

ASSET
MANAGEMENT



Responsible investment policy



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Last update: 15 Jul 2024

This policy applies to all ABC arbitrage Asset Management's (ABAM) investments. It is reviewed and updated at least once a year or whenever any relevant event occurs.

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I. Philosophy

A. Who we are and what we do

We are a team of enthusiastic technologists, building innovative trading systems and quantitative asset management strategies across a range of assets with a focus on niche and mid-short term trading opportunities. We operate in nearly 100 markets around the world (24/5) providing liquidity with systematic mechanical or statistical signals.

We watch out for capital protection thanks to a thoughtful risk mitigation & risk management methodology.

B. Complete and reliable data is at the heart of our systems

The quality and performance of our software and our technical infrastructure is absolutely critical. The very essence of our activity means that our trading techniques are sophisticated and rely on a scientific and data-driven approach to generate alpha.

As our algorithms constantly track inefficiencies across 5 continents, we process billions of data elements every day, including fundamental data. All of these signals help us build a deep understanding of the markets and have a unique insight into asset prices.



The information must therefore be complete and reliable. We firmly believe that environmental, social and governance (ESG) data is now an integral part of the market signals that need to be taken into account. Furthermore ESG data can be material, so this is crucial to strive for reliable data on the matter.

C. We take responsibility for the impact materiality

The impact our company has on ESG factors is as important as the impact they have on our company. Although our main function is to provide liquidity to the markets, and we do not make any investments in the fundamental sense of the term, we want to further incorporate them into our “investment decisions” to assess the social and environmental contribution of our investments and foster positive outcomes on these issues.

This is in line with our mission to embody the Group's motto "Positive Finance" and with our CSR policy (see our [CSR report](#)).

Besides the environmental aspects, we consider that the development of human capital should also be a pillar of our responsible investment policy and an important criterion to be incorporated in our investment strategies. Indeed, human capital is our most valuable asset as the key factor of our sustainability and long term profitability.

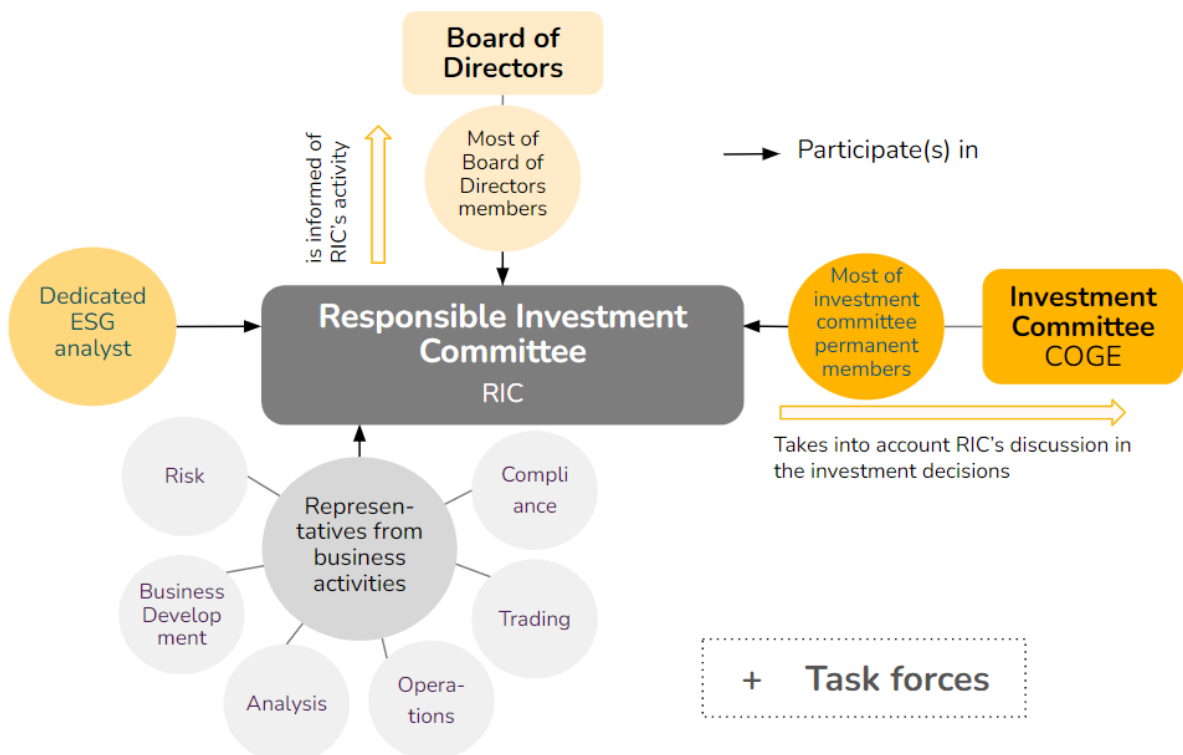
D. Our approach

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

There is a need to be creative and to come up with new solutions that will enable us to provide liquidity to the international markets while preserving capital and further taking into account the ESG factors.

We want to be part of the change in the investment management industry to facilitate a fair transition by bringing our expertise and creating new solutions to truly incorporate ESG factors into the universe of systematic and quantitative strategies.

II. Resources and Governance



A. Responsible Investment Committee (RIC)

The Board of Directors gives mandate to the RIC to discuss issues related to responsible investment and is informed of significant developments.

The RIC was formed seeking a diversity of experiences, backgrounds and genders so that it is truly representative of our values and identity and benefits from various opinions and experiences. It is therefore composed of employees at different functions or hierarchical levels, up to C-suite executives, including the CEO and Group CCO and gathers experts from all the relevant business activities.

The RIC meets at least every two months and more often if necessary (whenever a significant event occurs). Its role is to:

- prioritise and choose among RI pillars and propose to the Investment Committee and / or Board of Directors the implementation of these choices;
- build and drive the RI policy, endorsing the strategic orientations and overseeing the implementation;
- discuss the main innovations and changes (scientific, regulatory, etc.) related to sustainable finance and ESG;
- define topics and research areas to further expand the RI policy.

B. Dedicated Staff

An experienced ESG analyst is dedicated to all ESG issues, such as UNPRI membership, investment analysis, employee training or regulatory watch. She is responsible for:

- proposing RI actions (topics, actions, scope, etc.);
- implementing and coordinating the RI policy actions that are validated by the RI committee;
- following up on these actions;
- monitoring the implementation of the RI policy.

She works in close collaboration with all the teams involved in the investment process. As a result, other staff members also work on ESG issues. This allows for a transversal approach, which is crucial for ESG factors to be well taken into account at all stages of the investment process.

C. Investment Committee

Most of the investment Committee members participate in the RIC and are therefore fully informed of the discussions and conclusions of the RIC.

ESG issues are thus incorporated into investment analysis and decision-making in a systematic way as the Investment Committee has the final say on investment decisions.

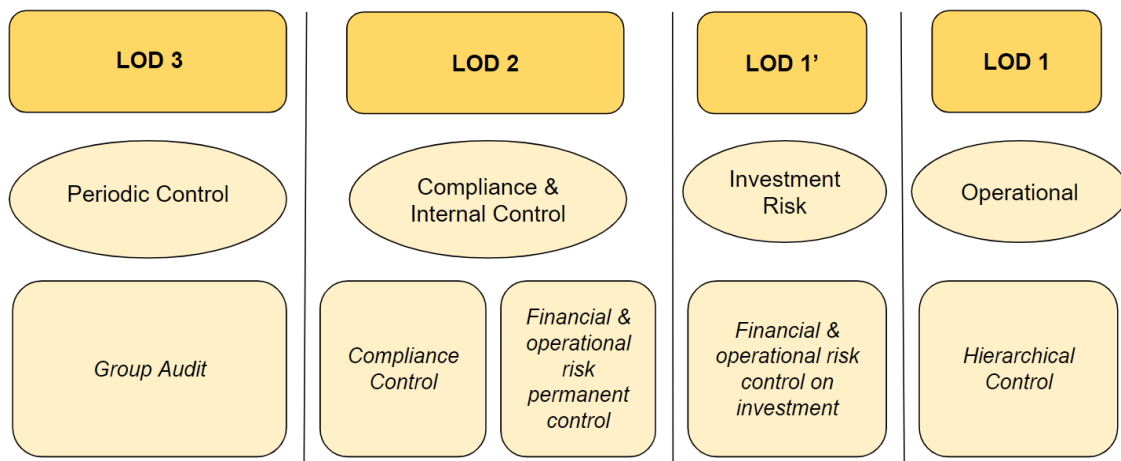
D. Tools and safeguards

Several tools and safeguards help ensure that our RI policy is fully implemented:

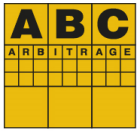
- Pre and post-trade tools: our IT systems are set up to prevent any trading in securities flagged as being on ABAM's exclusion list. When a security is flagged, the risk management team is alerted and adds the security to the restriction list, which prevents trading in that

security. Our system ensures that we do not hold positions in companies subject to sanctions that apply to us as it allows us to:

- detect a company subject to a sanction;
 - be alerted when a new sanction is applicable to a company;
 - give instruction to the operational teams in order to block trading on the securities of the company targeted by these sanctions.
- Strategies' parameters, including ESG factors, are monitored according to the "three lines of defense" (3LoD) model. Thus, the following three groups work together at different stages to provide increased protection and ensure that the agreed parameters are properly implemented:
 - 1st line of defense: business managers / portfolio managers, who define and manage processes and have primary responsibility for the risks taken by the business units, including identifying, assessing and communicating on risks and the Group Risk team, which supports portfolio managers by defining and establishing controls and assessment methodologies;
 - 2nd line of defense: Compliance team which realises the second level of controls;
 - 3rd line of defense: the Group internal control.



- As an asset management company our business is regulated, subject to authorisation and supervised by the *Autorité des Marchés Financiers* (AMF). Upon signing an employment contract, employees undertake to comply with all of the mandatory rules and regulations applicable to asset management activities, including the primacy of the client's interests and the fight against corruption, money-laundering and terrorism. Our principles thus also translate into several safeguards and rules that apply to each of us, namely:
 - A code of Ethics;
 - Fair business practices;
 - Strict procedures and rules governing the handling of orders and primacy of the client interest;
 - A whistleblower system;
 - An internal conflicts of interest policy: the Group's conflict of interest management policy takes into account the ESG and CSR aspects, depending on



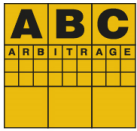
our activities and products. As part of this policy, a mapping and a registry of potential conflicts of interest have been created and are updated on an ongoing basis. All employees and managers are required to follow and respect the provisions described in the Conflicts of Interest Management Policy / Procedure, so as to be able to detect and report any potential conflicts of interest to the Compliance Officer.

- Live controls and daily monitoring are carried out by the execution support team to detect any inadequacies or deviations and to immediately correct them. This enables us to comply with all the relevant rules and regulations at any time and to make sure that our procedures are respected.
- The security and integrity of our systems has always been a very serious concern. We apply state-of-the-art policies to secure our infrastructure, networks and data. Cybersecurity is treated with the same importance as other security layers.
 - Databases and trading platforms use hardware owned by ABAM in a secure environment, run on private systems. No third parties are allowed;
 - Each operating system and platform is monitored and access requires proper authentication and authorization;
 - ABAM has CyberSecurity Policies & CyberSecurity Response Plan;
 - No data breaches have been reported;
 - We train our employees in security principles (in particular to detect phishing);
 - We protect information, computers and networks based on Zero Trust recommendations: strong & context based authentication, device posture, web proxy, network isolation and network encryption with Transport Layer Security (TLS);
 - Critical backup and information are replicated over at least two locations;
 - We have implemented multi factor authentication for every users;
 - Penetration tests are conducted by external vendors every 12 months and phishing tests are conducted several times a year by regularly changing contributors for better control;
 - Internal and external vulnerability scans are performed daily;
 - We also provide each employee with an Enterprise Password Manager. This is useful when third-party sites do not support SSO.

E. Training

We believe it is of utmost importance to provide training to raise awareness on ESG issues and to build a common understanding of how ESG should be further incorporated into our operations. We therefore:

- Send an internal ESG newsletter every 2 months to all employees. It summarises regulatory trends, best practices and highlights relevant reports and findings.
- Organise targeted presentations of ESG issues and main challenges upon request or whenever necessary, for instance to the portfolio managers. In 2024, all trading desk staff have received ESG training.



- Offer dedicated training on ESG issues as part of our global training program, “ABC university”, available for the entire staff.
- Present the ESG approach to each new recruit, whatever their position, when they join the company.
- Through our CSR policy and employee CSR working group, we regularly conduct awareness-raising activities. In the past year, they included for instance active discussions about calculating our carbon footprint, e-mails recalling good practices, etc. More details are available in our [CSR report](#).

III. Concrete Actions

The ESG challenges are such that they need to be addressed collectively. We seek to contribute to global thinking on how to integrate ESG into our particular type of activity, hedge funds and alternative strategies, for which many traditional means of responsible investing are difficult to implement (for example: see voting and engagement). In that respect, the hedge fund industry needs to be innovative to better integrate ESG considerations.

Conversely, our ESG activities directly benefit from stewardship activities. Indeed, as the aim is to foster a coordinated approach, and thus greater impact and comparability, we will apply a common understanding and agreed methodologies to measure the ESG performance of our portfolio (e.g. carbon footprint) and communicate accordingly.

A. Stewardship

1. Stewardship with investees and issuers: Voting and engagement

Due to the nature of our business, which is characterized by management via alternative strategies, our AIFs don't intend to hold positions over time. Moreover, most financial instruments aren't held directly as Financial instruments can be held under synthetic format (CFDs, swaps). As a result, AIFs can't acquire voting rights.

Nonetheless, we reserve the right, if possible and necessary, to take the appropriate decisions in order to use the voting rights or to table a draft resolution. For example, when a position is taken, we do not exclude the support of resolutions or votes relating to ESG issues¹.

2. Collective initiatives

We are participating in several collective initiatives to work as closely as possible with the relevant stakeholders and to contribute to a coordinated and coherent approach to ESG issues, particularly in understanding and measuring the impact of portfolios like ours and in participating in the debate on short selling, netting, and derivatives:

- ABAM 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, we intend to pursue our commitment to contribute to a sustainable financial system that takes into account the extra-financial

¹ See our [Shareholder engagement policy](#)

criteria. In 2024, we joined the Hedge Funds Advisory Committee ([HFAC](#)), a voluntary body of PRI signatory organisations whose role is to provide support to the PRI Executive in the design, delivery, and dissemination of hedge funds guidance products to help implement the Six Principles. This committee acts as an advisory body.

- We are a member of the Standards Board for Alternative Investments (SBAI) Responsible Investment Working group. This working group is made up of over 200 representatives from asset managers and institutional investors and meets regularly to discuss specific ESG issues and broad Responsible Investment principles.
- We are also an active 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 legal, tax, economic, accounting and technical support and leads the reflection of the profession on the development of management techniques, research and the protection and orientation of savings. We specifically participate in the responsible investment plenary of the AFG and are a member of the “Fair transition” working group.
- Finally, ABC arbitrage (ABAM’s parent company) is an active member of MiddleNext (an association of mid-cap companies listed on the Paris marketplace) and has joined Middenext’s CSR working group, which aims to collectively brainstorm on tools to be implemented, organise the regulatory watch or share best practices, including on ESG issues.

3. Stewardship with other stakeholders

We are committed to contributing to the public debate and emergence of common best practices and standards. When relevant, we also respond to public consultations on the matter.

Whenever possible and impactful we seek to foster and support a better integration of ESG factors into our stakeholders’ activities, such as organisations like Trading, Prime Brokers and Administrators. We select the financial intermediaries we work with with the greatest care, to ensure that they meet our requirements in terms of good management practices. We carry out an in-depth analysis of their practices on the basis of an extensive Due Diligence Questionnaire. As part of this process, we now systematically gather detailed information on their ESG policies and assess them.

B. Exclusions

Exclusions are decided based on our values and our overall responsible investment policy approach. The following companies / assets are excluded from our investment universe:

- **Sanctioned countries:** we strictly comply with international regulations by excluding countries and organisations (and issuers from those countries) sanctioned by the European Union and the United Nations. We also implement exclusions based on our investors’ jurisdictions, such as the Canadian regulation and closely follow US sanctions.
- **Other countries:** we do not trade in countries that are the most at risk in terms of corruption, money laundering and terrorist financing. We use public lists from the Financial Action Task Force (FATF), the global anti-money laundering and anti-terrorist financing watchdog, which identifies jurisdictions with weak anti-money laundering and anti-terrorist financing (AML/CFT) measures. We also use Transparency International’s Corruption Perceptions

Index (CPI), which ranks countries according to perceived levels of public sector corruption. For countries with a better ranking but still at risk of corruption, money laundering and terrorist financing, an alert is sent to the Investment Committee, which has the ultimate responsibility for deciding whether to continue trading in the country. Besides, for each new country in which we intend to trade, we include ESG information, such as severe geopolitical risks, AML-FT risks, corruption, Human Development Index (HDI), in the analysis.

The process to decide exclusions based on ESG criteria is as follows:

- Preliminary identification of assets that may be excluded from our investment universe is conducted by dedicated staff as part of ESG research.
- Proposals, themes and scopes are discussed within the RIC.
- Once a decision to exclude is made, ESG staff assesses the solutions to identify assets to be excluded. When relevant / possible, and in order to give more weight to collective initiatives, we rely on existing exclusion lists. In this case, ESG staff reviews the external providers and the data used to confirm the robustness and that the lists meet the need and help achieve the goal.
- Implementation of exclusions is validated by the Investment Committee, after a thorough analysis and is then carried out in coordination with all involved parties (portfolio managers, risk department, etc.).

The screening policy is regularly updated to reflect any changes in the source lists.

C. ESG Integration

We believe that in its own way, and since its creation, the Group contributes to local development, through its activity and to the smooth running of the financial industry. Indeed quantitative and systematic alternative strategies are a combination of several operations whose aim is to make a profit by taking advantage of the imperfections likely to appear between different financial markets. They therefore enable prices for the same asset to converge between different markets, ensure fluidity between different markets and contribute to their liquidity. In carrying out our activities, we contribute in our own way to maintaining the relevance and efficiency of the markets, and to ensuring compliance with the rules. Our activity also enables "small holders" to access the market and acquire securities at fair value. To be able to track these impacts, we are progressively building an "ESG dashboard".

In addition, as we rely heavily on data, it is a key component in integrating ESG factors and designing relevant RI approaches. We have thoroughly researched and compared a number of ESG providers, checking the quality of their data sets and how up-to-date they are. We have now subscribed to an ESG data service that will allow us to enrich our ESG dashboard and monitor other aspects of the extra-financial performance of our portfolio.

We are now working to measure the greenhouse gas (GHG) emissions of our portfolio, which refers to the total amount of GHG emissions associated with the assets that make up the portfolio. This is a complex process not only because it involves accounting the emissions associated with each company in the portfolio - and therefore requires reliable and accurate data - but also because it involves defining a methodology that is adapted to the specificities of our portfolio (different types of instruments, short cycles, including short positions, etc.).

D. ESG risks

With regard to risk management, ABAM's investment Committee plays a central role in the investment and divestment process for financial instruments. An investment committee can be organized 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 ESG 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 taken into account in the risk mapping.

In particular, three types of ESG risks need to be considered: physical risk (which refers to losses due to climate change or environmental degradation, for example as a result of extreme events or loss of biodiversity and deforestation), transition risk (which refers to financial losses linked to the transition process, for example as a result of the adoption of climate and environmental policies or changes in market preferences) and reputational or litigation risk (which refers to damage to a company's reputation or liability for ESG issues). Physical and transition risks are, for the most part, not applicable to the assets managed by ABAM, due to the extremely rapid life cycle of alternative strategies (positions / exposures are opened over a very short period of time). Reputational and litigation risks related to legal, tax and ethical considerations are taken into account by investment committees. ESG issues also increase the complexity of traditional financial risks (counterparty, market, liquidity, operational, data-related, technology-related risks, etc.). Consequently, the way these risks are managed will need to continue to evolve.

E. Investors' preferences

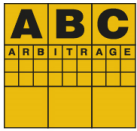
We are committed to understanding any additional ESG requirements that our clients may have and making every effort to integrate them into the investment decision-making process so that we can meet their sustainability preferences through the implementation of appropriate enhanced internal measures when they do not impact the vehicle's investment objectives and the fairness of all investors.

Any significant change in our responsible investment policy or in oversight related to responsible investment is included in our reporting to clients and beneficiaries. This would include breaches in our responsible investment policy, if any.

IV. Our way forward

A. Excluded Companies

We will continue to expand our exclusion list to ensure that our investment strategies won't support companies or activities that we deem unethical, socially or environmentally harmful or against our values.



B. ESG Integration

We will continue our efforts to calculate and update the carbon footprint of our portfolio in order to monitor and include in our investment decisions - where relevant - indicators such as carbon emissions, carbon intensity, etc.

We will seek to progressively expand our ESG dashboard to include other ESG indicators, such as biodiversity footprint.

In parallel, we will continue exploring available solutions to find relevant and good quality data, design specific metrics and measure impact. In this respect, Taxonomy information and data from Corporate Sustainability Reporting Directive (CSRD) will become available for more and more underlying assets in the coming years. This will allow us to have a more comprehensive and coherent overview on ESG factors.

C. Research & development

Here are the three main areas of research that we would like to explore:

- **Risk Management**

Better incorporating ESG criteria into risk management is an important step towards achieving sustainability and responsible business practices. We would like to explore further how to integrate ESG into risk management frameworks and how to modify existing risk management frameworks to better include ESG criteria.

- **Alpha Generation**

Incorporating ESG data can help generate alpha by providing insights and a more comprehensive view of a company and enrich the fundamental data used in our quantitative models.

- **Voting and engagement**

We are investigating the possibilities for AIFs to vote and ask questions in relation to resolutions.

V. Exemplarity

We strive for exemplarity and apply to ourselves all the above mentioned principles. We voluntarily report on our CSR (Corporate Social Responsibility) actions and progress since 2015 and we have set up a CSR working group at the Group level in 2022. Here is an overview, find out more in our [CSR report!](#)

Carbon footprint

- ✓ Extensive Carbon footprint of operations covering scopes 1, 2 and 3
- ✓ Updated every year
- ✓ Lever to identify the most impactful actions (ex: IT)

Diversity and Inclusion Policy

- ✓ Action Plan for equity, incl. equal pay
- ✓ Gender equity within the Board of Directors
- ✓ Hiring Policy free from any form of discrimination
- ✓ Training : core business & soft skills
- ✓ Internal alert procedure

Work and personal life balance

- ✓ Part-time possible
- ✓ Flexibility in working hours
- ✓ Parental Leave Policy, childcare facilities
- ✓ Possibility of remote working on a regular basis

Sustainable use of resources

- ✓ Energy saving plan, in partnership with Ecowatt (French TSO)
- ✓ Environmental criteria for data center choice
- ✓ Automatic setting of printers
- ✓ Group's processes digitized

Other stakeholders

- ✓ Subcontracting and suppliers
- ✓ Shareholders & investors
- ✓ Local, economic and social impact of our business
- ✓ Privacy & Data Security



Social dialogue

- ✓ Economic and Social Committee + CSR working group and task forces
- ✓ Annual & regular professional interviews
- ✓ Corporate life & integration
- ✓ Satisfaction surveys

Sponsorship Actions

- ✓ *Maisons des Jeunes Talents* & *basis.point*: educational programmes to disadvantaged youths
- ✓ Sport / art: Jean-Pierre Dick, *Young Multi Talented of ABC arbitrage* (Charlotte Liautier, Adrien Pendaries, Charly Quivront, Mathieu Latour) & French artists

Health

- ✓ 1st aid training, fire-fighting, evacuation, etc.
- ✓ Awareness: incentives for healthy food, sport
- ✓ Prevention of violence & harassment
- ✓ Voluntary vaccination campaigns
- ✓ 100% of the basic cost of top-up health plan covered

Internal communication

- ✓ Reminders about good environmental practices based on indicators
- ✓ Maximum use of new technologies, train, business meetings grouped, etc.
- ✓ Serious game (*Ma Petite Planète*)

Waste management

- ✓ Recycling points
- ✓ Monitoring: *Les Joyeux recycleurs*
- ✓ Cups, containers, etc.
- ✓ Outlet for used computer equipment

VI. More information

ABC arbitrage Asset Management complies with all the applicable regulations, namely:

- The French “Loi-énergie climat” (n° 2019-1147 du 8 novembre 2019): see [our report](#);
- The Sustainable Finance Disclosure Regulation, (EU) 2019/2088, introduced to improve transparency for sustainable investment products and prevent greenwashing: see [our report](#);
- As a signatory of UNPRI we will publicly report annually on key features of its RI policy, starting in 2024.