



# Reporting Energy-Climate Law (2023)\*

\*The French version prevails

## SUSTAINABILITY INFORMATION OF THE ANNUAL REPORT IN ACCORDANCE WITH THE PROVISIONS SET FORTH IN ARTICLE V OF D.533-16-1 OF THE MONETARY AND FINANCIAL CODE FOR ORGANIZATIONS WITH LESS THAN 500 MILLION EUROS IN TOTAL BALANCE SHEET OR OUTSTANDING AMOUNTS

### A. Information on the entity's general approach

#### A.1. Brief overview of the entity's general approach for taking account of environmental, social and governance quality criteria and, in particular, in the investment policy and strategy

ABC arbitrage Asset Management SA (hereinafter "ABAM") develops alternative arbitrage strategies through quantitative and systematic models and operates on the main listed markets worldwide. The implemented alternative strategies are a combination of various operations aimed at generating profit by exploiting only the imperfections that may arise between different financial markets. This method maintains complete neutrality in the selection of traded products.

Data is at the heart of ABAM's systems, as the very essence of its activity relies on sophisticated trading techniques and a scientific and data-driven approach. Environmental, Social, and Governance (ESG) data is now an integral part of the market signals to be considered and can be material.

Since ABAM's impact on ESG factors is as significant as their impact on the company, ABAM aims to further integrate them into its investment decisions to assess their social and environmental contribution and generate positive impacts on these issues.

However, the existing and traditional pillars and principles of responsible investment are not necessarily relevant for an activity based on quantitative and systematic models, seeking short-term alpha, as the resulting positions and/or exposures can vary very rapidly across different types of instruments and over cycles that can be very short.

Even though the most common responsible investment levers are not necessarily applicable to alternative investment strategies, ABAM has decided to delve deeper into evaluating how to integrate ESG criteria into its strategies. The company indeed wishes to contribute to the ecological transition





by bringing its expertise in finance and participating in the creation of new solutions to truly incorporate ESG factors into the realm of systematic and quantitative strategies.

To meet these challenges, significant resources are allocated to this topic, and strong governance has been established. Thus, the Board gives mandate to the Responsible Investment Committee (RIC) to discuss these issues and is informed of significant developments. The RIC was formed with a focus on diversity of experiences, backgrounds, and genders to be representative of ABAM's values and identity and to benefit from varied opinions and experiences. It is composed of employees from different functions or hierarchical levels, including members of the Management Committee, such as ABAM's CEO and the group's Chief Compliance Officer (CCO), and gathers experts from all relevant departments. Additionally, most members of the Investment Committee participate in the RIC and are therefore fully informed of the discussions and conclusions. ESG issues are thus systematically integrated into investment analysis and decision-making, with the Investment Committee having the final say on investment decisions. Finally, a dedicated ESG lead is responsible for these topics (UNPRI membership, investment analysis, employee training, regulatory monitoring, etc.).

Several tools and safeguards ensure that the responsible investment policy is fully implemented:

- Pre- and post-trade tools;
- The "three lines of defense" model (3LoD);
- Codes of conduct and rules;
- Live controls and daily monitoring carried out by the Execution Support team;
- Cybersecurity: cutting-edge policy to secure infrastructure, networks, and data.

ABAM's approach today revolves around several key areas, including:

- The commitment to contribute to the dialogue by participating in several collective initiatives (UNPRI, SBAI, AFG, Middlenext) to work closely with relevant stakeholders and thus favor a coordinated and coherent approach to ESG issues.
- Exclusions, decided based on values and the overall approach to responsible investment policy. ABAM does not conduct operations in countries with the highest risk in terms of corruption, money laundering, and terrorist financing. The company uses public lists from the Financial Action Task Force (FATF), the global watchdog for anti-money laundering and counter-terrorist financing, which identifies jurisdictions with insufficient AML/CFT measures. It also uses Transparency International's Corruption Perceptions Index, which ranks countries based on perceived levels of public sector corruption.
- For higher-ranked countries that may still present a high risk of corruption, money laundering, and terrorist financing, an alert is sent to the "Investment Committee" (COGE), which has the ultimate responsibility to decide whether to continue operations in the country. Additionally, for each new country ABAM wishes to operate in, ESG information such as significant geopolitical risks, money laundering and terrorist financing risks, corruption, or the Human Development Index (HDI) are included in the analysis.





- Whenever possible and relevant, better integration of ESG factors into the activities of our stakeholders, such as Brokers, Prime Brokers, and administrators, will be promoted and supported. Financial intermediaries are selected with the utmost care to ensure they meet strong good practice management requirements. ABAM conducts an in-depth analysis of their practices based on a comprehensive Due Diligence questionnaire. As part of this process, detailed information about their ESG policies is now systematically assessed.
- Through its activities, ABAM contributes to the proper functioning of the financial industry. Alternative strategies based on quantitative and systematic models indeed help to align the prices of the same asset and ensure fluidity between different markets, and contribute to their liquidity. ABAM thus contributes in its way to maintaining the relevance and efficiency of markets, as well as to the respect of established rules. It also allows "small investors" to access the market and acquire securities at their fair value. To monitor these impacts, it is gradually building an "ESG dashboard."
- Data being at the heart of ABAM's systems, they constitute a key element in integrating ESG factors and designing relevant responsible investment approaches. ABAM strives to obtain reliable ESG data. In 2023, it compared data offered by several providers to verify their quality and currency. ABAM has now subscribed to an ESG data offering, which will allow it to enrich its "ESG dashboard" and track the extra-financial performance aspects of its portfolio.
- Regarding asset management risks, within ABAM, the "Investment Committee" (COGE) plays a central role in the investment and divestment process of financial instruments. A COGE can be organized in the context of an operation aimed at adjusting the positions of the alternative strategy following specific opportunities or risks encountered to ensure the adaptation of limits. A specific risk may arise from an event or situation in the ESG domain and be considered in the COGE, just like other risks. More generally, exogenous risks, including ESG risks, are taken into account in the risk mapping.
- ABAM is committed to understanding all additional ESG requests that its clients may have and to do its best to integrate them into the investment decision-making process when they do not impact the vehicle's investment objectives and the fair treatment of all investors.

In the medium term, ABAM aims to enhance its exclusion list and "ESG dashboard" by designing specific indicators, measuring the carbon footprint of the portfolios it manages, deepening its ESG risk analyses, and conducting research and development activities on risk management and alpha generation related to ESG. ABAM will also continue to explore available solutions to find relevant and high-quality data. Several of these initiatives are already underway.

Finally, this approach towards responsible investment aligns with ABAM's mission to embody the group's motto "Positive Finance" and with its CSR policy, which revolves around three main axes:

- A dynamic management of recruitment and support for its employees, its primary asset, to create conditions conducive to their professional development and fulfillment. The group also relies on an incentive remuneration policy that associates everyone with the performance





and results of ABC arbitrage. Given the inherently international nature of its activity, this is accompanied by a commitment to maintaining a strong presence in France, out of conviction.

- A focus on diversity and inclusion in all forms in this pursuit of talent development. Gender equality issues receive particular attention due to the specific challenges in the finance and digital sectors.
- A commitment to considering environmental aspects in all decisions. The group seeks to raise awareness among its employees and stakeholders about environmental respect and strives to reduce its direct environmental impact through various initiatives. Measuring the group's carbon footprint, to identify the most relevant action levers, is an integral part of this approach.

More details in this regard are available in our dedicated [report](#), particularly on the last page.

### **A.2. The content, frequency and means used by the entity to inform subscribers, affiliates, contributors, beneficiaries and clients about the environmental, social and governance quality criteria which are factored in to the investment policy and strategy**

ABAM reports on elements related to Environmental, Social, and Governance (ESG) criteria in its responsible investment policy, published on its [website](#). These elements are consistent with the corporate social responsibility (CSR) approach of the ABC arbitrage group, which is publicly reported in its [annual report](#). Some elements are also featured on the [dedicated page](#) of the group's website. ABAM also responds to requests from its current clients and prospects conducting a "Due Diligence" analysis.

The responsible investment policy is updated whenever significant changes occur on these issues, and at a minimum, on a yearly basis.

Furthermore, in accordance with its regulatory obligations, ABAM publicly discloses elements related to the SFDR regulation on its website. These elements are also reviewed and, if necessary, updated annually.

Finally, ABAM issues press releases to inform about significant ESG events in its activities.

### **A.3. Adherence of the entity or certain financial products to a charter, code, initiative, or obtaining certification for taking account of environmental, social and governance quality criteria, and a brief description of these, consistent with d) of 2 of Article 4 of the above-mentioned regulation.**





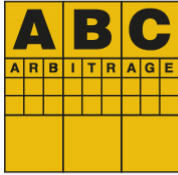
As described above, ESG issues are such that they must be addressed collectively. ABAM therefore participates in several collective initiatives to work in collaboration with relevant stakeholders and promote a coordinated and coherent approach to ESG issues:

- ABAM joined the United Nations initiative to promote and implement the Principles for Responsible Investment ([UNPRI, UN-supported Principles for Responsible Investment](#)) in 2022. Through this voluntary approach, ABAM aims to continue its commitment to contributing to a sustainable financial system that takes into account extra-financial criteria. Indeed, the PRI “work to achieve this sustainable financial system by encouraging the adoption of [six] Principles and collaboration on their implementation. [They] promote good governance, integrity, and investor accountability, and work on the barriers to the emergence of a sustainable financial system, whether they are in market practices, structures, or regulations” (source UNPRI). Thus, ABAM has subscribed to the following six principles:
  - “We will incorporate ESG issues into investment analysis and decision-making processes.
  - We will be active owners and incorporate ESG issues into our ownership policies and practices.
  - We will seek appropriate disclosure on ESG issues by the entities in which we invest.
  - We will promote acceptance and implementation of the Principles within the investment industry.
  - We will work together to enhance our effectiveness in implementing the Principles.
  - We will each report on our activities and progress towards implementing the Principles.”

ABAM joined the Hedge Funds Advisory Committee (HFAC), a voluntary body composed of PRI signatory organizations whose role is to support the PRI executive in the design, delivery, and dissemination of guidance products on hedge funds to help asset owners, service providers, and investment managers implement the six principles.

- ABAM is also a member of AFG - Association Française de la Gestion Financière - which represents and defends the interests of portfolio management professionals on behalf of third parties. It provides its members with ongoing assistance in legal, tax, economic, accounting, and technical areas and fosters the profession’s reflection on the evolution of management techniques, research, the protection, and orientation of savings. ABAM participates in the AFG’s responsible investment plenary and is a member of the AFD's “fair transition” working group.
- ABAM joined the responsible investment working group of the Standards Board for Alternative Investments (SBAI). This working group is composed of more than 200 representatives from asset managers and institutional investors and meets regularly to discuss specific ESG issues and broader principles of responsible investment.
- Finally, ABC arbitrage is an active member of MiddleNext (association of mid-cap companies listed on the Paris market) and joined the MiddleNext CSR working group, which aims to





collectively reflect on the tools to be implemented, organize regulatory monitoring, and share best practices, including on ESG issues.

**B. A list of the financial products mentioned in respect of Articles 8 and 9 of Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 and the overall proportion, as a percentage, of the outstanding under management taking account of environmental, social and governance quality criteria in the total amount of outstanding managed by the entity**

In 2023, the alternative investment funds managed by ABAM did not fall within the definitions of Article 8 and Article 9 of Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019. With the gradual integration of environmental, social, and governance criteria into the investment strategy, this may evolve in the coming years.

As of 31/12/23, 100% of the AUM managed by ABAM took into account environmental, social, and governance criteria.





## Reporting Rixain Law

In accordance with Article L533-22-2-4 of the Monetary and Financial Code, derived from the so-called “Rixain” law, ABAM aims to set a quantitative objective for balanced gender representation and report on the results obtained in this document, which outlines its policy on considering environmental, social, and governance criteria in its investment strategy in application of the Energy Climate Law.

The teams, bodies, and officials responsible for making investment decisions include the Investment Committee, as well as the teams involved upstream and during the committee for decision-making elements. Thus, 26 people, including 8 women, or nearly 31% of the relevant workforce, were involved in investment decision-making in 2023.

While not all individuals involved in investment decisions come from these fields of study, it is worth noting that 80% of ABAM's employees are technical and financial engineers (developers, quantitative traders, financial operators), professions in which women are largely underrepresented (according to the CDEFI, they represented 32% of engineering school students in 2023, a figure close to the 28% of women in the latest cohorts recorded in the national IESF (Engineers and Scientists of France) survey published in June 2021). The percentage of women involved in investment decision-making in 2023 is also higher than the total percentage of women at the group level (24% in 2023).

Given these constraints, ABAM intends to maintain as balanced a gender representation as possible in the coming years among the teams responsible for making investment decisions. ABAM considers that such a balance corresponds to a percentage of women between 30% (initially) and 60%.

