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## New submission from 2020 Shared Value Awards application - Investing in Shared Value Award

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### Primary contact

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#### Where did you hear about the Shared Value Awards?

Other

### About your organisation

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#### Organisation name

AllianceBernstein L.P.

#### Organisation type

Corporate

#### Website

<https://www.alliancebernstein.com/institutions/americas/home.htm?locale=us&lang=en>

#### Overview

AB Sustainable Thematic Equities suite seeks to generate superior financial returns through investments that contribute to positive social and environmental outcomes. Unlike some who believe investors must sacrifice performance to invest responsibly, we believe that investors can generate better financial performance through sustainable investments that offer a differentiated source of alpha opportunities. Rather than define sustainability ourselves, we rely on the UN Sustainable Development Goals (UNSDGs) to define our sustainable approach. Our approach helps investors align their capital with their financial and social goals.

### What is your shared value investment project?

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#### Name of project/initiative

AB Sustainable Thematic Equities

### What makes your project or initiative a leading example of a shared value collaboration?

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#### What economic opportunity does your shared value project/initiative deliver?

We live in challenging times as the world seeks solutions to unprecedented environmental, social and governance problems. Yet these challenges are creating exciting opportunities for equity investors who want to help advance social benefits while generating strong returns.

Investors have long struggled to invest in companies that contribute to positive and social outcomes while maintaining strong financial performance. AB Sustainable Thematic Equities seeks to contribute to positive social and environmental outcomes by owning a portfolio of companies whose products and services directly contribute to the achievement of one or more of the UNSDGs and excluding companies whose products are misaligned with that agenda. We focus on three key thematic areas - Health, Climate and Empowerment – whose revenues are derived from products that enable UNSDG outcomes in these areas. We believe such sustainable thematic asset allocation can help lower the cost of capital for ‘positive’ business activities and raise it for ‘negative’ activities, which ultimately impacts real world activity.

Equally important, we use disciplined financial analysis to make sure than an ESG-focused target company is also a sound long-term investment. The investment process highlights how investors need not sacrifice financial returns to invest sustainably and provides quantitative evidence that sustainable strategies may have more exposure to quality growth factors, such as profitability and earnings quality.

Responsible Investing is also a key initiative of AllianceBernstein. For example, our research analysts across the firm have been trained on topics such as climate risk in our partnerships with Columbia University, which are material to evaluating a company’s long-term financial prospects.

### **What social issue(s) does your shared value project/initiative address?**

Investors increasingly want to make investments that align with their interests and beliefs, in particular by supporting enterprises that make meaningful contributions to society. However, there are many strategies in the market that label themselves as sustainable but fall short when it comes to measuring outcomes.

At AllianceBernstein, our Sustainable Thematic Equity Portfolios are dedicated to pursuing mutually reinforcing financial and social goals. Our strategy aims to help investors do this by aligning exclusively with the UNSDGs, which offer a comprehensive definition of sustainability and also highlight significant areas of opportunity for private sector companies. The 17 goals represent an aspirational view of what the world could look like by 2030 by addressing areas of critical importance to humanity, including eliminating poverty and hunger, improving access to education and healthcare, and addressing the negative effects of climate change.

Each holding must contribute directly to the achievement of at least one UNSDG as well as pass through analysis of the company’s environmental, social and governance practices. Our objective is to sift through thousands of global firms to identify those that are really making a positive difference in society.

We believe this investing framework is an important first step toward making a bigger social impact. As the asset-management industry seeks new ways to shape its role in responsible investing, we believe we have a social and economic opportunity.

### **Shared value solution description**

Our Sustainable Thematic Equities suite reinforces how equity investors can help create social benefits without sacrificing strong returns. A key goal for our team is to demonstrate how to identify companies that both support the UNSDGs and offer sources of long-term return potential.

The Sustainable Thematic Equities suite combines a top-down thematic approach focused on finding innovative solutions to some of the world’s biggest challenges through investment in companies linked to the UNSDGs with detailed bottom-up stock analysis that includes a comprehensive assessment of material ESG factors, stringent valuation process and balanced portfolio construction. We believe that integrating these factors both from the top-down and the bottom-up improves our ability to generate attractive financial returns and construct a more impactful portfolio.

The UNSDGs offer a robust framework for identifying the most important issues for society and the environment. While we believe not all 17 UNSDGs and underlying 169 sub targets are appropriate for investors, there are many opportunities for investors.

We can look at Goal #7 for an example. Goal #7, Affordable and Clean Energy, into one of its sub-targets (#7.2) that calls for increasing the use of renewable energy globally are highly relevant for investors and there are twelve diverse groups of products, including batteries, construction materials and power generation equipment, all contribute to reaching this goal.

After identifying the sub targets that are appropriate for investors and aligned products, we identify companies that make/sell these products/services. These are the companies that make up our investment universe. By using this approach, we can ensure we are only investing in companies that are intentionally benefitting society and the environment.

### **Market segment and potential for scaling the solution**

Retail and institutional investors across the global are poised to benefit from this shared value investment approach. This year has been eye opening for individual around the world. As we’ve have seen the implications of health, climate and inequality crises, the need for sustainable investment solutions has become increasingly clear.

We currently have business development, marketing and sales partners all over the world that actively educating on sustainable investing and our product suite. In person events, webinars, media and more help us to bring awareness to this space. Partnering with some of the world's most prominent financial and academic institutions will help us to further share our story.

Critical to the success of the AB Sustainable Thematic Equities suite is the Responsible Investing infrastructure at the firm. We view Responsible Investing as a strategic imperative for the future and are investing to build our capabilities across the firm. This includes establishing new senior positions, such as our Chief Responsibility Officer (Sharon Fay, 30 years tenure and our former Head of Equities) and Global Head of Responsible Investing (Michelle Dunstan, 16 years tenure, former Equity Portfolio Manager and Research Analyst) and other positions in business development and responsible investing strategy. We are also building our proprietary content, often through collaborations with world-class partners. We have a Climate Change collaboration with the Earth Institute at Columbia University; over 150 of our investors have attended our jointly developed climate change curriculum. We have built proprietary tools, such as our ESIGHT and PRISM systems that focus on ESG research, engagement and documentation. We continue to integrate ESG factors across all our actively managed products and are adding new strategies to our platform of Portfolios with Purpose, that target specific ESG goals in addition to optimizing risk and return.

### **Key activities and resources including a basic development plan**

Dan Roarty is the Chief Investment Officer of the Sustainable Thematic Equities suite and a proponent of sustainable investment education. Since assuming this role, he has become a thought leader in socially responsible investing, utilizing the SDGs as a road map for identifying thematic investment opportunities. Roarty is an active part of the sustainable investing community, acting as a subject-matter expert around the globe, including speaking at the 2018 Sustainable Investing Conference at the UN.

Dan Roarty and his team, including his dedicated business development partner, are working to promote transparency in the sustainable investing space. To date, we have completed the audit to obtain the SRI Label sponsored by the Finance Ministry in France and the LuxFlag ESG Label to help investors feel more confident in making their sustainable investment choices. External designations can help to elevate the importance of our approach in the asset management industry.

We have also published a whitepaper, impact report and several additional thought leadership pieces to demonstrate the importance of a shared value approach. We continue to look for new and innovative ways to engage with the sustainable investing community.

### **Measurability**

Investors need a clear way to evaluate whether a company is really making progress by doing good for both society and investors. However, two types of impact are often confused – (1) Investment Impact: Did my specific investment create measurable social impact? (2) Enterprise Impact: Are the companies I invest in having a positive impact on society? Only Enterprise Impact is relevant for investors, who must choose appropriate metrics to match their objectives. Ensuring how much social value a company generates – whether it's through environmental and social advances or better governance – is very hard. Data are lacking and many criteria are difficult to measure. What's more, it's hard to separate cause and effect when assessing social change. With a clearer understanding of how firms contribute to creating social value, responsible investors can make better assessments.

Companies impact society in two main ways: through the products they sell and their operational conduct. Firms can sell products that help or hurt society. Their behavior can be positive or negative. Investors can assess all firms – and portfolio – using these two impact dimensions. We believe that social value creation and economic value creation are mutually reinforcing, which is why we measure our portfolios on these two dimensions versus a benchmark.

Importantly, using this framework to evaluate Enterprise Impact, we have been able to generate annualized returns meaningful above our performance benchmark. Over the last several years, we have demonstrated to the investment community the financial value associated with investing in environmentally and socially positive companies.

### **Tangible results to date**

Shared value and sustainable investing are becoming increasingly important. This year, our strategies have experienced record inflows from clients around the world. We have had hundreds of successful meetings with clients and prospects that focus on education and information sharing. Strong performance for sustainable strategies coupled with growing client interest bodes well for the future of the space.

Dan Roarty, Chief Investment Officer of AB's Sustainable Thematic Equities team was featured as an Expert Advisor in the recent publication by lead author Mark R. Kramer "Hybrid Metrics: Connecting Shared Value to Shareholder Value".

At this point there are Australian based investors invested in the strategy from a Wealth Management Business focused on High Net Worth clients, and a Foundation. We are in the process of onboarding two new Australian clients, which cannot be disclosed at this time. There has been significant interest from the Asia Pac Region and we are currently in the request for proposal process for a number of sustainable investment opportunities.

At the same time, we have been making progress with our companies in terms of engaging for positive change.

Engagement is a key tool for us as investors for research and for impact. This year, the Sustainable Thematic Equities team has had over 80 engagements with company management teams.

Today, we manage approximately US\$13B in Sustainable Thematic Equity strategies and look forward to continued engagement with clients, prospects, industry experts and academics.

**Please provide relevant documentation to support claims made in this application.**

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**Upload any supporting documentation**

- [Shared-Value.zip](#)

**Official endorsement**

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**Endorsement**

- I am authorised to submit this application on behalf of my organisation and confirm that all required approvals have been sought and received.
- I acknowledge that in order to finalise this application I will pay the relevant administration fee.