

LEA 02	Disclosures Monetary	Reason for interaction	Principle PRI 1,2,3
Individual/ internal staff engagements	<p><input checked="" type="checkbox"/> To support investment decision-making in a company relevant to 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"/> To support investment decision-making in a company relevant to ESG issues</p> <p><input type="checkbox"/> To influence corporate practice or identify the need for a material or other issue</p>	<p><input checked="" type="checkbox"/> To support investment decision-making in a company relevant to 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"/> To support investment decision-making in a company relevant to ESG issues</p> <p><input type="checkbox"/> To influence corporate practice or identify the need for a material or other issue</p>	
Collaborative engagements	<p><input type="checkbox"/> To support investment decision-making in a company relevant to ESG issues</p> <p><input type="checkbox"/> To influence corporate practice or identify the need for a material or other issue</p> <p><input type="checkbox"/> To support investment decision-making in a company relevant to ESG issues</p> <p><input type="checkbox"/> To influence corporate practice or identify the need for a material or other issue</p>	<p><input type="checkbox"/> To support investment decision-making in a company relevant to ESG issues</p> <p><input type="checkbox"/> To influence corporate practice or identify the need for a material or other issue</p> <p><input type="checkbox"/> To support investment decision-making in a company relevant to ESG issues</p> <p><input type="checkbox"/> To influence corporate practice or identify the need for a material or other issue</p>	
Service provider engagements	<p><input type="checkbox"/> To support investment decision-making in a company relevant to ESG issues</p> <p><input type="checkbox"/> To influence corporate practice or identify the need for a material or other issue</p> <p><input type="checkbox"/> To support investment decision-making in a company relevant to ESG issues</p> <p><input type="checkbox"/> To influence corporate practice or identify the need for a material or other issue</p>	<p><input type="checkbox"/> To support investment decision-making in a company relevant to ESG issues</p> <p><input type="checkbox"/> To influence corporate practice or identify the need for a material or other issue</p> <p><input type="checkbox"/> To support investment decision-making in a company relevant to ESG issues</p> <p><input type="checkbox"/> To influence corporate practice or identify the need for a material or other issue</p>	

RI TRANSPARENCY REPORT

2017

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	RI activities for listed equities	✓	Public							✓
OO 11	RI activities in other asset classes	✓	Public							✓
OO 12	Modules and sections required to complete	✓	Public							✓
OO End	Module confirmation page	✓	-							

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		✓	Public							✓
SG 05	RI goals and objectives	✓	Public							✓
SG 06	Main goals/objectives this year	✓	Public							✓
SG 07	RI roles and responsibilities	✓	Public							✓
SG 08	RI in performance management, reward and/or personal development	✓	Public							✓
SG 09	Collaborative organisations / initiatives	✓	Public				✓	✓		
SG 10	Promoting RI independently	✓	Public				✓			
SG 11	Dialogue with public policy makers or standard setters	✓	Public				✓	✓	✓	
SG 12	ESG issues in strategic asset allocation	✓	Public	✓						
SG 13	Long term investment risks and opportunity	✓	Public	✓						
SG 14	Allocation of assets to environmental and social themed areas	✓	Public	✓						
SG 15	ESG issues for internally managed assets not reported in framework	✓	Public							✓
SG 16	ESG issues for externally managed assets not reported in framework	⚠	n/a							✓
SG 17	Innovative features of approach to RI	✓	Public							✓
SG End	Module confirmation page	✓	-							

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	✓	Public	✓						
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		✓					✓
LEI End	Module confirmation page	✓	-							

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		✓				✓	
LEA End	Module confirmation page	✓	-							

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		✓				✓	
FI End	Module confirmation page	✓	-							

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Reported Information

Public version

Organisational Overview

PRI disclaimer

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Basic Information

OO 01

Mandatory

Public

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

Public

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

3438

OO 03

Mandatory

Public

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

Public

Gateway/Peering

General

OO 04.1

Indicate the year end date for your reporting year.

31/12/2016

OO 04.2

Indicate your total AUM at the end of your reporting year, excluding subsidiaries you have chosen not to report on.

	trillions	billions	millions	thousands	hundreds
Total AUM		480	200	576	083
Currency	USD				
Assets in USD		480	200	576	083

OO 06

Mandatory

Public

Descriptive

General

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

OO 06.1

How you would like to disclose your asset class mix.

- as percentage breakdown
- 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%	<10%

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

'Other (1)' specified

Retirement Strategies

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

OO 07	Mandatory to Report Voluntary to Disclose	Public	Gateway	General
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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.

Internally managed	SSA	41
	Corporate (financial)	12
	Corporate (non-financial)	39
	Securitised	8
	Total	100%

OO 08	Mandatory to Report Voluntary to Disclose	Public	Peering	General
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New selection options have been added to this indicator. Please review your prefilled responses carefully.

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

Asset class breakdown	Segregated mandate(s)	Pooled fund(s)
[j] Hedge funds	<input checked="" type="radio"/> 0% <input type="radio"/> <10% <input type="radio"/> 10-50% <input type="radio"/> >50 %	<input type="radio"/> 0% <input checked="" type="radio"/> <10% <input type="radio"/> 10-50% <input type="radio"/> >50 %
[o] Other (1), specify	<input type="radio"/> 0% <input type="radio"/> <10% <input checked="" type="radio"/> 10-50% <input type="radio"/> >50 %	<input type="radio"/> 0% <input type="radio"/> <10% <input checked="" type="radio"/> 10-50% <input type="radio"/> >50 %
Total externally managed assets	<i>Please ensure the entire table (both columns combined) totals to 100%</i>	

OO 09 Mandatory to Report Voluntary to Disclose Public Peering General

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

Developed Markets	<input type="radio"/> 0% <input type="radio"/> <10% <input type="radio"/> 10-50% <input checked="" type="radio"/> >50 %
Emerging, Frontier and Other Markets	<input type="radio"/> 0% <input checked="" type="radio"/> <10% <input type="radio"/> 10-50% <input type="radio"/> >50 %
<i>Total</i>	<i>100%</i>

Gateway asset class implementation indicators

OO 10 Mandatory Public Gateway General

OO 10.1

Select the 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 10.2

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

- We engage with companies on ESG factors 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 10.3

Select the 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 11

Mandatory

Public

Gateway

General

OO 11.1

Select the internally managed asset classes in which you addressed ESG incorporation 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
- None of the above

OO 11.2

Select the 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)

- Hedge funds
- Other (1)
- None of the above

OO 11.3b

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

You will need to make a selection in OO 12.1 only if you have any voluntary modules that you can choose to report on.

OO 12.1	Select from below any additional applicable modules or sections you would like to report on voluntarily. You are only required to report on asset classes that represent 10% or more of your AUM.
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	Core modules
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- Organisational Overview
- Strategy and Governance

	RI implementation directly or via service providers
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	Direct - Listed Equity incorporation
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- Listed Equity incorporation

	Direct - Listed Equity active ownership
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- Engagements
- (Proxy) voting

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

	Direct - Other asset classes with dedicated modules
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- Property

	Closing module
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- Closing module

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Reported Information

Public version

Strategy and Governance

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Investment policy

SG 01

Mandatory

Public

Core Assessed

General

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

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 <input type="checkbox"/> Formalised guidelines on environmental factors <input type="checkbox"/> Formalised guidelines on social factors <input checked="" type="checkbox"/> Formalised guidelines on corporate governance factors <input type="checkbox"/> Asset class-specific RI guidelines <input type="checkbox"/> Sector specific RI guidelines <input checked="" type="checkbox"/> Screening / exclusions policy <input type="checkbox"/> Engagement policy <input checked="" type="checkbox"/> (Proxy) voting policy <input type="checkbox"/> Other, specify (1) <input type="checkbox"/> Other, specify(2)	<input type="radio"/> Applicable policies cover all AUM <input checked="" type="radio"/> Applicable policies cover a majority of AUM <input type="radio"/> Applicable policies cover a minority of AUM

SG 01.4

Indicate what norms you have used to develop your investment policy that covers your responsible investment approach.

- 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
- No

SG 01.6	Provide a brief description of the key elements, any variations or exceptions to your investment policy that covers your responsible investment approach. [Optional]
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AB as a firm embraces a clear responsible investment philosophy and approach. Our various portfolio management teams implement that philosophy and approach slightly differently from each other across asset classes and strategies. We believe that each team is best equipped to implement ESG considerations in a manner that reflects their differences across asset classes, market sectors and approaches.

In addition to ESG integration, we manage portfolios where we apply negative and positive screens based on client request, and have launched several products that have specific responsible investment objectives. For example, in 2013 we introduced an Emerging Consumer Fund which integrates ESG at three different levels: alpha generation as part of its grass roots research in Emerging Markets, ESG risks are included in the cost of capital models, and ongoing company engagement. In 2014 we introduced the Next 50 Frontier Markets Fund which strives to adhere to the IFC performance standards by deploying intensive fundamental research with a sharp focus on the environment, social issues and governance (ESG) to build a diversified stock portfolio with high growth potential and attractive valuations. In 2016, we introduced the AB Municipal Impact strategy, available as a separate account, which builds on AB's credit expertise to invest in issues in underserved communities whose proceeds have a positive social and/or environmental impact, and a Responsible Global Factor Fund that invests in global equity securities that meet certain ESG criteria. In November 2016, our AB Global Thematic Growth Fund (US Mutual Fund) evolved from a global thematic growth strategy to AB Sustainable Global Thematic Fund. We also have other equity and fixed income responsible investment strategies in various stages of product development. We expect some to be released in 2017, including a Global Sustainable Credit Strategy that will invest in a combination of Green Bonds and other bonds (primarily non-government) that our research considers to be sustainable.

AB also manages a number of strategies where ESG integration is not applicable to the nature of the investment style. For example, ESG factors are generally not integrated in our quant driven products, passively managed accounts, and fund-of-fund products .

SG 02	Mandatory	Public	Core Assessed	PRI 6
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New selection options have been added to this indicator. Please review your prefilled responses carefully.

SG 02.1	Indicate which of your investment policy documents (if any) are publicly available. Provide a URL and an attachment of the document.
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Policy setting out your overall approach

	URL/Attachment
--	----------------

URL

	URL
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https://www.abglobal.com/abcom/Our_Firm/Content/CGDocs/Statement_of_Policy_Regarding_Responsible_Investment.pdf?uuid=37609bb6-ccea-11e4-98e2-1c10539321b1

Attachment (will be made public)

Attachment

[Statement of Policy Regarding Responsible Investment.pdf](#)

- Formalised guidelines on corporate governance factors

URL/Attachment

- URL

URL

https://www.abglobal.com/abcom/Our_Firm/Content/CGDocs/AB-Proxy-Voting-and-Governance-Policy.pdf

- Attachment (will be made public)

Attachment

[AB-Proxy-Voting-and-Governance-Policy.pdf](#)

- Screening / exclusions policy

URL/Attachment

- URL

URL

https://www.abglobal.com/abcom/Our_Firm/Content/CGDocs/Statement_on_Controversial_Weapons.pdf?uuid=387b50ea-ccea-11e4-98e2-1c10539321b1

- Attachment (will be made public)

Attachment

[Statement on Controversial Weapons.pdf](#)

- (Proxy) voting policy

URL/Attachment

- URL

URL

https://www.abglobal.com/abcom/Our_Firm/Content/CGDocs/AB-Proxy-Voting-and-Governance-Policy.pdf

Attachment (will be made public)

Attachment

[AB-Proxy-Voting-and-Governance-Policy.pdf](#)

We do not publicly disclose our investment policy documents

SG 02.4 Additional information [Optional].

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

SG 03	Mandatory	Public	Core Assessed	General
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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

SG 03.3 Additional information. [Optional]

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

SG 04	Voluntary	Public	Descriptive	General
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SG 04.1	Indicate if your organisation has a process for identifying and managing incidents that occur within portfolio companies.
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- Yes
- No

SG 04.2	Describe your process on managing incidents
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It is the primary responsibility of our analysts to monitor issuers. If an ESG issue arises, the analyst will determine the potential magnitude and engage with the issuer and/or other stakeholders to determine the impact on the investment thesis. Based on that analysis, the analyst will determine whether to hold or sell. If the position is continued to be held, the analyst will regularly monitor the situation, and how management has addressed it.

Objectives and strategies

SG 05	Mandatory	Public	Gateway/Core Assessed	General
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SG 05.1

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 05.2

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 06	Voluntary	Public	Descriptive	General
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SG 06.1

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

Training occurs both formally and informally. We meet with a variety of third parties as we continue to enhance our ESG integration. These meetings have consisted of sell-side research focused on ESG, third-party ESG service providers, and other stakeholders. Our responsible investment staff also meet with analysts to discuss a variety of ESG-related topics.

- Provide training on ESG engagement

Key performance indicator

More effective company/issuer engagements

Progress achieved

Our responsible investment staff meet with analysts to prepare for company/issue meetings on ESG-related topics, and have a structured process for the engagement. In 2016, we also developed an engagement framework to identify companies to engage. It will be rolled out in 2017.

- ☑ Improved communication of ESG activities within the organisation

Key performance indicator

More frequent discussions with personnel at all levels and in a variety of roles, including partners, investment teams, and client-facing staff.

Progress achieved

The responsible investment team, and increasingly, other individuals within the firm are well versed on our ESG activities and communicate with their colleagues around the world. The communications take place in formal and informal settings, and through updates on the firm's intranet.

- ☑ 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 where we can influence to effect change. The framework was completed in 2016 and will be rolled out in 2017.

- ☑ Improved ESG incorporation into investment decision making processes

Key performance indicator

Continue to enhance ESG integration

Progress achieved

In our Fixed Income credit team, they have enhanced their ESG scoring tool which is integrated into the analysts overall credit assessment. In Equities, some PMs have identified a fundamental analyst on their team to be the ESG champion, and raises 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. Additionally, the ESG Analyst and Head of RI continually engage 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 several impact investing symposia for clients and prospects. We wrote several ESG-related blogs, and our staff continues to participate in a variety of industry events as speakers, moderators, panelists, and/or participants.

- 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 reduction targets for portfolio
- Other, specify (1)

Other description (1)

Develop responsible investment products

Key performance indicator

New product launches

Progress achieved

Launched three ESG-focused products in 2016: Muni Impact, Global Responsible Factor Fund, and Sustainable Global Thematic.

- 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 participants and as panelists. Responsible Investment personnel and others involved in ESG-focused strategies participate in a variety of industry events as participants, panelists, moderators, and/or speakers.

- 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 07	Mandatory	Public	Core Assessed	General
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SG 07.1	Indicate the roles present in your organisation and for each, indicate whether they have oversight and/or implementation responsibilities for responsible investment.
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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
Heads of EQ and FI

- Oversight/accountability for responsible investment
- Implementation of responsible investment
- No oversight/accountability or implementation responsibility for responsible investment
- 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 (1)
- Other role, specify (2)

SG 07.2

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

Our 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.

Oversight/Accountability: Responsible Investment Committee: A key element of our ESG management structure is our Responsible Investment Committee that we created in 2011 at the time we signed the PRI. Our RI Committee has a diverse global membership, including senior representatives from our fixed income and equity investment organization, our client-facing teams, and our Legal Department. The composition of our RI Committee reflects our integration-oriented focus on ESG issues. This Committee develops our ESG strategy and thought leadership in partnership with investment teams, monitors our firm's progress on RI strategy and implementation, and provides ESG-related advice to our investment and client teams.

Implementation Responsibility: Our fundamental research analysts have primary responsibility for incorporating ESG factors into the research process. We believe bottom-up ESG integration in fundamental company research analysis is an important part of identifying investment risks as well as opportunities. As such, within our separate asset-class-specific investment teams, Chief Investment Officers/Portfolio Managers are responsible for overseeing the integration of ESG factors into our investment processes, and ensuring that potential ESG issues are appropriately identified, raised, researched, and addressed. Our disciplined fundamental research processes have long included the analysis of ESG factors, in many cases well before AB signed the PRI in 2011.

SG 07.3

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

SG 07.4	Additional information. [Optional]
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As noted above, we have dedicated resources to provide valuable guidance to our investment teams, and ESG integration in client portfolios remains the primary responsibility of Portfolio Managers and Analysts. When AB became a PRI signatory in November 2011, we created a management infrastructure for responsible investment leadership that drives strategy and ensures commitment to these issues firm-wide. We have the equivalent of more than 12 full-time professionals focused on various aspects of ESG:

- Our Head of Responsible Investment dedicates most of her time to ESG-related activities. These include focusing on the firm's ESG strategy, enhancing AB's processes on ESG integration, marketing, training and products. She is involved in related industry organizations and keeps abreast of ESG-related best practices and relevant industry trends.
- We have an ESG Analyst to work with our equity and fixed income investment teams to identify trends, themes and case studies and to assist with all aspects of ESG. In addition, we have a Governance Analyst, and an ESG Associate who are responsible for Proxy voting and ESG projects. Together this is three full time positions.
- The Portfolio Manager and analysts on our N50 Frontier Markets portfolio dedicate the equivalent of four FTEs to ESG.
- Our Global Sustainable Thematic Portfolio manager and the analysts on his team dedicate the equivalent of two FTEs to our ESG activities.
- Within fixed income, we have a portfolio manager dedicated full-time to our Municipal Impact strategy, as well as, a team of professionals, including a partner-sponsor on the RI Committee who is also the Director of Emerging Market Debt and a partner of the firm also responsible for the firm's diversity and inclusion initiatives, and representatives from Portfolio Management, Research, and Risk, who work together to support ESG integration across fixed income. Taken together this is equivalent to roughly two full time positions.

While these dedicated resources provide valuable guidance to our investment teams, ESG integration in client portfolios remains the primary responsibility of Portfolio Managers and Analysts.

SG 08	Voluntary	Public	Additional Assessed	General
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SG 08.1	Indicate if your organisation's performance management, reward and/or personal development processes have a responsible investment element.
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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

Other C-level staff or head of department

Heads of EQ and FI

- 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

SG 08.3	Provide any additional information on your organisation’s performance management, reward and/or personal development processes in relation to responsible investment.
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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 a factor, contribute to the overall performance of their portfolios.

Promoting responsible investment

SG 09	Mandatory	Public	Core Assessed	PRI 4,5
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New selection options have been added to this indicator. Please review your prefilled responses carefully.

SG 09.1

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]

Our Head of Responsible Investment is on the PRI's Reporting and Assessment Advisory Committee. We are a co-lead in the PRI-initiated collaborative engagement on human rights in the extractives industry. We attended a variety of PRI-sponsored events throughout the year, with one of our Senior Portfolio Managers attending the PRI annual conference.

- 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)
- Code for Responsible Finance in the 21st Century
- 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)
- Green Bond Principles
- 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.

- 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 Sustainable Insurance
- Regional or National Social Investment Forums (e.g. UKSIF, Eurosif, ASRIA, RIAA), specify

US 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 attended the USSIF Conference.

- Responsible Finance Principles in Inclusive Finance
- Shareholder Association for Research and Education (Share)
- United Nations Environmental Program Finance Initiative (UNEP FI)
- United Nations Global Compact
- 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. We reference the work done by SASB in building out our own reference documents for our analysts. We also engage with SASB on a periodic basis.

- 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]

We are a member of the working group on Asset Management, Securities, and Investment Banks. Last year, we served as a chairman of the working group and were a moderator at their symposium.

- Other collaborative organisation/initiative, specify

Climate Bond Initiative

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]

AB is a partner of the Climate Bond Initiative. We support the efforts of the CBI via our annual fees, and also participate in various events sponsored by the CBI. For example, an AB team member participated in the "Future of Green Bonds Roundtable" hosted by the CBI in Washington, DC in October 2016. An AB team member was also a member of the CBI's advisory panel for their early 2017 Green Bond Pioneer Awards.

- Other collaborative organisation/initiative, specify

Catalytic Financing Initiative

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]

AB is a partner of the Catalytic Finance Initiative (CFI). The CFI is a group of leading global financial institutions-investment banks, asset managers, multilateral banks, and other organizations-that have committed to deploy \$8 billion to high-impact sustainable investments over the coming years.

SG 10	Mandatory	Public	Core Assessed	PRI 4
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SG 10.1

Indicate if your organisation promotes responsible investment, independently of collaborative initiatives.

Yes

SG 10.2

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

specify description

Created a responsible investing brochure and wrote several blogs on ESG-related topics

No

SG 10.3

Describe any additional actions and initiatives that your organisation has taken part in during the reporting year to promote responsible investment [Optional]

Below are the highlights of some of the variety of ESG-related initiatives AB has led or participated since January 1, 2016:

October 2016: The Head and CIO of Equities attended the Inclusive Capitalism conference.

September 2016: We revised our formal response to the UK Stewardship Code that we initially published in July 2012 and revised in September 2012, and September 2015. **August 2016:** We hosted an event called "Thinking Responsibly: Investing for Impact" for roughly 100 attendees to discuss AB's approach to responsible investing, thematic and impact investing. **June 2016:** We hosted a webcast "Should I Invest in the World I Live In? Or the One I want?", attended by private client investors focused on incorporating environmental, social and corporate governance investing strategies into philanthropic missions. Speakers included AB's Head of Responsible Investment, Bernstein's Head of Philanthropy and a Bernstein's Senior Portfolio Manager. **May 2016:** We signed the PRI statement on ESG in credit ratings. **May 2016:** A SVP/Director of Private Placement Portfolio Management and Research was a panelist on the Task Force on Climate-related Financial Disclosures (TCFD) plenary session hosted by Financial Stability Board in Washington, D.C. **May 2016:** We hosted an event called "2016 Bernstein Chicago IMPACT" for over 46 attendees on initiating dynamic change through philanthropy and direct investments. **March 2016:** We hosted an event called "IMPACT and Philanthropic Investing" in Boston for over 100 community leaders on initiating dynamic change through philanthropy and direct investments. **January 2016:** We were a supporting sponsor of the UN's Investor Summit on Climate Risk.

Additionally, on an ongoing basis, members of AB continue to participate in a variety of industry initiatives, including:

- RI Europe& US, US SIF, ICGN conferences, PRI sponsored events, Asia Sustainable Investment Forum, and other responsible investment related industry events around the globe.
- Two fixed income team members are members of the PRI's Fixed Income working group.
- The Head of Responsible Investment is a member of the PRI's Reporting and Assessment Advisory group.
- Our ESG Analyst is a co-lead on a PRI-sponsored collaborative engagement on human rights in the extractives industry.

Members of our Responsible Investment Committee routinely explore ways AB can become further involved in matters relating to the support of sustainable investing. We would be pleased to provide additional details on our developments with ESG principles and guidelines if requested.

SG 11	Voluntary	Public	Additional Assessed	PRI 4,5,6
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SG 11.1	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.
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- Yes
- No

Please explain

AB has developed responses to the UK and the Japan stewardship codes, but have not interacted with public policy makers or regulators.

Implementation not in other modules

SG 12	Mandatory	Public	Descriptive	PRI 1
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New selection options have been added to this indicator. Please review your prefilled responses carefully.

SG 12.1	Indicate if your organisation executes scenario analysis and/or modelling in which the risk profile of future ESG trends at portfolio level is calculated.
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- We execute scenario analysis which includes factors representing the investment impacts of future environmental trends
- We execute scenario analysis which includes factors representing the investment impacts of future social trends
- We execute scenario analysis which includes factors representing the investment impacts of future governance trends
- We execute other scenario analysis, specify
- We do not execute such scenario analysis and/or modelling

SG 12.2	Indicate if your organisation considers ESG issues in strategic asset allocation and/or allocation of assets between sectors or geographic markets.
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- We do the following
- We do not consider ESG issues in strategic asset allocation

SG 13	Mandatory to Report Voluntary to Disclose	Public	Additional Assessed	PRI 1
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SG 13.1

Some investment risks and opportunities arise as a result of long term trends. Indicate which of the following you act on.

- Changing demographics
- Climate change

SG 13.2

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 13.3

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

SG 13.4

If you selected disclosure on emissions risks, list any specific climate related disclosure tools or frameworks that you used.

MSCI Carbon Footprint Tool

- 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 14	Mandatory to Report Voluntary to Disclose	Public	Descriptive	PRI 1
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New selection options have been added to this indicator. Please review your prefilled responses carefully.

SG 14.1	Indicate if your organisation allocates assets to, or manages, funds based on specific environmental and social themed areas.
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Yes

SG 14.2	Specify which thematic area(s) you invest in, indicate the percentage of your AUM in the particular asset class and provide a brief description.
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Area

Clean technology (including renewable energy)

Asset class invested

- Listed equity
- Fixed income - SSA
- Fixed income - Corporate (financial)
- Fixed income - Corporate (non-financial)
- Fixed income - Securitised
- Property

% of AUM

.09

Brief description of investment

- Low Carbon Energy Generation& Infrastructure
- Energy Efficiency
- Clean Transportation
- Sanitation& Recycling

- Green buildings
- Sustainable forestry
- Sustainable agriculture

Asset class invested

- Listed equity
- Fixed income - SSA
- Fixed income - Corporate (financial)
- Fixed income - Corporate (non-financial)
- Fixed income - Securitised
- Property

% of AUM

0.01

Brief description of investment

- Sustainable Agriculture

- Microfinance
- SME financing
- Social enterprise / community investing

Asset class invested

- Listed equity
- Fixed income - SSA
- Fixed income - Corporate (financial)
- Fixed income - Corporate (non-financial)
- Fixed income - Securitised
- Property

% of AUM

0.22

Brief description of investment

- Access to Physical Infrastructure
- Enabling Technologies
- Women's Empowerment
- Financial Security
- Physical Security
- Cyber Security

- Affordable housing
- Education

Asset class invested

- Listed equity
- Fixed income - SSA
- Fixed income - Corporate (financial)
- Fixed income - Corporate (non-financial)
- Fixed income - Securitised
- Property

% of AUM

0.04

Brief description of investment

As a significant part of the Muni Impact Portfolio, we invest in primary, secondary and adult education systems/facilities in areas with large underserved or low socio-economic status populations.

Other areas of impact within the portfolio include clean technology/renewable energy, global health and affordable medical care, and water treatment.

- Global health

Asset class invested

- Listed equity
- Fixed income - SSA
- Fixed income - Corporate (financial)
- Fixed income - Corporate (non-financial)
- Fixed income - Securitised
- Property

% of AUM

.12

Brief description of investment

- Medical Innovation
- Affordable Medical Care
- Healthy Lifestyles

- Water

Asset class invested

- Listed equity
- Fixed income - SSA
- Fixed income - Corporate (financial)
- Fixed income - Corporate (non-financial)
- Fixed income - Securitised
- Property

% of AUM

0.04

Brief description of investment

- Water Infrastructure, Treatment, & Management

Other area, specify

No

SG 14.3	Additional Information [Optional]
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The investments in the themes listed above are components of two portfolios: (1) AB Sustainable Global Thematic strategy; and (2) our Muni Impact strategy. We do not have single-themed responsible investment strategies at this time.

SG 15	Mandatory	Public	Descriptive	General
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SG 15.1	Describe how you address ESG issues for internally managed assets for which a specific PRI asset class module has yet to be developed or for which you are not required to report because your assets are below the minimum threshold.
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Asset Class	Describe what processes are in place and the outputs or outcomes achieved
Property	For our property funds, we recognize that there are considerations that go beyond merely achieving a target investment return, which may include certain non-financial objectives such as promoting the use of responsible contractors. Our ability to address those non-financial considerations is limited to circumstances where such actions are within the fund's power and authority and are consistent with our fiduciary duties to the investment fund we manage, applicable laws, and any contractual limitations imposed by agreements with third parties.

SG 15.2	Additional information [Optional].
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Due to the nature of the product, we integrate ESG on two levels:

1. We have a Responsible Contractor Policy which is intended to support and promote the selection of Contractors that provide competitive and high quality construction services to construction projects, utilize appropriately trained employees who receive fair wages and benefits and are reliable and efficient. We believe that the utilization of such contractors can add value to the investments undertaken by ensuring that

construction services are provided by adequately trained, experienced and motivated workers who deliver high-quality products and services. The REDG evaluates the governance structure of its borrowers and tries to assess the sustainability of their business models before closing transactions. Almost all of the REDG's borrowers are institutional, well-known real estate private equity managers who are fiduciaries to some of the largest institutional investors in the world (many of which employ clear ESG priorities). In doing so, the REDG places a premium on the sustainable use of its loan proceeds.

2. The REDG evaluate how the ESG profile of the assets impacts borrowers' ability to repay their loans, as sustainable properties are increasingly demanded by tenants. One of the things the REDG looks for is whether the borrowers already adhere to Responsible Contractor Policies that guide how they select contractors for the construction projects occurring at these properties, and who also commonly implement energy efficiency initiatives after they have acquired properties with the help of the REDG's loan proceeds (i.e. installing LED lighting, replacing traditional showerheads with water saving "low flow" showerheads, refurbishment / replacement of certain pieces of HVAC and plumbing equipment to improve efficiency, etc).

Innovation

SG 17	Voluntary	Public	Descriptive	General
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SG 17.1 Indicate whether any specific features of your approach to responsible investment are particularly innovative.

Yes

SG 17.2 Describe any specific features of your approach to responsible investment that you believe are particularly innovative.

In 2016 we launched a number of innovative products. We built a unique process to evaluate the specific ESG criteria defined, integrate it into our research and portfolio implementation process, monitor on an on-going basis, and provide reporting.

(1) In November 2016, our AB Global Thematic Growth Fund (US Mutual Fund) evolved from a global thematic growth strategy to a sustainable thematic strategy, now called the AB Sustainable Global Thematic Fund. The strategy utilizes an investment process that has a top-down focus on sustainable investment themes that align with the United Nations Sustainable Development Goals (UNSDG) with a bottom-up Environmental, Social and Governance (ESG) integration process.

(2) In the third quarter of 2016, we launched a Municipal Impact strategy which builds on AB's credit expertise to invest in issues in underserved communities whose proceeds have a positive social and/or environmental impact.

(3) In September 2016, we launched a Global Responsible Factor Fund that invests in equity securities of global companies that meet certain ESG criteria.

(4) Within our Fixed Income services, each credit analyst [muni and corporate] is responsible for developing a proprietary E, S and G score for their issuers, which has a direct impact on their overall rating of the credit and ultimately our portfolio positioning. This was implemented in 2016.

(5) In July 2016, we created a low carbon offering for our private clients.

In addition, we also have the following longer-standing ESG-SRI Dedicated Portfolios:

(6) In March 2013, we introduced a new range of Ethical Target Date funds for the UK Defined Contribution market. The funds combine the sophistication of target date funds with responsible investment, and they invest in index funds that track the FTSE4Good indices.

(7) In December 2013 we launched an Emerging Consumer Fund which integrates ESG at three different levels: alpha generation as part of its grass roots research in Emerging Markets, ESG risks are included in the cost of capital models, and ongoing company engagement.

(8) In March 2014 we launched the Next 50 Frontier Markets Fund which strives to adhere to the IFC performance standards by deploying intensive fundamental research with a sharp focus on the environment, social issues and governance (ESG) to build a diversified stock portfolio with high growth potential and attractive valuations.

No

AB

Reported Information

Public version

Direct - Listed Equity Incorporation

PRI disclaimer

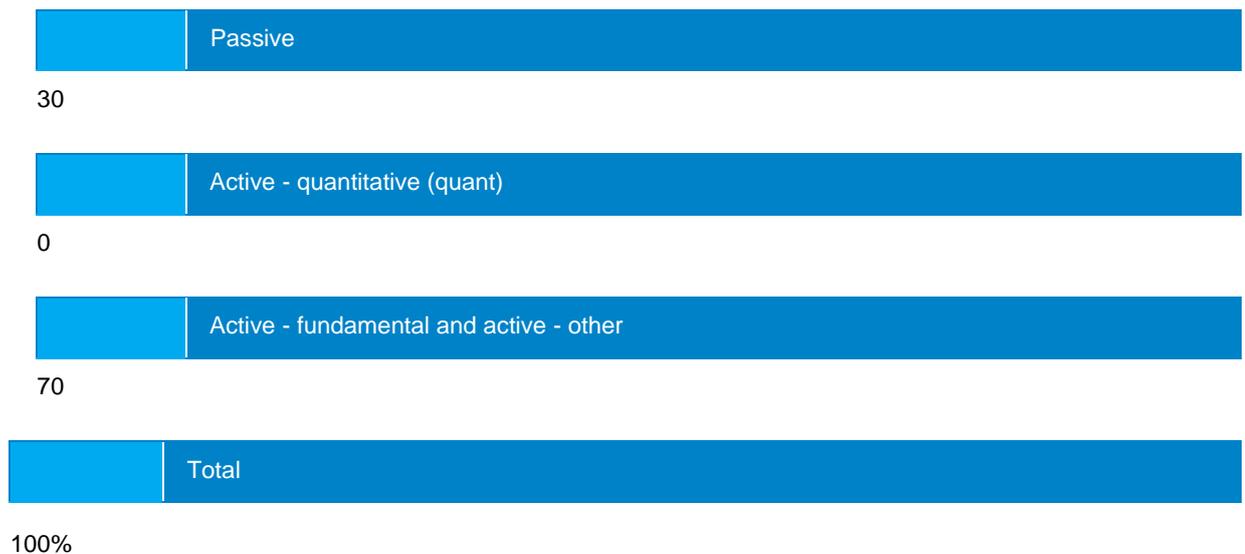
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Overview

LEI 01	Mandatory to Report Voluntary to Disclose	Public	Gateway	General
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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



ESG incorporation in actively managed listed equities

Implementation processes

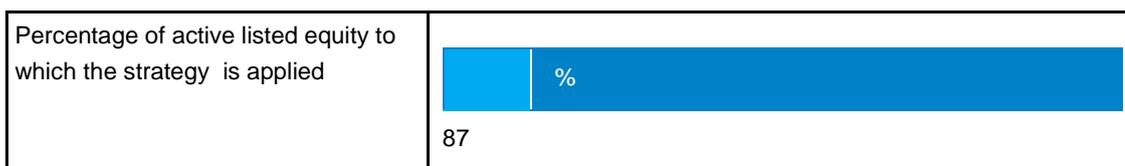
LEI 03	Mandatory	Public	Gateway	PRI 1
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New selection options have been added to this indicator. Please review your prefilled responses carefully.

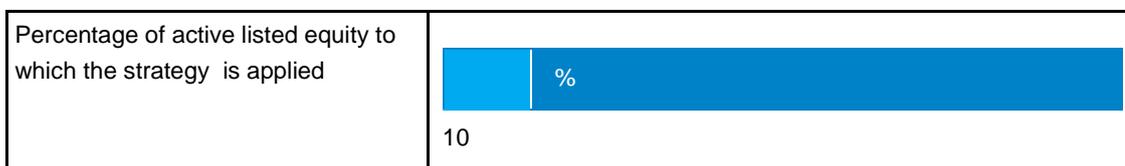
LEI 03.1 Indicate (1) which ESG incorporation strategy and/or combination of strategies you apply to your actively managed listed equities and (2) the breakdown of your actively managed listed equities by strategy or combination of strategies (+/- 5%)

ESG incorporation strategy (select all that apply)

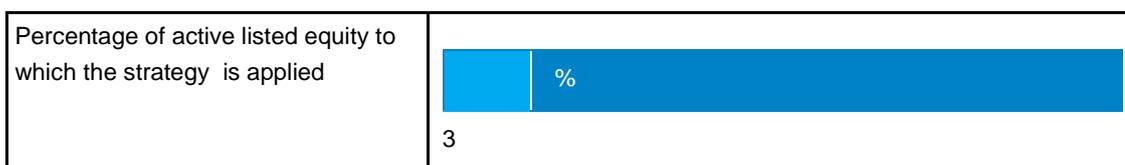
- Screening alone (i.e. not combined with any other strategies)
- Thematic alone (i.e. not combined with any other strategies)
- Integration alone (i.e. not combined with any other strategies)



Screening and Integration strategies



Thematic and integration strategies



- Screening and thematic strategies
- All three strategies combined
- We do not apply incorporation strategies

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.

Integration

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.

Screening

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 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 04

Voluntary

Public

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

Indicate who provides this information

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

LEI 04.2	Provide a brief description of the ESG information used, highlighting any differences of sources of information across your ESG incorporation strategies.
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We carefully select a range of external ESG data providers to meet not only our high overall standards but also to meet certain product-specific needs:

- **MSCI:** MSCI provides ESG ratings and qualitative research that is accessed by our analysts through a link into our analysts' research database. This research "flags" potentially material issues that our analysts then incorporate into their own analysis. We also use MSCI for negative screening in client portfolios, as well as best in class screening. The MSCI SRI Index is also used for our Global Responsible Factor Fund.
- **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 which has an explicit ESG focus and mandate.
- **ISS:** Institutional Shareholder Services (ISS) is used as our proxy voting agent and research provider.
- **Bloomberg:** AB partnered with Bloomberg to create a customized dashboard to help our Economists analyze Sovereign issuers.

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

LEI 04.3	Indicate if you incentivise brokers to provide ESG research.
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- Yes
- No

LEI 04.5	Additional information.[Optional]
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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.

LEI 05	Voluntary	Public	Additional Assessed	PRI 1
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LEI 05.1	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.
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- 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.

LEI 05.2	Additional information. [Optional]
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AB's proxy voting activities and investment process implementation is closely aligned and integrated. While we have a separate 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, 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	Public	Descriptive	PRI 1
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LEI 06.1	Indicate and describe the type of screening you apply to your internally managed active listed equities.
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- 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, 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 the following:

3. 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.
4. A portfolio for a client that meets the screening criteria of a third-party ESG research provider.
5. In September 2016, we introduced a Global Responsible Factor Fund that invests in global equity securities of companies that meet certain ESG criteria. It combines positive and negative screening based on MSCI SRI Benchmark.

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.

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.

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

LEI 07	Mandatory	Public	Core Assessed	PRI 1
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LEI 07.1	Indicate which processes your organisation uses to ensure screening is based on robust analysis.
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- 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]
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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	Public	Additional Assessed	PRI 1
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LEI 08.1	Indicate which processes your organisation uses to ensure fund criteria are not breached
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- 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
- Internal audit reviews compliance with investment guidelines and restrictions on a risk based approach

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.[Optional]

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.

(B) Implementation: Thematic

LEI 09

Mandatory

Public

Descriptive

PRI 1

LEI 09.1

Indicate the type of sustainability thematic funds or mandates your organisation manages.

- Environmentally themed funds
- Socially themed funds
- Combination of themes

LEI 09.2

Describe your organisation's processes for sustainability themed funds. [Optional]

In November 2016, our AB Global Thematic Growth Fund (US Mutual Fund) evolved from a global thematic growth strategy to a sustainable thematic strategy, now called the AB Sustainable Global Thematic Fund. The Fund pursues opportunistic growth by investing in a global universe of companies that are positively exposed to sustainable investment themes. We define sustainable investment themes to be those that are broadly consistent with achieving the United Nations Sustainable Development Goals. Examples of these themes may include energy transformation, resource preservation, equality and opportunity, improving human health and safeguarding lives. In addition to this "top-down" thematic approach, we also utilize "bottom-up" analysis of individual companies, focusing on prospective earnings growth, valuation, and quality of company management and on evaluating a company's exposure to environmental, social and corporate governance ("ESG") factors. We emphasize company-specific positive selection criteria over broad-based negative screens in assessing a company's exposure to ESG factors.

(C) Implementation: Integration of ESG issues

LEI 10	Mandatory	Public	Core Assessed	PRI 1
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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	<table border="1" style="width: 100%; background-color: #0072bc; color: white;"> <tr> <td style="width: 20%;"></td> <td>Environmental</td> </tr> </table> <p> <input checked="" type="radio"/> We systematically review the potential significance of environmental issues and investigate them accordingly <input type="radio"/> We occasionally review the potential significance of environmental issues and investigate them accordingly <input type="radio"/> We do not review environmental issues </p>		Environmental
	Environmental		
Social	<table border="1" style="width: 100%; background-color: #0072bc; color: white;"> <tr> <td style="width: 20%;"></td> <td>Social</td> </tr> </table> <p> <input checked="" type="radio"/> We systematically review the potential significance of social issues and investigate them accordingly <input type="radio"/> We occasionally review the potential significance of social issues and investigate them accordingly <input type="radio"/> We do not review social issues </p>		Social
	Social		
Corporate Governance	<table border="1" style="width: 100%; background-color: #0072bc; color: white;"> <tr> <td style="width: 20%;"></td> <td>Corporate Governance</td> </tr> </table> <p> <input checked="" type="radio"/> We systematically review the potential significance of corporate governance issues and investigate them accordingly <input type="radio"/> We occasionally review the potential significance of corporate governance issues and investigate them accordingly <input type="radio"/> We do not review corporate governance issues </p>		Corporate Governance
	Corporate Governance		

LEI 10.2 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 whether 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 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.

LEI 11	Voluntary	Public	Additional Assessed	PRI 1
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LEI 11.1 Indicate which processes your organisation uses to ensure 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

LEI 11.2 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.[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. 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	Public	Core Assessed	PRI 1
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New selection options have been added to this indicator. Please review your prefilled responses carefully.

LEI 12.1 Indicate which aspects of investment analysis you integrate ESG information into.

- Economic analysis
 - Systematically
 - Occasionally
- Industry analysis
 - Systematically
 - Occasionally
- Quality of 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 forecasted company financials (sales, operating costs, earnings, cash flows)
- Adjustments to valuation tools (discount rates, terminal value)
- 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
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As part of the valuation process, we adjust 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 forecasted company financials (sales, operating costs, earnings, cash flows)
- Adjustments to valuation tools (discount rates, terminal value)
- Other adjustments to fair value projections, specify

LEI 12.4b	Describe the methods you have used to adjust the income forecast / valuation tool
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As part of the valuation process, we adjust 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				
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LEI 13	Mandatory to Report Voluntary to Disclose	Public	Descriptive	PRI 1
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LEI 13.1	Indicate if you manage passive listed equity funds that incorporate ESG issues in the index construction methodology.
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- 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.
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- Index/fund 1

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

Index/fund 2

Index/fund name and brief description of ESG methodology	ESG incorporation strategy
Global Responsible Factor Fund	<input checked="" type="checkbox"/> Screening <input type="checkbox"/> Thematic <input checked="" type="checkbox"/> Integration of ESG issues <input type="checkbox"/> Other

Index/fund 3

Index/fund 4

Index/fund 5

No

Outputs and outcomes

LEI 14	Voluntary	Public	Descriptive	PRI 1
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LEI 14.1	Indicate how your ESG incorporation strategies have influenced the composition of your portfolio(s) or investment universe.
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Screening

Describe any reduction in your starting investment universe or other effects.

We narrow down the investment universe in accounts with client-directed or other third-party screening. We have a controversial weapons policy for our Luxembourg domiciled funds which limits the investment universe.

Thematic

Describe any alteration to your investment universe or other effects.

The Fund pursues opportunistic growth by investing in a global universe of companies that are positively exposed to sustainable investment themes. We define sustainable investment themes to be those that are broadly consistent with achieving the United Nations Sustainable Development Goals

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)

Describe the influence on composition or other effects

We use an MSCI SRI Index for our Global Responsible Factor Fund and we use FTSE4Good Indices for our Ethical Target Date Funds. Both indices have a reduced investment universe due to a best-in-class approach as well as a restriction list.

LEI 14.2 Additional information.[Optional]

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	Public	Additional Assessed	PRI 1
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LEI 15.1 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

b) Funds' financial performance: return

Describe the impact on:	Describe the impact	Which strategies were analysed?
Funds' financial performance: return	<input checked="" type="radio"/> Positive <input type="radio"/> Negative <input type="radio"/> No impact	<input type="checkbox"/> Screening <input type="checkbox"/> Integration <input checked="" type="checkbox"/> Thematic <input type="checkbox"/> Index construction (passive funds)

- We measure whether our approach to ESG issues impacts funds' financial performance: risk

c) Funds' financial performance: risk

Describe the impact on:	Describe the impact	Which strategies were analysed?
Funds' financial performance: risk	<input checked="" type="radio"/> Positive <input type="radio"/> Negative <input type="radio"/> No impact	<input type="checkbox"/> Screening <input type="checkbox"/> Integration <input checked="" type="checkbox"/> Thematic <input type="checkbox"/> Index construction (passive funds)

We measure whether our approach to ESG issues impacts funds' ESG performance

Describe the impact on:	Describe the impact	Which strategies were analysed?
Funds' ESG performance	<input checked="" type="radio"/> Positive <input type="radio"/> Negative <input type="radio"/> No impact	<input type="checkbox"/> Screening <input type="checkbox"/> Integration <input type="checkbox"/> Thematic <input type="checkbox"/> Index construction (passive funds)

None of the above

LEI 15.2	Describe how you are able to determine these outcomes.
-----------------	--

We measure whether our approach to ESG issues impacts our Global Sustainable Thematic fund's financial risk and return performance. Our approach is to invest in social and environmental themes with strong secular growth that should drive attractive financial returns. We measure the growth potential of our themes versus the expected returns in the broad market. We analyze the risks of ESG issues for each company we invest in and quantitatively measure these ESG risks our models. These risks are measured at both a company level and total portfolio level. We also measure the ESG performance of our portfolios several ways. We measure the carbon footprint of the portfolio vs. the benchmark. We measure the impact of the companies we invest in by measuring the revenue exposure they have for providing products and services related to environmental and social solutions compared to the benchmark.

LEI 16	Voluntary	Public	Descriptive	PRI 1
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LEI 16.1	Provide examples of ESG issues that affected your investment view and/or performance during the reporting year.
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ESG issue 1

ESG issue and explanation

As a manufacturer of generic medicines the company faced several sustainability risks. As described below, it also faced high social and governance risks:

- **Pricing:** We observed several companies in the generic industry taking advantage of product shortages, limited supplies, and the lengthy FDA approval process to substantially raise prices for certain generic drugs. We did not view these pricing strategies to be in the interest of society at large or a sustainable business practice, especially as the FDA is ramping up new product approvals under a new scheme to provide the agency with greater funding.
- **Product Quality and Safety:** The company has been subject to product recalls and a warning letter from the FDA regarding its primary facility for manufacturing drugs for the US market due to the breadth and severity of the violations of FDA manufacturing guidelines. We did not view these quality shortcomings as supportive of a sustainable business.
- **Corruption:** Generic companies face significant risks from corruption due to their interactions with government regulatory agencies and buying groups, as well as prescribing physicians. The company lacks strong policies and programs to address these risks.

ESG incorporation strategy applied

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

Impact on investment decision or performance

During multiple meetings with the company, we raised these specific ESG risks with management. We found the response regarding risk management capabilities inadequate, and saw little meaningful improvement in the company's actions. So, we raised the forward-looking cost of capital used to discount the expected cash flows from owning the stock over our investment time horizon. Raising the cost of capital for the company caused the expected return to fall below other investment opportunities. Therefore, we thus sold out of our position.

ESG issue 2

ESG issue and explanation

As a leader in cancer genetics, we watched this diagnostics provider as it went through venture capital funding rounds, an IPO, and execution of its growth strategy as a public company. We were particularly interested its progress on two specific ESG risks:

- **Governance:** A pharmaceuticals company acquired a majority stake, raising unique governance risks for minority shareholders: a large part of the company's business involved supporting numerous biotech and pharma sponsors in their oncology clinical trials. However, the company continued to sign deals with other biopharma firms, which, in the future, will become a shrinking portion of the business.
- **Access to Healthcare:** A key challenge and opportunity is expanding access to services to lower income or underserved patient groups. The company's broader interrogation of possible genetic mutations linked to patient illness can help facilitate access to medications that might not have been considered under existing treatment guidelines. The company has partnered with a non-profit patient services organization to offer case management for uninsured or under-insured individuals to help them access medicines through appeals to insurance companies, pharma patient assistance programs, and compassionate use regulation.

ESG incorporation strategy applied

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

Impact on investment decision or performance

Through several meetings with the management teams of the diagnostics company and the biopharma majority owner, as well as other pharma and biotech and competing firms, we grew comfortable with the governance risks as a minority shareholder. Additionally, we viewed the company's effort to help expand access to care as a positive driver for the cancer genetic diagnostics industry as it promotes the incorporation of such testing into more routine clinical use. Comfort around these ESG factors allowed us to lower our estimated cost of capital used to discount expected cash flows over the investment time horizon. This led the company's stock to look more attractive in our analytical framework and we added a position in our global thematic portfolios.

ESG issue 3

ESG issue and explanation

The company is a diversified chemical company whose business portfolio includes chemicals, advanced materials, housing and healthcare. In October 2015, we purchased this stock. Subsequently, the company announced that one of its housing relating subsidiaries had been identified for misconduct and was found to have performed faulty foundation pile installations. The inspection data was falsified on work subcontracted by a different construction company on a condo project. The condo was found to be tilting, which might have been caused by defective foundation pile installation. Data falsification was found in other 353 projects, out of the 3,040 pile installation projects performed by the company over the past 10 years.

We believed the scandal potentially could severely damage the company's reputation. We also believed there could be financial losses, both directly (legal liabilities) and indirectly (business loss due to brand and reputational damage). We sold out of the existing positions right after the announcement. Nonetheless, we have been engaging with the company and have been in constant contact, demanding a thorough investigation and complete/timely disclosure. The company responded promptly.

ESG incorporation strategy applied

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

Impact on investment decision or performance

We sold out of the existing positions right after the announcement. However, after assessing new information released by the company and the third party investigator, we believe that the misconduct should be regarded as an isolated case and the financial impact will be limited:

The data falsification was not used to specifically cover up the faulty pile installation in the tilting condo project. It is something that is relatively common in the construction industry (and occurs at competitors). Data gets falsified when the real inspection records are missing or when proper assessments cannot be conducted due to machine failure or bad weather. The company conducted a thorough safety inspection on the other 353 projects in which data was falsified: no other safety issues were identified. Management is committed to implementing proper processes and procedures to prevent data falsification and ensure proper record keeping.

There might be some direct expenses associated with the reconstruction of the tilting condo, but indirect damage to brand should be limited. We re-invested in the stock in January 2016, while continuing our dialogue with the company on the issue.

ESG issue 4

ESG issue and explanation

The company is an Australian-listed global supplier of well-known wine brands and one of the largest wine companies in the world. It owns its own vineyards as well as buying from contract grape growers and sourcing in the market. The company has well-defined ESG priorities:

6. Commitment to promote responsible consumption of wine: the company has added labelling advising abstinence from alcohol during pregnancy on wine bottles since its vintage year 2014. It will also provide calorie information on wines starting from the vintage year 2016.
7. Sustainable sourcing and environmental practices throughout the supply chain: The company closely monitors climate-related data on the operations of its vineyards and wineries and must manage water use and quality, agrochemical use, fuel storage and handling, soil health, waste, carbon emissions and biodiversity. In various regions, production is sustainably certified. It is committed to packaging that minimizes resource use, increases recyclability and recoverability and minimizes litter
8. Corporate program to give back to the communities in which the company operates.

ESG incorporation strategy applied

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

Impact on investment decision or performance

The company's corporate social responsibility dovetails with its profit-making objectives over the long run. Given the very real climate-change threat and long-lasting drought conditions in Australia and California, the excessive use of water, energy and agrochemicals affect the company's supply and costs; it makes sense for management to monitor these closely and to plan ahead to ensure its ability to sustain its supply chain and growth.

In recent years, the company has concentrated on a portfolio of priority brands. Its marketing strategy is thus more brand- and consumer focused. This direction dovetails with greater responsiveness to consumer concerns about drinking responsibly and safely.

All in all, we believe this is a high-quality company focused on long-term positive outcomes for the company and financial performance, as well as for all its stakeholders because the supply chain is so integral to its products, image and success with end-consumers. The company comes across as very serious and focused on being a responsible, global corporate citizen. This is important for a consumer company that seeks to holistically enhance shareholder value so we are comfortable maintaining our position.

ESG issue 5

ESG issue and explanation
<p>This Australian wagering company demonstrated a clear commitment to the long-term sustainability of the wagering sector, as noted below:</p> <ul style="list-style-type: none"> • The company has been taken to court by the federal government's anti-money laundering supervisor over breaches incurred in 2010-2014. The company has embarked on a range of initiatives to enhance the AML/CTF (anti-money laundering/counter terrorism financing) capabilities of the organisation. • The Australian wagering market has seen competition from international online wagering providers increase significantly over the last 6-8 years. Product innovation has been a key element in the firm's ability to attract customers. Over the last 18-24 months, it determined that "live in play betting" contravened market regulations - and so did not launch this offering even though it had it ready to go to market. Its online competitors took a different view, making the company's proposition less competitive. The Australian Government has since clarified the regulations, and confirmed that live in play betting is not allowed.
ESG incorporation strategy applied
<input type="checkbox"/> Screening <input type="checkbox"/> Thematic <input checked="" type="checkbox"/> Integration <input type="checkbox"/> Combination of ESG incorporation strategies <input type="checkbox"/> Index incorporating ESG issues
Impact on investment decision or performance
<p>Our research led us to conclude that while the Australian Transaction Reports and Analysis Centre (AUSTRAC) case will most likely result in findings against the company, any fines applied are unlikely to be in the range reported in the media.</p> <p>Our research reinforced our belief that this is a high-quality company focused on long-term corporate behaviour aligned to the various regulatory authorities with which it interacts. The company actively seeks to create value for its business, while simultaneously enhancing its reputation as a leading corporate citizen within the wagering and gambling space in Australia.</p>

Communication

LEI 17	Mandatory	Public	Core Assessed	PRI 2,6
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LEI 17.1	Indicate if your organisation proactively discloses information on your approach to ESG incorporation in listed equity.
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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

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	Public	Core Assessed	PRI 2
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New selection options have been added to this indicator. Please review your prefilled responses carefully.

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

- Yes
 No

LEA 01.5 Additional information [optional]

While we do not have a formal engagement policy yet, we expect to publish a formal policy during 2Q 2017. It includes a more structured engagement framework which is based on quantitative metrics, such as, but not limited to, position size, share register ranking, and qualitative ESG issues.

LEA 02	Mandatory	Public	Gateway	PRI 1,2,3
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LEA 02.1 Indicate the method of engagement, giving reasons for the interaction.

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

Process

Process for engagements run internally

LEA 03	Mandatory	Public	Core Assessed	PRI 2
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New selection options have been added to this indicator. Please review your prefilled responses carefully.

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 focused on ESG and proxy issues. In late 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. We referenced it for engagements in 2016, and refined it in practice. We expect to publish a formal engagement policy during 2Q 2017. It includes a more structured engagement framework for identifying and prioritizing engagement. It is based on quantitative metrics, such as, but not limited to, position size, share register ranking, and qualitative ESG issues.

LEA 04	Mandatory	Public	Core Assessed	PRI 2
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New selection options have been added to this indicator. Please review your prefilled responses carefully.

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
- We do not define specific objectives for engagement activities carried out by internal staff.

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
- We do not monitor the actions that companies take following engagement activities carried out by internal staff.

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

- Yes

LEA 04.4 Indicate if you do any of the following to monitor and evaluate the progress of your engagement activities carried out by internal staff.

- Define timelines for milestones and goals
- Tracking, monitoring progress against defined milestones and goals
- Establish a process for when the goals are not met
- Revisit and, if necessary revise goals on continuous basis
- Other, please specify

other description

Our goals are tied to the objective of the engagement.

- No

Process for engagements conducted via collaborations

LEA 05

Mandatory

Public

Core Assessed

PRI 2

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

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 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 continued the dialogue with the company in 2016 and will carry on in 2017. We plan to use this experience to determine how and when collaborative engagements could be useful. In addition to that, we expect to publish a formal engagement policy during 2Q 2017. It includes a more structured engagement framework for identifying and prioritizing engagement which encompasses potential collaborative engagements. It is based on quantitative metrics, such as, but not limited to, position size, share register ranking, and qualitative ESG issues.

LEA 06**Mandatory****Public****Core Assessed****PRI 2**

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

LEA 06.1

Indicate if you define specific objectives for your engagement activities carried out collaboratively.

- Yes
 - Yes, for all engagement activities
 - Yes, for the majority of engagement activities
 - Yes, for a minority of engagement activities
- We do not define specific objectives for engagement activities carried out collaboratively.

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
- We do not monitor the actions that companies take following engagement activities carried out collaboratively

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 collaborative engagement activities.

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

LEA 06.5 Additional information. [Optional]

As noted above, we started in our first collaborative engagement in 2015. This engagement is currently still on-going.

General processes for all three groups of engagers

LEA 09	Voluntary	Public	Additional Assessed	PRI 1,2
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LEA 09.1 Indicate if insights gained from your engagements are shared with your internal or external investment managers.

Type of engagement	Insights shared
Individual/Internal staff engagements	<input checked="" type="radio"/> Yes, systematically <input type="radio"/> Yes, occasionally <input type="radio"/> No
Collaborative engagements	<input checked="" type="radio"/> Yes, systematically <input type="radio"/> Yes, occasionally <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	Public	Gateway	PRI 2
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LEA 10.1 Indicate if you track the number of engagements your organisation participates in.

Type of engagement	Tracking engagements
Individual / Internal staff engagements	<input type="radio"/> Yes, we track the number of our engagements in full <input checked="" type="radio"/> Yes, we partially track the number of our engagements <input type="radio"/> We do not track
Collaborative engagements	<input checked="" type="radio"/> Yes, we track the number of our engagements in full <input type="radio"/> Yes, we partially track the number of our engagements <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. For 2016, this totaled 66 issuers during the year.

Outputs and outcomes

LEA 11	Mandatory to Report Voluntary to Disclose	Public	Core Assessed	PRI 2
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LEA 11.1 Indicate the amount of your listed equities portfolio with which your organisation engaged during the reporting year.

	Number of companies engaged (avoid double counting, see explanatory notes)	Proportion (to the nearest 5%)	Specify the basis on which this percentage is calculated
Individual / Internal staff engagements	<div style="background-color: #0072bc; color: white; padding: 2px;">Number of companies engaged</div> <p>66</p>	<div style="background-color: #0072bc; color: white; padding: 2px;">Proportion (to the nearest 5%)</div> <p>0</p>	<div style="background-color: #0072bc; color: white; padding: 2px;">Specify the basis on which this percentage is calculated</div> <p><input checked="" type="radio"/> of the total number of companies you hold</p> <p><input type="radio"/> of the total value of your listed equity holdings</p>
Collaborative engagements	<p>1</p>	<div style="background-color: #0072bc; color: white; padding: 2px;">Proportion (to the nearest 5%)</div> <p>0</p>	<div style="background-color: #0072bc; color: white; padding: 2px;">Specify the basis on which this percentage is calculated</div> <p><input checked="" type="radio"/> of the total number of companies you hold</p> <p><input type="radio"/> of the total value of your listed equity holdings</p>

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% <input checked="" type="radio"/> 10-50% <input type="radio"/> <10% <input type="radio"/> None
Collaborative engagements	<input checked="" type="radio"/> >50% <input type="radio"/> 10-50% <input type="radio"/> <10% <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% <input type="radio"/> 10-50% <input type="radio"/> <10% <input type="radio"/> None

LEA 11.5 Additional information. [Optional]

As mentioned in other sections, our analysts and RI 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.

LEA 12	Voluntary	Public	Additional Assessed	PRI 2
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LEA 12.1	Indicate which of the following your engagement involved.
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- 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

LEA 13	Voluntary	Public	Additional Assessed	PRI 2
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LEA 13.1	Indicate if your engagements in the reporting year covered E, S and/or G issues, providing an estimation of the breakdown.
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	Individual / Internal staff engagements
--	---

	% Environmental only
--	----------------------

9

	% Social only
--	---------------

8

	% Corporate Governance only
--	-----------------------------

70

	% Overlapping ESG issues
--	--------------------------

13

Total

100%

Collaborative engagements

% Environmental only

0

% Social only

100

% Corporate Governance only

0

% Overlapping ESG issues

0

Total

100%

LEA 14	Voluntary	Public	Descriptive	PRI 2
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LEA 14.1	Indicate whether you track 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.
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- Yes
- No

LEA 15	Voluntary	Public	Descriptive	PRI 2
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LEA 15.1	Provide examples of the engagements that your organisation or your service provider carried out during the reporting year.
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Add Example 1

Topic or ESG issue	Governance – Board of Directors; Compensation
Conducted by	<input checked="" type="checkbox"/> Individual / Internal <input type="checkbox"/> Collaborative
Objectives	<p>Objective: Discuss and assess the appropriateness of the compensation plan and current board structure.</p> <p>Background: Performance at this US insurance corporation was poor in terms of stock returns: the company severely lagged both its peers and market indices. CEO pay declined 6% year-over-year (excluding changes in pension value) but remained on par with median peer compensation so we had concerns that the compensation plan may not be constructed properly to align pay and performance. Annual incentive targets for the main performance goal were set below the previous year's results, calling their appropriateness into question. Additionally, there is a proposal this year to separate the roles of CEO and Chair. Barring additional governance concerns, we generally do not require these roles to be separate as long as there is strong independent board leadership through a robust Lead Independent Director. We had two main concerns about the Lead Independent Director's role. First, she did not control setting the schedules and agendas for board meetings. Second, she was not elected solely by the independent members of the board.</p>
Scope and Process	<p>The CEO/Chair and the Lead Independent Director explained that the previous year was an outlier because there were no major pay-outs for catastrophic events which drive operating income down. This is why they lowered their annual goals. We would like to see stronger goal-setting going forward, especially since catastrophe losses are always built in. Earned book value per share will replace the ROE metric, which we noted raises major concerns as it incentivizes risk-taking since it adjusts for acquisitions, whereas ROE incorporates a penalty for low ROI on M&A.</p> <p>In response to our concerns, the Lead Independent Director explained that from a practical perspective, she performs this duty since she creates all agendas and schedules which are then reviewed by the CEO/Chairman. He may make additions, but does not veto items. She also chairs executive sessions of independent members that include succession planning, compensation and audit. She was unclear on how she and others were elected, which is concerning, but upon follow-up the board said it would review and possibly change the election process.</p>
Outcomes	<p>The performance metric change will be monitored and reviewed next year for both target strength and construction. If positive changes are not made, a vote against the plan and compensation committee members will be warranted. The company made a fair point that the CEO is paid mostly in equity and that he has held most of that equity during his tenure, so interests are fairly aligned with ours. However, the company conceded that the previous year's plan should have had a larger performance component. While the role of the lead director appears robust and we will not vote for separation of the role of CEO/Chair this year, the Lead Independent Director did not seem deeply knowledgeable of board structure and functions and was not overly impressive. Additional engagement with her is warranted to discern if she is the right person for the role.</p>

Add Example 2

Topic or ESG issue	Environmental – Climate Change
Conducted by	<input checked="" type="checkbox"/> Individual / Internal <input type="checkbox"/> Collaborative
Objectives	<p>Objective: Discuss what company actions will be taken in response to strong shareholder support for a climate change-related shareholder proposal asking the company to compile a report assessing the long-term portfolio impacts of climate change policies on the company's business operations.</p> <p>Background: We have met with this US multinational energy corporation multiple times in the past to discuss ESG developments at the company. This year we supported a climate change-related proposal requesting a portfolio impact assessment that received over 40% support of votes cast at the annual general meeting. This result was among the strongest levels of support for any shareholder proposal that the company has received in recent years. It was an additionally notable since this was the first year that the proposal was on the ballot.</p>
Scope and Process	<p>In response to support for the shareholder proposal, the company is currently implementing a two-pronged approach to understand how to conduct the impact assessment: One part involves an internal self-assessment to understand the business case for the kind of report that would be most useful; the second is an external review by an independent consultant hired to make recommendations on what to target, how to conduct the review and how to report the findings.</p> <p>The company explained that the structure of the report will most likely use the International Energy Agency's "450 Scenario", which sets out an energy pathway with the goal of limiting the global increase in temperature to 2°C by limiting concentration of greenhouse gases in the atmosphere to around 450 parts per million of CO2. The company is aiming to release the report by the end of 2017 or early 2018. We let them know that a transparent process and methodology will be important factors determining the report's success, and this extends to how the board of directors provides oversight of the process. The company stated that while the governance committee was currently taking the lead in oversight, progress will be reviewed by the entire board.</p>
Outcomes	<p>The company appears to be taking thoughtful action in a timely manner in response to shareholder support for an impact assessment. We will review the report and may engage with the company and possibly the board on its findings and any actionable items.</p>

Add Example 3

Topic or ESG issue	Governance – Board composition; CEO compensation/succession; Multi-Share Class
Conducted by	<input checked="" type="checkbox"/> Individual / Internal <input type="checkbox"/> Collaborative
Objectives	<p>Objective: Discuss our views on voting rights, succession planning, and board refreshment.</p> <p>Background: The CEO/Chairman of this US global telecommunications conglomerate is a member of the founding family and holds a third of total voting power through a preferred share class. A majority of the non-preferred shares, including our position, voted in favor of recapitalizing the stock to one vote per share at the most recent annual shareholder meeting. The company has refused to do so.</p> <p>Paired with the stock structure concern is the lack of shareholder access rights since there is no right to call a special meeting, act by written consent, or proxy access, and there is a super majority vote requirement to change any bylaw, effectively barring any bylaw change that is not deemed acceptable by the current CEO/Chair.</p> <p>The company will have the opportunity to replace three board members in the next two years due to mandatory retirement age requirements.</p> <p>Additionally, the company's business activities, infrastructure, and customer information make it highly vulnerable to cyber intrusion so we wanted to better understand cybersecurity management.</p> <p>Finally, construction of the current executive compensation plan is generally well-designed, but could strengthen its chosen performance metrics.</p>
Scope and Process	<p>We generally support a single class structure in order to align proxy voting power and economic interest, ensuring equal accountability. While there are exceptions, including ensuring a founder's vision for a period, that is not the case here. We conveyed our succession plan concerns for the preferred stock and the CEO/Chair position and the company said short-term, mid-term and long-term succession plans are in place and that the preferred shares are considered a family asset and will be transferred to other family members.</p> <p>We expect to see shareholder access rights implemented and the supermajority threshold reduced. If this does not occur, we may vote against both the Governance Committee and Board leadership.</p> <p>We encouraged the company to target technology experience and possibly ethnic and gender diversity in their board refreshment process since they currently have no tech experience, only one female director (8% of total board) and the only non-white director is retiring.</p> <p>Although the executive compensation plan is fairly well designed and pay and performance are generally aligned, we would like to see a return-based metric such as ROIC included in future plans, both in the annual and multi-year pay programs.</p>
Outcomes	<p>We would like to meet with the Lead Independent Director to discuss the above concerns. It appears that there is no intention to recapitalize the founding family preferred share class so a continued focus on succession planning, independent board oversight, and shareholder access rights are warranted. We may vote negatively on board members and/or in favor of separating the roles of CEO/Chair in the future if we do not see progress on shareholder rights. We will continue to press the company to include ROIC in the compensation plan. We will maintain the position as the company continues to perform well.</p>

Add Example 4

Topic or ESG issue	Social – Gender Pay Equality
Conducted by	<input checked="" type="checkbox"/> Individual / Internal <input type="checkbox"/> Collaborative
Objectives	<p>Objective: To understand the methodology of the gender pay equality report, what was learned, and what actions are being taken in response to the report commissioned by the company.</p> <p>Background: A shareholder proposal that we supported requesting a report on a possible gender pay gap at this US multinational corporation and e-commerce company received majority support. The company appeared to lag its peers in reviewing and addressing the issue publicly.</p>
Scope and Process	<p>The company said consultants were engaged to assist in methodology and conduct the review. In addition to reporting, the focus was on utilizing the data to ensure there were no current biases disproportionate to one group. A big hurdle to a global review is that this requires a similarly sized group of both men and women in similar jobs. The company decided to review its five largest country operations, which made up 80% of the workforce. This required at least one man and one woman in same job, where each had to have salary, bonus, and equity as total compensation to participate. Comparisons were made in the same geographies for the same roles to account for different salary bands. If there were job functions where both genders weren't represented, these functions were excluded. Globally, they concluded that women earn 99.8% the salary that men do in the same job at the same grade level in the same country, and 99.4% of total compensation. They are reviewing drivers of any gaps and have instituted routine processes to assure no intentional biases as they need to be able to compare people across similar groups and to assure opportunities are distributed equally.</p>
Outcomes	<p>The company appears to have taken a thoughtful and thorough approach to this report. In 2017, they will disclose demographics of ethnicity, geographic location, and groups that may need gender demographic changes because some jobs in some areas may be predominantly single-gender jobs. The compensation committee provided oversight of the process and continues to review new ways to use the findings. The recently hired chief diversity officer will develop a comprehensive strategy on gender and ethnicity. We will review additional findings released in 2017 and may engage on them.</p>

Add Example 5

Topic or ESG issue	Social
Conducted by	<input checked="" type="checkbox"/> Individual / Internal <input type="checkbox"/> Collaborative
Objectives	<p>Background: The company is a microfinance lender extending group loans to women in lower income levels in Mexico. Our analyst was concerned that despite their conservative underwriting criteria, the company's asset quality could be impacted by their clients taking on additional debt to an unsustainable level from competing microlenders.</p> <p>Objective: The objective was to understand how the company dealt with clients taking on unsustainable levels of debt.</p>
Scope and Process	<p>Our meeting with management team in the fourth quarter confirmed that the company has been able to consistently deliver the lowest provisioning expense in the microfinance industry, while sustainably growing their portfolio. Management attributes a significant part of this success to the strong emphasis on educating their clients on how to use their financial products responsibly. Management discussed how they employ financial literacy programs to educate their clients about the positive impact that financial products, such as loans, savings, and insurance can have on their lives and the importance of taking on only sustainable levels of debt in order to maintain access to these products. The financial literacy programs are built into product design. For example, each loan includes a small life insurance policy for free as an educational tool on insurance. Financial education is also built into basic procedures. We attended several group meetings on credit collection in which the women discussed with representative of the company how savings products could help them in their particular situations.</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 understands the importance of responsible lending to potentially vulnerable clients with limited education. They take their responsibility seriously, which benefits their clients as well as their business model.</p>

Add Example 6

Topic or ESG issue	Environmental
Conducted by	<input checked="" type="checkbox"/> Individual / Internal <input type="checkbox"/> Collaborative
Objectives	<p>Background: 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 2016.</p> <p>Objective: 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. The company began to provide 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. We were pleased to hear during a meeting in August 2016 that the old nickel smelter which has been responsible for most of the pollution closed ahead of schedule that month.</p> <p>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%. The company has indicated that the timeline for Phase II is expected in 2021.</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.</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 it were not taking such material and specific actions to improve its environmental performance. Nevertheless, we will continue to closely monitor its implementation progress. This is top of this our agenda at every meeting.</p>

Add Example 7

Topic or ESG issue	Governance – Board of Directors
Conducted by	<input checked="" type="checkbox"/> Individual / Internal <input type="checkbox"/> Collaborative
Objectives	<p>Objective: Discuss our expectations for board-level oversight.</p> <p>Background: Over the past few years we have met annually with representatives of this South Korean multinational electronics company to discuss corporate governance issues. The board continues to move closer to global corporate governance standards and the expectations of international investors. Additionally, corporate access has improved as this and other meetings were some of our first with board members and senior level management. We see this new type of access as a reflection of improving governance/shareholder attentiveness.</p>
Scope and Process	<p>We met with the CFO, who is also a current board member. We encouraged the company to increase board independence, target the addition of a non-Korean board member, and consider establishing an independent Chair position. The company acknowledged that these changes may occur within the year.</p> <p>We discussed board oversight of the supply chain since the company recently recalled a major product offering. It appears that the board does not have strong oversight mechanisms in place for the supply chain and this is left entirely to management.</p>
Outcomes	Additional changes are warranted to the board to properly represent the interests of shareholders and to provide adequate oversight of strategy as well as the product supply chain.

Add Example 8

Topic or ESG issue	Social – Animal Welfare
Conducted by	<input checked="" type="checkbox"/> Individual / Internal <input type="checkbox"/> Collaborative
Objectives	<p>Background: In August 2016, this US meat producer faced allegations of animal cruelty at its chicken farms. An animal rights group released secret- recordings showing workers stomping, kicking, and suffocating breeder chickens at three facilities. Animal welfare is increasingly becoming an investor risk that can put companies at a competitive disadvantage as noted in a report by The World Bank. We engaged with a leading animal welfare group who started a campaign to gain investor support to address the company's animal welfare policies.</p> <p>Objective: To understand:</p> <ol style="list-style-type: none"> 9. Why the animal welfare group is targeting the company with a public campaign; 10. how they have engaged with the company; 11. and what their next steps were.
Scope and Process	<p>We engaged with the animal rights group numerous times over the years. We spoke to them about a different issue at this particular company in 2013. Given the increased attention over the last couple of years for issues at chicken farms, combined with our investment in this company, we believed a call to get further information was warranted. The call was attended by our investment analysts as well as our ESG analyst.</p> <p>During the call, the animal rights group explained that they have had ongoing conversations with the company for the last couple of years. They believed that the company is slow to respond to consumer and customer concerns. For example, they argued that the company lost an important customer when they enforced stricter animal welfare requirements for the meat producers they purchase from. They also believed that the company is often silent on these issues when peers are not and that they are falling behind on customer expectations.</p>
Outcomes	<p>Our continued conversation with the animal welfare group ensures we have information directly from the group driving a number of public campaigns. We learned about the background behind the campaign targeting this particular company and how the company engages with the group. In this instance, the group planned to put forward a shareholder proposal at the company's upcoming annual general meeting. The call provided valuable insight, which can help inform our voting decision when their proposal comes up. Alternatively, we may want to raise the issue with the company when engaging with them next or in advance of the meeting.</p>

Add Example 9

Topic or ESG issue	Governance – Corruption
Conducted by	<input checked="" type="checkbox"/> Individual / Internal <input type="checkbox"/> Collaborative
Objectives	<p>Objective: Discuss a customer account controversy involving the opening of false accounts in the names of the customers to help meet account number sales targets.</p> <p>Background: This US international banking and financial services holding company was the subject of press and government investigations into alleged systemic corruption at various branch offices.</p>
Scope and Process	<p>We met with the Board Chairman and other independent board members in order to understand what the Board knew when and what actions it took to address the problem, as well as whether executives would be held accountable. The Chairman admitted that the executive team and Board both made mistakes in not dealing more forcefully with the problem to stem abuses sooner, but explained that they thought, at the time, that they had done enough to tackle the problem. We conveyed our view that executives needed to be held more accountable than currently appeared to be the case as two executives (including the CEO) had departed. We are also concerned that the new CEO was promoted permanently to this role before a full investigation was completed.</p>
Outcomes	<p>We continue to hold the shares, but are looking to the company to make more information public and will follow-up to confirm that they are acting more forcefully.</p>

Add Example 10

Topic or ESG issue	Social – Animal Welfare
Conducted by	<input checked="" type="checkbox"/> Individual / Internal <input type="checkbox"/> Collaborative
Objectives	<p>Objective: Assess and discuss an animal welfare campaign directed at an investee company.</p> <p>Background: We are a top shareholder of this US casual dining restaurant that was the target of a non-profit campaign to get the company to publicly commit to a 10-year timeline to source 100% cage-free eggs. The animal welfare non-profit has an exclusive focus on farmed animals and reduced meat consumption. They have contacted company management but hadn't received any response, which they say is unusual as even in instances where companies resist their efforts, they still engage. This has led to a negative online campaign of petitions and ads, the boycotting and picketing of restaurants, and contacting investors to pressurize the company.</p>
Scope and Process	<p>We met with the non-profit group and they made two arguments for going cage-free. The first was an ethical one stating that going cage-free reduces the suffering of farm animals and that, in their view, eliminating battery cages, which is the lowest tier of a multi-tier definition of cage-free, casts the widest net of welfare improvement.</p> <p>The second argument was a business case of competitive disadvantage, stating that many major peers and suppliers had made cage-free commitments which made the company an outlier. On the supply side, 92% of eggs produced in the US are caged but the #2 and #3 largest egg producers have committed to transition to 100% cage-free over the next 10 years.</p> <p>We then engaged with the company who explained that they don't buy or sell eggs directly and they chose not to engage with the non-profit because one of its members had been convicted of harassment surrounding animal rights issues. We noted that at least 20 items on the restaurant menu contained eggs. The company noted that their supplier of those items recently made a 100% cage-free commitment nearly identical to the one being requested of the company.</p>
Outcomes	The company refused to make an official commitment or to meet with the non-profit. They have also said that the campaign against them has had no material impact on sales or customer satisfaction and thus to shareholder value. While the company could theoretically switch suppliers, we agreed that since the supplier is going cage-free, so is the company, which from a practical perspective eliminates the issue.

Communication

LEA 16	Mandatory	Public	Core Assessed	PRI 2,6
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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

LEA 17	Mandatory	Public	Gateway	PRI 1,2,3
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New selection options have been added to this indicator. Please review your prefilled responses carefully.

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
- Filing/co-filing resolutions
- Extraordinary meetings
- Share blocking
- Regional voting practices
- Record keeping
- Company dialogue pre/post vote
- Securities lending process
- Other, describe
- None of the above

LEA 17.3 Attach or provide a URL to your voting policy. [Optional]

URL

https://www.abglobal.com/abcom/Our_Firm/Content/CGDocs/AB-Proxy-Voting-and-Governance-Policy.pdf

Attach document

[AB-Proxy-Voting-and-Governance-Policy.pdf](#)

LEA 17.4 Provide a brief overview of your organization's approach to (proxy) voting.

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.

LEA 17.5 Provide an overview of how you ensure your voting policy is adhered to, giving details of your approach when exceptions to the policy are made (if applicable).

Our Proxy Voting and Governance Policy is annually reviewed, and updated as necessary, by the Proxy Voting and Governance 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 and Governance Committee meets at least 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 Voting and Governance 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 time 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. In addition, we engage with shareholder proposal proponents and other stakeholders to understand different viewpoints and objectives. We believe engagement provides the opportunity to share our philosophy, our corporate governance values, and more importantly, affect positive change.

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

No

Process

LEA 18	Mandatory	Public	Descriptive	PRI 2
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LEA 18.1 Indicate how you typically make your (proxy) voting decisions.

Approach

- We use our own research or voting team and make 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 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.

LEA 20	Voluntary	Public	Descriptive	PRI 2
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New selection options have been added to this indicator. Please review your prefilled responses carefully.

LEA 20.1	Describe your involvement in any projects to improve the voting trail and/or to obtain vote confirmation .
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Our proxy processing agent confirms receipt of votes with the custodian. We have begun to review the end-to-end vote confirmation process and have participated in industry events and calls with organizations such as the Council for Institutional Investors and leading vote tabulator, Broadridge. Additionally, as Broadridge releases a limited inaugural end-to-end vote confirmation product and process, we are currently assessing if we can utilize this functionality through our service provider.

LEA 21	Voluntary	Public	Additional Assessed	PRI 2
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New selection options have been added to this indicator. Please review your prefilled responses carefully.

LEA 21.1	Indicate if your organisation has a securities lending programme.
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- Yes

LEA 21.2

Indicate how voting is addressed in your securities lending programme.

- We recall all securities for voting on all ballot items
- We systematically recall some securities to vote on their ballot items
- We recall some securities to vote on their ballot items on an ad hoc basis
- Our securities lending agent is free to decide when and which securities to recall for voting purposes.
- We communicate our voting instructions to the borrowing entity.
- We do not recall our shares for voting purposes.
- Others
- No

LEA 22**Mandatory****Public****Core Assessed****PRI 2**

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

LEA 22.1

Indicate whether you or the service providers acting on your behalf raise any concerns with companies ahead of voting

- Yes, in most cases
- Sometimes, in the following cases:
 - Votes for selected markets
 - Votes relating to certain ESG issues
 - Votes for significant shareholdings
 - Votes for companies we are engaging with
 - On request by clients
 - Other
- Neither we nor our service provider raise concerns with companies ahead of voting

LEA 22.2

Indicate whether you and/or the service provider(s) acting on your behalf, communicate the rationale to companies, when , you abstain or vote against management recommendations.

- Yes, in most cases
- Sometimes, in the following cases.
 - Votes in selected markets
 - Votes on certain issues
 - Votes for significant shareholdings
 - Votes for companies we are engaging with
 - On request by clients
 - Other
- We do not communicate the rationale to companies
- Not applicable because we and/or our service providers do not abstain or vote against management recommendations

LEA 22.3	Additional information. [Optional]
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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.

Outputs and outcomes

LEA 23	Mandatory	Public	Core Assessed	PRI 2
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LEA 23.1	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.
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We do track or collect this information

	Votes cast (to the nearest 1%)
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	%
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99

	Specify the basis on which this percentage is calculated
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- 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	Explain your reason(s) for not voting certain holdings
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- Shares were blocked
- Notice, ballots or materials not received in time
- Missed deadline
- Geographical restrictions (non-home market)
- Cost
- Conflicts of interest
- Holdings deemed too small
- Administrative impediments (e.g., power of attorney requirements, ineligibility due to participation in share placement)
- We do not vote on environmental resolutions
- We do not vote on social resolutions
- On request by clients
- Other

We do not track or collect this information

LEA 24	Mandatory	Public	Additional Assessed	PRI 2
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LEA 24.1 Indicate if you track the voting instructions that you and/or your service provider on your behalf have issued.

Yes, we track this information

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

Voting instructions	Breakdown as percentage of votes cast
For (supporting) management recommendations	 84.4
Against (opposing) management recommendations	 14.4
Abstentions	 1.2

100%

LEA 24.3 Describe the actions you take after voting against management recommendations.

We vote shareholder resolutions based on our Proxy Voting and Governance Policy. Each year, before the start of the proxy season, our Proxy Voting and Governance Committee reviews our firm's 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 a portion or all of our Proxy Voting and Governance Committee to discuss and develop a policy or come to a decision on an individual proposal. Our 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

LEA 25	Voluntary	Public	Descriptive	PRI 2
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New selection options have been added to this indicator. Please review your prefilled responses carefully.

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

Yes

No

LEA 26	Voluntary	Public	Descriptive	PRI 2
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New selection options have been added to this indicator. Please review your prefilled responses carefully.

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 – Executive Compensation
Decision made by	<input checked="" type="checkbox"/> Internal staff <input type="checkbox"/> Collaborative <input type="checkbox"/> Service provider
Objectives	<p>Objective: Assess management's annual say on pay proposal to evaluate the compensation plan's alignment between executive pay and company performance to assure the best shareholder outcomes.</p> <p>Background: This American multinational insurance corporation saw year-over-year decreases in all major financial results including ROIC, EPS, EBITDA, revenue and income. Conversely, total CEO pay increased nearly 6%.</p>
Scope and Process	<p>In addition to total CEO pay increasing in a year that profitability declined, there were several other negative features of the plan.</p> <p>The compensation committee has discretion over the final annual compensation award amount, which is a poor practice since pay should primarily be driven by performance against disclosed financial goals.</p> <p>The peer group chosen by the company is outsized and inappropriate, making the CEO's relative compensation appear smaller than peers. This peer group allows the company to show that the CEO is underpaid which is the reason for the year over year increase in compensation opportunities.</p> <p>The two relative metrics used in the LTI plan used poor or weak targets for full payout. The credit default swap spread performance metric used a wide and meaningless range of 20th-80th percentile of peers. The total shareholder return metric targeted median performance for 100% payout which is a weak goal.</p>
Outcomes	We concluded that there was misalignment between pay and performance, as well as between the performance metrics incentivizing management and the drivers of shareholder value.

Add Example 2

Topic or ESG issue	Governance – Anti Takeover Measures
Decision made by	<input checked="" type="checkbox"/> Internal staff <input type="checkbox"/> Collaborative <input type="checkbox"/> Service provider
Objectives	<p>Objective: Assess management proposals to authorize the issuance of equity.</p> <p>Background: This French multinational rail transport company asked shareholders to allow the company to issue new shares and various equity-linked instruments (e.g., warrants, convertible bonds) with and without preemptive rights. Recent French legislation, entitled the Florange Act grants double voting rights for qualified holders and allows share issuance during a takeover, unless the company explicitly opts out of these provisions.</p>
Scope and Process	The company is requesting two sets of authorizations for share issuance for general capital purposes. The first explicitly excludes the use of capital issuance during a takeover bid, while the second specifically provides for the use of such issuance during a takeover. Allowing the use of share issuance during a takeover bid serves as an effective deterrent to such bids since it can excessively dilute the value of the outstanding shares upon issuance.
Outcomes	We voted against the issuance that could be used during a takeover since this could negatively affect shareholder value.

Add Example 3

Topic or ESG issue	Governance – Bylaw Amendments
Decision made by	<input checked="" type="checkbox"/> Internal staff <input type="checkbox"/> Collaborative <input type="checkbox"/> Service provider
Objectives	<p>Objective: Assess competing proposals on the right to amend bylaws by a majority vote of shareholders. One proposal was submitted by management and one submitted by a shareholder.</p> <p>Background: This US lodging REIT is incorporated in Maryland which has a unique set of corporate laws which allow a company, among other things, to retain the sole right to amend bylaws without shareholder approval. In 2015, the company received a shareholder proposal to grant shareholders the right to propose and amend bylaws which received 49.3% of votes cast. The 2016 management proposal would allow a single holder of at least .015% outstanding, or \$232,110 for one year, the ability to submit an amendment. The 2016 shareholder proposal would allow holders of \$2,000 worth of stock (the SEC standard) to submit an amendment for shareholder vote.</p>
Scope and Process	We generally take the view that shareholders should have the right to propose bylaw amendments through a majority vote via a proposal process that is no more restrictive than proposing any other items, apart from director nominees where we align with the SEC framework on proxy access.
Outcomes	This led us to support the shareholder proposal as a core shareholder right.

Add Example 4

Topic or ESG issue	Social/Governance – Food Safety Accountability
Decision made by	<input checked="" type="checkbox"/> Internal staff <input type="checkbox"/> Collaborative <input type="checkbox"/> Service provider
Objectives	<p>Objective: Review board-level risk management oversight accountability and a shareholder proposal asking the company to consider including sustainability metrics in the executive compensation plan.</p> <p>Background: A US fast food restaurant chain experienced a series of food safety incidents at locations across the country. 2016 was the first year the company received this shareholder proposal.</p>
Scope and Process	Customer trust and shareholder value were gravely damaged by these incidents. We engaged with management and the board on several occasions to gauge the effectiveness of its response to these problems. The company has implemented new food-safety and preparation procedures and increased board oversight. But details on board-level risk management were thin, and it became clear that problems had been managed only reactively.
Outcomes	This led us to vote against the chair of the audit committee for material risk oversight failures, and in favor of a shareholder proposal to assess the feasibility of integrating sustainability metrics, such as food safety, in the executive compensation plan.

Add Example 5

Topic or ESG issue	Governance – Board Compensation
Decision made by	<input checked="" type="checkbox"/> Internal staff <input type="checkbox"/> Collaborative <input type="checkbox"/> Service provider
Objectives	<p>Objective: Determine the appropriateness of a management proposal to approve a new compensation program for supervisory board members.</p> <p>Background: This Dutch technology company, which primarily trades on the NASDAQ, proposed a compensation plan for non-executive directors that would grant performance-based equity using the same metrics and targets as the management compensation plan.</p>
Scope and Process	<p>We generally view performance-based equity pay to independent directors as problematic since it may compromise the board's ability to provide independent oversight outside the time horizons and specific financial metrics listed in the compensation plan.</p> <p>We prefer equity compensation delivered to directors solely through full-value shares, with up to 50% of total compensation in equity. Performance-based awards are generally not used for non-executive directors in the US market, but are sometimes still used in the Netherlands.</p> <p>We engaged with the company and they stated that the proposal is designed to eliminate any potential conflicts of interest because the performance measure is a three-year moving average of the share price. This is a long horizon, although it is paid annually.</p>
Outcomes	We concluded that the construction of the plan didn't mitigate our concerns and voted against the proposal.

Add Example 6

Topic or ESG issue	Social – Workplace Diversity Reporting
Decision made by	<input checked="" type="checkbox"/> Internal staff <input type="checkbox"/> Collaborative <input type="checkbox"/> Service provider
Objectives	<p>Objective: Assess the materiality of a shareholder proposal to report on the number of Arab and non-Arab employees in its Palestine-Israel workforce using the US DOL's 9 EEO-1 job categories.</p> <p>Background: This US multinational technology conglomerate operates globally, including in Israel or the Palestinian Territories. The shareholder proposal contends that this information will help shareholders assess fairness in employment practices. The 2015 CSR report discloses diversity data for race and gender for US employees, and data by gender for non-US employees.</p>
Scope and Process	<p>We reviewed the company's current practices for transparency, fairness and to understand how the company addresses any of the issues targeted by the proposal. The company code of conduct extensively addresses human rights and nondiscrimination, and the company supports the Universal Declaration of Human Rights, the U.N. Global Compact, and the Ruggie Principles.</p> <p>Company initiatives include:</p> <ul style="list-style-type: none"> • Empowerment program that places Israeli-Arab engineers into Israeli tech jobs • Competency program identifying gaps in leadership from diversity and capabilities perspectives • Investment program to build Palestinian tech industry through monetary investment and employment
Outcomes	While it's unclear why the company reports only US racial data, we voted against the proposal as current company practices appear to address any associated risks.

Add Example 7

Topic or ESG issue	Environmental – Climate Change
Decision made by	<input checked="" type="checkbox"/> Internal staff <input type="checkbox"/> Collaborative <input type="checkbox"/> Service provider
Objectives	<p>Objective: Assess the materiality of a shareholder proposal to annually assess portfolio impacts of policies to meet 2 Degree Scenario.</p> <p>Background: This company, a US multinational oil and gas corporation, received a proposal in 2016 that, for the first time, requires the company to assess and report the risks to its business posed by climate-change regulations framed by the 2 degree limits agreed upon at COP21.</p>
Scope and Process	The company's current outlook foresees demand will rise 25% from 2014-2040 while acknowledging that future emission reductions regulations may increase the cost of its products and reduce demand. It regards a low carbon scenario as highly unlikely to occur. It appears that several peers have supported 2 degree scenario analysis and that the OGCI oil companies, including Shell, Total and Aramco, support a framework and policy that is consistent with the 2 degree framework.
Outcomes	We concluded that an annual assessment of the long-term impact of potential regulations on the company's portfolio would better assist our ability to mitigate risks to shareholder value.

Add Example 8

Topic or ESG issue	Governance – Board Accountability
Decision made by	<input checked="" type="checkbox"/> Internal staff <input type="checkbox"/> Collaborative <input type="checkbox"/> Service provider
Objectives	<p>Objective: Asses a shareholder proposal asking the board of directors to take steps to achieve a sale, merger or other disposition of the company.</p> <p>Background: This US community banking corporation has underperformed in an industry that is undergoing significant consolidation.</p>
Scope and Process	<p>We engaged with the CEO and the Board Chairman and they acknowledged that the existence of this proposal has already been a positive force in that it has driven the board to formalize its approach to sale offers, shareholder engagement and board refreshment. Their main criticisms were that if passed it would raise uncertainties for its employees and customers, as well as increasing the volume of offers they receive.</p> <p>We noted sustained underperformance on various metrics, including ROE, ROA, operating efficiency relative to peers and NIM, and the company had no new plans to address these shortcomings. It was evident the board was unprepared to review a recent purchase offer since the board had no process in place for review, and negotiations ended before a price discussion occurred.</p>
Outcomes	We voted in favor of the proposal since the company has been unable to earn its cost of capital and M&A could potentially deliver significant shareholder value.

Add Example 9

Topic or ESG issue	Governance – Executive Compensation
Decision made by	<input checked="" type="checkbox"/> Internal staff <input type="checkbox"/> Collaborative <input type="checkbox"/> Service provider
Objectives	<p>Objective: Assess management proposal on executive compensation.</p> <p>Background: Over the past few years we have engaged with this US multinational banking company on its executive compensation plan and levied our views on the need to introduce performance-based compensation elements using return-based metrics, and that performance-based compensation should make up most of executive pay.</p>
Scope and Process	<p>The plan has resulted in several positive year-over-year changes, including the long-term incentive plan moving from a 100% time-based to 100% a performance-based structure, the introduction of a three-year return on tangible equity goal, and increased clawbacks and holding requirements.</p> <p>The plan raised some concerns, including a 35% year-over-year increase in total CEO pay, the target for the ROTCE goal appears mediocre, and the annual bonus plan lacks performance goals (which are standard for the industry) but we think this should change.</p>
Outcomes	<p>We voted in favor of the proposal. This is a fairly progressive compensation plan for the industry and the company has been responsive to our recommendations. Although concerns remain, this is the first year the plan has incorporated disclosed performance goals. We will continue to monitor and engage with the company as it appears to be pivoting to a majority performance-based plan.</p>

Add Example 10

Topic or ESG issue	Governance – Executive Compensation / Board Composition
Decision made by	<input checked="" type="checkbox"/> Internal staff <input type="checkbox"/> Collaborative <input type="checkbox"/> Service provider
Objectives	<p>Objective: Assess management proposals on executive compensation and board leadership.</p> <p>Background: We met with the CEO/Chairman of this US financial services holding company several times to discuss our desired changes to the board and executive compensation.</p>
Scope and Process	<p>We wanted predetermined and formulaic performance metrics and goals to be included in the long-term equity plan. Specifically, we wanted to see EPS and ROE included, as well as a decrease in total executive compensation. In our most recent engagement, ahead of the annual general meeting, the company confirmed that both metrics would be included in future and year-over-year CEO pay significantly decreased (in line with performance).</p> <p>We wanted board member refreshment to address a low level of board independence, long tenure, and diversity issues such as the lack of female representation. Subsequently, two new members have been added, replacing retiring members. They are both women, both independent and appear to bring strong industry and cybersecurity skill sets. We also wanted the board declassified, which the company began to do in 2016.</p>
Outcomes	In light of these improvements and responsiveness, we supported all board members and the compensation plan.

Communication

LEA 27

Mandatory

Public

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	Public	Gateway	General
FI 01.1	Provide a breakdown of your internally managed fixed income securities by active and passive strategies			

<p>SSA</p>	<p>5</p> <p>0</p> <p>95</p> <p>100%</p>
<p>Corporate (financial)</p>	<p>0</p> <p>0</p> <p>100</p> <p>100%</p>
<p>Corporate (non-financial)</p>	<p>0</p> <p>0</p> <p>100</p> <p>100%</p>

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

FI 03	Mandatory to Report Voluntary to Disclose	Public	Descriptive	General
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FI 03.1 Indicate the approximate (+/- 5%) breakdown of your SSA investments, by developed markets and emerging markets.

SSA	Developed markets	87
	Emerging markets	013
	Total	100%

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

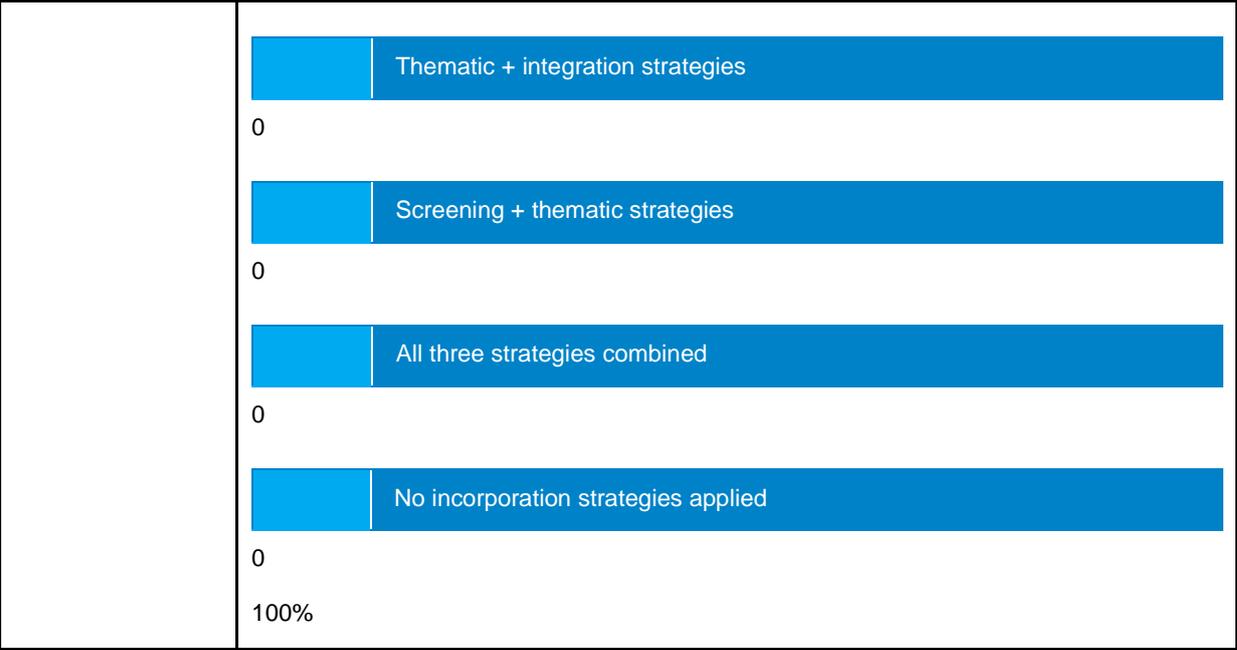
Corporate (financial)		High-yield	13
		Investment grade	87
		Total	100%
Corporate (non-financial)		High-yield	28
		Investment grade	72
		Total	100%
Securitised		High-yield	44
		Investment grade	56
		Total	100%

ESG incorporation in actively managed fixed income

Implementation processes

FI 04	Mandatory	Public	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>Total (any strategy)</td> <td>100%</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	Total (any strategy)	100%
Strategy	Percentage																				
Screening alone	0																				
Thematic alone	0																				
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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>55</td> </tr> <tr> <td>Screening + integration strategies</td> <td>45</td> </tr> <tr> <td>Total (any strategy)</td> <td>100%</td> </tr> </tbody> </table>	Strategy	Percentage	Screening alone	0	Thematic alone	0	Integration alone	55	Screening + integration strategies	45	Total (any strategy)	100%								
Strategy	Percentage																				
Screening alone	0																				
Thematic alone	0																				
Integration alone	55																				
Screening + integration strategies	45																				
Total (any strategy)	100%																				



Corporate (non-financial)	Screening alone	0
	Thematic alone	0
	Integration alone	55
	Screening + integration strategies	45
	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 reasons for choosing a particular ESG incorporation strategy and how combinations of strategies are used.

The majority of our fixed income assets are managed using Integration. 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. As such, we have implemented a more detailed ESG scoring system for our corporate issuers. We have a specific module within our Credit Research database that explicitly links the ESG rating each analyst assigns an issuer to the broader forward credit rating that issuer will receive, ensuring that ESG considerations are explicitly considered and weighted in the overall forward rating for each issuer.

FI 04.3 Additional information [Optional].

We also utilize ESG screening within portfolios, primarily at our clients' direction as described later in this document.

More recently, we have expanded our efforts to include Impact investments. For example we manage an impact portfolio in the municipal bond sector. This sector is ripe with opportunities to invest in underserved communities and have social/environmental impact. It also allows us to meet the growing demand from our clients to provide investment strategies that deliver not only return, but also social/environmental benefits.

FI 05	Mandatory to Report Voluntary to Disclose	Public	Core Assessed	PRI 1
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FI 05.1 Indicate which ESG factors you systematically research as part of your 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 in 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:** MSCI provides ESG ratings and qualitative research. This information is accessed by our analysts through a link into our analysts' research database. This research can "flag" potentially material issues that

our analysts then incorporate into their own analysis. We also use MSCI for negative screening in client portfolios, as well as best in class screening. 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	Public	Additional Assessed	PRI 1
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FI 06.1	Indicate how you ensure that your ESG research process is robust:
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- 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.
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- 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				
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FI 07	Mandatory	Public	Gateway	PRI 1
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FI 07.1	Indicate the type of screening you conduct.
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Select all that apply

	Corporate (financial)	Corporate (non-financial)	
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 your approach to screening for 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 Luxemburg 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** **Public** **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 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 Public Additional Assessed PRI 1

FI 09.1 Provide examples of how ESG factors are included in your screening criteria.

- Example 1

Type of fixed income
<input type="checkbox"/> Corporate (financial) <input checked="" type="checkbox"/> Corporate (non-financial)
ESG factors
<input checked="" type="checkbox"/> Environmental <input checked="" type="checkbox"/> Social <input type="checkbox"/> Governance
Screening
<input checked="" type="checkbox"/> Negative/ exclusionary <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) <input checked="" type="checkbox"/> Corporate (non-financial)
ESG factors
<input type="checkbox"/> Environmental <input checked="" type="checkbox"/> Social <input type="checkbox"/> Governance
Screening
<input checked="" type="checkbox"/> Negative/ exclusionary <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) <input checked="" type="checkbox"/> Corporate (non-financial)
ESG factors
<input checked="" type="checkbox"/> Environmental <input checked="" type="checkbox"/> Social <input checked="" type="checkbox"/> Governance
Screening
<input type="checkbox"/> Negative/ exclusionary <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.</p>

Example 4

Example 5

FI 10	Mandatory	Public	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	<input checked="" type="checkbox"/> Checks are performed to ensure that issuers meet screening criteria <input type="checkbox"/> Data used for the screening criteria is updated at least every 2 years <input checked="" type="checkbox"/> Automated IT systems prevent our portfolio managers from investing in excluded issuers or bonds that do not meet screening criteria <input checked="" type="checkbox"/> Audits of fund holdings are undertaken regularly by internal audit or compliance functions <input type="checkbox"/> Other, specify <input type="checkbox"/> None of the above
Positive/best-in-class screening	<input type="checkbox"/> Checks are performed to ensure that issuers meet screening criteria <input type="checkbox"/> Data used for the screening criteria is updated at least every 2 years <input checked="" type="checkbox"/> Automated IT systems prevent our portfolio managers from investing in excluded issuers or bonds that do not meet screening criteria <input checked="" type="checkbox"/> Audits of fund holdings are undertaken regularly by internal audit or compliance functions <input type="checkbox"/> Other, specify <input type="checkbox"/> None of the above

(C) Implementation: Integration

FI 14	Mandatory	Public	Descriptive	PRI 1
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FI 14.1	Describe your approach to integrating ESG into traditional financial analysis.
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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 and continue to enhance our processes on ESG integration within our fundamental research team. As such, we have implemented a more detailed ESG scoring system for our corporate issuers. We have a specific module within our Credit Research database that explicitly links the ESG rating each analyst assigns an issuer to the broader forward credit rating that issuer will receive, ensuring that ESG considerations are explicitly considered and weighted in the overall forward rating for each issuer. Companies are rated numerically on Environmental, Social and Governance criteria, and the scores are averaged into an overall ESG score. These scores can then be compared across the industry, across the broader corporate universe and to third-party providers like MSCI. All ratings are entered into our proprietary research database, for easy access to all investment professionals.

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

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.

Our credit analysts are responsible for determining an ESG rating for each of the issuers in their investment universe, and it is their responsibility to monitor these issuers - including the ESG factors that may impact them - on an ongoing basis. In fact, we have developed a specific module within our Credit Research database that explicitly links the ESG rating each analyst assigns an issuer to the broader forward rating that issuer will receive, ensuring that ESG considerations are explicitly considered and weighted in the overall forward rating for each issuer.

Analysts rate each issuer on a numeric scale on E, S and G factors, and then combine these ratings into an overall ESG score. This score is then used to influence the forward rating assigned to the issuer. As an input and resource for their ESG assessments (but not the sole determinant), our analysts have access to ESG research from MSCI.

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.

In particular for corporate issuers, as part of their fundamental research on an issuer, our credit analysts are responsible for determining an ESG rating for each of the issuers in their investment universe, and it is their responsibility to monitor these issuers - including the ESG factors that may impact them - on an ongoing basis. In fact, we have developed a specific module within our Credit Research database that explicitly links the ESG rating each analyst assigns an issuer to the broader forward rating that issuer will receive, ensuring that ESG considerations are explicitly considered and weighted in the overall forward rating for each issuer.

Analysts rate each issuer on a numeric scale on E, S and G factors, and then combine these ratings into an overall ESG score. This score is then used to influence the forward rating assigned to the issuer. As an input and resource for their ESG assessments (but not the sole determinant), our analysts have access to ESG research from MSCI.

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.

FI 15 Mandatory Public Core Assessed PRI 1

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 checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
ESG analysis is integrated into portfolio construction decisions	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
ESG analysis is a standard part of internal credit ratings or assessment	<input checked="" 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 checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
ESG analysis is regularly featured in internal research notes or similar	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
ESG analysis is a standard feature of ongoing portfolio monitoring	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
ESG analysis features in all internal issuer summaries or similar documents	<input checked="" 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 Public Additional Assessed PRI 1

FI 16.1 Indicate the extent to which ESG issues are reviewed in your integration process.

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

Within our Municipal Impact strategy, our Investment Policy Group convenes regularly to review potential investments for the Impact portfolios. We have established an investment structure in which research analysts- in addition to their traditional fundamental analysis-score each issuer numerically on Environmental, Social and Governance criteria. Bonds with an "impact score" below a certain level are not eligible for investment in the Municipal Impact Strategy. Analysts' present their findings and recommendations to the IPG. This generates a dialogue designed to illuminate the strengths, weaknesses, opportunities, and threats underlying each potential impact investment. The output of our Municipal Impact Investment Policy Group sessions is a consensus on a set of approved bonds for inclusion across all impact client portfolios.

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 credit analysts are responsible for determining an ESG rating for each of the issuers in their investment universe, and it is their responsibility to monitor these issuers - including the ESG factors that may impact them - on an ongoing basis. In fact, we have developed a specific module within our Credit Research database that explicitly links the ESG rating each analyst assigns an issuer to the broader forward rating that issuer will receive, ensuring that ESG considerations are explicitly considered and weighted in the overall forward rating for each issuer.

Analysts rate each issuer on a numeric scale on E, S and G factors, and then combine these ratings into an overall ESG score. This score is then used to influence the forward rating assigned to the issuer. As an input and resource for their ESG assessments (but not the sole determinant), our analysts have access to ESG research from MSCI.

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.

In particular for corporate issuers, as part of their fundamental research on an issuer, our credit analysts are responsible for determining an ESG rating for each of the issuers in their investment universe, and it is their responsibility to monitor these issuers - including the ESG factors that may impact them - on an ongoing basis. In fact, we have developed a specific module within our Credit Research database that explicitly links the ESG rating each analyst assigns an issuer to the broader forward rating that issuer will receive, ensuring that ESG considerations are explicitly considered and weighted in the overall forward rating for each issuer.

Analysts rate each issuer on a numeric scale on E, S and G factors, and then combine these ratings into an overall ESG score. This score is then used to influence the forward rating assigned to the issuer. As an input and resource for their ESG assessments (but not the sole determinant), our analysts have access to ESG research from MSCI.

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	Public	Core Assessed	PRI 2
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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.			
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Category	Proportion of assets
SSA	<input type="radio"/> >50% <input type="radio"/> 26-50% <input type="radio"/> 5-25% <input checked="" type="radio"/> More than 0%, less than 5% <div style="background-color: #0070C0; color: white; padding: 2px;">FI 18.2 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) <input type="checkbox"/> Other, specify <input type="radio"/> We do not engage
Corporate (financial)	<input type="radio"/> >50% <input type="radio"/> 26-50% <input type="radio"/> 5-25% <input checked="" type="radio"/> More than 0%, less than 5% <div style="background-color: #0070C0; color: white; padding: 2px;">FI 18.2 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) <input type="checkbox"/> Other, specify <input type="radio"/> We do not engage
Corporate (non-financial)	<input type="radio"/> >50% <input type="radio"/> 26-50% <input checked="" type="radio"/> 5-25% <div style="background-color: #0070C0; color: white; padding: 2px;">FI 18.2 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) <input type="checkbox"/> Other, specify <input type="radio"/> More than 0%, less than 5% <input type="radio"/> We do not engage
Securitised	<input type="radio"/> >50% <input type="radio"/> 26-50% <input type="radio"/> 5-25% <input checked="" type="radio"/> More than 0%, less than 5% <div style="background-color: #0070C0; color: white; padding: 2px;">FI 18.2 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) <input type="checkbox"/> Other, specify <input type="radio"/> We do not engage
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FI 19	Mandatory to Report Voluntary to Disclose	Public	Additional Assessed	PRI 1,2
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New selection options have been added to this indicator. Please review your prefilled responses carefully.

FI 19.1	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.)
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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"/>
We do not engage with issuers as a fixed income investor or as both a fixed income and listed equity investor	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

FI 19.2	Indicate how your organisation prioritises engagements with issuers
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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	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
We do not prioritise engagements with issuers	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

FI 19.3

Indicate when your organisation conducts engagements with issuers.

Select all that apply

	SSA	Corporate (financial)	Corporate (non-financial)	Securitised
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"/>
We do not conduct engagements with issuers	<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)	Securitised
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"/>
We do not conduct engagements with issuers	<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"/>
We do not conduct engagements with issuers	<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"/>
We do not share the outcomes of the engagements internally	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

If 'other' has been selected, please give a description

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	Public	Additional Assessed	PRI 1,2
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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	Public	Additional Assessed	General
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FI 21.1

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"/>

FI 21.2

Describe how your organisation measures how your incorporation of ESG analysis in fixed income has affected investment outcomes and/or ESG performance. [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.

FI 22	Voluntary	Public	Descriptive	PRI 1,2
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FI 22.1

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 <input type="checkbox"/> Corporate (financial) <input checked="" type="checkbox"/> Corporate (non-financial) <input type="checkbox"/> Securitised
ESG issue and explanation
<p>Within the European High Yield market, we were reviewing an electricity and gas company that is 100% state-owned by the country of Bulgaria. The company accounts for 50% electricity generation, owns the natural gas pipelines and the country's only nuclear power plant. Even though the company has full sovereign support and its assigned ratings includes a 3-notch uptick due to sovereign support, we are worried about the following ESG issues:</p> <ul style="list-style-type: none"> • The company's reported non-transparent relations with private businessmen around the import of natural gas from Russia and export of electricity to neighboring countries. • Abuse of market power, which resulted in an ongoing investigation by the EU commission and • The company's dependence on coal-fired and nuclear power plants, which were built during the communist era and therefore we have significant concerns about the safety and emission standards.
RI strategy applied
<input type="checkbox"/> Screening <input checked="" type="checkbox"/> Integration <input type="checkbox"/> Engagement <input type="checkbox"/> ESG incorporation in passively managed funds
Impact on investment decision or performance
<p>Even though the issuer had full sovereign support, we were concerned about the ESG issues and chose not to purchase bonds.</p>

Example 2

Type of fixed income
<input type="checkbox"/> SSA <input type="checkbox"/> Corporate (financial) <input checked="" type="checkbox"/> Corporate (non-financial) <input type="checkbox"/> Securitised
ESG issue and explanation
<p>While reviewing the largest food retailer in Croatia and Bosnia, we became concerned with their poor transparency and disclosure, limited information on rental payments, IAS41 non-cash EBITDA calculations and geographic segment profitability/cost base. These concerns were affirmed and highlighted by Moody's in their downgrade of the company in early 2017, citing the poor disclosure standards and stating their "cash flow generation is somewhat difficult to assess with accuracy considering that the company's consolidated cash flow statement includes several undisclosed non-cash items."</p>
RI strategy applied
<input type="checkbox"/> Screening <input checked="" type="checkbox"/> Integration <input type="checkbox"/> Engagement <input type="checkbox"/> ESG incorporation in passively managed funds
Impact on investment decision or performance
<p>We sold the holdings in the company across our accounts.</p>

Example 3

Type of fixed income
<input type="checkbox"/> SSA <input type="checkbox"/> Corporate (financial) <input checked="" type="checkbox"/> Corporate (non-financial) <input type="checkbox"/> Securitised
ESG issue and explanation
<p>Our credit research team met with the second-largest Canadian casino company in advance of a potential new issue. A non-public private equity firm owns 75% of the stock. The company would not disclose the private equity firm's net investment (i.e., how much capital the firm has still invested after dividends) nor would it disclose pro forma historic numbers for the properties it would be acquiring with proceeds of the bond issue.</p>
RI strategy applied
<input type="checkbox"/> Screening <input type="checkbox"/> Integration <input checked="" type="checkbox"/> Engagement <input type="checkbox"/> ESG incorporation in passively managed funds
Impact on investment decision or performance
<p>This lack of disclosure and private ownership of the sponsor, as well as the CFO's lack of discernment regarding covenants gave us enough pause to pass on the deal.</p>

Example 4

Type of fixed income
<input type="checkbox"/> SSA <input type="checkbox"/> Corporate (financial) <input checked="" type="checkbox"/> Corporate (non-financial) <input type="checkbox"/> Securitised
ESG issue and explanation
<p>We have significant holdings in the debt of a Mexican state-owned petroleum company, where safety and operational performance are key risks for this issuer. Their safety performance indicators, such as TRIR (total recordable injury rate), have improved significantly in the past ten years but deteriorated somewhat since 2013. Illegal tapping and relatively more hazardous offshore operations are some of the factors that expose them to accidents, production disruptions, litigation and liabilities; fatalities remained high in 2016.</p> <p>We met with the new CEO in September 2016 and raised our concerns over safety issues. Management recognizes that ensuring safety is one of the company's main challenges. Some of the initiatives currently under way include projects to increase accountability, promote a culture of safety, better identify risks, provide lessons, training and certification programs. As a new policy, they will avoid contracting with companies that perform poorly on health and safety guidelines. They have also been working with authorities to increase sanctions, improve intelligence and security in order to reduce illegal tapping, which is a leading cause of accidents, environmental damage and community displacement. In 2015, they hired a consulting firm to assist in the evaluation, development, and execution of several safety campaigns.</p>
RI strategy applied
<input type="checkbox"/> Screening <input type="checkbox"/> Integration <input checked="" type="checkbox"/> Engagement <input type="checkbox"/> ESG incorporation in passively managed funds
Impact on investment decision or performance
<p>We were encouraged by their responses, but will continue to monitor results and engage with management. Given the initiatives put in place we decided to maintain their position but will be monitoring safety conditions closely.</p>

Example 5

Type of fixed income
<input checked="" type="checkbox"/> SSA <input type="checkbox"/> Corporate (financial) <input type="checkbox"/> Corporate (non-financial) <input type="checkbox"/> Securitised
ESG issue and explanation
<p>In 2016 within our municipal impact strategies, we identified an attractive investment opportunity to finance the expanded/enhanced facilities of a 130 year old healthcare organization in New Jersey. The organization serves 1500 children & adults annually with intellectual/developmental disabilities, autism and acquired brain injuries. 51% of their patients are Medicaid. The organization's initial investor presentation materials included no metrics on their operational success. AB engaged in discussions with their executive director, to devise and track key performance metrics including patient satisfaction and patient development.</p>
RI strategy applied
<input type="checkbox"/> Screening <input type="checkbox"/> Integration <input checked="" type="checkbox"/> Engagement <input type="checkbox"/> ESG incorporation in passively managed funds
Impact on investment decision or performance
<p>Given the improved transparency, AB invested in the organization's bonds.</p>

Communication

FI 23	Mandatory	Public	Core Assessed	PRI 2,6
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FI 23.1	Indicate if your organisation proactively discloses information on your approach to RI across all of your fixed income investments.
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We disclose it publicly

	Provide URL
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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.
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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