

SUMMER IN THE CITY



3RD ANNUAL CSR INVESTING SUMMIT

**Diverging Views:
Board Members and
Investors on the
Value of ESG**

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RESPONSIBLE INVESTMENT AT AB

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We Anticipate and Advance What's Next

A Unique Combination of Expertise, Innovative Solutions and Global Reach

OUR GOAL

TO KEEP CLIENTS AHEAD OF TOMORROW

We work every day to earn our clients' trust, create innovative solutions tailored for their unique needs and deliver the performance they expect.

OUR FIRM

3,487 EMPLOYEES + 22 COUNTRIES + 46 CITIES

\$474 BILLION AUM

20 BUY-SIDE ANALYSTS

Avg. 15 years' experience and 7 years with AB

14 PORTFOLIO MANAGERS

Avg. 23 years' experience and 11 years with AB

WHAT SETS US APART

People & Culture

We attract the industry's best—people with relentless drive and ingenuity who prize delivering for clients above all else.

Global Structure

We've built an extensive and integrated global research and investing footprint over four decades, which gives us the broadest possible perspective.

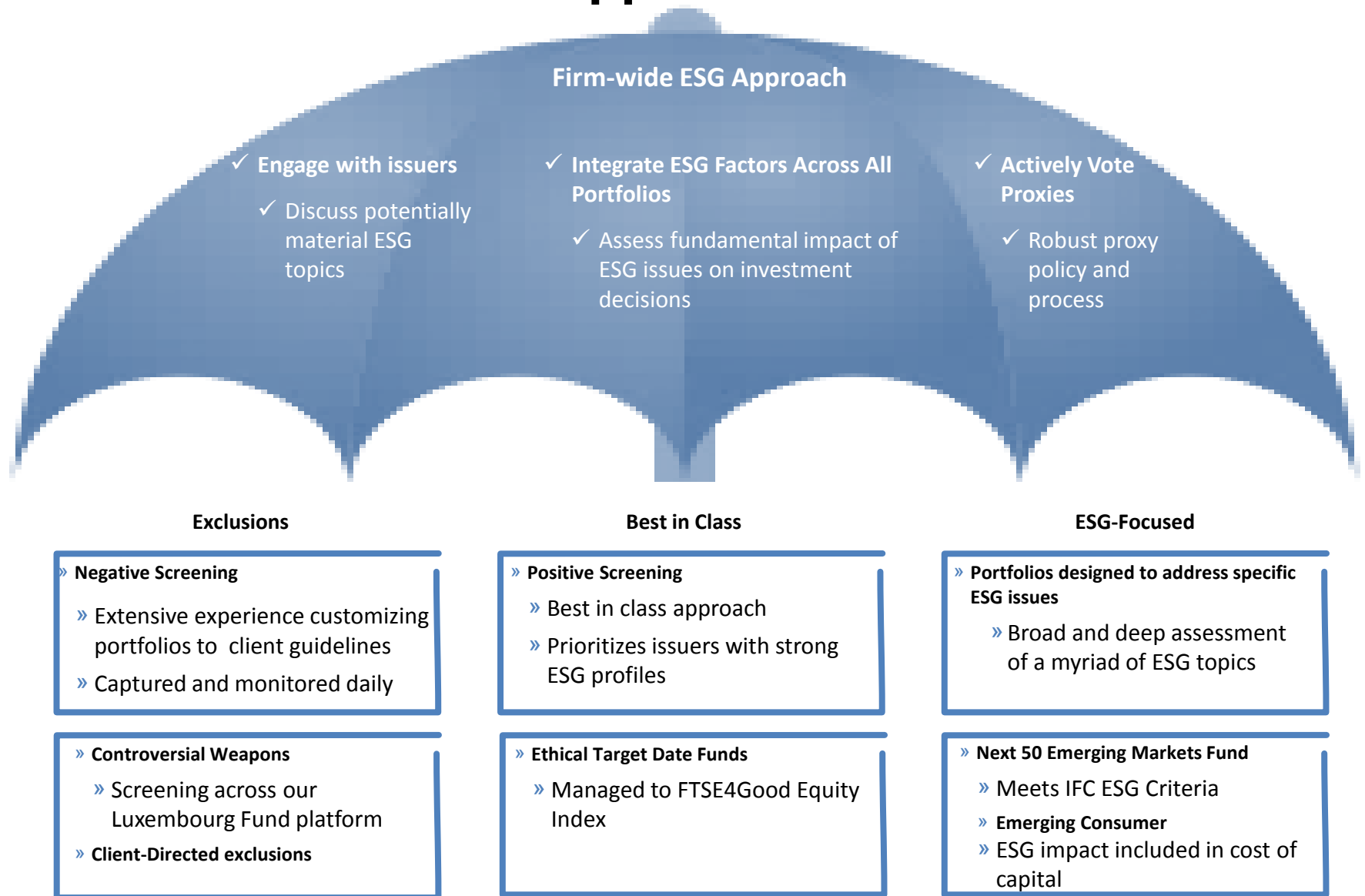
How We Collaborate

Our experts share ideas across geographies, asset classes and sectors—their collective insights drive innovation and

Client Focus

We work with all types of clients: as markets and needs evolve, we do, too—focusing our firm's full resources on achieving their objectives.

AB: Customizes ESG Approaches to Meet Different



Bribery in the Oil Sector

	Company A	Company B
<i>What were the bribery allegations ?</i>	<ul style="list-style-type: none"> ▪ Improperly controlled payments to consultant that, allegedly, were routed to another executive to gain contracts in Algeria 	<ul style="list-style-type: none"> ▪ Very large payments to consultants connected with contract wins in two West African countries. Suggestions of similar payments in Brazil.
<i>Actions taken</i>	<ul style="list-style-type: none"> ▪ CEO resigned and the CFO was fired ▪ COO was suspended ▪ Cooperated with authorities ▪ Hired external consultant ▪ Updated policies and procedures 	<ul style="list-style-type: none"> ▪ CEO and CFO left ▪ Cooperated with authorities ▪ Hired partner from law firm as an executive director
<i>Representative of a wider company issue?</i>	<ul style="list-style-type: none"> ▪ Related to small part of business (10%). ▪ After engaging with company and their clients in the oil industry, we concluded the problem was contained and not cultural 	<ul style="list-style-type: none"> ▪ Allegations related to significant part of business (>50%) ▪ After engaging with company, we concluded there had been a systematic problem
<i>Impact on investment thesis</i>	<ul style="list-style-type: none"> ▪ Invested: risk of the outcome of litigation already priced in stock price, not a challenge to balance sheet and valuation attractive ▪ Sold: after stock rose, the impact of negative news flow and eventual legal penalties no longer priced in. 	<ul style="list-style-type: none"> ▪ Risk that fines from litigation or negotiated settlement could be high and material to balance sheet ▪ Risk that key markets could be denied Unsatisfied by the level of candour from management ▪ Not invested

ESG Research Example: Nigerian Palm Oil Company

Our Conclusion: Failed

	Legal/ESG Databases	AB Proprietary Due Diligence	Final Score
Exclusion Lists	Pass	Pass	Pass
Environmental	Pass	Flagged	Flagged
Social	Pass	Fail	Fail
Governance	Pass	Fail	Fail
Overall Score	—	—	Fail

Company Description: Company engages in the cultivation of oil palm and rubber.

Environmental Risks: Flagged

- + While company is compliant with local environmental standards, the company is not certified by the Roundtable on Sustainable Palm Oil (RSPO). We understand, however, that the company's main shareholder is working with RSPO to obtain certification. Due to our inability to verify compliance with sustainable development principles, at this time we cannot accept the company on environmental grounds before conducting additional due diligence

Social Risks: Significant

- + Company has been involved in disputes with the local forest community, which has been protesting the alleged forceful takeover of their farmlands which led to the displacement of more than 7,000 people. In April 2011, a clash with citizens ended in the death of five employees. According to our local sources, the conflict was the result of a dispute between the senior management and local management that used the plantation for its personal enrichment. Local management was instrumental in rallying the local community against the company
- + While labor and community relations have improved since 2011, additional verification is required based on the gravity of allegations

Corporate-Governance Risks: Significant

- + The company is under investigation for violating terms of the Nigerian privatization policy, which requires all privatized companies to have 60% Nigerian equity participation, and limits foreign interest to 40%. It was found that, through a series of takeovers and ownership transfers, non-Nigerian companies own shares and are not registered to do business in Nigeria

Further Action

- + We have rejected investing in the company, but will continue to monitor ongoing investigations and look for remedial actions taken by the company, including changes in management to address its poor social and corporate-governance record. In addition, any future investment would be contingent upon the company being certified by RSPO

Representative example. The company was among the first to undergo in-depth ESG screening that will be used for Fund investment candidates. Security may not be held in Fund. It should not be assumed that the securities discussed above have been or will be profitable.

Source: AB.

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