ALLIANCEBERNSTEIN®

AB STATEMENT

AB'S CLIMATE CHANGE/ TCFD STATEMENT

A INTRODUCTION

AllianceBernstein (AB) is a global asset-management firm with more than 3,800 employees across 25 countries and jurisdictions. We serve our clients through three core businesses: asset management, independent sell-side research and brokerage services, and wealth management.

With $600 billion in assets under management (AUM) as of June 30, 2020, we deliver solutions across the capital structure, from fixed income to equity and from alternatives to multi-asset. Our broad range of investment expertise spans portfolio construction and management; fundamental, quantitative, economic and multi-asset research; wealth planning; and trading.

In our view, corporate responsibility—including environmental stewardship—must be an active pursuit, from the way we work and act to the way we invest. Although this is our first report in response to the disclosure recommended by the Task Force on Climate-related Financial Disclosures (TCFD), addressing climate change remains an ongoing effort for our firm, and we'll continue to evolve and advance.

As a company, we have a long track record of measuring and managing the climate impact of our operations and ensuring that we can sustain our business through adverse climate events. One of our current focus areas is on establishing systematic climate metrics and benchmarks that align with best practices.

As investors, we strive to integrate climate-change risks and opportunities in our investment analysis, decision-making and solutions. We continue to train our professionals and develop proprietary tools, including our engagement and collaboration platform, ESIGHT. We're also conducting a campaign to engage firms on climate risks, specifically advocating that companies lacking emissions-reduction targets put them in place.

Because no one has all the answers to climate change, we're complementing our own expertise and proprietary tools with input from external providers and industry partnerships. We're also collaborating with experts from Columbia University's Earth Institute to strengthen the connection between climate science and investing—and to translate this insight into research frameworks, tools and decision-making.

The sections that follow provide a deeper level of detail on our climate-change efforts as a firm and as investors. We hope you find them informative.

B GOVERNANCE

Climate change is pervasive, and it can have far-reaching impacts. That's why we take a firmwide approach to addressing it, with an expansive list of internal stakeholders: our Board of Directors, senior executives, investors, managers and employees. Climate risk is subject to a multi-layered governance model that works up from our investment and operational teams through our Risk Management team and ultimately the Board of Directors—via our Audit and Risk Committee.

Our Risk Management team identifies, monitors and assesses climate risk, reviewing firmwide standards to ensure that we adhere to those standards at both the investment and operational levels. The team also ensures that we address aggregate risk exposures, including climate risk.

From an investment perspective, the Risk Management team utilizes the Investment Risk Oversight Committee (IROC) to ensure that investment teams demonstrate their climate-risk assessments and management process. The IROC also advises the teams and challenges their approaches. In addition, through AB's Operational Risk Oversight Committee (OROC), the Risk Management team oversees firmwide operational risks, including internal processes, infrastructure, staffing, information security and physical footprint. The OROC also monitors and evaluates AB's carbon footprint, sustainability efforts and business continuity, as well as management's plans to reduce climate-change impact on our business operations.

The Risk Management team reports on these efforts to the Audit and Risk Committee. The committee's primary role is to oversee firm risk and adapt our risk-management framework to evolving trends, such as climate change, and to changes in the industry, our business and the regulatory environment. The Audit and Risk Committee regularly reports on these risks to the Board of Directors.

In parallel with the Risk Management team's efforts, AB's Responsibility Committee seeks to engage these internal stakeholders on how they address climate risks and opportunities in their respective business units and asset classes. The committee, comprising senior AB investors and managers, sets controls and procedures for integrating climate risk and opportunities at the management level; shares information on climate-change trends, research and training; and monitors and manages AB's response to regulatory updates.

This year, the Responsibility Committee is focused on regulatory developments in Europe, where climate-change legislation has produced regimes and frameworks that will impact our business, clients and portfolio companies. These developments include:

+ The EU's Sustainable Finance Taxonomy
+ The EU's Non-Financial Reporting Directive
+ The UK Stewardship Code 2020

AB's Chief Responsibility Officer (CRO) leads the Responsibility Committee. The CRO, a position created in early 2020, oversees corporate responsibility and responsible investing, which includes leading AB's climate-change strategy, response and investment integration. Each of these is part of the CRO's overarching role to ingrain corporate responsibility and responsible investing into AB's business activities—and to ensure the approach is aligned firmwide. The CRO regularly reports on these activities, including climate-risk and opportunity identification and management, to AB's CEO and board.

Looking ahead, we're working with our board to enhance directors' understanding and oversight of operational and investment climate risk and opportunity. In 2019, several of our directors and the chairman attended our Climate Risk and Portfolio Management training program, developed with leading climate scientists and multidisciplinary experts at Columbia University's Earth Institute. The objective was to enhance directors' oversight of AB's progress in managing our global climate–change strategy and response. We describe the Columbia University collaboration in more detail in section C, below.

C AB'S STRATEGY FOR ADDRESSING CLIMATE RISKS AND OPPORTUNITIES

AB's strategy for addressing climate risk and opportunity encompasses both our investment strategy and the operational aspects of our business.

INVESTMENT STRATEGY

As a global asset manager, we invest in equity, debt and alternative securities globally. So it's imperative that we develop a deep understanding of climate change. We must dimension how climate change can affect different geographies, economies, industries and companies, then factor those risks and opportunities into fundamental research and investment decisions.

This isn't a simple effort. The global climate system is extraordinarily complex, and climate-change analysis is a dynamic and iterative process. Approaching climate change from the perspectives of physical and transitional risk helps us think through a very broad array of potential implications. Physical risks include more frequent and severe risks that are acute, such as bigger wildfires and stronger storms. There are chronic climate-change risks, too, including rising sea levels and intensifying droughts.

These tangible risks can directly impact issuers' properties and facilities. They can also indirectly affect businesses by disrupting supply chains and interrupting operations. As we see it, better understanding these risks—issuer by issuer and location by location—will give us an investment edge across sectors and asset classes.

Transitional risk stems from policy and regulatory changes, new technologies, and shifting financial and consumer markets as the world moves toward decarbonization. To get an accurate handle on these risks, we need to understand—and anticipate—how evolving government policies, consumer preferences and company behaviors will impact our investment theses.

Mark-to-market risk is a major concern in the transition to a low-carbon world. It plays out when financial markets start to factor climate change into security prices—even when there's been no actual physical damage. So, addressing transitional risk also requires us to understand how other investors are assessing climate risk. Litigation and reputation risk stemming from corporate action or inaction on climate change are less-appreciated transitional risks, but they're already influencing company valuations in the fossil-fuel sector and beyond.

CLIMATE OPPORTUNITY STRATEGY

Climate change poses sizable risks for investment managers, but it also creates exciting opportunities to invest in firms that will thrive by delivering solutions to climate change and its broad impact on the world. These investments span the economic value chain, from transport and power-generation and industrial equipment to carbon-capture technology and low-carbon consumer products and services.

We recognize that our biggest clients are universal owners whose portfolios often reach across markets and asset classes. This means one issuer's climate performance can often impact other companies in our clients' portfolios. As an active manager, engaging with management teams and proxy voting on climate change issues are unique ways to add value to and strengthen relationships with clients.

Engagement is critical to our research process: analysts conduct thousands of visits and meetings each year to better understand the strategies, performance and risks of issuers we're considering—or currently—investing in. Targeted, direct engagement with companies is intended to reduce issuers' footprints, emissions and exposure to physical and transition risk. By extension, this also does the same for portfolios of companies.

During engagements, we convey to senior executives how emissions affect their capital costs—and how we incorporate this information into our investment analysis. This dialogue creates an incentive for firms to reduce emissions by reallocating capital to lower-carbon projects. From our perspective, this is a more effective incentive for firms than producing sustainability reports or disclosure statements.

Proxy voting is also critical to understanding how issuers are addressing climate change—and it creates a forum for us to advocate for needed changes. AB is a strong supporter of climate-related shareholder proposals. In 2019, we supported 78% of these proposals, including those focused on adopting goals for reducing greenhouse gas (GHG) emissions as well as for improving disclosure and management of climate-related issues.

In addition to integrating climate considerations into our investment process, we've designed a platform of Portfolios with Purpose to meet growing demand for solutions to address climate change and deliver financial returns. These strategies include low-carbon portfolios, carbon-neutral portfolios and investments in issuers delivering solutions for adapting to and mitigating climate change. We continue to evaluate, research and develop new products to help our clients achieve their specific environmental, social and governance (ESG) and financial goals.

For high-net-worth clients, we manage a small number of fossil fuel–free accounts, and we can apply positive screening in separately managed accounts, looking for companies demonstrating clear leadership in managing climate-related risks and opportunities. The ultimate goal is more resilient investments and better outcomes for clients and the world.

The demand for high-quality climate-change research, analysis and thought leadership has also created opportunities for AB's sell-side business, AB Bernstein Research. Integrating ESG considerations into bottom-up research is a strategic priority—with a focus on climate change as a global theme. To help our institutional clients make informed decisions, we must integrate climate-associated risks and opportunities in our investment recommendations. If we don't, we risk the commercial relevance of Bernstein Research's product.

Bernstein Research appointed a new Global Head of ESG in 2019, a role that includes responsibility for integrating climate risks and opportunities in research and analysis. We've shared insights from this effort through a research series, a Bernstein "black book" and a September 2019 investor seminar, "Climate Change and Decarbonisation." In 2020, senior analysts at Bernstein Research have conducted further climate-change scenario analysis across sectors globally.

SCENARIO ANALYSIS

The impacts of climate change will be with us for decades and even centuries, but there's a lot less certainty about the specific paths of economic and environmental outcomes. This uncertainty underscores how important scenario analysis is in helping us envision and better understand a realistic range of paths for both the near and distant future.

Climate-change scenario analysis starts by modeling global climate-change simulations, flowing through to local climate-model projections. Combining these local climate projections with anticipated policy decisions and the associated responses across the economy can drive projections of economic and financial market outcomes over decades.

We've made important strides in this area. Our Managed Volatility Equities—Green (Green MVE) team in Australia, for example, has evaluated climate transition and physical risks and opportunities for every stock in the S&P/ASX 200, under 1.5- and 3-degree warming scenarios. These scenarios were deployed to enhance portfolio construction and stock selection, to estimate climate value at risk[1], and to focus corporate engagement on key climate issues.

Our partnership with climate scientists at Columbia University's Earth Institute extends to scenario analysis of the broader universe of assets. To lead our thinking, we've formed a cross-asset-class working group, with input from Columbia University scientists. Together, we've developed a request for proposal and sent it to select third-party vendors. We expect to engage one of these vendors in 2020 to help accelerate the build-out of climate scenario analysis of assets across AB.

This exercise will advance our efforts to systematically identify and define climate risks and their impact on our investments and operations over the short, medium and long terms.

DEVELOPING AND SHARING KNOWLEDGE CAPITAL

There's a growing commercial, economic and regulatory imperative to more proactively address the complex issues climate change creates for financial markets. The Climate Science and Portfolio Risk curriculum that we're developing with Columbia University is designed to help portfolio managers, analysts and others better understand, analyze, engage on and integrate climate risks and opportunities into investment decisions.

1 "Climate value at risk" is defined as the percentage of a stock market's capitalization at risk from climate change.

The curriculum provides a foundational understanding of the science behind climate change, including subjects like rising sea levels, extreme weather and natural hazards. It also covers the potential mitigation of and adaptation to climate risk as well as policy implications, technological solutions and related data sources to augment the investment process.

With a more comprehensive understanding of the science behind climate change, we believe we'll be better positioned to translate its broad effects into inputs and tools that sharpen our investment analysis.

In addition, as we look toward the next chapter of our collaboration with Columbia University, we see a significant opportunity to share our learnings with clients and other industry stakeholders. This opportunity parallels our efforts to further educate the academic and scientific communities on investment management, with a view toward bridging these fields to enhance the flow of information, research and dialogue that's useful in decision-making.

RESOURCING OUR CLIMATE STRATEGY

The scale, depth and breadth of potential climate impacts on our investments and operations is large—and so is the impact on climate that we can have as investors. That's why we've deployed more dedicated resources to address this critical issue.

In addition to creating the CRO and Head of ESG roles, we've added a Director of Environmental Research and Engagement to our Responsible Investing team. This director works closely with our investment teams across asset classes to research, analyze and engage on climate with issuers globally. She also manages our relationship with Columbia University's Earth Institute. Additionally, the director collaborates with AB's leaders and managers to develop and execute training, research, climate-change scenario analysis and thought leadership on climate and other environmental issues.

These newly created positions complement our investments in proprietary platforms and initiatives, described in section D, that are designed to enhance our research, analysis, collaboration, engagement and performance outcomes on climate change.

D RISK MANAGEMENT—WHAT PROCESSES WE WILL USE TO IDENTIFY, ASSESS AND MANAGE CLIMATE CHANGE

Climate change poses risks to both our operations and investments. On the other side of the coin, the way we run our business and manage our investments can impact climate change. The stakes of climate risk are growing, and our operational managers and investors are on the front lines, with responsibility for the day-to-day identification, assessment and management of climate risks.

INVESTMENT RISK MANAGEMENT

Climate risks and opportunities can have a sizable impact on performance, so we focus intently on integrating them into our research and investing process. Our fundamental analysts and economists assess climate risk for equity and debt issuers, reviewing climate strategy, potential environmental liabilities, GHG emissions, and the political and regulatory backdrop.

If aspects of an issuer's past, current or expected climate-related risks or behaviors are material to its future expected returns, analysts incorporate them into research reviews, short-, medium- and long-term forecasts of risks and opportunities, and ultimately, investment decisions.

AB's portfolio managers ensure that climate risks and opportunities are appropriately assessed in the context of their specific investment strategies, some of which focus on identifying issuers with innovative products and services that will make a positive impact in adapting to, and mitigating, climate change.

PROPRIETARY PLATFORMS FOR ADDRESSING CLIMATE RISK

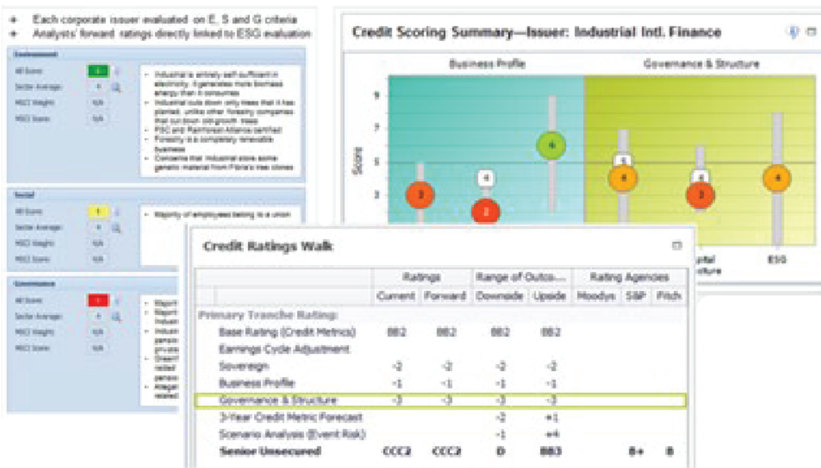
Collaborating across equity, fixed-income and multi-asset portfolio and research teams makes us better at assessing climate risk. Our proprietary ESG research and integration platforms provide a disciplined, documented way to ensure that climate considerations are fully integrated. The platforms also promote information and knowledge sharing within and across asset classes and investment teams globally.

With equities, ESIGHT offers a single platform for investors to share best practices in engaging on and managing climate risks and opportunities across industries and sectors. ESIGHT provides a standard framework for assessing climate risks, with a tailored materiality map to help analysts and portfolio managers focus on climate risks that are material to each industry. All investment professionals can access companies' progress on managing climate-related risk through ESIGHT, amplifying outcome-focused engagement and fundamental research.

Prism, our fixed-income ESG rating and scoring system, complements ESIGHT. With Prism, analysts evaluate issuers on many dimensions—and assign specific scores for ESG factors, including climate performance. Our emerging-market portfolios also incorporate climate considerations into their sovereign analysis through a proprietary dashboard. Prism regularly draws and verifies data from public sources to provide a picture of how countries are managing climate risk and opportunities over time.

ESG Integration Across All Client Portfolios

+ ESG factors integrated across fundamental research
+ Proprietary scoring system for corporates and municipals
+ Active engagement on ESG topics



Exclusions

+ Issuer and industry ESG exclusions tailored to client needs

Sustainability/Impact Strategies

+ Municipal impact
+ Sustainable global thematic credit

For illustrative purposes only. There can be no assurance that any investment objectives will be achieved.
SME: small and medium-sized enterprise
As of December 31, 2019
Source: AB

MANAGING CLIMATE RISK IN OUR OPERATIONS

Our corporate business-continuity strategy, which is aligned with the ISO 22301 standard, is designed to allow business-critical functions to continue during significant disruptions, including those caused by severe weather and other climate-related phenomena. The goal is to enable us to continue serving our clients effectively.

Developing our business-resumption strategies involves analysis, planning, implementation, maintenance, testing and awareness. Testing verifies the resources and requirements needed to recover business-critical functions and operate them in accordance with recovery specifications. Plans are continually updated to minimize recovery time.

Business-response plans for each office include mobilization procedures, notification guidelines, call trees and other pertinent business information. They also include plans for crisis-management and executive-management personnel to coordinate command and control. Contingencies enable clients to access their funds and securities through alternative methods managed by AB.

The COVID-19 pandemic required us to adapt rapidly to ensure business continuity. This has included standards for health and safety, a travel policy, technology upgrades as needed for remote work, and reviews of external service-provider preparedness. Guidance from local authorities and health officials varied widely and evolved quickly, so the response was tailored to each location. To date, the plan has been successful, and we continue to refine it.

E METRICS AND TARGETS

Evaluating climate risk is unlike traditional approaches to calculating risk and assessing the probability distributions of possible outcomes. With climate-related risks, investors face many situations of high uncertainty.[2]

Despite its complexity, measuring climate risk is extraordinarily important. Developing effective climate-related metrics and targets is critical to measuring our progress as a firm—and the progress of issuers we invest in. The development of platforms like ESIGHT and Prism helps our investment professionals, and ultimately our clients, better understand the risk and performance of financial assets, helping them make more informed investment choices.

2 Hugues Chenet, “Climate Change and Financial Risk” (working paper, University College London, April 2019).

INVESTMENT METRICS AND TARGETS

Our investment teams have access to metrics that help them dimension climate risks and opportunities in our active equity and fixed-income portfolios. These analytics, which are also available to clients, include:

+ Total carbon emissions
+ Carbon intensity
+ Weighted average carbon intensity
+ Carbon footprint
+ Exposure to stranded assets and fossil fuels
+ Exposure to climate mitigation, adaptation and opportunities

In addition to integrating climate metrics and other ESG factors into our investment process, our Portfolios with Purpose have their own ways to measure climate-related risk and opportunity.

For example, our Sustainable Thematic equity and fixed-income strategies evaluate the impact they're having on achieving the United Nations Sustainable Development Goals (SDGs), which include SDG 13: Climate Action. Our Green MVE strategy focuses on helping Australian-listed companies reduce their emissions, contributing to Australia's effort to meet its Paris Agreement obligations.

Climate-related disclosures are essential in order for us to accurately analyze investments and investment decisions—and measure performance. The lack of reporting standards across—and even within— industries and asset classes, as well as a lack of transparency, makes it challenging to set climate-related investment metrics and targets. But we're committed to identifying and designating meaningful climate-related targets for our investments and portfolios. And we believe that our work with Columbia University and scenario analysis will support these efforts.

Meanwhile, to gain more insight, we engage regularly with issuers on climate, and we review climate-related reporting, data and research. The ultimate objective is to identify targets that give us more actionable insights on the risks in our portfolios—and their resiliency.

To encourage the integration of climate considerations into our research and investment processes, we've incorporated ESG metrics into each AB investment professional's individual goals. We've also incorporated explicit responsible investing/ESG goals into the professional-development plans of a growing number of employees. During the performance-review process, progress against those goals will directly impact compensation. Bernstein Research, meanwhile, has set explicit 2020 ESG publishing targets, which are embedded in analysts' incentive metrics.

In this vein, the ESIGHT and Prism platforms allow us to systematically measure and oversee the volume and quality of engagements and research on climate change for each of our analysts and portfolio managers across the firm globally. The platforms also help the firm identify areas where additional support and training are needed on climate-related issues.

OPERATIONAL METRICS AND TARGETS

Climate change could impact our operations, reputation and ability to attract and retain clients. Extreme weather events and long-term flood hazards pose a significant risk to AB's business operations: they could impede access to buildings and interrupt the functionality of the systems we rely on to manage portfolios and report to clients. If we did not have a robust plan and corporate goals, we could face reputational risk that might hurt our AUM and revenues.

As we progress on our own corporate ESG path, we're working to reduce our impact on the global environment—rethinking business operations to use less of the Earth's resources. We're striving to reduce GHG emissions: in 2019, we recorded our lowest total emissions (as measured by total metric tonnes of carbon dioxide equivalent) since we started reporting internally in 2010. We reduced emissions by 4.5% between 2018 and 2019, and by 13% over the five-year period ending 2019.

We're also working toward a goal of moving 65% of our employees into more environmentally friendly workspaces by 2025. The transition to our new global headquarters in Nashville, Tennessee, USA, is under way, and our remaining New York employees and London staff will also transition to greener office buildings. Our new Shanghai office location recently achieved gold level from LEED (Leadership in Energy and Environmental Design).

Another initiative to make AB more sustainable and reduce our environmental footprint is the drive to reduce paper consumption. Between 2017 and 2019, we've reduced the number of personal printers by 62% globally. Over the same time frame, the amount of paper used by multifunction devices in the US has decreased by 20%. Paper usage of the personal printing devices that remain has decreased by 5%.

We're revamping our climate metrics and targets for our global offices, employees and vendors, which we believe will help us more accurately assess and manage our effort to reduce our environmental footprint. This initiative, led by senior colleagues from across the firm, will also help us better engage with issuers on climate metrics, targets and performance.

CONCLUSION

The very act of creating our initial TCFD-aligned climate statement has been informative and helpful to us—highlighting both areas of existing strength and areas where we need to continue advancing as a firm.

We've made strides in addressing climate change both in our business operations and as investors, but we're well aware that we have room for improvement. As we see it, making progress in each area will make us better in the other because corporate responsibility and responsible investing are inescapably linked. We learn from both every day.

For example, the work we've done in integrating climate analysis into our research and engagement process has helped crystallize the progress we need to make operationally to establish climate metrics and targets. And the work we do on our own metrics and targets better equips us to engage on these aspects with issuers.

As we move forward, we'll continue our work on climate-change scenario analysis, and we'll further develop climate skills in our board members to make their oversight more effective. The next chapter of our Earth Institute collaboration will aim to build on what we've learned and address open questions from the first chapter. We'll also deploy a seminar to educate Columbia University climate experts about investing, which should enhance the dialogue. And we'll continue to research and develop new climate-related products.

As we've said before, no one—including AB—has all the answers to integrating climate change into investment management. We, along with our partners and stakeholders, are committed to facing this enormous challenge by advancing on the initiatives laid out above and to leveraging our role in the financial markets as part of the long-term solution.

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