

| LEA 02                                 | Disclosures: Mandatory   | Reason for Interaction   | Principle: PRI 1, 2, 3 |
|--|--|--|------------------------|
| Individual/ internal staff engagements | <p><input checked="" type="checkbox"/> To support investment decision-making in &amp; company's internal ESG issues</p> <p><input checked="" type="checkbox"/> To influence corporate practice or identify the need for a material or other issue</p> <p><input type="checkbox"/> We do not engage via internal staff</p>            | <p><input checked="" type="checkbox"/> To support investment decision-making in &amp; company's internal ESG issues</p> <p><input checked="" type="checkbox"/> To influence corporate practice or identify the need for a material or other issue</p> <p><input type="checkbox"/> We do not engage via collaborative engagements</p> |                        |
| Collaborative engagements              | <p><input checked="" type="checkbox"/> To support investment decision-making in &amp; company's internal ESG issues</p> <p><input checked="" type="checkbox"/> To influence corporate practice or identify the need for a material or other issue</p> <p><input type="checkbox"/> We do not engage via collaborative engagements</p> |  |                        |
| Service provider engagements           | <p><input checked="" type="checkbox"/> To support investment decision-making in &amp; company's internal ESG issues</p> <p><input checked="" type="checkbox"/> To influence corporate practice or identify the need for a material or other issue</p> <p><input type="checkbox"/> We do not engage via service providers</p>         |  |                        |

# RI TRANSPARENCY REPORT

## 2016

AB

## About this report

The PRI Reporting Framework is a key step in the journey towards building a common language and industry standard for reporting responsible investment (RI) activities. This RI Transparency Report is one of the key outputs of this Framework. Its primary objective is to enable signatory transparency on RI activities and facilitate dialogue between investors and their clients, beneficiaries and other stakeholders. A copy of this report will be publicly disclosed for all reporting signatories on the [PRI website](#), ensuring accountability of the PRI Initiative and its signatories.

This report is an export of the individual Signatory organisation's response to the PRI during the 2016 reporting cycle. It includes their responses to mandatory indicators, as well as responses to voluntary indicators the signatory has agreed to make public. The information is presented exactly as it was reported. Where an indicator offers a response option that is multiple-choice, all options that were available to the signatory to select are presented in this report. Presenting the information exactly as reported is a result of signatory feedback which suggested the PRI not summarise the information. As a result, the reports can be extensive. However, to help easily locate information, there is a **Principles index** which highlights where the information can be found and summarises the indicators that signatories complete and disclose.

## Understanding the Principles Index

The Principles Index summarises the response status for the individual indicators and modules and shows how these relate to the six [Principles for Responsible Investment](#). It can be used by stakeholders as an 'at-a-glance' summary of reported information and to identify particular themes or areas of interest.

Indicators can refer to one or more Principles. Some indicators are not specific to any Principle. These are highlighted in the 'General' column. When multiple Principles are covered across numerous indicators, in order to avoid repetition, only the main Principle covered is highlighted.

All indicators within a module are presented below. The status of indicators is shown with the following symbols:

| Symbol | Status  |
|--------|---|
| ✓      | The signatory has completed all mandatory parts of this indicator |
| ☑      | The signatory has completed some parts of this indicator          |
| 🔒      | This indicator was not relevant for this signatory                |
| -      | The signatory did not complete any part of this indicator         |
| Ⓜ      | The signatory has flagged this indicator for internal review      |

Within the table, indicators marked in blue are mandatory to complete. Indicators marked in grey are voluntary to complete.

# Principles Index

| Organisational Overview |   |        |                              | Principle |   |   |   |   |   | General |
|-------------------------|---|--------|------------------------------|-----------|---|---|---|---|---|---------|
| Indicator               | Short description                                   | Status | Disclosure                   | 1         | 2 | 3 | 4 | 5 | 6 |         |
| OO 01                   | Signatory category and services                     | ✓      | Public                       |           |   |   |   |   |   | ✓       |
| OO 02                   | Headquarters and operational countries              | ✓      | Public                       |           |   |   |   |   |   | ✓       |
| OO 03                   | Subsidiaries that are separate PRI signatories      | ✓      | Public                       |           |   |   |   |   |   | ✓       |
| OO 04                   | Reporting year and AUM                              | ✓      | Public                       |           |   |   |   |   |   | ✓       |
| OO 05                   | Breakdown of AUM by asset class                     | ✓      | Asset mix disclosed in OO 06 |           |   |   |   |   |   | ✓       |
| OO 06                   | How would you like to disclose your asset class mix | ✓      | Public                       |           |   |   |   |   |   | ✓       |
| OO 07                   | Fixed income AUM breakdown                          | ✓      | Public                       |           |   |   |   |   |   | ✓       |
| OO 08                   | Segregated mandates or pooled funds                 | ✓      | Public                       |           |   |   |   |   |   | ✓       |
| OO 09                   | Breakdown of AUM by market                          | ✓      | Public                       |           |   |   |   |   |   | ✓       |
| OO 10                   | Additional information about organisation           | ✓      | Public                       |           |   |   |   |   |   | ✓       |
| OO 11                   | RI activities for listed equities                   | ✓      | Public                       |           |   |   |   |   |   | ✓       |
| OO 12                   | RI activities in other asset classes                | ✓      | Public                       |           |   |   |   |   |   | ✓       |
| OO 13                   | Modules and sections required to complete           | ✓      | Public                       |           |   |   |   |   |   | ✓       |

| Strategy and Governance |  |        |            | Principle |   |   |   |   |   | General |
|-------------------------|--|--------|------------|-----------|---|---|---|---|---|---------|
| Indicator               | Short description  | Status | Disclosure | 1         | 2 | 3 | 4 | 5 | 6 |         |
| SG 01                   | RI policy and coverage   | ✓      | Public     |           |   |   |   |   |   | ✓       |
| SG 02                   | Publicly available RI policy or guidance documents                 | ✓      | Public     |           |   |   |   |   |   | ✓       |
| SG 03                   | Conflicts of interest  | ✓      | Public     |           |   |   |   |   |   | ✓       |
| SG 04                   | RI goals and objectives  | ✓      | Public     |           |   |   |   |   |   | ✓       |
| SG 05                   | Main goals/objectives this year                                    | ✓      | Public     |           |   |   |   |   |   | ✓       |
| SG 06                   | RI roles and responsibilities                                      | ✓      | Public     |           |   |   |   |   |   | ✓       |
| SG 07                   | RI in performance management, reward and/or personal development   | ✓      | Public     |           |   |   |   |   |   | ✓       |
| SG 08                   | Collaborative organisations / initiatives                          | ✓      | Public     |           |   |   | ✓ | ✓ |   |         |
| SG 09                   | Promoting RI independently   | ✓      | Public     |           |   |   | ✓ |   |   |         |
| SG 10                   | Dialogue with public policy makers or standard setters             | ✓      | Public     |           |   |   | ✓ | ✓ | ✓ |         |
| SG 11                   | ESG issues in strategic asset allocation                           | ✓      | Public     | ✓         |   |   |   |   |   |         |
| SG 12                   | Long term investment risks and opportunity                         | ✓      | Public     | ✓         |   |   |   |   |   |         |
| SG 13                   | Allocation of assets to environmental and social themed areas      | ✓      | Public     | ✓         |   |   |   |   |   |         |
| SG 14                   | ESG issues for internally managed assets not reported in framework | 🔒      | n/a        |           |   |   |   |   |   | ✓       |
| SG 15                   | ESG issues for externally managed assets not reported in framework | 🔒      | n/a        |           |   |   |   |   |   | ✓       |
| SG 16                   | RI/ESG in execution and/or advisory services                       | 🔒      | n/a        | ✓         | ✓ |   |   |   |   |         |
| SG 17                   | Innovative features of approach to RI                              | ✓      | Public     |           |   |   |   |   |   | ✓       |
| SG 18                   | Internal and external review and assurance of responses            | ✓      | Public     |           |   |   |   |   |   | ✓       |

| Direct - Listed Equity Incorporation |  |        |            | Principle |   |   |   |   |   | General |
|--------------------------------------|--|--------|------------|-----------|---|---|---|---|---|---------|
| Indicator                            | Short description  | Status | Disclosure | 1         | 2 | 3 | 4 | 5 | 6 |         |
| LEI 01                               | Breakdown by passive, quantitative, fundamental and other active strategies  | ✓      | Public     |           |   |   |   |   |   | ✓       |
| LEI 02                               | Reporting on strategies that are <10% of actively managed listed equities    | 🔒      | n/a        |           |   |   |   |   |   | ✓       |
| LEI 03                               | Percentage of each incorporation strategy                                    | ✓      | Public     | ✓         |   |   |   |   |   |         |
| LEI 04                               | Type of ESG information used in investment decision                          | ✓      | Public     | ✓         |   |   |   |   |   |         |
| LEI 05                               | Information from engagement and/or voting used in investment decision-making | ✓      | Public     | ✓         |   |   |   |   |   |         |
| LEI 06                               | Types of screening applied   | ✓      | Public     | ✓         |   |   |   |   |   |         |
| LEI 07                               | Processes to ensure screening is based on robust analysis                    | ✓      | Public     | ✓         |   |   |   |   |   |         |
| LEI 08                               | Processes to ensure fund criteria are not breached                           | ✓      | Public     | ✓         |   |   |   |   |   |         |
| LEI 09                               | Types of sustainability thematic funds/mandates                              | 🔒      | n/a        | ✓         |   |   |   |   |   |         |
| LEI 10                               | Review ESG issues while researching companies/sectors                        | ✓      | Public     | ✓         |   |   |   |   |   |         |
| LEI 11                               | Processes to ensure integration is based on robust analysis                  | ✓      | Public     | ✓         |   |   |   |   |   |         |
| LEI 12                               | Aspects of analysis ESG information is integrated into                       | ✓      | Public     | ✓         |   |   |   |   |   |         |
| LEI 13                               | ESG issues in index construction   | ✓      | Public     | ✓         |   |   |   |   |   |         |
| LEI 14                               | How ESG incorporation has influenced portfolio composition                   | ✓      | Public     | ✓         |   |   |   |   |   |         |
| LEI 15                               | Measurement of financial and ESG outcomes of ESG incorporation               | ✓      | Public     | ✓         |   |   |   |   |   |         |
| LEI 16                               | Examples of ESG issues that affected your investment view / performance      | ✓      | Public     | ✓         |   |   |   |   |   |         |
| LEI 17                               | Disclosure of approach to ESG incorporation                                  | ✓      | Public     |           | ✓ |   |   |   |   | ✓       |

| Direct - Listed Equity Active Ownership |  |        |            | Principle |   |   |   |   |   | General |
|---|--|--------|------------|-----------|---|---|---|---|---|---------|
| Indicator                               | Short description  | Status | Disclosure | 1         | 2 | 3 | 4 | 5 | 6 |         |
| LEA 01                                  | Description of approach to engagement  | ✓      | Public     |           | ✓ |   |   |   |   |         |
| LEA 02                                  | Reasoning for interaction on ESG issues                                      | ✓      | Public     | ✓         | ✓ | ✓ |   |   |   |         |
| LEA 03                                  | Process for identifying and prioritising engagement activities               | ✓      | Public     |           | ✓ |   |   |   |   |         |
| LEA 04                                  | Objectives for engagement activities   | ✓      | Public     |           | ✓ |   |   |   |   |         |
| LEA 05                                  | Process for identifying and prioritising collaborative engagement            | ✓      | Public     |           | ✓ |   |   |   |   |         |
| LEA 06                                  | Objectives for engagement activities   | ✓      | Public     |           | ✓ |   |   |   |   |         |
| LEA 07                                  | Role in engagement process   | 🔒      | n/a        |           | ✓ |   | ✓ |   |   |         |
| LEA 08                                  | Monitor / discuss service provider information                               | 🔒      | n/a        |           | ✓ |   |   |   | ✓ |         |
| LEA 09                                  | Share insights from engagements with internal/external managers              | ✓      | Public     | ✓         | ✓ |   |   |   |   |         |
| LEA 10                                  | Tracking number of engagements   | ✓      | Public     |           | ✓ |   |   |   |   |         |
| LEA 11                                  | Number of companies engaged with, intensity of engagement and effort         | ✓      | Public     |           | ✓ |   |   |   |   |         |
| LEA 12                                  | Engagement methods   | ✓      | Public     |           | ✓ |   |   |   |   |         |
| LEA 13                                  | Engagements on E, S and/or G issues  | ✓      | Public     |           | ✓ |   |   |   |   |         |
| LEA 14                                  | Companies changing practices / behaviour following engagement                | ✓      | Public     |           | ✓ |   |   |   |   |         |
| LEA 15                                  | Examples of ESG engagements  | ✓      | Public     |           | ✓ |   |   |   |   |         |
| LEA 16                                  | Disclosure of approach to ESG engagements                                    | ✓      | Public     |           | ✓ |   |   |   | ✓ |         |
| LEA 17                                  | Voting policy & approach   | ✓      | Public     | ✓         | ✓ | ✓ |   |   |   |         |
| LEA 18                                  | Typical approach to (proxy) voting decisions                                 | ✓      | Public     |           | ✓ |   |   |   |   |         |
| LEA 19                                  | Percentage of voting recommendations reviewed                                | 🔒      | n/a        |           | ✓ |   |   |   |   |         |
| LEA 20                                  | Confirmation of votes  | ✓      | Public     |           | ✓ |   |   |   |   |         |
| LEA 21                                  | Securities lending programme   | ✓      | Public     |           | ✓ |   |   |   |   |         |
| LEA 22                                  | Informing companies of the rationale of abstaining/voting against management | ✓      | Public     |           | ✓ |   |   |   |   |         |
| LEA 23                                  | Percentage of (proxy) votes cast   | ✓      | Public     |           | ✓ |   |   |   |   |         |
| LEA 24                                  | Proportion of ballot items that were for/against/abstentions                 | ✓      | Public     |           | ✓ |   |   |   |   |         |
| LEA 25                                  | Shareholder resolutions  | ✓      | Public     |           | ✓ |   |   |   |   |         |
| LEA 26                                  | Examples of (proxy) voting activities  | ✓      | Public     |           | ✓ |   |   |   |   |         |
| LEA 27                                  | Disclosing voting activities   | ✓      | Public     |           | ✓ |   |   |   | ✓ |         |

| Direct - Fixed Income |   |        |            | Principle |   |   |   |   |   | General |
|-----------------------|---|--------|------------|-----------|---|---|---|---|---|---------|
| Indicator             | Short description                                     | Status | Disclosure | 1         | 2 | 3 | 4 | 5 | 6 |         |
| FI 01                 | Breakdown by passive,active strategies                | ✓      | Public     |           |   |   |   |   |   | ✓       |
| FI 02                 | Option to report on <10% assets                       | 🔒      | n/a        |           |   |   |   |   |   | ✓       |
| FI 03                 | Breakdown by market and credit quality                | ✓      | Public     |           |   |   |   |   |   | ✓       |
| FI 04                 | Incorporation strategies applied                      | ✓      | Public     | ✓         |   |   |   |   |   |         |
| FI 05                 | ESG issues and issuer research                        | ✓      | Public     | ✓         |   |   |   |   |   |         |
| FI 06                 | Processes to ensure analysis is robust                | ✓      | Public     | ✓         |   |   |   |   |   |         |
| FI 07                 | Types of screening applied                            | ✓      | Public     | ✓         |   |   |   |   |   |         |
| FI 08                 | Negative screening - overview and rationale           | ✓      | Public     | ✓         |   |   |   |   |   |         |
| FI 09                 | Examples of ESG factors in screening process          | ✓      | Public     | ✓         |   |   |   |   |   |         |
| FI 10                 | Screening - ensuring criteria are met                 | ✓      | Public     | ✓         |   |   |   |   |   |         |
| FI 11                 | Thematic investing - overview                         | 🔒      | n/a        | ✓         |   |   |   |   |   |         |
| FI 12                 | Thematic investing - themed bond processes            | 🔒      | n/a        | ✓         |   |   |   |   |   |         |
| FI 13                 | Thematic investing - assessing impact                 | 🔒      | n/a        | ✓         |   |   |   |   |   |         |
| FI 14                 | Integration overview                                  | ✓      | Public     | ✓         |   |   |   |   |   |         |
| FI 15                 | Integration - ESG information in investment processes | ✓      | Public     | ✓         |   |   |   |   |   |         |
| FI 16                 | Integration - E,S and G issues reviewed               | ✓      | Public     | ✓         |   |   |   |   |   |         |
| FI 17                 | ESG incorporation in passive funds                    | -      | n/a        | ✓         |   |   |   |   |   |         |
| FI 18                 | Engagement overview and coverage                      | ✓      | Public     |           | ✓ |   |   |   |   |         |
| FI 19                 | Engagement method                                     | ✓      | Public     | ✓         | ✓ |   |   |   |   |         |
| FI 20                 | Engagement policy disclosure                          | ✓      | Public     | ✓         | ✓ |   |   |   |   |         |
| FI 21                 | Financial/ESG performance                             | ✓      | Public     |           |   |   |   |   |   | ✓       |
| FI 22                 | Examples - ESG incorporation or engagement            | ✓      | Public     | ✓         | ✓ |   |   |   |   |         |
| FI 23                 | Communications  | ✓      | Public     |           | ✓ |   |   |   | ✓ |         |

AB

Reported Information

Public version

Organisational Overview

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## Basic Information

OO 01

Mandatory

Gateway/Peering

General

OO 01.1

Select the services you offer.

Fund management

% of assets under management (AUM) in ranges

- <10%
- 10-50%
- >50%

Fund of funds, manager of managers, sub-advised products

% of assets under management (AUM) in ranges

- <10%
- 10-50%
- >50%

Other, specify

Execution and advisory services

OO 02

Mandatory

Peering

General

OO 02.1

Select the location of your organisation's headquarters.

United States

OO 02.2

Indicate the number of countries in which you have offices (including your headquarters).

- 1
- 2-5
- 6-10
- >10

OO 02.3

Indicate the approximate number of staff in your organisation in full-time equivalents (FTE).

FTE

3,600

OO 03

Mandatory

Descriptive

General

OO 03.1

Indicate whether you have subsidiaries within your organisation that are also PRI signatories in their own right.

- Yes
- No

OO 04

Mandatory

Gateway/Peering

General

OO 04.1

Indicate the year end date for your reporting year.

31/12/2015

OO 04.2

Indicate your total AUM at the end of your reporting year, excluding subsidiaries you have chosen not to report on, and advisory/execution only assets.

|               | trillions | billions | millions | thousands | hundreds |
|---------------|-----------|----------|----------|-----------|----------|
| Total AUM     |           | 467      | 439      | 891       | 182      |
| Currency      | USD       |          |          |           |          |
| Assets in USD |           | 467      | 439      | 891       | 182      |

OO 06

Mandatory

Descriptive

General

OO 06.1

To contextualise your responses to the public, indicate how you would like to disclose your asset class mix.

- Publish our asset class mix as percentage breakdown
- Publish our asset class mix as broad ranges

|                | Internally managed (%) | Externally managed (%) |
|----------------|------------------------|------------------------|
| Listed equity  | 10-50%                 | 0                      |
| Fixed income   | >50%                   | 0                      |
| Private equity | 0                      | 0                      |
| Property       | <10%                   | 0                      |
| Infrastructure | 0                      | 0                      |
| Commodities    | 0                      | 0                      |
| Hedge funds    | <10%                   | 0                      |
| Forestry       | 0                      | 0                      |

|                    |      |      |
|--------------------|------|------|
| Farmland           | 0    | 0    |
| Inclusive finance  | 0    | 0    |
| Cash               | <10% | 0    |
| Other (1), specify | 0    | <10% |
| Other (2), specify | 0    | 0    |

'Other (1)' specified

Multi-Asset

**OO 06.2** Publish our asset class mix as per attached image [Optional].

**OO 07** **Mandatory to Report Voluntary to Disclose** **Gateway** **General**

**OO 07.1** Provide to the nearest 5% the percentage breakdown of your Fixed Income AUM at the end of your reporting year, using the following categories.

|                           |                           |      |
|---------------------------|---------------------------|------|
| <b>Internally managed</b> | SSA                       | 40   |
|                           | Corporate (financial)     | 13   |
|                           | Corporate (non-financial) | 39   |
|                           | Securitised               | 8    |
|                           | Total                     | 100% |

**OO 08** **Mandatory to Report Voluntary to Disclose** **Peering** **General**

**OO 08.1** Provide a breakdown of your organisation's externally managed assets between segregated mandates and pooled funds.

|  |  |
|--|--|
|  | % of externally managed assets   |
| Segregated mandate(s)                  | <input type="radio"/> 0%<br><input type="radio"/> <10%<br><input type="radio"/> 10-50%<br><input checked="" type="radio"/> >50 % |
| Pooled fund(s)                         | <input type="radio"/> 0%<br><input type="radio"/> <10%<br><input checked="" type="radio"/> 10-50%<br><input type="radio"/> >50 % |
| <i>Total externally managed assets</i> | 100%   |

|       |   |         |         |
|-------|---|---------|---------|
| OO 09 | Mandatory to Report Voluntary to Disclose | Peering | General |
|-------|---|---------|---------|

**OO 09.1** Indicate the breakdown of your organisation's AUM by market.

| Market breakdown                     | % of AUM   |
|--------------------------------------|--|
| Developed Markets                    | <input type="radio"/> 0%<br><input type="radio"/> <10%<br><input type="radio"/> 10-50%<br><input checked="" type="radio"/> >50 % |
| Emerging, Frontier and Other Markets | <input checked="" type="radio"/> <10%<br><input type="radio"/> 10-50%<br><input type="radio"/> >50 %                             |

|       |           |             |         |
|-------|-----------|-------------|---------|
| OO 10 | Voluntary | Descriptive | General |
|-------|-----------|-------------|---------|

**OO 10.1** Provide any additional information about your organisation, its mission, strategies, activities or investments which are important to contextualise your responsible investment activities.

AB has a strong commitment to corporate responsibility and released our inaugural corporate responsibility report in 2015, which can be found on our public website at <https://www.abglobal.com/corporate/our-firm/corporate-responsibility.htm>.

Acting responsibly as an organization is more important than ever, and it is what helps us keep our clients ahead of tomorrow. Our CR report is a scorecard of what we're doing as a firm to build a diverse workforce, engage with our communities, offer a comprehensive range of investment solutions to meet the needs of our varied global client base, and ensure sustainable operations.

**Gateway asset class implementation indicators**

|       |           |         |         |
|-------|-----------|---------|---------|
| OO 11 | Mandatory | Gateway | General |
|-------|-----------|---------|---------|

**OO 11.1** Select your direct or indirect ESG incorporation activities your organisation implemented, for listed equities in the reporting year.

- We incorporate ESG in our investment decisions on our internally managed assets
- We do not incorporate ESG in our directly managed listed equity and/or we do not address ESG incorporation in our external manager selection, appointment and/or monitoring processes.

**OO 11.2** Select your direct or indirect engagement activities your organisation implemented for listed equity in the reporting year.

- We engage with companies on ESG issues via our staff, collaborations or service providers
- We do not engage directly and do not require external managers to engage with companies on ESG factors.

**OO 11.3** Select your direct or indirect voting activities your organisation implemented for listed equity in the reporting year

- We cast our (proxy) votes directly or via dedicated voting providers
- We do not cast our (proxy) votes directly and do not require external managers to vote on our behalf

|       |           |         |         |
|-------|-----------|---------|---------|
| OO 12 | Mandatory | Gateway | General |
|-------|-----------|---------|---------|

**OO 12.1** Select internally managed asset classes where you implemented responsible investment into your investment decisions and/or your active ownership practices (during the reporting year)

- Fixed income – SSA
- Fixed income – corporate (financial)
- Fixed income – corporate (non-financial)
- Fixed income – securitised
- Property
- Hedge funds
- Cash
- None of the above

**OO 12.2** Select externally managed assets classes where you addressed ESG incorporation and/or active ownership in your external manager selection, appointment and/or monitoring processes (during the reporting year)

- Other (1)
- None of the above

**OO 12.3b** If your organisation does not integrate ESG factors into investment decisions on your externally managed assets, explain why not.

While some of the underlying funds may integrate ESG factors into their investment processes, we do not currently incorporate these factors in our external manager selection process. We are developing our approach on how to incorporate this in our process.

'Other (1)' [as defined in OO 05]

## Retirement Strategies

OO 13

Mandatory

Gateway

General

**You will need to make a selection in OO 13.1 only if you have any voluntary modules that you can choose to report on.**

OO 13.1

You are only required to report on asset classes that represent 10% or more of your AUM. You may report voluntarily on any applicable modules or sections by selecting them from the list below.

### Core modules

- Organisational Overview
- Strategy and Governance

### RI implementation directly or via service providers

#### Direct - Listed Equity incorporation

- Listed Equity incorporation

#### Direct - Listed Equity active ownership

- Engagements
- (Proxy) voting

#### Direct - Fixed Income

- Fixed income - SSA
- Fixed income - Corporate (financial)
- Fixed income - Corporate (non-financial)
- Fixed income - Securitised

### Closing module

- Closing module

AB

Reported Information

Public version

Strategy and Governance

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## Responsible investment policy

SG 01

Mandatory

Core Assessed

General

SG 01.1

Indicate if you have an investment policy that covers your responsible investment approach.

Yes

SG 01.2

Indicate the components/types and coverage of your policy.

Select all that apply

| Policy components/types   | Coverage by AUM  |
|---|--|
| <input checked="" type="checkbox"/> Policy setting out your overall approach<br><input type="checkbox"/> Formalised guidelines on environmental factors<br><input type="checkbox"/> Formalised guidelines on social factors<br><input checked="" type="checkbox"/> Formalised guidelines on corporate governance factors<br><input type="checkbox"/> Asset class-specific guidelines<br><input type="checkbox"/> Sector specific RI guidelines<br><input checked="" type="checkbox"/> Screening / exclusions policy<br><input type="checkbox"/> Engagement policy<br><input checked="" type="checkbox"/> (Proxy) voting policy<br><input type="checkbox"/> Other, specify (1)<br><input type="checkbox"/> Other, specify(2) | <input type="radio"/> Applicable policies cover all AUM<br><input checked="" type="radio"/> Applicable policies cover a majority of AUM<br><input type="radio"/> Applicable policies cover a minority of AUM |

SG 01.3

Indicate what norms have you used to develop your RI policy.

- UN Global Compact Principles
- UN Guiding Principles on Business and Human Rights
- Universal Declaration of Human Rights
- International Bill of Human Rights
- International Labour Organization Conventions
- United Nations Convention Against Corruption
- OECD Guidelines for Multinational Enterprises
- Other, specify (1)

other (1) description

PRI

- Other, specify (2)
- Other, specify (3)
- None of the above

|                |  |
|----------------|--|
| <b>SG 01.4</b> | Provide a brief description of the key elements of your investment policy that covers your responsible investment approach [Optional]. |
|----------------|--|

AB maintains a comprehensive Responsible Investment Policy that articulates our firm's approach to considering and incorporating environmental, social, and governance factors in our research and investment processes firm-wide. Our Policy outlines how we fulfill our obligations as a PRI signatory. It also describes the functions and objectives of our Responsible Investment Committee, which is to provide leadership and guidance to AB personnel as they implement our firm's RI policies and practices in their day-to-day management of client portfolios, helping AB continue making progress on implementing all six Principles.

No

|                |                                    |
|----------------|------------------------------------|
| <b>SG 01.5</b> | Additional information [Optional]. |
|----------------|------------------------------------|

Our proxy policy further details how we exercise our shareholder rights and governance practices.

|              |                  |                      |              |
|--------------|------------------|----------------------|--------------|
| <b>SG 02</b> | <b>Mandatory</b> | <b>Core Assessed</b> | <b>PRI 6</b> |
|--------------|------------------|----------------------|--------------|

|                |  |
|----------------|--|
| <b>SG 02.1</b> | Indicate which of your investment policy documents (if any) are publicly available. Provide URL and an attachment of the document. |
|----------------|--|

- Policy setting out your overall approach

|     |
|-----|
| URL |
|-----|

[https://www.abglobal.com/abcom/Our\\_Firm/Content/CGDocs/Statement\\_of\\_Policy\\_Regarding\\_Responsible\\_Investment.pdf?uuid=37609bb6-ccea-11e4-98e2-1c10539321b1](https://www.abglobal.com/abcom/Our_Firm/Content/CGDocs/Statement_of_Policy_Regarding_Responsible_Investment.pdf?uuid=37609bb6-ccea-11e4-98e2-1c10539321b1)

|                       |
|-----------------------|
| Attachment [Optional] |
|-----------------------|

[Statement\\_of\\_Policy\\_Regarding\\_Responsible\\_Investment.pdf](#)

- Formalised guidelines on corporate governance factors

|     |
|-----|
| URL |
|-----|

[https://www.abglobal.com/abcom/our\\_firm/content/cgdocs/ab\\_proxy\\_voting\\_policy.pdf](https://www.abglobal.com/abcom/our_firm/content/cgdocs/ab_proxy_voting_policy.pdf)

|                       |
|-----------------------|
| Attachment [Optional] |
|-----------------------|

[ab\\_proxy\\_voting\\_policy.pdf](#)

- Screening / exclusions policy

URL

[https://www.abglobal.com/abcom/Our\\_Firm/Content/CGDocs/Statement\\_on\\_Controversial\\_Weapons.pdf?uuid=387b50ea-ccea-11e4-98e2-1c10539321b1](https://www.abglobal.com/abcom/Our_Firm/Content/CGDocs/Statement_on_Controversial_Weapons.pdf?uuid=387b50ea-ccea-11e4-98e2-1c10539321b1)

Attachment [Optional]

[Statement\\_on\\_Controversial\\_Weapons.pdf](#)

(Proxy) voting policy

URL

[https://www.abglobal.com/abcom/our\\_firm/content/cgdocs/ab\\_proxy\\_voting\\_policy.pdf](https://www.abglobal.com/abcom/our_firm/content/cgdocs/ab_proxy_voting_policy.pdf)

Attachment [Optional]

[ab\\_proxy\\_voting\\_policy.pdf](#)

We do not publicly disclose our investment policy documents

**SG 02.2** Additional information [Optional].

Guidelines on corporate governance factors are part and parcel to our proxy voting policy.

|              |                  |                      |                |
|--------------|------------------|----------------------|----------------|
| <b>SG 03</b> | <b>Mandatory</b> | <b>Core Assessed</b> | <b>General</b> |
|--------------|------------------|----------------------|----------------|

**SG 03.1** Indicate if your organisation has a policy on managing potential conflicts of interest in the investment process.

Yes

**SG 03.2** Describe your policy on managing potential conflicts of interest in the investment process.

As a fiduciary, we owe our clients an undivided duty of care. We strive to avoid even the appearance of a conflict that may compromise the trust our clients have placed in us, and we insist on strict adherence to fiduciary standards and compliance with all applicable federal and state securities laws. We place the interests of our clients first and attempt to avoid any actual or potential conflicts of interest. It is the responsibility of every employee to be sensitive to situations and relationships which may create conflicts of interest and bring any related questions or concerns to the Chief Compliance Officer or Conflicts Officer.

AB maintains a Code of Business Conduct and Ethics (the "Code") that complies with Rule 17j-1 under the Investment Company Act of 1940, as amended, and Rule 204A-1 under the Investment Advisers Act of 1940. The Code summarizes our firm's values, principles, and business practices that guide our business conduct. It establishes a set of basic principles to guide all employees, including directors and consultants, where applicable.

No

The sections in Our Code of Business Conduct and Ethics that relate to conflicts of interest include:

- Conflicts of interest
- Personal trading
- Gifts, entertainment and inducements
- Political contributions/activities

Summaries of Key Policies:

**Conflicts of Interest:** AB has taken several steps to reduce or eliminate potential conflicts of interest that may arise, including: 1) We do not trade securities on a proprietary basis or act as an underwriter, and do not trade fixed income securities through affiliated brokers. Permanent information barriers separate the activities of AllianceBernstein from Sanford C. Bernstein. 2) We impose trading restrictions on our employees, including requiring them to maintain personal brokerage accounts with one of five designated brokerage firms, to re-clear all personal securities transactions, and to report each transaction to Compliance personnel. All employees are forbidden to trade, either personally or on behalf of others, on material non-public information or communicating material non-public information to others in violation of the law. 3) We maintain a Code of Ethics, distributed and acknowledged by employees at least annually, that includes provisions concerning personal trading, gifts and entertainment. 4) We have a Conflicts Officer who chairs our Conflicts Committee, comprised of senior members of the Legal and Compliance Department.

**Personal Trading Policy:** Some (but not all) of the restrictions that apply to personal trading by AB employees, their immediate family members and other financial dependents include: 1) Employees must disclose all of their securities accounts to the Legal and Compliance department; 2) Absent an exception, employees may maintain securities accounts only at specified designated broker-dealers; 3) Employees must pre-clear all securities trades with the Legal and Compliance department prior to placing trades with their broker-dealer (prior supervisory approval is required for portfolio managers, research analysts, traders, persons with access to AB research, and others designated by the Legal and Compliance department); 4) Employees are limited to twenty trades in individual securities during any rolling thirty calendar-day period; 5) Employee purchases of individual securities, ETFs and closed-end mutual funds are subject to a 60-day holding period; and 5) Employees must submit initial and annual holding reports, disclosing all securities and holdings in mutual funds managed by AB held in personal accounts, and must, on a quarterly basis, submit or confirm reports identifying all transactions in securities (and mutual funds managed by AB) in personal accounts.

**Gifts and Entertainment:** Our Gifts and Entertainment policy for all AB employees sets out clear standards of conduct expected of employees. It stresses the importance of mitigating even the potential perception that their acts may be in violation of not only our Gifts and Entertainment Policy but domestic and international laws as well. Among other stipulations, under our Gifts and Entertainment Policy our employees are prohibited from: 1) accepting, for themselves or their family/friends, cash, cash equivalents (e.g., gift cards, gift certificates, etc.), or preferential discounts from current or potential vendors or service providers. Similarly, they may not give such items to clients, and 2) accepting (or giving to clients) non-cash business gifts from any one vendor or service provider that exceeds \$100 USD in value during a calendar year. All gifts received exceeding \$50 USD in value must be reported to our Compliance Department.

**Political Contributions and Activities:** AB has developed policies that prohibit our employees from making, either directly or indirectly, any political contributions to candidates or organizations recommended by clients. The policies also include a requirement under which all employees must pre-clear with the Compliance Department, all personal political contributions (including those of their spouses and dependent children) made to, or solicited on behalf of, any state or local candidate or political party. We also have in place a separate Pay-to-Play policy specifically relating to SEC Rule 206(4)-5, which we can provide upon request.

Employees must confirm annually that they have disclosed any potential conflicts of interest and that they are in compliance with the requirements associated with the firm's Policy and Procedures for Giving and Receiving Gifts and Entertainment (including its requirement to pre-clear certain political contributions); and the requirements associated with the firm's Anti-Corruption Policy.

#### Compliance Manual

Additionally, AB maintains a Compliance Manual for all employees that also provides policies on handling potential conflicts of interest. The key components included in our Compliance Manual that cover potential conflicts of interest in our investment process are noted below.

- Investment Guidelines for Services & Clients
- Fair allocation of investment opportunities
- Research activities
- Best execution and brokerage allocation
- Cross trades in discretionary accounts
- Security transactions with AB affiliates
- Proxy voting
- Portfolio, market & performance manipulation

- Beneficial ownership reporting
- Daily restricted list pre-clearance

## Objectives and strategies

|       |           |                       |         |
|-------|-----------|-----------------------|---------|
| SG 04 | Mandatory | Gateway/Core Assessed | General |
|-------|-----------|-----------------------|---------|

**SG 04.1** Indicate if and how frequently your organisation sets and reviews objectives for its responsible investment activities.

- Quarterly or more frequently
- Biannually
- Annually
- Less frequently than annually
- Ad-hoc basis
- It is not reviewed

**SG 04.2** Additional information. [Optional]

The Responsible Investment Committee sets out the goals for the responsible investment activities at AB at least annually. The committee meets several times a year to review progress and respond to market developments.

|       |           |             |         |
|-------|-----------|-------------|---------|
| SG 05 | Voluntary | Descriptive | General |
|-------|-----------|-------------|---------|

**SG 05.1** List the main responsible investment objectives that your organisation set for the reporting year.

Responsible investment processes

- Provide training on ESG incorporation

Key performance indicator

Conduct training sessions; leverage existing internal processes

Progress achieved

We held several industry and topic-focused sessions for our analysts where we brought in sell side research analysts who focus on ESG factors for their respective industry or topic, to share their approach and insights. In addition, for our own ESG-focused products, we had our PMs share their approach and methodology with their colleagues.

- Provide training on ESG engagement
- Improved communication of ESG activities within the organisation

Key performance indicator

Internal discussions and marketing materials.

Progress achieved

We completed a standard ESG presentation deck that we use to educate our advisors, and they are often used in discussions with clients, prospects, and consultants. It outlines our approach to ESG and contains examples. We update AB's partners, advisors, and general staff on the progress of ESG within AB. In 2015, we completed our inaugural corporate responsibility report, where responsible investment was one pillar highlighted. Several of our employee resource groups hosted a session on responsible investment which was open to all staff.

- Improved engagement to encourage change with regards to management of ESG issues

Key performance indicator

Develop engagement framework and log examples.

Progress achieved

We developed an engagement framework which has both quantitative and qualitative inputs to help us focus on engagements where there are material issues, and we can influence to effect change. In 2015, we began to receive input from the portfolio managers on the framework, and continue to refine it as we use it.

- Improved ESG incorporation into investment decision making processes

Key performance indicator

Identify ESG leader within portfolio management teams, create processes by team.

Progress achieved

Some PMs have identified a fundamental analyst on their team to be the ESG champion to raise ESG issues during research discussions and other venues.

We also continue to educate analysts on the material ESG issues in their industries through training as noted above. As well, the ESG Analyst and Head of RI, engages with analysts on issues that impact a particular company or industry.

- Other, specify (1)

Thought leadership

Key performance indicator

Host ESG-focused events and participate in industry-wide discussions.

Progress achieved

AB hosted a thought leadership panel for staff and clients on the economic and investment implications of the economic empowerment of women in emerging economies. The CEO & President of the Women's World Bank, and the Head, Office and Supplier Diversity for Johnson & Johnson were panelists along with two of AB's investment professionals. Our Head of Equities participated in the Inclusive Capitalism conference. Our Head of RI participated in industry panels, additionally she and our ESG analyst attended various ESG conferences.

- Other, specify (2)
- Other, specify (3)

Financial performance of investments

- Increase portfolio performance by consideration of ESG factors
- Other, specify (1)
- Other, specify (2)
- Other, specify (3)

ESG characteristics of investments

- Over or underweight companies based on ESG characteristics
- Improve ESG ratings of portfolio
- Setting carbon targets for portfolio
- Other, specify (1)

Other description (1)

Develop ESG-Focused Products

Key performance indicator

Products developed and in pipeline

Progress achieved

We have several ESG-focused portfolios that have unique ESG approaches. One is managed against the IFC's ESG criteria; another has a detailed ESG assessment methodology; and a few others screen out based on specific ESG ratings. We have other products in various phases of development.

- Other, specify (2)
- Other, specify (3)

Other activities

- Joining and/or participation in RI initiatives

Key performance indicator

Participation on panels and event attendance

Progress achieved

We are actively engaged in industry events, both as a participant and as panelists. Our Head of Equities attended the Inclusive Capitalism conference in London. Our head of Responsible Investment attended the CII spring conference, the USSIF annual conference, the ICGN and the PRI annual conferences. Both our ESG Analyst and Proxy Manager also attended the PRI and ICGN annual conferences and RI Europe. Our head of Responsible Investment was a panel participant for the CSRSummit, the iiWisdom Governance Conference, and the ICGN ESG Integration panel.

- Encouraging others to join a RI initiative
- Documentation of best practice case studies
- Using case studies to demonstrate engagement and ESG incorporation to clients

Key performance indicator

Documentation of engagement examples

Progress achieved

We maintain a database where our fundamental analysts, ESG analyst and governance staff populate with material ESG engagements.

- Other, specify (1)
- Other, specify (2)
- Other, specify (3)

**Governance and human resources**

|       |           |               |         |
|-------|-----------|---------------|---------|
| SG 06 | Mandatory | Core Assessed | General |
|-------|-----------|---------------|---------|

|         |   |
|---------|---|
| SG 06.1 | Indicate the roles present in your organisation and for each, indicate whether they have oversight and/or implementation responsibilities for responsible investment. |
|---------|---|

## Roles present in your organisation

- Board members or trustees
  - Oversight/accountability for responsible investment
  - Implementation of responsible investment
  - No oversight/accountability or implementation responsibility for responsible investment
- Chief Executive Officer (CEO), Chief Investment Officer (CIO), Investment Committee
  - Oversight/accountability for responsible investment
  - Implementation of responsible investment
  - No oversight/accountability or implementation responsibility for responsible investment
- Other Chief-level staff or head of department, specify
- Portfolio managers
  - Oversight/accountability for responsible investment
  - Implementation of responsible investment
  - No oversight/accountability or implementation responsibility for responsible investment
- Investment analysts
  - Oversight/accountability for responsible investment
  - Implementation of responsible investment
  - No oversight/accountability or implementation responsibility for responsible investment
- Dedicated responsible investment staff
  - Oversight/accountability for responsible investment
  - Implementation of responsible investment
  - No oversight/accountability or implementation responsibility for responsible investment
- External managers or service providers
  - Oversight/accountability for responsible investment
  - Implementation of responsible investment
  - No oversight/accountability or implementation responsibility for responsible investment
- Investor relations
- Other role, specify
- Other role, specify

### SG 06.2

For the roles for which you have RI oversight/accountability or implementation responsibilities, indicate how you execute these responsibilities.

The CEO is briefed on our responsible investment activities through 1:1 discussions and at Partner meetings. One of our partners has firmwide responsibility for oversight as well. Our heads of Fixed Income and Equities are also briefed and are key in driving our efforts within their respective business units. Our PMs drive discussions in research reviews on material ESG issues. Our analysts are accountable for ensuring ESG issues are addressed as part of their research, and discuss them in research review meetings with PMs. Each team implements this differently within their own research and investment decision process -- for example, some teams have standard documentation that evaluate ESG issues.

### SG 06.3

Indicate the number of dedicated responsible investment staff your organisation has.

|        |
|--------|
| Number |
|--------|

3

|                |                                    |
|----------------|------------------------------------|
| <b>SG 06.4</b> | Additional information. [Optional] |
|----------------|------------------------------------|

As noted above, AB has the equivalent of at least three full-time professionals focused on ESG. However, given our integration approach, many other individuals are involved.

- Our Head of Responsible Investment dedicates the majority of her time to ESG-related activities. These include enhancing AB's processes on ESG integration, delivering ESG training, organizing and chairing our RI Committee Meetings, keeping abreast of ESG-related best practices and relevant industry trends, and driving product development.

- Our Proxy Manager & ESG Analyst is a full time position.

- Our Co-Proxy Manager is a full time position.

- In addition, several individuals in our Fixed Income Department spend time on responsible investment. Our Head of Fixed Income Emerging Markets and AB Partner, works closely with the Head of Responsible Investment to drive our firm's RI efforts. One of our senior portfolio managers also dedicates time to driving ESG integration in fixed income portfolios, marketing, and ESG product development. One of our risk associates works on a variety of ESG-related projects, including evaluating carbon data providers, and other ad hoc projects.

Additionally, as discussed in more detail throughout this document, all of our fundamental research analysts integrate ESG analysis on an issuer-level in their research. The output of their research is reviewed with our Directors of Research and/or Portfolio Managers/CIOs, who are then responsible for ensuring ESG factors have been properly considered and incorporated into our resulting investment theses.

|              |           |                     |         |
|--------------|-----------|---------------------|---------|
| <b>SG 07</b> | Voluntary | Additional Assessed | General |
|--------------|-----------|---------------------|---------|

|                |   |
|----------------|---|
| <b>SG 07.1</b> | Indicate if your organisation's performance management, reward and/or personal development processes have a responsible investment element. |
|----------------|---|

**Chief Executive Officer (CEO), Chief Investment Officer (CIO), Investment Committee**

- Responsible investment KPIs and/or goals included in objectives
- Responsible investment included in appraisal process
- Variable pay linked to responsible investment performance
- Responsible investment included in personal development and/or training plan
- None of the above

**Portfolio managers**

- Responsible investment KPIs and/or goals included in objectives
- Responsible investment included in appraisal process
- Variable pay linked to responsible investment performance
- Responsible investment included in personal development and/or training plan
- None of the above

**Investment analysts**

- Responsible investment KPIs and/or goals included in objectives
- Responsible investment included in appraisal process
- Variable pay linked to responsible investment performance
- Responsible investment included in personal development and/or training plan
- None of the above

**Dedicated responsible investment staff**

- Responsible investment KPIs and/or goals included in objectives
- Responsible investment included in appraisal process
- Variable pay linked to responsible investment performance
- Responsible investment included in personal development and/or training plan
- None of the above

|                |   |
|----------------|---|
| <b>SG 07.3</b> | Provide any additional information on your organisation's performance management, reward and/or personal development processes in relation to responsible investment. |
|----------------|---|

At AB, all of our analysts - both equity and fixed income -- are evaluated based on a variety of factors. Investment performance in client portfolios is the primary factor, along with other qualitative factors. As discussed in more detail elsewhere in this document, all AB analysts include ESG factors in their research processes. Thus, by the nature of their inclusion, ESG factors are reflected in our firm's performance management process.

Our firm's portfolio managers work closely and collaboratively with our research analysts. The outcome of the overall investment decisions made in client portfolios, of which ESG is one factor, contribute to the overall performance of their portfolios.

**Promoting responsible investment**

|              |                  |                      |                |
|--------------|------------------|----------------------|----------------|
| <b>SG 08</b> | <b>Mandatory</b> | <b>Core Assessed</b> | <b>PRI 4,5</b> |
|--------------|------------------|----------------------|----------------|

**New selection options have been added to this indicator. Please review your prefilled responses carefully.**

|                |   |
|----------------|---|
| <b>SG 08.1</b> | Select the collaborative organisation and/or initiatives of which your organisation is a member or in which it participated during the reporting year, and the role you played. |
|----------------|---|

**Select all that apply**

- Principles for Responsible Investment

|  |  |
|--|--|
|  | Your organisation's role in the initiative during the reporting period (see definitions) |
|--|--|

- Basic
- Moderate
- Advanced

Provide a brief commentary on the level of your organisation's involvement in the initiative. [Optional]

For the reporting year, AB participated in two working groups related to this initiative, with one of our staff members a member of the Fixed Income Working Group, and two members participating in the collaborative engagement on human rights in the extractive industry.

- AFIC – La Commission ESG
- Asian Corporate Governance Association
- Australian Council of Superannuation Investors
- BVCA – Responsible Investment Advisory Board
- CDP Climate Change

Your organisation's role in the initiative during the reporting period (see definitions)

- Basic
- Moderate
- Advanced

Provide a brief commentary on the level of your organisation's involvement in the initiative. [Optional]

We became an investor signatory in 2015 and participate in thought leadership events.

- CDP Forests

Your organisation's role in the initiative during the reporting period (see definitions)

- Basic
- Moderate
- Advanced

- CDP Water

Your organisation's role in the initiative during the reporting period (see definitions)

- Basic
- Moderate
- Advanced

- CFA Institute Centre for Financial Market Integrity
- Code for Responsible Investment in SA (CRISA)
- Council of Institutional Investors (CII)

Your organisation's role in the initiative during the reporting period (see definitions)

- Basic
- Moderate
- Advanced

Provide a brief commentary on the level of your organisation's involvement in the initiative. [Optional]

We are an educational sustainer member of the CII. We attend their meetings and participate in teleconferences on proxy-related issues and share our insights. Our Head of Responsible Investment was a member of the Corporate Governance Advisory Council in 2015.

- ESG Research Australia
- Eumedion
- EVCA – Responsible Investment Roundtable
- Extractive Industries Transparency Initiative (EITI)
- Global Investors Governance Network (GIGN)
- Global Impact Investing Network (GIIN)
- Global Real Estate Sustainability Benchmark (GRESB)
- Institutional Investors Group on Climate Change (IIGCC)
- Interfaith Center on Corporate Responsibility (ICCR)
- International Corporate Governance Network (ICGN)

Your organisation's role in the initiative during the reporting period (see definitions)

- Basic
- Moderate
- Advanced

Provide a brief commentary on the level of your organisation's involvement in the initiative. [Optional]

We are a member of ICGN and attend their conferences. In addition, our Head of Responsible Investment was a panelist on ESG integration at their 2015 annual meeting.

- Investor Group on Climate Change, Australia/New Zealand (IGCC)
- International Integrated Reporting Council (IIRC)
- Investor Network on Climate Risk (INCR)/CERES
- Local Authority Pension Fund Forum
- Principles for Financial Action for the 21st Century
- Regional or National Social Investment Forums (e.g. UKSIF, Eurosif, ASRIA, RIAA), specify  
US SIF  
Japan SIF

Your organisation's role in the initiative during the reporting period (see definitions)

- Basic
- Moderate
- Advanced

Provide a brief commentary on the level of your organisation's involvement in the initiative.  
[Optional]

US SIF: We have attended the USSIF Conference.

Japan SIF: We were a speaker at Japan SIF conferences held in both 2014 and 2015.

- Shareholder Association for Research and Education (Share)
- United Nations Environmental Program Finance Initiative (UNEP FI)
- United Nations Global Compact

Your organisation's role in the initiative during the reporting period (see definitions)

- Basic
- Moderate
- Advanced

Provide a brief commentary on the level of your organisation's involvement in the initiative.  
[Optional]

We have met with staff from the UNGC to evaluate membership.

- Other collaborative organisation/initiative, specify  
SASB

Your organisation's role in the initiative during the reporting year (see definitions)

- Basic
- Moderate
- Advanced

Provide a brief commentary on the level of your organisation's involvement in the initiative.  
[Optional]

Our Head of Responsible Investment passed the FSA Level 1 exam administered by SASB. In the past when SASB had an Advisory Council (it has since been eliminated), two of our staff members were on the Council.

- Other collaborative organisation/initiative, specify  
Japan "PRI" (Principles for Financial Action for the 21st Century)

Your organisation's role in the initiative during the reporting year (see definitions)

- Basic
- Moderate
- Advanced

Provide a brief commentary on the level of your organisation's involvement in the initiative. [Optional]

One of our staff members has been chair of Asset Management, Securities and Investment Bank Working Group since April 2014.

- Other collaborative organisation/initiative, specify
- Other collaborative organisation/initiative, specify

|              |                  |                      |              |
|--------------|------------------|----------------------|--------------|
| <b>SG 09</b> | <b>Mandatory</b> | <b>Core Assessed</b> | <b>PRI 4</b> |
|--------------|------------------|----------------------|--------------|

|                |  |
|----------------|--|
| <b>SG 09.1</b> | Indicate if your organisation promotes responsible investment, independently of collaborative initiatives. |
|----------------|--|

Yes

|                |  |
|----------------|--|
| <b>SG 09.2</b> | Indicate which of the following actions your organisation has taken to promote responsible investment, independently of collaborative initiatives. |
|----------------|--|

- Provided or supported education or training programmes for clients, investment managers, broker/dealers, investment consultants, legal advisers or other investment organisations
- Provided financial support for academic or industry research on responsible investment
- Encouraged better transparency and disclosure of responsible investment practices across the investment industry
- Spoke publicly at events and conferences to promote responsible investment
- Wrote and published in-house research papers on responsible investment
- Encouraged the adoption of the PRI
- Wrote articles on responsible investment in the media.
- Other, specify

No

|                |                                    |
|----------------|------------------------------------|
| <b>SG 09.3</b> | Additional information. [Optional] |
|----------------|------------------------------------|

Our Head of Responsible Investment has been a panel participant on several industry panels as noted in earlier comments. AB hosted a panel discussion on Women's Empowerment: Economic Impact and Investment Implications in Emerging Markets, and AB hosted Women in Governance event attended by 50 women in governance and 50 female directors.

|              |                  |                            |                  |
|--------------|------------------|----------------------------|------------------|
| <b>SG 10</b> | <b>Voluntary</b> | <b>Additional Assessed</b> | <b>PRI 4,5,6</b> |
|--------------|------------------|----------------------------|------------------|

|                |   |
|----------------|---|
| <b>SG 10.1</b> | Indicate if your organisation - individually or in collaboration with others - conducted dialogue with public policy makers or regulators in support of responsible investment in the reporting year. |
|----------------|---|

- Yes
  - Yes, individually
  - Yes, in collaboration with others

**SG 10.2** Select the methods you have used.

- Endorsed written submissions to governments, regulators or public policy developed by others
- Drafted your own written submissions to governments, regulators or public policy markers
- Participated in face-to-face meetings with government members or officials to discuss policy
- Other, specify

**SG 10.3** Where you have made written submissions (individually or collaboratively) to governments and regulatory authorities, indicate if these are publicly available.

- Yes, publicly available
- No
- No

### Implementation not in other modules

| SG 11 | Voluntary | Descriptive | PRI 1 |
|-------|-----------|-------------|-------|
|-------|-----------|-------------|-------|

**SG 11.1** Indicate if your organisation executes scenario analysis and/or modelling in which the risk profile of future ESG trends at portfolio level is calculated.

- Yes
- No

**SG 11.2** Indicate if your organisation considers ESG issues in strategic asset allocation and/or allocation of assets between sectors or geographic markets.

- Yes
- No

| SG 12 | Mandatory to Report Voluntary to Disclose | Descriptive | PRI 1 |
|-------|---|-------------|-------|
|-------|---|-------------|-------|

**SG 12.1** Some investment risks and opportunities arise as a result of long term trends. Indicate which of the following you consider.

- Changing demographics
- Climate change

**SG 12.2**

Indicate which of the following activities you have undertaken to respond to climate change risk and opportunity

- Established a climate change sensitive or climate change integrated asset allocation strategy
- Targeted low carbon or climate resilient investments
- Reduced portfolio exposure to emissions intensive or fossil fuel holdings
- Used emissions data or analysis to inform investment decision making
- Sought climate change integration by companies
- Sought climate supportive policy from governments
- Other, specify

other description

For certain clients, we have excluded coal and other high emission companies

- None of the above

**SG 12.3**

Indicate which of the following tools you use to manage emissions risks and opportunities

- Carbon footprinting
  - Scenario testing
  - Disclosure on emissions risk to clients/trustees/management/beneficiaries
  - Target setting for emissions risk reduction
  - Encourage internal and/or external portfolio managers to monitor emissions risk
  - Emissions risk monitoring and reporting are formalised into contracts when appointing managers
  - Other, specify
  - None of the above
- Resource scarcity
  - Technology developments
  - Other, specify(1)

other description (1)

Changes in regulatory environment

- Other, specify(2)
- None of the above

**SG 13**

**Mandatory to Report Voluntary to Disclose**

**Descriptive**

**PRI 1**

**SG 13.1**

Indicate if your organisation allocates assets to, or manages, funds based on specific environmental and social themed areas.

- Yes
- No

**Innovation**

|              |                  |                    |                |
|--------------|------------------|--------------------|----------------|
| <b>SG 17</b> | <b>Voluntary</b> | <b>Descriptive</b> | <b>General</b> |
|--------------|------------------|--------------------|----------------|

|                |  |
|----------------|--|
| <b>SG 17.1</b> | Indicate whether any specific features of your approach to responsible investment are particularly innovative. |
|----------------|--|

Yes

|                |   |
|----------------|---|
| <b>SG 17.2</b> | Describe any specific features of your approach to responsible investment that you believe are particularly innovative. |
|----------------|---|

We have a portfolio that we manage according to the IFC's extensive ESG guidelines. We built a unique process to evaluate the specific criteria outlined, integrate it into our research and portfolio implementation process, monitor on an on-going basis, and provide reporting.

No

### Assurance of responses

|              |                  |                            |                |
|--------------|------------------|----------------------------|----------------|
| <b>SG 18</b> | <b>Voluntary</b> | <b>Additional Assessed</b> | <b>General</b> |
|--------------|------------------|----------------------------|----------------|

|                |   |
|----------------|---|
| <b>SG 18.1</b> | Indicate whether your reported information has been reviewed, validated and/or assured by internal and/or external parties. |
|----------------|---|

Yes

|                |  |
|----------------|--|
| <b>SG 18.2</b> | Indicate who has reviewed, validated and/or assured your reported information. |
|----------------|--|

- Reviewed by Board, CEO, CIO or Investment Committee
- Validated by internal audit or compliance function
- Assured by an external independent provider, specify name
- Other, specify

|                |   |
|----------------|---|
| <b>SG 18.3</b> | Describe the steps you have taken to review, validate and/or assure the content of your reported information. |
|----------------|---|

The firm's Chief Compliance Officer and a subset of the Responsible Investment Committee review the report prior to submission.

No

AB

Reported Information

Public version

Direct - Listed Equity Incorporation

## PRI disclaimer

This document presents information reported directly by signatories. This information has not been audited by the PRI Secretariat or any other party acting on their behalf. While this information is believed to be reliable, no representations or warranties are made as to the accuracy of the information presented, and no responsibility or liability can be accepted for any error or omission.

## Overview

|        |   |         |         |
|--------|---|---------|---------|
| LEI 01 | Mandatory to Report Voluntary to Disclose | Gateway | General |
|--------|---|---------|---------|

**LEI 01.1** Provide a breakdown of your internally managed listed equities by passive, active - quantitative (quant), active - fundamental and active - other strategies.

Percentage of internally managed listed equities

|  |   |      |
|--|---|------|
|  | Passive                                 | 29   |
|  | Active - quantitative (quant)           | 0    |
|  | Active - fundamental and active - other | 71   |
|  | Total                                   | 100% |

## ESG incorporation in actively managed listed equities

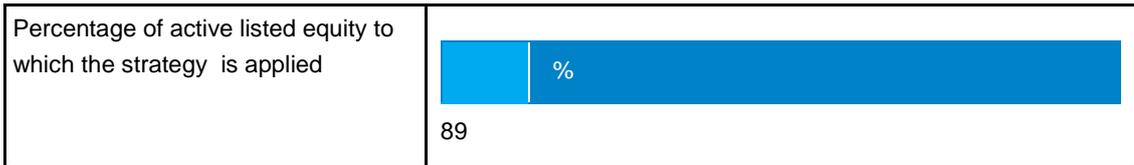
### Implementation processes

|        |           |         |       |
|--------|-----------|---------|-------|
| LEI 03 | Mandatory | Gateway | PRI 1 |
|--------|-----------|---------|-------|

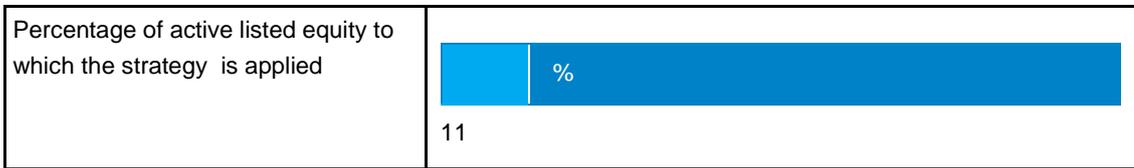
**LEI 03.1** Indicate (1) which ESG incorporation strategy and/or combination of strategies you apply to your actively managed listed equities and (2) the breakdown of your actively managed listed equities by strategy or combination of strategies (+/- 5%)

#### ESG incorporation strategy (select all that apply)

- Screening alone (i.e. not combined with any other strategies)
- Thematic alone (i.e. not combined with any other strategies)
- Integration alone (i.e. not combined with any other strategies)



Screening + Integration strategies



- Thematic + integration strategies
- Screening + thematic strategies
- All three strategies combined
- No incorporation strategies applied

**Total actively managed listed equities**

100%

**LEI 03.2** Describe your organisation’s approach to incorporation and the reasons for choosing the particular ESG incorporation strategy/strategies.

Our primary reason for choosing the "Integration" incorporation strategy is that it most directly reflects our long-held philosophy on ESG, and is also most seamlessly aligned with our existing investment processes as well.

Our firm's primary approach to ESG incorporation is through "Integration". That is, we believe the bottom-up approach into our research and investment processes is an important part of identifying investment risks as well as opportunities. Our long-standing disciplined research processes include ESG factors, and all of our fundamental analysts assess carefully if ESG factors could have a material impact on our forecasts and investment decisions. If our analysts determine that, after integrating ESG factors into their fundamental research, there are aspects of an issuer's past, current or anticipated ESG-related behavior that are material to its future expected returns, we address these concerns in our research forecasts, Research Reviews, and investment decisions.

Importantly, a key method in which we implement our "Integration" of ESG issues is through pro-active ownership. We take a two-pronged approach to active ownership: 1) We directly engage with issuers as part of our research process, and 2) we implement a pro-active proxy voting process.

**Direct Engagement:** Our analysts often meet with management and other stakeholders such as suppliers and customers as part of their research process. Once we have made an investment, our analysts continue to monitor each company/issuer we own to understand developments likely to affect the value of the holdings. Our analysts regularly meet management to discuss such matters as strategy, operations, and ESG topics. Our ESG analyst and/or proxy managers may join these meetings.

**Proxy Voting:** We are shareholder advocates. We thus have a fiduciary duty to make investment decisions that are in our clients' best interests and, in our view, will maximize the value of their shares. Proxy voting is an integral part of this process, and AB supports strong corporate governance structures, shareholder rights, and transparency. We have a well developed in-house proxy policy and process that guides our proxy decisions. We take ESG factors into consideration when voting. Proxy related meetings are also often a joint effort between the investment professionals, who are best positioned to comment on company-specific details, and the proxy manager(s), who offer a more holistic view of governance.

**LEI 03.3**

Where assets are managed using a combination of ESG incorporation strategies, briefly describe how these combinations are used. [Optional]

As noted above, all of our active equity strategies integrate ESG factors, in the sense that our bottom-up fundamental research processes for all of our active equity strategies have long incorporated ESG factors.

Additionally, some of our clients have asked us to implement further ESG-specific screening in their portfolios, and we are pleased to do so. In these cases, we typically apply negative screening but can also apply positive screening as well. For our Luxembourg-based funds, we exclude controversial weapons, given increased legislation in some countries.

**LEI 03.4**

Additional information. [Optional]

- **Negative or Exclusionary Screening:** We apply negative or exclusionary screening by product, activity, sector, environmental, social and corporate governance practices and performance. Some clients have provided us with a list of companies to be restricted from their portfolio, while others prefer that we screen on one or more factors using a third-party research provider. Screens can take several forms, including industry screens as well as ESG factor screens. We generally develop these screens in conjunction with our clients, and we update these screens regularly, as our clients or our research providers provide us updated data.

Once we identify the names to be screen and our client agrees, we capture those names electronically in our firm's pre-trade and post-trade compliance systems, which will then restrict those securities from that client's Account.

- **Positive Screening:** We can apply positive screening as well if our client so requests. In these cases, we would seek to specifically invest in companies that have demonstrated clear ESG leadership and are widely recognized as exhibiting a "best-in-class" approach to integrating ESG considerations into their businesses. We work with clients to develop screens that meet their requirements and investment objectives.

- **Restrictions on Controversial Weapons:** We recognize that legislation prohibiting investment in companies involved in controversial weapons (anti-personnel landmines, cluster bombs, and/or munitions made with depleted uranium) is growing, and client engagement on this issue is rising. As a result, AB (Luxembourg) S.à r.l., an AB affiliate, now excludes both debt and equity securities issued by companies involved in controversial weapons from the universe of potential investments in publicly-available Funds on this platform, for which we are the management company. We have engaged a third-party service (ISS-Ethix) to provide us the list of companies to be excluded.

We continue to monitor the evolution of regulation around the world regarding investment in companies involved in controversial weapons and will work with our service provider to ensure the screening for AB Funds remains updated.

**LEI 04**

Voluntary

Additional Assessed

PRI 1

**LEI 04.1**

Indicate what ESG information you use in your ESG incorporation strategies and who provides this information.

**Type of ESG information**

- Raw ESG company data
- Company-related analysis or ratings

**Indicate who provides this information**

- ESG research provider
- Sell-side
- In-house – specialised ESG analyst or team
- In-house – analyst or portfolio manager
- Sector-related analysis or ratings

**Indicate who provides this information**

- ESG research provider
- Sell-side
- In-house – specialised ESG analyst or team
- In-house – analyst or portfolio manager
- Country-related analysis or ratings

**Indicate who provides this information**

- ESG research provider
- Sell-side
- In-house – specialised ESG analyst or team
- In-house – analyst or portfolio manager
- Screened stock list

**Indicate who provides this information**

- ESG research provider
- Sell-side
- In-house – specialised ESG analyst or team
- In-house – analyst or portfolio manager
- ESG issue-specific analysis or ratings

**Indicate who provides this information**

- ESG research provider
- Sell-side
- In-house – specialised ESG analyst or team
- In-house – analyst or portfolio manager
- Other, specify

|                 |   |
|-----------------|---|
| <b>LEI 04.2</b> | Provide a brief description of the ESG information used, highlighting any differences of sources of information across your ESG incorporation strategies. |
|-----------------|---|

We use a range of external ESG data providers, carefully selecting them to meet not only our high overall standards but also to meet certain product-specific needs. Our ESG Research Providers include:

•**MSCI GMI**: MSCI's GMI tool provides ESG ratings and qualitative research. This information is accessed by our analysts through a direct feed into our analysts' research database, which "flags" potentially material issues that our analysts then incorporate into their own analysis.

•**MSCI**: We use MSCI for negative screening in client portfolios. We then also use it to code the resulting restricted securities in our pre- and post-trade compliance systems and trading platforms.

•**ISS-Ethix**: We use Ethix for controversial weapons screening associated with our Luxembourg-based Fund platform and a number of client Portfolios.

•**FTSE:** We use these Indices for our Ethical Target Date Funds.

•**Sustainalytics:** We use Sustainalytics for an emerging markets equity-focused service, our N50 Emerging Markets Frontier Fund. This Fund has an explicit ESG focus and mandate.

Finally, we also utilize a variety of other external data sources, such as sell side research, NGO articles and industry body reports.

|                 |  |
|-----------------|--|
| <b>LEI 04.3</b> | Indicate if you incentivise brokers to provide ESG research. |
|-----------------|--|

- Yes
- No

|                 |                         |
|-----------------|-------------------------|
| <b>LEI 04.5</b> | Additional information. |
|-----------------|-------------------------|

The budget for proprietary research is determined by the research vote process. On a semi-annual basis, equity analysts and portfolio managers cast votes for research providers to acknowledge them as being helpful in the investment decision-making process. A number of brokers have dedicated ESG teams. Some provide thematic research, whereas others include ESG ratings in their issuer research. As with all research, we review the content for quality and the value it adds, and integrate the information in our analysis. Our analysts acknowledge this information as part of their vote process.

|               |                  |                            |              |
|---------------|------------------|----------------------------|--------------|
| <b>LEI 05</b> | <b>Voluntary</b> | <b>Additional Assessed</b> | <b>PRI 1</b> |
|---------------|------------------|----------------------------|--------------|

|                 |   |
|-----------------|---|
| <b>LEI 05.1</b> | Indicate if your organisation has a process through which information derived from ESG engagement and/or (proxy) voting activities is made available for use in investment decision-making. |
|-----------------|---|

- Engagement
  - We have a systematic process to ensure the information is made available.
  - We occasionally make this information available.
  - We do not make this information available.
- (Proxy) voting
  - We have a systematic process to ensure the information is made available.
  - We occasionally make this information available.
  - We do not make this information available.

|                 |                                    |
|-----------------|------------------------------------|
| <b>LEI 05.2</b> | Additional information. [Optional] |
|-----------------|------------------------------------|

AB's proxy voting activities and investment process implementation is closely aligned and integrated. While we have a separate Proxy Team that votes our proxies globally, in evaluating proxy issues and determining how to vote a specific item, the Team actively seeks and assesses input from the CIOs, Directors of Research, Portfolio Managers, and Research Analysts who are directly involved in analysing the issuer and determining its applicability to our client portfolios. This ensures consistent application of our Policy while at the same leveraging the company specific knowledge of the investment teams who can provide an extra level of insight. Externally, we consult company management, company directors, interest groups, shareholder activists and research providers to get additional insight when needed.

In addition, research provided by an external proxy service is available to all analysts through the proxy managers. Meaningful engagements are stored in the engagement database to which all investment professionals have access.

## (A) Implementation: Screening

LEI 06

Mandatory

Descriptive

PRI 1

LEI 06.1

Indicate and describe the type of screening you apply to your internally managed active listed equities.

### Type of screening

- Negative/exclusionary screening

#### Screened by

- Product
- Activity
- Sector
- Country/geographic region
- Environmental and social practices and performance
- Corporate governance

#### Description

In our equity services that have explicit ESG mandates, including the AB Next 50 Fund and our Ethical Target Date Platform for UK DC plans, we integrate comprehensive ESG analysis and screening into our day-to-day research and portfolio management. This includes negative screening.

Additionally, also as noted above, in our publicly available Luxembourg-Fund platform, we proactively restrict controversial weapons.

In our other equity services, we apply negative screening in our separately managed accounts that have client-directed exclusions noted in their investment guidelines.

- Positive/best-in-class screening

#### Screened by

- Product
- Activity
- Sector
- Country/geographic region
- Environmental and social practices and performance
- Corporate governance

#### Description

We manage a portfolio for a client that is managed against the FTSE4GOOD index which includes companies that meet certain thresholds for ESG, in addition to screening out companies that are in certain industries.

Norms-based screening

**LEI 06.2**

Describe how the screening criteria are established, how often the criteria are reviewed and how you notify clients and/or beneficiaries when changes are made.

Screens are generally developed in conjunction with our clients and discussed at regular client review meetings. Some clients provide us with a list of companies to be restricted from their portfolio. Other clients prefer that we screen using a third party research provider - these screens can take several forms, including industry screens as well as screening by ESG factors. Once the companies to be screened are identified, they are captured electronically in our compliance systems and monitored daily. Updates to these screens are made regularly - as our clients or our research providers provide updated data.

In the course of implementing such screens with our client, we do engage in an active dialogue with them regarding the implementation of specific screens, and any liquidity or tracking error considerations that might result from such screens. Our objective, of course, is to satisfy our client on two dimensions: satisfy their specific ESG requests, and also generate an attractive investment return in their Portfolio.

Within our Luxembourg Fund platform, we screen for controversial weapons based on research from a third-party service provider.

How Screening Criteria are Established: When a client requests us to implement negative or exclusionary screening in their account, we generally develop those screens in conjunction with our clients. Some clients provide us with a list of companies to be restricted from their portfolio. Other clients prefer that we screen using a third-party research provider. Screens can take several forms, such as industry screens or screens for specific ESG factors. Once the companies to be screened are identified, they are captured electronically in our pre-trade and post-trade compliance systems and trading platforms and monitored daily.

How Screening Criteria Are Reviewed and Updated: Once a screen is in place, we dynamically monitor and manage it. Updates to these screens are made regularly, as our clients or our research providers provide updated data.

Changes Made to a Screen: To the extent a change is made to a screen, the documentation is reviewed by Legal and portfolio management, and subsequently sent to our Client Guidelines group for coding where the necessary testing would be applied. These changes will be client driven, and no changes will be made without their formal sign-off.

**LEI 07**

**Mandatory**

**Core Assessed**

**PRI 1**

**LEI 07.1**

Indicate which processes your organisation uses to ensure that screening is based on robust analysis.

- Comprehensive ESG research is undertaken or sourced to determine companies' activities and products.
- Companies are given the opportunity by you or your research provider to review ESG research on them and correct inaccuracies
- External research and data used to identify companies to be excluded/included is subject to internal audit by ESG/RI staff, the internal audit function or similar
- Company ESG information/ratings are updated regularly to ensure that portfolio holdings comply with fund policies
- A committee or body with representatives independent of the individuals who conduct company research reviews some or all screening decisions
- A periodic review of the quality of the research undertaken or provided is carried out
- Other, specify
- None of the above

**LEI 07.2** Additional information. [Optional]

The primary way we ensure that the screening we do is based on robust analysis is that we use screens provided, maintained, and updated by the leading ESG research providers in the industry. (The listing of the ESG Providers we use is shown in Question LEI 4.2 above.) These providers regularly update their screens and listings of issuers, and these updates are automatically provided to our analysts through direct feeds, keeping everyone updated on a real-time basis.

The Client Guidelines Management (CGM) team has oversight responsibilities which entail coding, review, and monitoring of the compliance systems. Issuers are restricted in automated testing on a pre-trade basis to prevent initial purchases. If an issuer was purchased it would be captured by post trade monitoring controls and escalated through Portfolio Management Group/Legal. A CGM coder and reviewer checks every routing. Routings are submitted through our workflow tool and require assistant portfolio manager review after CGM completes our coding process. CGM is a separate entity from the portfolio management groups.

**LEI 08**

**Voluntary**

**Additional Assessed**

**PRI 1**

**LEI 08.1** Indicate which processes your organisation uses to ensure that fund criteria are not breached

- Systematic checks are performed to ensure that stocks meet the funds' screening criteria.
- Automated IT systems prevent investment managers from investing in excluded stocks or those that do not meet positive screening criteria.
- Audits of fund holdings are undertaken regularly by internal audit function
- Other, specify
- None of the above

**LEI 08.2** If breaches of fund screening criteria are identified - describe the process followed to correct those breaches.

Despite our best efforts, from time to time inadvertent breaches of guidelines do occur. When guideline deviations arise, we seek to bring the client's account back into compliance as promptly as possible. If the deviation incident is deemed to be an error, we will follow the escalation and correction procedures set forth in our Error Resolution and Reporting Policy. Whenever we become aware of a potential error (whether we or our client are the first to notice it) we will conduct a thorough investigation. Where a guideline error on our part has generated a loss for our client, we shall make our client's account whole, and inform our client in a timely manner. We note that some of our clients have expressly incorporated into their IMA protocols for the timeliness with which they should be notified of any such breach as well as guidance for handling the breach.

It is AB's policy to record all incidents involving the accounts of asset management clients, and to correct any and all errors affecting those accounts in a fair, timely and reasonable manner. When correcting an error, our objective is always to take appropriate actions consistent with our fiduciary duty of care, to put our client in the same or substantially the same position as if we had not made the error. In some cases, that is not possible or practical. Even then, however, if our client has incurred a loss attributable to the actions of AB, that loss is fully reimbursable.

**LEI 08.3** Additional information.

Our Operations Group uses a third-party application, Fidessa's Sentinel System, to assist portfolio managers in remaining in compliance with client-specific investment guidelines as well as internal guidelines and risk limits. These client-specific guidelines include ESG-related guidelines and restrictions.

Our Client Guideline Management team independent from our Portfolio Management Group, encodes all client guidelines into Sentinel and monitors them on a daily, post-trade, end of day basis. From an ESG standpoint, examples of client-specific guidelines that can be programmed into Sentinel include restricting a particular issuer, sector or industry from being held.

The encoded guidelines are then reviewed and approved by either portfolio managers or associate portfolio managers to ensure correct interpretation.

In performing the pre-trade function, Sentinel reviews each proposed trade and flags trades within those client accounts where they are prohibited by a client guideline. Post-trade, the Sentinel system generates daily reports that include all applicable restrictions and limitations, based on compliance parameters coded when the account was set up, and includes approved guideline updates provided by the client. The portfolio managers or the associate portfolio managers review daily exception notifications for possible breaches in conjunction with the Client Guidelines Management team. Exceptions are reported to the Compliance Guideline Management Department as well as to the portfolio management team. The portfolio managers are ultimately responsible for ensuring compliance of guidelines.

### (C) Implementation: Integration of ESG issues

|        |           |               |       |
|--------|-----------|---------------|-------|
| LEI 10 | Mandatory | Core Assessed | PRI 1 |
|--------|-----------|---------------|-------|

**LEI 10.1** Indicate if E, S and G issues are reviewed while researching companies and/or sectors in active strategies.

| ESG issues           | Coverage/extent of review on these issues |   |
|----------------------|---|---|
| Environmental        | Environmental                             | <div style="background-color: #0070c0; color: white; padding: 2px;">Environmental</div> <p> <input checked="" type="radio"/> We systematically review the potential significance of environmental issues and investigate them accordingly<br/> <input type="radio"/> We occasionally review the potential significance of environmental issues and investigate them accordingly<br/> <input type="radio"/> We do not review environmental issues                 </p>                             |
| Social               | Social                                    | <div style="background-color: #0070c0; color: white; padding: 2px;">Social</div> <p> <input checked="" type="radio"/> We systematically review the potential significance of social issues and investigate them accordingly<br/> <input type="radio"/> We occasionally review the potential significance of social issues and investigate them accordingly<br/> <input type="radio"/> We do not review social issues                 </p>   |
| Corporate Governance | Corporate Governance                      | <div style="background-color: #0070c0; color: white; padding: 2px;">Corporate Governance</div> <p> <input checked="" type="radio"/> We systematically review the potential significance of corporate governance issues and investigate them accordingly<br/> <input type="radio"/> We occasionally review the potential significance of corporate governance issues and investigate them accordingly<br/> <input type="radio"/> We do not review corporate governance issues                 </p> |

|                 |                                    |
|-----------------|------------------------------------|
| <b>LEI 10.2</b> | Additional information. [Optional] |
|-----------------|------------------------------------|

As noted above, AB has long believed that bottom-up ESG integration is important to identify investment risks as well as opportunities. As such, our long-standing disciplined research process has long included ESG factors. All of our fundamental analysts assess carefully if ESG factors could have a material impact on our forecasts and investment decisions. They conduct thousands of management and company visits per year and routinely investigate environmental, social and governance issues as an integral part of their fundamental research of a stock.

In addition, our dedicated ESG Analyst & Proxy Manager works with our investment teams to identify ESG trends and, themes, and routinely provide our investment teams with ESG-related case studies that illustrate best practices in integrating ESG factors into investment decision-making.

Finally, the Head of Responsible Investment dedicates a significant portion of her time on ESG-related activities, including keeping abreast of ESG best practices and relevant trends, and then using those insights to enhance our firm's processes for ESG integration in our various investment disciplines. She conducts ESG training for our analysts and portfolio managers.

|               |                  |                            |              |
|---------------|------------------|----------------------------|--------------|
| <b>LEI 11</b> | <b>Voluntary</b> | <b>Additional Assessed</b> | <b>PRI 1</b> |
|---------------|------------------|----------------------------|--------------|

|                 |   |
|-----------------|---|
| <b>LEI 11.1</b> | Indicate which processes your organisation uses to ensure that ESG integration is based on a robust analysis. |
|-----------------|---|

- Comprehensive ESG research is undertaken or sourced to determine companies' activities and products
- Companies are given the opportunity by you or your research provider to review ESG research on them and correct inaccuracies
- Company information and/or ratings on ESG are updated regularly
- A periodic review of the quality of the research undertaken or provided is carried out
- Structured, regular ESG specific meetings between responsible investment staff and the fund manager or within the investments team
- ESG risk profile of a portfolio against benchmark
- Other, specify
- None of the above

|                 |   |
|-----------------|---|
| <b>LEI 11.2</b> | Describe how ESG information is held and used by your portfolio managers. |
|-----------------|---|

- ESG information is held within centralised databases or tools and it is accessible by all relevant staff
- ESG information or analysis is a standard section or aspect of all company research notes or industry/sector analysis generated by investment staff
- Systematic records are kept that capture how ESG information and research was incorporated into investment decisions
- Other, specify
- None of the above

**LEI 11.3**

Additional information.

We track company meetings in our global company calendar. This includes the majority of our company engagements, but does not track the specific meeting agenda or items discussed, such as ESG topics. We also have an engagement database to capture ESG-related engagements and ESG integration examples. Given the volume of analyst interactions with companies, and the wide variety and materiality of ESG issues discussed, we do not capture every single discussion, but we focus on the most significant engagements.

**LEI 12****Mandatory to Report Voluntary to Disclose****Core Assessed****PRI 1****LEI 12.1**

Indicate into which aspects of investment analysis you integrate ESG information.

- (Macro) economic analysis
  - Systematically
  - Occasionally
- Industry analysis
  - Systematically
  - Occasionally
- Analysis of operational management
  - Systematically
  - Occasionally
- Analysis of company strategy
  - Systematically
  - Occasionally
- Portfolio construction
  - Systematically
  - Occasionally

**LEI 12.2a**

Indicate which methods are part of your process to integrate ESG information into fair value/fundamental analysis and/or portfolio construction.

- Adjustments to income forecasts (sales, earnings, cash flows)
- Adjustments to valuation tools (discount rates, return forecasts, growth rates)
- Other adjustments to fair value projections, specify

**LEI 12.3**

Describe how you integrate ESG information into portfolio construction

In our research reviews, our analysts discuss their investment thesis with the portfolio manager, including ESG issues and how they may impact to their thesis. The portfolio manager makes the final portfolio decision of whether to buy/sell/hold the company, as well as the weight in the portfolio. The portfolio manager may decide to underweight or overweight a position based on a variety of factors, including ESG risks or opportunities.

**LEI 12.4a**

Describe the methods you have used to adjust the income forecast / valuation tool

As part of the valuation process, we have adjusted the cost of capital. If ESG risks are deemed high, they will increase the cost of capital; if risks are low, they may lower the cost of capital.

Fair value/fundamental analysis

- Systematically
- Occasionally

**LEI 12.2b**

Indicate which methods are part of your process to integrate ESG information into fair value/fundamental analysis and/or portfolio construction.

- Adjustments to income forecasts (sales, earnings, cash flows)
- Adjustments to valuation tools (discount rates, return forecasts, growth rates)
- Other adjustments to fair value projections, specify

**LEI 12.4b**

Describe the methods you have used to adjust the income forecast / valuation tool

As part of the valuation process, we have adjusted the cost of capital. If ESG risks are deemed high, they will increase the cost of capital; if risks are low, they may lower the cost of capital.

Other, specify

### ESG incorporation in passively managed listed equities

**LEI 13**

Mandatory to Report Voluntary to Disclose

Descriptive

PRI 1

**LEI 13.1**

Indicate if you manage passive listed equity funds that incorporate ESG issues in the index construction methodology.

Yes

**LEI 13.2**

Indicate the percentage of your total passive listed equity funds for which ESG issues are incorporated in the index construction methodology.

(% of total passive listed equity funds)

- <10%
- 10-50%
- 51-90%
- >90%

**LEI 13.3**

Specify index/fund name, provide a brief description of ESG methodology and indicate which of the following ESG incorporation strategies you apply.

Index/fund 1

| Index/fund name and brief description of ESG methodology | ESG incorporation strategy  |
|--|---|
| FTSE4GOOD (Ethical Retirement Strategies)                | <input checked="" type="checkbox"/> Screening<br><input type="checkbox"/> Thematic<br><input checked="" type="checkbox"/> Integration of ESG issues<br><input type="checkbox"/> Other |

- Index/fund 2
- Index/fund 3
- Index/fund 4
- Index/fund 5

No

## Outputs and outcomes

|        |           |             |       |
|--------|-----------|-------------|-------|
| LEI 14 | Voluntary | Descriptive | PRI 1 |
|--------|-----------|-------------|-------|

**LEI 14.1** Indicate how your ESG incorporation strategies have influenced the composition of your portfolio(s) or investment universe.

- Screening
- Integration of ESG issues

Select which of these effects followed your ESG integration:

- Reduce or prioritise the investment universe
- Overweight/underweight at sector level
- Overweight/underweight at stock level
- Buy/sell decisions
- Other, specify
- None of the above
- Index incorporating ESG issues (for passively managed funds)

**LEI 14.2** Additional information.

For accounts with screening criteria, the investment universe is narrowed down by the securities restricted.

For all our active portfolios, ESG factors are incorporated into our buy/sell/weight decisions across all our client portfolios when we believe they are material to our forecasts and investment decisions. If we determine that these aspects of an issuer's past, current, or anticipated behavior are material to its future expected returns, we address these concerns in our research forecasts, research review meetings and investment decisions.

|        |           |                     |       |
|--------|-----------|---------------------|-------|
| LEI 15 | Voluntary | Additional Assessed | PRI 1 |
|--------|-----------|---------------------|-------|

|                 |   |
|-----------------|---|
| <b>LEI 15.1</b> | Indicate whether your organisation measures how your approach to ESG issues in listed equity investments has affected financial and/or ESG performance. |
|-----------------|---|

- We measure whether our approach to ESG issues impacts funds' reputation
- We measure whether our approach to ESG issues impacts funds' financial performance: return
- We measure whether our approach to ESG issues impacts funds' financial performance: risk
- We measure whether our approach to ESG issues impacts funds' ESG performance
- None of the above

|               |                  |                    |              |
|---------------|------------------|--------------------|--------------|
| <b>LEI 16</b> | <b>Voluntary</b> | <b>Descriptive</b> | <b>PRI 1</b> |
|---------------|------------------|--------------------|--------------|

|                 |   |
|-----------------|---|
| <b>LEI 16.1</b> | Provide examples of ESG issues that affected your investment view and/or performance during the reporting year. |
|-----------------|---|

- ESG issue 1

### ESG issue and explanation

The company is a US pharmaceuticals and health care products company that is or has been held in some of our Growth Equity accounts. The company's actions demonstrate clear commitment to global citizenship, as noted below:

- India is a large nutrition market for the company, but much of the supply was coming outside of India. In partnership with an NGO, the company developed a plan that helped the company reduce costs by no longer importing milk from Ireland while at the same time enabling local Indian farmers to sustainably increase their incomes.
- Since half of the company's operations are based in emerging market countries, the company emphasizes hiring non-Western employees. It worked with a university in Bangladesh to develop a talent pool of local educated women. This program not only benefited the local community but also reduced staff turnover for the company, lowering costs.
- The company has set a quantitative goal for itself to, by 2020, reduce carbon dioxide emissions by 40%, water intake by 30%, and total waste generated by 50%. Since 2012, the company has reduced carbon emissions at its Singaporean facility by 6.7%, which has led to approximately \$8.5 million in utility savings.

### ESG incorporation strategy applied

- Screening
- Integration
- Combination of ESG incorporation strategies
- Index incorporating ESG issues

### Impact on investment decision or performance

Our conclusion from our research reinforced our belief in this company as a high quality company focused on long-term positive outcomes for all stakeholders. The mantle of "Global Citizen" is fully integrated into everything the company does: the company actively seeks to identify issues that can preserve and create value for its business while simultaneously enhancing its reputation as a leading global corporate citizen. The initiatives cited above contribute to our belief that this company has a long-term sustainable business model in place that benefits shareholder value.

- ESG issue 2

|  |  |
|--|--|
|  | ESG issue and explanation                    |
| <p>We were invested in a packaged food producer and learned of a company recall of a product after trace of salmonella were found. At the time of the learning of this information, there were no health-related incidents associated with the product identified.</p>   |  |
|  | ESG incorporation strategy applied           |
| <p><input type="checkbox"/> Screening</p> <p><input checked="" type="checkbox"/> Integration</p> <p><input type="checkbox"/> Combination of ESG incorporation strategies</p> <p><input type="checkbox"/> Index incorporating ESG issues</p>  |  |
|  | Impact on investment decision or performance |
| <p>We engaged company management to understand a) how the problem was identified and the steps taken; b) reconconfirm our initial assessment of the robust process of their product safety system. Through this process, we learned that it was the inspection authorities that initially identified the issue. The company responded swiftly and voluntarily recalled the product. Subsequent multiple independent inspections did not identify any trace of salmonella in the company's products. The company maintains its robust safety process including ISO 22000; FSSC 22000; ISO 9001 and HACCP. Due to all these factors, we determine that the company met our ESG standards and we remained invested.</p> |  |

ESG issue 3

#### ESG issue and explanation

The company is the largest Mexican retailer, and a separately-listed subsidiary of the largest US retailer. We analyzed this company for potential investment in September 2015. At that time, we were increasingly positive on the Mexican consumer, and were screening a number of potential investments in that sector.

However, our analyst sought to better understand the past bribery issues that have historically been associated with this retailer. In April 2012, the New York Times published a lengthy article detailing alleged bribery at the company during the mid-2000s, in which it is purported to have paid local officials (mayors, city council members, zoning officials, etc.) in exchange for fast approvals of new stores. Since 2012, there has been an ongoing investigation involving US governmental authorities as well as the company's board.

We engaged with the company on these issues. We learned about the company's efforts to improve compliance, including hiring a compliance director and training all employees on FCPA. While these gave us some comfort, we remain concerned -- particularly while the investigation is still ongoing -- that the company appears to have permitted bribery to occur in the past and may have attempted to cover it up.

#### ESG incorporation strategy applied

- Screening
- Integration
- Combination of ESG incorporation strategies
- Index incorporating ESG issues

#### Impact on investment decision or performance

We did not purchase the stock, based on a combination of valuations, our growth outlook for the company, and the ESG issues associated with this company that we analyzed. In particular, it is not currently clear to us that the company has taken sufficient steps and instituted proper controls to ensure that such actions do not occur in the future. If we become more interested in the investment in the future, we will look to engage again on these issues.

ESG issue 4

#### ESG issue and explanation

The company is a German car manufacturer. In September 2015, it admitted that it had installed a "defeat device" that could detect when its diesel engines were being tested for emissions requirements and then function differently during that time only. Initially, the company disclosed this situation as impacting just under 500,000 vehicles in the US, where the existence of the software was first discovered, but subsequently disclosed that the situation was widespread: approximately 11 million vehicles globally had the software installed in them.

There is no precedent for this situation. Whether the company was violating any laws outside of the US with its software "cheat" is unclear at this stage, as is any potential future liability. The potential direct fines resulting from these additional infractions outside of the US are unknown. What seems apparent at this stage is that the regulatory focus on the entire automotive industry will be significantly higher on emissions testing, particularly around diesel engines, diesel engines will lose share (to the benefit of hybrid and petrol engines), and this company will suffer significant brand damage and will see market share loss.

#### ESG incorporation strategy applied

- Screening
- Integration
- Combination of ESG incorporation strategies
- Index incorporating ESG issues

#### Impact on investment decision or performance

Despite the difficulties in trying to quantify the ultimate regulatory and consumer response to this situation, we do feel certain that there will be a significant range of negative outcomes for both this company specifically but also the broader automotive industry overall, depending on how widespread the "cheating" proves to be and how much additional regulatory burden is subsequently placed on automakers.

However, we also recognize that there will also be beneficiaries from this situation, most likely in the auto supply chain, as these companies will provide part of the solution as automakers seek to meet the future emissions requirements. Light-weighting, diesel treatments, and hybrid and other powertrain solutions will all help automakers meet emissions targets, at an increased cost per vehicle, which will be spent in the supply chain.

Given the open-ended risks around the potential fines to be imposed on this company, the future regulatory burdens placed on it, and the quick loss of brand reputation at the company, we exited our position, completing that in September 2015. We see much better value opportunities (taking into account the degree of risk) in other parts of the auto sector, especially in the supply chain.

- ESG issue 5

|   |   |
|---|---|
|   | <p>ESG issue and explanation</p>  |
| <p>The company, a leading Chinese metal casing manufacturer, had three production sites in the Jiangsu province in China, in Suzhuo, Taizhou, and Suqian. The company closed one of those factories in November 2013, reflecting the local government's industry development policy that sought to discourage heavy industrial manufacturing plants like this one from maintaining operations there. The company then closed another factory in August 2015, leaving only one factory open in Suzhuo.</p> <p>At that time, the company also announced that it would transfer its die-casting production capacity to production sites in less-developed areas, which it believed were more appropriate for the heavy industrial manufacturing work the company did. Locating its plants there would help the company satisfy the increasing amount of local government regulations and preferences against heavy manufacturing (polluting) industries in more heavily developed areas.</p> <p>Some workers at the affected site refused to relocate. Following negotiations, unsatisfied workers protested in August 2015, with the local police force called to contain the small-scale riot. The company is continuing its production site relocation from Suzhou to Taizhou/Suqian.</p> <p>We engaged with the company following this incident, and we believe the strike had no real impact to company's production.</p> |   |
|   | <p>ESG incorporation strategy applied</p> <ul style="list-style-type: none"> <li><input type="checkbox"/> Screening</li> <li><input checked="" type="checkbox"/> Integration</li> <li><input type="checkbox"/> Combination of ESG incorporation strategies</li> <li><input type="checkbox"/> Index incorporating ESG issues</li> </ul>  |
|   | <p>Impact on investment decision or performance</p> <p>We recognize that industrial manufacturing companies such as this company implement production processes that generally involve heavy use of chemicals, and as such, they tend to emit more pollutants (dust and other particles) into the air than other companies.</p> <p>However, we also believe that in the "heavy manufacturing" category, larger and well-resourced companies such as this one have an advantage over smaller companies, with the larger ones more likely to be able to upgrade processes and machinery to meet increasing regulations and to improve their environmental profile. Larger companies such as this one are also generally more able to relocate workers to less densely populated areas. We will continue to monitor the company's labor relation and environmental measures closely.</p> |

**Communication**

|        |           |               |         |
|--------|-----------|---------------|---------|
| LEI 17 | Mandatory | Core Assessed | PRI 2,6 |
|--------|-----------|---------------|---------|

**LEI 17.1**

Indicate if your organisation proactively discloses information on your approach to ESG incorporation in listed equity.

- We disclose it publicly

Provide URL

[https://www.abglobal.com/abcom/Our\\_Firm/Content/CGDocs/Statement\\_of\\_Policy\\_Regarding\\_Responsible\\_Investment.pdf?uid=37609bb6-ccea-11e4-98e2-1c10539321b1](https://www.abglobal.com/abcom/Our_Firm/Content/CGDocs/Statement_of_Policy_Regarding_Responsible_Investment.pdf?uid=37609bb6-ccea-11e4-98e2-1c10539321b1)

**LEI 17.2**

Indicate if the information disclosed to the public is the same as that disclosed to clients/beneficiaries.

- Yes

**LEI 17.3**

Indicate the information your organisation proactively discloses to clients/ beneficiaries and the public regarding your approach to ESG incorporation.

- Broad approach to ESG incorporation
- Detailed explanation of ESG incorporation strategy used

**LEI 17.4**

Indicate how frequently you typically report this information.

- Quarterly or more frequently
  - Biannually
  - Annually
  - Less frequently than annually
  - Ad-hoc/when requested
- No
- We disclose it to clients and/or beneficiaries only
  - We do not proactively disclose it to the public and/or clients/beneficiaries

AB

## Reported Information

Public version

Direct - Listed Equity Active Ownership

## PRI disclaimer

This document presents information reported directly by signatories. This information has not been audited by the PRI Secretariat or any other party acting on their behalf. While this information is believed to be reliable, no representations or warranties are made as to the accuracy of the information presented, and no responsibility or liability can be accepted for any error or omission.

## Engagement

### Overview

|        |           |               |       |
|--------|-----------|---------------|-------|
| LEA 01 | Mandatory | Core Assessed | PRI 2 |
|--------|-----------|---------------|-------|

**LEA 01.1** Indicate whether your organisation has a formal engagement policy.

- Yes
- No

**LEA 01.5** Additional information [optional]

Engagement is an important element to our integration approach of ESG. We take a two-pronged approach to active ownership: 1) We directly engage with issuers as part of our research process, and 2) we implement a pro-active proxy voting process.

**Direct Engagement:** Our analysts often meet with management and other stakeholders such as suppliers and customers as part of their research process. Once we have made an investment, our analysts continue to monitor each company/issuer we own to understand developments likely to affect the value of the holdings. Our analysts regularly meet management to discuss such matters as strategy, operations, and ESG topics. Our ESG analyst and/or proxy managers may join these meetings.

**Proxy Voting:** We are shareholder advocates. We thus have a fiduciary duty to make investment decisions that are in our clients' best interests and, in our view, will maximize the value of their shares. Proxy voting is an integral part of this process, and AB supports strong corporate governance structures, shareholder rights, and transparency. We have a well developed in-house proxy policy and process that guides our proxy decisions. We take ESG factors into consideration when voting. Proxy related meetings are also often a joint effort between the investment professionals, who are best positioned to comment on company-specific details, and the proxy manager(s), who offer a more holistic view of governance.

|        |           |         |           |
|--------|-----------|---------|-----------|
| LEA 02 | Mandatory | Gateway | PRI 1,2,3 |
|--------|-----------|---------|-----------|

**LEA 02.1** Indicate your reasons for interacting with companies on ESG issues and indicate who carries these interactions out.

| Type of engagement                           | Reason for interaction  |
|--|---|
| <b>Individual/Internal staff engagements</b> | <input checked="" type="checkbox"/> To influence corporate practice (or identify the need to influence) on ESG issues<br><input checked="" type="checkbox"/> To encourage improved/increased ESG disclosure<br><input type="checkbox"/> Other, specify<br><input type="checkbox"/> We do not engage via internal staff            |
| <b>Collaborative engagements</b>             | <input checked="" type="checkbox"/> To influence corporate practice (or identify the need to influence) on ESG issues<br><input checked="" type="checkbox"/> To encourage improved/increased ESG disclosure<br><input type="checkbox"/> Other, specify<br><input type="checkbox"/> We do not engage via collaborative engagements |
| <b>Service provider engagements</b>          | <input type="checkbox"/> To influence corporate practice (or identify the need to influence) on ESG issues<br><input type="checkbox"/> To encourage improved/increased ESG disclosure<br><input type="checkbox"/> Other, specify<br><input checked="" type="checkbox"/> We do not engage via service providers                    |

## Process

### Process for engagements run internally

|               |                  |                      |              |
|---------------|------------------|----------------------|--------------|
| <b>LEA 03</b> | <b>Mandatory</b> | <b>Core Assessed</b> | <b>PRI 2</b> |
|---------------|------------------|----------------------|--------------|

**LEA 03.1** Indicate whether your organisation has a formal process for identifying and prioritising engagement activities carried out by internal staff.

- Yes  
 No

**LEA 03.3** Additional information. [Optional]

Engagement is an important component of our approach to active ownership and a part of our standard investment research process. In addition, we conduct engagements focussed on ESG and proxy issues. In 2015, we began development of an engagement framework to determine priorities while at the same time providing flexibility to address ad hoc issues appropriately. The framework has both quantitative and qualitative inputs. Some items we consider are the size of the position, the materiality of the issue, and expected impact by engaging. We plan to reference it for engagements in 2016, and refine it in practice.

|               |                  |                      |              |
|---------------|------------------|----------------------|--------------|
| <b>LEA 04</b> | <b>Mandatory</b> | <b>Core Assessed</b> | <b>PRI 2</b> |
|---------------|------------------|----------------------|--------------|

**LEA 04.1** Indicate if you define specific objectives for your engagement activities.

- Yes
  - Yes, for all engagement activities
  - Yes, for the majority of engagement activities
  - Yes, for a minority of engagement activities
- No

**LEA 04.2** Indicate if you monitor the actions that companies take following your engagements.

- Yes
  - Yes, in all cases
  - Yes, in the majority of cases
  - Yes, in the minority of cases
- No

**LEA 04.3** Indicate whether your organisation defines milestones and goals for engagement activities carried out by internal staff.

- Yes
- No

### Process for engagements conducted via collaborations

**LEA 05**

**Mandatory**

**Core Assessed**

**PRI 2**

**LEA 05.1** Indicate whether your organisation has a formal process for identifying and prioritising collaborative engagements

- Yes
- No

**LEA 05.3** Additional information [Optional]

We have participated in our first collaborative engagement in 2015 under the PRI's collaborative engagement on human rights issues in the extractives industry. We are a co-lead for a company. We plan to use this experience to determine how and when collaborative engagements could be useful.

**LEA 06**

**Mandatory**

**Core Assessed**

**PRI 2**

**LEA 06.1** Indicate if the collaborative engagements in which you are involved have defined objectives.

- Yes
  - Yes, for all engagement activities
  - Yes, for the majority of engagement activities
  - Yes, for a minority of engagement activities
- No

**LEA 06.2** Indicate if you monitor the actions companies take following your collaborative engagements.

- Yes
  - Yes, in all cases
  - Yes, in the majority of cases
  - Yes, in the minority of cases
- No

**LEA 06.3** Indicate whether your organisation defines milestones and goals related to engagement activities carried out via collaborations.

- Yes

**LEA 06.4** Indicate if you do any of the following to monitor and evaluate the progress of your engagement activities.

- Define timelines of the milestones and goals
  - Tracking, monitoring progress against defined milestones and goals
  - Establish a process for when the goals are not met
  - Revisit and revise if necessary the goals on continuous basis
  - Other, please specify
- No

**LEA 06.5** Additional information. [Optional]

As noted above, we are involved in our first collaborative engagement in 2015.

### General processes for all three groups of engagers

**LEA 09**

Voluntary

Additional Assessed

PRI 1,2

**LEA 09.1**

Indicate if insights gained from your engagements are shared with your internal or external investment managers as input for consideration in investment decisions.

| Type of engagement                           | Insights shared   |
|--|---|
| <b>Individual/Internal staff engagements</b> | <input type="radio"/> Yes, systematically<br><input checked="" type="radio"/> Yes, occasionally<br><input type="radio"/> No |
| <b>Collaborative engagements</b>             | <input type="radio"/> Yes, systematically<br><input checked="" type="radio"/> Yes, occasionally<br><input type="radio"/> No |

**LEA 09.2** Additional information. [Optional]

As noted above, insights garnered from our engagements with issuers are a key component of, and sometimes even a material aspect of, our analysts' research recommendations and investment theses on an issuer. Such insights are discussed with our portfolio management teams and directors of research in regular research review meetings, and, depending on the item, may certainly influence our ultimate investment decision on the issuer.

**LEA 10** **Mandatory** **Gateway** **PRI 2**

**LEA 10.1** Indicate if you track the number of engagements your organisation participates in.

| Type of engagement                             | Tracking engagements   |
|--|--|
| <b>Individual / Internal staff engagements</b> | <input type="radio"/> Yes, we track the number of our engagements in full<br><input checked="" type="radio"/> Yes, we partially track the number of our engagements<br><input type="radio"/> We do not track                                     |
| <b>Collaborative engagements</b>               | <input checked="" type="radio"/> Yes, we track the number of our engagements in full<br><input type="radio"/> Yes, we partially track the number of our engagements<br><input type="radio"/> We do not track and cannot estimate our engagements |

**LEA 10.2** Additional information. [OPTIONAL]

We track company meetings in our global company calendar. This includes the majority of our company engagements, but does not track the specific meeting agenda or items discussed, such as ESG topics. In 2013, we introduced an engagement database to capture specific ESG-related engagements and ESG integration examples. Given the volume of our analysts' interactions with companies, and the wide variety and materiality of ESG issues they discuss, we do not capture every single discussion. Instead, we focus on the most significant engagements.

In addition, in fourth quarter in 2014, our Proxy Team started tracking proxy related engagements, including all meetings offered by companies. For 2015, this totaled 101 issuers during the year.

**Outputs and outcomes**

**LEA 11** **Mandatory to Report Voluntary to Disclose** **Core Assessed** **PRI 2**

**LEA 11.1** Indicate the number of companies with which your organisation engaged during the reporting year.

|   | <b>Number of companies engaged</b><br>(avoid double counting, see explanatory notes)      | <b>Proportion (to the nearest 5%)</b>  | <b>Specify the basis on which this percentage is calculated</b>  |
|---|---|--|--|
| Individual / Internal staff engagements | <div style="border: 1px solid black; padding: 2px;">Number of companies engaged</div> 101 | <div style="border: 1px solid black; padding: 2px;">Proportion (to the nearest 5%)</div> 0 | <div style="border: 1px solid black; padding: 2px;">Specify the basis on which this percentage is calculated</div> <input checked="" type="radio"/> of the total number of companies you hold<br><input type="radio"/> of the total value of your listed equity holdings |
| Collaborative engagements               | 1   | <div style="border: 1px solid black; padding: 2px;">Proportion (to the nearest 5%)</div> 0 | <div style="border: 1px solid black; padding: 2px;">Specify the basis on which this percentage is calculated</div> <input checked="" type="radio"/> of the total number of companies you hold<br><input type="radio"/> of the total value of your listed equity holdings |

**LEA 11.2** Indicate the proportion of engagements that involved multiple, substantive and detailed discussions or interactions with a company during the reporting year relating to ESG issue.

| Type of engagement                      | % Comprehensive engagements  |
|---|--|
| Individual / Internal staff engagements | <input type="radio"/> > 50%<br><input checked="" type="radio"/> 10-50%<br><input type="radio"/> <10%<br><input type="radio"/> None |
| Collaborative engagements               | <input checked="" type="radio"/> >50%<br><input type="radio"/> 10-50%<br><input type="radio"/> <10%<br><input type="radio"/> None  |

**LEA 11.3** Indicate the percentage of your collaborative engagements for which you were a leading organisation during the reporting year.

| Type of engagement        | % Leading role  |
|---------------------------|---|
| Collaborative engagements | <input checked="" type="radio"/> >50%<br><input type="radio"/> 10-50%<br><input type="radio"/> <10%<br><input type="radio"/> None |

|                 |                                    |
|-----------------|------------------------------------|
| <b>LEA 11.5</b> | Additional information. [Optional] |
|-----------------|------------------------------------|

As mentioned in other sections, our analysts and governance team conduct many engagements throughout the year. We only track significant engagements, therefore the percentages provided above only apply to the engagements we formally track.

|               |           |                     |       |
|---------------|-----------|---------------------|-------|
| <b>LEA 12</b> | Voluntary | Additional Assessed | PRI 2 |
|---------------|-----------|---------------------|-------|

|                 |                                       |
|-----------------|---------------------------------------|
| <b>LEA 12.1</b> | Indicate if your engagement involved: |
|-----------------|---------------------------------------|

- Letters to outline the engagement and the objectives
  - In some cases
  - In majority cases
  - In all cases
- Meetings and/or calls with the appropriate team
  - In some cases
  - In majority cases
  - In all cases
- Visits to operations
  - In some cases
  - In majority cases
  - In all cases
- Roadshows
  - In some cases
  - In majority cases
  - In all cases
- ESG research
  - In some cases
  - In majority cases
  - In all cases
- Other, specify

|               |           |                     |       |
|---------------|-----------|---------------------|-------|
| <b>LEA 13</b> | Voluntary | Additional Assessed | PRI 2 |
|---------------|-----------|---------------------|-------|

|                 |  |
|-----------------|--|
| <b>LEA 13.1</b> | Indicate if your engagements in the reporting year covered E, S and/or G issues. |
|-----------------|--|

| Type of engagement                      | Coverage   |
|---|--|
| Individual / Internal staff engagements | <input checked="" type="checkbox"/> Environmental<br><input checked="" type="checkbox"/> Social<br><input checked="" type="checkbox"/> Corporate Governance<br><input type="checkbox"/> We do not track this information |
| Collaborative engagements               | <input type="checkbox"/> Environmental<br><input checked="" type="checkbox"/> Social<br><input type="checkbox"/> Corporate Governance<br><input type="checkbox"/> We do not track this information                       |

**LEA 13.2** Provide an estimated breakdown by E, S and/or G issues.

Individual / Internal staff engagements

% Environmental only

19

% Social only

15.5

% Corporate Governance only

65.5

**100%**

Collaborative engagements

% Social only

100

**100%**

**LEA 14** Voluntary Descriptive PRI 2

**LEA 14.1** Indicate whether you have a reliable estimate of the number of cases during the reporting year where a company changed its practices, or made a formal commitment to do so, following your organisation's and/or your service provider's engagement activities.

Yes

No

|          |   |
|----------|---|
| LEA 15.1 | Provide examples of the engagements that your organisation carried out during the reporting year. |
|----------|---|

Add Example 1

|                    |  |
|--------------------|--|
| Topic or ESG issue | Social – Health and Safety   |
| Conducted by       | <input checked="" type="checkbox"/> Individual / Internal<br><input type="checkbox"/> Collaborative  |
| Objectives         | <p><b>Background:</b> The company is a German robotics makers and robotics systems integrator that we held across several European equity portfolios. Mid-2015, it was reported in both the local German and international press that there was a tragic fatality at a German automotive assembly plant involving a robot the automotive maker had purchased from the company.</p> <p><b>Objective:</b> Our objective was to understand the background and cause of a fatal accident and the role of this company (if any) in the accident.</p>  |
| Scope and Process  | <p>Through our initial filter we saw many indicators of strong supply chain management. We contacted the company within a day of the story being reported in the German media.</p> <p>We actively engaged with senior management to better understand the accident: what caused it, if it could have been prevented, the implications of the accident on their business, and what changes the company was making as a result of the accident. We had examined the company's health and safety track record before investing, and our analysts were comfortable with that record. What went wrong, then?</p> <p>During our engagement with senior management, we learned that the automotive company's existing health and safety procedures were not followed on that day: the third party contractor installing the robot did not conduct the company's required safety checks to make sure his workmate was out of the area before the installation.</p> |
| Outcomes           | <p>After discussing the incident and surrounding issues with the company, we were satisfied that, although tragic, the incident was not the fault of the company or its safety practices; rather, this incident occurred due to human error during the installation and testing of the robot by third-party contractors in what normally should have been a fenced-off area during regular assembly operations. We were comfortable maintaining our existing holding.</p>  |

Add Example 2

|                    |   |
|--------------------|---|
| Topic or ESG issue | Social – Animal Welfare   |
| Conducted by       | <input checked="" type="checkbox"/> Individual / Internal<br><input type="checkbox"/> Collaborative   |
| Objectives         | <p><b>Background:</b> The company is a US-based chain of fast food restaurants that we held in US Equity Portfolios. The company has taken a strong stance on sustainability and animal welfare, and believes in serving only naturally-raised meats, which in their definition means pigs that are raised outside and fed a vegetarian-only diet with no antibiotics at all. Indeed, the company's ethical sourcing approach, focus on sustainability, and emphasis animal welfare is an essential component of their "brand". In January 2015, the company announced it was suspending sales of pork in roughly a third of their stores, or 600 restaurants. During a routine audit, they had discovered that a supplier was raising pigs without access to the outdoors or to deeply bedded barns that are more comfortable for the animals - something that was a company requirement. The supplier was immediately banned from ever providing pork to the chain in the future. With that particular supplier now discontinued, the company had a pork shortage in some restaurants and had to identify new suppliers.</p> <p><b>Objective:</b> Our objective was to understand the company's audit process and evaluate its supply chain risk.</p> |
| Scope and Process  | <p>We held many one-on-one calls with both the Head of Investor Relations as well as with the CFO on many occasions.</p> <p>April 2015: An early call was focused on the audit, the decision to block the pork from the stores, how the company was sourcing a new supplier, and finally, how the company would ensure this doesn't happen again. We learned the banned pork supplier was not a single farm operation but instead a network of farms, and that the problems appeared to be a systematic failure to meet protocols, which was why the company acted quickly. The company was working to cultivate relationships with additional new suppliers across all 68 ingredients used in its stores to ensure back up if there is a disruption again.</p> <p>July 2015: The company announced a new pork supplier from the UK that began supplying 100 stores initially, with the goal of returning pork to the entire system by the end of 2015. We liked the fact that, despite coming from the UK, this pork was cost-equivalent to what was being sourced from the US, meaning no negative margin impact. .</p> <p>September 2015: Pork was returned to 90% of the system.</p>  |
| Outcomes           | <p>Our continued work with this company and engagement with their management gave us confidence that this is a well-managed company whose management team made the right long-term decision for the business when they immediately banned the pork supplier that failed the audit. Had they not done so, the longer-term potential impact to the company of lowering their stringent standards on animal welfare and ethical sourcing would have been more severe, as it could have undermined one of the core tenets and competitive advantages of the company's brand. We believe that by pushing the envelope on "Food with Integrity", this company maintained its very relevant positioning with a consumer base that is increasingly looking for better-for-you food options.</p> <p>There was a short-term impact on the share price of the company immediately following news of the pork incident in the spring of 2015. At the time, the shares still screened out relatively expensive on our valuation metrics, so we decided to remain on the sidelines. However, the shares have subsequently come further down in price, so we bought the stock in November 2015.</p>  |

Add Example 3

|                    |   |
|--------------------|---|
| Topic or ESG issue | Environmental   |
| Conducted by       | <input checked="" type="checkbox"/> Individual / Internal<br><input type="checkbox"/> Collaborative   |
| Objectives         | <p><b>Background:</b> The company is a Russian mining company with the majority of its operations in Siberia. We held the company in several portfolios. The company was established in the 1930s. Since then, the company's equipment and technology has lagged global standards, particularly in emissions control and its environmental impact. Over the past few years, we have held ongoing conversations with senior management about their commitment to improve the company's environmental performance and what specific plans and capital outlays this would entail. We continued this engagement effort in 2015.</p> <p><b>Objective:</b> Our objective was to monitor the specific progress of this company in its goal of improving its environmental performance. In particular, we stressed the importance of the company making demonstrable progress on its clearly defined targets.</p>   |
| Scope and Process  | <p>We first met with this company in October 2013, when the company outlined how it hoped to reduce environmental impact. It did not provide tangible plans or spending commitments at that time. Nevertheless, we continued covering this company in 2014 and 2015, and engaging with them, and the company began providing more tangible plans.</p> <p>At both 2015 meetings, the company outlined the specific reductions expected in Phase I and Phase II of its environmental plan, disclosing precise levels of expected emissions. The company remains on track to finish Phase I in 2017, which will reduce overall sulfur emissions by 11-17% - from 1,800 KTPA to 1,500-1,600 KTPA, in line with the 15% average targeted. The company also provided more details on Phase II, which involves closing some facilities and opening others. Achieving Phase II objectives would enable the company to reduce total sulfur emissions by 75%. One caveat to this timeline is the continued pressure on the price of nickel: nickel prices were down -41.8% in 2015, reducing cash flow. In response, the company has indicated that the timeline for Phase II might slip a bit from initial estimate of 2020.</p> |
| Outcomes           | <p>Overall, the company is making good progress on its environmental plans, and its commitment (on paper) to meeting certain established targets and specific technologies give us confidence that further improvements will indeed be made at the company.</p> <p>We are not changing our actions on this company. In fact, we have become increasingly comfortable that the company is taking concrete steps to deliver on its promises to shareholders. We would be less positive on this company if they were not taking such material and specific actions to improve its environmental performance. Nevertheless, we will continue to closely monitor its implementation progress.</p>  |

Add Example 4

|                    |  |
|--------------------|--|
| Topic or ESG issue | Social – Labour Relations  |
| Conducted by       | <input checked="" type="checkbox"/> Individual / Internal<br><input type="checkbox"/> Collaborative  |
| Objectives         | <p><b>Background:</b> This Chinese company manufactures athletic and casual shoes for well-known global brands, which we own several in several of our portfolios.</p> <p>Companies operating in the footwear industry in developing countries can often have a social risk element, specifically in terms of worker safety, fair wages, employee relations and child labour. In mid-April 2014, more than 10,000 workers at one of the company's factories went on strike, demanding higher wages and social security contributions. In 1Q 2015, there was another strike in one of their Vietnam factories, which lasted ten days.</p> <p><b>Objective:</b> Our objective was to express our concerns about the second factory strike at this company, given there had been a previous strike less than a year earlier. We wanted to understand what was prompting these strikes and what actions management was taking to address labor issues, and prevent future strikes.</p> |
| Scope and Process  | <p>We contacted management shortly after news was released, to understand what caused the 2015 strike. We concluded the issue prompting the strike was not related to or caused by the company itself. Instead, the Vietnamese government had proposed a new pension rule that would prevent many workers from being eligible for lump-sum social insurances payments when they leave a company, and only receive payments when they retire. The workers were concerned that the money might not be there for them in the future, which led to the strike.</p> <p>Rather than opposing its workers during the strike, the company facilitated dialogue between the government and the workers, helping to seek a resolution. For those 10 days of production loss, the company engaged in immediate dialogue with its affected customers, and was able to quickly transfer production to its other factories in Vietnam, ensuring minimal interruption of production.</p>          |
| Outcomes           | The strike had little business or financial impact; we felt the company responded appropriately, and we were comfortable maintaining our position.   |

Add Example 5

|                    |  |
|--------------------|--|
| Topic or ESG issue | Social – Animal Welfare  |
| Conducted by       | <input checked="" type="checkbox"/> Individual / Internal<br><input type="checkbox"/> Collaborative  |
| Objectives         | <p><b>Background:</b> The company is an American membership-only warehouse club and an existing large, long-term holding in several of our portfolios. In June 2015, negative news emerged about the company's egg supply. Specifically, a video made by an interest group surfaced showing chickens living in deplorable conditions. The company contended that the living conditions appeared particularly deplorable because the hen house was about to be decommissioned. The news and video was widely picked up by the mainstream media.</p> <p><b>Objective:</b> As a major shareholder in this company, our engagement objectives were two-fold. First, we sought to understand the company's audit process regarding its egg supply, and evaluate any further supply chain risk. Secondly, we wanted to understand why this particular company was specifically targeted.</p>   |
| Scope and Process  | <p>We engaged with senior management on this topic twice in 2015. At these meetings, we discussed supply chain management and the audit process for vendors. The company conducted an egg supply audit which indicated that this was an isolated incident. The company explained that approximately 25% of its egg sales are cage-free, higher than the overall US market's 10% or less. Its objective is to increase the percentage of cage-free eggs further, but the supply of US produced cage-free eggs remains limited. Management also noted that a certain segment of its customer base was not willing or able to pay a premium for cage-free eggs. Nevertheless, the company continues to actively seek more US-domiciled cage-free producers. We asked the company to develop some self-imposed interim goals, timelines, and objectives towards going cage-free in its egg supply if it intended to increase the % of cage-free eggs sold.</p> <p>Our analysts also engaged with the interest group who produced the video, and were told they had engaged with the company over multiple years but that the company was not making enough progress with moving towards selling only cage-free eggs.</p> |
| Outcomes           | In late December 2015, the company announced it is now committed to a "complete and sustainable transition to a cage-free supply chain." We were pleased to hear this news. We are maintaining our position in this company. Nonetheless, we will continue to engage with the company on how they can improve their standards and implementation of animal welfare policies.   |

Add Example 6

|                    |  |
|--------------------|--|
| Topic or ESG issue | Governance   |
| Conducted by       | <input checked="" type="checkbox"/> Individual / Internal<br><input type="checkbox"/> Collaborative  |
| Objectives         | <p><b>Objective:</b> We hold this company, a Japanese car manufacturer, across several of our portfolios. Our objective was to share our approach to board independence with this company. Our engagement included a general discussion of the newly introduced Japanese Corporate Governance Code.</p> <p><b>Background:</b> AB believes corporate boards should be majority-independent to enable them to properly fulfill their oversight responsibilities. At the same time, we understand it takes time for certain companies to transition to this structure, particularly given local customs and practices. We therefore take local market standards and compliance codes into consideration when we analyze a company's corporate governance, and in particular, its Board structure. Japan is one of the few developed markets where it is not standard for publicly traded companies to have a majority independent board at non-controlled companies. Japan's geographic location and its language barrier are two reasons it is difficult to attract foreign independent board members. In 2015, the Japan Corporate Governance Code outlined that companies should have at least two outsiders on their board.</p> |
| Scope and Process  | <p>In November 2015, the company visited our London office and spoke with our Portfolio Managers and Analysts. At that meeting, we discussed the difference in board structure between Japan and other developed markets. In Japan, Board meetings occur more frequently than in other developed markets, and the Boards of Japanese companies tend to be more involved in the day-to-day management of the company than in other markets.</p> <p>During our discussion, the company acknowledged the benefit of our suggestion of adding independent, non-affiliated foreign directors to the Board to provide oversight outside of the day-to-day management of the company. Management recognizes that Board members with experience serving on Boards of other companies in developed markets could prove valuable in supporting the change needed in Japan to transition to a more independent, outside-director-oriented board structure.</p>  |
| Outcomes           | <p>So far, the company has elected its first female Outside Director and its first Foreign Executive Officer. Company management is also trying to increase diversity among management in different regional headquarters.</p> <p>The meeting we held with this company was not directly related to a shareholder meeting. We see this engagement as part of longer-term process. We will continue to have communication with this company on this topic.</p>  |

Add Example 7

|                    |   |
|--------------------|---|
| Topic or ESG issue | Environmental   |
| Conducted by       | <input checked="" type="checkbox"/> Individual / Internal<br><input type="checkbox"/> Collaborative   |
| Objectives         | <p><b>Background:</b> The 21st Conference of the Parties (COP21) is the annual meeting of all countries that want to take action for the climate, and it took place in Paris in early December 2015. Companies operating in the oil industry will be affected by the outcome of the COP21 meeting.</p> <p>We have held an equity position in an Anglo-Dutch oil company that would be affected. The company's CEO believes that the oil and gas industry should mobilize governments globally to set carbon prices or carbon taxes, to not only provide a clear and consistent incentive framework for companies choosing between technologies and energy sources but also to better enable market forces to select winners and losers based on which companies are best prepared to operate in a future lower carbon economy.</p> <p><b>Objective:</b> Our objective was to understand this company's approach to climate change and how the company is factoring it into its long-term outlook. We wanted to discuss the risks we see for the company, and, in particular, the importance we place on the company adapting its business to operate effectively in a low carbon economy in the future.</p>   |
| Scope and Process  | <p>In November 2015, we met with the company's VP for Environment in a one-on-one meeting and discussed a range of ESG-related items.</p> <p>One topic was carbon pricing. When making decisions on whether to invest in a new project or maintain investment in an existing one, this company has always made assumptions on the price for carbon, with those assumptions varying across the company's jurisdictions. With five other major oil/gas companies, this company signed a letter in June 2015 stating their support for consistent pricing at national levels, and eventually globally, across all major emitters of CO2. As part of this, the company standardised on a conservative carbon price estimate for themselves of \$45 per tonne CO2 - well in excess of any price applied today. Another topic was the company's long-term, capital-intensive projects.</p> <p>Our concern was that these types of long-term projects generally run the highest risk of becoming "stranded assets", meaning that CO2 costs could eventually rise to the point making these reserves uneconomic to produce. The company explained it carefully evaluates these "carbon critical" projects and seeks to make plants "upgrade-ready" for new technologies that may become commercial during the life of the facility - for example, carbon capture.</p> |
| Outcomes           | <p>The meeting was part of our long-term analysis of this company, and to emphasize the importance of addressing these issues. We will continue to have communication with this company.</p>  |

Add Example 8

|                    |   |
|--------------------|---|
| Topic or ESG issue | Social  |
| Conducted by       | <input checked="" type="checkbox"/> Individual / Internal<br><input type="checkbox"/> Collaborative   |
| Objectives         | <p><b>Background:</b> The company is one of the largest US-listed multi-family real estate investment trusts in the US. They develop, redevelop, acquire and manage rental apartment complexes. We have held the company in our equity real estate products.</p> <p>In early 2015, there was a large fire at a complex of the company's in New Jersey. It was the company's sixth fire since 2000. A labor union, concerned about the incidence of fires and the company's overall safety record, has been actively seeking corporate governance changes at the company. Frustrated that the company wasn't addressing their concerns seriously enough, the labor union reached out to large institutional shareholders, including AB, to explain their concerns and see if we would join them in exerting pressure on the company.</p> <p><b>Objective:</b> AB's policy is to engage with all stakeholders on all important issues related to shareholder value maximization, including ESG concerns. In this case, we wanted to hear the labor union's perspective, how the union had engaged with the company to date, and what feedback/reaction they had received from management. As with all of our engagements, we seek to gather information from multiple sources, and then weigh each issue on its own merits.</p> |
| Scope and Process  | <p>In the spring and summer of 2015, the labor union sent us a number of letters regarding the situation with the fires, the company's overall safety record, and the fact that, in the union's view, the company had not paid enough attention to addressing these issues. We had a follow-up call with the labor union in November 2015. During this engagement, we also discussed the role of Board oversight regarding fire safety, and the potential reputational risk for the company, which could affect their ability to successfully develop future projects.</p> <p>Our approach to engaging with the labor union was to assess the specific nature of the issue and to dimension the extent the issue merited our attention. For instance, is the number of incidences of fire that it has experienced out of the norm with similar-scale competitors in the construction industry overall? We gave the labour union some ideas and helped them formulate their approach. The labour union appreciated us engaging with them.</p>  |
| Outcomes           | <p>We further engaged with the research arm of the union to understand the materiality of the issue. We concluded that, even though fire safety is generally a serious risk, in this case the labor union failed to establish that there was a structural issue with the apartment complexes themselves that was leading to the succession of fires. Nonetheless, we will continue to engage with management on these issues.</p>   |

Add Example 9

|                    |  |
|--------------------|--|
| Topic or ESG issue | Governance   |
| Conducted by       | <input checked="" type="checkbox"/> Individual / Internal<br><input type="checkbox"/> Collaborative  |
| Objectives         | <p><b>Background:</b> In 2015, the Japanese Ministry of Economy, Trade and Industry (MET) introduced a series of corporate governance reforms that included a guideline for companies to commit to an average of 8% return on equity (ROE)[1]. As a result, many global institutional investors and Proxy Advisory Agencies indicated they would vote against a President (CEO) of any company at the Annual Meeting if the ROE of that company was below 5%, after allowing companies some time to adapt to the new guideline. (We note that as investors, AB has long applied the same general principle on a case-by-case basis, while of course taking company-specific circumstances into account.)</p> <p>This particular company, a diversified Japanese business focusing on electronics, entertainment, and games, has been held in several of our equity portfolios. It has had an average ROE over five years of -7.7%, and the current CEO has been in his position since 2012.</p> <p><b>Objective:</b> Our objective was to convey to the company that we wanted to see a higher ROE, and that we were holding the company's current management accountable for achieving it.</p> <p>[1] <a href="http://www.meti.go.jp/english/press/2014/0806_04.html">http://www.meti.go.jp/english/press/2014/0806_04.html</a></p> |
| Scope and Process  | <p>In June 2015, our ESG Analyst and Proxy Manager engaged with this company to communicate our policy in such cases, and to inform them that we were likely to vote against their incumbent CEO at the upcoming annual meeting, unless they had valid reason for us to act otherwise.</p> <p>The company argued that voting against the CEO would only serve to disrupt the current progress made thus far in his tenure. At the same time, the company acknowledged that its senior management is aware they have much progress still to make.</p> <p>Company management did point out the elevated ROE they had achieved in the last two years, and that their current three-year plan is on track to achieve a full 10% ROE by the end of 2018. We countered by pointing out that the company has a history of failing to meet similarly ambitious goals in the past.</p>  |
| Outcomes           | <p>We concluded that supporting the company's recent progress and stability in a transitional period outweighed the potential disruption of voting against the CEO to "send a message". As such, we voted for the CEO at the 2015 Annual Meeting, held in June 2015. However, we did send a message through our engagement. If the company has not made significant demonstrable progress in 2016, we will vote against the CEO at that time.</p>  |

Add Example 10

|                    |  |
|--------------------|--|
| Topic or ESG issue | Governance   |
| Conducted by       | <input checked="" type="checkbox"/> Individual / Internal<br><input type="checkbox"/> Collaborative  |
| Objectives         | <p><b>Background:</b> The company is an international oil and gas company which we have held in our equity portfolios. In October 2014, our analysts identified the company for engagement given what we saw as management complacency. At that time, we conducted deep research into the company's governance, operations, and capital allocation. In December 2014, we had an initial meeting with the company's management to discuss Board composition, incentive metrics, expense control, capital allocation, and the portfolio composition of the company. In our opinion, the exploration expenses of the company were very high compared to its peers.</p> <p><b>Objective:</b> Our long-term objective was to drive Board refreshment, change the company's compensation incentive metrics, and change the company's capital allocation and reduce expenses.</p>   |
| Scope and Process  | <p>In the first couple of the months of 2015, we wanted to give management the opportunity to respond/act to the views that we had presented late 2014. We were pleased that in March 2015, the company's newly-released proxy statement included incentive metrics changed to include cost-metrics, which was partly aligned with our views.</p> <p>In May 2015, we had a follow-up discussion with the company regarding board composition, incentive metrics, expense control, capital allocation, and their asset portfolio. This time, we felt the company was not as responsive. We reached out to another large shareholder to share some ideas. We had a second discussion with the CEO specifically on Board composition. We believed the Board was not diverse enough, and that this company would benefit from replacing some existing Board members with newer members with more diverse backgrounds. We also raised our concerns about incentive metrics for senior management compensation, expense control, capital allocation, and their asset portfolio, all of which was partly, but not sufficiently, changed, in our view.</p> |
| Outcomes           | <p>In May 2015, at the company's annual meeting, we voted against a number of Board nominees that had very long tenures with the company. We did not raise our compensation proposal at that time, deciding instead to support the compensation proposal this year.</p> <p>Since then, the company has made several improvements in line with our suggestions. The company has changed its exploration philosophy to reduce risk and costs, and it has included cost metrics in management incentives. The company partly divested some assets to create focus on key assets, and management appears to be more focused on cost control. That said, there has been no change to the company's Board, and we believe that the progress on other issues has been both slow and limited. We continue to engage with the company.</p>  |

## Communication

LEA 16

Mandatory

Core Assessed

PRI 2,6

**LEA 16.1** | Indicate whether your organisation proactively discloses information on its engagements.

- We disclose it publicly
- We disclose it to clients and/or beneficiaries only
- We do not proactively disclose it to the public and/or clients/beneficiaries.

**LEA 16.8** | Additional information. [Optional]

We disclose our engagements upon request by our clients.

## (Proxy) voting and shareholder resolutions

### Overview

|               |                  |                |                  |
|---------------|------------------|----------------|------------------|
| <b>LEA 17</b> | <b>Mandatory</b> | <b>Gateway</b> | <b>PRI 1,2,3</b> |
|---------------|------------------|----------------|------------------|

**LEA 17.1** | Indicate whether your organisation has a formal voting policy.

- Yes

**LEA 17.2** | Indicate what your voting policy covers:

- Conflicts of interest
- Prioritisation of voting activities
- Transparency
- Decision making processes
- Environmental factors
- Social factors
- Governance factors
- Securities lending process
- Other, describe

other description

Our proxy policy is a comprehensive document that explicitly describes how we vote on the most common proxy issues.

- None of the above

**LEA 17.3** | Please attach or provide a URL to your voting policy. [Optional]

URL

[https://www.abglobal.com/abcom/Our\\_Firm/Content/CGDocs/AB\\_Proxy\\_Voting\\_Policy.pdf?uuid=2e05e5f8-ccea-11e4-98e2-1c10539321b1](https://www.abglobal.com/abcom/Our_Firm/Content/CGDocs/AB_Proxy_Voting_Policy.pdf?uuid=2e05e5f8-ccea-11e4-98e2-1c10539321b1)

Attach document

[AB Proxy Voting Policy.pdf](#)

**LEA 17.4** Provide a brief overview of your organization's approach to (proxy) voting (including the filing and/or co-filing of shareholder resolutions if applicable).

As an investment adviser, we are shareholder advocates and have a fiduciary duty to make investment decisions that are in our clients' best interests by maximizing the value of their shares. Proxy voting is an integral part of this process, through which we support strong corporate governance structures, shareholder rights, and transparency. We believe a company's environmental, social and governance ("ESG") practices may have a significant effect on the value of the company, and we take these factors into consideration when voting. We approach our proxy voting responsibilities with the same commitment to rigorous research and engagement that we apply to all of our investment activities. Our policy is to vote all proxies in a timely manner, for the full number of shares, for all securities held in client accounts for which we have proxy voting authority, whenever it is administratively and logistically possible to do so.

No

**LEA 17.5** Additional information [optional]

Our proxy policy is annually reviewed, and updated as necessary, by the Proxy Committee (which includes senior members from investments, legal& compliance, and operations) to ensure it captures our latest thinking and reflects new governance issues. Our proxy voting committee generally meets three times per year and as necessary to address special situations.

Our proxy team votes our proxies globally. In evaluating proxy issues and determining our votes, we welcome and seek out the points of view of various parties. Internally, the Proxy team may consult the Proxy Committee, Chief Investment Officers, Directors of Research, and/or Research Analysts across our equities platforms, and Portfolio Managers in whose managed accounts a stock is held. This ensures consistent application of our policy while at the same leveraging the company specific knowledge of the investment teams who can provide an extra level of insight. Externally, we may engage with companies in advance of their Annual General Meeting, and throughout the year. We believe engagement provides the opportunity to share our philosophy, our corporate governance values, and more importantly, affect positive change.

Our Proxy Voting Policy and our historical voting records are available on our public website.

**Process**

**LEA 18** **Mandatory** **Descriptive** **PRI 2**

**LEA 18.1** Indicate how you typically make your (proxy) voting decisions and what this approach is based on.

### Approach

- We use our own research or voting team and make our own voting decisions without the use of service providers.
- We hire service provider(s) that make voting recommendations or provide research that we use to inform our voting decisions.

### Based primarily on

- the service provider voting policy signed off by us
  - our own voting policy
  - our clients' requests or policy
  - other, explain
- We hire service provider(s) that make voting decisions on our behalf, except for some pre-defined scenarios for which we review and make voting decisions.
- We hire service provider(s) that make voting decisions on our behalf.

|               |                  |                    |              |
|---------------|------------------|--------------------|--------------|
| <b>LEA 20</b> | <b>Voluntary</b> | <b>Descriptive</b> | <b>PRI 2</b> |
|---------------|------------------|--------------------|--------------|

|                 |  |
|-----------------|--|
| <b>LEA 20.1</b> | To ensure that your (proxy) votes are cast and reach their intended destination on time, indicate if you do the following. |
|-----------------|--|

- Obtain end-to-end confirmation that votes have been lodged
- Participate in projects to improve the voting trail and/or to obtain vote confirmation
- None of the above

|                 |  |
|-----------------|--|
| <b>LEA 20.2</b> | Provide additional information on your organisation's vote confirmation efforts. |
|-----------------|--|

Our proxy processing agent confirms receipt of votes with the custodian. We plan to review the end-to-end process in 2016.

|               |                  |                            |              |
|---------------|------------------|----------------------------|--------------|
| <b>LEA 21</b> | <b>Voluntary</b> | <b>Additional Assessed</b> | <b>PRI 2</b> |
|---------------|------------------|----------------------------|--------------|

|                 |   |
|-----------------|---|
| <b>LEA 21.1</b> | Indicate if your organisation has a securities lending programme. |
|-----------------|---|

- Yes

|                 |   |
|-----------------|---|
| <b>LEA 21.2</b> | Indicate how voting is addressed in securities lending programme. |
|-----------------|---|

**Please select one of the following**

- We recall most securities for voting on all ballot items
  - We recall some securities for voting on some ballot items on a systematic basis in line with specified criteria
  - We occasionally recall some securities for voting on some ballot items on an ad-hoc basis
  - We empower our securities lending agent to decide when to recall securities for voting purposes
  - We do not recall our shares for voting purposes
  - Other (please specify)
- No

|                 |                         |
|-----------------|-------------------------|
| <b>LEA 21.4</b> | Additional information. |
|-----------------|-------------------------|

We generally do not recall shares for voting purposes unless we determine the benefit of voting outweighs the costs and the lost revenue to the client or fund and the administrative burden of recalling the securities.

|               |                  |                      |              |
|---------------|------------------|----------------------|--------------|
| <b>LEA 22</b> | <b>Mandatory</b> | <b>Core Assessed</b> | <b>PRI 2</b> |
|---------------|------------------|----------------------|--------------|

|                 |   |
|-----------------|---|
| <b>LEA 22.1</b> | Indicate if you ensure that companies are informed of the rationale when you and/or the service providers acting on your behalf abstain or vote against management recommendations. |
|-----------------|---|

- Yes, in most cases
- Sometimes, in the following cases:
  - votes in selected markets
  - votes on certain issues (all markets)
  - votes for significant shareholdings (all markets)
  - Votes for companies we are engaging with
  - other, explain
 

**Please see Additional Information**
- No
- Not applicable as we and/or our service providers do not abstain or vote against management recommendations

|                 |                                    |
|-----------------|------------------------------------|
| <b>LEA 22.2</b> | Additional information. [Optional] |
|-----------------|------------------------------------|

As active owners, we value constructive dialogues with companies. Explaining our voting rationale for an "abstain" or "against" vote can be part of these discussions, and, in some cases, is important to promote change at the company. There are companies with whom we have ongoing discussions over multiple years.

|                             |  |  |  |
|-----------------------------|--|--|--|
| <b>Outputs and outcomes</b> |  |  |  |
|-----------------------------|--|--|--|

|               |                  |                      |              |
|---------------|------------------|----------------------|--------------|
| <b>LEA 23</b> | <b>Mandatory</b> | <b>Core Assessed</b> | <b>PRI 2</b> |
|---------------|------------------|----------------------|--------------|

|                 |  |
|-----------------|--|
| <b>LEA 23.1</b> | For listed equities where you and/or your service provider have the mandate to issue (proxy) voting instructions, indicate the percentage of votes cast during the reporting year. |
|-----------------|--|

- We do track or collect this information

Votes cast (to the nearest 1%)

%

99

Specify the basis on which this percentage is calculated

- of the total number of ballot items on which you could have issued instructions
- of the total number of company meetings at which you could have voted
- of the total value of your listed equity holdings on which you could have voted

**LEA 23.2** If there are specific reasons why you did not vote certain holdings, explain these, and if possible, indicate the percentage of holdings affected by these factors. [Optional]

- Not voted due to being a share blocking market 0.38%
- Power of Attorney required to vote was note on file 0.55%
- Ballot was delivered by the custodian too late to vote 0.02%
- Beneficial ownership information was required 0.05%

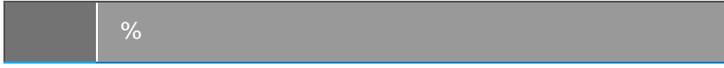
We do not track or collect this information

|               |                  |                    |              |
|---------------|------------------|--------------------|--------------|
| <b>LEA 24</b> | <b>Voluntary</b> | <b>Descriptive</b> | <b>PRI 2</b> |
|---------------|------------------|--------------------|--------------|

**LEA 24.1** Indicate if you track the voting instructions that you and/or your third party have issued on your behalf.

Yes, we track this information

**LEA 24.2** Of the voting instructions that you and/or third parties have issued on your behalf, indicate the proportion of ballot items that were:

| Voting instructions                           | Breakdown as percentage of votes cast  |
|---|--|
| For (supporting) management recommendations   | <br>82.3 |
| Against (opposing) management recommendations | <br>16.5 |
| Abstentions                                   | <br>1.2  |

100%

**LEA 24.3** For the reporting year, describe your approach towards voting on shareholder resolutions.

We vote shareholder resolutions based on our proxy policy. Each year, before the start of the proxy season, our Proxy Committee reviews our firm's Proxy Voting Policy to ensure it captures our latest thinking. At that time, we also formulate our approach to new shareholder proposals. In cases where new issues arise during the voting process, we convene our Proxy Committee to discuss and develop a policy. Our proxy voting policy includes a separate section on Environmental, Social and Disclosure Proposals and we generally support proposals that seek increased disclosure where we believe they provide insight to shareholders and are not overly burdensome.

No, we do not track this information

|               |                  |                    |              |
|---------------|------------------|--------------------|--------------|
| <b>LEA 25</b> | <b>Voluntary</b> | <b>Descriptive</b> | <b>PRI 2</b> |
|---------------|------------------|--------------------|--------------|

**LEA 25.1** Indicate if your organisation directly or via a service provider filed or co-filed any shareholder resolutions during the reporting year.

- Yes  
 No

|               |                  |                    |              |
|---------------|------------------|--------------------|--------------|
| <b>LEA 26</b> | <b>Voluntary</b> | <b>Descriptive</b> | <b>PRI 2</b> |
|---------------|------------------|--------------------|--------------|

**LEA 26.1** Provide examples of the (proxy) voting activities that your organisation and/or service provider carried out during the reporting year.

Add Example 1

|                    |   |
|--------------------|---|
| Topic or ESG issue | Governance  |
| Decision made by   | <input checked="" type="checkbox"/> Internal staff<br><input type="checkbox"/> Service provider   |
| Objectives         | <p><b>Objective:</b> Express our concerns and obtain further information surrounding the recruitment compensation offered to an incoming executive.</p> <p><b>Background:</b> This company, a US-based manufacturer, designer and marketer of personal computers, mobile devices and software, recruited the CEO of a successful clothing company to lead their retail business. The sizeable recruitment package that the company offered the incoming executive was intended to both incentivize future performance as well as compensate the executive for the forfeited portion of their former agreement, known as a "make-whole" agreement. Our key concern surrounded the size and construction of the "make-whole" portion which represented over half of the total package and had no performance-based criteria going forward. The company compensation agreement assumed that all future performance goals at the incoming executive's previous employer would have been attained.</p> |
| Scope and Process  | <p>In discussions with management, the company acknowledged our concerns and conceded that it may have been beneficial to include performance-based metrics in the "make-whole" portion of the compensation, but that this was non-negotiable at the time and the executive had such a strong track record of performance that it was considered acceptable to forego performance metrics for this portion of the pay package. At the time of our discussion with the company, the executive had been in their role for a year and performance had been exceptional.</p>  |
| Outcomes           | <ul style="list-style-type: none"> <li>• We concluded that performance has been strong at the company and there has been no pattern of poor compensation practices.</li> <li>• We supported the executive compensation proposal and will monitor future pay practices.</li> </ul>   |

Add Example 2

|                    |  |
|--------------------|--|
| Topic or ESG issue | Governance   |
| Decision made by   | <input checked="" type="checkbox"/> Internal staff<br><input type="checkbox"/> Service provider  |
| Objectives         | <p><b>Objective:</b> Express our concerns and obtain further information surrounding the change in board leadership structure.</p> <p><b>Background:</b> This company, a US-based financial institution, unilaterally reversed their bylaws to allow for a non-independent board Chairman and recombined the roles of CEO and Chairman. Five years previous to this change, shareholders voted to modify company bylaws to require an independent board Chairman, which had been in place up until this unilateral reversal by the company. Our concerns were that this change was made without either shareholder engagement or a shareholder vote, increased independent oversight of the board was warranted due to business complexity, and board mismanagement of this Chairman transition process that included many avoidable mistakes.</p> |
| Scope and Process  | <p>We engaged with board members and management in several instances to discuss this, and we conveyed that we considered the failure to seek shareholder approval for the bylaw reversal a serious breach of board oversight. Furthermore, the lack of engagement of shareholders prior to the decision showed poor board leadership. Due to shareholder feedback such as ours, the company agreed to hold a special meeting to vote on this bylaw reversal.</p>   |
| Outcomes           | <ul style="list-style-type: none"> <li>• We concluded that increased independent leadership was needed on the board due to the complexity of the business and recent board actions.</li> <li>• At the annual meeting we accordingly voted against re-appointment of the members of the Governance and Nomination Committees.</li> <li>• At the subsequent special meeting held to ratify the bylaw amendment, we voted against allowing a non-independent Chairman.</li> </ul>   |

Add Example 3

|                    |  |
|--------------------|--|
| Topic or ESG issue | Governance   |
| Decision made by   | <input checked="" type="checkbox"/> Internal staff<br><input type="checkbox"/> Service provider  |
| Objectives         | <p><b>Objective:</b> Discuss the vote-no campaign against three of the company's 11 board of director nominees, including the CEO, at the upcoming annual general meeting.</p> <p><b>Background:</b> The company is a US-based manufacturer and distributor of mattresses and pillows. The largest shareholder of the company ran a vote-no campaign, which is a public campaign to urge fellow shareholders to vote against targeted directors in order to effect change at the company.</p>                                      |
| Scope and Process  | <p>We met with senior management and board members, including the CEO and independent Chair, as well as the shareholder running this vote-no campaign. There have been many operational failures since a merger a few years ago, especially the management of manufacturing, in which the company was completely unprepared for increased volumes and has not adapted well. There appears to be a persistent failure to forecast competition and lack of board refreshment is leading to lack of oversight and accountability.</p> |
| Outcomes           | <ul style="list-style-type: none"> <li>• We concluded that a change in leadership was required due to performance and operational concerns and withheld support for the targeted directors including the CEO.</li> <li>• The campaign was successful.</li> <li>• We met with new board members and expressed our views for the right CEO candidate.</li> <li>• We have met with and are pleased with the new CEO and management team additions.</li> </ul>   |

Add Example 4

|                    |  |
|--------------------|--|
| Topic or ESG issue | Governance   |
| Decision made by   | <input checked="" type="checkbox"/> Internal staff<br><input type="checkbox"/> Service provider  |
| Objectives         | <p><b>Objective:</b> Discuss our approach to proxy access with issuers and governance experts in order to clarify our policy and vote decisions.</p> <p><b>Background:</b> 2015 saw the largest number of shareholder proposals on proxy access ever filed at US issuers, a majority of which by a single proponent. Proxy access, while a shareholder right in many global markets, was rarely adopted or elected upon by US issuers until 2015. This right allows a qualified shareholder or group of shareholders to nominate a certain number of director candidates to stand for election at an annual general meeting of shareholders.</p> |
| Scope and Process  | We held discussions with management and board of directors of several US issuers, as well as with governance experts and organizations, and paired this with the SEC framework in order to understand the potential impact of proxy access. The proxy committee held policy discussions on proxy access and several internal management teams gave input.  |
| Outcomes           | <ul style="list-style-type: none"> <li>• We concluded that the general thresholds for proxy access recommended by the SEC framework were meaningful and impactful and updated our policy accordingly.</li> <li>• We voted in support of an estimated 96% of proxy access proposals at US issuers in 2015.</li> <li>• We met with management and board members of several issuers to discuss our proxy access implementation preferences.</li> </ul>  |

Add Example 5

|                    |  |
|--------------------|--|
| Topic or ESG issue | Governance   |
| Decision made by   | <input checked="" type="checkbox"/> Internal staff<br><input type="checkbox"/> Service provider  |
| Objectives         | <p><b>Objective:</b> Discuss our approach to board independence with Japanese companies and share our perspective that we expect Japanese companies to continue to increase board independence levels with a goal of a majority independent board.</p> <p><b>Background:</b> Japan is one of the few developed markets where it is not standard to have a majority independent board, and the boards of the companies we engaged with were comprised primarily of non-independent directors. In light of the new Japanese corporate governance code requiring at least 2 non-executive board members, the heightened focus on governance and increasing board independence by many Japan issuers, AB concluded to take a multi-year, step-by-step approach whereby we incrementally increase our independence requirements at Japanese boards. Previously, AB has abstained on many non-independent Japanese board members to express our concern over their independence levels. In 2015 AB began targeting 30% independence as the acceptable independence level on Japanese boards, and began voting negatively on non-independent members of boards who fail to meet this threshold.</p> |
| Scope and Process  | <p>Prior to the Japanese proxy season in 2015, we engaged Japanese issuers to express our view that higher levels of independent board members were preferable and also to understand the effects of the corporate governance code, and to share our new approach. In Japan, our investment professionals explained our rationale directly with the Japanese companies held in our portfolios, while in London and New York, members of our Proxy Committee engaged in these dialogues.</p>  |
| Outcomes           | <ul style="list-style-type: none"> <li>• We concluded that progress was being made in terms of increasing the level of board independence for the market, and our new approach could strike a balance between desired independence and the changing landscape of Japan corporate governance.</li> <li>• This is part of long-term process, whereby we will continue to have communications and engagements surrounding independence levels.</li> </ul>   |

Add Example 6

|                    |  |
|--------------------|--|
| Topic or ESG issue | Governance   |
| Decision made by   | <input checked="" type="checkbox"/> Internal staff<br><input type="checkbox"/> Service provider  |
| Objectives         | <p><b>Objective:</b> Discuss the shareholder nominees to the board and get further background regarding the need for board refreshment.</p> <p><b>Background:</b> The company is a US-based children's apparel retailer. Two shareholders of the company have proposed two director nominees via proxy contest ballot at the annual general meeting.</p>   |
| Scope and Process  | <p>We met with senior management and board members, including the CEO and independent Chair, as well as the shareholders conducting the proxy contest. The company has generally underperformed the market and its peers and has made strategic missteps and has lagged its peers in terms of adapting to the changing environment of retail. We have engaged the company several times on these issues and the company has been resistant to board-level change and several current board members appear out of touch with the current retail environment.</p> <p>We met with the shareholder and their nominees and all appeared to have a firm grasp on what the company's current failures were and how to address them. The shareholder nominees both have a track record of overseeing retail merchandising and organizational change, which is experience that could improve the company's effectiveness.</p> |
| Outcomes           | <ul style="list-style-type: none"> <li>• We concluded that board refreshment was necessary and the shareholder nominees were well-suited to provide effective oversight of the company and voted in support.</li> <li>• The contest was ultimately settled and one nominee was added to the board.</li> <li>• We continue to engage the company and the board on strategy and governance.</li> </ul>   |

Add Example 7

|                    |   |
|--------------------|---|
| Topic or ESG issue | Governance  |
| Decision made by   | <input checked="" type="checkbox"/> Internal staff<br><input type="checkbox"/> Service provider   |
| Objectives         | <p><b>Objective:</b> Express our concerns on the executive compensation plan construction and make recommendations for improvement.</p> <p><b>Background:</b> This company is a US-based financial institution which has a history of pay for performance misalignment in its executive compensation plan. The annual component of the plan is at the complete discretion of the compensation committee. The multi-year component of the plan pays out in full for median performance in relation to peers.</p>   |
| Scope and Process  | <p>We engaged with board members and management surrounding the metrics, targets and adjustments used in the compensation plan. We offered that changing the annual bonus plan from completely discretionary to one that included quantitative goals with the board retaining a discretionary modifier would be more meaningful to shareholder assessment of performance. We noted that the multi-year plan should target higher than median performance for full reward and should include a return on equity metric and should exclude adjustments such as write-downs and intangibles.</p> |
| Outcomes           | <ul style="list-style-type: none"> <li>• We decided to vote against the executive compensation plan.</li> <li>• If no positive changes are made we may cast future votes against board members.</li> </ul>  |

Add Example 8

|                    |  |
|--------------------|--|
| Topic or ESG issue | Environmental; Governance  |
| Decision made by   | <input checked="" type="checkbox"/> Internal staff<br><input type="checkbox"/> Service provider  |
| Objectives         | <p><b>Objective:</b> Discuss environmental and corporate governance issues ahead of the annual general meeting.</p> <p><b>Background:</b> This company is a France-based oil and gas company. The size and nature of their business heighten their risk to climate change and emissions regulations. The board of directors appears in need of refreshment in order to deal with climate change and the changing nature of the energy industry.</p>  |
| Scope and Process  | <p>We engaged with management and outlined our expectation that regulation for CO2 emissions would only increase and reducing emissions by closing older, less efficient, facilities in the near-term would be desirable. The company currently uses an internal carbon price structure to prepare for legislation. We shared our preference for board refreshment structures that focus on diversity including region, expertise, age, technology, environment, and gender among others. Multiple board members have capacity concerns due to their external board membership. We conveyed our preference for a lower discount ceiling for future share issuances, currently set at a 20% discount to fair value.</p> |
| Outcomes           | <ul style="list-style-type: none"> <li>• We decided to vote in favor of all board members as the company's current approach to CO2 emissions appears robust and the current board composition is effective but we expect to see refreshment in the near-term and will monitor.</li> <li>• We voted in favor of the issuance at this time as it appears necessary to fund current operations but we may vote against in the future if discount limits are too high.</li> </ul>  |

Add Example 9

|                    |   |
|--------------------|---|
| Topic or ESG issue | Governance  |
| Decision made by   | <input checked="" type="checkbox"/> Internal staff<br><input type="checkbox"/> Service provider   |
| Objectives         | <p><b>Objective:</b> Discuss the shareholder nominees to the board and get further background regarding the need for board refreshment.</p> <p><b>Background:</b> The company is a US-based global furniture retailer. A shareholder of the company had nominated six dissident candidates to the seven-member board via proxy contest.</p>   |
| Scope and Process  | <p>We met with senior management and board members, including the CEO and independent Chair, as well as the shareholders conducting the proxy contest. The company has generally underperformed the market and its peers and has made strategic missteps including poor ecommerce and real estate management. The company was open to additional board refreshment but refused any of the dissident nominees as only interested in sale of company.</p> <p>We met with the shareholder and their nominees and we were in agreement on key areas for improvement. The shareholder nominees have relevant experience and appear positioned to provide strong oversight.</p> |
| Outcomes           | <ul style="list-style-type: none"> <li>• We voted in favor of all shareholder nominees since we concluded that board refreshment was necessary and these nominees would be beneficial to the board.</li> <li>• We continue to engage the company and the board on strategy and governance.</li> </ul>   |

Add Example 10

|                    |  |
|--------------------|--|
| Topic or ESG issue | Environment  |
| Decision made by   | <input checked="" type="checkbox"/> Internal staff<br><input type="checkbox"/> Service provider  |
| Objectives         | <b>Objective:</b> Discuss the shareholder proposal to adopt quantitative GHG goals for products and operations and better understand the company's current management of GHG emissions.<br><b>Background:</b> The company is a US-based oil and gas producer and received this proposal to set quantitative goals for reducing GHG emissions and clearly articulate its plan to achieve them. Over half of the S&P 500 and many of the company's peers have set reduction targets, but the company has yet to do so.                     |
| Scope and Process  | We met with management who explained that they focus on energy efficiency, rather than reduction targets, because this reduces GHG emissions while allowing for higher production volumes. We noted that while indirect emissions had been reduced, direct emissions had risen 6% in the trailing 10 year period as volumes rose. We also noted that while some information was disclosed, no information regarding goals, targets and thorough management of the issue was transparent at either the board or senior management levels. |
| Outcomes           | <ul style="list-style-type: none"> <li>We concluded that a more transparent policy and approach was needed and voted in favour of the proposal.</li> <li>We continue to engage the company on the issue.</li> </ul>  |

## Communication

LEA 27

Mandatory

Core Assessed

PRI 2,6

LEA 27.1

Indicate if your organisation proactively discloses information on your voting activities.

We disclose it publicly

provide URL

<http://vds.issproxy.com/SearchPage.php?CustomerID=447>

LEA 27.2

Indicate if the information disclosed to the public is the same as that disclosed to clients/beneficiaries.

Yes

LEA 27.3

Indicate the voting information your organisation proactively discloses to the public and/or to clients/beneficiaries.

Indicate how much of your voting record you disclose

- All voting decisions
- Some voting decisions
- Only abstentions and opposing vote decisions
- Summary of votes only

Indicate what level of explanation you provide

- Explain all voting decisions
- Explain some voting decisions
- Only explain abstentions and votes against management
- No explanations provided

**LEA 27.4**

Indicate how frequently you typically report voting information.

- Continuously (primarily before meetings)
- Continuously (soon after votes are cast)
- Quarterly or more frequently
- Biannually
- Annually
- Less frequently than annually
- Ad-hoc/as requested
- No
- We disclose it to clients/beneficiaries only
- We do not proactively disclose our voting activities to the public and/or to clients/beneficiaries

AB

## Reported Information

Public version

Direct - Fixed Income

## PRI disclaimer

This document presents information reported directly by signatories. This information has not been audited by the PRI Secretariat or any other party acting on their behalf. While this information is believed to be reliable, no representations or warranties are made as to the accuracy of the information presented, and no responsibility or liability can be accepted for any error or omission.

## Overview

FI 01

Mandatory to Report Voluntary to Disclose

Gateway

General

FI 01.1

Provide a breakdown of your internally managed fixed income securities by active and passive strategies

|                           |  |   |         |   |                               |     |   |      |       |
|---------------------------|--|---|---------|---|-------------------------------|-----|---|------|-------|
| SSA                       | <table border="1"> <tr> <td data-bbox="481 219 609 286">9</td> <td data-bbox="609 219 1479 286">Passive</td> </tr> <tr> <td data-bbox="481 365 609 432">0</td> <td data-bbox="609 365 1479 432">Active - quantitative (quant)</td> </tr> <tr> <td data-bbox="481 510 609 577">91</td> <td data-bbox="609 510 1479 577">Active - fundamental and active - other</td> </tr> <tr> <td data-bbox="481 656 609 723">100%</td> <td data-bbox="609 656 1479 723">Total</td> </tr> </table>                  | 9 | Passive | 0 | Active - quantitative (quant) | 91  | Active - fundamental and active - other | 100% | Total |
| 9                         | Passive  |   |         |   |                               |     |   |      |       |
| 0                         | Active - quantitative (quant)  |   |         |   |                               |     |   |      |       |
| 91                        | Active - fundamental and active - other  |   |         |   |                               |     |   |      |       |
| 100%                      | Total  |   |         |   |                               |     |   |      |       |
| Corporate (financial)     | <table border="1"> <tr> <td data-bbox="481 808 609 875">0</td> <td data-bbox="609 808 1479 875">Passive</td> </tr> <tr> <td data-bbox="481 954 609 1021">0</td> <td data-bbox="609 954 1479 1021">Active - quantitative (quant)</td> </tr> <tr> <td data-bbox="481 1099 609 1167">100</td> <td data-bbox="609 1099 1479 1167">Active - fundamental and active - other</td> </tr> <tr> <td data-bbox="481 1245 609 1312">100%</td> <td data-bbox="609 1245 1479 1312">Total</td> </tr> </table>       | 0 | Passive | 0 | Active - quantitative (quant) | 100 | Active - fundamental and active - other | 100% | Total |
| 0                         | Passive  |   |         |   |                               |     |   |      |       |
| 0                         | Active - quantitative (quant)  |   |         |   |                               |     |   |      |       |
| 100                       | Active - fundamental and active - other  |   |         |   |                               |     |   |      |       |
| 100%                      | Total  |   |         |   |                               |     |   |      |       |
| Corporate (non-financial) | <table border="1"> <tr> <td data-bbox="481 1397 609 1464">0</td> <td data-bbox="609 1397 1479 1464">Passive</td> </tr> <tr> <td data-bbox="481 1543 609 1610">0</td> <td data-bbox="609 1543 1479 1610">Active - quantitative (quant)</td> </tr> <tr> <td data-bbox="481 1688 609 1756">100</td> <td data-bbox="609 1688 1479 1756">Active - fundamental and active - other</td> </tr> <tr> <td data-bbox="481 1834 609 1901">100%</td> <td data-bbox="609 1834 1479 1901">Total</td> </tr> </table> | 0 | Passive | 0 | Active - quantitative (quant) | 100 | Active - fundamental and active - other | 100% | Total |
| 0                         | Passive  |   |         |   |                               |     |   |      |       |
| 0                         | Active - quantitative (quant)  |   |         |   |                               |     |   |      |       |
| 100                       | Active - fundamental and active - other  |   |         |   |                               |     |   |      |       |
| 100%                      | Total  |   |         |   |                               |     |   |      |       |

|             |   |      |
|-------------|---|------|
| Securitized | Passive                                 | 0    |
|             | Active - quantitative (quant)           | 0    |
|             | Active - fundamental and active - other | 100  |
|             | Total                                   | 100% |

|       |   |             |         |
|-------|---|-------------|---------|
| FI 03 | Mandatory to Report Voluntary to Disclose | Descriptive | General |
|-------|---|-------------|---------|

**FI 03.1** Indicate the approximate (+/- 5%) breakdown of your SSA investments, between developed markets and emerging markets.

|     |                   |      |
|-----|-------------------|------|
| SSA | Developed markets | 87   |
|     | Emerging markets  | 13   |
|     | Total             | 100% |

**FI 03.2** Indicate the approximate (+/- 5%) breakdown of your corporate and securitized investments between investment grade or high-yield securities.

|                           |                  |      |
|---------------------------|------------------|------|
| Corporate (financial)     | High-yield       | 16   |
|                           | Investment grade | 84   |
|                           | Total            | 100% |
|                           |                  |      |
| Corporate (non-financial) | High-yield       | 29   |
|                           | Investment grade | 71   |
|                           | Total            | 100% |
|                           |                  |      |
| Securitised               | High-yield       | 35   |
|                           | Investment grade | 65   |
|                           | Total            | 100% |
|                           |                  |      |

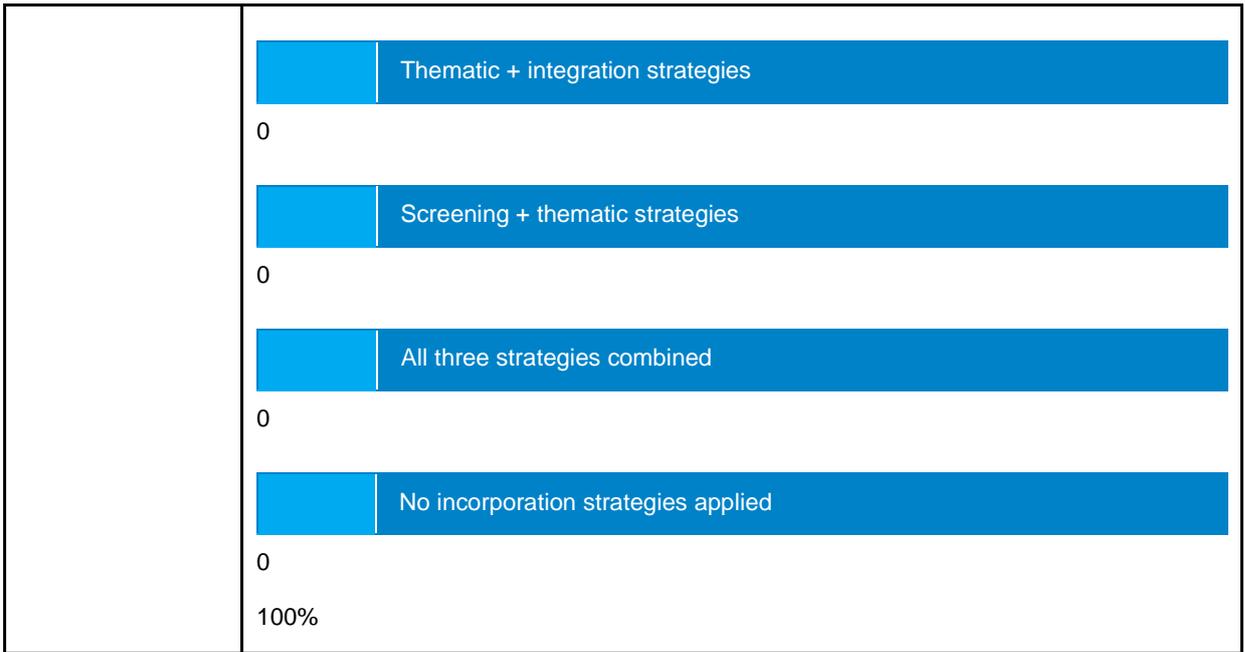
**ESG incorporation in actively managed fixed income**

**Implementation processes**

|       |           |         |       |
|-------|-----------|---------|-------|
| FI 04 | Mandatory | Gateway | PRI 1 |
|-------|-----------|---------|-------|

|         |   |
|---------|---|
| FI 04.1 | Indicate 1) Which ESG incorporation strategy and/or combination of strategies you apply to your actively managed fixed income investments; and 2) The proportion (+/- 5%) of your total actively managed fixed income investments each strategy applies to. |
|---------|---|

| SSA                                 | <table border="1"> <thead> <tr> <th>Strategy</th> <th>Percentage</th> </tr> </thead> <tbody> <tr> <td>Screening alone</td> <td>0</td> </tr> <tr> <td>Thematic alone</td> <td>0</td> </tr> <tr> <td>Integration alone</td> <td>100</td> </tr> <tr> <td>Screening + integration strategies</td> <td>0</td> </tr> <tr> <td>Thematic + integration strategies</td> <td>0</td> </tr> <tr> <td>Screening + thematic strategies</td> <td>0</td> </tr> <tr> <td>All three strategies combined</td> <td>0</td> </tr> <tr> <td>No incorporation strategies applied</td> <td>0</td> </tr> <tr> <td><b>Total (any strategy)</b></td> <td><b>100%</b></td> </tr> </tbody> </table> | Strategy | Percentage | Screening alone | 0 | Thematic alone | 0 | Integration alone | 100 | Screening + integration strategies | 0  | Thematic + integration strategies | 0           | Screening + thematic strategies | 0 | All three strategies combined | 0 | No incorporation strategies applied | 0 | <b>Total (any strategy)</b> | <b>100%</b> |
|-------------------------------------|---|----------|------------|-----------------|---|----------------|---|-------------------|-----|------------------------------------|----|-----------------------------------|-------------|---------------------------------|---|-------------------------------|---|-------------------------------------|---|-----------------------------|-------------|
| Strategy                            | Percentage  |          |            |                 |   |                |   |                   |     |                                    |    |                                   |             |                                 |   |                               |   |                                     |   |                             |             |
| Screening alone                     | 0   |          |            |                 |   |                |   |                   |     |                                    |    |                                   |             |                                 |   |                               |   |                                     |   |                             |             |
| Thematic alone                      | 0   |          |            |                 |   |                |   |                   |     |                                    |    |                                   |             |                                 |   |                               |   |                                     |   |                             |             |
| Integration alone                   | 100   |          |            |                 |   |                |   |                   |     |                                    |    |                                   |             |                                 |   |                               |   |                                     |   |                             |             |
| Screening + integration strategies  | 0   |          |            |                 |   |                |   |                   |     |                                    |    |                                   |             |                                 |   |                               |   |                                     |   |                             |             |
| Thematic + integration strategies   | 0   |          |            |                 |   |                |   |                   |     |                                    |    |                                   |             |                                 |   |                               |   |                                     |   |                             |             |
| Screening + thematic strategies     | 0   |          |            |                 |   |                |   |                   |     |                                    |    |                                   |             |                                 |   |                               |   |                                     |   |                             |             |
| All three strategies combined       | 0   |          |            |                 |   |                |   |                   |     |                                    |    |                                   |             |                                 |   |                               |   |                                     |   |                             |             |
| No incorporation strategies applied | 0   |          |            |                 |   |                |   |                   |     |                                    |    |                                   |             |                                 |   |                               |   |                                     |   |                             |             |
| <b>Total (any strategy)</b>         | <b>100%</b>   |          |            |                 |   |                |   |                   |     |                                    |    |                                   |             |                                 |   |                               |   |                                     |   |                             |             |
| Corporate (financial)               | <table border="1"> <thead> <tr> <th>Strategy</th> <th>Percentage</th> </tr> </thead> <tbody> <tr> <td>Screening alone</td> <td>0</td> </tr> <tr> <td>Thematic alone</td> <td>0</td> </tr> <tr> <td>Integration alone</td> <td>56</td> </tr> <tr> <td>Screening + integration strategies</td> <td>44</td> </tr> <tr> <td><b>Total (any strategy)</b></td> <td><b>100%</b></td> </tr> </tbody> </table>   | Strategy | Percentage | Screening alone | 0 | Thematic alone | 0 | Integration alone | 56  | Screening + integration strategies | 44 | <b>Total (any strategy)</b>       | <b>100%</b> |                                 |   |                               |   |                                     |   |                             |             |
| Strategy                            | Percentage  |          |            |                 |   |                |   |                   |     |                                    |    |                                   |             |                                 |   |                               |   |                                     |   |                             |             |
| Screening alone                     | 0   |          |            |                 |   |                |   |                   |     |                                    |    |                                   |             |                                 |   |                               |   |                                     |   |                             |             |
| Thematic alone                      | 0   |          |            |                 |   |                |   |                   |     |                                    |    |                                   |             |                                 |   |                               |   |                                     |   |                             |             |
| Integration alone                   | 56  |          |            |                 |   |                |   |                   |     |                                    |    |                                   |             |                                 |   |                               |   |                                     |   |                             |             |
| Screening + integration strategies  | 44  |          |            |                 |   |                |   |                   |     |                                    |    |                                   |             |                                 |   |                               |   |                                     |   |                             |             |
| <b>Total (any strategy)</b>         | <b>100%</b>   |          |            |                 |   |                |   |                   |     |                                    |    |                                   |             |                                 |   |                               |   |                                     |   |                             |             |



|                           |                                     |      |
|---------------------------|-------------------------------------|------|
| Corporate (non-financial) | Screening alone                     | 0    |
|                           | Thematic alone                      | 0    |
|                           | Integration alone                   | 56   |
|                           | Screening + integration strategies  | 44   |
|                           | Thematic + integration strategies   | 0    |
|                           | Screening + thematic strategies     | 0    |
|                           | All three strategies combined       | 0    |
|                           | No incorporation strategies applied | 0    |
|                           |                                     | 100% |
| Securitized               | Screening alone                     | 0    |
|                           | Thematic alone                      | 0    |
|                           | Integration alone                   | 100  |
|                           | Screening + integration strategies  | 0    |

|  |                                     |      |
|--|-------------------------------------|------|
|  | Thematic + integration strategies   | 0    |
|  | Screening + thematic strategies     | 0    |
|  | All three strategies combined       | 0    |
|  | No incorporation strategies applied | 0    |
|  |                                     | 100% |

**FI 04.2** Describe your primary reasons for choosing a particular ESG incorporation strategy and how combinations of strategies are used.

Our primary reason for choosing the "Integration" incorporation strategy is that it most directly reflects our long-held philosophy on ESG, and is also most seamlessly aligned with our existing investment processes as well. AB has long recognized that environmental, social, and governance ("ESG") issues can impact the performance of investment portfolios, and we have long believed that the integration of ESG factors is critical to the success of a fundamental research process. As such, our analysts have naturally carefully assessed ESG factors in their analysis if they believe those factors have, or could have, a material impact on our forecasts and investment decisions. AB is continuing to strengthen the integration of ESG factors into our fixed income research and investment processes.

**FI 05** **Mandatory to Report Voluntary to Disclose** **Core Assessed** **PRI 1**

**FI 05.1** Indicate which ESG factors you systematically research as part of your ESG analysis on issuers.

Select all that apply

|                    | SSA                                 | Corporate (financial)               | Corporate (non-financial)           | Securitized                         |
|--------------------|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|
| Environmental data | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/>            |
| Social data        | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> |
| Governance data    | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> |

**FI 05.2**

Indicate what format your ESG information comes in and where you typically source it

- Raw ESG company data
- ESG factor specific analysis
- Issuer-level ESG analysis

**Indicate who provides this information**

- ESG research provider
- Sell-side
- In-house – specialised ESG analyst or team
- In-house – FI analyst, PM or risk team
- Other, specify
- Sector-level ESG analysis

**Indicate who provides this information**

- ESG research provider
- Sell-side
- In-house – specialised ESG analyst or team
- In-house – FI analyst, PM or risk team
- Other, specify
- Country-level ESG analysis

**Indicate who provides this information**

- ESG research provider
- Sell-side
- In-house – specialised ESG analyst or team
- In-house – FI analyst, PM or risk team
- Other, specify

**FI 05.3**

Provide a brief description of the ESG information used, highlighting any differences of sources of information across your ESG incorporation strategies.

We use a range of external ESG data providers, carefully selecting them to meet not only our high overall standards but also to meet certain product-specific needs. Our ESG Research Providers include:

- MSCI GMI: GMI provides ESG ratings and qualitative research. This information is accessed by our analysts through a direct feed into our analysts' research database, which "flags" potentially material issues that our analysts then incorporate into their own analysis.
- MSCI: We use MSCI ESG Manager for negative screening in client portfolios. We then also use it to code the resulting restricted securities in our pre- and post-trade compliance systems and trading platforms.
- ISS-Ethix: We use Ethix for controversial weapons screening associated with our Luxembourg-based Fund platform and a number of client Portfolios.

Finally, we also utilize a variety of other external data sources, such as sell side research, NGO articles and industry body reports.

FI 06

Mandatory

Additional Assessed

PRI 1

**FI 06.1** Indicate how you ensure that your ESG research process is robust:

- Issuers are given the opportunity by you or your research provider to review ESG research on them and correct inaccuracies
- Issuer information and/or ESG ratings are updated regularly to ensure ESG research is accurate
- Internal audits of ESG research are undertaken in a systematic way
- ESG analysis is benchmarked for quality against other providers
- Other, specify
- None of the above

**FI 06.2** Describe how your ESG information or analysis is shared among your investment team.

- ESG information is held within a centralised database and is accessible to all investment staff
- ESG information is a standard item on all individual issuer summaries, 'tear sheets', 'dashboards' or similar documents
- Investment staff are required to discuss ESG information on issuers as a standard item during investment committee meetings
- Records capture how ESG information and research was incorporated into investment decisions
- Other, specify
- None of the above

**(A) Implementation: Screening**

**FI 07** **Mandatory** **Gateway** **PRI 1**

**FI 07.1** Indicate the type of screening you conduct.

Select all that apply

|                                  | <b>Corporate (financial)</b>        | <b>Corporate (non-financial)</b>    |  |
|----------------------------------|-------------------------------------|-------------------------------------|--|
| Negative/exclusionary screening  | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> |  |
| Positive/best-in-class screening | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> |  |
| Norms-based screening            | <input type="checkbox"/>            | <input type="checkbox"/>            |  |

**FI 07.2** Describe the type of screening you apply to your internally managed active fixed income

Other than our controversial weapons restriction for some of our Luxembourg-based funds, all other exclusions are client-directed exclusions.

Screens are generally developed in conjunction with our clients and discussed at regular client review meetings. Some clients provide us with a list of issuers to be restricted from their portfolio. Other clients prefer that we screen using a third party research provider - these screens can take several forms, including industry screens as well as positive/best in class screening based on ESG factors. Once the issuers to be screened are identified,

they are captured electronically in our compliance systems and monitored daily. Updates to these screens are made regularly - as our clients or our research providers provide updated data.

Within our Luxembourg Fund platform, we screen for controversial weapons based on research from a third-party service provider.

|         |                                    |
|---------|------------------------------------|
| FI 07.3 | Additional information. [Optional] |
|---------|------------------------------------|

**How Screening Criteria are Established:** When a client requests us to implement negative or exclusionary screening in their Account, we generally develop those screens in conjunction with our clients. Some clients provide us with a list of companies to be restricted from their Portfolio. Other clients prefer that we screen using a third-party research provider. Screens can take several forms, such as industry screens or screens for specific ESG factors. Once the companies to be screened are identified, they are captured electronically in our pre-trade and post-trade compliance systems and trading platforms and monitored daily.

In the course of implementing such screens with our client, we do engage in an active dialogue with them regarding the implementation of specific screens, and any liquidity or tracking error considerations that might result from such screens. Our objective, of course, is to satisfy our client on two dimensions: satisfy their specific ESG requests, and also generate an attractive investment return in their Portfolio.

**How Screening Criteria Are Reviewed and Updated:** Once a screen is in place, we dynamically monitor and manage it. Updates to these screens are made regularly, as our clients or our research providers provide updated data.

**Changes Made to a Screen:** To the extent a change is made to a screen, the documentation is reviewed by Legal and portfolio management, and subsequently sent to our Client Guidelines group for coding where the necessary testing would be applied. These changes will be client driven, and no changes will be made without their formal sign-off.

|       |           |             |       |
|-------|-----------|-------------|-------|
| FI 08 | Mandatory | Descriptive | PRI 1 |
|-------|-----------|-------------|-------|

Corporate (financial)

|                 |
|-----------------|
| Corporate (fin) |
|-----------------|

- For legal reasons
- For non-legal reasons

Corporate (non-financial)

|                     |
|---------------------|
| Corporate (non-fin) |
|---------------------|

- For legal reasons
- For non-legal reasons

|         |  |
|---------|--|
| FI 08.2 | Describe your approach to ESG-based negative screening of certain issuers from your investable universe. |
|---------|--|

Other than our controversial weapons restriction for some of our Luxembourg-based funds, all other exclusions are client-directed exclusions.

|       |           |                     |       |
|-------|-----------|---------------------|-------|
| FI 09 | Voluntary | Additional Assessed | PRI 1 |
|-------|-----------|---------------------|-------|

|                |  |
|----------------|--|
| <b>FI 09.1</b> | Provide examples of how ESG factors are included in your screening criteria. |
|----------------|--|

Example 1

|   |   |
|---|---|
|   | Type of fixed income  |
| <input type="checkbox"/> Corporate (financial)<br><input checked="" type="checkbox"/> Corporate (non-financial)   |   |
|   | ESG factors   |
| <input checked="" type="checkbox"/> Environmental<br><input checked="" type="checkbox"/> Social<br><input type="checkbox"/> Governance  |   |
|   | Screening   |
| <input checked="" type="checkbox"/> Negative/ exclusionary<br><input type="checkbox"/> Positive/ best-in-class  |   |
|   | Description of how ESG factors are used as the screening criteria |
| <p>We perform negative screening for clients who request to generally restrict certain industries for environmental and social reasons such as nuclear, alcohol, tobacco, and adult entertainment from their portfolios, in addition to any other restricted issuers which may be provided. We utilise third party research to implement the screen and monitor the screen using our in-house pre- and post-trade compliance rules.</p> |   |

Example 2

|   |
|---|
| Type of fixed income  |
| <input type="checkbox"/> Corporate (financial)<br><input checked="" type="checkbox"/> Corporate (non-financial)   |
| ESG factors   |
| <input type="checkbox"/> Environmental<br><input checked="" type="checkbox"/> Social<br><input type="checkbox"/> Governance   |
| Screening   |
| <input checked="" type="checkbox"/> Negative/ exclusionary<br><input type="checkbox"/> Positive/ best-in-class  |
| Description of how ESG factors are used as the screening criteria   |
| <p>In our UCITS funds and at the request of clients, we screen out issuers who are associated with controversial weapons according to data provided by a third party (ISS-Ethix).</p> |

Example 3

|  |
|--|
| Type of fixed income   |
| <input checked="" type="checkbox"/> Corporate (financial)<br><input checked="" type="checkbox"/> Corporate (non-financial)   |
| ESG factors  |
| <input checked="" type="checkbox"/> Environmental<br><input checked="" type="checkbox"/> Social<br><input checked="" type="checkbox"/> Governance  |
| Screening  |
| <input type="checkbox"/> Negative/ exclusionary<br><input checked="" type="checkbox"/> Positive/ best-in-class   |
| Description of how ESG factors are used as the screening criteria  |
| <p>We screen using a best-in-class approach for certain clients by investing in issuers who score in the higher tiers of ESG ratings by industry based on data provided by MSCI GMI.</p> |

Example 4

Example 5

|         |   |               |       |
|---------|---|---------------|-------|
| FI 10   | Mandatory   | Core Assessed | PRI 1 |
| FI 10.1 | Indicate which systems your organisation has to ensure that fund screening criteria are not breached in fixed income investments. |               |       |

| Type of screening                | Checks   |
|----------------------------------|--|
| Negative/exclusionary screening  | <p><b>Negative/exclusionary screening</b></p> <ul style="list-style-type: none"> <li><input checked="" type="checkbox"/> Checks are performed to ensure that issuers meet screening criteria</li> <li><input type="checkbox"/> Data used for the screening criteria is updated at least every 2 years</li> <li><input checked="" type="checkbox"/> Automated IT systems prevent our portfolio managers from investing in excluded issuers or bonds that do not meet screening criteria</li> <li><input checked="" type="checkbox"/> Audits of fund holdings are undertaken regularly by internal audit or compliance functions</li> <li><input type="checkbox"/> Other, specify</li> <li><input type="checkbox"/> None of the above</li> </ul> |
| Positive/best-in-class screening | <p><b>Positive/best-in-class screening</b></p> <ul style="list-style-type: none"> <li><input type="checkbox"/> Checks are performed to ensure that issuers meet screening criteria</li> <li><input type="checkbox"/> Data used for the screening criteria is updated at least every 2 years</li> <li><input checked="" type="checkbox"/> Automated IT systems prevent our portfolio managers from investing in excluded issuers or bonds that do not meet screening criteria</li> <li><input type="checkbox"/> Audits of fund holdings are undertaken regularly by internal audit or compliance functions</li> <li><input type="checkbox"/> Other, specify</li> <li><input type="checkbox"/> None of the above</li> </ul>                      |

### (C) Implementation: Integration

|       |           |             |       |
|-------|-----------|-------------|-------|
| FI 14 | Mandatory | Descriptive | PRI 1 |
|-------|-----------|-------------|-------|

|         |  |
|---------|--|
| FI 14.1 | Describe your approach to integrating ESG into traditional financial analysis. |
|---------|--|

We have long incorporated ESG factors informally in our fixed income research and investment processes, but have formalized this integration after becoming a PRI signatory in 2011. If we determine that these aspects of an issuer's past, current, or anticipated behavior are material to its future expected returns, we address these concerns in our forecasts, research reviews, investment decisions, and engagement.

Our research analysts utilize their own proprietary research, research from the sell side and other third parties, including an ESG data provider, to identify ESG issues. The analysts regularly discuss ESG matters with company management as part of our investment research process when those issues are material, or we determine they are likely to become material enough to potentially impact the risk/return of our portfolios. Our research analysts, portfolio managers, and/or directors of research conduct thousands of management/company visits per year in order to understand the strategies, performance, and risks of companies and address ESG concerns in those meetings. The issues are assessed and incorporated into the investment decision. Importantly, our research and evaluation of ESG issues could lead us to view the company more positively or more negatively as an investment than the market consensus. If our research gives us confidence that ESG concerns are exaggerated, the security may be an excellent investment. If concerns are underestimated, the company may similarly be an undesirable investment.

We incorporate ESG factors into our fundamental research process for all our portfolios. Our credit analysts are responsible for determining an ESG rating for each of the issuers in their universe, and it is their responsibility to monitor these issuers-including the ESG factors that may impact them-on an ongoing basis. As part of this process, they review third-party ESG research that is available through an automated feed. They synthesize these insights, and based on this analysis, they derive an ESG rating for each credit: "Strong," "Average" or

"Weak." A rating is not to be viewed in absolute terms but rather in terms relative to that issuer's peers. All ratings are entered into the credit scoring model of RAP, our proprietary research tool.

Members of our Fixed Income Responsible Investment Committee are driving efforts forward to continue making ESG integration more robust within our investment processes.

**FI 14.2** Describe how your ESG integration approach is adapted to each of the different types of fixed income you invest in.

**SSA**

Our economists consider ESG factors as part of their overall evaluation of a sovereign issuer. They evaluate how ESG issues are currently affecting the country's ability to meet payment obligations as well as how they may affect them in the future. If ESG factors are deemed material enough that they impact the risk/return profile of the sovereign issuer, that assessment will be reflected in the analyst's opinion and forecast for that issuer and will be discussed with the portfolio managers and the traders during regular research review/investment strategy meetings. ESG issues may also be addressed with government officials and central bankers via engagements.

**Corporate (financial)**

For Corporate (financial) Issuers: Similar to our approach for non-financial corporate issuers, we incorporate ESG factors into our fundamental credit research process for financials within all portfolios. As part of their in-depth research, our financial sector analysts analyze all aspects of a company, including how ESG issues are currently affecting that company's profitability as well as how they may in the future. If they deem ESG factors material enough that they contribute to the risk of that issuer, that assessment will be reflected in the analyst's formal opinion and forecast and it will be discussed with the portfolio managers and the traders during regular credit meetings. In particular, for financial issuers, our analysts focus on Governance and Social concerns. For example, analysts evaluate board structure as part of their evaluation of management quality. They consider remuneration policies as part of financial firms' expense structure. They evaluate how financial firms have adjusted their business practices in light of the 2008 global financial crisis and subsequent scandals (LIBOR, money laundering, etc.) to institute improved controls, as well as greater transparency and simplicity in their consumer practices.

**Corporate (non-financial)**

For Corporate (non-financial) Issuers: We incorporate ESG factors into our fundamental credit research process for all portfolios. As part of their in-depth research, our credit analysts analyze all aspects of a company, including how ESG issues are currently affecting that company's profitability as well as how they may in the future. If they deem ESG factors material enough that they contribute to the risk of that issuer, that assessment will be reflected in the analyst's formal opinion and forecast and it will be discussed with the portfolio managers and the traders during the regular credit meetings.

**Securitized**

For Securitized issuers: When it comes to the analysis of securitized issuers, our primary considerations are social and governance factors. We evaluate the lending practices of the financial institution that is originating the securitization, typically avoiding those with predatory practices.

|              |                  |                      |              |
|--------------|------------------|----------------------|--------------|
| <b>FI 15</b> | <b>Mandatory</b> | <b>Core Assessed</b> | <b>PRI 1</b> |
|--------------|------------------|----------------------|--------------|

**FI 15.1**

Indicate how ESG information is typically used as part of your investment process.

Select all that apply

|   | SSA                                 | Corporate (financial)               | Corporate (non-financial)           | Securitized                         |
|---|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|
| ESG analysis is integrated into fundamental analysis                                | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> |
| ESG analysis is integrated into security weighting decisions                        | <input type="checkbox"/>            | <input type="checkbox"/>            | <input type="checkbox"/>            | <input type="checkbox"/>            |
| ESG analysis is integrated into portfolio construction decisions                    | <input type="checkbox"/>            | <input type="checkbox"/>            | <input type="checkbox"/>            | <input type="checkbox"/>            |
| ESG analysis is a standard part of internal credit ratings or assessment            | <input type="checkbox"/>            | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/>            |
| ESG analysis for issuers is a standard agenda item at investment committee meetings | <input type="checkbox"/>            | <input type="checkbox"/>            | <input type="checkbox"/>            | <input type="checkbox"/>            |
| ESG analysis is regularly featured in internal research notes or similar            | <input type="checkbox"/>            | <input type="checkbox"/>            | <input type="checkbox"/>            | <input type="checkbox"/>            |
| ESG analysis is a standard feature of ongoing portfolio monitoring                  | <input type="checkbox"/>            | <input type="checkbox"/>            | <input type="checkbox"/>            | <input type="checkbox"/>            |
| ESG analysis features in all internal issuer summaries or similar documents         | <input type="checkbox"/>            | <input type="checkbox"/>            | <input type="checkbox"/>            | <input type="checkbox"/>            |
| Other, specify  | <input type="checkbox"/>            | <input type="checkbox"/>            | <input type="checkbox"/>            | <input type="checkbox"/>            |

**FI 16**

**Mandatory**

**Additional Assessed**

**PRI 1**

**FI 16.1**

Indicate the extent to which ESG issues are reviewed in your integration process.

|                           | Environment               | Social   | Governance  |   |
|---------------------------|---------------------------|--|---|---|
| SSA                       | SSA                       | <input checked="" type="radio"/> Environmental<br><input type="radio"/> Systematically<br><input type="radio"/> Occasionally<br><input type="radio"/> Not at all | <input checked="" type="radio"/> Social<br><input type="radio"/> Systematically<br><input type="radio"/> Occasionally<br><input type="radio"/> Not at all | <input checked="" type="radio"/> Governance<br><input type="radio"/> Systematically<br><input type="radio"/> Occasionally<br><input type="radio"/> Not at all |
| Corporate (financial)     | Corporate (financial)     | <input checked="" type="radio"/> Environmental<br><input type="radio"/> Systematically<br><input type="radio"/> Occasionally<br><input type="radio"/> Not at all | <input checked="" type="radio"/> Social<br><input type="radio"/> Systematically<br><input type="radio"/> Occasionally<br><input type="radio"/> Not at all | <input checked="" type="radio"/> Governance<br><input type="radio"/> Systematically<br><input type="radio"/> Occasionally<br><input type="radio"/> Not at all |
| Corporate (non-financial) | Corporate (non-financial) | <input checked="" type="radio"/> Environmental<br><input type="radio"/> Systematically<br><input type="radio"/> Occasionally<br><input type="radio"/> Not at all | <input checked="" type="radio"/> Social<br><input type="radio"/> Systematically<br><input type="radio"/> Occasionally<br><input type="radio"/> Not at all | <input checked="" type="radio"/> Governance<br><input type="radio"/> Systematically<br><input type="radio"/> Occasionally<br><input type="radio"/> Not at all |
| Securitized               | Securitized               | <input type="radio"/> Environmental<br><input type="radio"/> Systematically<br><input type="radio"/> Occasionally<br><input checked="" type="radio"/> Not at all | <input type="radio"/> Social<br><input type="radio"/> Systematically<br><input checked="" type="radio"/> Occasionally<br><input type="radio"/> Not at all | <input checked="" type="radio"/> Governance<br><input type="radio"/> Systematically<br><input type="radio"/> Occasionally<br><input type="radio"/> Not at all |

**FI 16.2** Please provide more detail on how you review E, S and G factors in your integration process.

**SSA**

Our economists consider ESG factors as part of their overall evaluation of a sovereign issuer. They evaluate how ESG issues are currently affecting the country's ability to meet payment obligations as well as how they may affect them in the future. If ESG factors are deemed material enough that they impact the risk/return profile of the sovereign issuer, that assessment will be reflected in the analyst's opinion and forecast for that issuer and will be discussed with the portfolio managers and the traders during regular research review/investment strategy meetings. ESG issues may also be addressed with government officials and central bankers via engagement.

## Corporate (financial)

For Corporate (financial) Issuers: Similar to our approach for non-financial corporate issuers, we incorporate ESG factors into our fundamental credit research process for financials within all portfolios. As part of their in-depth research, our financial sector analysts analyze all aspects of a company, including how ESG issues are currently affecting that company's profitability as well as how they may in the future. If they deem ESG factors material enough that they contribute to the risk of that issuer, that assessment will be reflected in the analyst's formal opinion and forecast and it will be discussed with the portfolio managers and the traders during regular credit meetings. Our analysts are responsible for determining an ESG rating for each of the issuers in their universe, and it is their responsibility to monitor these issuers-including the ESG factors that may impact them-on an ongoing basis. As part of this process, they review third-party ESG research that is available through an automated feed. They synthesize these insights, and based on this analysis, they derive an ESG rating for each credit: "Strong," "Average" or "Weak" relative to that issuer's industry peers. All ratings are entered into the credit scoring model of RAP, our proprietary research tool.

In particular, for financial issuers, our analysts focus on Governance and Social concerns. For example, analysts evaluate board structure as part of their evaluation of management quality. They consider remuneration policies as part of financial firms' expense structure. They evaluate how financial firms have adjusted their business practices in light of the 2008 global financial crisis and subsequent scandals (LIBOR, money laundering, etc.) to institute improved controls, as well as greater transparency and simplicity in their consumer practices.

## Corporate (non-financial)

For Corporate (non-financial) Issuers: We incorporate ESG factors into our fundamental credit research process for all portfolios. As part of their in-depth research, our credit analysts analyze all aspects of a company, including how ESG issues are currently affecting that company's profitability as well as how they may in the future. If they deem ESG factors material enough that they contribute to the risk of that issuer, that assessment will be reflected in the analyst's formal opinion and forecast and it will be discussed with the portfolio managers and the traders during the regular investment grade credit meetings.

We incorporate ESG factors into our fundamental research process for all portfolios. Our credit analysts are responsible for determining an ESG rating for each of the issuers in their universe, and it is their responsibility to monitor these issuers-including the ESG factors that may impact them-on an ongoing basis. As part of this process, they review third-party ESG research that is available through an automated feed. They synthesize these insights, and based on this analysis, they derive an ESG rating for each credit: "Strong," "Average" or "Weak." A rating is not to be viewed in absolute terms but rather in terms relative to that issuer's peers. All ratings are entered into the credit scoring model of RAP, our proprietary research tool.

## Securitized

For Securitized Issuers: When it comes to the analysis of securitized issuers, our primary considerations are social and governance factors. We evaluate the lending practices of the financial institution that is originating the securitization, typically avoiding those with predatory practices.

## Fixed income - Engagement

FI 18

Mandatory to Report Voluntary to Disclose

Core Assessed

PRI 2

FI 18.1

Indicate if you engage on your fixed income assets. Please exclude any engagements carried out solely in your capacity as a shareholder.

| Category                         | Proportion of assets  |
|----------------------------------|---|
| <b>SSA</b>                       | <input type="radio"/> >50%<br><input type="radio"/> 26-50%<br><input type="radio"/> 5-25%<br><input checked="" type="radio"/> More than 0%, less than 5%<br><br><div style="background-color: #0070C0; color: white; padding: 2px;"><b>FI 18.2</b> Indicate your motivations for conducting engagement.</div> <input checked="" type="checkbox"/> To gain insights into ESG (i.e. enhance disclosure)<br><input checked="" type="checkbox"/> To effect change (i.e. ask an issuer to manage ESG risk and/or opportunity)<br><input type="checkbox"/> Other, specify<br><input type="radio"/> We do not engage |
| <b>Corporate (financial)</b>     | <input type="radio"/> >50%<br><input type="radio"/> 26-50%<br><input type="radio"/> 5-25%<br><input checked="" type="radio"/> More than 0%, less than 5%<br><br><div style="background-color: #0070C0; color: white; padding: 2px;"><b>FI 18.2</b> Indicate your motivations for conducting engagement.</div> <input checked="" type="checkbox"/> To gain insights into ESG (i.e. enhance disclosure)<br><input checked="" type="checkbox"/> To effect change (i.e. ask an issuer to manage ESG risk and/or opportunity)<br><input type="checkbox"/> Other, specify<br><input type="radio"/> We do not engage |
| <b>Corporate (non-financial)</b> | <input type="radio"/> >50%<br><input type="radio"/> 26-50%<br><input checked="" type="radio"/> 5-25%<br><br><div style="background-color: #0070C0; color: white; padding: 2px;"><b>FI 18.2</b> Indicate your motivations for conducting engagement.</div> <input checked="" type="checkbox"/> To gain insights into ESG (i.e. enhance disclosure)<br><input checked="" type="checkbox"/> To effect change (i.e. ask an issuer to manage ESG risk and/or opportunity)<br><input type="checkbox"/> Other, specify<br><input type="radio"/> More than 0%, less than 5%<br><input type="radio"/> We do not engage |
| <b>Securitised</b>               | <input type="radio"/> >50%<br><input type="radio"/> 26-50%<br><input type="radio"/> 5-25%<br><input checked="" type="radio"/> More than 0%, less than 5%<br><br><div style="background-color: #0070C0; color: white; padding: 2px;"><b>FI 18.2</b> Indicate your motivations for conducting engagement.</div> <input checked="" type="checkbox"/> To gain insights into ESG (i.e. enhance disclosure)   |

|  |  |
|--|--|
|  | <input checked="" type="checkbox"/> To effect change (i.e. ask an issuer to manage ESG risk and/or opportunity)<br><input type="checkbox"/> Other, specify<br><input type="radio"/> We do not engage |
|--|--|

|              |  |                            |                |
|--------------|--|----------------------------|----------------|
| <b>FI 19</b> | <b>Mandatory to Report Voluntary to Disclose</b> | <b>Additional Assessed</b> | <b>PRI 1,2</b> |
|--------------|--|----------------------------|----------------|

|                |   |
|----------------|---|
| <b>FI 19.1</b> | Indicate how you typically engage with issuers as a fixed income investor, or as both a fixed income and listed equity investor. (Please do not include engagements where you are both a bondholder and shareholder but engage as a listed equity investor only.) |
|----------------|---|

Select all that apply

| Type of engagement                    | SSA                                 | Corporate (financial)               | Corporate (non-financial)           | Securitised                         |
|---------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|
| Individual/Internal staff engagements | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> |
| Collaborative engagements             | <input type="checkbox"/>            | <input type="checkbox"/>            | <input type="checkbox"/>            | <input type="checkbox"/>            |
| Service provider engagements          | <input type="checkbox"/>            | <input type="checkbox"/>            | <input type="checkbox"/>            | <input type="checkbox"/>            |

|                |   |
|----------------|---|
| <b>FI 19.2</b> | Indicate how your organisation prioritises engagements with issuers |
|----------------|---|

Select all that apply

|   | SSA                                 | Corporate (financial)               | Corporate (non-financial)           | Securitised                         |
|---|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|
| Based on potential materiality of ESG factors | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> |
| Based on systemic risks to global portfolios  | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> |
| Based on our exposure (holdings) to ESG risks | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> |
| Other, describe                               | <input type="checkbox"/>            | <input type="checkbox"/>            | <input type="checkbox"/>            | <input type="checkbox"/>            |

|                |  |
|----------------|--|
| <b>FI 19.3</b> | Indicate when your organisation conducts engagements with issuers. |
|----------------|--|

Select all that apply

|   | SSA                                 | Corporate (financial)               | Corporate (non-financial)           | Securitized                         |
|---|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|
| Engagements are conducted pre-investment  | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> |
| Engagements are conducted post-investment | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> |
| Other, describe                           | <input type="checkbox"/>            | <input type="checkbox"/>            | <input type="checkbox"/>            | <input type="checkbox"/>            |

**FI 19.4**

Indicate how your organisation conducts engagements with issuers.

Select all that apply

|   | SSA                                 | Corporate (financial)               | Corporate (non-financial)           | Securitized                         |
|---|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|
| We systematically engage prior to ESG-related divestments                           | <input type="checkbox"/>            | <input type="checkbox"/>            | <input type="checkbox"/>            | <input type="checkbox"/>            |
| We engage proactively in anticipation of specific ESG risks and/or opportunities    | <input type="checkbox"/>            | <input type="checkbox"/>            | <input type="checkbox"/>            | <input type="checkbox"/>            |
| We engage in reaction to ESG issues which have already affected the issuer          | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> |
| Investment and ESG analysts systematically conduct ESG-related engagements together | <input type="checkbox"/>            | <input type="checkbox"/>            | <input type="checkbox"/>            | <input type="checkbox"/>            |
| Other, describe   | <input type="checkbox"/>            | <input type="checkbox"/>            | <input type="checkbox"/>            | <input type="checkbox"/>            |

**FI 19.5**

Indicate what your organisation conducts engagements with issuers on.

Select all that apply

|   | SSA                                 | Corporate (financial)               | Corporate (non-financial)           | Securitised                         |
|---|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|
| We conduct engagements with individual issuers                    | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> |
| We conduct engagements across sectors and industries              | <input type="checkbox"/>            | <input type="checkbox"/>            | <input type="checkbox"/>            | <input type="checkbox"/>            |
| We conduct engagements on specific ESG themes (e.g. human rights) | <input type="checkbox"/>            | <input type="checkbox"/>            | <input type="checkbox"/>            | <input type="checkbox"/>            |
| Other, describe   | <input type="checkbox"/>            | <input type="checkbox"/>            | <input type="checkbox"/>            | <input type="checkbox"/>            |

**FI 19.6**

Indicate how your organisation shares the outcomes of the engagements internally.

Select all that apply

|   | SSA                                 | Corporate (financial)               | Corporate (non-financial)           | Securitised                         |
|---|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|
| We have a systematic process to ensure the outcomes of engagements are made available | <input type="checkbox"/>            | <input type="checkbox"/>            | <input type="checkbox"/>            | <input type="checkbox"/>            |
| We occasionally make the outcomes of engagements available                            | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/>            |
| Other, describe   | <input type="checkbox"/>            | <input type="checkbox"/>            | <input type="checkbox"/>            | <input checked="" type="checkbox"/> |
| We do not make this information available   | <input type="checkbox"/>            | <input type="checkbox"/>            | <input type="checkbox"/>            | <input type="checkbox"/>            |

**FI 19.7**

Additional information.[OPTIONAL]

We have not be asked regarding our engagements on Securitised issuers but would share the outcomes of engagements if inquired.

**FI 20**

**Mandatory to Report Voluntary to Disclose**

**Additional Assessed**

**PRI 1,2**

**FI 20.1**

Indicate if your publicly available policy documents explicitly refer to fixed income engagement separately from engagements in relation to other asset classes.

- Yes  
 No

**Outputs and outcomes**

|       |   |                     |         |
|-------|---|---------------------|---------|
| FI 21 | Mandatory to Report Voluntary to Disclose | Additional Assessed | General |
|-------|---|---------------------|---------|

|                |   |
|----------------|---|
| <b>FI 21.1</b> | Indicate whether your organisation measures how your incorporation of ESG analysis in fixed income has affected investment outcomes and/or ESG performance. |
|----------------|---|

Select all that apply

|   | SSA                                 | Corporate (financial)               | Corporate (non-financial)           | Securitised                         |
|---|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|
| We measure whether incorporating ESG impacts funds' reputation      | <input type="checkbox"/>            | <input type="checkbox"/>            | <input type="checkbox"/>            | <input type="checkbox"/>            |
| We measure whether incorporating ESG impacts financial returns      | <input type="checkbox"/>            | <input type="checkbox"/>            | <input type="checkbox"/>            | <input type="checkbox"/>            |
| We measure whether incorporating ESG impacts risk                   | <input type="checkbox"/>            | <input type="checkbox"/>            | <input type="checkbox"/>            | <input type="checkbox"/>            |
| We measure whether incorporating ESG impacts funds' ESG performance | <input type="checkbox"/>            | <input type="checkbox"/>            | <input type="checkbox"/>            | <input type="checkbox"/>            |
| None of the above   | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> |

|                |                                   |
|----------------|-----------------------------------|
| <b>FI 21.3</b> | Additional information.[OPTIONAL] |
|----------------|-----------------------------------|

We have not conducted any empirical research to determine the impact of ESG considerations. Where we believe they are material, they are considered like other risk factors.

|              |           |             |         |
|--------------|-----------|-------------|---------|
| <b>FI 22</b> | Voluntary | Descriptive | PRI 1,2 |
|--------------|-----------|-------------|---------|

|                |  |
|----------------|--|
| <b>FI 22.1</b> | Provide examples of how your incorporation of ESG analysis and/or your engagement of issuers has affected your fixed income investment outcomes during the reporting year. |
|----------------|--|

Example 1

|  |
|--|
| Type of fixed income   |
| <input type="checkbox"/> SSA<br><input type="checkbox"/> Corporate (financial)<br><input checked="" type="checkbox"/> Corporate (non-financial)<br><input type="checkbox"/> Securitised  |
| ESG issue and explanation  |
| <p>In June 2015, our Portfolio Management team decided against investing in a new issue with a wholly state-owned enterprise directly under the purview of the SASAC of the State Council of China. Although our analysts viewed the issuer's credit as favorable due to its strategic importance to China's social and economic development, and we expected high levels of support from the Chinese government, there were ESG concerns that posed a conflict. In September 2014, the World Bank announced the debarment of a subsidiary of this enterprise for misconduct involving a hydropower project in Africa and a road project in Southeast Asia. Recently, the enterprise has pushed for a 5,300km railway through the Amazon rainforest to reduce its costs for commodities transport, but this has raised concerns by environmentalists on its impact on indigenous tribes and the environment. The proposed route would carve up nature reserves, cross through uncontacted tribes, and open up indigenous land for development.</p> |
| RI strategy applied  |
| <input type="checkbox"/> Screening<br><input checked="" type="checkbox"/> Integration<br><input type="checkbox"/> Engagement<br><input type="checkbox"/> ESG incorporation in passively managed funds  |
| Impact on investment decision or performance   |
| <p>Due to these ESG conflicts, we decided not to participate in this new issue.</p>  |

Example 2

|   |
|---|
| Type of fixed income  |
| <input type="checkbox"/> SSA<br><input type="checkbox"/> Corporate (financial)<br><input checked="" type="checkbox"/> Corporate (non-financial)<br><input type="checkbox"/> Securitised   |
| ESG issue and explanation   |
| <p>Within our US Investment Grade portfolios, we have avoided purchasing bonds from a Chinese e-commerce company because of our analyst's concerns about this firm's transparency of financial reporting and corporate governance. In addition, we saw headline risk associated with IP protection and user data privacy. We did not believe we were being well compensated for these risks. Instead, in the technology sector, we have opted to own bonds of other issuers where we are more comfortable with governance and transparency.</p> |
| RI strategy applied   |
| <input type="checkbox"/> Screening<br><input checked="" type="checkbox"/> Integration<br><input type="checkbox"/> Engagement<br><input type="checkbox"/> ESG incorporation in passively managed funds   |
| Impact on investment decision or performance  |
| <p>We continue to remain underweight/not hold positions in this company within our US Investment Grade portfolios.</p>  |

Example 3

|   |
|---|
| Type of fixed income  |
| <input type="checkbox"/> SSA<br><input type="checkbox"/> Corporate (financial)<br><input checked="" type="checkbox"/> Corporate (non-financial)<br><input type="checkbox"/> Securitised   |
| ESG issue and explanation   |
| <p>Within the European high yield market, we sold our holdings in an Italian Industrial Group following third quarter results in November 2015 where it was disclosed that the company loaned its parent holding company €20m of cash without recourse to bondholders. Management claimed they can access the cash "within a few days", but since the company has the ability to move cash freely from recourse and non-recourse entities, this raised a red flag to us on corporate governance and creditor protections. Instead, we have been favoring bonds from another European issuer where we are more comfortable with the management team.</p> |
| RI strategy applied   |
| <input type="checkbox"/> Screening<br><input checked="" type="checkbox"/> Integration<br><input type="checkbox"/> Engagement<br><input type="checkbox"/> ESG incorporation in passively managed funds   |
| Impact on investment decision or performance  |
| <p>We sold our holdings in this company across our European High Yield portfolios.</p>  |

Example 4

|   |
|---|
| Type of fixed income  |
| <input type="checkbox"/> SSA<br><input type="checkbox"/> Corporate (financial)<br><input checked="" type="checkbox"/> Corporate (non-financial)<br><input type="checkbox"/> Securitised   |
| ESG issue and explanation   |
| <p>We sold a Spanish-based multinational concession and construction company from our European High Yield Portfolios because of ESG reasons given potential bribery scandals in its Mexican unit. The leaked tapes of this firm's employees bribing Mexican officials highlighted the governance concerns for this company and the overall construction sector. We also had concerns regarding the transparency within the company's concession business, and the structure of the company's Mexican toll road contracts.</p> |
| RI strategy applied   |
| <input type="checkbox"/> Screening<br><input checked="" type="checkbox"/> Integration<br><input type="checkbox"/> Engagement<br><input type="checkbox"/> ESG incorporation in passively managed funds   |
| Impact on investment decision or performance  |
| <p>We sold our holdings in this company across our European High Yield portfolios.</p>  |

Example 5

|  |
|--|
| Type of fixed income   |
| <input type="checkbox"/> SSA<br><input type="checkbox"/> Corporate (financial)<br><input checked="" type="checkbox"/> Corporate (non-financial)<br><input type="checkbox"/> Securitised  |
| ESG issue and explanation  |
| <p>Within our European High Yield portfolios, we decided not to invest in the debt of a holding company of operating in Italian Facilities Management. We generally find that cooperatives can have poor corporate governance, and in this case the chairman/effective CEO is in his 60s with no clear successor. Furthermore, there have been multiple instances of corruption allegations.</p> |
| RI strategy applied  |
| <input type="checkbox"/> Screening<br><input checked="" type="checkbox"/> Integration<br><input type="checkbox"/> Engagement<br><input type="checkbox"/> ESG incorporation in passively managed funds  |
| Impact on investment decision or performance   |
| <p>We withheld from investing in the issuer.</p>   |

**Communication**

|       |           |               |         |
|-------|-----------|---------------|---------|
| FI 23 | Mandatory | Core Assessed | PRI 2,6 |
|-------|-----------|---------------|---------|

**FI 23.1** Indicate if your organisation proactively discloses information on your approach to RI across all of your fixed income investments.

- We disclose it publicly

Provide URL

[https://www.abglobal.com/abcom/Our\\_Firm/Content/CGDocs/Statement\\_of\\_Policy\\_Regarding\\_Responsible\\_Investment.pdf?uuid=37609bb6-ccea-11e4-98e2-1c10539321b1](https://www.abglobal.com/abcom/Our_Firm/Content/CGDocs/Statement_of_Policy_Regarding_Responsible_Investment.pdf?uuid=37609bb6-ccea-11e4-98e2-1c10539321b1)

**FI 23.2** Indicate if the information disclosed to the public is the same as that disclosed to clients/beneficiaries.

- Yes

**FI 23.3**

Indicate the information your organisation proactively discloses to the public regarding your approach to RI incorporation.

- Broad approach to RI incorporation
- Detailed explanation of RI incorporation strategy used

**FI 23.4**

Indicate how frequently you typically report this information.

- Quarterly or more frequently
- Biannually
- Annually
- Less frequently than annually
- Ad-hoc/when requested
- No
- We disclose it to clients and/or beneficiaries only
- We do not proactively disclose it to the public and/or clients/beneficiaries