



**ALLIANCEBERNSTEIN®**

# **GLOBAL SLAVERY AND HUMAN TRAFFICKING STATEMENT**

September 2020



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## GLOBAL SLAVERY AND HUMAN TRAFFICKING STATEMENT

AllianceBernstein and our affiliates, (which we'll collectively refer to as AB, we, our, us and other similar pronouns) have historically adhered to and promoted a culture of strong professional ethics. We're dedicated to doing business with the highest standards of honesty and fairness.

We do this not only to comply with laws and regulations but also to earn and keep the trust of clients, employees, shareholders, personnel, business partners and other stakeholders. We're also committed to best practices, including the OECD Guidelines for Multinational Enterprises and the United Nations (UN) Guiding Principles on Business and Human Rights.

As we see it, our success and reputation depend not just on the quality of our products and services but also on the way we conduct business. Because we're committed to furthering human rights, we oppose modern slavery in all its forms—we don't tolerate it in our business, our investment strategies or our supply chain.

## OUR OPERATIONS

We're responsible for respecting human rights in our operations and complying with applicable employment regulations and best practices. We respect the rights of our employees to enjoy just and favorable work conditions, including health and safety protections. That includes providing adequate information and training on health and safety and well-being issues, and various channels for escalation if required.

We promote diversity and inclusion by prohibiting any form of discrimination between current, past or potential staff on the basis of age, race, nationality, ethnic origin, gender, sexual orientation, religion, marital status or disability.

Our **Code of Business Conduct and Ethics** is a framework for ethical integrity that underpins everything we do. Employees are always obligated, empowered and encouraged to report any concerns through various reporting channels.

Our employees individually certify the **Code of Business Conduct and Ethics** each year and are trained on the code upon employment. The AB Employee Handbook also addresses our commitment to respecting human rights in our operations.

## OUR INVESTMENT STRATEGIES

We provide research, diversified investment management and related services to diverse clients globally. Our global team of research professionals—with disciplines that include economic, fundamental equity and fixed income, and quantitative analysis—deliver high-quality, in-depth research. It's the foundation of our business, and we believe that it gives us a competitive advantage in achieving investment success for our clients.

Responsible investing is part of who we are. We're a responsible firm with a deep research culture that integrates environmental, social and governance (ESG) considerations throughout our investing process. Because we're committed to acting and investing responsibly, we combat human rights offenses and incorporate responsibility best practices into our investment process.

## ASSESSING MODERN SLAVERY AND HUMAN TRAFFICKING EXPOSURE

- + To help our investment teams focus on the modern slavery risk of the companies they cover and their supply chains, we're developing a portfolio risk-identification framework. Once introduced, it will enable us to apply multiple lenses: vulnerable populations in the workforce, high-risk geographies, high-risk products and services, and high-risk business models.
- + Investment teams enter a portfolio's holdings into the tool, which then uses risk factors and circumstances to assign them to a nine-grid matrix that compares companies' modern slavery risk (low, medium or high) to modern slavery risks in their supply chains (low, medium or high). This gives our investment teams a road map to prioritize their fundamental research and engagement on companies with higher risk for modern slavery issues.
- + As part of this process, we're creating a best practices guide to help evaluate companies' practices systematically. It will offer guidance at both the top-down and bottom-up levels, aligning with our research approach. We're focusing on applying this framework to a number of investment strategies.

## MODERN SLAVERY ENGAGEMENT: AN EXTENSION OF OUR PROCESS

- + Our teams have already engaged several companies to explicitly discuss their modern slavery practices and policies. This engagement is a natural extension of our active investment process—we regularly engage issuers and stakeholders directly, giving us the

opportunity to share our philosophy and corporate governance values. It also gives us a forum to drive positive change in issuers. Please see [Appendix I](#) for an example.

- + Analysts document and share research and engagement details and insights through ESIGHT, our proprietary equity ESG research and engagement tool, and through Prism, our proprietary fixed-income research tool. These platforms enable our investors to keep a running catalog of engagements and outcomes, including those related to ESG. We've also established a Controversial Investment Committee that discusses material ESG issues.

#### TRAINING OUR INVESTMENT TEAMS

We've launched a modern slavery training program, in collaboration with expert nongovernmental organizations, that's mandatory for all our investment analysts globally. The program rollout started in Hong Kong in March 2020 and is designed to help investors flag potential and ongoing modern slavery risks. Every portfolio manager and research analyst also has access to the following resources:

- + International norms compliance data, which captures companies' severe structural breaches of the UN's Global Compact principles and the OECD Guidelines for Multinational Enterprises, standards that focus on human rights, labor, the environment and anti-corruption
- + Controversy data, which provides biweekly summaries on controversial issues, including supply-chain issues and labor rights
- + Third-party ESG ratings, which systematically analyze issuers' processes and procedures to prevent and address modern slavery

Each of these tools and resources is an important input as our analysts research, discuss and engage with issuers on these topics.

#### OUR SUPPLY CHAINS

We purchase products and services from third parties ("vendors") in order to conduct business operations and deliver on the expectations and requirements of customers and business partners. Our supply-chain vendors provide goods and services, including information technology, financial-services data, catering, travel and hospitality. We also rely on various companies to assist with certain internal operational activities.

#### ASSESSING MODERN SLAVERY AND HUMAN TRAFFICKING IN OUR VENDOR MANAGEMENT PROCESS

We don't tolerate modern slavery or human trafficking. We will not knowingly support or do business with any suppliers that do not adhere to our views on modern slavery.

We take reasonable steps to ensure that our suppliers do not use forced labor or workers under 15 years old—or that accept such behavior from their own suppliers and subcontractors.

In this effort, we've committed to:

- + Enhance our vendor relationship manager training to include modern slavery
- + Publish our [Vendor Code of Conduct](#)
- + Incorporate modern slavery provisions into our contractual agreements with vendors as appropriate
- + Assess the firm's critical vendors for modern slavery risk

#### TAKING STEPS TO PREVENT MODERN SLAVERY IN VENDOR MANAGEMENT

If we detect that a vendor has directly or indirectly violated our corporate responsibility expectations, we'll elevate the issue to AB's Vendor Risk Oversight Committee and Responsibility Steering Committee. The issue will be discussed directly with the supplier, with the objective of establishing mutually agreed-upon and documented corrective action. If any issue isn't resolved satisfactorily, we'll consider our options—including ending the relationship.

## EMPLOYEE TRAINING

AB's Employee Handbook and Anti-Bribery and Corruption Policy are making our vendor relationship managers aware of the important role they play in identifying the signs of modern slavery and human trafficking. Employees are encouraged to report any signs of modern slavery and human trafficking through formal escalation channels, the Ombudsman or via our Whistle-Blowing Policy.

We're committed to rolling out awareness training to vendor relationship managers to increase their awareness of AB's corporate responsibility principles. This training program will highlight the instrumental role of responsible procurement.

*AB's Board of Directors approved this statement on September 23rd 2020, which constitutes AB's modern slavery and human trafficking statement for the financial year ending 2020.*



Seth P. Bernstein  
AllianceBernstein  
President and Chief Executive Officer

## APPENDIX I

### PANASONIC CORPORATION (CONSUMER DISCRETIONARY)

Panasonic has a high-risk exposure to supply-chain risk due to its sourcing of raw materials. In November 2019, a news item linked Panasonic to mica mined by children in Madagascar. Mica is mined in several countries around the globe, but especially in India, Madagascar and China. Child labor is a significant issue in these mines. While any allegations of child labor exposure in the supply chain leads to reputational (and financial) risk, mica is a very minor part of the total raw-material sourcing of Panasonic. A more significant supply-chain risk for Panasonic is the sourcing of cobalt. Cobalt is a key part of lithium batteries, including those used in consumer electronics and the ones manufactured for Panasonic's battery-cell partner, Tesla. In 2018, Panasonic suspended ties with a Canadian supplier amid concerns that Cuban cobalt, a target of US sanctions, was used in batteries it supplied for Tesla's electric vehicles. A high proportion of cobalt comes from the Democratic Republic of the Congo (DRC). Cobalt from the DRC is often referred to as a "conflict resource," which is a natural resource extracted in a conflict zone and sold to perpetuate the fighting.

Following the news about children mining mica in Madagascar that mentioned Panasonic, we reached out to the company immediately. Panasonic's investor relations head explained that Panasonic procures mica from a Japanese trading company, and management had questioned the trading company regarding the allegations. The trading company responded that it is in compliance with Panasonic's procurement guidelines, which prohibit child labor, and that the mica supplied to Panasonic is not sourced from Madagascar. Panasonic's stance was to believe the trading company's response. Management seemed reluctant to disclose any further information.

We met with Panasonic to further discuss the issue on January 7, 2020. Overall, the company's basic policy on Corporate Social Responsibility (CSR) looks comprehensive. At Panasonic, CSR-related issues are escalated to respective senior management in charge: for legal issues, to the General Counsel; for human rights issues, to the chief human resource officer; and so on. The chief human resource officer is responsible for reviewing and/or approving key policies related to modern slavery or labor rights/human rights. However, potential issues seem to be shared only narrowly among senior management, seemingly due to a somewhat bureaucratic reporting procedure at the company. In the case of the mica issue, which prompted our engagement, while there is a chief procurement officer who reports to the president, the incident was only escalated to the legal side.

Panasonic asks suppliers to respond to CSR checklists, and it visits suppliers to conduct direct audits. For direct audits, the company engages with supplier management, visits plants and interviews workers, mainly on-site. At the moment, it seems that the company relies heavily on the good faith of the suppliers. Our team requested that management consider third-party unscheduled audits and also consider enhancing the effectiveness of direct audits (such as conducting worker interviews off-site), which the company said it will consider in the future.

For corrective-action plans with suppliers found to violate its policies, Panasonic mentioned that it will engage with the supplier for correction and, if necessary, will consider termination of its supply agreement (although it seems that introducing a more robust system to identify supplier violations would be more important than depending heavily on good faith). Panasonic is performing material supply-chain mapping, but not completely; management commented on the difficulty of doing it for electrical products due to the large number of parts used, and it mostly does the mapping only on first-tier suppliers, and for controversial raw materials like cobalt, the company checks the smelter level. While we understand the difficulty of mapping in the industry, we noted that we would like to see continuous effort and improvement, and disclosure that would show continuous improvement is being made. Panasonic engages with nongovernmental organizations for risk identification. Panasonic trains its direct workers to understand workers' rights, but at the supplier level it relies on good faith.

It seems that Panasonic was on top of the November news item before we contacted management; it had already checked with the supplier, which responded that it does not source mica from Madagascar. Thus, the firm assessed legal risk as being low. However, in our view, the risk is not solely legal, especially since Panasonic has sizable consumer-related products. In addition, Panasonic's board discusses human rights issues only when there is an outstanding issue. We believe sharing information more broadly at the senior management level, and at an earlier stage, would be desirable, as would more regular board discussions. We encouraged the company to consider both.

Panasonic did not provide future improvement plans, and when questioned, management cited competitive issues for not disclosing them. We further requested that the company consider disclosing future improvement plans going forward, which management agreed to consider. There also seems to be room for improvement in enhancing its processes and systems. As noted above, we recommended third-party audits.

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