



# Global Strategic Core Equities Fund

## ESG Engagement Report

During the six-month period ending on 30 June 2025, AB portfolio managers and analysts engaged with senior management and/or boards of directors of 46 distinct companies held by the Global Strategic Core across 53 engagements on a range of material ESG risks and opportunities. In this report, we highlight carbon emissions and water usage at Amazon, labor management practices at Compass Group, cybersecurity at RELX Group, decarbonization as it relates to the next generation of aircraft engines at Safran, and the role that cloud computing and artificial intelligence (AI) play in net zero goals at SAP.

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

**Amazon** (consumer discretionary). During our most recent discussion with members of the ESG team at Amazon, the AB investment team discussed carbon emissions and water usage, and employee health and safety. A global technology and retail company operating across e-commerce, cloud computing (via Amazon Web Services), logistics, and digital streaming, Amazon's operations span energy-intensive data centers, fulfillment centers and corporate offices—activities that pose material risks and opportunities to the company's performance.

Amazon Web Services (AWS) continues to expand, increasing energy demand. The company met its goal of matching 100% of its electricity consumption with renewable energy by 2024, six years ahead of its 2030 target. Management stated that the company remains committed to achieving net zero emissions by 2040 and is exploring nuclear energy, having signed its first nuclear power plant contract and initiated development of three small reactors. Amazon also uses water for data center cooling and is working to reduce consumption through efficiency measures and alternative water sources.

On health and safety matters, Amazon reported a 65% reduction in its lost time incident rate over the past five years and reported a 13% improvement from 2023–2024. The company uses tools like Dragonfly to collect employee feedback on safety and has found that robotics integration in fulfillment centers improves safety outcomes by 18%. Management emphasized that robotics are not replacing jobs but shifting job types, and it promotes job rotation to reduce repetitive strain injuries.

The AB investment team will continue to monitor Amazon's ESG performance, particularly as the company expands its AWS operations and integrates more robotics into its fulfillment centers.

**Compass Group** (consumer discretionary). During the period, we met with two members of Compass Group's investor relations (IR) team to discuss labor management practices. Compass Group is a contract catering company operating in 31 countries globally, with a workforce of approximately 580,000. The company's ability to recruit and retain staff is vital for it to succeed in terms of providing viable outsourcing solutions for its clients. The US is the most important market for Compass Group and subject to several challenges, including wage inflation, a tight labor market across the food and hospitality industries, and the potential for policy changes reducing the number of immigrant workers available in the US. Our discussion with the company focused on these

issues and the potential financially material impact on its business.

While wage inflation remains persistent in the market, there is opportunity to pass through additional costs to clients, adding that there are significant advantages for clients to retain staff that are employed in the catering industry in terms of familiarity, culture and experience. Compass noted that their clients typically choose to treat catering staff as integral to the business and equal to their own employees, in turn paying higher wages than might be seen elsewhere in the market.

A tight labor market is not new to the company and, in the AB investment team's view, management is adept at managing employees. The company uses an in-house labor management tool for recruiting and onboarding staff, which is designed to boost productivity and satisfaction. The tool allows employees to schedule flexible working hours across the business and is seen as a valued resource. Data indicates that 18% of users remain with the company longer than they otherwise would.

The company sees little financial risk from reduced immigrant labor in the US since they don't rely heavily on ad-hoc workers and offer solid career paths, making Compass an attractive choice for employment.

We learned that the latest results from Compass Group's annual engagement survey were positive, with engagement scores similar to the previous year. This was viewed as an optimistic outcome given significantly higher participation from countries that have traditionally seen lower average engagement. There was also an improvement in the employee net promoter score versus last year.

The AB team intends to continue monitoring labor management and other programs with material implications at Compass Group.

**RELX Group** (information technology). During the period, the AB investment team met with the global head of corporate responsibility and a member of the IR team to discuss cybersecurity, data privacy and responsible AI deployment—topics that pose material risks and opportunities to the company as it shifts its business mix toward higher-growth analytics and decision tools. RELX Group (RELX) is a global provider of information-based analytics and decision tools for professional and business customers.

The company is seeking to actively mitigate cybersecurity risks and has allocated approximately \$5 million to cybersecurity initiatives that include backup systems, recovery testing and employee training through simulated attacks. Oversight is shared between the Corporate Responsibility Forum and the Board, with cybersecurity embedded into product design and development.

RELX completed over 4,000 security-related customer requests in 2024, and key products such as ScienceDirect, Lexis+, and Lexis+ AI are ISO 27001 certified. The company tracks key performance indicators such as the number of security tests, budget allocation and employee participation in phishing simulations, which includes over 99% of staff. Employees are encouraged to report phishing attempts, and failure to do so may result in mandatory training. The Risk Business division supports customers—primarily in insurance and business services—by offering digital identity solutions and fraud detection tools based on behavioral biometrics and transaction analysis.

The AB investment team will continue to monitor ESG matters at RELX.

**Safran** (industrials). In our most recent meeting with management at Safran, we discussed the company's efforts around decarbonization, particularly as it relates to the next generation of aircraft engines, which are material to the company's business. The discussion also covered Safran's labor management practices. At Safran's recent Capital Markets Day (CMD), sustainability and innovation was prominently featured, underscoring the strategic importance of these themes. Our engagement followed CMD and allowed for a deeper discussion of the company's sustainability and innovation strategies.

In the AB investment team's view, Safran is an industry leader in ESG ambition and technological progress toward cleaner aviation. With aviation contributing 2%–3% of global CO<sub>2</sub> emissions, sustainability represents both a risk and an opportunity for the sector. Safran's commitment to ESG is embedded in its corporate culture, with 20% of long-term incentive performance pay for top management, including the CEO, tied to ESG criteria. The CEO also chairs the Climate Steering Committee.

Regarding carbon emissions, Safran has committed 75% of its self-funded Research and Technology budget, approximately €5.2 billion over four years, to decarbonization. The company aims to reduce Scope 3 engine emissions 42% by 2035 and achieve net zero CO<sub>2</sub> emissions by 2050, with 40% of reductions expected to come from technological advancements. Safran is currently addressing 90% of its targeted CO<sub>2</sub> reduction levers. For Scopes 1 and 2 emissions, the company achieved its 2025 target of 30% reduction in 2023 and is now targeting a 50% reduction by 2030. On the matter of labor management, Safran is focused on employee development, operating 66 on-site industrial schools and averaging 31 training hours per employee annually.

Safran's next-generation RISE engine architecture, which consumes 20% less fuel and CO<sub>2</sub> than current LEAP engines and is fully compatible with sustainable aviation fuels (SAF), was also discussed. SAF has the potential to reduce CO<sub>2</sub> emissions by up to 80%, though further technological and cost improvements are needed. Safran leads the EU Renewable Low Carbon Fuel Industrial Alliance and is also advancing hybrid and electric propulsion technologies, including demonstrator engines with over 300 test hours.

From a manufacturing standpoint, Safran is improving efficiency through increased use of recyclable materials. The company is also engaging its top 400 suppliers to promote responsible practices and accelerate decarbonization across the supply chain.

The engagement reinforced the AB investment team's positive view of Safran's ESG strategy and its alignment with long-term investment goals.

**SAP** (technology). In our most recent engagement with SAP, we discussed the company's strategy for achieving its net zero goals and the role that cloud computing and AI plays. The meeting was held with SAP's IR team and focused on both the risks and opportunities associated with carbon emissions.

As a global leader in enterprise software, SAP has demonstrated a strong commitment to environmental sustainability. In 2017, the company was the first in Germany to set a science-based carbon reduction target, initially aiming for net zero by 2050. In 2022, SAP accelerated this goal by 20 years, committing to net zero by 2030 in alignment with the 1.5°C target of the Paris Agreement. SAP aims to reduce greenhouse gas (GHG) emissions by more than 90% across its entire value chain from 2023–2030. The transition from on-premise infrastructure to cloud computing is the primary lever for this reduction, expected to account for over three quarters of the total emissions cut.

All of SAP's data centers currently operate on 100% renewable energy. Moreover, SAP procures Energy Attribute Certificates for its public cloud partners, even though these are not counted toward its net zero targets. This reflects a strong alignment between financial and environmental incentives. The CEO's direct involvement in quarterly GHG emissions reviews further underscores the company's commitment.

The rise in adoption of AI was identified as a potential future challenge due to its energy intensity, particularly in the upstream supply chain. While current AI usage is not yet material, the situation is evolving rapidly, and more energy-efficient large

language models are emerging. This area will require ongoing monitoring.

From an opportunity perspective, SAP is well-positioned to help its customers manage their environmental impact. The company offers a suite of sustainability-focused tools, including SAP Sustainability Footprint Management, SAP Sustainability Control Tower, SAP Responsible Design and Production, and the newly introduced SAP Green Ledger. These tools are integrated into SAP's enterprise resource planning systems, enabling customers to align financial and environmental decision-making. This integration enhances the differentiation and stickiness of SAP's product suite, even if it does not immediately reflect in the company's financial results.

The engagement left a positive impression of SAP's approach to environmental sustainability, in the AB investment team's view.

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<sup>1</sup> for the 12 months ending June 30, 2025

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

| Engagements                       |             |
|-----------------------------------|-------------|
| Theme/Category                    | Engagements |
| <b>Environmental</b>              |             |
| Biodiversity & Land Use           | 2           |
| Carbon Emissions                  | 43          |
| Climate Change Vulnerability      | 7           |
| Climate Transition Plans          | 22          |
| ESG-Labeled Bonds                 | 2           |
| Electronic Waste                  | 3           |
| Opportunities in Clean Tech       | 7           |
| Opportunities in Green Buildings  | 1           |
| Opportunities in Renewable Energy | 9           |
| Packaging Waste                   | 7           |
| Product Carbon Footprint          | 9           |
| Resource Management               | 3           |
| Supply Chain - Environmental      | 7           |
| Toxic Emissions & Hazardous Waste | 2           |
| Water Management                  | 5           |
| Other                             | 11          |

|   |    |
|---|----|
| <b>Social</b>                                   |    |
| Diversity & Inclusion                           | 28 |
| ESG-Labeled Bonds                               | 1  |
| Employee Health & Safety                        | 11 |
| Financial Product Safety                        | 3  |
| Human Capital Development                       | 45 |
| Insuring Health & Demographic Risk              | 5  |
| International Norms (UNGC, etc)                 | 1  |
| Labor Management                                | 20 |
| Modern Slavery                                  | 2  |
| Opportunities in Communications                 | 3  |
| Opportunities in Financial Inclusion            | 2  |
| Opportunities in Healthcare                     | 9  |
| Opportunities in Nutrition & Healthier Products | 4  |
| Privacy & Data Security                         | 24 |
| Product Safety & Quality                        | 21 |
| Responsible Investment                          | 1  |
| Stakeholder Engagement                          | 5  |
| Supply Chain - Social                           | 8  |
| Other   | 12 |
| <b>Governance</b>                               |    |
| Accounting                                      | 2  |
| Anti-Competitive Practices                      | 1  |
| Board Composition                               | 19 |
| Board Independence                              | 13 |
| Business Ethics                                 | 9  |
| Combined CEO Chair                              | 10 |
| Corruption & Instability                        | 3  |
| Crisis Management                               | 5  |
| Entrenched Board                                | 11 |
| International Norms (UNGC, etc)                 | 1  |
| One Share One Vote                              | 2  |
| Organizational Culture                          | 26 |
| Pay   | 41 |
| Right to Call Special Meetings                  | 2  |
| Sanctions                                       | 1  |
| Other   | 25 |

<sup>1</sup>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.

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A Target Market Determination ("TMD") for the Fund is available from our website. The TMD sets out the class of persons who comprise the target market for the Fund and the distribution conditions that are applicable, together with a number of other matters which should be considered by retail investors and their advisers.

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