

## Sustainability Risks

The Boussard and Gavaudan Group's ("BG" or the "Firm") has implemented an ESG a Responsible Investment Policy which sets out the firm's approach to the integration of sustainability risks in its decision-making process. The policy is available from Firm's website: [ESG policy | Boussard & Gavaudan \(boussard-gavaudan.com\)](https://www.boussard-gavaudan.com)

A summary of the contents is provided below.

### Integration

As set out in the EU Sustainable Finance Disclosure Regulation ("**SFDR**"), "*sustainable risk*" means and environmental, social or governance ("**ESG**") event or condition that, if it occurs, could cause an actual or potential material negative impact on the value of an investment. The Firm seeks to integrate sustainability risks ("**Sustainability Risks**") and ESG considerations into its investment decisions where Sustainable Risks are relevant to the proposed investment. Sustainability Risks are considered throughout the investment process, ranging from the Firm's initial group review of new prospective products, to idea generation and risk management.

Within the Firm's fundamental strategies, certain sectors and companies have increased exposure to environmental and social risk and the Firm's analysts factor these considerations into their analysis and investment proposals. ESG considerations are not normally the primary driver of an investment decision, however they often serve as a catalyst for further investment research, investigation and discussion.

The Firm has contracted a specialised ESG provider which produces research to complement the efforts of the Firm's analysts. Each individual analyst employed by the Firm is responsible for integrating ESG considerations when analysing an investee company for approval of their proposed investment by the Firm's investment committee ("**Investment Committee**"). When ESG factors have a material impact on the investment thesis, positively or negatively, the Investment Committee records its conclusion in the Firm's portfolio management system.

Quantitative strategies do not currently factor in qualitative ESG considerations as the trading strategies employed by the Firm are designed to take advantage of short term moves and temporary arbitrage opportunities with trading conducted in baskets often across hundreds of individual stocks. Quantitative strategies are nevertheless restricted from trading in stocks listed in the Firm's controversial weapons excluded list and their positions are included in the portfolio calculations for risk management.

At the portfolio level, the Firm calculates the net exposures to a variety of ESG metrics to ensure that portfolios are not overly exposed to Sustainability risks. These metrics are made available to both the Firm's risk Committee and the Firm's ESG committee so that both viewpoints are considered.

## **Impact of Sustainability Risks on Returns Assessment**

The Firm believes the Integration of ESG considerations into the funds' investment processes will allow for better management of the funds' exposure to Sustainability Risks. In line with its financial market neutral objective, the funds aim to carry minimal Sustainability Risks, therefore the inclusion of Sustainability Risks in the investment process should result in lower financial risk for the funds.

The Firm does not expect such ESG integration to have a negative effect on returns, as the core objectives of the funds are not altered by ESG objectives such as best-in-class or impact-only-investing.

On occasions certain investments that may be made by the funds may be negatively impacted by Sustainability Risks. Sustainability Risks may impair the value of the investments made by the funds, including the loss of the entire amount invested. Sustainability Risks may arise and impact a specific investment made by the funds or may have broader impact on an economic sector, geographical regions or countries, which, in turn impact the funds' investments.

Finally, the Firm believes the increasing importance of ESG considerations in financial markets creates new opportunities for catalyst driven investment, which is a core feature of Firm's investment strategy. For example, if an investee company facing Sustainability Risks is addressing these issues, the improvement in its ESG profile will lead to a re-rating of its stock price.

## **Remuneration Policy**

BG's Remuneration Policy sets out how it will remunerate staff in line with regulatory requirements.

Remuneration at BG is split between a fixed salary and a variable bonus. Variable remuneration is paid to reward staff for their performance in achieving or exceeding targets set by the Firm. Performance of staff is assessed during an annual review and a key consideration is staff's adherence to the Firm's policies and procedures which includes the Firm's ESG and Responsible Investment policy which describes how sustainability risks are integrated at BG.

In relation to variable remuneration, the key provisions of the Policy include:

- Deferral
- Awards in instruments
- Retention of instruments
- Malus and clawback provisions
- Determination of remuneration

The provisions of remuneration policy are designed to discourage excessive short-term risk taking and protect the interests of the Firm's clients by aligning the interests of staff with those of clients, ensuring sustainability risks are integrated into the Firm's processes and culture.

## **Principal Adverse Impact on Sustainability Factors**

BG does not consider principal adverse impacts ("PAI") within the meaning of Article 4 and Article 7 of SFDR. However the Firm is able to produce the PAI report and makes it available to investors upon request.

BG shall periodically reassess the integration of sustainability risks, the consideration of principal adverse impacts and the ESG policies adopted by the Firm.

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