



**ALLIANCEBERNSTEIN®**

## AllianceBernstein Fund III Sustainability-Related Disclosures

The following classifications and corresponding disclosures are made in accordance with and for the purposes of Regulation (EU) 2019/2088, as amended and supplemented from time to time (“**SFDR**”) and are not meant to provide exhaustive information on the suitability of a Portfolio for a prospective investor’s investment needs. Nothing contained herein should be deemed to alter or supersede anything described in the Prospectus.

For more information on the Management Company’s Sustainability-Related Disclosures please refer to the responsible investment section under the Management Company website. Any reference to “**AB**” herein refers to the Investment Manager, the Management Company, and/or another ABLP subsidiary providing directly or indirectly investment management services to the Portfolios, as the case may be.

### Key definitions

AB Stewardship Approach	AB Global Stewardship Statement: AB’s policy on responsible investing, ESG integration, engagement and collaboration.
ESG	environmental, social and/or governance.
ESG Factors	ESG issues that may present risks or opportunities as well as Sustainability Risks.
Sustainability Risks	ESG events or conditions that, if it occurred, could cause an actual or a potential material negative impact on the value of an investment.

Any capitalized terms herein, unless otherwise defined, shall have the meaning in the Prospectus.

### Article 8 (Light Green) Portfolios – AB’s Strategies that Promote Environmental and/or Social Characteristics

- Nomura Emerging Markets Bond Portfolio

#### A. Description of the Environmental or Social Characteristics.

The above Light Green Portfolio promotes environmental and/or social characteristics, or a combination thereof, provided that the corresponding investee companies follow good

governance practices and where the strategy does not have an objective of sustainable investments.

The Light Green Portfolio may have investments that are not aligned with environmental and/or social characteristics and AB may not or may be unable to assess whether these corresponding target companies follow good governance practices. More information on these investments, if any, will be provided in the annual report as from the fiscal year ending after 1 January 2022.

**B. Additional Information on Methodologies**

As further outlined in the AB Stewardship Approach, AB utilizes a variety of tools to assess, measure and monitor the environmental or social characteristics for the Light Green Portfolio (as defined below).

Using these tools, as outlined below, AB developed a proprietary materiality matrix that covers more than 40 ESG Factors and spans almost 70 subsectors. AB can apply the matrix as appropriate, giving AB’s investment teams valuable perspective on the impact of ESG Factors and therefore AB’s long-term financial forecast for a target company. In AB’s view, a consistent framework for identifying adverse sustainability impacts helps AB’s investment teams make better-informed investment decisions and ultimately enables AB to deliver better investment outcomes.

These ESG Factors currently include:

<u><b>Environmental Factors</b></u>	<u><b>Social Factors</b></u>	<u><b>Governance Factors</b></u>
<ul style="list-style-type: none"> <li>• Carbon Emissions</li> <li>• Product Carbon Footprint</li> <li>• Climate Change Vulnerability</li> <li>• Water Management</li> <li>• Resource Management</li> <li>• Biodiversity &amp; Land Use</li> <li>• Toxic Emissions &amp; Hazardous Waste</li> <li>• COVID-19 and the Environment</li> <li>• Packaging Waste</li> <li>• Electronic Waste</li> <li>• Supply Chain – Environmental</li> </ul>	<ul style="list-style-type: none"> <li>• Labor Management</li> <li>• Human Capital Development</li> <li>• Employee Health &amp; Safety</li> <li>• Product Safety &amp; Quality</li> <li>• COVID-19 &amp; Social Issues</li> <li>• Financial Product Safety</li> <li>• Privacy &amp; Data Security</li> <li>• Supply Chain – Social</li> <li>• Responsible Investment</li> <li>• Insuring Health &amp; Demographic Risk</li> <li>• Opportunities in Communications</li> </ul>	<p><i>Board</i></p> <ul style="list-style-type: none"> <li>• Board Independence</li> <li>• Board Gender Diversity</li> <li>• Combined CEO &amp; Chair</li> <li>• Entrenched Board</li> </ul> <p><i>Oversight and Risk Management</i></p> <ul style="list-style-type: none"> <li>• Accounting</li> <li>• Anti-Competitive Practices</li> <li>• Business Ethics</li> <li>• Corruptions and Instability</li> <li>• Financial System Instability</li> </ul>

- Opportunities in Clean Tech
  - Opportunities in Green Buildings
  - Opportunities in Renewable Energy
  - Opportunities in Financial Inclusion
  - Opportunities in Healthcare
  - Opportunities in Nutrition & Healthier Products
  - Opportunities in Education
  - Organizational Culture
  - Pay
  - Sanctions
  - COVID-19 & Governance
- Shareholder Access Rights*
- One Share, One Vote
  - Proxy Access
  - Right to Call Special Meetings

More information on the AB Stewardship Approach can be found at the responsible investment section under the Management Company website.

These tools currently include:

- **Proprietary toolsets.** To augment third-party data and tool sets, AB has developed proprietary research and collaboration tools to strengthen ESG and climate research and systematize integration across the firm—including AB’s ESIGHT platform for research and collaboration and PRISM for credit ratings and scoring. AB has also created an Alternative Data Dashboard that combines the industry-specific knowledge of AB’s fundamental analysts with the capabilities of AB’s Data Science Team to create better insights from alternative data and AB research.
- **Third-party data and toolsets.** All AB’s investment teams have access to a range of data services that enable them to gain a broad understanding of the ESG characteristics of, *inter alia*, an issuer or a sector. These include but are not limited to ESG data from Bloomberg and FactSet, MSCI ESG Ratings, Carbon Delta and MSCI Carbon Emissions data, Sustainalytics Risk Ratings, Global Norms and Controversies analysis, ISS-Ethix Controversial Weapons Analysis, and ISS and Glass-Lewis corporate governance and proxy research. The Responsible Investing Team continually evaluates its current and new providers to ensure AB is providing AB’s investment teams with the best possible data and information.

- **Strategic partnerships with world-class institutions.** AB has collaborated on climate change with the Earth Institute at Columbia University. Phase One of the collaboration involved the joint development of a Climate Science and Portfolio Risk curriculum that addresses the science, regulatory, legal and public policy aspects of climate change as well as how to integrate climate change into company and issuer financial analysis. Phase Two will involve joint research with the scientists on an array of climate-change topics.
- **Extensive training programs.** In addition to AB's Climate Change Curriculum, AB offers AB's investment teams ongoing ESG training. This includes peer-to-peer learning for CIOs and portfolio managers, during which a select group of managers present how ESG is integrated in their specific strategies. AB has also systematized training on external data, systems and tools and educational sessions across a suite of topics ranging from modern slavery, corporate governance, sector-specific themes, and how to integrate ESG in portfolio decision making.

AB's investment teams also have access to external data sources on ESG aspects that currently 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
- MSCI ESG Ratings
- MSCI EU Sustainable Financial Disclosure and Taxonomy (onboarding in 2021)
- Sustainalytics ESG Risk Ratings
- Sustainalytics Controversies
- Sustainalytics Global Standards Screening

AB also utilizes a variety of other external data sources, such as sell-side research, non-governmental organizations articles and industry reports.

### **C. Transparency of the Promotion of Environmental or Social characteristics**

AB has assessed the impact of Sustainability Risks in connection with the Light Green Portfolio's respective investment strategy and consider such risks to be relevant as an environmental, social or governance event or condition that, if it occurs, would cause an actual or a potential material negative impact on the value of the investments. The likely impacts of Sustainability Risks will differ between investment objectives, strategies, and policies but, given the respective investment universe, AB believes that an environmental, social, or governance event is likely to have materially negative impacts on, *inter alia*, the value, quality, and/or stability of a security, the financial health of an investee company, the credit quality of an issuer, and/or the ability of an issuer of debt to pay coupons or meet their other obligations.

## **I. Investment Process**

In order to achieve the promotion of environmental and/or social characteristics, AB uses the AB Stewardship Approach. More information on the AB Stewardship Approach can be at found at the [Management Company website](https://www.alliancebernstein.com/corporate/management-company.htm) (<https://www.alliancebernstein.com/corporate/management-company.htm>).

For AB, promotion of environmental and/or social is accomplished through a combination of the following:

- integration of ESG Factors, as further described under the section II, into all aspects of the investment making process whereby the impacts of a target investment with respect to ESG Factors will be assessed through all steps of the investment process; and
- extensive engagement, as further described under section IV, with, *inter alia*, corporate issuers and governments to encourage action and progress towards environmental, social and governance goals.

## **II. Integration of ESG Factors**

A fundamental part of the methodology through which AB integrates ESG Factors is AB's continuous assessment of the materiality and the impacts of Sustainability Risks, including environmental, social or governance events or conditions that, if they occurred, could cause an actual or a potential material negative impact to the returns of the Light Green Portfolio. Materiality of environmental, social and governance factors differs by sector and industry.

When making investment decisions, AB uses fundamental research to assess target companies. As part of the AB Stewardship Approach, this fundamental research includes the consideration ESG Factors meaning that AB will assess ESG Factors for a target company at every stage of the investment decisions making process. Through the AB Stewardship Approach, AB is able to identify companies that are aligned with the relevant environmental and/or social characteristics that the Light Green Portfolio promotes.

In particular, analysts within AB's investment teams are responsible for considering ESG Factors at the beginning of the investment decision process by identifying them, researching them, engaging with issuers, and incorporating the ESG Factors into the Light Green Portfolio's investment models and frameworks, as applicable. AB analyst's recommendation and assessment of the ESG Factors may impact investment decisions in multiple ways. For example, the impact of ESG Factors on cash flows, credit ratings or discount rates may have an influence on the investment decision and position sizing.

As part of AB's fiduciary duty to the Light Green Portfolio, AB believes good governance practices of a target company is a vital piece of information for its fundamental research. As part of the investment process, AB will qualitatively assess governance aspects of a target company such as, as applicable, the ongoing production of financial statements, including information on sound management structure, remuneration, employee relations as well as legal and tax compliance issues. When achieving the promotion of environmental and/or social characteristics, AB will not invest in companies that it believes does not follow good governance practices. AB ensures that consideration of good governance is accomplished through the integration of governance factors, into its fundamental research. As outlined in the AB Stewardship approach, this integration occurs at all stages of the investment process. AB has established a proprietary materiality matrix, which analysts use in identifying good governance practices follow by companies. Such matrix includes over 15 governance factors that are indicative of good governance. Analysts research conclusions about these governance factors are incorporated in the investment decision process.

When implementing a Light Green Portfolio's investment strategy, AB takes into account the desired level of risk and return and will take into account financial or economic impact of ESG Factors as part of the risk and return assessment.

After consideration of relevant ESG Factors including whether a company follows good governance practices, AB may still purchase the security and/or retain it in the Light Green Portfolio if the security is in line with the respective investment objective, strategy, and policy, including securities that have a negative impact on sustainability considerations. More information on the investment policies for the Light Green Portfolio is provided in the portfolio details of the Light Green Portfolio and at the Management Company website (<https://www.alliancebernstein.com/corporate/management-company.htm>). Furthermore, details on these investments will be disclosed in the annual report as from the fiscal year ending after 1 January 2022.

### **III. Benchmarks**

The Light Green Portfolio does not use a designated reference benchmark for measuring sustainability or determining environment and/or social characteristics. The benchmark referenced under the portfolio details of the Light Green Portfolio, does not take into account environmental, social and governance characteristics pursued by the Light Green Portfolio.

#### **IV. Engagement**

For engagement, AB, *inter alia*, encourages issuers to undertake actions that may promote better outcomes for environmental, social, and governance objectives as well as benefits to financial outcome of the issuer and/or the Light Green Portfolio. More information on the AB Stewardship Approach can be found at the Management Company website (<https://www.alliancebernstein.com/corporate/management-company.htm>).

AB also uses engagement to promote environmental and/or social characteristics in two ways. One, AB engages for insights into investments and that insight is integrated into AB's fundamental research on the investment. For example, through engagement AB gains a deeper understanding an investment's renewable energy strategy and therefore more insights on the investment when AB is assessing an investment's alignment to environmental and/or social characteristics. Secondly, AB engages to encourage issuers to take actions that AB believes will have sustainable and long-term benefits for the issuer. For example, AB may encourage an issuer to consider human capital, in particular employee relation, in order for the issuer to enhance its good governance practices and thereby maintaining the investment's alignment to environmental and/or social characteristics.

AB engages with issuers of securities held by the Light Green Portfolio but may also engage with issuers into which that Light Green Portfolio has not yet, or will not, invest.

On an annual basis, the relevant investment teams for the Light Green Portfolio will create "Engagement Reports" that summarize issuer engagements and their outcomes. AB believes it is critical to integrate ESG Factors into ground-level fundamental research and documenting the engagement research and conclusions allows the AB Stewardship Approach to be successfully utilized.

Engagements, which AB analysts and portfolio managers initiate directly with the issuer, may take place both before the initial investment is made and as part of AB's ongoing monitoring. Engagements are often with senior executives, including an issuer's CEO and CFO. During engagements, AB discusses strategy, business operations, governance and a wide variety of other topics, including ESG issues, with company management. Over time, analysts build a forum for open dialogue. AB also engages with directors, generally either to share its perspective on specific issues, or to escalate specific concerns after AB has engaged with management. In addition, AB engages with other stakeholders such as suppliers and customers as part of the process.

#### **V. Additional Information**

Additionally, as outlined in the Prospectus, the Light Green Portfolio may apply additional screens, such as controversial weapons.

As further outlined in the portfolio details of the Light Green Portfolio, AB may use various investment techniques in order to promote environmental and/or social characteristic including direct investment in companies such as equities and debt securities as well as indirectly through, *inter alia*, eligible derivatives and ETFs. Using derivatives, for example, allows AB to gain exposure to a company that it believes contributes to environmental or social objectives more efficiently and cost effectively.

As mentioned under the section III above, the Light Green Portfolio may have investments that are not aligned with environmental and/or social characteristics and for these investments AB may not or may not be able to assess whether the target company follows good governance practices. These investments include, *inter alia*, equities, debt securities, vehicles used for equitization, cash, broad-based indices, synthetic short positions, and certain derivatives where the underlying reference assets is not aligned with environmental and/or social characteristics such currency forwards and interest rate swaps. Additional information such as the types and amount of these investments will be disclosed in the annual report as from the fiscal year ending after 1 January 2022.

#### **D. Meeting Environmental or Social Characteristics**

The extent to which Environmental or Social Characteristics were met by the Light Green Portfolio will be disclosed in the annual report as from the fiscal year ending after 1 January 2022.