizing the link between engagement and voting, our Proxy Voting and Governance Policy describes how we identify, monitor and manage conflicts related to voting. At least annually, the Responsible Investing team compiles a list of companies and organizations whose engagement and proxies may pose potential conflicts of interest. When we encounter a potential conflict of interest, we review our proposed vote using the analysis set out in the Proxy Voting and Governance Policy to ensure that our voting decision doesn't generate a conflict of interest.

Potential proxy-voting conflicts of interest are covered under our Proxy Voting and Governance Policy. We recognize that there might be a material conflict of interest when we engage with an issuer that sponsors a retirement plan we manage (or administer) or distributes AB-sponsored mutual funds, or with which AB or one or more of our employees has another business or personal relationship. Similarly, we may have a material conflict of interest when deciding to engage on a proposal sponsored or supported by a shareholder group that's an AB client.

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

In 2020, our Global Head of Responsible Investing and the Responsibility Steering Committee reviewed all our major responsibility, responsible investing and stewardship policies to ensure that they not only reflect the mission, values and beliefs of AB but also further our pursuit of ongoing improvement. The policies, statements and reports updated in 2020 include our **Global Stewardship Statement**, **Proxy Voting and Governance Policy**, and **Responsible Investing Report**. These policies are required to be reviewed annually, and we intend to produce them annually.

In addition, we established several new policies, statements and reports:

+ We published our first **Climate Change/TCFD Statement**. This statement details how AB is addressing climate change across its business, including investment integration, governance, risk management, and metrics and targets. It aligns with guidance from the TCFD, which AB strongly supports. TCFD guidance advocates better identification, evaluation and reporting of climate risks and opportunities.
+ We also published our first **Global Slavery and Human Trafficking Statement**. AB opposes modern slavery in all its forms, and we've adopted a Global Slavery and Human Trafficking Statement addressing the issue of forced labor across our business operations and supply chain. To better identify and assess forced labor through our investment processes, AB has created a proprietary research framework and trained investment professionals in how to apply it. We've also bolstered our vendor selection and management procedures and developed a new **Vendor Code of Conduct** to address forced labor, among other topics. The procedures and codes cover business practices and issues including global slavery and human rights, D&I, and environmental behaviors.
+ While we've had a Responsible Investment Policy, Engagement Policy and Global Stewardship Statement for many years, we decided to combine them into a single **Global Stewardship Statement**, given the interrelated nature of our values and investment beliefs and the way we approach ESG integration, engagement and proxy voting. Our 2020 Global Stewardship Report represents our first annual Stewardship Report.
+ AB's Controversial Investments Advisory Council established a new policy regarding companies deemed to be in breach of international norms, such as the United Nations Global Compact (UNGC). AB does not require firmwide divestiture, although some of our strategies voluntarily exclude these companies. First, whether an issuer is breaching international norms is subjective: there's no definitive list, and those published by third-party providers are quite different and often have very little overlap. Second, the UNGC list is historical: many breaches occurred years—if not decades—ago, and it's unclear what an issuer must do to be removed from the list. AB's new policy requires that, for issuers deemed by a major third-party service provider to be in violation of international norms, investment teams conduct research on and document the nature of the breach and why their analysis demonstrates that the security remains a reasonable investment. Our Responsible Investing team, in conjunction with our Risk team, has implemented a systematic process to ensure that this research is complete upon initiating a position and annually thereafter, as long as the position is held.

REMUNERATION FOR AB PROFESSIONALS

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

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

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

REVIEW AND AUDIT OF STEWARDSHIP ACTIVITIES

Our statements, policies and procedures are regularly reviewed by our Responsible Investing team and Responsibility Steering Committee. We consider feedback from our clients and investors and compare our policies with best practices as outlined by such organizations as the PRI, International Corporate Governance Network and various national stewardship codes. Those reviews and discussions result in continual strengthening of our policies. For example, in 2020 we added an enhanced escalation procedure to our engagement policy to reflect feedback from our investors and our analysis of PRI-recommended best practices.

In addition, our Risk, Internal Audit and Legal & Compliance teams reviewed other aspects of AB's ESG-related policies and processes to provide assurance that they're being properly implemented. For 2020, this effort included:

+ Internal audit review of our **PRI Transparency Report**.
+ Internal audit review of our proxy-voting process, including proxy research activities, adherence to our **Proxy Voting and Governance Policy**, oversight by the Proxy Voting Committee, and oversight of Institutional Shareholder Services, our voting execution platform vendor.
+ Double-checking of all AB proxy votes by an offshore compliance team to verify that they're being voted in line with our **Proxy Voting and Governance Policy**.
+ Compliance review of the ESG analysis and integration process for a select number of our Portfolios with Purpose to ensure that client and marketing disclosures properly reflected actual activities.
+ Compliance review of all actual and potential conflicts of interest. We provide more details on how we manage conflicts of interest in Section 2 of this report.

We also monitor and review our third-party data and service providers. While we don't outsource our ESG research, integration, engagement or proxy-voting activities, we do subscribe to a variety of external data sources that serve as one source of information for our activities and decisions. These primarily include ESG ratings and risk providers, carbon and climate-risk providers, and corporate governance and proxy research services. We take reasonable steps to verify that the vendors with which we have full-level subscriptions are in fact independent, based on all relevant facts and circumstances.

For proxy research services providers, our Proxy and Governance Committee reviews the vendor's conflict-management procedures on an annual basis. When reviewing these conflict-management procedures, we'll consider, among other things, whether the proxy research service vendor: (1) has the capacity and competency to adequately analyze proxy issues; and (2) can offer research in an impartial manner and in our clients' best interests. We routinely add new data sources when we see the opportunity to integrate better or more information. For instance, in 2020 we added Sustainalytics Risk Ratings to our information platform.

4. AB CORPORATE RESPONSIBILITY

In addition to releasing our new Climate Change/TCFD Statement and Global Slavery and Human Trafficking Statement in 2020, we continue to make advances in our corporate responsibility journey to improve our ESG behaviors and practices. You can find more details on these efforts in our Responsible Investing Report and on our website.

ADAPTING TO THE COVID-19 PANDEMIC

The year 2020 was an exceptional one. 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 one another and clients.

We've communicated clear procedures for employees infected 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.

The pandemic created a challenging working paradigm for our employees and their families. Their health and well-being are 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.

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.

Travel has clearly been affected 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.

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.

ENVIRONMENTAL

Of course, corporate responsibility is not just important during times of crisis, so we worked hard in 2020 to also make progress on our other, ongoing corporate responsibility initiatives. We're working to reduce our impact on the global environment—rethinking business operations to use less of Earth's precious resources. In 2020, we embarked on a process 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 timelier fashion.

We're also working toward our goal of placing 65% of our employees in more environmentally friendly buildings and greener workspaces by the year 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.

As we strive to reduce our greenhouse gas (GHG) emissions, in 2019 we recorded our lowest total emissions (as measured by total metric tons of CO_2e (carbon dioxide equivalent) since we started reporting on this measure 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 in 2019. Reducing paper consumption will also make us more sustainable and reduce our environmental footprint: between 2017 and 2019, we reduced the number of AB personal printers by 62% globally.

SOCIAL

Recent racial tensions in the US have been a stark reminder to all of us about the need to pursue equity on all fronts. At AB, we recognize the value of diverse perspectives, ideas and backgrounds, and we're committed to being a force for positive change. To fight racial injustice and inequity, we're taking—and evaluating—many actions.

We've made a commitment to use our position of influence as investors to help drive positive change that also creates better financial outcomes for our clients. And to advance racial justice, we're promoting supplier diversity and adherence to ethical and human rights standards.

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.

In 2020, AB adopted the systematic integration of international norms, including the 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 that are in breach of norms.

In the workplace, we're striving to become a more dynamic, diverse and inclusive workplace—one in which employees feel challenged, valued and excited to build a career.

We've begun a broad talent search with the goal of appointing a board member who would increase the diversity of our board in 2021, after having increased board diversity in 2020 with the appointment of Nella and Bert. We're also 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 believe that a diverse culture fosters diverse thinking—and drives better outcomes. Of our 2020 US new hires, 44% were ethnically diverse.[2] As of December 2020, 22% of our SVPs are women,[3] 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%.

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

2 Ethnically diverse includes African-American/Black, Hispanic/Latino, Asian and Other. Ethnic diversity information is for the US only. As of December 31, 2020
3 All gender information is global. As of December 31, 2020

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 to inequities in race and gender relations, the call for community service is stronger than ever.

We're answering this call through corporate giving and philanthropy, 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 calendar year 2020, AB and its people logged more than 2,200 service hours and held 47 Day of Service events globally. In total, AB's charitable impact[4] in 2020 was $4.8 million, through a combination of corporate giving and employee gift matching.

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. We also allocated over $1 million to COVID-19 relief through grants and matching dollars.

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.

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 ERG 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, amid a shortage of masks and personal protective equipment.

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 affected by the storm. When a historic section of 2nd Avenue in downtown Nashville was devastated by an explosion in December 2020, AB was quick to step up and support those displaced by this tragedy through the United Way of Greater Nashville, as well as the efforts to rebuild and restore the area.

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 offered paid time off to our US employees to vote in—and, in some cases, serve as poll workers for—recent elections. Beyond 2020, we'll look to offer similar benefits to our colleagues in regions outside North America.

It's impossible to provide an exhaustive account of all our community-service initiatives, but we hope that this overview conveys the scale of our efforts.

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 in which we wish to live.

4 Total charitable impact includes employee donations, the AB matching program and other firm contributions to more than 1,700 organizations.

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

REFLECTING CLIENT FEEDBACK IN OUR APPROACH

Our ESG integration process begins with understanding our clients' needs: engaging with clients and their advisors to better understand how we may align with their responsible investing principles and help them meet their own governance and regulatory obligations.

Alignment happens in several ways, including: (1) customizing investment guidelines to align with clients' principles; (2) ensuring transparency on engagement and voting reporting; (3) communicating and providing thought leadership on key investment and industry matters; and (4) on occasion, providing training to clients' in-house staff and stakeholders.

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

DEEPENING ESG INTEGRATION

As we've mentioned, AB investors are at the heart of our ESG integration process. They partner with our dedicated responsible investing professionals to integrate ESG and climate considerations at every step of our research and investment process (as outlined in the diagram on page 17). ESG integration broadly applies across all asset classes and geographies, and we strive to integrate ESG across all our actively managed strategies. A complete description of our Responsible Investing Policy and integration process can be found in our Global Stewardship Statement.

The integration process starts by **equipping** our investors with frameworks, tools and training so that they can understand, research and integrate material ESG and climate issues—and identify and respond to market-wide and systemic risks.

Investment teams begin ESG integration by **identifying** and assessing material ESG and climate risks and opportunities. We then **engage** with issuers on these topics—a key pillar of our research and stewardship processes. (We elaborate more on the role of engagement in Section 6 of this report.) Investors **document**, **incorporate** and share ESG research and engagement findings and conclusions on our proprietary platforms—ESIGHT, PRISM and our Alternative Data Dashboard. Finally, AB's investment teams **integrate** ESG and climate considerations into their decision-making process.

With AB investors at the heart of our stewardship activity, we're able to integrate ESG at every step of the investment process, which leads to better and more thorough consideration of these issues in investment decisions. Analysts take ownership of ESG and climate change issues from the start—identifying them, researching them, engaging with the issuers on them, and incorporating them into their models and frameworks.

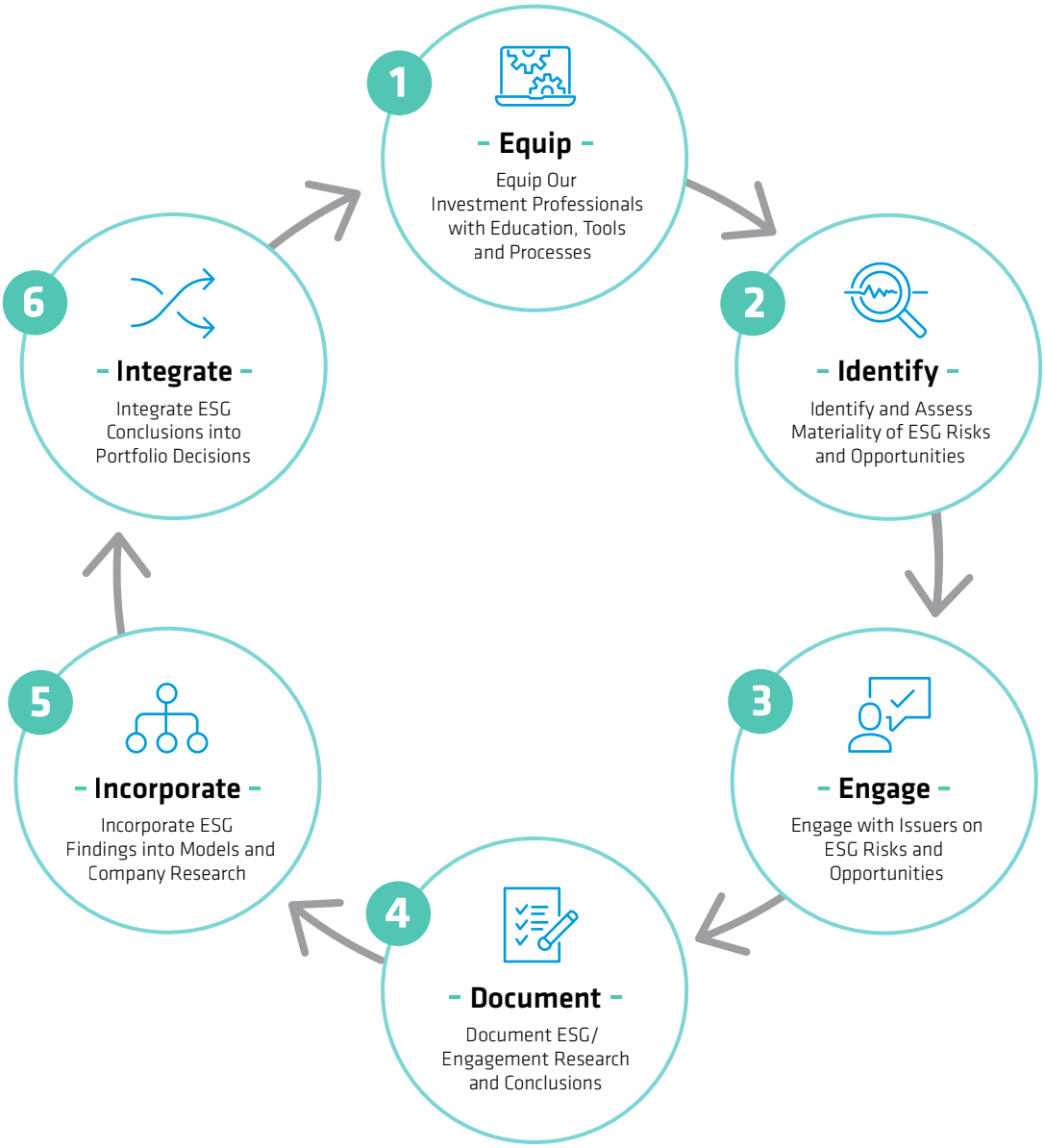
Analysts reflect the impacts of ESG issues in their recommendations and evaluations of medium- and long-term risks and opportunities for securities. Portfolio managers include ESG and climate risks and impacts in their investment evaluations and decisions from the outset. The impact of ESG and climate change analysis on cash flows, credit ratings or discount rates clearly influences investment decisions and position sizing. Because ESG is fully integrated throughout the investment process, there's no need to reconcile differing ESG, climate change and fundamental analyses from separate, parallel ESG and fundamental evaluations.

UPDATES IN 2020

Third-party data and research. To provide investors with the information they need to make effective ESG assessments, we continue to bolster our proprietary and third-party ESG data sources. We review third-party sources every three years, and our working relationships provide ongoing feedback on the quality and accuracy of data that we receive.

In 2020, we provided investors with Sustainalytics ESG Risk Ratings and data in addition to existing data sources. We don't believe that third-party ratings are sufficient to fully analyze an issuer's ESG risks and opportunities, but the data in these reports provide a good starting point for our analysts as they begin to conduct their own research and engagement processes. Our full ESG data offerings include:

+ Bloomberg
+ FactSet
+ Glass Lewis Corporate Governance and Proxy Research
+ ISS
+ ISS-Ethix
+ ISS Vote Analytics
+ ISS ExecComp Analytics
+ MSCI Carbon Emissions
+ MSCI Climate Value at Risk (onboarding in 2021)
+ MSCI ESG Ratings
+ Sustainalytics ESG Risk Ratings
+ Sustainalytics Controversies
+ Sustainalytics Global Standards Screening



We also increased the range of proprietary ESG data science tools available to our investment teams in 2020—including sentiment indicators, natural language processing tools and web scraping from sites such as Glassdoor. In 2020, we added many tools that address the intersection of ESG and COVID-19, and we incorporated COVID-19 as a key issue in our proprietary ESIGHT platform.

Proprietary platforms. In addition to the aspects we already cover in our proprietary ESIGHT ESG engagement research and documentation platform, we integrated the new Sustainalytics ESG Risk Ratings research. We also quickly pivoted our coverage to include issuer engagements related to COVID-19. Analysts and portfolio managers were able to share data and information in real time on how companies were responding to the human capital, operational, supply-chain and IT challenges posed by COVID-19, enhancing their investment decisions.

Extensive training programs. We provided several ESG training modules to AB investors in 2020, including modules on new data and research, best practices in Asia corporate governance, modern slavery, and a variety of climate change topics (more details below). Approximately 60 people joined the corporate governance training, more than 300 individuals participated in the modern slavery training, and more than 250 have completed the climate training, including members of AB's Board, Senior Management and Operating Committee. We'll conduct training in the basics of corporate governance and ESG in portfolio construction in 2021.

Global participation in developing ESG-related intellectual property, frameworks, tools and systems. In 2020, we developed three new proprietary frameworks and tools to support investment teams' analysis:

+ Working with more than 120 AB analysts across asset classes, we developed a proprietary materiality matrix that covers more than 40 ESG and climate issues and nearly 70 subsectors. We can apply the matrix to a range of ESG and climate 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.
+ We created a framework and methodology to analyze the risk of modern slavery at both a company and portfolio level. It examines an issuer's own operations and supply chain (detailed on next page).
+ To improve ESG analysis of sovereign debt, we developed an ESG country-rating system that includes such factors as climate change, biodiversity, human rights, social inclusion and poverty corruption, political rights, and civil liberties.

CLIMATE CHANGE

Climate change—and its potential impacts on financial and economic outcomes—has been a significant focus for AB. It's increasingly reflected in our portfolio managers' and analysts' fundamental research and engagement, as well as in our voting activities. We're also aware of the increasing commercial, economic and regulatory impetus to more proactively address complex climate change issues in financial markets.

In 2017, we initiated a dialogue with leading scientists at Columbia University's Earth Institute, home to the Lamont-Doherty Earth Observatory. These conversations culminated in a pilot climate-risk training program in February 2019 for a select group of our investment professionals from across asset classes. Because it was a resounding success and presented complementary opportunities for research and collaboration, we began a collaboration with the Earth Institute, announced in September 2019 and managed by our Director of Environmental Research and Engagement.

In 2020, all AB investment professionals across our equities, fixed-income and multi-asset teams completed the initial Columbia Climate Science and Portfolio Risk training. Our CEO and members of the AB Board were also trained. Initial training took place over one day at the Lamont-Doherty Earth Observatory in Palisades, NY. Because of COVID-19, we moved to virtual training, spanning 10 hours over 10 days—and made the training available to all staff through a virtual Climate Science Library.

We intended for the collaboration to help our investment teams better assess investments for medium- and long-term risks and opportunities from climate change, engage more effectively with companies, and ultimately improve outcomes for our clients. We also hoped that our collaboration on curriculum development would lead to ideas for joint research projects between AB investors and Columbia's academics. To this end, we embarked on a three-phase research project with Columbia faculty and scientists, focusing on climate scenario analysis. In phase one, which is well under way, Columbia is helping us evaluate the range of existing scenario analysis products and services on the market. AB expects to begin

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

THE EARTH INSTITUTE
COLUMBIA UNIVERSITY

performing and reporting climate scenario analysis to clients on select strategies. Columbia is facilitating our efforts, helping us identify and hire the best, most comprehensive and effective vendor.

Phase two, which will begin in 2021, will expand the analysis and reporting to more AB-sponsored funds and, eventually, to separately managed accounts. In phase three, we intend to expand our use of climate scenario analysis as a forward-looking tool for investment teams. We want investors to use the tool as a means to better identify and capitalize on emerging climate-related risks and solutions. We also seek to leverage our Columbia relationship to bring educational opportunities to key clients and enhance our brand as a leading responsible investor.

Another goal of the collaboration is to engage in research that enhances our investment process. We're developing a series of curated research interactions—conversations between Columbia faculty and AB portfolio managers and analysts on climate change topics of interest. We believe that we have the opportunity to translate scientific research and discovery into investment decision-making.

Publishing research and case studies would demonstrate the impacts of these interactions and enhanced climate knowledge on investment decisions. As part of this process, AB is training Columbia University Earth Institute faculty on asset management. Creating a program that will enable faculty to better understand what we do can help them deliver better information to us.

This initiative is part of our ongoing commitment to investing in our employees, positioning them for continued growth and performance in a rapidly evolving market environment. We've worked with our colleagues in Learning and Development to enhance this collaboration and to help realize our professionals' and firm's potential for leadership and success in this area.

We've always intended for the unique collaboration between AB and Columbia University to serve the broader asset-management industry, too. Both asset owners and asset managers want to dig deeper into the complex issues around climate change and bring them to the forefront of their investment decision-making. That's why we're deploying the Climate Science and Portfolio Risk curriculum to select clients in 2021, providing access to research and faculty in curated interactions.

MODERN SLAVERY

At AB, we've considered the social risks of our investments for many years, with a focus on modern slavery and forced labor. Through our engagements with corporations, we've come to realize our unique position as investors to put modern slavery on the corporate agenda and to hold companies to account for their practices.

Using our own fundamental research and leveraging third-party information as a guide, in 2020 we developed and began implementing a modern slavery research methodology to map companies on a matrix indicating the potential level of exposure to modern slavery in operations and supply chains. The matrix measures companies' exposure to high risk-to-people factors, including vulnerable populations, high-risk geographies, high-risk products and services, and high-risk business models.

Mapping companies' potential risks helps us determine which companies we need to engage with most deeply or most urgently on how they're reducing risks to people. Using the map, we've been able to apply our fundamental research insights to understand risk exposures—looking at where a company operates rather than where its headquarters is located. For example, a mining company that only operates in Canada has lower risk than a Canadian company that also operates in Africa.

What started as an Australian market initiative in response to the Australian Modern Slavery Act 2018 is now being integrated into the investment process across our actively managed strategies and into the engagement and voting approach for our passively managed assets. We're already seeing results: we engaged with more than 20 companies in 2020, including Nestlé, Volkswagen, and rubber glove manufacturer Ansell, and we have more engagements planned for 2021.

One of the most heartening aspects of our engagements so far has been discovering the shared conviction of boards and executives that modern slavery is a social evil and business risk and that all of us—companies, investors and consumers—are obliged to do what we can to confront and, where possible, eradicate it. For example, the chair of a large financial institution we engaged with said that AB's focus on modern slavery could elevate the issue's priority on its risk map.

We've developed a comprehensive best-practices framework to evaluate corporate performance and progress in this area, in collaboration with many leading (Australian) corporations, expert organizations such as the Mekong Club and Be Slavery Free, academics, and social auditors. The framework assesses Governance Framework, Risk Identification, Action Plan to Mitigate Risks, Action Plan Effectiveness and Future Improvement. The main goal with this framework—and the Future Improvement component, in particular—is to recognize best practices in this area and help firms learn and improve.

We've developed a separate best-practices framework for the financial sector. Finance is generally considered a lower-risk industry for modern slavery issues, but we believe that financial institutions play an important role in reducing modern slavery, given their exposure to modern slavery–related financial transactions and business-lending activities. We've engaged with the heads of financial-crime risk at Australian banks as well as financial-services

regulators to better understand risk exposure in the sector and how to encourage financial institutions to respond.

We believe that industry collaboration is key to reducing modern slavery; no firm or stakeholder can do it alone. That's why we signed investor statements such as the Find It, Fix It, Prevent It Investor Statement on Modern Slavery, which calls on UK-listed companies to increase efforts to identify human trafficking, forced labor and modern slavery in supply chains; review, assess and disclose the effectiveness of attempts to address these issues; and support the provision of remedy to victims of modern slavery within supply chains.

We've also signed the Investors Against Slavery and Trafficking Asia-Pacific, which has a similar objective, as well as the KnowTheChain Investor Statement: Investor Expectations on Addressing Forced Labour in Global Supply Chains. We also collaborate with expert organizations and industry bodies; Mekong Club and Be Slavery Free joined our internal training session for investment professionals.

Finally, to promote awareness of modern slavery and the risks to both people and our clients' investments, we've met with more than 20 pension and wealth-management clients. The aim is to create awareness of the scale of modern slavery risk to people, share proprietary research and help clients identify risks in their own portfolios, enable our clients to use our tools across their other investment strategies, and encourage them to take their own engagement action, too.

In summary, we believe that reducing the risk of modern slavery to people requires long-term commitment and a willingness to innovate—continuously improving processes to identify, assess and act. Based on the positive response we've received from our engagement with companies and clients, we believe that we'll make real progress in the fight against this pervasive social evil over time and improve outcomes for its victims. In fact, during one of our company engagements on the issue, an ASX-listed energy company told us that our dialogue gave them "real impetus to a workstream that [they] knew [they] had to do but had probably got behind schedule on. Without AB's positive bias for action and how that landed in the business [they] doubt [they'd] be where [they] are now on modern slavery." We're confident that companies can, and will, increasingly embrace the challenge to collaborate, act and lead in the fight against modern slavery.

To see our map and framework in action, including more details on our methodology and examples, please see our **Modern Slavery Microsite**.

6. ENGAGING WITH ISSUERS

Engagement is integral to our investment process because we're an active investment manager that takes, or considers taking, ownership positions in issuers on behalf of our clients.

Engagement provides the opportunity to further support our clients' interests by sharing our philosophy and corporate governance values while effecting positive change. We engage to augment our research process and gain insight into an issuer's corporate strategy and competitive positioning as well as how issuers address and manage medium- and long-term risks and opportunities.

Through constructive engagements, we hope to better understand the ESG issues facing a company. We aim to exchange perspectives on the key issues, putting ourselves in the shoes of company management while explaining our view of the issues from an investment and shareholder perspective. Finally, we strive to influence positive change at the company.

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

We may also conduct event-driven engagement, when a company's or issuer's activity has resulted in a significant negative impact, as well as company-led engagements, when a firm reaches out to us to discuss an issue. Thematic-driven engagement campaigns are determined by the strategic agenda of our Responsible Investing team; targeted engagement campaigns span a broad range of topics that evolve over time, based on specific focus areas. You can find more details of our engagement approach, which is applicable across all asset classes and geographies, in AB's Global Stewardship Statement.

COMPANY ENGAGEMENT VS. COMPANY MEETING

At first glance, a company meeting and company engagement may appear to be the same thing, but the context is different.

In a traditional meeting, an analyst or portfolio manager may interact with a firm in a variety of investment contexts, which sometimes include discussing ESG factors. In an engagement, the primary focus is to understand issues facing a firm, exchange perspectives with management and influence change on one or more factors affecting the business.

Issues—whether ESG or not—are the only items on an engagement agenda, or account for the majority. This may include conversations on the existing opportunities that a company has. Participants from the company often include heads of functions such as sustainability or D&I or subject-matter experts in areas such as compensation or supply chains, in addition to management, investor relations (IR) or the board.

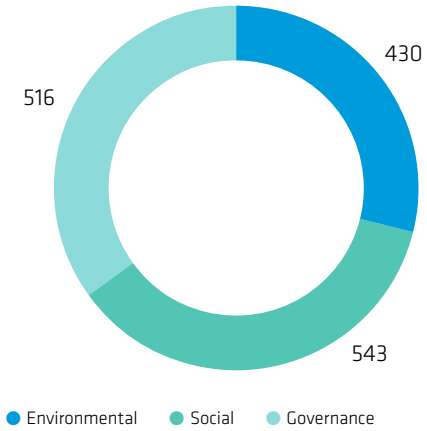
ENGAGING ON ESG ISSUES

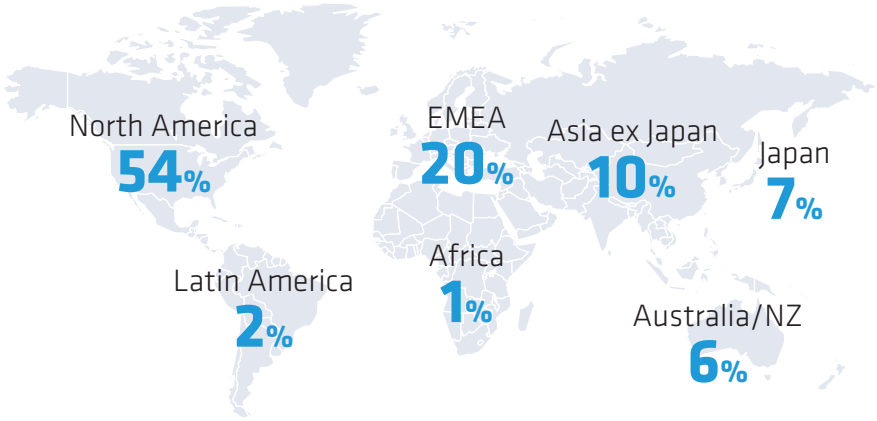
Many of our more than 12,500 issuer meetings in 2020 focused exclusively on ESG and climate issues. For engagements in which ESG was a clear focus of the discussion, we ask investors to document them in our proprietary ESIGHT platform. ESIGHT is an ESG research and engagement documentation tool that allows investors to share information and findings about issuers across AB in real time.

2020 ESG ENGAGEMENT OVERVIEW

853 ESG Engagements Documented in ESIGHT with 534 Unique Companies

Engagement by ESG Pillar*





* Numbers will not sum to total, as engagements frequently discuss multiple ESG topics across or within pillars.

2020 ESG ENGAGEMENT OVERVIEW

Analysts Documented 2,413 Separate ESG Discussion Topics in ESIGHT

ENVIRONMENTAL

Carbon Emissions	249
Climate Change Vulnerability	74
Supply Chain–Environmental	54
Opportunities in Cleantech	45
Product Carbon Footprint	43
Opportunities in Renewable Energy	36
Other	32
Packaging Waste	32
Toxic Emissions and Hazardous Waste	27
Water Management	27
Biodiversity and Land Use	23
Resource Management	23
COVID-19	21
Opportunities in Green Buildings	14
Electronic Waste	7

SOCIAL

COVID-19	197
Labor Management	158
Human Capital Development	145
Employee Health and Safety	114
Supply Chain–Social	82
Other	70
Privacy and Data Security	47
Product Safety and Quality	44
Opportunities in Healthcare	33
Responsible Investment	17
Opportunities in Communications	10
Opportunities in Nutrition and Healthier Products	10
Insuring Health and Demographic Risk	9
Opportunities in Financial Inclusion	9
Financial Product Safety	8
Opportunities in Education	2

GOVERNANCE

Pay	262
Other	110
COVID-19 Governance	72
Organizational Culture	50
Board Independence	40
Board-Level Gender Diversity	39
Entrenched Board	32
Board	22
Business Ethics	22
Accounting	21
Right to Call Special Meetings	18
Corruption and Instability	16
Proxy Access	13
Combined CEO Chair	12
Financial System Instability	6
Anticompetitive Practices	5
One Share, One Vote	5
Ownership	4
Sanctions	2

ENGAGEMENT CASE STUDIES

ENGAGEMENT FOR INSIGHT

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

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

RESEARCH ENGAGEMENT: ORBIA ADVANCE

Before initiating a position in Orbia Advance, we engaged with management to better understand the company's strategy and business fundamentals and to address our concerns that the company had poor ESG and climate practices—as evidenced by low third-party ESG ratings. We believed that these ratings were incorrect: they appeared to be based on outdated, incorrect and non-disclosed information.

Our engagement confirmed our research findings that Orbia was in fact paying close attention to ESG and climate issues. First, a growing part of Orbia's business is directly in cleantech—15% of revenues are in precision irrigation, which reduces water waste in agriculture while improving yields substantially. Another 33% of revenues are in the company's infrastructure pipe business, of which a growing portion is in "smart pipes," which contain sensors to detect leaks and pinpoint leak locations, reducing water waste and potentially the amount of street repairs needed after repairing the leak.

While management had changed in the past year (including the CEO, CFO, business unit heads and IR), the team is now much more focused on performing in line with ESG metrics. The new CEO is focused on integrating the businesses as well as driving sales and profitability. A new director of ESG is responsible for setting ESG policy, measuring Orbia's progress and disclosing that progress.

The ESG metrics that Orbia now has in place and is working to improve include: reduce GHG emissions (tons); reduce waste generated (tons); increase women in management (%); upskill the workforce (hours spent on education and training); provide innovative solutions (money spent on research and development); and return on invested capital (%). Overall, this engagement improved our perception of the company's ESG practices, and we felt comfortable moving forward with an investment.

RESEARCH ENGAGEMENT: PANASONIC

In late 2019, ongoing monitoring of our position in Panasonic revealed news articles linking child labor in mica mining in Madagascar to a trading company supplying Panasonic. Our initial conversations with Panasonic revealed that it had questioned the supplier: the vendor assured Panasonic that it was complying with procurement guidelines that prohibit child labor and that the mica supplied to Panasonic wasn't sourced from Madagascar.

We had hoped for a more comprehensive response, so we embarked on a series of engagements with Panasonic about raw materials sourcing for both mica and cobalt, a much more significant input for Panasonic. Our Director of Social Research and Engagement worked closely with AB analysts and portfolio managers to research and design the engagements. In 2020, we met with various officials in Panasonic's legal, procurement and corporate social responsibility areas.

While Panasonic's basic procurement policy was relatively comprehensive, our engagement revealed several areas for improvement. Escalated issues were shared within narrow silos at the firm, inhibiting widespread action. Incomplete supply-chain mapping focused auditing efforts only on first-tier suppliers. And those auditing procedures rely heavily on checklists and good faith instead of direct audits, third-party verification and conversations with workers offsite.

Based on these conversations, we felt that the investment risk in Panasonic was elevated. As a result, we reduced or sold positions across all portfolios. We continue to engage with Panasonic on these issues and are encouraging the company to take action to correct what we perceive as deficiencies.

ENGAGEMENT FOR ACTION

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

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

ENGAGEMENT FOR ACTION: MASONITE INTERNATIONAL

We had targeted Masonite International as part of our thematic engagement campaign due to its lack of carbon-emissions or climate change targets. Ongoing engagements with Masonite revealed a recognition of the importance of the topic and a willingness to take concrete steps to address the issue.

At our first meeting, we shared our benchmarking of Masonite and peer companies and articulated why addressing carbon and employee safety would be important for Masonite over the long term. The company's controller agreed to raise the matter with the board. Follow-up meetings showed that Masonite had made considerable progress, including incorporating ESG metrics related to employee engagement and safety in executive compensation. Masonite has also engaged a consultant to establish its baseline carbon emissions, with the hopes of crafting an improvement plan and upgrading its disclosure in 2021.

ENGAGEMENT FOR ACTION: ARMSTRONG WORLD INDUSTRIES

We had targeted Armstrong as part of our thematic engagement campaign due to its lack of any ESG metrics in executive compensation. Our engagement revolved around the company's historical practice of focusing compensation only on financial metrics; we articulated why we felt that aligning incentives with material ESG issues related to workplace safety, minimizing waste and reducing energy usage delivers long-term value to the company and AB's shareholders.

Armstrong recently announced expanded sustainability goals centered on "product, planet and people" for 2030 and is in the process of establishing key performance indictors (KPIs) in support of those goals. We encouraged management to formally reflect these KPIs in executive compensation. Management intends to have board-level oversight for the sustainability program, and the compensation committee is discussing developing ESG targets for executives for 2022.

Our engagement revealed that the company will set targeted and time-bound KPIs in support of its sustainability goals and show progress against them in a transparent way, including in its first sustainability report in mid-2021. We were encouraged by the progress that Armstrong is making.

COLLABORATIVE ENGAGEMENT

We work closely with non-AB investors, asset owners and other ESG-focused organizations when engaging. This collaboration can happen when we've independently arrived at the same conclusion as other managers and believe that working together might help address specific issues. Collaboration can also occur when we believe that issues might be better addressed through a "common ask." The goal of collaborating is to share information and ideas, but we don't share our investment intentions or agree to "act in concert" with other fund managers, activist investors or other large shareholders.

For example, AB has been a signatory to the Climate Action 100+ (CA100+) initiative since 2017 and has participated in a number of collaborations across the aerospace and defense, energy, and industrials sectors. These engagements, which seek to leverage a critical mass of investors, are instrumental in catalyzing change at the world's largest corporate emitters and also provide a unique opportunity for investors to learn and share best practices in working with issuers to manage risk and opportunity stemming from climate change.

In 2020, AB co-led two CA100+ engagements with emerging-market energy companies Sasol and Petrobras, focusing on their climate change disclosures, policies and impact. In 2021, we will expand our role as co-lead and will also be engaging collaboratively with Eskom.

COLLABORATIVE ENGAGEMENT: SASOL

AB became a co-lead on the CA100+ engagement focused on South African diversified chemicals company Sasol in 2020, after engaging with the company independently on its plan for addressing climate-transition risks in South Africa, where a carbon tax went into effect in 2019. The company's coal-to-fuels Secunda plant emits 56.5 million tons of GHG per year, making it the world's biggest single-site emitter of carbon.

The company has increased its disclosure around climate-related risk and opportunity by publishing climate reports in 2019 and 2020. However, it's unclear whether Sasol's strategy and targets are adequate to enable the firm to realize a commitment to transitioning its businesses to align with the Paris Agreement of 1.5 degrees Celsius by 2050.

As a first step, AB partnered with the PRI, an organizing partner of the CA100+, to identify local South African investors in Sasol and secure their participation in the CA100+ engagement. Once the new investor cohort had agreed on a general approach and objectives, AB's Global Head of Responsible Investing, who is also a portfolio manager for our ESG Global Improvers strategy, leveraged her existing relationship with Sasol's CFO to arrange an engagement with management and IR that took place in the fourth quarter of 2020.

That initial CA100+ engagement with Sasol established a regular ongoing dialogue between the investor cohort and the company as it navigates a difficult transition to a lower-carbon business model against the backdrop of low oil prices and a high debt burden from cost overruns and delays in the development of its Lake Charles Chemical Project in Louisiana, USA.

The CA100+ investor cohort is looking forward to the next engagement with Sasol, which will focus on a number of investor concerns, including the company's governance and climate lobbying practices, plans for using alternative fuels and green technologies, and its performance on the CA100+ Net Zero Benchmark.

COLLABORATIVE ENGAGEMENT: PETROBRAS

We also act as a co-lead on the CA100+ engagement with Petrobras. The state-owned oil and gas company has one of the largest carbon footprints in Latin America, having emitted 8.68 billion tons of CO_2e since 1965. Collectively, state-owned oil and gas companies are responsible for more than 20% of global carbon emissions worldwide, and their ranks include some of the biggest individual corporate emitters.

The Brazilian government, which has a controlling stake in the company and appoints Petrobras's CEO, needs to balance domestic political and economic concerns with implementing climate change mitigation. Oil revenue is a small portion of Brazil's GDP, but taxes, royalties and fees from the oil and gas sector provide funding to federal, state and local governments. This dynamic, particularly under the current administration, has often led to inconsistency in Brazil's and Petrobras's climate strategies.

Petrobras has made strides in key areas: developing its management of climate risks and opportunities; performing climate scenario analysis; implementing some climate-related KPIs in executive compensation; and investing in research and development focused on renewable energy, carbon capture utilization, and storage and biofuels. The company recently created a climate change division in parallel with the announcement of a plan to earmark $1 billion for environmental projects and initiatives. The firm is targeting a 25% reduction in operational emissions by 2030, relative to a 2015 baseline.

But there's still room for improvement. Petrobras plans to spend the bulk of its estimated $55 billion in capital expenditure through 2025 on developing large pre-salt oil reserves offshore—this could be more profitable but also has high associated carbon dioxide content. Petrobras announced the plan even as several policymakers have acknowledged the potential for stranded assets, with the Russia–Saudi Arabia conflict leaving a global oil supply overhang in the face of pandemic-impaired demand.

The CA100+ investor cohort has engaged with Petrobras several times, with dialogue focused on issues including governance around climate change and disclosing metrics related to recommendations from the TCFD and Scope 3 emissions targets. We plan to meet with the company in the first half of 2021 to discuss its performance on the CA100+ Net Zero Company Benchmark Scorecard and its progress against some of the issues discussed in previous engagements.

OUR 2020 THEMATIC ENGAGEMENT CAMPAIGN

In 2020, we launched our first thematic engagement campaign. Rather than engaging for insight, we engaged for action. Our research analysts, portfolio managers and chief investment officers engaged with more than 350 of our largest holdings, representing the majority of our active holdings that don't have the ESG and climate criteria we're seeking.

We focused on two very important topics: (1) ESG metrics in executive compensation plans; and (2) climate-risk goals and disclosures. By asking companies to include ESG metrics in executive compensation, we're asking them to prioritize ESG goals in their operations, ideally driving positive change across industries. Aligning incentives with material ESG issues delivers long-term value to companies and AB's shareholders.

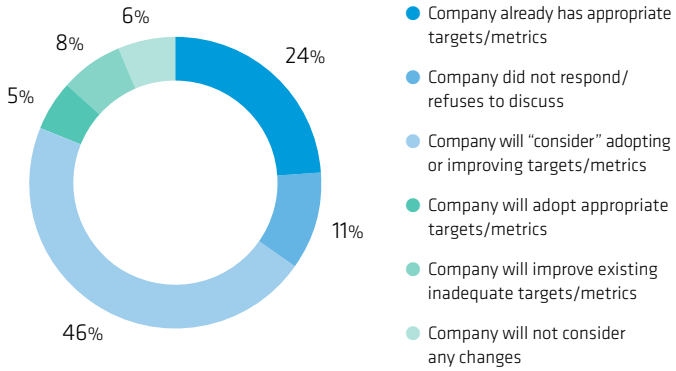
Establishing meaningful climate-risk goals and disclosures is essential to combating climate change on a broad scale, and we're improving our education on this topic through our partnership with Columbia University's Earth Institute. We believe that these issues are important in the long run not only for society but also for creators of shareholder value, and we consider engaging for action to be part of our primary stewardship activities.

2020 ESG ENGAGEMENT CAMPAIGN

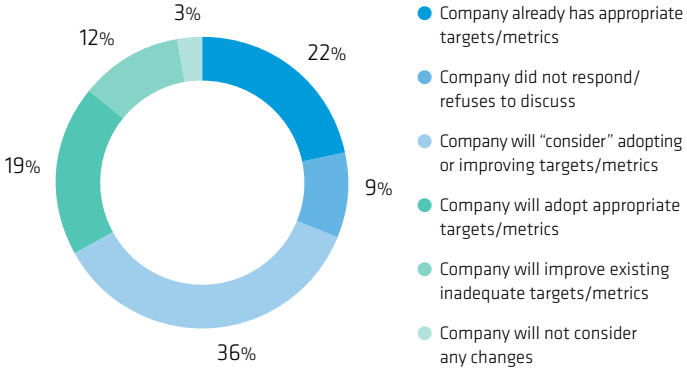
Our Targeted Engagement Campaign Focused on ESG Metrics in Executive Compensation and Climate-Risk Goals and Disclosures

+ 92 of our CIOs, portfolio managers and research analysts across 20 of our investment teams met with 358 of our largest holdings, representing the majority of our active holdings that don't have the ESG criteria we're seeking
+ Most companies responded that they will "consider" adopting or improving their targets/metrics after speaking with us

Executive Compensation Outcomes



Climate-Risk Outcomes*



*Numbers may not sum due to rounding.

Most companies were quite receptive to holding productive discussions, but a few were not. We discovered that many firms actually had appropriate policies in place but were not communicating them effectively to stakeholders. Other companies were considering policies or actively formulating them, and we were able to provide guidance and support. Some firms that had not previously contemplated any action were inspired to do so after our engagement.

POLICY ADVOCACY

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

In 2020, we responded to regulatory consultations either on our own or as part of an investor coalition. AB's stand-alone responses included:

+ The US Securities and Exchange Commission on proxy advisors
+ The US Department of Labor on the use of ESG integration and funds for pension plans
+ The US Department of Labor on the proposed proxy-voting rule
+ The Brazilian government on perpetual super-voting shares
+ The FSA Japan draft of Japan Stewardship Code (revised version)
+ The Consultation on Revision of Stewardship Principles for Institutional Investors in Taiwan
+ HKIFA providing feedback on evolving climate disclosures and regulations in Hong Kong
+ The ASIFMA-led consultation on environmental risk management and disclosures by the MAS in Singapore for asset managers
+ The ASIFMA-led consultation on the FSDC on the development of Hong Kong as a hub for ESG investment in Asia

More details on our engagements with policymakers in 2020 can be found in Section 9 of this report.

ENGAGEMENT ESCALATION

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

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

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

+ Write a private letter to the board and/or management team
+ Vote against relevant board members at the next annual general meeting (e.g., committee chair or incumbent board members)
+ Collaborate with other investors and/or stakeholders
+ Publish a public letter stating our views
+ Craft, or collaborate in crafting, a shareholder proposal to file
+ Reduce our position or sell the security

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

ENGAGEMENT ESCALATION: VOTE AGAINST STERICYCLE

Stericycle has disclosed material weaknesses in its internal controls on an ongoing basis since 2015. The company embarks on additional remedial actions every year, and has disclosed a road map with goals on control activities that gives shareholders some insight on progress.

However, we see recurring material weaknesses, so we question the strength of the remedial actions and the length of time without reaching a solution. Changes to the management and oversight team, including a new independent chairman of the board in 2018 and a new CEO and CFO in 2019, gave us confidence that these issues were being addressed. We've repeatedly engaged with Stericycle on the issues, and while progress has been made, in 2020 we sought to escalate our actions further.

We engaged with the company's chairman to gain additional perspective and information. The chairman acknowledged the ongoing issues and detailed efforts to correct the weaknesses. We challenged the company chair on why the chair of the audit committee continued to lead these efforts, despite failing for several consecutive years to mitigate the issues. Despite the company chair's defense of the audit chair's performance due to tenure, experience and a strong relationship with Stericycle's auditors, we didn't feel that the rationale was strong enough to overcome the repeated failure to address the issues.

We voted against the audit chair in order to hold him accountable for failing to remediate issues over the three years he had been responsible for addressing the issues; he remains the audit chair. We'll continue to monitor how the company addresses the concern.

ENGAGEMENT ESCALATION: PUBLIC STATEMENT ON MASMOVIL IBERCOM

Sometimes we feel strongly enough about an issue that we make our views known publicly. On June 1, 2020, MasMovil Ibercom, a Spanish telecom, announced that it had received an offer from a private equity consortium to be bought for $22.50/share, an amount that we believed significantly undervalued the company. We also believed that the board of directors was conflicted because four members had agreements to join the bidding consortium, and a fifth member, the current CEO, had an agreement for continuing employment with the bidding consortium.

On June 5, 2020, we had a virtual meeting with the chairman of the board, Eduardo Díez-Hochleitner Rodríguez, and board member and CEO Meinrad Spenger. We informed them of our view regarding the bid's undervaluation of the company and our concerns about the lack of board member independence. Subsequently, we also wrote a letter to the Spanish market regulator, Comisión Nacional de Mercado de Valores, outlining our concerns about board member independence and the unfair and inequitable bid price. MasMovil was sold to a private equity consortium consisting of Cinven, KKR and Providence Equity Partners for €5.3 billion ($22.50/share).

7. EXERCISING VOTING RIGHTS

PHILOSOPHY

We actively exercise our right to vote and have a robust, principles- and rules-based, global in-house Proxy Voting and Governance Policy and process—applicable to all our voting activities across all geographies. All internally managed equity assets are covered by this single, firmwide policy; we vote proxies in all active and passive equity funds and accounts we manage; we don't allow clients to direct voting in pooled vehicles.

Our proxy-voting guidelines are both principles-based and rules-based. We adhere to core principles and use them as a lens to assess each proxy proposal. We evaluate each agenda item carefully, using our own research and third-party research from providers such as ISS, Glass Lewis, Sustainalytics and MSCI (see more details in Section 5 of this report). We will vote against management where appropriate. Our policy is to vote all proxies in a timely manner, for the full number of shares, for all securities held in client accounts for which we have proxy-voting authority, whenever it's administratively and logistically possible.

These guidelines are not intended to address all issues that may appear on all proxy ballots. We evaluate case by case any proposal not specifically addressed by the guidelines, whether submitted by management or shareholders. We always bear in mind our fiduciary duty to make voting decisions that, by maximizing long-term shareholder value, are in our clients' best interests. Our Proxy Voting and Governance Policy details how we vote on specific items as well as the processes for managing conflicts of interest, voting transparency, recordkeeping and voting execution.

LOANED SECURITIES

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

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

FIXED INCOME

Our fixed-income team seeks to ensure that investors have protections despite not having the ability to vote or influence issuers through other means afforded to shareholders. First and foremost, our fixed-income team does this through our disciplined credit-underwriting process, where fundamental analysts attempt to identify and dimension key medium- and long-term risks and potential outcomes. This also involves in-depth review of and engagement on legal documentation and bond covenants, which dictate contractual terms to which issuers must comply. Some examples of this could involve setting the maximum amount of debt that a company can borrow, how much a company can pay out in dividends or what a company is required to do with asset sale proceeds. While our analysts are highly experienced at reviewing covenants, we also involve our legal department in this analysis.

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

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

UPDATES TO OUR POLICY IN 2020

Our Proxy and Governance Committee meets several times each year to review and update our policy to reflect evolving best practices and stricter standards. In 2020, we adopted several enhancements to our policy, including the following:

+ **Board Capacity:** We believe that incorporating an assessment of each director's capacity into our director-election considerations is essential to promote meaningful board oversight of management. AB currently votes against the appointment of directors who occupy, or would occupy, following the vote, four or more board seats for non-CEOs, three or more board seats for the sitting CEO of the company in question, and two or more board seats

for sitting CEOs of companies other than the company under consideration. We may exercise flexibility when the "over-boarded" director nominee's presence on the board is critical, based on company-specific contexts in absence of any notable accountability concerns.

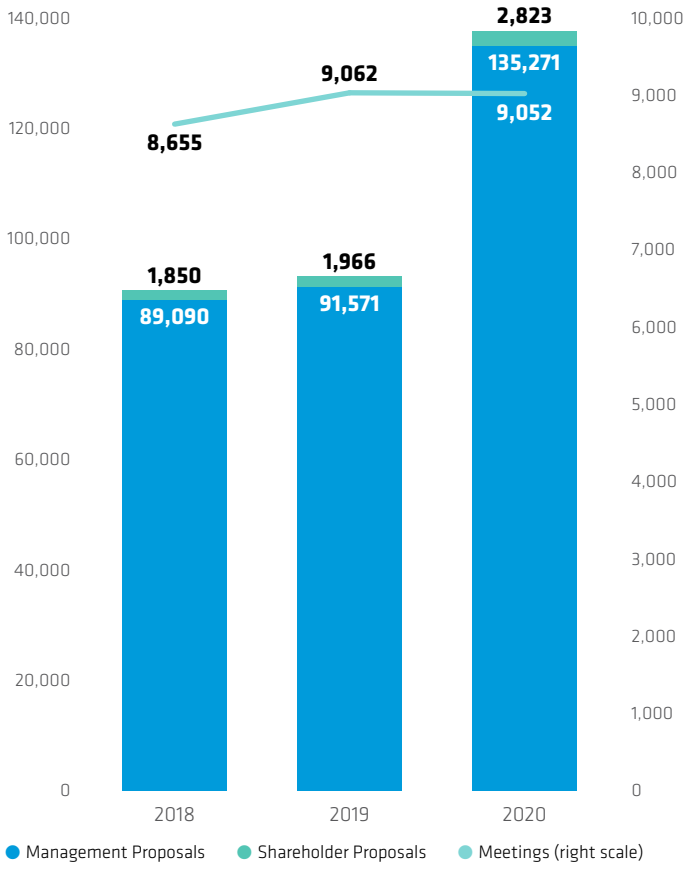
+ **Board Diversity:** Diversity is an important element of assessing board quality. It promotes the consideration of a wider range of perspectives in company strategy and risk mitigation. In alignment with this view, several European countries legally require a quota of female directors; others have a comply-or-explain policy. In the US, California requires corporations headquartered in that state to have at least one female board director. We believe that boards should develop, as part of their refreshment process, a framework for identifying diverse candidates for all open positions. We believe that diversity is broader than gender—it should also consider factors such as business experience, ethnicity, tenure and nationality. We generally vote in favor of proposals that encourage the adoption of a diverse search policy ("Rooney Rule"), assuring that each director search includes at least one woman and, in the US, at least one underrepresented person of color, among the nominees. AB will generally vote against the nominating/governance committee chair, or a relevant incumbent member in the case of classified boards, when the board has no female members. This approach applies globally.

HOW WE VOTED IN 2020

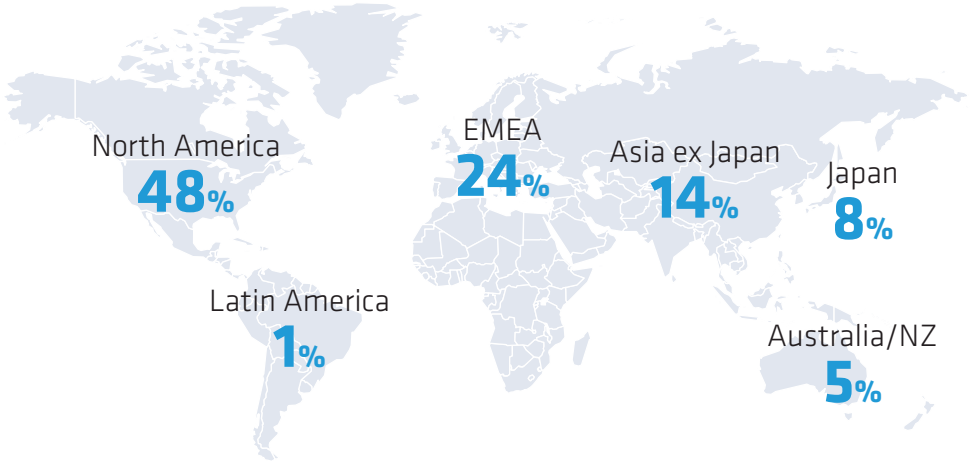
In 2020, we voted 138,094 proposals across 9,052 companies globally. We vote all our proxies internally; we do not outsource this activity.

These proposals spanned the globe:

GLOBAL PROXY VOTING: MEETINGS AND PROPOSALS

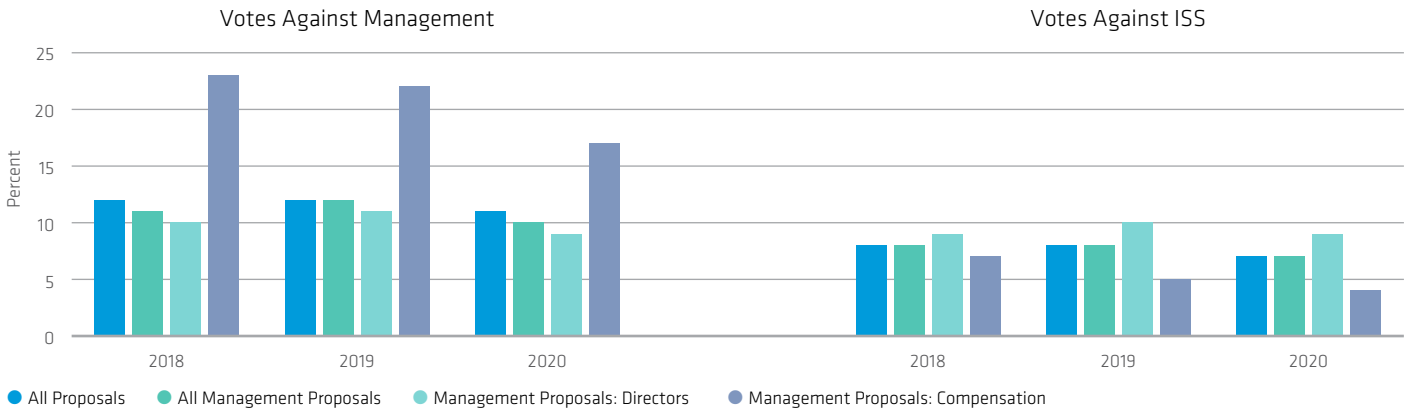


A GLOBAL EFFORT: WHERE WE VOTED IN 2020*



*Based on 9,052 total shareholder meetings in 2020.
Source: AB

GLOBAL AB PROXY VOTING



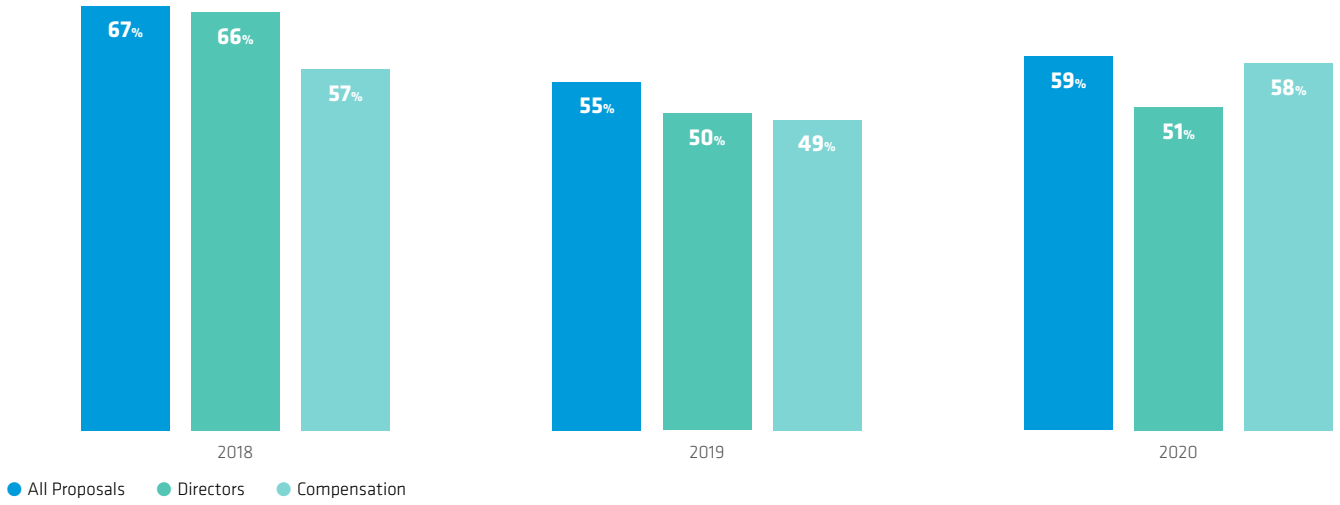
Overall, we saw a decrease in votes against management proposals, especially those related to management compensation, as more companies aligned their remuneration policies to evolving market practices. Effective engagements by AB and others have led to improved disclosure standards and increased adoption of performance metrics for incentive payouts.

2020 PROXY VOTING—US SHAREHOLDER PROPOSALS

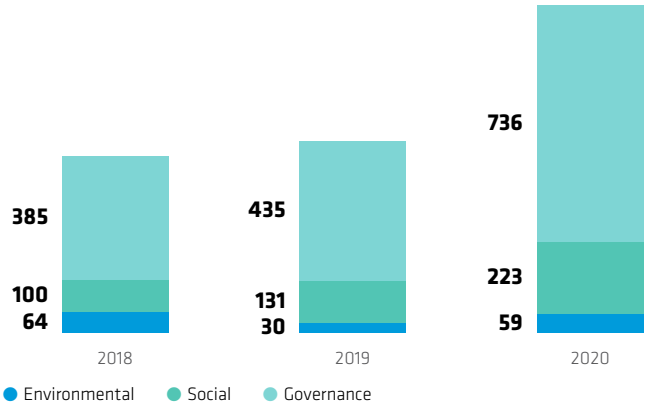
The majority of ESG-focused shareholder proposals are put forward in the US. We apply the same framework to vote these proposals that we use to vote all shareholder proposals globally, in alignment with AB's mission to deliver better investment outcomes to clients through differentiated research insights and innovative portfolio solutions that are in our clients' best interests.

AB's support for US shareholder proposals remains quite strong. The largest increase in support was for director-related shareholder proposals because many of them enhanced shareholder rights. Proposals included director elections, right to act by written consent, amending charters and bylaws, reducing supermajority vote provisions, promoting board refreshment, enhancing proxy access rights, and separating combined CEO/chair roles for better governance and objectivity.

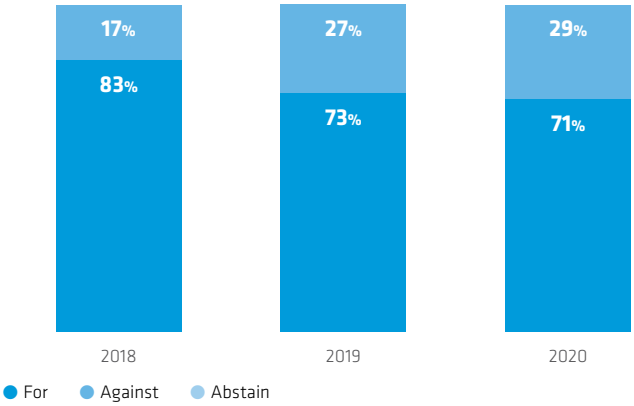
AB SUPPORT FOR US SHAREHOLDER PROPOSALS



TOTAL US SHAREHOLDER PROPOSALS



AB VOTES ON ENVIRONMENTAL US SHAREHOLDER PROPOSALS



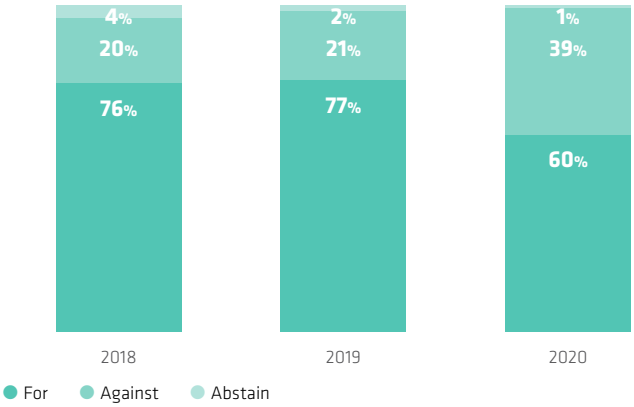
The year 2020 saw strong growth in the number of US shareholder proposals across all three ESG pillars.

The overall volume of environmental US shareholder proposals filed doubled in 2020 from 2019, returning to 2018 levels. While AB still supported the majority of these proposals, the rate of our support has declined: some proposals are either overly prescriptive or relate to issues that have been acknowledged by management, with the proponents' concerns mitigated before the vote. We saw greater demand for disclosures on climate change and health risks posed by companies' operations. We also observed management teams taking a more responsible stance toward stakeholders' concerns and incorporating these requests, publishing the desired information in sustainability reports.

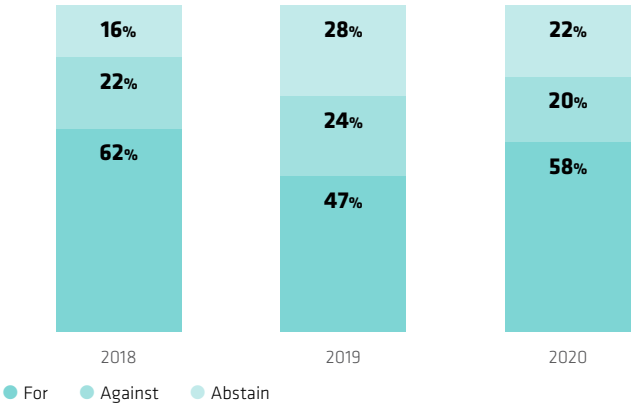
The volume of US shareholder proposals on social issues grew by 53% year over year in 2020. Proposals included requests for companies to report on human rights risk assessments, gender pay gaps, board diversity and political lobbying. Our votes for social proposals consistently increased in 2018 and 2019, but we saw a dip in 2020. This decrease was due either to companies' current disclosures appearing to address most of the proponents' demands, or a lack of clarity on how certain requests would create any shareholder value.

The volume of US shareholder proposals related to governance increased by 38% from 2019. AB's level of support has increased year over year. Proposals were directed toward enhancing overall shareholder rights; we saw higher demand for independent board chairs, reduced thresholds to call special meetings, provisions of the right to act by written consent, declassification of boards and reduced supermajority vote provisions.

AB VOTES ON SOCIAL US SHAREHOLDER PROPOSALS



AB VOTES ON GOVERNANCE US SHAREHOLDER PROPOSALS



2020 VOTING HIGHLIGHTS

Votes Against the Board: Our core principle for board elections is to hold directors accountable for proper independent oversight and risk management. Factors we consider include board-level independence, diversity (both demographic and skill-set), capacity and overall effectiveness of company governance. In 2020, we voted against 9% of management director proposals, including the following:

+ Voted against the election of a director at Acuity Brands, Inc., for overboarding because the nominee sat on more than four public company boards.
+ Voted against the reelection of a director at Amot Investments Limited because the director had attended less than 75% of the prior fiscal year's board meetings without a valid excuse for his absence.
+ Voted against the reelection of the Chair of the Nominating/Governance Committee at NXT-ID Inc. because the company does not have at least one female director.

Votes Against Shareholder Resolutions: AB's commitment to maximizing the value of clients' portfolios as shareholder advocates informs how we analyze shareholder proposals. Rather than automatically supporting all shareholder proposals that mention an ESG issue, we evaluate whether the requests will actually enhance shareholder value for our clients. A proposal promoting genuine ESG integration that will lead to more comprehensive risk and opportunity management for a business should include (but isn't limited to) the following core factors:

+ Materiality of the mentioned ESG issue for the company's business
+ The company's current practice, policy and framework
+ Prescriptiveness of the proposal (i.e., Does the demand of the shareholder unreasonably restrict management from conducting its business?)
+ Context of the shareholder proposal (i.e., Is the proponent tied to any particular interest group(s)? Does the proposal aim to promote the interest of shareholders or the group they're associated with?)
+ How does the proposal add value for shareholders?

In 2020, we voted against 34% of US shareholder proposals, including the following examples:

+ Voted against a shareholder proposal to adopt a human and indigenous people's rights policy at PayPal Holdings, Inc. AB agreed with the spirit of the proposal—asking the company to "amend the board/management's fiduciary duty to human and indigenous people's rights" in the bylaws. But the proposal also bound management to specific actions that may have created unintended restrictions as the firm seeks to execute its business effectively and by balancing all stakeholders' interests. The company has sufficient disclosure on human rights through its current policies, practices and oversight on its website and through its Code of Business Conduct & Ethics and Supplier Code of Business Conduct & Ethics.
+ Voted against a shareholder proposal that Coca-Cola report on the health impacts and risks of sugar in its products. Coca-Cola acknowledges that health-related concerns may affect demand, and, in response, it plans to expand its reduced- or no-sugar product portfolio to more than 1,100 drinks while reducing sugar in hundreds of other beverages. The firm also offers 44% of its sparkling brands in smaller packages of 8.5 ounces or less. Like its key peers, Coca-Cola is a member of voluntary industry initiatives that self-regulate food and beverage marketing to children. The firm doesn't market to audiences that consist of 35% or more children under 12 years old, but publicly available and company-specific compliance information isn't apparent. Recent regulations limit beverages sold in schools based on their nutritional content, require more nutrient disclosures and—in some jurisdictions—tax sugar. The firm recognizes these risks in its annual report, and well-established, publicly available information assesses its product portfolio and business practices against nutrition standards. Therefore, we didn't believe that the proponent's request for Coca-Cola to disclose feedback on its sugar products and assess financial risks associated with the scientific understanding of sugar and health was warranted.
+ Voted against a shareholder proposal at Costco Wholesale Corporation asking the company to disclose a board diversity and qualification matrix. In addition to Costco's current disclosure, which appears to address most of the proponent's demands, part of the proposal asks Costco to disclose candidates' ideologies, a request that appears politically charged. It's also unclear how this type of information is useful in assessing the board's capacity from a qualitative perspective.

Votes for Shareholder Resolutions: Of course, we also voted in favor of many US shareholder proposals, including the following examples on lobbying disclosure, climate and diversity:

+ Voted for a shareholder proposal asking Abbott Laboratories to report on lobbying payments and policy. We generally vote in favor of proposals requesting more disclosure of political contributions and lobbying expenses, including those paid to trade organizations and political action committees, whether at the federal, state or local levels, as these proposals may increase transparency. The company has disclosed the committees and employees at Abbott responsible for overseeing lobbying activity but doesn't disclose actual spending in the 37 states it lobbies in, with the exception of California (where disclosure is mandatory). Lobbying is a highly material issue for Abbott, given that the firm is a top lobbyist among medical-device companies, so we believe that further disclosure would help reduce risk. Enhanced disclosure would allow shareholders to assess if the company is being consistent in its public rhetoric and lobbying activities. Ultimately, this proposal isn't binding, and the company can amend its lobbying disclosures however it chooses. The proposal asks for information that the company is already collecting, so reporting shouldn't be overly burdensome—and several of Abbott's peers provide more robust disclosure.
+ Voted for a shareholder proposal at the TJX Companies, asking the firm to report on the reduction of its chemical footprint. We generally support climate-related proposals, while taking into account the materiality of the issue and whether the proposed information would provide added benefit to shareholders. In this case, the company lagged its industry peers, all of which disclose safer chemical policies. We recognize the company's efforts to address relevant risks by providing necessary training, exploring opportunities in product mix and researching approaches to chemical policies, but public disclosure on TJX's specific commitments to chemical management—including how it's addressing priority chemical lists—would allow shareholders to assess the risks and effectiveness of current management.
+ Voted for a shareholder proposal asking Home Depot to prepare an employment diversity report and to report on diversity policies. Diversity is important in assessing board quality; it promotes the consideration of a wider range of perspectives in both strategy and risk management. That's why we generally support shareholder proposals calling for reports and disclosure on workplace diversity, while also taking into account firms' existing policies and procedures and whether the requested information would increase the benefit to shareholders. In this case, Home Depot is already reporting the requested data; reporting in commonly used categories would help shareholders compare diversity across time and the industry.

Votes Abstained or Did Not Vote: AB strives to vote all shares for which we have voting rights. We typically vote ~99% of those shares, and 2020 was no different. Typical reasons that we don't vote include when shares are subject to security lending, shareblocking, missing power of attorneys or burdensome operational requirements that we didn't receive in a timely manner. Examples of abstentions from 2020 include:

+ Not voting several resolutions at Crédit Agricole Egypt due to shareblocking
+ Abstaining on auditor approval at PT Tiga Pilar Sejahtera Food Tbk because the company didn't disclose adequate information for AB to make an informed decision

Votes Not in Line with Proxy-Voting Policy: All AB votes in 2020 were aligned with our Proxy Voting and Governance Policy. A separate offshore external vendor reviews all our proxies to ensure that voting is consistent with our policies. This vendor provides quality control of our proxy-voting process by checking the votes cast by our Responsible Investing team for accuracy. If the vendor doesn't agree that the votes cast match our voting criteria as described in our Proxy Voting and Governance Policy, it will escalate the issue to a member of our Responsible Investing team, asking why the vote was elected in the way it was. Certain issues may be further escalated by our Responsible Investing team to our Proxy Voting and Governance Committee for review, if needed. This independent double-check ensures that all proxies are voted in line with our stated policy.

In 2020, we identified one potential conflict of interest in which a nominee for a board of directors was employed by a former AB client two years ago. We escalated this issue to our Conflicts Officer, who reviewed the situation, including the rules of the relevant stock exchange. He determined that the individual was independent, so no conflict existed. We did not identify any actual conflicts of interest in 2020.

8. TRANSPARENCY, DISCLOSURE AND REPORTING

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

AB POLICIES AND STATEMENTS

We make all our firmwide stewardship policies and statements available on our website so that any stakeholder can access them. The documents include:

+ Our Global Stewardship Statement
+ Our Proxy Voting and Governance Policy, along with the Charter of the Proxy Voting and Governance Committee
+ Our Climate Change/TCFD Statement
+ Our Global Slavery and Human Trafficking Statement
+ Our Statement on Controversial Weapons

AB REPORTS AND DISCLOSURES

We give stakeholders access to several different AB reports on our website, including:

+ This Stewardship Report. Updated annually, this report provides an overview of AB's corporate responsibility and firmwide responsible investing activities, and it complies with our response to the 2020 UK Stewardship Code (see Appendix for more details).
+ Our Engagement Reports. These include reports on our thematic engagement campaigns and quarterly or annual summaries of engagement activities pertaining to individual investment strategies.
+ Our PRI Reports. We complete an annual PRI Report that includes information on our responsible investment approach, management of climate change risk, and active ownership and stewardship activities. Both AB's PRI Transparency Report and our PRI Assessment Report are available on our website.
+ Our Proxy-Voting Records. We support transparency in issuer disclosure, and we disclose our own voting records. We publicly disclose our full proxy-voting record, as well as the voting records for our US mutual funds, on our public website in the quarter after votes are cast. We also disclose voting rationales for significant votes for many of our portfolios.
    + We consider votes from our significant holdings universe (as defined by the absolute value of the shareholding or AB's stake in the company relative to other shareholders) that meet one or more of the following criteria significant votes: proposals that address issues material to the company's business and shareholder value; proposals that relate to AB's thematic priorities, which include climate risk, modern slavery and D&I; proposals for which there is substantial public, political or media interest in the vote or company; and votes against the recommendation of the board, which require case-by-case analysis according to AB's Proxy Voting and Governance Policy.

CLIENT REPORTS AND DISCLOSURES

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

+ Risk/return performance of their investments, including commentary on both macroeconomic and idiosyncratic factors as they relate to the performance of securities.
+ Proxy-voting reports detailing how shares were voted and the rationale for significant votes.
+ Engagement activities, either reports that we provide in response to client requests or for certain strategies. Several clients receive quarterly ESG engagement reports, which include examples of how we analyzed and engaged with issuers in their portfolios.
+ ESG, carbon and climate metrics. We can provide clients with information from third-party ESG ratings providers on security-level and portfolio-level ESG metrics and carbon exposures.

9. AB: A PROACTIVE MEMBER OF THE GLOBAL INVESTMENT COMMUNITY

AB maintains robust practices and policies to integrate responsible investing and stewardship within our own activities, but that alone isn't enough. The world of investing is complex and fast-moving, facing many market-wide and systemic risks. We must stay current on best practices, evolving principles and frameworks, and regulatory developments. We can influence these areas by advocating for progress with issuers, regulators and others: to continue advancing responsible investing and stewardship practices, to improve the functioning of financial markets and to ensure an effective financial system. We can often be more successful at both learning and advocating by collaborating with others. To support these efforts, AB is a proactive member of the global investment community.

In 2020, we continued to extend our involvement by:

+ Engaging policymakers:
    + Commented on US Department of Labor regulation on ESG integration and ESG funds in pensions
    + **Commented on US Department of Labor regulation on proxy voting with specific reference to "nonfinancial" (e.g., ESG) items**
    + Signed letter to Texas Railroad Commission to eliminate flaring in oil and gas by 2025
    + **Sent comment letter to US Securities and Exchange Commission on Proxy Advisor and Shareholder Proposal rules**
    + Sent a letter to the Securities and Exchange Commission of Brazil, encouraging it not to permanently allow super-voting shares (i.e., multiclass share structures with unequal voting rights)
    + Provided feedback to the Japan Financial Services Agency on the revised draft of the Japan Stewardship Code
    + Provided feedback to the Consultation on Revision of Stewardship Principles for Institutional Investors in Taiwan
+ Joining new responsible investing or stewardship-focused organizations, including:
    + The Asian Investor Group on Climate Change (AIGCC)
    + The Asian Corporate Governance Association (ACGA)
    + The Boston College Center for Corporate Citizenship
    + Eurosif Transparency Code
    + FAIRR, a global network of investors addressing ESG issues in protein supply chains
    + The Investor Stewardship Group, an initiative to establish a framework of basic investment stewardship and corporate governance standards for US institutional investors and boardroom conduct
    + The Investors Against Slavery and Trafficking Asia-Pacific initiative
    + The Corporate Call to Action (CCA)
+ Deepening our involvement with organizations we were already members of:
    + Sustainability Accounting Standards Board's (SASB) Standards Advisory Group (SAG)
    + CII's Corporate Governance Advisory Council
    + Founding the AIGCC Low Carbon Working Group
    + Participating in the Australian FSC's ESG Working Group
    + Co-leading engagements as part of Climate Action 100+
+ Signing the following investor statements:
    + KnowTheChain Investor Statement: Investor Expectations on Addressing Forced Labour in Global Supply Chains
    + CCLA's Find It, Fix It, Prevent It Investor Statement on Modern Slavery
+ Publishing thought leadership, including white papers, articles, blogs and videos (not all are available in all regions, but most can be found on our website):
    + Beyond Green Bonds: Innovations in Sustainable Investing
    + Tech Stocks Should Be Prominent in ESG Portfolios
    + Broadening ESG Perspectives in European Equities
    + Coronavirus Crisis Adds Urgency to Sustainable Investing Agenda
    + Science and Investing: Addressing the Climate Imperative
    + Why Investors Need to Calibrate Climate Risk Now
    + Multiple Lenses of ESG Integration
    + ESG Research Helps Reveal Resilience amid COVID-19
    + Making the Connections: COVID-19 and Climate Change

- Assessing Climate Change in Portfolios: Expert Roundtable
- Small Ways Muni Investors Can Make a Big Difference
- DOL's New Rules Don't Have to Slow DC Plan ESG Adoption
- Do COVID-19 Subsidies Threaten Shareholder Value?
- Fintech: The Rapid Rise of Cashless Commerce
- The Acceleration of Electric, Sustainable Mobility
- Diagnosis: Advancing Effective, Efficient Healthcare
- Making Sense of ESG Bond Structures
- Missing Pieces: A Better Approach to Sovereign ESG Analysis
- Corporate Culture: The Secret Sauce for Growth Success
- Low-Carbon Investing Doesn't Have to Mean Low Return
- ESG in Action: Protecting the Amazon by Investing in Brazilian Beef
- DOL's Revised DC Investment Rule Removes Potential ESG Sticking Point
- ESG Lens Enhances Pursuit of Equity Income
- The Mosaic Theory in Responsible Investing
- ESG in Action: Getting Ahead of Proxy Voting Trends

- Speaking at conferences and webinars including, but not limited to:
  - Insight Exchange Network ESG Due Diligence and Analytics Summit (US)
  - Sustainable EWG Human Rights in Fashion Event (US)
  - Nasdaq Governance Forum: ESG Trends 2020—Impact, Opportunities & Risk (Australia)
  - Pepperdine Graziado Business School SEER Symposium (Social, Ethical & Environmental Responsibility) (US)
  - Center for Sustainable Business/New York University Practice Forum: Building the Financial Case for Return on Sustainable Investment (US)
  - Columbia University Earth Institute—The Financial Ecosystem: The Role of Finance in Achieving Sustainability (US)
  - United Nations Foundation International Women's Day Events (US)
  - CII Capital Allocation Policy in the Wake of COVID-19 (US)
  - BrightTALK Implications for Managing Systemic ESG Risks and Opportunities (UK)
  - BrightTALK Thematic Investments (UK)
  - Barclays US ESG Summit
  - BrightTALK Incorporating Climate Change into Investment Research (UK)
  - SILVC Sustainability Investment Leadership Council (US)
  - Girls Who Invest (US)
  - Ceres 2020 Investment Summit on Climate Risk (US)
  - CRISIL GR&A and Greenwich Associates—Building Best in Class ESG Practices (US)
  - CFA Society Sustainable Investing (US)
  - Q4 The Future of Buy-Side Corporate Access and ESG (US)
  - BrightTALK Healthcare, Climate, Empowerment: How to Futureproof Your Credit Investments
  - BrightTALK Why Have Sustainable Equities Proven So Resilient? Market Review and Outlook
  - FAIRR—An Infected Industry: Australian Animal Agriculture in a Post-COVID World (Australia)
  - Corporate Board Member ESG Summit at Nasdaq (US)
  - Mercer Europe AB Translating Climate Change into Investment Action (Europe)
  - Finanz und Wirtschaft ESG Conference (Switzerland)
  - Morgan Stanley Women in Quant Conference—Qualitative and Quantitative Approaches to ESG Integration (US)
  - Mercer USA AB Translating Climate Change into Investment Action (US)
  - Bill Winston Ministries—Dr. Bill Winston Presents 2020 Business & Leadership Conference (US)
  - Profession Pensions ESG Focus Virtual Conference (UK)
  - Asset TV Sustainability Masterclass: COVID-19 and Sustainability (UK)
  - ACGA Annual Conference (Singapore)
  - Institutional Investor Sustainable Returns Conference COVID-19 and Climate Change: Exploring the Links (US)
  - Salone SRI: Industry Event Focused on Sustainability (Italy)
  - UBS & ICR: Proxy Season Preview—ESG Trends (US)
  - Emerging Markets Investor Alliance ESG Event
  - ACGA Governance Trends, Improvements and Regulations in APAC—ESG Training
  - Refinitiv (Asia)
  - Asia Asset Management (Asia)

10. APPENDIX

ALIGNMENT WITH THE UK STEWARDSHIP CODE REPORTING REQUIREMENTS

PRINCIPLE 1: Signatories' purpose, investment beliefs, strategy and culture enable stewardship that creates long-term value for clients and beneficiaries, leading to sustainable benefits for the economy, the environment and society.	Section 1 AB's Mission and Responsibility
PRINCIPLE 2: Signatories' governance, resources and incentives support stewardship.	Section 2 AB's Governance, Responsibility and Stewardship Structure: Form Enables Function Section 3 Responsibility, Responsible Investing, and Stewardship Policy Development and Implementation Section 5 Responsible Investing: Integrating ESG and Climate Considerations Throughout the Investment Process
PRINCIPLE 3: Signatories manage conflicts of interest to put the best interests of clients and beneficiaries first.	Section 2 AB's Governance, Responsibility and Stewardship Structure: Form Enables Function Section 7 Exercising Voting Rights, subsection on Votes Not in Line with Proxy-Voting Policy
PRINCIPLE 4: Signatories identify and respond to market-wide and systemic risks to promote a well-functioning financial system.	Section 4 AB Corporate Responsibility Section 5 Responsible Investing: Integrating ESG and Climate Considerations Throughout the Investment Process Section 9 AB: A Proactive Member of the Global Investment Community
PRINCIPLE 5: Signatories review their policies, assure their processes and assess the effectiveness of their activities.	Section 3 Responsibility, Responsible Investing, and Stewardship Policy Development and Implementation
PRINCIPLE 6: Signatories take account of client and beneficiary needs and communicate the activities and outcomes of their stewardship and investment to them.	Section 1 AB's Mission and Responsibility Section 5 Responsible Investing: Integrating ESG and Climate Considerations Throughout the Investment Process
PRINCIPLE 7: Signatories systematically integrate stewardship and investment, including material environmental, social and governance issues, as well as climate change, to fulfill their responsibilities.	Section 5 Responsible Investing: Integrating ESG and Climate Considerations Throughout the Investment Process Section 6 Engaging with Issuers Section 7 Exercising Voting Rights
PRINCIPLE 8: Signatories monitor and hold to account managers and/or service providers.	Section 3 Responsibility, Responsible Investing, and Stewardship Policy Development and Implementation Section 5 Responsible Investing: Integrating ESG and Climate Considerations Throughout the Investment Process
Principle 9: Signatories engage with issuers to maintain or enhance the value of assets.	Section 6 Engaging with Issuers
Principle 10: Signatories, where necessary, participate in collaborative engagement to influence issuers.	Section 6 Engaging with Issuers, subsection on Collaborative Engagement Section 9 AB: A Proactive Member of the Global Investment Community
Principle 11: Signatories, where necessary, escalate stewardship activities to influence issuers.	Section 6 Engaging with Issuers, subsection on Engagement Escalation, subsection on Policy Advocacy Section 9 AB: A Proactive Member of the Global Investment Community
Principle 12: Signatories actively exercise their rights and responsibilities.	Section 7 Exercising Voting Rights

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