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28th June 2023

SUSTAINABILITY REPORT

Introduction

This report aims to meet the following requirements:

- Regulation EU 2019/2088 of the Parliament and of the Council on sustainability-related disclosures in the financial sector ("SFDR")
- Article 173 of the French Loi sur la Transition Energétique et la Croissance Verte
- Article 29 of the French Loi Energie et Climat

As applied to Capital Fund Management S.A. as investment advisor of certain investment programs.

Information in this report is drawn from CFM's ESG Policy, Engagement Policy, UN PRI Due Diligence Questionnaire, Firm Due Diligence Questionnaire and existing website, supplemented by additional comments provided by CFM's Head of Sustainability.

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Our approach

General philosophy

Quantitative investment strategies and ESG are two of the fastest growth areas within the asset management industry. With investors evermore savvy and interested in both, we believe that the investment landscape is likely to be altered by their continued, and collective development.

As one of the pioneers of systematic quantitative investing and armed with the belief that responsible investment efforts are likely to alter market dynamics, we are poised with our ESG investment solution.

Considering the E dimension for instance, it seems clear: the 'brown' dynamics that fuelled the previous century are fading in favour of a transition to a 'green' economy – with effects likely to be both broad in scope and significance.

This transition will evoke a complexity challenge that demands an understanding of sector and company relationships; foresight of how and when to seize emerging opportunity and avoid risks; expertise in finding and analysing the right information; and know-how and tools to extract the maximum value for our clients.

Our strategy is predicated on all these abilities so as to identify those companies that will be the winners and losers of this transition, but at the same time not remaining agnostic to the importance of Governance and Social issues.

To this end, CFM differentiates between specific E, S and/or G factors that are of an ethical nature, for which it will take guidance from its investors rather than imposing its own views, and those whose financial materiality has now clearly emerged, or is likely to emerge as the probability of some internalisation of negative externalities increases, and for which it considers within its mandate to identify and manage corresponding risks and opportunities.

CFM's responsible investment policy, in its current philosophy and design, was largely inspired by "Fiduciary Duty in the XXIst century". As an asset manager, CFM has a dual mandate. It owes its investors to incorporate their ESG preferences and it also needs to integrate whatever ESG concern it deems financially material. In particular, CFM is committed to understanding and incorporating ESG information into its investment process to the extent that it has become apparent that sustainability is a market driver. In particular, the transition to a less carbon intensive economy is recognised as a necessity for humanity that will have financially material repercussions on the valuation of companies. CFM has laid out some key principles to its responsible investment approach:

CFM Responsible Investment ("RI") related fundamental beliefs

- Buying a corporate security lowers the cost of capital of the issuer, and potentially of similar issuers, everything else being equal;
- Metrics that are linear across long positions are linear across short positions as well, implying that shorts' impacts are opposite to those from equivalent longs. Any positive price impact due to increasing the liquidity by trading is more than offset by the negative price impact of selling;
- Derivatives in equity, credit, interest rate or foreign exchange have a similar societal impact as cash instruments carrying the same economic exposure;
- There is little risk of causing harm when trading commodities through futures contracts. We refrain from any dealing in physical commodities;
- Even though ESG factors are typically perceived to be playing out over medium to long term horizons, they may still statistically matter in a highly diversified portfolio, notwithstanding its average holding period;
- Voting, when possible, is a valuable responsible investment tool;
- Capitalism, as we know it, will increasingly produce solutions to tackle environmental challenges ahead. Sticking with the procrastinators may therefore prove financially ineffective; and
- Financial materiality as well as societal effectiveness may be more often found in pursuing agendas backed by strong actions taken by regulators, which explains our focus on climate change and diversity related concerns.

Investment policies

To this point in time, CFM's RI research has focused on equities. CFM's Research and the Data teams have conducted a thorough analysis of numerous vendors of ESG related datasets, leveraging CFM's expertise in analysing alternative data. They have reviewed the methodology and technology of the providers and tested the reach, relevance and quality of the datasets to form a view on their predictive power

A dedicated portion of our Research Team maintains ESG equity predictors based on a variety of signals including but not limited to carbon emissions, exposure to green technologies, and climate change transition and physical risks that are potential sources of alpha as well as prospective risk mitigation techniques. All such predictors are organized into a "sustainability cluster". A sustainability focused equity market neutral program, CFM QUASAR, was launched in December 2020, to offer this cluster on a standalone basis, with the aim to encourage the transition to a more sustainable economy whilst seeking to benefit from it. The same sustainability cluster has been implemented, with minor adaptations, into all other CFM programs trading equities since early summer 2021.

In addition, CFM has decided to implement certain exclusions. Beyond the legal requirement of excluding non-conventional weapons (which CFM has expanded to include chemical, biological and depleted uranium weapons), we have also recently excluded companies that derive over 20% of their operational revenue from thermal coal unless their green activities and/or transition efforts are deemed important enough to compensate for this. In addition, CFM currently refrains from taking any positions on coal future contracts.

Initiatives

CFM does not currently engage directly with issuers. However CFM supports collaborative engagements and has joined a number of initiatives as illustrated below:

Association/Body	Role	Start Date
UNPRI	Signatory	2018
Hedge Fund Advisory Committee of UN PRI	Member	2021
AIMA	Responsible Investment Committee Member	2020 (AIMA membership since 2009)
Carbon Disclosure Project (CDP)	Member	2019
Climate Action 100+	Collaborator	2020
FAIRR	Member	2021
SBAI Hedge Fund Standards	Signatory	2011
IIGCC	Member	2022

In addition to the above:

- CFM supports TCFD recommendations since December 2020.
- CFM signed in 2020 the letter addressed by the Swiss Sustainable Finance organisation to index providers asking them to remove controversial weapons manufacturers from their mainstream indices.
- CFM has participated, since 2021, to CDP's SBTi campaigns
- CFM signed the letter written by FAIRR to the FAO calling for a Roadmap to 1.5C for the agriculture and land use sector and the letter written by the Food Foundation to the UK Government calling on them to introduce mandatory reporting for food sector companies
- As a collaborator of Climate Action 100+, CFM is taking part in one of the airlines work streams.

Products

Each CFM fund may take different approaches to ESG in its investment policy. These will be detailed in each fund's legal documentation, with – as the case may be – additional reporting in monthly factsheets.

As of December 31, 2022, CFM managed one fund classified under Article 8 of EU Regulation 2019/2088 (Sustainable Financial Disclosure Regulation, or "SFDR"): CFM UCITS ICAV – Quant Sustainable Absolute Return Fund ("Quasar"). Its assets under management at the time were $6.4M, or 0.07% of CFM's total assets under management.

CFM does not manage any funds with an ESG label (e.g. French ISR funds) nor funds classified under article 9 of SFDR.

Internal resources and governance

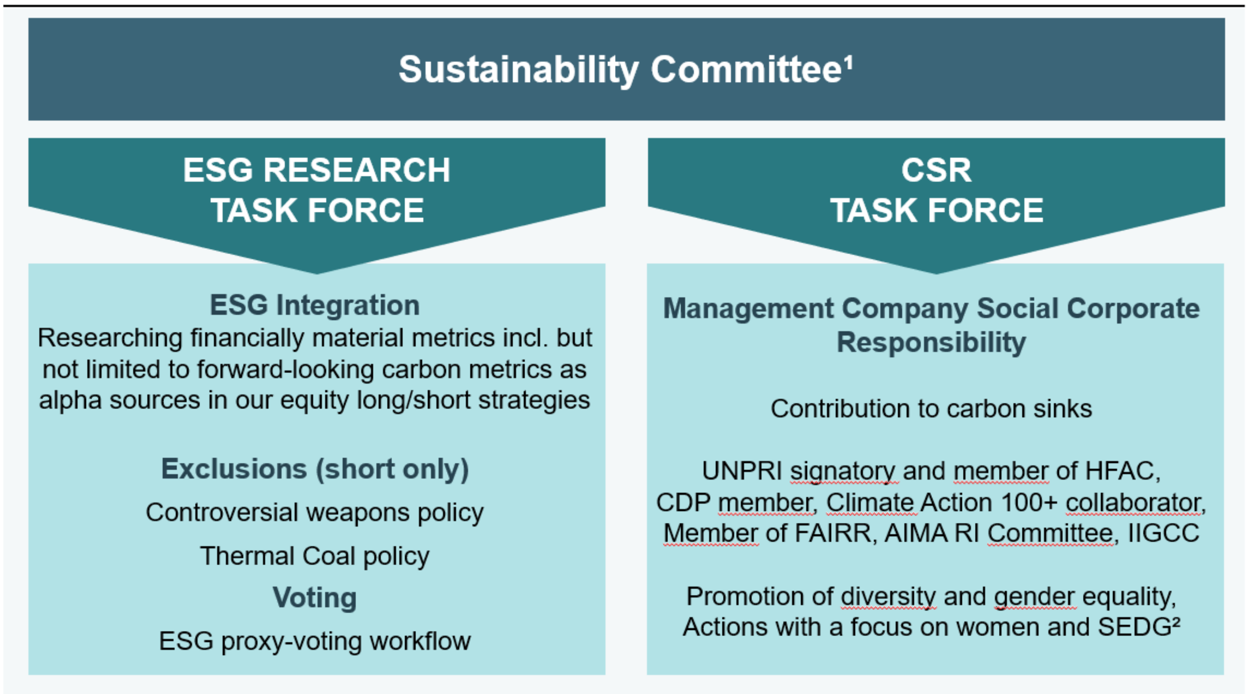
Governance

Oversight of ESG issues is achieved by the Sustainability Committee which comprises 4 members of CFM's Managing Board: Chairman of CFM, President of CFMI, Chief Investment Officer, Chief Product Officer, plus the Head of Sustainability, Head of Quantitative Investment Solutions and Head of Legal and Compliance.

The Sustainability Committee was created in March 2020 to strengthen the Firm's ESG focus with an appropriate governance. The committee sets the targets and monitors progress and is supported by two dedicated task forces:

- a Responsible Investment taskforce that implements the ESG integration objectives set by the abovementioned committee combining CFM's full capacity in predictor selection, portfolio construction and ESG expertise, and

- a CSR (Corporate & Social Responsibility) taskforce that suggests corporate policies aiming at improving CFM's environmental footprint and societal impact as an employer.



¹ Committee comprises 4 Board members; ² socio-economically disadvantaged groups.

The Firm's ESG initiatives at the corporate level and at the investment level are described in CFM's ESG Policy.

The internal rules of the Board do not explicitly take into account ESG considerations, but 4 of the 5 Board members are on the Sustainability Committee.

ESG resources

This governance structure is supported by a group of 3 researchers led by Pierre Lenders, CFM's Head of Sustainability. This team seeks to identify new ESG datasets and potential models, which are then passed along to CFM's broader Research group (58 headcount) for evaluation, testing and implementation. Pierre is an industry veteran with experience in fixed income and equity options market making, having held senior/C-level positions at JPMorgan Paris, Murex NA, and HDF Finance. Since 2013 his sole focus is on RI, as founder of Prius Partners (an ESG FinTech) then as CEO of TerreNeuve Capital, a sustainability-focused long-short equity manager. Pierre is a frequent media contributor and has been interviewed multiple times in specialized press to share his views.

The Head of Sustainability has held two ad-hoc training sessions for employees. In addition, several internal teach-in sessions between Research and Investor Relations have taken place, including progress made in regard to development of sustainability strategies. A formal RI training course is now available to all employees.

The 2022 budget for ESG-only datasets and research amounted to 3% of CFM's data expenses (note that CFM's sustainability-related investments also leverage other datasets that are not solely dedicated to ESG). For a sustainability topic to be tradable, it must be measurable, its data must be available and meet certain quality standards and exhibit predictability power. It is not always possible to derive meaningful backtests from such analysis because of the lack of history in the datasets or because such factor may not have been deemed material in the past. There is therefore an element of discretion in the integration of sustainability predictors. CFM distinguishes between backward-looking predictors based on past data and forward-looking predictors that aim to predict sustainability features. Sustainability related data sources that have enabled us to construct our sustainability predictors comprise:

- One leading ESG data provider, who has acquired a carbon specialist firm, and has developed a wide range of backward- and forward-looking indicators related to the potential financial impact of the transition,

- One leading environmental data provider,
- One carbon and biodiversity specialist,
- One controversy risk specialist,
- One gender equality specialist,
- One provider of green revenue share data,
- Various datasets maintained by not-for-profit organizations (SBTi, Urgewald, CDP, Influence Map, FAIRR, etc..) providing insights into various transition related topics and/or behavioural characteristics,
- News flow from various sources allowing to extract close to real time information on recent partnerships, acquisitions, technological breakthrough, contracts or other relevant events indicative of companies' efforts to transition which can be processed using natural language processing (NLP),
- Specific industry specialists for high stake sectors.

As a result of this research, CFM was able to deploy additional models in all equity programs and is continually enriching its trading algorithms to identify new opportunities.

Remuneration

CFM has a formal performance evaluation system where employees and managers enter objectives and log performance reviews against these objectives. The Research team follows the same approach. Each research team will work on the dedicated theme chosen by their manager. Research on responsible investment predictors is one among various alpha themes and compensation philosophy around the sustainability cluster follows the same rule.

Corporate and Social Responsibility

Diversity, Equality and Inclusion ("DEI")

CFM strives to be a good employer, promoting diversity and gender equality. CFM is committed to hiring people based on merit and to removing any potential biases that could discriminate against qualified candidates in our hiring procedures. We believe that one of CFM's competitive advantage is the diverse backgrounds of our people. Diversity fosters a creative and collaborative atmosphere, which in turn promotes innovation. Constant innovation is a critical aspect of our business, and it is one of the reasons for CFM's longevity.

Social norms in certain countries prevent from equal talent representation in pursuing quantitative subjects and limit talents available to hedge funds. As a result, we have not yet set a target in terms of women's representation among CFM's investment decision-makers. One of the initiatives undertaken by CFM is to promote women to pursue scientific careers: either via scholarships ("Woman in Quant Finance", a PhD program at Ecole Polytechnique in France) or hosting events such as "Women in Machine Learning and Data Science".

Since March 1st, 2020, CFM publishes each year its score within the framework of the professional gender equality index. This index, which aims to measure professional equality between men and women in companies, is calculated on the basis of different indicators, including pay gaps between men and women. For 2020, 2021 and 2022 the score was respectively: 88/100, 86/100 and 89/100.

A DEI working group has been created in 2021 comprising 6 members (Head of HR & Administration, Head of Trading Research, Head of Sustainability, Deputy Head of Operations, Head of IR Americas, IR Executive Director). The group is in charge of defining DEI at CFM, proposes and reviews initiatives and is in charge of external and internal communication. The DEI working group reports to the Sustainability Committee.

The group has decided to start focusing on 2 internal and external groups: women and socio-economically disadvantaged populations.

Example of initiatives:

- Volunteering during office hours organized via a charity participation platform Wenabi (8 hours of professional time per year) launched in October 2021
- Sponsoring and hosting events (Girls who Code in the US, Women in Machine Learning and Data Science in Paris)

- Financial donation to support mission: Women in Quantitative Finance scholarship at Ecole Polytechnique in Paris – two female students already sponsored
- Providing internship opportunities to focus on women and socio-economic disadvantaged candidates
- Supporting and encouraging internal employee resource groups: via workshops on recruitment, promotion and an internal network
- Signed the UN Women Empowerment Principles.

Environmental initiatives

In 2020, CFM contributed to financing existing carbon sinks solutions (with additional positive externalities) through the ClimateSeed platform. This was done after taking employees preferences through a vote. In 2020, 2021 and 2022 CFM purchased 2600, 2000 and 2000 Carbon Credits Units (tCO2eq) respectively, for a total of over 20,000 euros each year (the computation of the carbon footprint was done by CFM and hence not audited). We considered emissions related to on-site and out-sourced IT footprint as well as air travel recorded the year before. Figures in 2021 and 2022 were lower due to substantially less travel by CFM employees.

Finally, CFM conducts periodic meetings with its landlords with respect to energy efficiency, recycling and water management (HQ).

Engagement policy

CFM's engagement policy is available on our website[1], as is our annual report on shareholder engagement[2]:

CFM does not currently engage alone with any issuer, as there is typically no commitment to hold positions indefinitely. However, CFM has a policy to vote by proxy in shareholder meetings that its Clients are notified of, using a third-party proxy voting adviser (the "Proxy Agent"), except when the aggregate Clients' holdings in an issuer are insignificant. CFM will generally vote by proxy in line with the recommendations of the Proxy Agent. To this end, CFM has subscribed to the Proxy Agent's ESG Guidelines and has verified, based on general guidelines and principles, that the recommendations rather systematically supports shareholder motions that demand more transparency from companies in terms of strategy for climate change and handling of related risks, in terms of lobbying money being spent on climate change related initiatives, and in terms of linking management remuneration to achieving ESG related targets. For ballots relating to particularly sensitive topics, the CFM ESG team may confirm that the Proxy Agent's recommendation fits its Clients' best interest before approving the vote.

Furthermore and as described above, CFM deems it appropriate, at times, to support collaborative engagements, on top of acting through its CDP's signatory status.

EU Taxonomy and fossil fuels

As described above, CFM currently focuses on seeking to identify companies that will best navigate the transition from a 'brown' to a 'green' economy, but not necessarily on creating portfolios of investments that are already 'green'. In addition, CFM's quantitative approach and broad investment universe makes it particularly challenging to determine, systematically and consistently, which underlying asset meets the complex criteria to be considered aligned with the EU Taxonomy. As a result and absent a broad market-standard dataset available, CFM does not track the amount or share of assets invested in Taxonomy-aligned investments.

CFM does not prohibit investments in fossil fuels (except, as described above, for long investments in companies that derive a significant part of their revenue from coal). While Quasar naturally tends to be net short of investments in fossil fuels, that is not necessarily the case for other equity programs.

As of December 31, 2022, the overall long exposure of CFM to companies active in the fossil fuel sector amounted to $813M, or 8.6% of total assets under management; while the short exposure to the same amounted to $684M or -7.3% of

[1] https://www.cfm.com/wp-content/uploads/2023/02/Engagement-Policy2023.pdf
[2] https://www.cfm.com/wp-content/uploads/2023/02/Annual-Report-on-Shareholder-Engagement-2022.pdf

total assets under management. This analysis is based on leveraging third-party data sets we have access to in order to determine a fraction of revenues corresponding to the fossil fuel industry and applying that fraction to each long or short position to determine a weighed position size.

Alignment with Paris Accords

As indicated in section 2 of this document (CFM's general approach), CFM seeks to incorporate in all its equity investment programs, with varying intensity, considerations that (a) greener companies, (b) companies that participate in the greening of the economy and (c) companies that green themselves faster than their peers should, everything else being equal, outperform.

CFM, at this stage, has no activity in corporate credit, but would most likely apply a similar philosophy if that were to be the case.

As part of our core investment beliefs, as an asset manager, we have an impact through our trading and investment decisions, both at single stock level and thematically, on the relative cost of capital of various real-world economic activities. By deciding that we want to reduce, or, even better, that we want to short our economic exposure to certain companies involved in certain economic activities, we make subsequent access to both debt and equity financing in the primary market more expensive, i.e. less attractive for companies considering getting involved or increasing their involvement in such economic activities. With a perfect symmetry in the argument, by deciding that we want to create, or, even better, that we want to increase our economic exposure to certain companies involved in certain economic activities, we make subsequent access to both debt and equity financing in the primary market less expensive, i.e. more attractive for companies considering getting involved or expanding into such economic activities.

Economic exposures are established using not only long physical securities but also, and in fact mostly derivatives, both on the long and the short side. We are therefore following with much interest any indication from regulators and standard setters as to how they consider derivatives and shorts should be accounted for. We have participated in providing comments to the IIGCC on their consultation and have published a paper synthesizing our views on the matter[3].

Until this is clarified, CFM will continue to report separately and next to each other's, for longs and shorts, whatever relevant metrics allowing to monitor current and forward-looking carbon footprints.

As of today, starting from a variety of third party datasets described in the "ESG resources" paragraph in section 3 of this document ("Internal resources and governance"), and applying a number of in-house methods to treat and transform this raw data into a more usable set of thematic ingredients, we have come up with a number of quantitative ways to rank stocks within segments of our investable universe on a number of ESG dimensions we deem relevant (either universally or on specific segments only), including but not limited to: direct emissions, indirect emissions, stranded asset risk, exposure to green technology, existence, quality and credibility of emission reduction targets, overall resilience to transition risk, overall resilience to physical risk, capacity to contribute to the greening of the economy, proximity, within the supply chain, with companies notoriously favourably exposed to the transition, tendency to show strong alignment with positive transition related narratives in the news flow.

CFM's aim, when implementing this battery of indicators, is not to regulate our portfolio construction using negative screening, it is rather to ensure that our investment decisions integrate climate considerations, and the need for the economy to align to Paris Agreement, together with other factors we may deem important which are also going to play a role in the price discovery mechanism. So whilst we do not at this stage constraint our equity portfolios to exhibit any particular characteristic in terms of the carbon related metrics we consider, we do find that, depending on the weight we place in the various programs on these dimensions relative to other factors or predictors, we will typically find our shorts to have, on average, either just a slightly stronger, or in other case a much stronger carbon intensity than our long positions.

As an example, this is how we reported carbon footprints and climate risks on our QUASAR program for May 2023:

[3] https://www.cfm.com/insights/cfms-views-on-shorts-and-derivatives/

Emissions data [8]

Scope 1 & 2 intensity

	Long	Short
Portfolio average	144	445
Communication Services	6	53
Consumer Discretionary	19	62
Consumer Staples	23	161
Energy	724	1015
Financials	6	15
Health Care	12	29
Industrials	56	102
Information Technology	97	93
Materials	272	1241
Real Estate	34	118
Utilities	404	3143

Scope 3 intensity

	Long	Short
Portfolio average	361	764
Communication Services	117	115
Consumer Discretionary	339	496
Consumer Staples	328	859
Energy	503	3612
Financials	89	107
Health Care	193	140
Industrials	358	693
Information Technology	193	277
Materials	721	836
Real Estate	146	168
Utilities	403	607

Scope 1, 2 & 3 intensities are defined as tons per million of revenues, and are computed by CFM using data from a minimum of two different providers

Transition risk [8,9]

	Long	Short
Portfolio average	2.47	4.61
Communication Services	2.59	3.71
Consumer Discretionary	1.70	3.65
Consumer Staples	3.02	5.46
Energy	4.29	5.80
Financials	1.83	2.28
Health Care	1.16	2.79
Industrials	2.11	4.32
Information Technology	1.38	3.25
Materials	3.69	5.58
Real Estate	2.40	4.73
Utilities	3.56	5.65

CFM computes temperature buckets for temperature appraisal of companies based on more than 10 different indicators. Some indicators are generic, some are sector specifics. We use between two and three data providers. A lower number indicates a greater progress in transition and / or a lower level of transition risk.

Physical risk [8]

	Short	Long
Flooding	51	51
Precipitation	49	51
Storms	49	52
Temperature	53	50

Physical risk is expressed as hazard score on a normalised scale ranging from 0 (lowest risk) to 100 (highest risk) as assessed by CFM models)

For further details

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Based in Paris with presence in London, New York and Sydney, we work in partnership with our clients worldwide.

Alignment with long-term objectives regarding biodiversity

CFM is following with keen interest how the awareness around the critical importance of biodiversity has been accelerating lately. It now goes well beyond the NGOs, green parties and advocacy groups for local communities, animal rights and/or civil society, it becomes a topic for the industrial and for the financial worlds as well, given the magnitude of the double materiality impact it potentially carries[4].

CFM also welcomes the increasing attention from regulators to this topic, not least since various climate change solutions exhibiting similar carbon efficiency may come with quite different biodiversity footprints, or biodiversity capacity constraints, and since their respective merits should therefore be assessed only once all critical dimensions are considered as well.

There are some datasets emerging, generally based on input-output matrices representing the supply chains and environmental coefficient representing, on average, the various pressures on biodiversity caused by the products referenced in such matrices. While this may provide a very useful first step in creating some reporting for long only products, we do not think the data has reached a high enough quality yet for such reporting to make much sense in the context of long-short portfolios. Indeed, the granularity both in terms of products and geography is still very far from what it should be for the measures to help assess idiosyncratically one company against its peer. They will typically have biodiversity footprints considered equal if they roughly offer the same type of products, despite the possibility that only one of the two may have adopted policies to invest in regenerative agriculture alongside its end suppliers, have limited usage of chemical pesticides, herbicides and fertilizers, have favoured products sourced from place less prone to water stress, or have implemented better policies in terms of pollution control and so on. We are starting to see some datasets, but mostly based on self-reported data, rendering comparison difficult. Impact and dependency measurements, when provided by third parties, all still very much rely on environmental factors established for sector averages along product taxonomies that lack the necessary granularity. This implies that comparisons between peers will be only based on identifying the value chain they participate in and the high level category of products they sell, not how nor where they operate, or what are the specific ingredients and processes they use, therefore missing most of the highly location-dependent factors that drive actual dependency and impact.

CFM believes biodiversity is one of the key factors – if not the most important, even more so since it's so intertwined with climate change – that will affect mankind going forward, and obviously also, from there, financial markets. We therefore invest significant resources investigating this thematic and how to best integrate it, and we also seek to engage with any standard setter to favour the emergence of useful indicators. We have for instance been in discussions, since 2020, with SASB on their alternative Meat & Dairy project; promoting the idea that regulators should require companies involved in the food sector to disclose the percentage of proteins in their product that is not of animal origin. However, for now, we continue to apply our philosophy for ESG integration which consists in integrating anything our clients or regulators demand, as well as any factor we believe has become or will soon enough become financially material in ways we can measure and monitor properly, at company level. To our knowledge, none of these conditions are met for now.

Initiatives to take into account ESG criteria in risk management

In 2020, CFM's ESG Research Task Force conducted an in-depth survey of multiple ESG datasets, from more than fifteen third party vendors, with a number of objectives in mind. One of them was that given CFM strong conviction that the "Inevitable Policy Response" will create substantial risks and opportunities around climate change in the years to come, to

[4] https://www.weforum.org/reports/new-nature-economy-report-ii-the-future-of-nature-and-business

look for reliable emission data (Scope 1, 2 & 3) as well as indicators of absolute and relative ability of firms to withstand transition risks and physical climate risks.

In view of the results obtained by the Research Task Force, and in order to start integrating ESG in a more substantial manner, at least as far as financially material factors are concerned, CFM's Sustainability Committee decided to enter into additional subscription arrangements with new ESG data vendors in order to build insights into climate related risks and opportunities, and to continue the search for other financially material ESG factor. The Sustainability Committee will continue on an ongoing basis to add new ESG data vendors to CFM's toolkit as they emerge. As their coverage and company specific content keeps improving, it is likely that we will end up subscribing to one of three biodiversity data vendors we have identified so far in the course of 2024 or 2025.

In an effort to facilitate the availability of more meaningful data, CFM rather systematically supports shareholder motions that demand more transparency from companies in terms of strategy for climate change and handling of related risks.

Finally, CFM is introducing elements of ESG reporting around exposures held on single name issuers and their associated carbon footprint information: Scope 1 and 2 weighted average emission intensities as well as an aggregated temperature indicator of transition risk are now part of CFM's flagship program's monthly factsheets.

CFM's QUASAR program reports scope 1, 2 as well as scope 3 weighted average emission intensities, in addition to transition risks. For QUASAR these are broken down by sector as well. In addition, the program reports physical risks in line with the TCFD framework. The physical risks considered are Flooding, Storms, Precipitation and Temperature, expressed as a hazard score. These risks affect companies unevenly across the globe or over time, and may affect them throughout the business chain, from suppliers to buyers. Flooding and Storms are extreme climate-change related events that constitute acute physical risks; whereas Precipitation and Temperature (or rather changes thereto) are chronic physical risks.

Such metrics are provided separately for long and for short positions, with unlevered and net figures also computed when relevant. Exposures acquired though derivatives are considered equivalent to physical positions and metrics on short positions are considered to linearly extend from the long-only case. However, due to the complexity and breadth of our investment universe, we are unable to provide any meaningful quantitative metric of financial risks linked to ESG criteria borne by CFM's portfolios.

CFM's risk management framework and ESG Policy are updated at least on an annual basis. As CFM takes both long and short positions, we believe that ESG risks can also be sources of opportunities for our portfolios.

Action plans

Where we are unable to quantify certain effects, impacts or risks of our investment policies, it is nearly always due to the unavailability of large-scale, verified, consistent data across all our investment pools. This is particularly the case wherever we implement sector neutral approaches in long short equity portfolios for which modelled sustainability dataset relying too naïvely on sector averages as opposed to being company specific enough are useless at best, and potentially misleading. As a quantitative manager, CFM is always seeking to improve its access to meaningful data, and we will continue to do so every year. Where new relevant datasets emerge, we will seek to integrate them and provide more colour to this report, in particular to the "Alignment with the Paris Accords" and the "Alignment with long-term objectives regarding biodiversity" sections above.

Principal adverse sustainability impacts statement

CFM does not currently take into account principal adverse impacts ("PAI") on sustainability factors of our investment programs.

As a quantitative manager, our work focuses on extracting alpha from data. While we do monitor and process data sets relating to GHG emissions, carbon footprint, GHG intensity, in our opinion there is not yet enough commercially available, reliable data available to evaluate principal adverse sustainability impacts on most of the 14 mandatory adverse sustainability indicators identified in regulation. CFM continues to seek additional data sources in order to better monitor its PAI.

CFM has pioneered and applied an academic and scientific approach to financial markets, creating award winning strategies and a market leading investment management firm.

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