



AB Concentrated US Growth Managed Portfolio

ESG Engagement Report

During the six-month period ending on June 30, 2025, AB portfolio managers and analysts engaged with senior management and/or boards of directors of 13 distinct companies held by the Concentrated US Equity Portfolio across 13 distinct engagements on a range of material ESG risks and opportunities. In this report, we highlight tactics to improve net new asset growth targets at Charles Schwab and review two companies where material risks and opportunities from the transition to a lower carbon economy were identified by AB's Climate Transition High Impact Issuer Target initiative, Eaton and Ecolab.

Research is the core of investing at AB, and we believe that consideration of material ESG factors can drive better research and outcomes for clients. It's important to engage directly with company management to understand the material ESG factors a company faces and incorporate them into the risk/return assessment for securities we analyze. AB engages companies where it believes the engagement is in the best financial interest of its clients. As active investors, we also use engagement to encourage firms to advance their business activities and practices to better manage these material risks and opportunities.

In the Appendix is a full summary of our engagements in each ESG category during the past 12 months, ending on June 30, 2025. Summary reports of a selection of our engagements with companies during the six-month period follow.

ESG Engagement Summary

Charles Schwab (financials). During the period, we met with the head of investor relations (IR) to understand the company's new strategy to grow both branches and financial consultants. Charles Schwab is an American multinational financial services company.

The company closed a significant number of branches following the 2020 acquisition and subsequent integration of TD Ameritrade. On its fourth-quarter 2024 earnings call in late January, management announced plans to add branches and

financial consultants in 2025. The move has multiple implications, including managing human capital growth, a higher carbon footprint and increased carbon emissions, all of which pose material risks and opportunities for the company. The purpose of this engagement was to better understand the capabilities gap that led to the decision.

As we learned, the driver of the decision was the company's failure to meet net new asset growth targets over the last two years. The company targeted 5%–7% net new asset growth and fell short in 2023 (4.8%) and 2024 (4.2%). New branch additions add less than 5% growth in the overall physical footprint and will be largely in areas that have seen disproportionate population growth following the pandemic, with some representing new territories for the bank. The new branches will be company owned, moving away from a franchise model put in place several years ago. In terms of human capital, new hires will be meaningful but still a relatively small part of the overall company headcount, with financial consultants critical in terms of helping to acquire and retain assets. Management expects that new branches and more financial consultants will drive stronger net new asset growth.

The AB investment team views Schwab's renewed focus on net new asset growth as a positive development. While the strategy involves trade-offs, including increased carbon emissions and human capital management challenges, the decision is seen as a necessary step given the slower-than-expected transition to a virtual business model.

Eaton (industrials). Our most recent engagement with Eaton was part of AB's Climate Transition Alignment Framework that assesses issuers exposed to material risks and opportunities from the transition to a lower-carbon economy compared to issuers in non-high-impact industries. Our discussion with the Chief Sustainability Officer (CSO) and a member of the IR team aimed to understand how, and encourage the issuer to, address and mitigate such material risks. We also discussed human capital and technology and the intersection of AI and sustainability. Eaton

is a diversified power management company providing energy-efficient solutions that help customers manage electrical, hydraulic and mechanical power more effectively, safely and sustainably. The company operates in sectors such as electrical, aerospace and vehicle industries.

Eaton has demonstrated leadership in managing and disclosing climate-related risks and opportunities, in the AB investment team's view. The company has Science Based Target initiative-validated targets for Scopes 1, 2, and 3 emissions and discloses revenues associated with its climate strategy. Notably, Eaton exceeded achieving a 15% Scope 3 emissions reduction target by 2030, achieving a 25% reduction in 2023, seven years ahead of schedule. During the discussion, the AB investment team emphasized the need for Eaton to disclose a quantified plan for achieving its new emissions reduction targets. The CSO shared that the new Scope 3 target is an intensity-based goal aiming for a 7% year-over-year reduction by 2030, equating to a 58% reduction from a 2018 baseline. The company has set a 50% reduction target for Scopes 1 and 2 emissions by 2030.

Management also discussed its use of AI to enhance sustainability, particularly through its Brightlayer optimization platform, HiZ Protect technology, and a partnership with Microsoft on grid-interactive data centers.

On capital expenditures (capex) related to the company's climate strategy, management noted that approximately \$1.3 billion of research and development expenditures represent 30%–50% of total capex and is aligned with the European Union's Corporate Sustainability Reporting Directive. The disclosure is expected to be formalized in upcoming regulatory filings.

In terms of human capital, Eaton is leveraging AI in performance reviews and talent acquisition. The company uses AI to improve objectivity in employee evaluations and to identify traits of successful sales leads. The AB investment team noted the potential for further research into the correlation between hiring rates and revenue growth as a signal of effective tech adoption in human resources.

The AB investment team will continue to monitor Eaton's progress.

Ecolab (materials). During the period, the Concentrated Growth team collaborated with AB's Responsible Investing team to

engage with the head of sustainability and a member of the IR team at Ecolab, a high-impact issuer in the climate transition space. The objective of the meeting was to assess the company's alignment with AB's Climate Transition Framework and to encourage progress on material ESG issues, particularly those related to carbon emissions, water management as it relates to AI and climate change vulnerability. A global leader in water, hygiene and infection prevention solutions and services, Ecolab operates in a sector with material environmental impacts. And while Ecolab itself has a relatively low direct emissions footprint, its supply chain accounts over for 92% of Scope 3 carbon emissions

Ecolab has committed to reducing absolute Scope 3 greenhouse gas emissions 25% by 2030 (from a 2022 baseline) and has achieved a 3% reduction to date. Reduction efforts include modifying purchased goods and services, fuel and energy-related activities, upstream transportation and distribution, and downstream leased assets. The company works with suppliers and customers to achieve emissions reduction targets first through efficiencies and then through alternative chemistries that are less energy and water intensive. For example, Ecolab has designed enzymatic cleaners that can be up to 40% more water and energy efficient for customers versus caustic substances. The development represents significant cost savings for clients such as General Mills and Coca-Cola.

In terms of water management, the company has set a target to help customers conserve 300 billion gallons of water by 2030. As of 2023, 226 billion gallons of water reduction was achieved.

Regarding climate change vulnerability, management noted that it has built a level of "resiliency" in its supply chain/raw material sourcing after the freeze event in Texas significantly impacted operations in 2021.

At the conclusion of the engagement, the AB investment team requested that Ecolab quantify plans for achieving reduction targets across Scopes 1, 2, and 3 emissions and demonstrate meaningful progress on Scope 3 reductions. The company was receptive to this request. The AB investment team will continue to monitor progress across water conservation and supply chain resiliency efforts.

Please refer to the following legal disclosures.

Appendix

Engagement Statistics* for the 12 Months Ending June 30, 2025

Details regarding AB analysts' engagements within each ESG category for the Concentrated US Growth Strategy are provided below.

Theme/Category	Engagements
Environmental	
Biodiversity & Land Use	1
Carbon Emissions	10
Climate Change Vulnerability	1
Climate Transition Plans	3
Electronic Waste	1
Opportunities in Clean Tech	2
Opportunities in Renewable Energy	2
Packaging Waste	1
Product Carbon Footprint	3
Supply Chain - Environmental	1
Toxic Emissions & Hazardous Waste	1
Water Management	4
Other	4

Social	
Diversity & Inclusion	8
Employee Health & Safety	4
Human Capital Development	23
International Norms (UNGC, etc)	1
Labor Management	5
Modern Slavery	1
Privacy & Data Security	3
Product Safety & Quality	4
Supply Chain - Social	4
Other	4
Governance	
Accounting	1
Board Composition	2
Board Independence	2
Business Ethics	2
Combined CEO Chair	3
Entrenched Board	2
Organizational Culture	8
Pay	13
Other	2

*All engagement statistics are based on the previous 12 months and reflect the absolute number of engagements with individual issuers during the period. Multiple key issues may be discussed during one engagement. The topics and amount of engagements are subject to change in the future.

These examples are provided for the sole purpose of illustrating how the research process can be used to help identify investable ideas in the portfolio management process. It should not be assumed that investments in any specific security were or will be profitable.

E: environment, S: social and G: governance. Source: AB

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