



Energy-Climate Law Report (2022)

SUSTAINABILITY INFORMATION IN THE ANNUAL REPORT IN ACCORDANCE WITH THE PROVISIONS OF ARTICLE D.533-16-1 V OF THE MONETARY AND FINANCIAL CODE FOR ORGANIZATIONS WITH TOTAL ASSETS UNDER MANAGEMENT OF LESS THAN 500 MILLION EUROS

A. Information on the entity's overall approach to environmental, social and governance criteria

A.1. Summary of the approach

ABC arbitrage Asset Management SA (hereinafter "ABAM") develops alternative strategies using 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.

Complete and reliable data is at the heart of ABAM's systems as the very essence of its activity means that its trading techniques are sophisticated and rely on a scientific and data driven approach. Environmental, social and governance (ESG) data is now an integral part of the market signals that need to be taken into account and that can be material.

The impact ABAM has on ESG factors is as important as the impact they have on it. Although ABAM's main function is to provide liquidity to the markets, and it does not make any investments in the fundamental sense of the term, it wants to further incorporate them into its investment decisions to assess the social and environmental contribution of its investments and foster positive outcomes on these issues. This is consistent with its mission to embody the group's motto "Positive finance" and with the group CSR policy, which focuses on three main areas:

- Dynamic management of recruitment and support for its employees, its most important asset, to create the right conditions for their professional development and fulfillment. The group also relies on an incentive compensation policy that associates each employee with ABC arbitrage's performance and results. In addition, it goes with the willingness to maintain a strong presence in France while operating internationally, out of conviction.
- This research of talents' development is based on a concern for diversity and inclusion in all its forms. Particular attention is paid to gender equality issues, given the specific difficulties in this area in the finance and digital sectors.
- The willingness to take environmental aspects into account in all decisions. The group strives to raise awareness of environmental issues among its employees and stakeholders, and to





reduce its direct impact on the environment through various initiatives. Measuring its carbon footprint, in order to identify the most relevant actions, is an integral part of this approach.

However, the existing and traditional responsible investment pillars and principles are not necessarily relevant to an activity based on quantitative et systematic models, looking for short term alpha as the resulting positions and / or exposures thereafter can vary very quickly and over cycles which can be very short.

Indeed, ABAM wants to support change in the investment management industry to foster a fair transition by bringing our expertise and creating new solutions to truly incorporate ESG factors in the systematic and quantitative strategies universe. Even if the most common responsible investment principles are not necessarily applicable to alternative investment strategies, ABAM has decided to analyze further the possible means to integrate ESG criteria into its strategies.

There is therefore a need to be creative and to come forward with new solutions. To meet these challenges, significant resources have been allocated to the subject and strong governance has been set up. The Board of Directors gives mandate to the Responsible Investment Committee (RIC) to discuss issues related to responsible investment and is informed of significant developments.

As a result, ABAM's approach today focuses on several topics, including:

- A commitment to contributing to dialogue by participating in a number of collective initiatives (UNPRI, SBAI, AFG, Middlednext) to work in close collaboration with the relevant stakeholders and thus favor a coordinated and coherent approach to ESG issues.
- Exclusions, decided on the basis of values and the overall approach to responsible investment policy.
- The commitment to participate in conferences and events on the topic, to make public the challenges ABAM faces to incorporate ESG and to share its findings. When relevant, ABAM also responds to public consultations on the matter.
- Whenever possible and impactful, ABAM will seek to foster and support a better integration of ESG factors into our stakeholders' activities, such as organizations like Trading, Prime Brokers and Administrators.

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 the medium term, ABAM aims to enrich its exclusion list, measure the carbon footprint of its portfolios, build an "ESG dashboard" to track and include in investment decisions - where appropriate - indicators such as CO₂ footprint and biodiversity footprint, and carry out research and development on ESG-related risk management and alpha generation. Much of this work is already underway.





A.2. 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 into 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.

In order to be even more transparent about its choices in terms of responsible investment, ABAM also intends to publish its responsible investment policy, including its various components and control measures. This policy will be updated whenever significant changes are made.

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.

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

As described above, ESG challenges are such that they must be dealt with collectively. We participate in several collective initiatives to work as closely as possible with the relevant stakeholders and foster a coordinated and coherent approach on ESG issues:

- ABC arbitrage Asset Management joined the **United Nations initiative for the promotion and implementation of principles for responsible investment (UNPRI)**, [UN-supported Principles for Responsible Investment](#)) in 2022. Through this voluntary approach, ABAM intends to pursue its commitment to contribute to a sustainable financial system that takes into account the extra-financial criteria. Indeed 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 thus subscribes to the following 6 principles:
 - “We will incorporate ESG issues into investment analysis and decision-making processes.





- We will be active investors and incorporate ESG issues into our investment 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 is also a member of **AFG - Association Française de la Gestion Financière** - which represents and defends the interests of professional portfolio managers on behalf of third parties. It provides its members with ongoing assistance in the legal, tax, economic, accounting and technical fields and leads the reflection of the profession on the evolution of management techniques, research and the protection and orientation of savings. It participates in the responsible investment plenary of the AFG.
- Finally, ABC arbitrage is an active member of MiddleNext (an association of mid-caps listed on the Paris marketplace) and has joined **Middlenext's CSR working group**, which aims to collectively brainstorm on tools to be implemented, organize the regulatory watch or share best practices, including on ESG issues.

B. 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 2022, 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.

As of 31 December 2022, 10.8% of ABAM's assets under management took environmental, social and governance quality criteria into account. These assets are managed under a management mandate.





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 2022.

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, a figure confirmed by the IESF (Ingénieurs et Scientifiques de France) national survey published in June 2021, which also lists 28% women in the latest graduating classes). The percentage of women involved in the investment decision-making process in 2022 was also higher than the total percentage of women in the Group as a whole (25% in 2022).

In view of these constraints, ABAM intends, over the coming years, to seek a male/female ratio 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%.

