Global Equities Fund

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 46 distinct companies held by Global Core Equity in 39 engagements on a range of material ESG risks and opportunities. In this report, we highlight packaging waste, privacy and data security, and board independence.

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.

Example Engagements on Environmental Issues

Smurfit Westrock (materials). In April, the AB Global Core Equities team met with Smurfit Westrock at its Global Innovation Center in Amsterdam. Smurfit Westrock is a provider of paper and packaging solutions, actively developing sustainable alternatives to plastic and PFAS (per- and polyfluoroalkyl substances)-based packaging, in line with evolving regulatory and consumer expectations. Some objectives of the meeting were to understand how Smurfit Westrock's product offerings contribute to reducing plastic waste and to explore the commercial and ESG opportunities associated with packaging innovation.

These discussions were financially material to the company. Regulatory developments in both the EU and the US are driving a shift away from PFAS due to their environmental and health risks. In the EU, a proposed universal phaseout of over 10,000 PFAS chemicals could significantly impact packaging materials. In the US, new designations under the Compensation, and Liability Act of 1980, or CERCLA, and the Safe Drinking Water Act are prompting companies to reconsider their use of PFAS. These developments present both risks and opportunities for companies like Smurfit Westrock.

We explored how Smurfit Westrock is positioned to benefit from the transition away from PFAS and plastic-based packaging. The company is developing plant-based coatings for food packaging as sustainable alternatives to PFAS. As a predominantly paper-based packaging producer, Smurfit Westrock is well-aligned with the regulatory and consumer-driven shift toward recyclable materials.

In Europe, approximately 90% of paper-based packaging already uses recycled content. Although the US lags due to the availability of cheaper virgin fiber, Smurfit Westrock aims to replicate its European success in improving recycling rates. Specific examples of innovation include transitioning berry packaging from plastic to paper and introducing circular packaging solutions in France, such as detergent dispensers in supermarkets using Smurfit's "back in box" offering.

We believe Smurfit Westrock is engaging in proactive innovation, strategically positioning itself to capitalize on the transition away from PFAS and plastic packaging.

We currently penalize Smurfit Westrock 10 basis points (bps) for environmental concerns, 5 bps for social concerns and 0 bp for governance concerns.

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

Example Engagements on Social Issues

Auto Trader (communication services). In March, we engaged with Auto Trader to gain insights into the company's approach to cybersecurity. The meeting focused on Auto Trader's infrastructure, risk management practices and ongoing investments in data security. These elements are integral to the company's ability to operate effectively, maintain user trust and achieve long-term success, all of which can directly impact the company's financial performance.

Auto Trader is a digital automotive marketplace that, over the past decade, has transitioned from physical data centers to a cloud-based infrastructure.

We learned that Auto Trader has significantly increased its investment in cybersecurity, allocating between $10 million and $15 million to third-party providers for platform costs, hosting and security—representing a 50% increase over previous data center expenses. The company recognizes that the greatest cybersecurity risk lies with human behavior, particularly susceptibility to phishing and social engineering attacks.

We also learned that cybersecurity oversight at Auto Trader is managed by the Audit Committee at the board level, with regular updates from the Chief Technology Officer. The company conducts annual Red Team exercises using independent third parties to simulate attacks and identify vulnerabilities. The findings from these exercises are shared with a risk forum that includes the CEO, and they are utilized to tailor internal training and feedback.

Auto Trader has also established an internal security team and implemented industry-standard processes. The company is investing in biometric authentication to replace two-factor authentication and conducts quarterly reviews of all applications. Additionally, the cybersecurity team has been reinforced with individuals who possess a track record of accessing systems beyond their usual permissions. This expertise enables them to identify vulnerabilities within the system and assist Auto Trader in addressing them effectively. The company limits data retention by deleting emails every 13 months and Slack messages every six months to reduce exposure.

We believe Auto Trader is taking a proactive and comprehensive approach to cybersecurity. The company is aware of its risk exposure and is taking significant steps to mitigate it.

We currently penalize Auto Trader 0 bp for environmental concerns, 15 bps for social concerns and 0 bp for governance concerns.

Example Engagements on Governance Issues

DSV (industrials). In March, we met with DSV to discuss recent governance controversies, offer feedback on board practices and advocate for improved board independence and ethical standards. We believe strong governance practices are essential for DSV to maintain investor confidence, ensure regulatory compliance and achieve long-term success, which can have a direct impact on the company's financial performance.

The global transport and logistics company has recently faced a series of governance-related controversies. These include concerns about board independence, executive dismissals and potential conflicts of interest involving senior leadership. The engagement was prompted by a culmination of governance issues that indicate significant room for improvement.

Concerns were raised regarding the long tenure and dependent status of the Chairman and Vice Chairman, the abrupt dismissal of a well-regarded CEO coinciding with the announcement of the controversial NEOM deal, and a private investment involving the Chairman and the newly appointed CEO. Additional concerns included the dismissal of three prominent board members, likely due to internal disagreements, and the employment of the Chairman's nephew in the investor relations team. These issues collectively indicate weaknesses in governance practices and potential conflicts of interest, which could be material to DSV's business. We believe it is important for DSV to address and mitigate these weaknesses.

We provided direct feedback to DSV regarding the poor handling of the CEO's dismissal and the NEOM deal announcement. DSV acknowledged the feedback and admitted that its communications team could have better advised the Board. It is now working to strengthen this function by hiring more experienced professionals.

Regarding internal board dynamics, DSV conducts annual self-evaluations and external evaluations every three years. A recent Deloitte report highlighted the need for more internal expertise, prompting the recruitment of non-Danish board members and the dismissal of three existing members. On the topic of independence, DSV shared that both the Chairman and Vice Chairman are expected to step down by 2026, after which the Board will be composed entirely of independent members, except

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

for Jens Lund, CEO of DB Schenker, who joined DSV through its acquisition of the company.

DSV also acknowledged that the private investment involving the Chairman and CEO was a mistake and has since implemented stricter transaction scrutiny.

We recommended appointing a Lead Independent Director during this transition period leading up to the planned leadership changes in 2026. This action is intended to strengthen governance and ensure independent oversight during a critical period.

DSV acknowledged the challenges it faces and appears to be taking steps in the right direction. While we are encouraged by the company's recognition of the issues and its stated intentions, further progress is necessary.

We currently penalize DSV 0 bp for environmental concerns, 10 bps for social concerns and –10 bps for governance concerns.

Please refer to the following legal disclosures.

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

Appendix

Engagement Statistics* for the 12 months ending June 30, 2025

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

Theme/Category	Engagements
Environmental	
Biodiversity & Land Use	3
Carbon Emissions	30
Climate Change Vulnerability	3
Climate Transition Plans	16
Electronic Waste	1
International Norms (UNGC, etc)	1
Opportunities in Clean Tech	2
Opportunities in Green Buildings	2
Opportunities in Renewable Energy	3
Packaging Waste	8
Product Carbon Footprint	5
Resource Management	2
Supply Chain - Environmental	3
Toxic Emissions & Hazardous Waste	1
Water Management	11
Other	8
Social	
Diversity & Inclusion	19
ESG-Labeled Bonds	1
Employee Health & Safety	11
Financial Product Safety	1
Human Capital Development	30
Insuring Health & Demographic Risk	4
International Norms (UNGC, etc)	1
Labor Management	17
Modern Slavery	5
Opportunities in Education	1
Opportunities in Financial Inclusion	1
Opportunities in Healthcare	5
Opportunities in Nutrition & Healthier Products	4
Privacy & Data Security	16
Product Safety & Quality	13
Responsible Investment	3
Stakeholder Engagement	6
Supply Chain - Social	6
Other	10
Governance	
Accounting	1
Board Composition	12
Board Independence	10
Business Ethics	6
Combined CEO Chair	5
Corruption & Instability	1
Crisis Management	1
Entrenched Board	5
One Share One Vote	2
Organizational Culture	15
Pay	31
Right to Call Special Meetings	2
Sanctions	1
Other	21

* 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

AM/B-768386-2025-07-11