SFDR Regulation

1) Policy relating to “Sustainability Risks”

Within ABC arbitrage Asset Management SA (hereinafter "ABAM") the investment and disinvestment process on financial instruments is governed by the “investment committee” (COGE) procedure.

A COGE can be organised within the framework of a specific operation aiming to adapt the positions following specific opportunities or risks encountered in order to guarantee the adaptability of the limits to a given context and the consistency in considering risks on all strategies. A specific risk in relation to environmental, social or governance matters could arise that could impact an issuer and thus the financial instrument on which a position is taken or may be taken. More generally, exogenous risks including environmental, social risks or risks related to governance issues are well 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 proactively engages with its partners and counterparties to gather detailed information about their environmental, social and governance (ESG) policies.

Besides, ABAM does not invest in countries that are the most at risk in terms of corruption, money laundering and terrorist financing. For each new country in which it wants to trade, inputs on ESG aspects, such as the geopolitical risks, exposure to natural disasters, transparency, etc. are included.

Finally, better incorporating ESG criteria into risk management is an important step towards achieving sustainability and responsible business practices. ABAM would like to explore further how to integrate ESG into risk management frameworks and how to modify existing frameworks to better include ESG criteria and ensure that all ESG risks and opportunities are properly identified and addressed.

2) Not taking into account the "principal adverse impacts" (PAI)

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. 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 fulfilment. 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. ABAM nonetheless wants to support change in the investment management industry to foster a fair transition by bringing its 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 analyse further the possible means to integrate ESG criteria into its strategies to take into account the "principal adverse impacts" (PAI). 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.

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 portfolio 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.

As regards greenhouse gas emissions in particular, ABAM decided to first measure the emissions linked to its business activity. This analysis began in 2021 with the decision to measure the carbon footprint of ABC arbitrage Group, including its constituent companies, for scope 1, 2 and 3 emissions (i.e. greenhouse gases emitted directly by the company, indirect energy-related emissions and other indirect greenhouse gas emissions), except for the emissions related to its portfolio, for which discussions are underway. Indeed, ABAM uses alternative arbitrage strategies, the specific features of which need to be taken into account (exposures may vary very rapidly, cycles that are potentially very short, etc.).

3) Remuneration

The investment strategies implemented by ABC arbitrage Asset Management SA are a combination of several operations aimed at exploiting only the imperfections that may appear in the statistical relationships between the different markets or financial products. This method maintains complete neutrality in the selection of products processed through a quantitative and systematic method of intervention. Due to this neutrality in the selection of products processed, taking into account sustainability risks is not relevant to the remuneration policy of ABC arbitrage Asset Management SA. The remuneration policy implemented within ABC arbitrage Asset Management SA does not encourage or discourage the inclusion of sustainability risks in investment decision-making processes.