

Product name: Mortgage Income Portfolio

Legal entity identifier: 5493000MZT8XO7PO3L08

Environmental and/or social characteristics

Sustainable investment means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good Governance practices.

The **EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/852, establishing a list of **environmentally sustainable economic activities**. That Regulation does not lay down a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.

Did this financial product have a sustainable investment objective?

☒ ☐ Yes

☐ ☒ No

☐ It made **sustainable investments with an environmental objective**: ____%

- ☐ in economic activities that qualify as environmentally sustainable under the EU Taxonomy
- ☐ in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy

☐ It made **sustainable investments with a social objective**: ____%

☐ It **promoted Environmental/Social (E/S) characteristics** and while it did not have as its objective a sustainable investment, it had a proportion of ____% of sustainable investments

- ☐ with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy
- ☐ with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy
- ☐ with a social objective

☒ It promoted E/S characteristics, but **did not make any sustainable investments**



To what extent were the environmental and/or social characteristics promoted by this financial product met?

Sustainability indicators measure how the environmental or social characteristics promoted by the financial product are attained.

The environmental and/or social characteristics ("E/S Characteristics") promoted by the Portfolio included:

- ESG Integration: AB used fundamental research, including the consideration of ESG Factors, to assess target issuers. This included engagements where AB encouraged issuers to undertake actions that may promote better outcomes for environmental and social objectives as well as benefits to financial outcomes of the issuer and/or the Portfolio.
- ESG Scoring: AB used its proprietary scoring methodology to score issuers using ESG Factors.
- Exclusions: The Portfolio was in compliance with the exclusions mentioned in the prospectus.

More information on these characteristics can be found in AB's Sustainability-Related Disclosures www.alliancebernstein.com/go/FI8webdisclosures and more information on the AB Stewardship Approach can be found at www.alliancebernstein.com/go/ABGlobalStewardship

● How did the sustainability indicators perform?

AB measured the attainment of E/S Characteristics promoted through various quantitative and qualitative methodologies including the measurement of documented ESG research, ESG scoring, engagement, and relevant investment exclusions, subject to satisfactory data and data sourcing.

As at 31st August 97% of the Portfolio possessed an ESG score based on AB's proprietary methodology, and in the year to 31st August 90% of the Portfolio was deemed to promote E/S Characteristics on the basis of this ESG research and scoring, as well as engagement on environmental and social issues.

Specifically, in the year to 31st August 2023, there were 4 ESG engagements with 2 distinct issuers held in the portfolio. For these engagements, there were 4 discussions of environmental issues, and 2 discussions of social issues (for the avoidance of doubt, an engagement entry may include discussions on multiple topics). The topics discussed most in these engagements were: Opportunities in Financial Inclusion and Climate Change Vulnerability.

AB has monitored the compliance with the exclusions listed in the prospectus and confirms they were met.

● ...and compared to previous periods?

N/A



How did this financial product consider principal adverse impacts on sustainability factors?

Principal adverse impacts are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anticorruption and antibribery matters.

The Portfolio considered the following PAIs:

- Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises (#10)
- Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises (#11)
- Exposure to controversial weapons (#14)

For PAIs 10 and 11, AB monitored for breaches of the UN Global Compact principles for securities held by the Portfolio. As at 31 August 2023, 0% of the securities held by the Portfolio were in violation of the UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises. Over the same time period, 5% of the Portfolio had a lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises (this percentage also includes securities that have no data on these processes).

For PAI 14, the Portfolio excluded controversial weapons. As at 31 August 2023, 0% of the securities held by the Portfolio had exposure to controversial weapons.



What were the top investments of this financial product?

The list includes the investments constituting **the greatest proportion of investments** of the financial product during the reference period which is: September 1, 2022 to August 31, 2023

Largest investments	Sector	% Assets	Country
GNMA 6.00%, TBA	Agency Fixed Rate 30-Year	2.08	United States
Pikes Peak CLO 8 6.758%, 07/20/34	CLO - Floating Rate	1.37	Cayman Islands
FHLM 16.402%, 10/25/48	Risk Share Floating Rate	1.28	United States
Goldentree Loan Opportunities XI 6.922%, 01/18/31	CLO - Floating Rate	1.09	Cayman Islands
FHLM 14.602%, 10/25/27	Risk Share Floating Rate	1.07	United States
FHLM 7.138%, 01/25/42	Risk Share Floating Rate	1.06	United States
FHLM 15.902%, 10/25/28	Risk Share Floating Rate	1.05	United States
SMB Private Education Loan Trust, 01/15/53	Other ABS - Fixed Rate	1.01	United States
Connecticut Ave Securities Trust 7.188%, 12/25/41	Risk Share Floating Rate	0.98	United States
FNMA 17.652%, 09/25/28	Risk Share Floating Rate	0.97	United States
FHLM 10.202%, 02/25/50	Risk Share Floating Rate	0.97	United States
Rockford Tower CLO Ltd. 7.388%, 10/20/31	CLO - Floating Rate	0.96	Cayman Islands
FHLM 14.752%, 04/25/28	Risk Share Floating Rate	0.94	United States
FHLM 12.952%, 12/25/27	Risk Share Floating Rate	0.93	United States
Connecticut Ave Securities Trust 9.188%, 07/25/43	Risk Share Floating Rate	0.9	United States

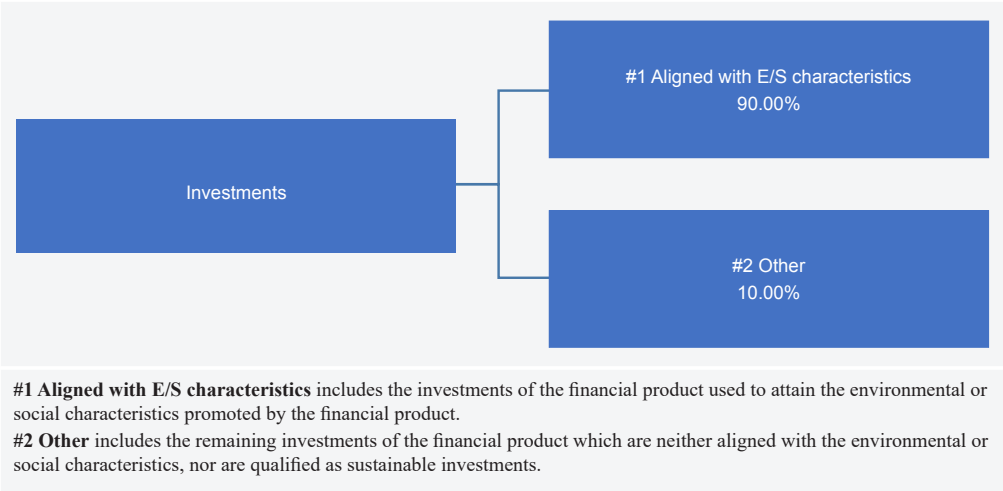


What was the proportion of sustainability-related investments?

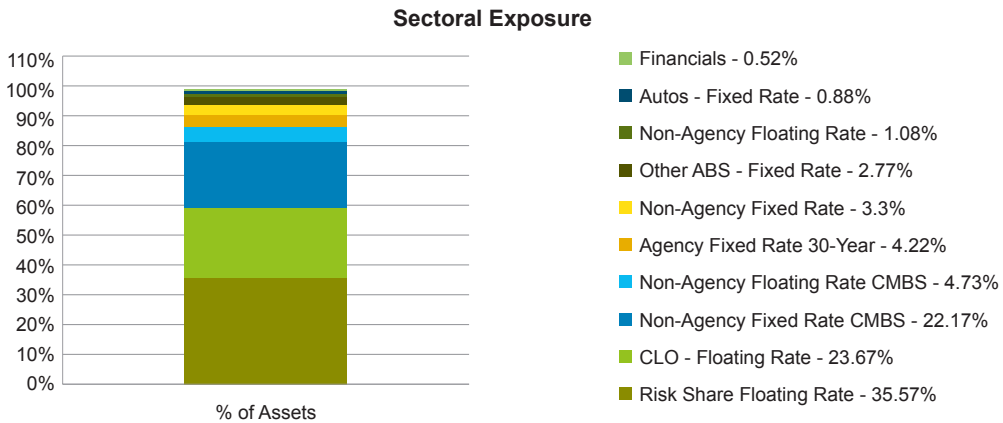
Asset allocation describes the share of investments in specific assets.

What was the asset allocation?

- #1 Aligned with E/S characteristics: 90%
- #2 Other: 10%



● In which economic sectors were the investments made?



To what extent were the sustainable investments with an environmental objective aligned with the EU Taxonomy?

To comply with the EU Taxonomy, the criteria for **fossil gas** include limitations on emissions and switching to renewable power or low-carbon fuels by the end of 2035. For **nuclear energy**, the criteria include comprehensive safety and waste management rules.

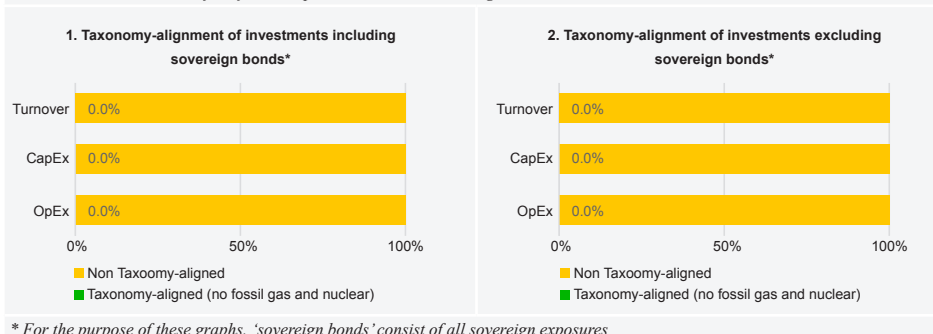
● Did the financial product invest in fossil gas and/or nuclear energy related activities complying with the EU Taxonomy?

- ☐ Yes:

☐ In fossil gas☐ In nuclear energy
- ☒ No

As of the date of this report, there is currently no data to measure whether the Portfolio has invested in fossil gas and/or nuclear energy related activities that comply with the EU taxonomy. It may, as a result of the implementation of its specific investment strategy, hold investments having a marginal exposure to such activities but until there is external vendor data enabling measurement of such exposure, the Portfolio does not commit to any minimum exposure.

The graphs below show in green the percentage of investments that were aligned with the EU Taxonomy. As there is no appropriate methodology to determine the Taxonomy-alignment of sovereign bonds*, the first graph shows the Taxonomy-alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy-alignment only in relation to the investments of the financial product other than sovereign bonds.



Taxonomy-aligned activities are expressed as a share of:

- **turnover** reflects the "greenness" of investee companies today.
- **capital expenditure** (CapEx) shows the green investments made by investee companies, relevant for a transition to a green economy.
- **operational expenditure** (OpEx) reflects the green operational activities of investee companies.

As of the data of this report, for Taxonomy alignment indicators Capex and Opex, AB does not have access to suitable data to accurately report on those indicators.

Enabling activities directly enable other activities to make a substantial contribution to an environmental objective.

Transitional activities are activities for which low-carbon alternatives are not yet available and among others have greenhouse gas emission levels corresponding to the best performance.

What was the share of investments made in transitional and enabling activities?

As of the data of this report, AB does not have access to suitable data to accurately report on transitional and enabling activities.

How did the percentage of investments that were aligned with the EU Taxonomy compare with previous reference periods?

N/A



What was the share of sustainable investments with an environmental objective not aligned with the EU Taxonomy?

N/A



are sustainable investments with an environmental objective that **do not take into account the criteria** for environmentally sustainable economic activities under Regulation (EU) 2020/852.



What was the share of socially sustainable investments?

N/A



What investments were included under “other”, what was their purpose and were there any minimum environmental or social safeguards?

This included:

- Securities that AB believes can be held by the Portfolio in order to achieve its investment objective but are not deemed to promote E/S Characteristics, as outlined above, subject to satisfaction of AB's Good Governance Policy.
- Derivatives used for hedging purposes.

For these assets, there are no minimum environmental or social safeguards.



What actions have been taken to meet the environmental and/or social characteristics during the reference period?

The Portfolio promoted E/S Characteristics by holding securities that AB believed promoted E/S Characteristics.

A security was deemed to promote one or more E/S Characteristics if the following binding elements were satisfied:

- Documented ESG integration via evidenced ESG research and Engagements.
- ESG Scoring where issuers were scored using ESG Factors. As of 31 August 2023, 97% of the Portfolio had an ESG score.
- During the reference period, as applicable, all issuers of securities were compliant with AB's Good Governance Policy.
- The Portfolio's investment exclusions were all met.



How did this financial product perform compared to the reference benchmark?

The Portfolio did not use a designated reference benchmark for measuring sustainability or determining E/S Characteristics.

Reference benchmarks are indexes to measure whether the financial product attains the environmental or social characteristics that they promote.