



Global Equities Fund

ESG Engagement Report: July 2023—December 2023

During the second half of 2023, the Global Core Equity team's portfolio managers and analysts engaged with the senior management and/or boards of directors of companies held by Global Core Equity. In the six-month reporting period ending December 31, 2023, we conducted 58 engagements with 42 distinct companies across a range of material ESG risks and opportunities, including packaging waste, supply chain—environmental, stakeholder engagement and organizational structure.

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. 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 December 31, 2023. Summary reports of a selection of our engagements with companies during the six-month period follow.

Example Engagements on Environmental Issues

AstraZeneca (healthcare). During the period, the Global Core Equity team met with AstraZeneca's environmental-protection and investor-relations (IR) representatives to understand the company's resource efficiency across the supply chain. AstraZeneca is a multinational pharmaceutical and biotechnology company.

Given that public discourse has focused on how climate change threatens global health, we were eager to examine how the healthcare sector contributes to climate change and examine opportunities to lessen the impact. The healthcare sector

contributes approximately 5% of global greenhouse gas (GHG) emissions. While many companies have net zero carbon targets, zero waste pledges lag. Owing to the interconnections between emissions and resource consumption, we believe both initiatives are critical to achieving a more sustainable economy.

We asked AstraZeneca to detail circular economy learnings from each of the six stages composing its product life cycle assessment: active pharmaceutical ingredient (API) production and formulation, device production, packaging, distribution, patient use and disposal (end-of-life or reuse). The company's representatives began by emphasizing the importance of raw materials and citing collaboration with suppliers and peers. AstraZeneca is a member of the Pharmaceutical Supply Chain Initiative, where pharma companies partner to investigate sources of materials that are more removed. The company has identified 12 critical raw materials and aims to have action plans for each by 2025. These materials include timber, aluminum and natural rubber for packaging components, and fish oils, palm oil, shellac, talc, carnauba wax, cellulose, sugar, castor oil and minerals for product use.

Small-molecule API synthesis requires raw materials, including solvents derived from fossil fuels. AstraZeneca focuses on shortening the steps to manufacture small-molecule APIs to reduce the required raw materials. As complexity increases, the company has done such analysis routinely. While the design of products currently on the market cannot be changed, AstraZeneca is bringing a step-reduction mindset to all activities so that future products will be manufactured more efficiently. The company is also pursuing continuous manufacturing, which requires a smaller footprint and saves energy and other resources.

We asked whether the emphasis on process step reduction is shared across the organization. The company's representatives answered that around 250 senior managers share a performance goal, with 10% tethered to environmental improvements, mainly

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Source: AB

related to Scope 1 and 2 emissions. They added that the company has an engaged workforce, with its sustainability Employee Resource Group (ERG) being the most active among all ERGs.

In addition to sourcing sustainably and limiting resource demand, AstraZeneca is exploring reuse and recycling opportunities. For instance, the company is looking into local industry needs for silica, a byproduct of some manufacturing processes, and is in conversation with construction companies. Regarding packaging waste, AstraZeneca is looking into offering the “E pill,” which would replace the paper manual featuring instructions and potential side effects with an electronic version. However, this initiative has yet to receive regulatory clearance. The company also investigates what materials could substitute polyvinyl chlorides in blister packs. The company has launched a take-back system and has explored the regeneration of plastics in Sweden. AstraZeneca noted that it is challenging to change packaging and recycle items that have had contact with medical objects owing to stringent regulations. While the aspects of production most visible to consumers concern end products, AstraZeneca believes its greatest opportunity for promoting a circular economy lies in reducing solvents. The company targets a 10% waste reduction by 2025 from a 2015 baseline.

AstraZeneca audits suppliers independently with a clear audit program that even looks at the audits that its suppliers conduct on their suppliers. The company is asking 95% of suppliers to sign up to the Science-Based Targets initiative by 2025, of which 12% already had targets in 2022. AstraZeneca’s representatives said the company saw significant progress in 2023.

AstraZeneca is a member of a pharma environmental group with 19 other companies that does annual benchmarking. While the benchmarking is not made public, the company’s representatives shared that AstraZeneca is at the forefront.

Following our engagement, we think AstraZeneca is aware of its overall environmental impact and is taking action to mitigate it. We intend to continue monitoring the evolution of its circular economy initiatives while engaging with peer companies to gain a deeper understanding of best practices in the field.

We currently penalize AstraZeneca 10 basis points (bps) for environmental concerns, 5 bps for social concerns and –15 bps for governance concerns.

Example Engagement on Social Issues

Teck Resources (Materials). We engaged with the IR and ESG engagement representatives at Teck Resources during the period to understand how the company is managing water risks and local community relations. The company is an integrated natural resource group with mining, smelting and refining activities.

Controversies around selenium leakage from Teck Resources’ Elk Valley mining operations into the watershed have emerged. Municipalities on both sides of the Canadian-US border, scientists and indigenous communities, namely the Ktunaxa, have raised concerns over selenium poisoning native fisheries.

We believe that managing stakeholders’ environmental concerns is a material risk for mining companies, as evidenced by the recent shutdown of First Quantum Minerals’ copper mine in Cobre Panama. The government’s renewal of the mine’s contract triggered mass protests in part over environmental damages. Within weeks of the decision, the government, which will undergo elections in May 2024, reversed course and said it would close the site.

Teck Resources announced in February 2023 that it would spin off its steelmaking coal business in Elk Valley and become Teck Metals Corp. Nevertheless, the risk exposure stemming from water management and stakeholder relations remains, especially as the company expands copper mining operations in Chile. We were eager to engage with the company to learn how it has managed this risk in Elk Valley and assess its ability to manage it in other parts of the business.

Teck Resources started a formal sustainability strategy 15 years ago that featured community engagement as a primary part. The company stressed the maturity of its engagement program, citing that the number of formal and large agreements with indigenous communities has grown from five to over 100 in the past 10 years. The company recognizes the need to engage indigenous communities throughout the mining lifecycle. It has hosted more open-house hours with proper expertise available to engage local community members. The company’s representatives added that its senior vice president of sustainability initiatives has a direct, open dialogue with the Ktunaxa chief. Teck Resources has formal grievance mechanisms and has committed to receiving consent before new projects or significant changes. Regarding selenium, Teck Resources has asked for clarity from indigenous, provincial and federal legislators, who sometimes have contradictory positions.

The company noted that no other peer companies have dealt with selenium to the same extent as it has. Teck Resources operates four mines in one watershed. As a result, the company has had to innovate technology to mitigate selenium leakage and is always learning. Teck Resources has continued to implement the Elk Valley Water Quality Plan, a long-term approach to manage selenium and other substances released by mining activities in the Elk Valley. The plan was approved in 2014 by the BC Ministry of Environment and Climate Change Strategy. The company has invested \$1.2 billion and expects to invest another \$550 million by 2024. The plan has the capacity to treat 77.5 million liters per day and is overseen by over 200 people. The company has a dedicated water director. While risks related to water quality might not be the same in every region of operation, there are still learnings that can be applied across geographies. The company indicated that it anticipates water availability, nature and community relations being the most important for Teck Metals Corp., given it will have operations in water-scarce Chile and eight of the nine mines are in or adjacent to indigenous territories.

Teck Resources has continued engaging local communities and Indigenous Peoples on water management, including for the Carmen de Andacollo and Quebrada Blanca projects in Chile. The company is a member of Pan de Azúcar Mesa Hídrica, a regional group of stakeholders near Carmen de Andacollo focused on managing common water issues. One of the company's strategic priorities is to use seawater or low-quality water sources for all operations in water-scarce regions by 2040. The company just built and implemented a seawater desalination facility at its Quebrada Blanca Phase 2 copper project to service all production processes there, with the potential to share excess water with local users in the future.

Teck Resources demonstrates an acute awareness of its ESG impacts and has taken productive actions to manage them. We look forward to following up on the development of its ESG initiatives.

We currently penalize Teck Resources 25 bps for environmental concerns, 0 bp for social concerns and 30 bps for governance concerns.

Example Engagement on Governance Issues

BNP Paribas (financials). During this period, we engaged with BNP Paribas' IR as a follow-up to our prior engagement on group simplification in December 2022. BNP Paribas provides

commercial, retail, investment, and private and corporate banking services to customers worldwide.

We strongly support BNP Paribas' decision to divest the Bank of the West holding and the value it will offer shareholders, considering share repurchase and bolt-on acquisitions. As the bank remains involved in myriad non-home markets, we have advocated for ongoing simplification and enhanced disclosure.

We shared our view that further simplification would improve shareholder value by reducing risks and costs, freeing up capital, narrowing conglomerate discounts and booking a gain, assuming the selling price is greater than the current book value. The bank indicated that it prefers to avoid unnecessary complexity. However, a big corporate bank must weigh the pros and cons of following clients to non-home markets. While BNP Paribas might be a minor player in a country, it might have a client with significant operations in that market who would be disappointed if BNP Paribas were to leave.

BNP regularly reviews operations and, as we requested, has continued to pursue further simplification. BNP has sold stakes in small non-home markets, such as Senegal, the Ivory Coast, Spain, Bulgaria and Argentina.

In the most recent discussion, we advocated for the bank's exit from larger positions, namely Italy. BNP Paribas shared that it does not have immediate plans to exit from Italy but would decline the purchase if presented with the opportunity today, in contrast to its decision 10 years ago.

Overall, BNP Paribas has continued simplification, but it remains unclear how much it will decrease its non-home market footprint. We continue to think there are too many non-home markets. We were pleased to hear its admission that it would not buy into Italy today and hope this signals the potential for larger exits. We plan to continue monitoring any ensuing progress.

We currently penalize BNP Paribas 0 bp for environmental concerns, 15 bps for social concerns and 25 bps for governance concerns.

Please refer to the following legal disclosures.

Appendix

Engagement Statistics* for the 12 Months Ending December 31, 2023

Details regarding AB analysts' engagements within each ESG category for Global Core Equity are provided below.

Theme/Category	Engagements
Environmental	
Biodiversity & Land Use	7
Carbon Emissions	41
Climate Change Vulnerability	4
ESG-Labeled Bonds	4
Net Zero	17
Opportunities in Clean Tech	8
Opportunities in Green Buildings	2
Opportunities in Renewable Energy	7
Packaging Waste	8
Product Carbon Footprint	4
Resource Management	7
Supply Chain - Environmental	8
Toxic Emissions & Hazardous Waste	3
Water Management	13
Other	7

Social	
Diversity & Inclusion	39
Employee Health & Safety	15
Financial Product Safety	3
Human Capital Development	36
Labor Management	29
Modern Slavery	2
Opportunities in Education	1
Opportunities in Financial Inclusion	5
Opportunities in Healthcare	3
Opportunities in Nutrition & Healthier Products	3
Privacy & Data Security	9
Product Safety & Quality	13
Responsible Investment	2
Stakeholder Engagement	4
Supply Chain - Social	10
Other	6
Governance	
Accounting	1
Board Independence	14
Board Level Diversity	8
Business Ethics	1
Combined CEO Chair	4
Corruption & Instability	1
Crisis Management	4
Entrenched Board	7
One Share One Vote	6
Organizational Culture	17
Pay	41
Right to Call Special Meetings	4
Sanctions	1
Other	14

* 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 number of engagements are subject to change in the future.

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The AllianceBernstein Global Equities Fund has been operating since July 22, 2015.

Some past performance information included in this document represents the investment performance record for the institutional AllianceBernstein Global Core Equity Composite in US Dollars (the “Composite”) from inception (July 1, 2011). The performance presented is gross of fees and detailed in the Total Return Methodology and Fee Structure in the attached Performance Disclosure. The performance of the Composite is not the performance of the AllianceBernstein Global Equities Fund. The management style and investment guidelines of the Fund and account(s) within the Composite are not materially different. The Fund has no past performance. Historical performance of the Composite is provided on this basis as an indication of past performance of an account similarly managed. Past performance of the Composite is not indicative of future performance of the Fund.

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