



# Energy-Climate Law Report

## 1° Information on the entity's general approach

### a) 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 (“ABAM”) develops alternative strategies through quantitative and systematic models and operates on the main global listed markets. The investment strategies implemented are a combination of several operations aimed at exploiting the only imperfections that may appear in the statistical relationships between different markets or financial products. This method maintains absolute neutrality in the selection of the products traded by means of a method of mechanical and mathematical intervention. The resulting positions and/or exposures may vary very rapidly and over cycles that are potentially very short.

As a result, there is no consideration of the environmental, social or governance quality criteria in the process of selecting the products on which the models will deal. Only observed market imperfections have an impact on the selection of these products. Similarly, the negative impact of investment decisions on sustainability factors has historically not been taken into account in the process of selecting the products to which the models relate.

However, even though the most common responsible investment pillars are not necessarily applicable to ABAM's alternative investment strategies (due to neutrality in the selection of the products traded, the very short holding times, etc.), ABAM has decided to give further thought to assessing how it might integrate environmental, social and governance quality criteria into its intervention models. A number of topics were proposed in 2021 and are being analysed, including:

- the exclusion from the investment universe of assets associated with certain businesses, sectors or countries based on ESG criteria. These exclusions could be applied in addition to existing exclusions applicable to sanctioned countries;
- measurement of ESG indicators for the investment portfolio. Depending on results, they may then be gradually integrated into the systems to enrich investment choices by taking new criteria into account;
- assessing the possibility of implementing engagement and voting procedures, despite the fact that, in the majority of cases, ABAM does not own the financial instruments that it manages. As such, the company has, generally, no voting rights and is not involved in General Assembly Meetings or voting on resolutions submitted to an issuer's shareholders.

In addition, alternative arbitrage strategies allow prices for the same asset on different markets to converge. They provide fluidity between the various markets and increase their liquidity. In carrying out its various activities, ABC arbitrage Group, and therefore ABAM, thus contributes, at its level, to maintaining the relevance and efficiency of the markets and to compliance with the rules laid down. It also allows “small investors” to access the market and acquire securities at their fair value.



In addition to the investment policy, and in accordance with the Group's practices detailed in the ABC arbitrage Group's CSR report, ABAM is committed to:

- minimising its direct impact on the environment;
- rigorously using the natural and energy resources it requires to carry out its activities. Although its direct environmental footprint is limited, employees are made aware of these issues. Measures to prevent and reduce air emissions have also been introduced.
- developing an employment policy that respects diversity and is non-discriminatory, while respecting Human rights;
- having a social impact beyond its own activities, in particular through - without limitation - commitments to associations that promote equal opportunities and improved access to training and educational opportunities to young people.

**b) 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 gathers information on environmental, social and governance quality (ESG) criteria in a “*Due Diligence*” questionnaire. This also includes details on ABC arbitrage group's social responsibility (CSR) policy, including sections on diversity and inclusion, privacy and work-life balance, codes of conduct, environmental protection and responsible investment. This document is available to current clients on ABAM's extranet site and also to prospective clients who carry out a “*Due Diligence*” analysis on ABAM. It is updated whenever these issues change materially.

Pursuant to its regulatory obligations, ABAM also publishes SFDR-related information on [its website](#). This information is reviewed and, where necessary, updated annually.

ABAM is 100% owned by ABC Arbitrage, a company listed on Euronext Paris, whose annual financial report also contains information on various aspects of its ESG and CSR systems. Certain information is included on a dedicated page of the group's [website](#).

Lastly, ABAM may issue press releases to communicate more broadly on significant ESG events. Such press releases may cover issues relating to environmental, social and governance quality criteria taken into account in the investment policy and strategy.

**c) 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 AUM taking account of environmental, social and governance quality criteria in the total amount of outstanding managed by the entity;**



In 2021, the alternative investment funds managed by ABAM did not meet 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.

As environmental, social and governance quality criteria are gradually integrated into the investment strategy, this may change in the coming years.

At 31 December 2021, 7.6% of ABAM's assets under management took environmental, social and governance quality criteria into account. These assets are managed under a management mandate.

**d) Taking account of environmental, social and governance quality criteria in the decision-making process for the allocation of new management mandates by the entities mentioned in Articles L.310-1- 1-3 and L.385-7-2 of the Insurance Code;**

N/A

**e) 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.**

In 2021, ABAM reviewed the terms and conditions of signing up to the UN Principles for Responsible Investment (UNPRI) with a view to becoming a signatory in 2022.

The PRI “work to achieve this sustainable global financial system by encouraging adoption of [six] Principles and collaboration on their implementation, by fostering good governance, integrity and accountability; and by addressing obstacles to a sustainable financial system that lie within market practices, structures and regulation” (UNPRI).

ABAM therefore intends to subscribe to the following six principles:

1. “We will incorporate ESG issues into investment analysis and decision-making processes.
2. We will be active investors and incorporate ESG issues into our investment policies and practices.
3. We will seek appropriate disclosure on ESG issues by the entities in which we invest.
4. We will promote acceptance and implementation of the Principles within the investment industry.
5. We will work together to enhance our effectiveness in implementing the Principles.
6. We will each report on our activities and progress towards implementing the Principles.”



## 2° Information on the in-house resources rolled out by the entity

- a) **Description of the financial, human and technical resources devoted to taking account of environmental, social and governance quality criteria in the investment strategy in relation to the total outstanding managed or held by the entity. The description shall include all of some of the following indicators: the proportion, as a percentage, of the corresponding full-time equivalent staff; the proportion, as a percentage and as an amount in euros of the budgets earmarked for environmental, social and governance quality data; the amount of investments in research; use of external service providers and data suppliers;**

As regards human resources, a number of ABAM's employees work from time to time on integrating environmental, social and governance quality criteria into the investment strategy. These employees work in different departments because ESG issues are cross-functional in nature and tend to impact different aspects of the company's business.

In 2021, ABAM also hired an analyst dedicated to ESG issues in order to develop and increase its commitment to contributing to a more sustainable financial system and to coordinate the efforts made in this area.

As a result, ABAM estimates that around 3% of its full-time equivalents work on these issues.

In 2021, ABAM did not use external service providers or ESG data providers. This may change depending on the conclusions of the analyses that are currently being carried out to gradually integrate environmental, social and governance quality criteria.

- b) **Initiatives introduced with an eye to bolstering the entity's in-house capabilities. The description shall include all or some of the information concerning training, the communication strategy and the development of the financial products and services associated with these initiatives;**

In 2021, with a view to designing a responsible investment strategy tailored to its business and activities, ABAM worked on developing structures conducive to collective reflection and analysis on all aspects of environmental, social and governance quality criteria. ABAM therefore assessed a number of solutions, which led to the establishment, in 2022, of a cross-functional and high-level responsible investment committee, tasked with gradually integrating relevant ESG criteria into its investment strategies. The establishment of this committee helps reinforce in-house expertise and decision-making on these topics and provides a new forum for discussions and training.



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ABAM's in-house expertise was also developed in 2021 through regular participation in a variety of sustainable finance conferences and webinars, which helped ABAM to identify best practices and monitor developments.

2021 also saw the launch of an internal monthly newsletter that covers all changes to sustainable finance-related laws and standards, highlights interesting reports and collective initiatives in this area and reports on the conferences that took place during the month. This newsletter is sent to all employees of the ABC arbitrage group and enables to raise awareness and stimulate debate on the action that needs to be taken.

ABC Arbitrage ("ABCA"), of which ABAM is a subsidiary, also strengthened its corporate social responsibility (CSR) initiatives in 2021, so that the largest possible number of employees become familiar with these issues. There is now an employee who is specifically in charge of coordinating and amplifying existing actions in this area and all interested employees can participate in the initiative. With this in mind, ABAM supported in 2021 the launch of "fun" awareness-raising initiatives on environmental, social and governance quality issues, such as the serious game "*Ma Petite Planète*" [My Little Planet] and publicised internally a wide variety of media (comics, podcasts, etc.) to learn on these topics.

In 2021, ABCA also decided to measure its carbon footprint, and its choice of service provider was mainly guided by its desire to raise awareness on these issues among employees. This work was thus entrusted to a service provider that allowed ABCA's employees to calculate their personal individual carbon footprints if they so wished. Employees were also asked to provide information on individual work-related aspects. This initiative, which was completed in 2022, was backed up by a number of internal communications that explained the importance of measuring the carbon footprint, its objective (identifying areas for improvement), described orders of magnitude and summarised the most recent studies and analyses on greenhouse gas emissions.

Besides, ABAM also initiated in 2021 discussions on providing training to its employees on environmental, social and governance quality issues. To that end, ABAM asked a number of organisations to provide quotations and compared their offers. This work was not completed in 2021 because the training courses identified were not suitable for ABAM's activities. ABAM is, however, continuing to search for appropriate training courses for its employees.

Finally, the person specifically in charge of ESG issues took a number of training courses in 2021, including the course provided by Candriam - a leading provider of responsible investment based financial products.



### 3° Information on the approach to take account of environmental, social and governance quality criteria at entity-governance level

- a) Knowledge, skills and experience of the governance boards, in particular the administration, supervisory and management bodies, in respect of decision-making to include environmental, social and governance quality criteria in the investment policy and strategy of the entity and the entities controlled by the latter where applicable. Information may concern, inter alia, the level of supervision and the associated process, the presentation of results and skills;**

In order to put in place the various structures required to steer and implement a responsible investment policy, a number of high-level discussions took place within the ABC arbitrage Group (particularly in the Executive Committee) in 2021. In 2021, these questions were on the agenda of four meetings of the Executive Committee.

In addition, pursuant to its obligations (Articles L 225-37-1, L 225-82-1 and L 226-9-1 of the French Commercial Code), ABAM's Board of Directors annually reviews the company's gender equality and equal pay policy.

These discussions allowed the governance and management bodies to continue to improve their expertise on these issues and related issues.

In particular, ABAM's management team, in 2021, analysed collective sustainable finance initiatives in order to identify those that might be aligned with its business activity and committed the company to carrying out preparatory work on signing up to the United Nations Principles for Responsible Investment. As described in section 2. a), in order to progress more rapidly on these issues, ABAM's management team also decided in 2021 to hire an ESG specialist. The hiring of this specialist was directly supervised by ABAM's Chief Operating Officer (COO).

Discussions on providing specific training on environmental, social and governance quality issues to the management bodies began in 2021. As for all employees a number of organisations were contacted. ABAM is currently continuing its research and hopes to be able to soon offer appropriate training to develop the expertise of its Management team in this area. Finally, Dominique Ceolin, Chairman of ABAM's Board of Directors and Chief Executive Officer, is a member of the MEDEF committee that works on governance issues.





**b) Inclusion, pursuant to Article 5 of Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019, in remuneration policies of information on how those policies are consistent with the integration of sustainability risks, including explanations of the criteria for matching the remuneration policy with performance indicators;**

The Group has an internal compensation committee made up of at least four managers, which ensures that the compensation model is applied consistently and properly. The Compensation Committee's role is to prepare any compensation-related issues to be discussed by the Board and, more generally, to review the compensation policy of the ABC Arbitrage Group and its member companies, therefore including ABAM. The company's aim is to diversify and optimise the Group's compensation policy in order to attract, motivate and retain its executives and employees and thereby preserve and improve the performance, without rewarding excessive risk-taking. The committee is made up of all the Group's heads of divisions, occasionally assisted by external persons appointed based on their specific expertise, and meets as many times as it needs in order to fulfil its duties.

The compensation policy is therefore based on:

- a controlled level of fixed compensation that reflects each person's experience and level of responsibility;
- variable compensation that is linked to actual financial results;
- a qualitative assessment of the work carried out;
- an equity incentive scheme linked to long-term performance conditions to retain employees and ensure convergence between the interests of employees and shareholders.

The Group has also developed a new compensation system, which applies to ABAM and was introduced in January 2020, with a view to remaining attractive in a competitive environment. This work aims to enable ABAM to continue to hire high-quality employees (following on from the *Added Value* programme) without any form of discrimination. The management teams of each group company have established salary scales for each role/department based on objective criteria (level of in-house expertise, qualifications obtained, number of years of experience and studies). Once these scales were finalised, employees' fixed salaries were increased so that they were aligned with the scales. Overall, the fixed salary of 88% of employees (89% of women and 87% of men) was increased in 2020.

The desire to involve the teams over the long term and to create convergence between the interests of employees and shareholders is at the heart of the management team's concerns. It has therefore endeavoured to offer various equity incentive initiatives, staggered over time, enabling the company to grow by maintaining control over know-how and limiting fixed costs in a highly competitive environment. As described in the previous section, ABAM's Board of Directors reviews the company's gender equality and equal pay policy every year.

Lastly, the alternative investment strategies implemented by ABAM are a combination of several operations aimed at exploiting the only imperfections that may appear in the statistical relationships between different markets or financial products. This method maintains total neutrality in the selection



of the products traded by means of a method of mechanical and mathematical intervention. Due to the neutrality in the selection of the products traded, the consideration of sustainability risks is not relevant to ABAM's compensation policy. The compensation policy in place at ABAM does not therefore encourage or discourage the consideration of sustainability risks in investment decision-making processes.

### **c) Integration of environmental, social and governance quality criteria into the by-laws of the entity's board of directors or supervisory board.**

The members of ABAM's Board of Directors are appointed for a renewable term of four years. They are between 46 and 54 years old.

Dominique CEOLIN, Chairman of the Board of Directors, qualified as an actuary at the *Institut des Actuaires Français* and holds a master's degree in Mathematics and Information Technology. In 1994, he helped develop the Domestic Arbitrage business at ABN AMRO Securities France. In 1995, he co-founded ABC arbitrage and brought his experience to the Group.

David HOEY, Director, holds a Master's degree in Accounting and Finance, with options in Information Technology from the BBS School. In 1996, after spending four years at Crédit Agricole, he joined the founders of ABC Arbitrage, ABAM's parent company. As an executive board member, he has contributed to the strategic development of the Group and the growth of its core business.

Alexandre OSPITAL, Chief Executive Officer, holds a degree in engineering and joined ABC arbitrage Group in 1999, after one year in a consulting company. He was appointed head of the financial operations department in 2005. In August 2013, he was appointed Deputy Director in charge of operations at ABAM. He was appointed ABAM's Chief Executive Officer by a resolution of the Board of Directors dated 8 December 2021. This resolution took effect on 1 January 2022.

Franck BONNEAU, Deputy Chief Executive Officer, holds a degree in engineering and joined ABC Arbitrage Group in 1999. He was appointed Head of the Information Systems & Development department in 2004 before becoming Deputy Director of the same department in August 2013. In February 2020, he was appointed Chief Technology Officer of ABAM. He was appointed ABAM's Deputy Chief Executive Officer by a resolution of the Board of Directors dated 8 December 2021. This resolution took effect on 1 January 2022.

Yves-Oleg ZAJTELBACH, Deputy Chief Executive Officer, holds a degree from the Paris-Dauphine University, majoring in finance (DEA 104) and joined the ABC arbitrage Group in 1999. He was appointed Head of Trading in August 2013. In February 2020, he was appointed Head of Research and Trading at ABAM. He was appointed ABAM's Deputy Chief Executive Officer by a resolution of the Board of Directors dated 8 December 2021. This resolution took effect on 1 January 2022.

All members attended all meetings of the Board of Directors.

Compliance with codes of ethics and regulations is at the heart of the concerns of the members of ABC Arbitrage's Board of Directors the ABC Arbitrage Group, and therefore for their member companies, as required by recommendations No. 1 and No. 2 of the MiddleNext Code on the conduct of Board members and the absence of conflicts of interest, respectively. This concern is further





reinforced by investors' interest in the investment funds offered by ABAM. Accordingly, in 2021, 46% of investors, in terms of number, in ABCA Funds Ireland Plc representing 57% of the amounts subscribed for sent due diligence questionnaires to ABAM in which questions were systematically asked on whether, over the last five years, criminal, civil or administrative investigations or proceedings had been brought against the company or any affiliated company, or a key man or employee of these companies.

In order to prevent conflicts of interest, the ABC Arbitrage Group also has the following principles and rules in place, which apply to its member companies:

- an internal conflict of interest policy including instructions that employees must follow to identify, prevent and manage conflicts of interest;
- strict procedures and rules governing the processing of orders and the primacy of the client's interests. The Group's asset management companies strictly comply with the rules governing the operation of the financial markets and do not do anything that affects the equal treatment of orders. In particular, orders transmitted on the market are pre-allocated and time-stamped;
- a whistleblowing system, with an ethics officer.

## 4° Information on the engagement strategy vis-à-vis issuers or management companies and its implementation

### a) Scope of companies concerned by the engagement strategy;

ABAM develops alternative strategies through quantitative and systematic models and operates on the main global listed markets. The alternative investment strategies implemented are a combination of several operations aimed at exploiting the only imperfections that may appear in the statistical relationships between different markets or financial products. This method maintains total neutrality in the selection of the products traded by means of a method of mechanical and mathematical intervention. The resulting positions and/or exposures may vary very rapidly and over cycles that are potentially very short.

As part of these strategies implemented for their customers, financial instruments can be held by AIFs under synthetic format (CFDs, swaps). In this case, the AIFs do not own the financial instruments; therefore, they have no voting rights and are not, in the most general case, concerned by the vote on resolutions submitted to the approval of the General Meeting of an issuer on which the AIF would have a position.

In addition, the contracts signed between AIFs and Prime Brokers provide that the latter can dispose of financial instruments via rehypothecation, unless requested to block the position on the account with no Prime Brokers reuse. As a result of rehypothecation, the AIFs are no longer in possession of the securities and therefore, no longer have the right to vote.



In their due diligence questionnaire sent annually to investors, ABAM reminds that they ensure that they do not acquire any financial instruments in such a way that their influence will require the exercise of voting rights.

It has to be noted that the exercise of the voting right requires the blocking of financial instruments, which can be a source of risk if a rapid unwinding is necessary for the alternative strategy.

In view of this detention structure, and the in-principle non-exercise of voting rights, the items below are not relevant:

- Monitoring of strategy, financial and non-financial performance, risks, capital structure, environmental social impact and corporate governance
- Dialogue with the companies on which there is a position
- Cooperation with other shareholders
- Communication with relevant stakeholders
- The prevention and management of actual or potential conflicts of interest in relation to their commitment

Although this is not their original intention, ABAM reserves the right, if necessary, to take the appropriate decisions in order to use the voting rights of their AIFs or to table a draft resolution. For example, when a position is taken, ABAM is not excluded from supporting resolutions or votes relating to environmental, social or quality of governance issues (ESG).

#### **b) Overview of the voting policy;**

See section 4. a)

#### **c) Review of the engagement strategy rolled out which may include the proportion of companies with which the entity has started discussions, the topics covered and initiatives to monitor this strategy;**

See section 4. a)

#### **d) Review of the voting policy, in particular concerning tabling and voting on resolutions on environmental, social and governance quality issues at general meetings;**

See section 4. a)

#### **e) Decisions taken on the investment strategy, particularly concerning sectoral disengagement.**



In 2021, ABAM withdrew from certain sectors at the request of some of its clients under discretionary management, and thus excluded certain assets associated with companies based on environmental, social and governance criteria from its investment universe in respect of investments managed on their behalf.

In 2021, ABAM also decided to begin comprehensively analysing sectoral withdrawals in order to assess their relevance, particularly in relation to its arbitrage activity, and their feasibility.

Lastly, a list of sanctioned countries is regularly updated and monitored to avoid carrying out any activity in these countries.

## 5° Information on European taxonomy and fossil fuels

- a) Proportion of outstanding concerning activities in compliance with the technical screening criteria defined in the delegated acts relating to Articles 10 to 15 of Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088, in accordance with the delegated act adopted pursuant to Article 8 of that regulation;

N/A

- b) Proportion of outstanding in companies operating in the fossil fuel sector, within the meaning of the delegated act under Article 4 of said regulation.

N/A

## 6° Information on the strategy for alignment with the international climate change limitation objectives of the above-mentioned Paris Agreement, consistent with d of 2 of Article 4 of said regulation

- a) A quantitative goal between now and 2030 which will be reviewed every five years up to 2050. The goal shall be revised at least five years prior



**to its end date. The goal shall include direct and indirect greenhouse gas emissions in absolute value or in value of intensity in relation to a reference scenario and a reference year. It may be expressed by measuring the implicit rise in temperature or by the volume of greenhouse gas emissions;**

In order to set an appropriate greenhouse gas emissions target, ABAM intends to first establish a list of criteria and measure the emissions linked to its business activity.

This analysis began in 2021, first with the decision to measure the carbon footprint of the ABC arbitrage Group, including its constituent companies, for scope 1 and 2 emissions, i.e. greenhouse gases emitted directly by the company and indirect energy-related emissions.

With regard to scope 3, which covers other indirect greenhouse gas emissions, discussions are underway at ABAM to better measure such emissions. ABAM uses alternative arbitrage strategies, the specific features of which need to be taken into account as the resulting positions and/or exposures may vary very rapidly and over cycles that are potentially very short.

Based on the results obtained, ABAM will set a target for greenhouse gas emissions and implement the actions required in order to meet that target.

**b) Where the entity uses an in-house methodology, components of this methodology to assess the investment strategy's alignment with the Paris Agreement or with the National Low-Carbon Strategy:**

See section 6. a)

**c) Quantification of the results using at least one indicator;**

See section 6. a)

**d) For entities that manage index funds, information on the use of EU “climate transition” and “Paris-aligned” benchmarks defined in Regulation (EU) 2019/2089 of the European Parliament and of the Council of 27 November 2019;**

N/A

**e) The role and use of assessment in the investment strategy and, in particular, the extent of complementarity between the selected assessment method and the other indicators on the environmental,**



**social and governance quality criteria more broadly used in the investment strategy;**

See section 6. a)

- f) Changes to the investment strategy relating to alignment with the Paris Agreement and, in particular, the policies introduced with an eye to gradually phasing out use of coal and non-conventional hydrocarbons and specifying the chosen schedule for withdrawal and the proportion of total outstanding managed or held by the entity covered by these policies;**

See section 6. a)

ABAM has also decided to begin comprehensively analysing sectoral withdrawals in order to assess their relevance, particularly in relation to its business activity, and their feasibility. This analysis covers coal and unconventional hydrocarbons.

- g) Any initiatives for monitoring outcomes and the changes having occurred;**

See sections 6. a) and f)

- h) The frequency of the assessment, the projected dates for updates and the relevant selected development factors.**

See section 6. a)

## **7° Information on the strategy for alignment with long-term biodiversity goals:**

- a) An assessment of compliance with the goals listed in the Convention on Biological Diversity, adopted on 5 June 1992;**

To determine a relevant strategy on alignment with long-term biodiversity-related objectives, ABAM intends to first establish a list of criteria and measure the pressures on biodiversity associated with its activity. As with greenhouse gas emissions, this analysis, which will be commenced in 2022, will need to take the specific features of ABAM's business activity into account. The resulting positions and/or exposures may vary very rapidly and over cycles that are potentially very short.



Based on the results, ABAM will determine a measure of compliance with the objectives set out in the Convention on Biological Diversity adopted on 5 June 1992 and will implement the actions required in order to achieve it.

- b) An analysis of the contribution to reducing the primary pressures and impacts on biodiversity as defined by the Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services;**

See section 7. a)

- c) Mention of the use of a biodiversity footprint indicator and, where applicable, how this indicator is used to measure compliance with international biodiversity targets.**

See section 7. a)

## **8° Information on approaches to taking environmental, social and governance quality criteria into account when managing risks**

- a) The process for identifying, assessing, prioritising and managing risks related to taking into account environmental, social and governance quality criteria, how the risks are integrated into the entity's conventional risk management framework, and how this process addresses the recommendations of the European Supervisory Authorities of the European System of Financial Supervision;**

Within ABAM, the investment and divestment process is governed by the “management committee” procedure. A meeting of the management committee may be organised for a specific transaction aimed at adapting the positions of the alternative strategy as a result of specific opportunities or risks encountered, with a view to ensuring that the limits are adapted to a given context and that risks are taken into account consistently across all strategies. A specific risk may result from an environmental, social or governance quality event or situation that may impact an issuer and therefore the financial instrument over which a position is or may be taken. More generally, exogenous risks including environmental, social and governance quality risks are taken into account in the risk mapping.

In particular, three types of risk associated with environmental, social and governance quality criteria need to be taken into account: physical risk, transition risk and reputational or litigation risk. Physical risks (referring to losses caused by climate change or environmental degradation, e.g. due to extreme





events or loss of biodiversity and deforestation) and transition risks (referring to financial losses linked to the transition process, e.g. due to the adoption of climate-related and environmental policies or changes in market preferences) are generally not relevant to the assets managed by ABAM, due to the extremely short life cycle of the alternative strategies' (positions/exposures are open for a short period of time).

In terms of reputational or litigation risk (referring to damage to a company's reputation or its liability in relation to environmental, social or governance issues), ABAM applies governance quality criteria when selecting its partners and counterparties. Risks of disputes linked to legal, tax and ethical considerations are discussed at "management committee" meetings.

From a structural point of view, the Group's "Market Risk" department has four employees. It has the power and is required to strictly apply the management rules. If compliance with the management rules requires a position to be partially or totally unwound, it can convene a management committee, which will draw up an action plan and timetable. It intervenes on a daily basis and carries out "controls on the controls", with the operational departments organising and carrying out first-level controls. In particular, it must ensure that hedging positions are real and controlled, that intervention limits are complied with and that the potential loss calculations are accurate. The controls are documented in daily reports sent directly to the operational teams and members of the management company's board of directors, without being filtered. A meeting between the "Market risk" department and the operational managers is scheduled at least once every six weeks.

**b) A description of the main environmental, social and governance risks taken into account and analysed, including, for each of those risks:**

N/A

**c) An indication of the frequency of the risk management framework review process;**

N/A

**d) An action plan to reduce the entity's exposure to the main environmental, social and governance quality risks under consideration;**

N/A

**e) A quantitative estimate of the financial impact of the main environmental, social and governance quality risks identified and the portion of assets exposed, as well as the time horizon associated with these impacts, at the level of the entity and the assets involved, including the impact on the portfolio valuation. If a qualitative statement**



is issued, the entity shall describe the difficulties encountered and the measures planned to quantitatively assess the financial impact of these risks;

N/A

f) An indication of the changes in the methodological choices and results.

N/A

**9° In the event that the entity does not publish certain elements of the information mentioned in points 1° to 8° bis of III, it shall publish, where appropriate, a continuous improvement plan that shall include**

a) Information on any opportunities to improve the current strategy and the corresponding tangible actions to improve the current situation;

N/A

b) Information on strategic and operational changes that have been or will be introduced as a result of the implementation of corrective actions;

N/A

c) For each of the previous two points, objectives with a timetable for implementation

N/A



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## Rixain Law:

Pursuant to Article L533-22-2-4 of the French Monetary and Financial Code derived from the “Rixain” law, ABAM intends to set itself a target of a balanced gender representation among its employees and will report on the results obtained in this document, which outlines its policy on integrating environmental, social and governance quality criteria into its investment strategy pursuant to the Climate and Energy Law.

The teams, bodies and managers responsible for making investment decisions based solely on the assets managed directly or under delegations comprise the Management Committee and the teams that provide information relevant to decision-making in advance of and at Committee meetings. Accordingly, 23 people, 8 of whom are women, i.e. nearly 35% of the relevant population, were involved in the investment decision-making process in 2021.

While not all the people involved in making investment decisions work in these business lines, it should be noted that 80% of ABAM's employees are technical engineers and financial engineers (developers, quantitative traders and financial operators), professions in which women are largely under-represented (according to the CDEFI, they represented 28% of the students on university engineering courses in 2019). The percentage of women involved in the investment decision-making process in 2021 was also higher than the total percentage of women in the Group as a whole (26% in 2021).

In view of these constraints, ABAM intends, over the coming years, to seek a male/female split in its team responsible for making investment decisions that is as balanced as possible. ABAM considers that such a balance requires women to constitute between 30% (initially) and 60%.