AllianceBernstein

Sustainable Global Thematic

2021 Impact Report

Welcome

Developing a clearer understanding of how companies contribute to positive societal outcomes is essential for responsible investors to make better choices.

Global efforts to promote sustainability and societal improvement must include public companies as active participants. Public companies are vital to this transition because they are vast entities with huge workforces, selling products and services that reach every person on the planet.

Against this backdrop, investors are increasingly seeking to evaluate whether a company is really doing good for both society and shareholders. However, measuring a company's societal value is challenging. Whether looking at environmental and social advances or improvements in governance, data are often lacking and many criteria are difficult to measure. We believe that developing a clearer understanding of how firms contribute to positive societal outcomes is essential for responsible investors to make better assessments and choices.

As investors and societal stakeholders, we must ask tough questions: What are the most daunting sustainability challenges facing the world? How are companies answering the call to improve and innovate? And how can we be assured that the companies we're investing in are moving the world toward a more sustainable and equitable future?

There are two primary ways a company can have an impact on society: handprints and footprints. While we're all generally familiar with carbon footprints—the most common measure of an entity's impact on the environment, via CO_2 emissions—we believe that the concept can be expanded to describe the broader effects of a business on the world. A company's "handprint" refers to the positive impact that its products and services have on society and the environment; a "footprint" refers to the impact its operations and investments have on the world.

Understanding how a company's handprints and footprints change the world around us is the first step toward investing responsibly. This report demonstrates our intention and progress as sustainable thematic investors.

Contents

Executive Summary

The world is changing as rapidly as it is growing. At the end of 2021, there were 7.9 billion humans living on Earth, and this number is expected to swell to over 10 billion by the year 2050. This means over 20% more mouths to feed, people to house and provide care for, and waste to manage.

Creating a more sustainable society is no longer simply an aspirational goal. It's a necessity for world economies to continue growing and for populations to thrive. The quality of life for all humanity depends on joint efforts of governments, along with public and private companies. We must rewire the fundamental infrastructure of the global economy by reinventing the way we work, travel, produce and provide access to healthcare, food and water, education, employment, and information.

Investors have become more aware of the urgency of sustainability through the COVID-19 pandemic. Before the pandemic, economic and social issues were typically seen as distinct spheres; companies existed to enrich shareholders, with little regard for other stakeholders such as employees, customers and communities. Today, it's clear that the economics of every business is deeply intertwined with the way a company interacts with customers and society.

Powerful social forces affect businesses and are fundamental to gaining investment insight into a company's growth path and return potential.

We are supporters of stakeholder capitalism, the notion that corporations create greater economic value when they consider the needs of all stakeholders, rather than just shareholders. Companies should be more economically successful when they support the social and environmental well-being of the communities in which they operate and embrace sustainable business practices.

These principles guide our stock selection and portfolio construction processes. In this report, we aim to show our evolution as we learn more each year about how to improve our responsible investing practices.

Thank you for your support.

Sincerely,

Daniel C. Roarty

Chief Investment Officer—Sustainable Thematic Equities

Spotlight: Introducing Carbon Handprints

Environmentally aware investors are showing increasing interest in portfolios that address climate change. And the quest for net-zero carbon emissions seems to be front of mind following COP26, The United Nations Climate Change Conference, in November 2021. But what does net zero mean for equity investors?

Many portfolio managers seek to address climate change by identifying companies with low carbon footprints. This approach has its merits and is especially popular among passive portfolios. But we think there's another dimension to climate-aware investing that can be very effective. Instead of looking at carbon footprints, we believe that investors should look at a company's carbon handprints. In contrast to carbon footprints, which measure the negative impact of companies on the environment, companies with carbon handprints are creating positive solutions to global climate challenges.

Companies with formidable carbon handprints may not have the lowest carbon footprints, but they are at the forefront of efforts to reduce the world's carbon intensity. Many offer products and services that will facilitate the transition to a low-carbon economy or help communities become more resilient against the physical effects of climate change.

So how can investors tap into the transition to a low-carbon economy? Often, climate-focused funds are one-dimensional, with a narrow emphasis on popular industries such as renewable energy. With a diversified approach, investors can capture change in the drive for clean energy as well as areas such as resource efficiency, transportation, agriculture, water and infrastructure.

For example, **Neste**, a Finnish oil-refining company, produces renewable diesel fuel from waste fat, residues and vegetable oils. In the materials sector, **DSM** of the Netherlands produces improved animal feed, which reduces the emissions of enteric methane—the largest source of farm greenhouse gas emissions. **Waste Management Inc.**, based in Houston, Texas, generates carbon emissions from waste processing, collection trucks and landfill methane. But the positive impact of its handprint from carbon reduction services is 3.3 times greater than the negative impact of its carbon footprint.

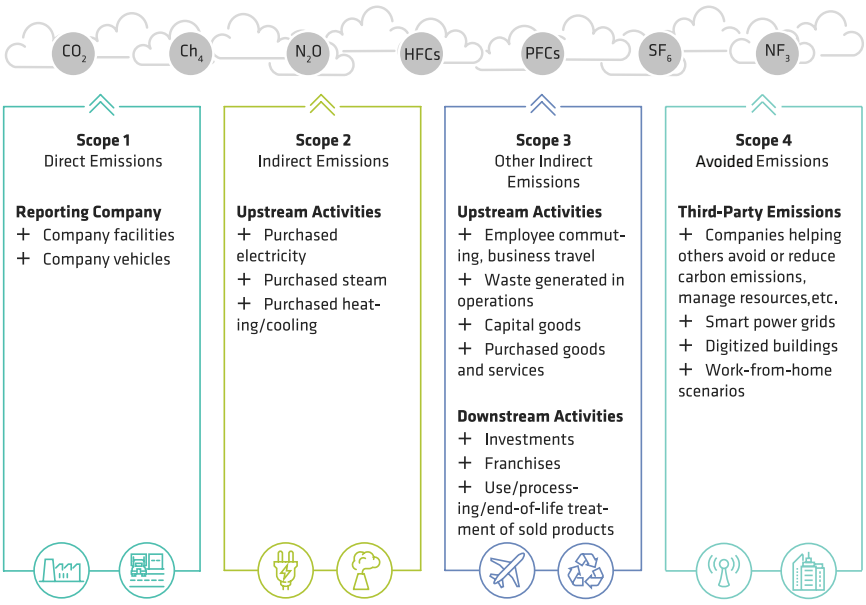
THE FOUR "SCOPES" OF CARBON EMISSIONS

Understanding the four scopes of carbon emissions can help investors access a company's handprints and footprints:

Scope 1 and 2: Direct and indirect emissions generated by a company's business activities.

Scope 3: A wide variety of indirect emissions occurring in a company's value chain.

Scope 4: The avoided carbon dioxide emissions from the use of a product or service are a good guide to finding companies offering climate solutions.



For illustrative purposes only
Source: AllianceBernstein (AB)

Vestas Wind Systems provides a good example of the importance of Scope 4 emissions. The company's Scope 1 and Scope 2 emissions generated by manufacturing its wind turbines are dwarfed by the emissions avoided through use of its products. In fact, the company estimates that every wind turbine helps avoid 40 times more emissions than those generated during the manufacturing stage.

There's no silver bullet to addressing climate change. As a result, many different technologies—evolving at varying speeds—will make important contributions to solving the world's carbon emissions problem. For equity investors, we believe that capturing a diverse set of companies with enduring carbon handprints can foster positive environmental change and strong long-term return potential in a sustainable equity portfolio. For more information, read our blog: *Carbon Handprints: A Climate-Positive Framework for Equity Investors*

Defining Our Approach

Sustainable Themes

- Climate
- Health
- Empowerment

SDG-Aligned Investment Universe

Building our investment universe relies on the SDGs. For each goal, we search for products and services that will contribute to its achievement within the themes of Climate, Health and Empowerment. We then identify the companies that make and sell these products and services, in order to create our investment universe.

Stock Selection

- Fundamental strength
- Sustainable tailwinds
- Stakeholder-aligned management
- Attractive risk/reward
- Engagement with management

AB Sustainable Global Thematic Portfolio

We seek to achieve capital growth through investments that contribute to positive social and environmental outcomes.

Financial and social reporting and measurement

We report on both the financial and social outcomes of our portfolio. While financial results are standardized, social outcomes are more challenging to identify. We strive to report on the ways our investments are positively and negatively affecting society.

The Process Explained

We live in challenging times, as the world seeks solutions to unprecedented environmental, social and governance (ESG) problems. Yet these challenges also create opportunities for equity investors who want strong financial returns while investing in companies positively contributing to societal advancement.

At AllianceBernstein (AB), our Sustainable Thematic Equity portfolios are dedicated to pursuing these twin goals. We've developed a clear investment process that is rooted in the United Nations (UN) Sustainable Development Goals (SDGs) and integrates ESG factors into all investment decisions. Through this process, we create high-conviction portfolios that we believe represent the most compelling sustainable thematic opportunities in the market.

1. Sustainable Themes

We believe that our sustainable thematic framework can help us identify future trends that will shape the world over the next several decades.

2. SDG-Aligned Investment Universe

We build our investment universe by starting with the SDGs. For each goal, we identify products and services that contribute to its advancement. Next, we search for the companies deriving revenues from these products and services. This top-down process generates our sustainable investment universe. For more information on universe alignment and exclusions, please see our *exclusion policy*.

3. Stock Selection

Alignment with the SDGs is not enough for a company to make it into the portfolio. ESG-integrated fundamental research, enhanced by management engagement, is critical to evaluating investment candidates. We apply a private equity-like mind-set to stock selection by focusing on economic value creation rather than short-term earnings multiples.

Climate

Efforts to stem climate change are gaining momentum around the world. We invest in companies that improve overall resource efficiency and provide environmentally positive solutions in fields such as energy production, manufacturing, construction, transportation, agriculture and sanitation.

Cleaner Energy

Dramatic cost reductions and broad public support are enabling a global shift toward renewable energy sources. As renewable energy becomes more economical, we're investing in companies that provide low- and no-carbon products or services for electricity generation, transmission, storage systems and smart grids.

Sanitation and Recycling

Better sanitation systems and recycling help underpin healthy, sustainable living spaces. We invest in companies that are involved in the collection and environmentally sound disposal or recycling of waste, waste-management technologies, and wastewater treatment.

Resource Efficiency

Sustainable development requires the decoupling of economic growth from resource use and environmental damage. We invest in companies that help increase the resource and energy efficiency of industrial and commercial processes, municipal operations, commercial and residential buildings, and electronic products, or that demonstrate exceptional leadership in sustainably managing their own operations.

Sustainable Transportation

Sustainable transportation is accessible, safe, efficient and clean. We invest in companies that are involved in the provision of sustainable mobility options for public, private and commercial use, including the manufacture of electric and autonomous vehicles, and products and services designed to reduce congestion, improve fuel efficiency and reduce emissions for road and air transit.

Top Three SDG Revenue Contributors

Companies in the Climate theme of the portfolio produce products and services that contribute to positive climate outcomes. Each can be evaluated based on the revenues from SDG-aligned products and services. Below are examples of companies with the highest SDG-aligned revenue exposure.

	American Water Works	ANSYS	Flex
	is the largest public water utility company in the Americas. The company provides drinking water, wastewater management and other related services to more than 46 million people in the US and Canada and recycles over 3 billion gallons of water annually.	is a market leader in multiphysics engineering simulation software for product design, testing and operation, and offers its products and services to customers worldwide. Simulation software helps companies evaluate how products will perform under a variety of environments, which helps improve quality, safety and reliability at a lower cost vs. physical prototyping—cutting down on resource usage and waste.	is a manufacturing solutions provider with a global footprint—delivering a multitude of products and services that enable connectivity, safety and innovation through programs that involve waste reduction, product reuse and overall environmental sustainability.
Primary SDG	6 CLEAN WATER AND SANITATION	12 RESPONSIBLE CONSUMPTION AND PRODUCTION	12 RESPONSIBLE CONSUMPTION AND PRODUCTION
Sub-Theme	Sanitation & Recycling	Resource Efficiency	Resource Efficiency
% SDG-Aligned Revenue	100%	100%	100%
SDG-Aligned Product/ Services	Water Utilities	Manufacturing & Design Software	Contract Manufacturing
Sample Engagement Topics	Carbon Emissions, Climate Change Vulnerability, Employee Health & Safety, ESG-Linked Executive Compensation	Carbon Emissions, Human Capital Development, Privacy & Data Security, Diversity & Inclusion	Electronic Waste, Employee Health & Safety, Supply Chain Risk

Case Study: Wolfspeed

Company Description:

Wolfspeed is leading the transformation from silicon to silicon carbide (SiC), which could reshape the future of semiconductor markets because it is inherently more efficient in higher power applications than traditional silicon. The company's technology aims to facilitate the transition to electric vehicles (EVs), the move to faster 5G networks, the evolution of renewable energy and energy storage, and the advancement of industrial applications. For EVs, the increasing use of SiC in onboard power inverters enables longer driving distances on a single, faster charge, a key improvement to accelerate consumer adoption. Wolfspeed, based in Durham, North Carolina, is a market leader in the wide-band-gap semiconductor market and has produced over 95% of the world's man-made SiC over the last 20 years.

Sustainable Opportunity:

The global shift to cleaner energy requires increasing adoption of EVs over their fossil fuel-based predecessors. In 2021, the global EV market expanded over 100% in units sold from the previous year. Consumers purchased over 6.4 million electric vehicles in 2021, a number that is expected to increase to more than 10.5 million in 2022. Battery technology advancements are one of the market's most important drivers, with innovative technology increasing efficiency and cost savings. Long charging times and vehicle range anxiety are key consumer pain points, and SiC addresses both of these concerns.

Nobody knows who will win the EV market share race over the next decade. However, we do know that EVs are becoming more popular every year. Companies like Wolfspeed, which are enabling the auto industry to innovate and meet demanding consumer expectations, will reap the rewards of this market momentum, in our view. Wolfspeed's ambitions extend beyond autos to the entire semiconductor market, with the goal of driving adoption of SiC.

Product Handprint:

When SiC is used in the powertrain of an 800-volt electric vehicle, it delivers a 13:1 energy saving for the incremental energy invested, compared with traditional silicon chips. This significant energy conservation allows for longer range, lighter weight and faster charging—all of which foster lower long-term energy usage and enhanced environmental sustainability. As electric automakers improve their products to meet growing demand for more efficient, affordable and higher-performing EVs, we believe the tailwind will continue to grow.

Engagement Topics:

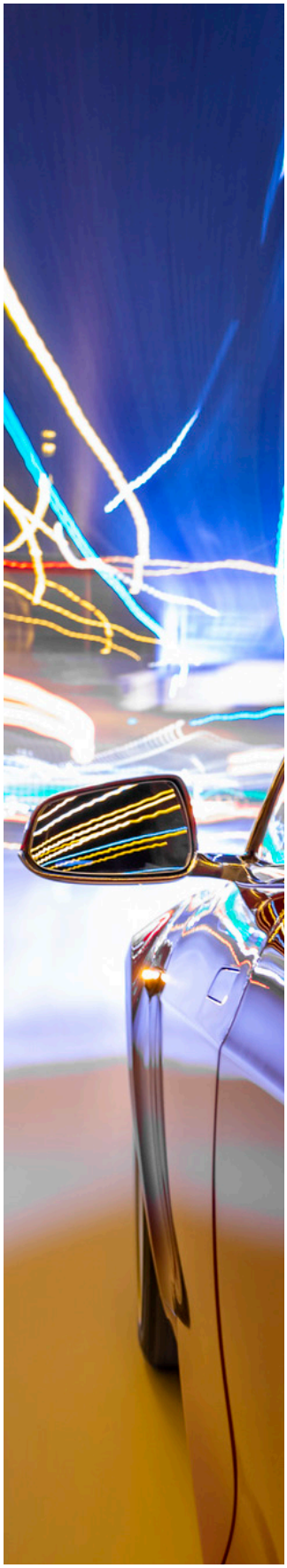
We continue to engage with Wolfspeed's management on a variety of issues including employee health and safety, executive pay and the company's carbon footprint.

SDG Alignment:

Wolfspeed is aligned with UN SDG Target 7.3: "By 2030, double the global rate of improvement in energy efficiency."

Fundamental ESG Risks:

Alongside growing demand, competition will be increasing among suppliers of SiC. From an ESG perspective, semiconductor-makers are exposed to specific environmental risks due to the energy requirements of furnaces essential to production. In 2019, Wolfspeed began enacting a plan to double its energy productivity in terms of revenue per MWh of energy consumed in production.



Health

Improving health is an important theme for developed and emerging markets alike. We invest in companies that develop innovative health treatments and therapies, broaden access to high quality and affordable care, ensure a steady supply of nutritious food and clean water, and promote overall physical and emotional well-being.

Medical Innovation

Medical science is reaching new frontiers. We invest in companies that are engaged in novel research and development, including the use of the rapidly declining costs of DNA sequencing, to develop innovative treatments and therapies that address significant global medical needs in new and often exploratory ways.

Food Security and Clean Water

Food security exists when all people, at all times, have physical and economic access to sufficient, safe and nutritious food. We invest in companies that increase overall agricultural yields and ensure a sufficient supply of food—as well as clean water—for a growing global population.

Access to Quality Care

At least half the world's population is still without access to essential health services. In rich and poor countries alike, a health emergency can push people into bankruptcy or poverty. We invest in companies that provide products and services that improve the quality of, expand access to or lower the cost of healthcare service.

Well-Being

Ensuring healthy lives and promoting well-being at all ages is important to building prosperous societies. We invest in companies that improve physical and emotional health through healthier ingredients, exercise, and basic sanitary and cleaning products, as well as some products that safeguard human life, such as fire-detection and -suppression systems and industrial process safety technologies.

Top Three SDG Revenue Contributors

Companies in the Health theme of the portfolio produce products and services that contribute to positive health outcomes. Each company can be evaluated based on the revenues from SDG-aligned products and services. Below are examples of companies with the highest SDG-aligned revenue exposure.

	Danaher	Bio-Rad Laboratories	LabCorp
	is a designer and manufacturer of life-science tools and supplies and molecular diagnostic equipment. The company's products help improve disease diagnosis and treatment, drug development, and access to affordable and high quality healthcare.	is a developer and manufacturer of specialized technological products for the life-science research and clinical diagnostics markets. The company sells instruments that are used to automate the testing and diagnostic processes for a wide swath of diseases, lowering the cost of research and reducing laboratory inefficiencies.	is a low-cost provider of patient-testing services that is helping to expand access to new diagnostic technology, including genomics and DNA sequencing that enables the growing field of "personalized medicine." The company also owns a contract research organization, Covance, that offers drug development services such as clinical trial management.
Primary SDG	3 GOOD HEALTH AND WELL-BEING	3 GOOD HEALTH AND WELL-BEING	3 GOOD HEALTH AND WELL-BEING
Sub-Theme	Access to Quality Care	Medical Innovation	Access to Quality Care
% SDG-Aligned Revenue	100%	100%	100%
SDG-Aligned Product/ Services	Medical Devices	Scientific Instruments	Lab Testing Services
Sample Engagement Topics	Carbon Emissions, Employee Health & Safety, Product Safety & Quality, Board Independence	Diversity & Inclusion, Pay, Human Capital Development	Human Capital Development, Diversity & Inclusion

Case Study: STERIS

Company Description:

STERIS is a leading provider of infection prevention and sterilization products and services for hospitals, medical devices and drug manufacturing. The company, based in Mentor, Ohio, offers quality products, such as sterilizers and washers, surgical tables, equipment management systems and connectivity solutions such as operating room integration. STERIS's products also support dental practitioners and pharmaceutical manufacturing. And the company provides third-party services for contract sterilization and testing services needed for medical devices and pharmaceutical manufacturing.

Sustainable Opportunity:

COVID-19 has reinforced the importance of controlling disease. STERIS's products and services are crucial for preventing infections that could be very dangerous for patients; operating room equipment must be clean and sterile to protect against post-op infection for any procedure to be successful. STERIS has benefited from a faster-than-expected recovery in volumes of medical procedures, which were slowed by effects of the pandemic.

During the pandemic, STERIS products were in high demand because of the need to sterilize personal protective equipment (PPE) that was crucial for ensuring the safety of healthcare practitioners caring for COVID-19 patients. Meanwhile, STERIS's robust pricing has supported revenue growth that is several percentage points higher than the volume of medical devices consumed, bolstering profit growth.

Product Handprint:

STERIS offers a full suite of operating room products including surgical tables, lights, cabinets and air flow systems as well as consumables such as cleaning chemistries, sterility assurance products and steam sterilizers. The company's products help reduce deaths and illnesses from harmful pathogens.

Engagement Topics:

We conducted background interviews with former STERIS employees that unearthed quality issues, which we raised with the new CEO. For example, the doors of certain equipment didn't have a good seal, which could compromise the sterile environment. Additionally, we discussed the use of ethylene oxide, a necessary component for sterilization, which can present a serious environmental risk.

SDG Alignment:

STERIS is aligned with UN SDG Target 3.9: "By 2030, substantially reduce the number of deaths and illnesses from hazardous chemicals and air, water and soil pollution and contamination."

Fundamental ESG Risks:

Fundamentally, the company's products and services expose it to quality and safety issues. Human capital, product governance and business ethics are ESG risks that warrant close monitoring. But we believe that STERIS has a strong environmental policy in place.

Empowerment

Too many sectors of society are marginalized by economic and social forces. We invest in companies that provide the physical, financial and technological infrastructure and services that allow more people to gain control of their lives by enabling sustainable economic development, employment growth, poverty eradication, knowledge sharing and social inclusion.

Information and Communication Technologies

Information and communication technologies (ICTs) are important enablers of economic development and social welfare. We invest in companies that provide critical ICT systems or components that enable sustainable economic development, employment growth, poverty eradication, knowledge sharing and social inclusion.

Sustainable Infrastructure

Civil infrastructure is the backbone of an empowered society. We invest in companies that develop, maintain and operate physical infrastructure that integrates ESG aspects into a project's planning, building and operating phases while ensuring resilience in the face of climate change.

Financial Security and Inclusion

Connecting people and businesses, including small and medium-size enterprises, to the financial system is a fundamental need of a healthy economy and society. We invest in companies that provide transparent, efficient and affordable access to financial services and that contribute to a vibrant and secure global financial system, including through transaction processing, insurance and secure savings.

Education and Employment Services

Quality education and employment services are key enablers of sustainable development. We invest in companies that provide education services, products and supplies, including those for professional development and worker training. In addition, employment placement services are important, as they enable job creation.

Top Three SDG Revenue Contributors

Companies in the Empowerment theme of the portfolio produce products and services that contribute to a reduction in inequalities. Each company can be evaluated based on the revenues from SDG-aligned products and services. Below are examples of companies with the highest SDG-aligned revenue exposure.

	MSCI	Calix	Microsoft
	provides data services for the risk analysis and safe functioning of markets for regulators and investors alike, as well as ESG ratings and indices. MSCI's ESG indices are designed to meet the growing demand for indices that integrate ESG criteria into benchmarks to measure performance from a long-term sustainable investment perspective.	provides cloud and software platforms as well as systems and services to communications service providers. A total of 84% of the company's customers (service providers) have fewer than 250K subscribers.	provides a suite of products and technological tools that help drive productivity and efficiency globally. With the mission "Technology for All," Microsoft provides the next-generation technology products and services that help upgrade the technological capabilities of all sectors in all countries, help foster innovation, and improve research and development capabilities globally.
Primary SDG	10 REDUCED INEQUALITIES	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	8 DECENT WORK AND ECONOMIC GROWTH
Sub-Theme	Financial Security & Inclusion	Information & Communication Technologies	Information & Communication Technologies
% SDG-Aligned Revenue	100%	100%	100%
SDG-Aligned Product/ Services	Financial Data	Communications Equipment	Computers & Network Access
Sample Engagement Topics	Carbon Emissions, Opportunities in Green Buildings, Financial Product Safety, Labor Management, Diversity & Inclusion	Science-Based Carbon Targets, Diversity & Inclusion, Employee Health & Safety	Carbon Emissions, Diversity & Inclusion

Case Study: Calix

Company Description:

Calix is a provider of cloud and software platforms as well as systems and services. The company, based in San Jose, California, offers products and services that enable communication service providers (CSPs) to deliver a wide range of digital services. Calix's suite of offerings affords its customers scalable solutions to operate intelligent networks. The company's network architecture platforms and analytical tools provide broadband service providers the ability to make informed decisions on network expansion and to rapidly deploy new services in the United States, the Middle East, Canada, Europe and internationally.

Sustainable Opportunity:

As the population swells by midcentury, the world faces a growing need to build out global internet infrastructure to facilitate e-commerce, education and access to remote health care. Calix's network access equipment helps connect customers to high-speed internet while lowering the operating cost for its service provider customers.

Product Handprint:

In recent years, access to digital information has been socialized as a human right instead of a privilege. Yet, expansion of broadband access across the globe still has a long way to go. As of 2021, more than 20 million US households lacked access to high-speed internet, and more than 2.9 billion individuals lacked internet access globally. Calix is highly exposed to smaller internet providers in rural America, with over 80% of its revenue derived from customers with fewer than 250K broadband subscribers. To the extent that Calix is serving this customer cohort, it is directly enabling robust internet access for underserved areas.

Engagement Topics:

Through our engagements with Calix over the past year, we have discussed diversity & inclusion, human capital development, carbon emissions, and board independence.

SDG Alignment:

Calix is aligned with UN SDG Sub-Target 9c: "Significantly increase access to information and communications technology and strive to provide universal and affordable access to the Internet in least developed countries by 2030."

Fundamental ESG Risks:

Calix is exposed to data privacy and security risks, as it has access to a significant amount of customer data. The company has protective measures in place, but disclosure around these practices is lacking. We believe the company's management of material ESG issues is strong and improving, and it has fostered a strong culture, as evidenced by its selection as one of the best mid-cap companies in the US to work for. Fundamentally, the company has a weaker balance sheet than some of its larger peers; however, the company has proved adept at simplifying its business as a competitive edge. For example, the company has reduced the total number of Stock Keeping Units (SKUs) it sells from 4,000 a few years ago to 350 today.

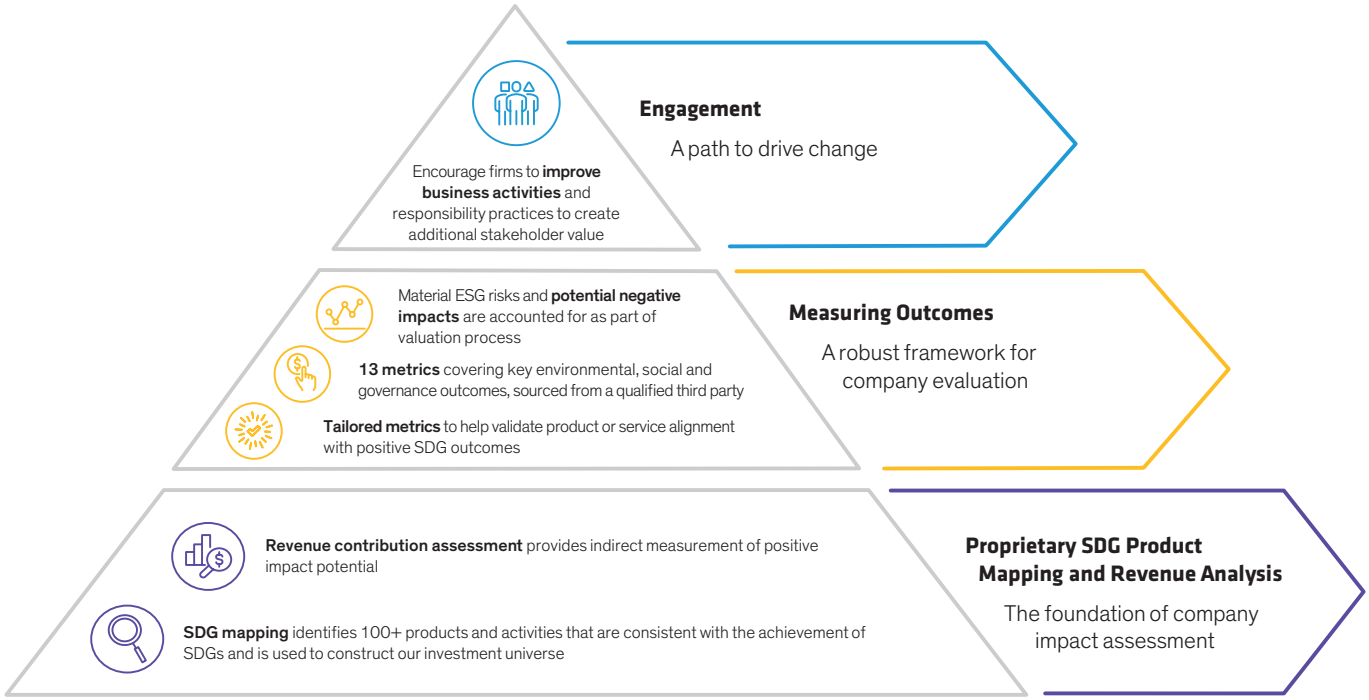
Understanding Company Impact

"Impact" is a contentious word among active managers and investors today—particularly in equity markets. Many investors know that it's nearly impossible to show how a sum invested in a company's shares on the secondary market results in a specific environmental or social impact. Such a direct claim would be misleading.

Our approach to discussing company impact is transparent and authentic—built upon more than a decade of experience investing in companies aligned with sustainable themes. As active investors, we believe the most effective tool is direct, constructive and informed engagement. This engagement, however, must be built upon a solid foundation of measuring outcomes, behaviors and alignment of the products and services a company creates to definable sustainability targets.

COMPANY IMPACT ASSESSMENT

Complementary approaches to understanding impact



AB as of December 31, 2021

Product Impact

When we understand how a company intends to create social value, we can begin to think about the appropriate metrics to track. For example, the SDGs can be used as a framework to assess the environmental and social impact of a company's products and services. By mapping a company's product or service offerings to the SDGs, we can measure the percentage of its revenues derived from products aligned or misaligned with SDG outcomes. Companies can then be plotted, based on their revenue exposure to the SDGs.

Corporate behavior can also be measured in several ways. Our security selection process integrates proprietary ESG measurements alongside the traditional financial, strategic and operational analysis of each company. Yet we can also use third-party data to paint a more complete picture of a company's ESG behavior versus peers and how its behavior changes over time. For investors seeking to align their portfolio investments with highly sustainable firms, this is one input we can consider to see if portfolios meet their requirements.

AB Sustainable Global Thematic Portfolio: Product Impact

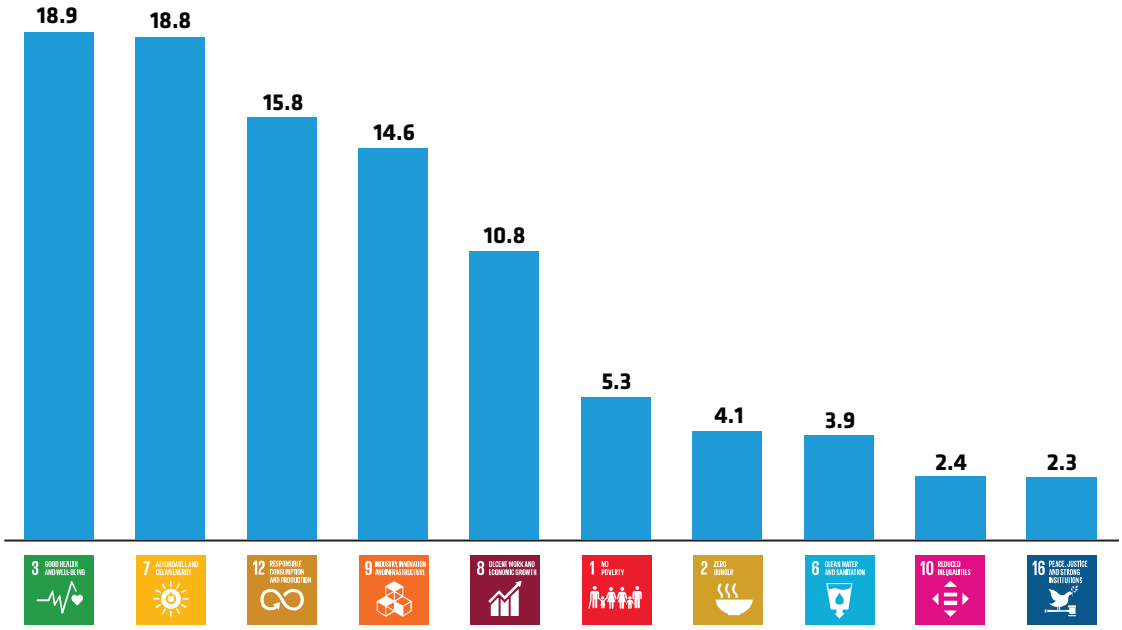
SFDR Classification: Article 9[1]

PRODUCT IMPACT: INVESTING IN SOCIALLY POSITIVE COMPANIES

Based on a proprietary methodology for aligning revenues with the SDGs

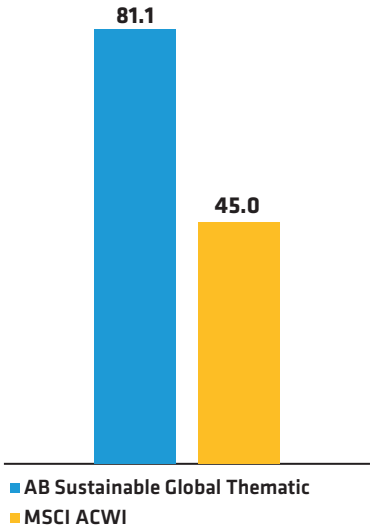
Company Alignment to Primary SDG[2]

Portfolio weight (percent)



SDG Revenue Exposure[3]

Weighted average (percent)



For informational purposes only. Each SDG includes a series of specific targets to help assess the progress toward achieving each of the 17 goals.

[1] Sustainable Financial Disclosure Regulation ("SFDR") Classifications are made in accordance with and for the purposes of Regulation (EU) 2019/2088 and are not meant to provide exhaustive information on the suitability of the Fund for a prospective investor's investment needs. Article 9 (Dark Green) Funds have sustainable investment as its objective or a reduction in carbon emissions as its objective.

[2] We determine company alignment to a primary SDG through the products and services they produce which are mapped to specific SDG targets.

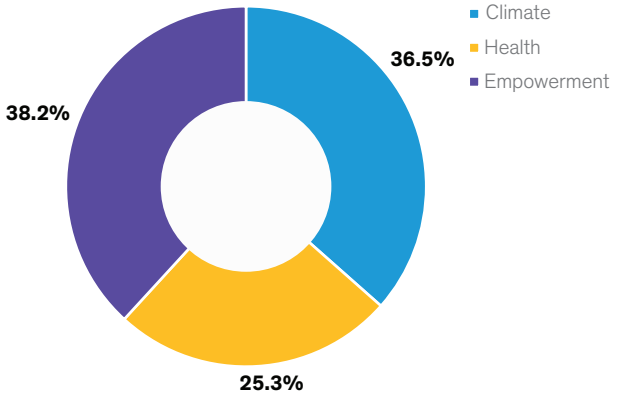
[3] Product impact reflects our assessment of net revenue exposure (revenue from aligned products minus misaligned products) to the SDGs. Numbers may not sum to 100 due to cash allocation.

As of December 31, 2021

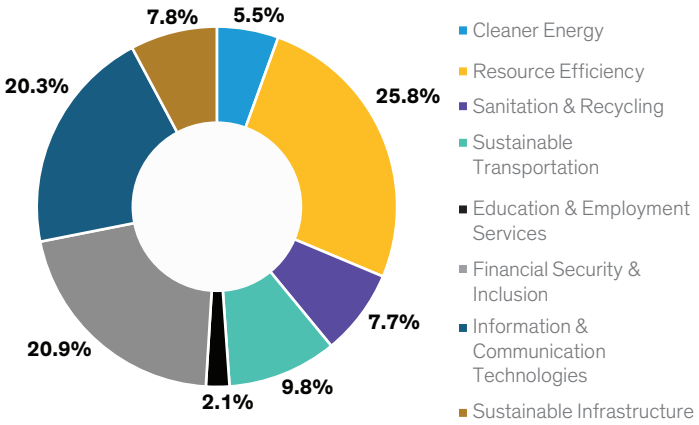
Source: MSCI, UN and AB

AB Sustainable Global Thematic Portfolio: Product Impact

PORTFOLIO ALLOCATION BY INVESTMENT THEME



ALLOCATION BY INVESTMENT SUB-THEME

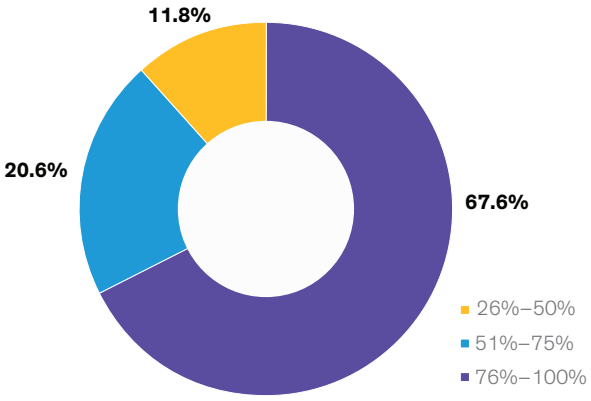


For informational purposes only
As of December 31, 2021

Revenue Analysis

Revenue assessments are key to identifying companies that make and sell sustainable products and services. Our process requires each company to generate a minimum of 25% of its revenues from SDG-aligned products and services while having no direct involvement in areas we have deemed as misaligned—adult entertainment, alcohol, coal, controversial weapons, firearms, gambling, genetically modified organisms, military contracting, prisons and tobacco. For more information, please see our *exclusion policy*.

SUSTAINABLE REVENUE EXPOSURE



For illustrative purposes only
Source: AB

Excludes cash allocation
As of December 31, 2021

AB Sustainable Global Thematic Portfolio: Behavioral Impact

There are many ways to measure the success of a sustainable portfolio. Although we have a specific framework for assessing behavioral impact, there are a host of metrics that represent our strategy's position. We strive to consistently report on ESG factors to help our clients see where their money is allocated. Importantly, from a financial perspective, the ESG factors we've identified can represent material risks for companies if those risks are not addressed. As such, our objective is to seek strong relative performance and continuous improvement on these metrics.

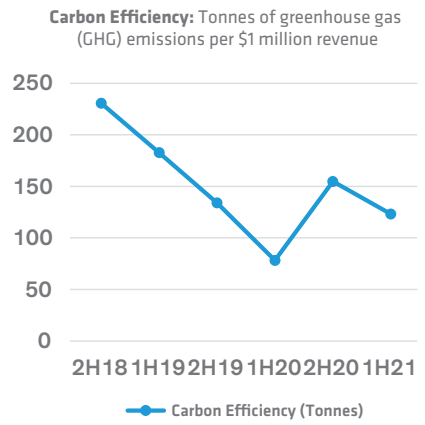
BEHAVIORAL IMPACT: ADDRESSING ESG-RELATED CORPORATE BEHAVIOR

Metric	Definition	Desirable Direction	AB Sustainable Global Thematic Fund	MSCI ACWI
Carbon Efficiency	Tonnes of greenhouse gas (GHG) emissions per $1 million revenue	↓	125.5	156.2
Carbon Emissions	Thousands of tonnes of Scope 1+2 GHG emissions produced annually	↓	1,919.4	4,988.0
Waste Efficiency	Tonnes of waste generated per $1 million revenue	↓	6.0	275.6
Waste Generation	Thousands of tonnes of waste generated annually	↓	54.2	6,771.0
Water Efficiency	Thousands of cubic meters of fresh water used per $1 million revenue	↓	10.7	8.3
Water Usage	Thousands of tonnes of fresh water used annually	↓	169,808.1	207,539.2
Avoid Water Scarcity	Geographic water use (World Resources Institute scale of 0–5, from most to least water-scarce areas)	↓	2.6	2.5
Board Diversity	Percentage of women on boards and in top management	↑	23.9	24.8
Employment	Percent of unemployment in portfolio-weighted area of economic activity	↓	5.5	5.7
Economic Development	Median income (USD) of portfolio-weighted geography of economic activity	↓	46,352.0	46,443.0
Executive Pay	Ratio of executive-level pay to average employee pay	↓	55.0	78.8
Board Independence	Percentage of independent board members	↑	78.1	76.3
Tax Gap	Estimated percentage of tax avoided by corporate tax mitigation schemes	↓	3.0	3.0

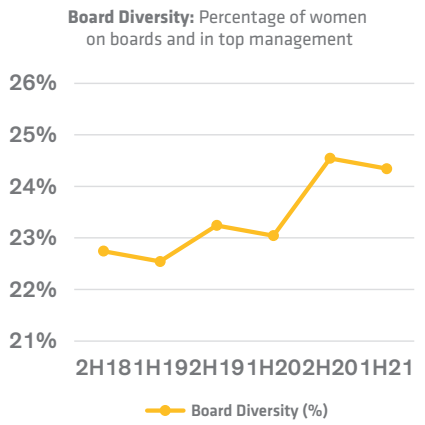
As of December 31, 2021. Source: Bloomberg, Impact Cubed, MSCI, World Resources Institute and AB. Impact Cubed data covers 97.3% of total portfolio holdings by weight.

HISTORICAL ESG-RELATED CORPORATE BEHAVIOR: SUSTAINABLE GLOBAL THEMATIC

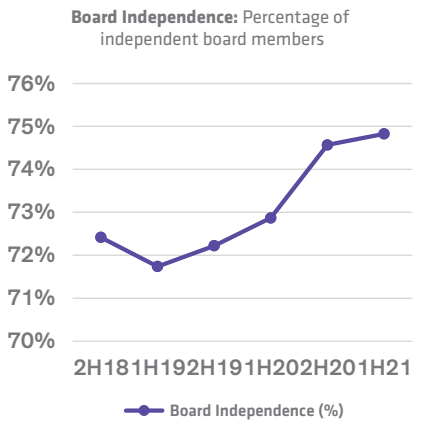
Environmental



Social



Governance



Intentional and persistent engagement on material ESG issues is a hallmark of our sustainable thematic strategies. Substantive engagements have the potential to drive positive change in a company's business practices and create shared value, both social and economic, for stakeholders over time. We utilize these metrics to bolster our own research, which is useful in the tracking of business behavior and the development of our engagement strategy. A total of 92% of portfolio holdings are covered by a third-party data provider. Impact Cubed data covers 97.3% of total portfolio holdings by weight.

Corporate Behavior: Engagement for Change

Engagement with company management is a key tactic used by active equity managers to promote positive change.

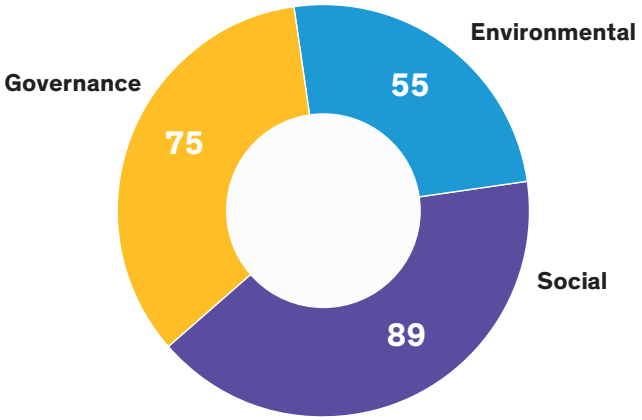
As shareholders and active owners, we continually engage with management teams on material financial and social issues. This type of engagement is the best way to ensure companies are actively devoted to improving ESG practices—contributing to positive social outcomes, as well as increasing economic value. But engagement strategies differ. Some portfolio managers might think that sending an email to a company counts for engagement points, even if no reply is received. We disagree. In our view, engagement is about forming a productive partnership with management, aimed at making progress in a variety of areas over the long term. That doesn't mean making friends with management; rather, it's about developing relationships that allow investors to wield influence and foster positive change, often on controversial issues, from a position of mutual respect.

This type of engagement takes time, patience and multiple efforts over years. Investors need to understand that real change doesn't happen overnight. This type of approach can often be more effective at persuading companies to take the right steps toward a more sustainable future than taking a combative stance. We believe that playing an active role to promote positive change ultimately helps businesses deliver better results and supports long-term return potential.

Over the years, we've made suggestions that companies rein in overly generous compensation packages, create environmentally and socially responsible supply chains, and divest businesses that dilute their focus. We report on our engagement activity on a semi-annual basis and highlight specific notable examples. In 2021, we had 104 engagements with 60 individual companies on 219 issues: 55 environmental, 89 social and 75 governance.

AB SUSTAINABLE GLOBAL THEMATIC PORTFOLIO: ENGAGEMENT SUMMARY 2021

Number of Engagements per Category



For illustrative purposes only
As of December 31, 2021. Source: AB

We view a quality engagement as a one-on-one or small-group interaction between members of our investment team and company management of a current portfolio company or potential portfolio company, in addition to suppliers and customers.

The goal of an engagement is to better understand the operational and cultural nuances of the company in question in order to draw informed research conclusions. Our role is to listen and learn, as well as to make suggestions and recommendations about ways we would like to see the company improve.

In these conversations, we promote the exchange of information and ideas, produce and diffuse new ESG knowledge among companies and investors, and facilitate diverse internal and external interaction between companies and investors.

Engagement in Action

Abcam is a leading provider of research-grade antibodies, enabling scientists and researchers to make discoveries in the area of human health and develop new drugs and diagnostic tests. Two thirds of the world's 700,000+ life-science researchers use Abcam's antibodies, which are cited in more than half of all life-science research publications. And the company is currently investing in product validation and superior data analytics capabilities to enable emerging areas of research move quickly and drive even more market share gains. A part of the Medical Innovation sub-theme, Abcam enhances quality and accessibility of scientific research across the globe, including in developing countries. Its business is directly tied to greater research and development activities from public and private spending. Abcam depends on high quality scientific talent to discover and engineer new antibodies for research experiments. However, in 2020, MSCI reported that Abcam lacked a robust talent development strategy. "People" costs constitute about two thirds of the company's operating costs. Attracting and retaining talent is critical for success, including people from diverse backgrounds. We have engaged with Abcam several times on diversity and inclusion (D&I) initiatives, including providing feedback on the development of a new employee share ownership plan designed to boost retention. During its earnings call this week, management announced that the company has started to make progress on its D&I agenda. This includes launching Employee Resource Groups across a number of areas and hiring the company's first head of D&I. For the first time, Abcam has incorporated an ESG metric into its Annual Bonus Plan (ABP) which is tied to the D&I goals we engaged them on in the fall of 2020 as part of AB's firmwide campaign around ESG metrics in incentive compensation. Management also stated: "We have received a lot of quality feedback from our shareholders that growing a responsible and sustainable business is important." Abcam plans to continue the use of the ABP to align objectives across its entire ESG agenda and is looking to increase environmental disclosures on carbon intensity and waste to landfill data in 2021.

Our Approach to Shareholder Proposal Assessment

AB's commitment to maximize the value of clients' portfolios as a shareholder advocate transcends how we analyze shareholder proposals. Rather than opting to automatically support all shareholder proposals that mention an ESG issue, we evaluate whether those requests will actually enhance shareholder value for our clients. A proposal that promotes genuine ESG integration, and thereby a more comprehensive risk management plan for a company's business, should consider the following core factors:

- Materiality of the mentioned ESG issue for the company's business
- The company's current practice, policy and framework
- Prescriptiveness of the proposal: Does the demand of the shareholder unreasonably restrict management from conducting its business?
- Context of the shareholder proposal: Is the proponent tied to any particular interest group(s)? Does the proposal aim to promote the interest of shareholders or the group that they are associated with?
- How does the proposal add value for shareholders?

PROXY AND CORPORATE GOVERNANCE

Well-Established Policy, Procedures and Oversight

Policy

- Proprietary proxy voting policy, including ESG issues
- Update annually to reflect new issues and changed circumstances
- Policy and voting records are available on AllianceBernstein.com

Process

- Detailed documentation for vote implementation
- Quality control by group separate from voters
- Procedures to identify and assess any potential conflicts of interest

Governance

- Proxy and Governance Committee provides formal oversight and updates proxy policies and procedures
- Consults on votes not covered by policy
- Includes representation from Equities, Legal and Operations

AB as of December 31, 2021

Management Proposals

Enhancing transparency for investors and ensuring directors are fiduciaries in the boardroom are achieved through votable meetings. In 2021, there were 58 instructed meetings which included a total of 769 votable proposals.

• Votes For:	708 (92%)
• Votes Against:	49 (6%)
• Votes Abstain:	12 (2%)
• Votes Against ISS:	38 (5%)
• Votes Against Management:	52 (7%) including shareholder proposals 39 (5%) on management proposals only

As of January 1, 2022
Source: Institutional Shareholder Services and AB

Highlights on Shareholder Proposals

Voting on shareholder proposals can promote improved risk management and a more sustainable business, helping to enhance long-term value.

☑ A Vote For
☒ A Vote Against

Apple:

Proxy Access Amendments:

☒ Management Recommendation
☑ Our Vote

Apple's current proxy access allows for only one director nominee from shareholders to be included on any AGM ballot. Shareholders are also prohibited from calling special meetings, which is not in line with market best practice.

Nike:

Report on Diversity and Inclusion Efforts:

☒ Management Recommendation
☑ Our Vote

Although 2025 D&I goals have been set, best-in-class disclosure of hiring, promotion and attrition data would be valuable to help shareholders track performance over time.

Report on Human Rights Impact Assessment:

☒ Management Recommendation
☑ Our Vote

While Nike states that it does "not directly source cotton or other raw materials," this does not exempt the company from oversight of this component of its supply chain.

Home Depot:

Report on Prison Labor in the Supply Chain:

☒ Management Recommendation
☑ Our Vote

In early 2021, the company updated its policies to prohibit all prison labor in its supply chain, while removing the provision that previously permitted voluntary prison labor. In our view, this significant policy change, combined with other recent actions taken by the company, addresses this shareholder proposal and proponent.

Procter & Gamble:

Adopt a Policy to Include Nonmanagement Employees as Prospective Director Candidates:

☒ Management Recommendation
☒ Our Vote

Adding one nonmanagement employee to the board does not necessarily ensure a more inclusive management without a proper support structure. We believe that inclusive culture is cultivated through a more proactive approach from both management and the board through specific policies and messaging across the organization in general.

Visa:

Amend Principles of Executive Compensation Program:

☒ Management Recommendation
☒ Our Vote

Visa's executive compensation program is in line with AB policy and it is unclear how amending the principles in line with the proponent's request would benefit shareholders.

As of November 5, 2021
Source: Institutional Shareholder Services and AB

Acknowledging and Assessing Risks

The unifying element of our investment process is alignment with the 17 SDGs, underpinned by the 169 sub-targets. While all companies in the portfolio produce products/services that contribute to achievement of the SDGs, we must acknowledge and assess ESG risks. Some examples of companies with higher ESG risks include:

Apple

The aim of SDG 12 is to decouple GDP growth from primary resource consumption. The extraction and processing of primary materials, such as fuels, metals and food, account for more than 90% of global biodiversity loss and water stress impacts and about 50% of global greenhouse gas (GHG) emissions. The rate of primary material consumption is accelerating as the world population grows and becomes wealthier.

Apple, by virtue of its massive size and industry leadership, is one of the most important companies in the world in that regard. In 2017, Apple announced a goal to one day make its products using only recycled and renewable materials, without sacrificing design or quality. Today, MacBook Air and Mac mini use 100% recycled aluminum in their enclosures. The solder used in the main logic board of iPhones is made with 100% recycled tin and the iPhone 11 uses 100% recycled rare earth elements in its taptic engine. Meanwhile, 64% of the fiber content in Apple's product packaging is recycled. Final assembly sites have a policy of zero waste sent to landfills. Apple has followed through on its commitment to resource the environmental footprint of the company's business in alignment with SDG 12.

Nike

Like Apple, Nike, by virtue of its size and leadership position, is an extremely influential global company when it comes to ESG issues. Nike transforms 1 billion plastic bottles per year into recycled polyester for jerseys and other materials for apparel and footwear (7.5 billion since 2010). Recycled materials are included in 76% of Nike footwear and apparel styles. The amount of recycled material in the company's apparel has doubled over the past five years, a trend that is likely to accelerate. We believe Nike is providing formidable leadership on this important goal for the planet.

However, labor and human rights remain a key risk. As part of our ongoing engagement efforts, we engaged with Nike's Chief Sustainability Officer, VP of Supply Chain & Sustainability and Senior Director of Labor last summer to discuss modern slavery. *Modern slavery* and forced labor are still apparent in the world but Nike has been improving its standards for over 10 years. Unlike fast fashion providers, Nike works with suppliers to encourage higher standards. An important part of Nike's improvement has been the introduction of independent, third-party audits for all major (Tier 1) suppliers.

These audits aren't just a box-ticking exercise but are focused on providing proactive guidance. While Nike has room to improve in its partnership with Tier 2 suppliers, it does have an action plan in place aimed at partnering with global authorities to increase monitoring and compliance.

Nike has contracted with 533 suppliers across 41 countries, amounting to more than 1 million workers. The company's efforts focus on hours, wages and benefits, and all noncompliant factories are required to correct their actions and are subject to onsite audits. Nike's Code of Conduct requires that workers be at least 16 years of age, or past the national legal age of compulsory schooling and minimum working age, whichever is higher.

Nike also has a Corporate Responsibility, Sustainability & Governance (CRSG) committee to review and guide management decisions on contract manufacturing labor practices. Nike's Code of Conduct is aligned with international standards and contains the foundational requirements all suppliers must meet in producing Nike-branded products. Since 1999, it has had a Fair Labor Association (FLA) Workplace Code of Conduct Accreditation and the company is a member of the Institute for Human Rights and Businesses Leadership Group for Responsible Recruitment as well as Better Work (ILO & IFC working group).

Waste Management Inc.

Waste Management Inc. provides waste collection, recycling and disposal services that help customers reduce pollution, reduce waste production and improve resource circularity. The company has the largest geographic footprint among all US waste management companies.

Waste Management is aligned to SDG sub-target 12.4: "Achieve the environmentally sound management of all wastes throughout their life cycle and significantly reduce their release to air, water and soil in order to minimize their adverse impacts on human health and the environment." A growing population produces more waste each year, and companies like Waste Management are essential on the path toward sustainability.

However, methane emissions from landfills and carbon emissions from garbage truck fleets are a high risk for companies in this industry. These companies may face increased costs in the future from carbon pricing or the imposition of regulatory caps on emissions levels. Waste Management has made significant progress on improving its environmental footprint, and these efforts have resulted in a lower emissions profile than the peer average. The company captures a portion of landfill methane emissions for use as a renewable natural gas that powers 30% of its collection vehicles. Roughly 53% of WM's collection fleet operates on compressed natural gas, a fuel source with half the carbon emissions of diesel fuel. In fact, over the past decade, Waste Management has reduced greenhouse gas emissions from its fleet of collection and support vehicles by over 40% for every 1,000 miles driven.

The important thread here is that some sustainability solutions are exposed to higher carbon footprints by nature of their business. Each of these companies must be aware of its net carbon impact, weighing its "handprint" against the resulting footprint. Waste Management has a 3.3:1 handprint to footprint ratio, meaning that its carbon avoided and reduced is 3.3× larger than its carbon output.

Monitoring for Human Rights Violations

Portfolio holdings are monitored for violations of global norms, as dictated by the UN Global Compact, as well as the complementary standards of the UN Guiding Principles on Business & Human Rights and the OECD Guidelines for Multinational Enterprises.

Associated conventions and treaties, such as the International Labour Organization's conventions, are also monitored using the Sustainalytics Global Standards Screening tool.

If a company is suspected of committing, or discovered to have committed, a material human rights violation, our analysts must investigate and document a response in AB's proprietary ESG research database, ESIGHT, within 30 days. Engaging with the issuer is the next step. After engagement, we must make a decision about whether the company should still be eligible for inclusion. In the event that we are unsatisfied with our findings or the company's response, the company may be excluded from our investment universe.

AB Sustainable Global Thematic Portfolio has not held any companies in breach of the UN Global Compact, or its complementary standards, in the last three years.* There are currently 29 companies, representing 1% of the benchmark, in breach of the UN Global Compact in the MSCI ACWI.**

*100% of current portfolio holdings are covered by the Sustainalytics Global Standards Screening tool.
**98.4% of current benchmark holdings are covered by the Sustainalytics Global Standards Screening tool.

Grassroots Research

The Synthetic Biology Revolution

As sustainable thematic equity investors, we've found that identifying forward-looking sustainable themes requires an additional dimension of insight. We believe that investors seeking to evaluate trends that will shape societies, economies and companies must take a closer look at people and communities that are affected by—and driving—environmental and social change. To develop such insight, our investment process incorporates what we call "grassroots research." This involves on-the-ground field trips around the world. Through this research, AB's Sustainable Thematic Equities team aims to deepen our understanding of key sustainability trends. This year, in the place of a traditional grassroots trip, our team conducted a comprehensive research project focused on synthetic biology.

For millennia, humans have used fungi (e.g., yeast) and bacteria to make a variety of goods, such as beer and cheese. In the 1970s, scientists discovered that changing the genome of a yeast cell would cause it to produce insulin and could be used to treat diabetes. Over time, this method of genomic engineering was harnessed to produce a wider array of medicines, creating what we refer to today as the biotechnology industry. This method of "synthetic biology" is no longer limited to expensive biotech drugs. As genomic engineering becomes easier and the technology gets cheaper, niche areas such as materials and ingredients are benefiting from the more accessible innovation. For example, one of the key ingredients for cosmetics, squalene, was traditionally harvested from shark livers. Today, the DNA from a shark can be placed in a yeast cell, which then produces an identical version of squalene in a much more sustainable way.

McKinsey has estimated that "as much as 60 percent of the physical inputs to the global economy" could be produced with synthetic biology. Beyond replacing existing materials, scientists are using synthetic biology to invent entirely new products that are limited only by one's imagination. In the future, plants could have built-in sensors to alert farmers about soil conditions. New adhesives could be developed based on the genome of a clam.

Over the past two decades, the price of reading a genome has decreased by a millionfold. This has given scientists the power to create new genomes from scratch at the press of a button and enabled the discovery of a tool to make precise changes to a genome. It has also promoted the development of AI/machine learning algorithms that can make sense of immense quantities of genomic data. These converging technologies are accelerating the pace of discoveries in synthetic biology across a range of end markets.

Several companies we currently own in the Sustainable Thematic Equities portfolios sell key "picks and shovels" in the synthetic biology "gold rush." For example, Danaher makes instruments and consumables used by labs to discover and develop new materials. The investment opportunity around synthetic biology is improving rapidly as more new companies are listed in public equity markets.

And investors should also monitor synthetic biology's accelerating disruption of large incumbent companies in the chemical, materials and ingredient sectors. From the flavoring and texture ingredients in your packaged food to concrete, many companies that produce physical products will either adopt synthetic biology, or face greater competition from companies that do—much as retailers and other businesses have adopted the internet as a foundational way of conducting commerce.

Synthetic biology is increasingly seen as a critical tool to help reduce humanity's environmental footprint. Producing materials using synthetic biology results in up to 90% fewer carbon emissions, depending on the application. Synthetic biology can potentially create new, completely biodegradable alternatives to replace materials like plastics, that are made with fossil fuels. Some synthetic biology processes are being developed that even use CO_2 as an input—further improving the environmental footprint. We are excited to share key findings and will keep our investors updated as we continue this research project. For more information, read our white paper *The Synthetic Biology Revolution: Investing in the Science of Sustainability*

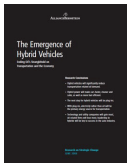
History of AB's Sustainable Thematic Investing Experience

AB's forward-looking thematic research dates back to the early 2000s. For almost two decades, the Sustainable Thematic Equities team has researched and published on a variety of sustainable issues and was one of the first asset managers to formally adopt the SDGs as a driving force in an investment process.

A MULTIDECADE COMMITMENT TO SUSTAINABLE THEMATIC RESEARCH

2006

- Published forward-looking thematic research report titled "The Emergence of Hybrid Vehicles"



2008

- Published forward-looking thematic research report titled "Abating Climate Change"

2011

- Published forward-looking thematic research report titled "The Dawn of Molecular Medicine"

2013

- Dan Roarty became Chief Investment Officer of the Sustainable Thematic Equities platform
- Implemented the current stock-selection process that includes ESG factors in the valuation assessment

2016

- SDGs were launched in 2015 and adopted as guiding framework for our investment themes in 2016

2018

- Renamed Sustainable Global Thematic and Sustainable US Thematic to reflect the SDG alignment
- Dan Roarty was a featured speaker at UN's Sustainable Investing Conference

2019

- Sustainable Global Thematic and Sustainable US Thematic awarded the Label ISR

2020

- Sustainable Global Thematic and Sustainable US Thematic received the "Investing in Shared Value Award" by Shared Value Project Australia and New Zealand

SHARED VALUE PROJECT

2021

- Sustainable US Thematic received first prize, American Equities, Responsible Finance Trophies by French magazine *Investissement Conseils*

LES TROPHÉES DE LA FINANCE RESPONSABLE

- Sustainable Thematic Equities team awarded "Best Sustainable & ESG Research Team" by *Investment Week*

AB as of December 31, 2021

Investment Team

Daniel Roarty, CFA

Chief Investment Officer—
Sustainable Thematic Equities
29 Years in Industry
11 Years with AB

Amy Yang
Quantitative
9 Years in Industry
9 Years with AB

Ben Ruegsegger, CFA
Co-Portfolio Manager
Technology
21 Years in Industry
21 Years with AB

Claire Walter
Industrials &
Technology
3 Years in Industry
3 Years with AB

David Wheeler, CFA
Energy & Industrials
30 Years in Industry
14 Years with AB

Ed Bryan, CFA
Healthcare
15 Years in Industry
15 Years with AB

Joseph Sun, CFA
Consumers
12 Years in Industry
11 Years with AB

Sarah Tunnell, CFA
Financials
5 Years in Industry
5 Years with AB

William Johnston
Financials
36 Years in Industry
24 Years with AB

Investment Team Average*

17 Years in industry
13 Years with AB

*Investment team average doesn't include product specialists.
As of December 31, 2021

Sustainability: A Road Map for Investors

In early 2022, the post-pandemic recovery narrative has shifted. Historic stimulus, reopening economies and pent-up demand have given way to supply-chain disruptions, rising inflation, rising taxes and constrained growth. This shift is creating a more challenging backdrop for investors.

Rather than try to time macroeconomic shifts (which, historically, is very difficult to do), we think investors should focus on companies associated with our three sustainable investment themes—Climate, Health and Empowerment. These themes are supported by powerful, long-term secular tailwinds that are less dependent on where we are in the economic cycle.

Currently, 137 countries around the world have made pledges to reach net-zero carbon emissions by midcentury. Companies that provide the solutions to help countries achieve their net-zero ambitions, including clean energy, sustainable transportation and resource-efficiency solutions, should enjoy strong multidecade growth opportunities, in our view. Today, less than half of the global population is covered by essential healthcare services, and roughly one quarter face food insecurity and lack access to safely managed drinking water. Health-related themes such as broadening access to healthcare, food security and clean water benefit from similarly attractive long-term demand. And as the global population swells by midcentury, we will be faced with massive empowerment challenges related to housing, educating, transporting, employing and building the economic resilience of roughly 3 billion additional people.

Forecasting short-term twists and turns in the economic cycle with accuracy or consistency has always been challenging. It's been even tougher to consistently predict how market participants will react—or overreact—to changes in the real economy.

In sustainable investing, we don't have to predict those short-term twists and turns correctly to create value over time. Rather, we focus on the fundamental strength and long-term appeal of our sustainable themes—many of which have accelerated during COVID-19—and the companies that drive them. We believe this provides our portfolios with an advantage as we strive to deliver long-term returns while promoting positive environmental and societal outcomes through the recovery from the pandemic and beyond.

Learn More
allianceberstein.com

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INVESTMENT RISKS TO CONSIDER

The value of an investment can go down as well as up and investors may not get back the full amount they invested. Capital is at risk. Past performance does not guarantee future results.

Some of the principal risks of investing in the Portfolio include:

Emerging-Markets Risk: Where the Portfolio invests in emerging markets, these assets are generally smaller and more sensitive to economic and political factors, and may be less easily traded, which could cause a loss to the Portfolio. **Focused Portfolio Risk**: Investing in a limited number of issuers, industries, sectors or countries may subject the Portfolio to greater volatility than one invested in a larger or more diverse array of securities. **Portfolio Turnover Risk**: A portfolio may be actively managed and turnover may, in response to market conditions, exceed 100%. A higher rate of portfolio turnover increases brokerage and other expenses. High portfolio turnover may also result in the realisation of substantial net short term capital gains, which may be taxable when distributed. **Derivatives Risk**: The Portfolio may include financial derivative instruments. These may be used to obtain, increase or reduce exposure to underlying assets and may create gearing; their use may result in greater fluctuations of the net asset value. **OTC Derivatives Counterparty Risk**: Transactions in over-the-counter (OTC) derivatives markets may have generally less governmental regulation and supervision than transactions entered into on organized exchanges. These will be subject to the risk that its direct counterparty will not perform its obligations and that the Portfolio will sustain losses. **Equity Securities Risk**: The value of equity investments may fluctuate in response to the activities and results of individual companies or because of market and economic conditions. These investments may decline over short- or long-term periods. **Real Estate Investment Trust (REIT) Risk**: Investing in equity REITs may be affected by changes in the value of the underlying property owned by the REITs, while mortgage REITs may be affected by the quality of any credit extended. REITs depend on management skills, are not diversified, subject to heavy cash-flow dependency, default by borrowers and self-liquidation and subject to interest-rate risks.

A full explanation of the risks is provided in the Portfolio's Prospectus.

The Portfolio is meant as a vehicle for diversification and does not represent a complete investment program. Prospective investors should read the Prospectus carefully and discuss risks and the Portfolio's fees and charges with their financial advisor to determine if the investment is appropriate for them.

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