



ALLIANCEBERNSTEIN®

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# Sustainability-Related Disclosures

ALLIANCEBERNSTEIN (LUXEMBOURG) S.À R.L.

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## Introduction

AllianceBernstein (Luxembourg) S.à r.l. (“**AB Lux**”) is a Luxembourg UCITS management company and authorized Alternative Investment Fund Manager subject to the supervision of CSSF. In addition, AB Lux is authorized to provide discretionary portfolio management services (“**DPM**” services). All investment funds for which AB Lux acts as UCITS management company or Alternative Investment Fund Manager and all provided DPMs services are together referred to as the “**AB Products**”.

AB Lux is a wholly-owned subsidiary of AllianceBernstein L.P. (“**ABLP**”) who acts as investment manager for all AB Products. Any reference to “AB” thereafter refers to ABLP, AB Lux, CPH Capital Fondsmæglerselskab A/S and/or another ABLP subsidiary providing directly or indirectly investment management services to AB Products, as the case may be.

AB is committed to responsibility and stewardship, both as a firm and as investors. AB is a firm with a deep research culture that has fully integrated environmental (including climate), social and governance (“**ESG**”) considerations in the investing process for most actively managed strategies. More information can be found <https://www.alliancebernstein.com/corporate-responsibility/overview.htm>.

The following information represents, *inter alia*, the mission, implementation, and processes of AB with respect to sustainable investments, sustainability risks, and, as applicable, the principal adverse impacts of investment decisions on sustainability factors, when manufacturing and providing investment management for AB Products.

### 1. AB’ SFDR Approach

Among AB’s investment strategy offerings, there will be differences with respect to how AB considers sustainability (which includes the identification of sustainable investments, the sustainability risks, and the consideration of adverse impacts of investment decisions on sustainability factors) as part of its investment decision making process.

Depending on the degree to which AB considers sustainability, including, *inter alia*, the depth of integration and extent of stewardship activity in relation to engagement, policy advocacy and industry collaboration regarding ESG, each AB Product will disclose additional information as required by Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures



in the financial services sector (“**SFDR**”), as amended and supplemented from time to time<sup>1</sup>.

AB currently offers, or may offer in the future, a variety of investment strategies in the EU through different types of AB Products. These strategies include the following:

1. “**Article 9**” Products:
  - a. While seeking to achieve their investment objective, strategies with an objective of sustainable investments, where such sustainable investments do not significantly harm any of the environmental or social objectives and provided that the corresponding investee companies follow good governance practices; or
2. “**Article 8**” products:
  - a. Strategies that promote environmental and/or social characteristics, or a combination thereof, provided that the corresponding investee companies follow good governance practices (where the strategy does not have an objective of sustainable investments); and
3. “**Article 6**” products:
  - a. Strategies that do not have an investment objective of sustainable investments and do not promote environmental and/or social characteristics, but consider sustainability risks as part of the investment decisions process; or
  - b. Strategies that do not have an investment objective of sustainable investments and do not promote environmental and/or social characteristics and do not consider sustainability risks as part of their investment decisions process.

AB has undertaken a sustainability risks assessment for all AB Products to determine the likely impact of sustainability risks on the returns of AB Products. For sake of clarity, sustainability risk means an environmental, social or governance event or condition that, if it occurs, could cause an actual or a potential material negative impact on the value of the investment.

For Article 9 and Article 8 products, AB determined that sustainability risks are likely impacting the returns of the AB Product and therefore integrates the consideration of sustainability risks as part of its investment decision process as indicated in the “**AB Stewardship Approach**”. Additionally, for Article 9 products please also refer to the

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<sup>1</sup> This document has been prepared based on AB understanding of Regulation (EU) 2019/2088 of the European Parliament. Further clarifications will be made upon the date of application of supplementary guidance.

applicable offering document for more information on how these products meet their objective of sustainable investments.

For Article 6 products, AB has determined that sustainability risks are likely to impact certain AB Products in a limited way. Consideration of sustainability risks are only integrated as part of the investment decision process for certain strategies depending on the specific investment objective, strategy, and/or policy. For Article 6 product where AB has determined that sustainability risks are likely to impact the investment returns of the Article 6 products, AB may consider sustainability risks as part of the investment process, including, for example, using the AB Stewardship Approach.

Sustainability risks may not be relevant, for example, where a Article 6 product has a systematic or passive investment strategy.

Additional information on specific AB Products, excluding DPM services, is available at [www.alliancebernstein.com](http://www.alliancebernstein.com).

## 2. AB Stewardship Approach

### 2.1 Introduction

AB has long recognized that ESG considerations present both potential risks and opportunities that can impact the performance of an AB Product. The AB Stewardship Approach outlines the various ESG considerations, including sustainability risks (defined as those ESG events or conditions that, if they occur, could cause an actual or a potential material negative impact on the value of an investment) (herein, “**ESG Factors**”). AB has analyzed and systematically integrated these ESG Factors into all steps of its investment process which AB believes leads to improved investment decisions, enhanced financial outcomes, progress to AB’s commitment to responsible investment and global advancement towards ESG objectives.

When AB became a “Principles for Responsible Investment signatory” in November 2011, AB formalized the integration of ESG Factors into AB’s investment processes for most actively-managed strategies, with the exception of certain strategies, where the integration of ESG Factors is either not relevant to the strategy or would possibly prevent AB from achieving the specific AB Product’s investment objective (i.e. Article 6 products). For certain AB Products, language regarding the integration of ESG Factors was included in the applicable offering document.

AB created a management infrastructure for responsible investment leadership that today drives AB’s firm’s strategy and commitment to these issues firmwide. AB’s Global

Stewardship Statement and Annual Stewardship Report detail AB's activities. Please see <https://www.alliancebernstein.com/corporate-responsibility/responsible-investing.htm> for more information.

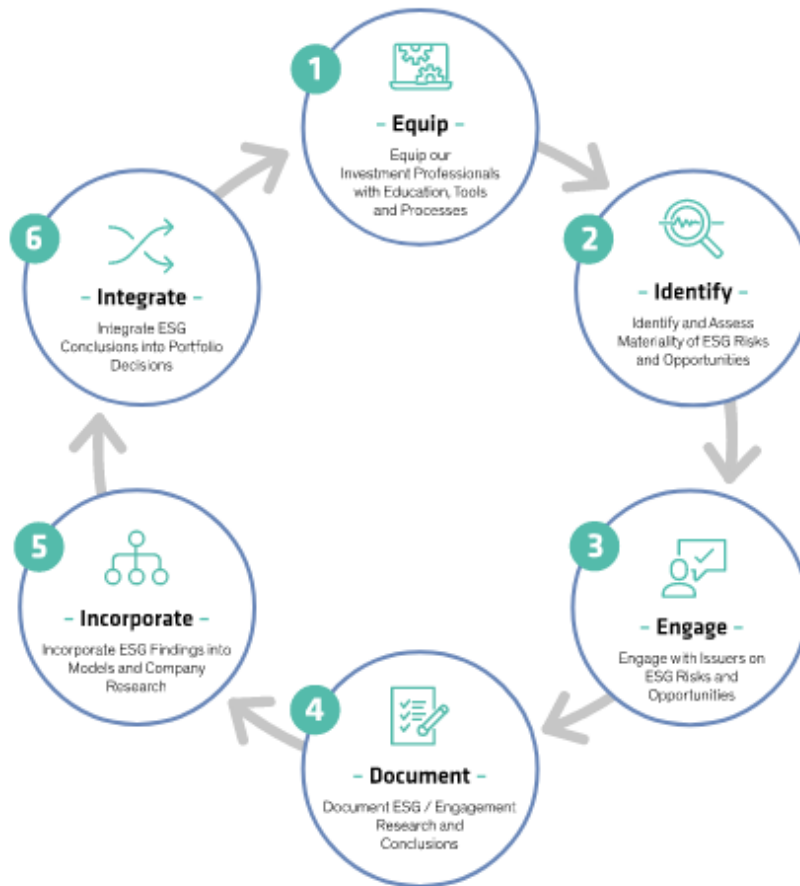
When implementing an investment strategy that integrates ESG Factors, AB takes into account the desired level of risk and return of the strategy and the financial or economic impact of ESG Factors in the risk and return assessment. Analyzing and assessing issuers through the lens of long-term value creation often allows AB to achieve strong financial outcomes while reducing risks through a more thorough analysis of all the factors, including ESG Factors, that will impact a security throughout the course of the investment horizon and beyond.

As further discussed below, when integrating ESG Factors and making investment decisions, AB will also consider the principal adverse impacts of investment decisions on those ESG Factors. These impacts are documented as part of the AB Stewardship Approach.

## 2.2 Integration of Sustainability Risks

AB integrates ESG Factors as part of its investment decision process through six steps: **Equip, Identify, Engage, Document, Incorporate** and **Integrate**.

Depending on the AB Product, the degree and focus of integration may differ but the goal will be the same of seeking to achieve the investment objective where the relevant AB investment teams utilize AB's ESG-experts and responsible investing professionals ("**Responsible Investing Team**") to integrate ESG at every step of its research process.



## (1) Equip

The process starts with equipping AB’s investment teams with frameworks, tools and training to enable them to adequately understand, research and integrate material ESG Factors. This includes:

- **Proprietary toolsets.** To augment third-party data and tool sets, AB has developed proprietary research and collaboration tools to strengthen ESG and climate research and systematize integration across the firm—including AB’s ESIGHT platform for research and collaboration and PRISM for credit ratings and scoring. AB has also created an Alternative Data Dashboard that combines the industry-specific knowledge of AB’s fundamental analysts with the capabilities of AB’s Data Science Team to create better insights from alternative data and AB research.



- **Third-party data and toolsets.** All AB's investment teams have access to a range of data services that enable them to gain a broad understanding of the ESG characteristics of, *inter alia*, an issuer or a sector. These include but are not limited to ESG data from Bloomberg and FactSet, MSCI ESG Ratings, Carbon Delta and MSCI Carbon Emissions data, Sustainalytics Risk Ratings, Global Norms and Controversies analysis, ISS-Ethix Controversial Weapons Analysis, and ISS and Glass-Lewis corporate governance and proxy research. The Responsible Investing Team continually evaluates its current and new providers to ensure AB is providing AB's investment teams with the best possible data and information.
- **Strategic partnerships with world-class institutions.** AB has collaborated on climate change with the Earth Institute at Columbia University. Phase One of the collaboration involved the joint development of a Climate Science and Portfolio Risk curriculum that addresses the science, regulatory, legal and public policy aspects of climate change as well as how to integrate climate change into company and issuer financial analysis. Phase Two will involve joint research with the scientists on an array of climate-change topics.
- **Extensive training programs.** In addition to AB's Climate Change Curriculum, AB offers AB's investment teams ongoing ESG training. This includes peer-to-peer learning for CIOs and portfolio managers, during which a select group of managers present how ESG is integrated in their specific strategies. AB has also systematized training on external data, systems and tools and educational sessions across a suite of topics ranging from modern slavery, corporate governance, sector-specific themes, and how to integrate ESG in portfolio decision making.
- **Broad participation.** AB has broad participation in the development of intellectual property, frameworks, tools and systems. In addition to the Responsible Investing Team, approximately 100 additional AB personnel participate in one or more ESG working teams.





## (2) Identify

AB investment teams begin the ESG integration process by identifying and assessing material ESG Factors with respect to the relevant investment strategy. Materiality of ESG Factors differs by sector, industry and geographical location.

Working with over 120 AB analysts within AB's investment teams across asset classes, AB developed a proprietary materiality matrix that covers more than 40 ESG Factors and spans almost 70 subsectors. AB can apply the matrix as appropriate, giving AB's investment teams valuable perspective on the impact of ESG Factors and therefore AB's long-term financial forecast for a target company. In AB's view, a consistent framework for identifying adverse sustainability impacts helps AB's investment teams make better-informed investment decisions and ultimately enables AB to deliver better investment outcomes. These ESG Factors currently include:

### **Environmental Factors**

- Carbon Emissions
- Product Carbon Footprint
- Climate Change Vulnerability
- Water Management
- Resource Management
- Biodiversity & Land Use
- Toxic Emissions & Hazardous Waste
- COVID-19 and the Environment
- Packaging Waste
- Electronic Waste
- Supply Chain – Environmental

### **Social Factors**

- Labor Management
- Human Capital Development
- Employee Health & Safety
- Product Safety & Quality
- COVID-19 & Social Issues
- Financial Product Safety
- Privacy & Data Security
- Supply Chain – Social
- Responsible Investment
- Insuring Health & Demographic Risk
- Opportunities in Communications

### **Governance Factors**

- Board*
- Board Independence
  - Board Gender Diversity
  - Combined CEO & Chair
  - Entrenched Board
- Oversight and Risk Management*
- Accounting
  - Anti-Competitive Practices
  - Business Ethics
  - Corruptions and Instability
  - Financial System Instability



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

AB also adheres to internationally recognized standards for due diligence and reporting, such as the UN Global Compact, to help guide AB's research. All issuers deemed to be in breach of these global norms are flagged for in-depth research on their suitability for inclusion in an AB Product. This in-depth analysis will assess the reason for an issuer's breach and whether the issuer could still be suitable, taking into account the investment strategy of the relevant AB Product.

ESG Factors and corresponding impacts may not be applicable to all types of instruments or investments.

### (3) Engage

AB's investment teams also engage with issuers on these ESG Factors. ESG Engagement has always been a vital part of AB's investment process. Each year, AB's investment teams engage with the leaders of public and private companies and non-corporate entities, including municipalities, supranational and sovereign issuers. In 2020, AB logged over 15,000 meetings, including issuer-specific engagements and strategic thematic and collaborative engagements. AB will engage on topics and goals other than ESG Factors as part of its engagement policy.

Engaging on ESG issues is a key part of AB's research and stewardship processes as part of AB's commitment to be a leader in responsible investing.



Engagement helps AB to better understand issuers, protect AB Products' interests as shareholders and bondholders of such issuers, and encourages companies to deploy strategies that may, *inter alia*, provide progress toward ESG goals. Engagement allows AB to encourage issuers to take actions that AB believes will improve financial outcomes of the issuers and/or AB Products. AB does not outsource engagement. AB' investment teams engage directly with companies and issuers, often collaborating with the Responsible Investing team. In AB's view, a hands-on engagement approach is the path to better research, better outcomes and better service to AB Products.

AB's Engagement Policy, found at: <https://www.alliancebernstein.com/content/dam/corporate/corporate-pdfs/ABGlobalStewardship.pdf>, describes in more detail AB's engagement with issuers. AB's Engagement Policy also outlines AB collaboration in industry engagement and AB's identification and resolution of potential conflicts of interest when engaging with issuers. AB's engagement policy includes, *inter alia*, how AB exercises voting rights and other rights attached to shares, cooperates with other shareholders, communicates with relevant stakeholders of the investee companies and manages actual and potential conflicts of interests in relation to their engagement.

#### (4) Document and (5) Incorporate

ESIGHT, a proprietary research and collaboration platform, integrates AB's ESG issuer assessments, proxy-voting history, engagements and third-party research from MSCI and Sustainalytics. ESIGHT is also a knowledge center that houses ESG information, including thematic sell-side research reports, academic studies, non-government entity reports, specialist sustainability and climate-change think-tank papers, and AB's own proprietary ESG ratings.

With ESIGHT, AB's corporate bond and equity investment teams can access and share information during all steps of the investment process about issuers' ESG practices. When AB investment teams conduct research or prepare for an engagement, they can explore previous interactions, querying by issuer, AB investment team, or ESG topic and theme. ESIGHT also enhances portfolio management and reporting: AB professionals can assess ESG topics by company

or issuer, industry, or portfolio and share engagement statistics, examples and outcomes with clients.

PRISM, a proprietary credit rating and scoring system integrates fixed-income ESG research into a fully digitalized data and security analysis platform. With PRISM, analysts can develop and share views on individual issuers in a consistent, comparable and quantifiable way across industries, ratings categories and geographies. Analysts also have access to MSCI scores through the system. Analysts evaluate each issuer on multiple dimensions, using research and engagement insights to assign specific ESG scores, which are used in credit scoring. PRISM scoring will weigh ESG Factors differently depending on the industry being analysed and are based on what AB analysts view as the most important ESG Factors for the company or issuer. Any fixed income portfolio manager or analyst can access PRISM's ESG scores at all times during the investment process.

## (6) Integrate

AB's investment teams integrate ESG Factors into the investment decision-making process, leading to better informed investment decision. Analysts within AB's investment teams are responsible for considering ESG Factors at the beginning of the investment decision process by identifying them, researching them, engaging with issuers, and incorporating the ESG Factors into the AB Products investment models and frameworks, as applicable.

An AB analyst's recommendation and evaluation of the ESG Factors may impact investment decisions in multiple ways, not just whether or not to buy a security. For example, the impact of ESG Factors on cash flows, credit ratings or discount rates may have an influence on the investment decision and position sizing.

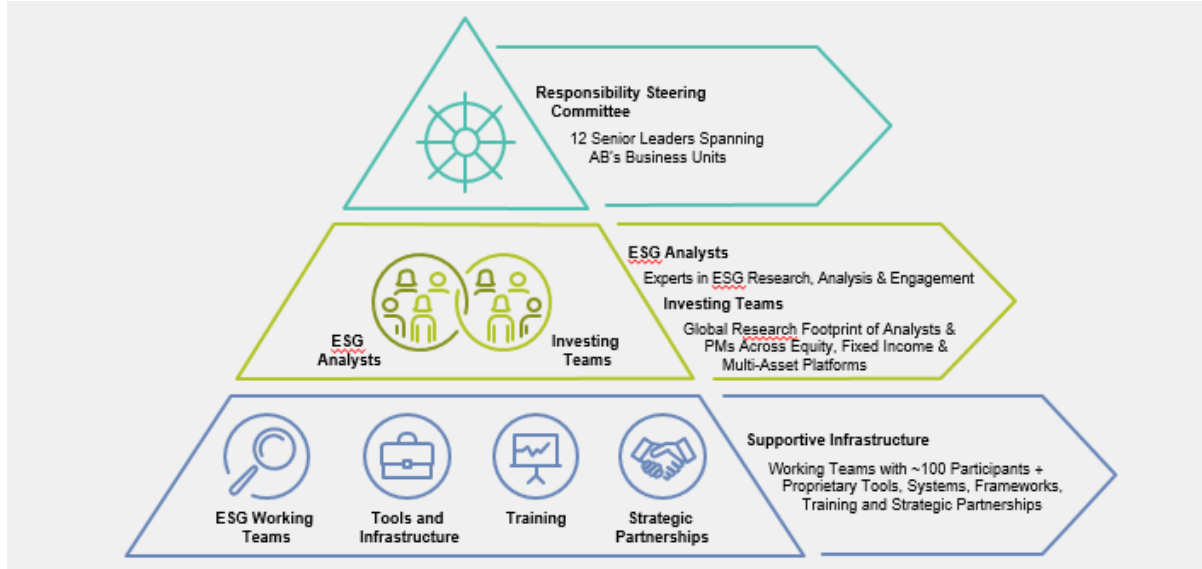
After considering ESG Factors, including any applicable scoring, depending on the investment objective and upon the type of AB Product (i.e. Article 9 vs. Article 8 v. Article 6), AB may still purchase the security and/or retain it as a holding.

## 2.3 Structure and Governance to Support ESG Sustainability Integration

To oversee AB's ESG and sustainability activities, including the AB Stewardship Approach, AB created a structure that reflects AB's commitment to responsibility at all levels of AB's organization.

AB's Board of Directors and CEO established the position of Chief Responsibility Officer (CRO) in 2020. This position has direct supervisory control over AB's corporate responsibility and responsible investing efforts. The CRO is also a member of AB's Operating Committee. AB's Global Head of Responsible Investing oversees AB's Responsibility Strategic Business Unit (SBU), which includes the Responsible Investing Team and the Corporate Responsibility Team. AB's responsible investing strategy is also supported by other AB investment teams:

- The Audit and Risk committee of AB's Board of Directors provides formal oversight for Responsibility and Responsible Investing.
- The Responsibility Steering Committee, co-chaired by AB's CRO and Global Head of Responsible Investing, develops strategy and oversees execution. This Committee is composed of senior professionals from across AB.
- AB's Responsible Investing team of subject-matter experts partners with AB's investment teams in this effort. In conjunction with AB's various ESG working groups, the Responsible Investing team develops proprietary frameworks and toolsets, manages AB's strategic ESG partnerships, develops training programs and executes proxy votes.
- AB's Corporate Responsibility Team develops AB's approach to responsibility. The team is responsible for designing and delivering AB's purpose and values, diversity and inclusion (D&I), sustainability, and corporate philanthropy activities.
- AB's investment teams engage with issuers, analyze and quantify ESG Factors, and incorporate these inputs in their investment decisions.



In addition to the Responsibility Steering Committee, AB maintains three other committees that are crucial to the oversight Responsibility, Responsible Investing and Stewardship:

- **Proxy Voting and Governance Committee.** This committee consists of senior representatives from AB's equity and fixed income investment teams, responsible investing team, operations, and legal and compliance department. This committee establishes AB's proxy voting policy, oversees proxy voting activities, and provides formal oversight of the proxy voting process, maintains and updates AB's firm's proxy policies and procedures to ensure it captures AB's latest thinking, formulates AB's position on new proposals, and consults on votes not covered by AB's formal Proxy Voting and Governance policy.
- **Controversial Investments Advisory Council.** This council consists of senior representatives from across AB. It is co-chaired by AB's CEO and CRO. The purpose of the council is to provide a forum for discussion and debate on issues such as controversial weapons, tobacco, or international norms. The council discussion will not only inform specific investment decisions but help to establish AB policy in these areas.
- **Diversity Champions Council (DCC).** The mission of the DCC is to ensure that D&I remain at the center of AB's culture, policies and practices. The members of the DCC, champion and role model D&I by increasing accountability within SBUs for hiring, promoting and retaining diverse talent. DCC members are charged with helping to monitor and review SBU specific D&I goals and share best practices across the firm.

### 3. Taxonomy Regulation

AB considers the Taxonomy Regulation for its Article 9 products as follows.

Article 9 products have an objective of Sustainable Investments which includes investment in an economic activity that contributes to an environmental objective.

Some of these Sustainable Investments qualify as environmentally sustainable investments as defined by the Taxonomy Regulation and/or are enabling or transitional activities as defined by the Taxonomy Regulation (all together referring to as the **“Taxonomy Aligned Investment(s)”**).

Taxonomy Aligned Investments contribute to one or more of the following environmental objectives:

- climate change mitigation;
- climate change adaptation;
- the sustainable use and protection of water and marine resources;
- the transition to a circular economy;
- pollution prevention and control; and/or
- the protection and restoration of biodiversity and ecosystems.

As outlined in the investment process section of the prospectus of each fund, each Article 9 product creates a universe of Sustainable Investments. The investment process is based on the UNSDGs, or partially on the Paris Agreement in the case of Climate High Income, rather than the Taxonomy Regulation. The investment process for the Article 9 products results in a portfolio of holdings that may align with the current Taxonomy Regulation. Economic activities of issuers whose products or services align with the UNSDGs may qualify as environmentally sustainable, enabling, or transitional activities as defined by Taxonomy Regulation (the **“Enabling and/or Transitional Activities”**).

While most of the Article 9 products were designed and launched prior to the Taxonomy Regulation, AB’s investment process, in particular the sustainable thematic and climate high income approach and the AB Stewardship Approach, nevertheless includes aspects of, or materially similar to, the Taxonomy Regulation. Each Article 9 product creates a universe of Sustainable Investments based on the UNSDGs and/or the Paris Agreement. As part of the investment process to identify the investment universe, AB analyses various aspects of an issuer and the products and services they offer. As part of this analysis, inter alia, AB identifies themes and sub-themes and some of these themes have similarities to climate change adaptation and mitigation described in the Taxonomy Regulation. As a result, Article 9 products’ respective holdings may qualify as Taxonomy Aligned Investments.

AB does not apply the Taxonomy Regulation for its Article 8 products as they do not have an objective of Sustainable Investments. Therefore the investments underlying these financial products do not take into account the EU criteria for environmentally sustainable economic activities and the Article 8 products do not commit to invest a specific percentage of their investments in Sustainable Investments with an environmental objective, but may hold such type of investments as a result of the implementation of the specific strategies embedded in the Article 8 product.

Please refer to the annual report of the relevant Article 8 and Article 9 products for information on Taxonomy Aligned Investment(s) holdings.

## 4. Remuneration

The following only applies to those AB Products where investment management services are provided to an AB Product. The following does not apply to AB Lux as AB Lux does not have any investment personnel as outlined further in the AB Lux Remuneration Policy.

AB's compensation philosophy is governed by a widely used model for managing SBU and senior leader performance called a "SBU Head Scorecard." The Scorecard serves to direct SBU Head's priorities from a solely revenue-based evaluative model, shifting instead to a leadership-focused management and measurement tool.

The priorities and needs of clients are considered alongside the expectation of creating long-term, sustainable value for clients, and complement revenue expectations. AB does not utilize quantitative formulas when determining the incentive compensation of our named executive officers. Instead, AB relies on our assessment of each executive's performance relative to business, operational, and cultural goals established at the beginning of the year and reviewed in the context of the current-year financial performance of the firm.

"ESG Progress" is a prominent measure noted on the scorecard with individual SBU Heads, through their management efforts, tasked with cascading these expectations throughout their individual organizations. Both the AB and the SBU performances are assessed against material ESG efforts which will have influence on compensation awards. The structure of the firm's incentive compensation plans plays an additional role in this effort through the use of unit awards, not only cash, and deferral periods that instill a deeper commitment to clients and the positive progress of the firm.