Environment, Social and Governance (“ESG”) & Sustainability Policy

CFM Group

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Strictly confidential

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Glossary of Terms

CDP

CDP is an international non-profit organization which runs a global environmental disclosure system. Each year CDP supports thousands of companies, cities, states and regions to measure and manage their risks and opportunities on climate change, water security and deforestation. They do so at the request of their investors, purchasers and city stakeholders. Over the last two decades they have created a system that has resulted in unparalleled engagement on environmental issues worldwide.

CSR

Corporate Social Responsibility refers to self-imposed practices and policies aimed at helping firms conduct their business towards improved long term economic viability, positive impact on society and respect and preservation of the environment.

DEI

Diversity, Equity, Inclusion

ESG

Environmental, Social and Governance factors refers to three families of factors, scores or criteria, depending on the context, used to evaluate companies’ (or countries’) behavior and impact in relation to their significant stakeholders and efforts with sustainability. Examples of ESG factors are:

Environmental (“E”): resource usage (energy use, natural resource consumption, deforestation), product life cycle, recycling and waste management as well as all forms of pollution (including greenhouse gas emissions, impact on biodiversity, pesticides, topsoil erosion);

Social factors (“S”): Human rights, labor standards applied at the company and across its supply chain, exposure to illegal child labor or slavery, animal welfare, charity contributions, promotion of workplace health and safety, sound commercial practices and engagement with local community;

Governance (“G”): Management remuneration, bribery and corruption, lobbying, board diversity and structure, gender diversity, etc. Governance generally deals with principles defining rights, responsibilities and expectations between different stakeholders in corporations and institutions and should also address how E and S related issues are dealt with.

PRI

Established in 2006 by UNEP FI and the UN Global Compact, the Principles for Responsible Investment focuses on understanding the investment implications of ESG factors and supports its investor signatories in incorporating these factors into their investment and
ownership decisions. The PRI aims to act in the long-term interests of its
signatories, of the financial markets and economies in which they
operate and ultimately of the environment and society as a whole. The
PRI is considered the world’s leading proponent of RI. Truly independent,
not associated with any government, the PRI is supported by, but not
part of, the United Nations.

**Responsible Investment (RI)**

Responsible Investment refers to the wide range of approaches stemming
from different intentions and beliefs but having in common to pay
attention to ESG & sustainability considerations and to set investment
objectives and practices beyond the mere maximization of immediate
portfolio returns.

One school of thought considers that profit maximization can only be
pursued within a universe of opportunities restricted to what is ethically
acceptable, and mainly resorts to negative screening based on universal
norms and/or on company specific ESG scores, notwithstanding the
potential financial consequences of such exclusions. Another considers
that responsible investing is mostly about sustainability of profits. They
should be maximized, but over more than just the next quarters; and
for risks and opportunities to be correctly assessed, proper financial
analysis has to holistically take into account all relevant stakeholders and
material externalities.

All RI approaches are typically implemented using a combination of
engagement and voting with some integration of ESG & sustainability
considerations, ahead of, or within, security selection and portfolio
construction.

**Sustainability**

In the context of investing, sustainability refers mostly to the practice of
paying attention not only to readily available financial information of
companies or assets but also (i) to the negative externalities they
generate, having in mind that such negative externalities may at some
point backfire in the form of reputational damage, higher operating costs
and loss of clients and/or revenues and (ii) to the business opportunities
they may have by offering greener products and/or greening solutions
to any set of environmental issues.

By extension, focusing on sustainability consists in rather investing in
companies that are committed not only to sustainable practices such as
reducing carbon emissions or biodiversity footprint and/or addressing
environmental challenges, but also those that are promoting social
justice and diversity, and maintaining strong corporate governance, or
any other behavioral trait likely to translate into a greater ability to thrive
in the long run and a lower risk of conflict or misalignment with any
significant stakeholder.

In the context of this policy, it furthermore refers to the willingness to
integrate environmental, social, and governance (ESG) factors, or any
relevant information derived from ESG datasets, into investment
program as soon as there are enough reasons to believe that they are
already, or could soon become, financially material i.e. drivers, to some
extent, of the price discovery mechanism.
TCFD  Task Force on Climate-related Financial Disclosures is the task force set-up by the Financial Stability Board after the COP21 in 2015, to make recommendations around disclosure of climate related risks. The TCFD focuses on developing voluntary, consistent climate-related financial risk disclosures for use by companies in providing information to investors, lenders, insurers and other stakeholders.

UNEP FI  United Nations Environment Programme Finance Initiative is a partnership between UNEP and the global financial sector to mobilize private sector finance for sustainable development. UNEP FI works with more than 300 members – banks, insurers, and investors – and over 100 supporting institutions – to help create a financial sector that serves people and planet while delivering positive impacts. In addition to being a co-creator of PRI, UNEP FI has also been an initiator of the Principles for Sustainable Insurance (“PSI”) and Principles for Responsible Banking (“PRB”).
Introduction

This policy (the “ESG & Sustainability Policy”) sets out the framework applied at the Capital Fund Management group of companies (collectively “CFM” or the “Firm”) in order to achieve its sustainability obligations as required by law, the Firm’s sustainability commitments and convictions, investor requirements as well as sustainability fiduciary duties as developed by the PRI.

Capital Fund Management S.A. (“CFM SA”) serves as discretionary investment manager for its clients, which include funds and managed accounts. CFM SA is a French limited liability company registered as a UCITS portfolio management company with the French AMF. CFM SA is registered with the US Securities Exchange Commission as an investment adviser, and registered with the US Commodity Futures Trading Commission as a commodity trading advisor and commodity pool operator. The RI policies detailed in this Policy will be applied to portfolios held by funds sponsored by CFM. The RI policies applied to managed accounts will to the extent possible be defined separately with the account owner.

CFM Regulatory Obligations and Commitments

Controversial Weapons

France signed the Convention on the Prohibition of the Use, Stockpiling, Production and Transfer of Anti-Personnel Mines and on their Destruction (the “Ottawa Convention”) in 1997, and the Oslo Convention on Cluster Munitions in 2008 (together, “the Conventions”). The terms of these Conventions were transcribed in French law (Articles L2343-2 and L2344-2 of the Code de la Défense), prohibiting any French company from manufacturing, stockpiling, purchasing or selling anti-personnel mines or cluster munitions, as well as making it illegal to “assist, encourage or incite” anyone to engage in such activities (including direct and indirect financing). Based on the law, and guidelines published in 2013 by the Association Française de la Gestion Financière, we understand this as CFM SA being prohibited from financing, investing in or otherwise taking any long exposure linked to controversial weapons.

Standards Board for Alternative Investments (“SBAI”)

Since June 2011, CFM SA is a member of the SBAI. The SBAI believes that responsible standards of practice strengthen the alternative investment industry for the benefit of both investors and managers. Standards can improve how managers operate, increase transparency, provide solutions to industry issues, decrease the need for regulation, and make the manager/investor relationship more predictable and efficient. Having committed to the SBAI standards, CFM actively implements them as a part of its policies and business practices.

Law on Energy Transition

In 2017, France promulgated the “Loi de Transition Energétique pour la Croissance Verte” (“LTECV”) containing two requirements that are also relevant for CFM:

- Financial companies must report their approach toward ESG in general on their website;
- UCITS funds with a NAV of EUR500m or more must provide detailed information in their annual report on whether and how ESG criteria are used in their investment policies, quantitative metrics on climate risks (e.g. carbon emissions) and ultimately conclude on the alignment of the portfolio with international goals on global temperature increase.
PRI

On October 2018, CFM SA became a signatory of the PRI. The six Principles for Responsible Investment are a voluntary and aspirational set of investment principles:

- To incorporate ESG issues into investment analysis and decision-making processes;
- To be an active owner and to incorporate ESG issues into our ownership policies and practices;
- To seek appropriate disclosure on ESG issues by the entities in which we invest;
- To promote acceptance and implementation of the Principles within the investment industry;
- To work with the PRI Secretariat and other signatories to enhance their effectiveness in implementing the Principles; and
- To report on our activities and progress towards implementing the Principles.

The PRI has implemented certain minimum requirements for investment manager signatories. Failure to meet these requirements over a two-year period, following extensive engagement with the PRI, would result in delisting. The three requirements are (The brackets indicating the indicator covering this point under the PRI Reporting Framework which can be found here: https://www.unpri.org/signatories/reporting-for-signatories):

- Investment policy that covers the firm’s responsible investment approach, covering >50% of AUM [SG 01]
- Internal/external staff responsible for implementing RI policy [SG 07]
- Senior-level commitment and accountability mechanisms for RI implementation [SG 07]

CFM is compliant with these requirements since 2021.

Carbon Disclosure Project

CFM is also a Carbon Disclosure Project (“CDP”) signatory and participates in efforts made by investors to promote further disclosure among corporate entities, such as the CDP Science-Based Targets Campaign.

EU Sustainable Finance Package

In a bid to make sustainability considerations an integral part of its financial policy, the EU started in 2019 to implement a set of legislation, of which two texts are of particular relevance for CFM:

- Regulation EU/2019/2088 on sustainability-related disclosures in the financial sector (“SFDR” or the “Disclosure Regulation”), and
- Regulation EU/2020/852 on the establishment of a framework to facilitate sustainable investment (the “Taxonomy Regulation”)

Together, these introduce new mandatory disclosures for fund managers at the firm level as well as at the fund level (both in pre-contractual documentation and in periodic reports). In particular, it breaks down investment products into three main categories, with different levels of mandatory disclosure:

- Products that have sustainable investment (within the meaning of the Taxonomy Regulation) as an objective (“Article 9” products, also known as “green” products)
- Products that promote E or S characteristics but don’t have sustainable investment as an objective (“Article 8” products, also known as “light green” products)
• All other products ("Article 6" products)

As of the date of this policy, only CFM’s Quasar fund is designated as Article 8 under SFDR, all other products are considered Article 6.

Loi Energie et Climat

Following the adoption at a European level of many of the requirements of the LTECV (see above), France continued to push the envelope and in 2021 adopted the Loi Energie et Climat ("LEC") which, in its article 29, includes new disclosure requirements:

- The LTECV/SFDR sustainability risk assessment is extended to risks associated with climate change and biodiversity;
- The company-level disclosure of LTECV is extended to include the following:
  - Internal resources mobilized on ESG issues;
  - How senior management monitors the ESGy strategy promoted in the funds;
  - Engagement policy;
  - From 2023 onwards, a report on the share of assets managed by the firm invested in:
    - sustainable investments (as defined in the Taxonomy Regulation)
    - the fossil fuel sector (also defined in the Taxonomy Regulation)
  - How the company plans to align with the Paris Agreement;
  - How the company plans to align with long-term objectives linked to biodiversity;
  - Information on how the firm takes into account ESG considerations in its risk management framework, including physical risks, transition risks, risks linked to climate change and to biodiversity;

FCA Policy Statement on Climate-Related Disclosures

As Capital Fund LLP ("CFM LLP") is below the £5b AUM threshold, these obligations do not currently apply.

Legal context for DEI in France

CFM has defined its DEI policy in compliance with the French legal framework, which prevents companies from gathering information nonrelated to employees’ ability to perform their duties, or that are not necessary for employee management purposes. This explains why French companies cannot consider certain personal characteristics, notably related to race, religion, or sexual orientation, in their actions towards greater diversity and inclusion in the workplace.

On the other hand, French law laid down several rules related to gender diversity and equality at work. CFM is notably subject to the obligation to publish each year its Professional Gender Equality Index and to prepare a Gender Equality Plan to achieve full equality between male and female employees. We thoroughly fulfill these obligations and take further steps to increase women representation in our different teams.

EU corporate sustainability reporting directive

The Corporate Sustainability Reporting Directive is a recently enacted European legislation that came into force on January 5, 2023. Its objective is to enhance sustainability reporting requirements for large companies operating within the EU. It significantly modernizes and strengthens the rules regarding the social and environmental information that companies must report. This expansion of the previous Non-Financial Reporting Directive increases the number of companies required to report on environmental, social, and governance (ESG)
factors. The Directive requires companies to disclose detailed information on their sustainability risks, including reporting on climate change mitigation and adaptation, resource use, human rights, opportunities and impacts. This information must be provided in accordance with harmonized European sustainability reporting standards (ESRS).

The CSRD is designed to provide investors and other stakeholders with comprehensive and reliable sustainability information, enabling them to assess a company's non-financial performance and risks. In particular, the Directive aims to provide investors with the data they require to assess the financial risks and opportunities arising from climate change and other sustainability issues.

The Directive requires that reported sustainability information be subject to independent third-party assurance and mandates the use of a digital taxonomy for sustainability data, which must be included in a dedicated section of the company's annual report. The first companies will be required to apply the new rules for the first time in the 2024 financial year, for reports published in 2025.

**CFM’s approach to sustainability; Governance**

In March 2020, CFM’s board decided to strengthen the Firm’s sustainability focus and to enhance the Firm’s ESG & Sustainability Policy, including setting up specific sustainability governance and research initiatives within the Firm. This ESG & Sustainability Policy has also been enhanced to detail the Firm’s sustainability initiatives both at the level of CFM (referred to as CSR) and at the level of portfolio management (referred to as RI).

**Principles guiding CFM’s CSR policies**

Considering its own corporate social responsibility, CFM focuses on three key objectives as it seeks to:

- be a good employer, promoting diversity and gender equality;
- manage its environmental footprint; and
- adhere to and promote best RI practice within the industry.

**Principles guiding CFM’s RI policy**

CFM’s RI policy is based on a set of intentions and fundamental beliefs.

**CFM RI Intentions**

CFM’s intention is to operate in line with the principles laid out in the ‘Fiduciary Duty in the 21st Century’ report backed by the UNEP FI, the PRI and the Generation Foundation. CFM’s intention is therefore to differentiate between ESG factors that i) are of an ethical nature, for which it will take guidance from its investors rather than imposing its own views, and ii) those whose financial materiality is starting to emerge, as the probability of internalization of negative externalities is perceived to be increasing. For the second type of ESG factors, the Firm considers it to be within its mandate to identify and manage corresponding risks and opportunities (to the extent possible).

**CFM 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 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;
• 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.

More details about the assumptions and considerations such convictions are based upon are provided in a separate document which CFM can make available on request.

**CFM CSR & RI organizational set-up**

In a complex and changing world, we believe that strong governance is essential to deliver the best results. Taking this into account, CFM has created a solid network of committees and working groups to implement our business strategy.

Regarding sustainability and DEI, we have set up several bodies which scopes and mandates cover all areas of our corporate responsibility.

A Sustainability Committee is in charge of editing and enacting this Policy, covering both the Firm’s CSR and RI policies, with a particular attention to foster and monitor preparedness to climate related risks and other potentially financially material ESG risks in accordance with the principles laid out in the previous sections.

The Sustainability Committee (previously named ESG & TCFD Steering Committee) formed in 2020 a Sustainability Research Task Force and a CSR Task Force to implement such policies.

**Sustainability Committee**

Composition:

• Head of Sustainability (non-voting chair)
• Chairman of CFM
• President of CFM
• Chief Investment Officer
• Chief Product Officer
• Head of Quantitative Investment Solutions
• Head of Legal and Compliance
The Sustainability Committee will meet on a semi-annual basis.

Roles & responsibilities:

a. Monitor progress of both the Sustainability Research Task Force and of the CSR Task Force;

b. Review & vet any proposed changes to this Policy, including but not limited to:
   i. the CSR policy objectives in terms of diversity policy, carbon offsets & real-estate energy efficiency;
   ii. the RI policy objectives in terms of mechanisms for exclusion lists and sustainability related proxy voting; and
   iii. approach to PRI transparency reports;

c. Set-up a budget for carbon data & research, after reviewing suggestions by the Sustainability Research Task Force, to identify investment risks & opportunities across equities;

d. Set-up a road map in terms of applying RI to other asset classes;

e. Approve & support strategic partnerships in climate change (“CC”) and other critical environmental (“CE”) issues;

f. Set-up how and when CC related research efforts are rolled out to the various CFM products;

g. Approve any other CFM collaborative sustainability related engagement initiative;

h. Monitor ESG related regulatory obligations;

i. Establish reporting guidelines for:
   i. generic sustainability and/or relevant ESG factors across products,
   ii. carbon footprint and forward-looking metrics (TCFD), and
   iii. voting activity;

j. Establish internal & external communication guidelines for our RI and CSR activity;

k. Establish internal training guidelines on sustainability issues for employees and new hires; and

l. Monitor the cost/benefit of each element of this Policy across multiple dimensions, seeking to continuously improve this Policy.

CSR Task Force

The CSR Task Force (the “CSR TF”) implements the CSR policies set by the Sustainability Committee and makes suggestions for policy changes and improvements.

Beyond a core group formed by the Head of HR, who chairs it, the Head of IT and the Head of Sustainability, it includes participants invited on an ad-hoc basis, in relation to the topics at hand.

From 2020 to and including 2022, the Firm contributed on a yearly basis to existing carbon sinks projects via a third party platform, targeting to purchase and redeem credits in excess of the Firm’s self-assessed IT and travel related CO2 emissions of the previous year. In 2023, the Firm invested some of its proprietary capital into a nature-based solution that applies rigorous sustainability forestry management principles. The amount invested is such that the corresponding fraction of the CO2 captured comes in excess of the Firm’s self-assessed IT and travel related CO2 emissions.

In 2021, the Firm also launched initiatives mobilizing proprietary financial and human resources and positively targeting women and socio-economically disadvantaged groups:
• A regular working group that meets 4/5 times a year to promote CSR actions;
• The launch of the CFM giving back platform.

Sustainability Research Task Force

The Sustainability Research Task Force (the “SRTF”), led by the Head of Research, combines a core group of people from various research & data analytics functions aided by additional expertise when required. The SRTF meets at least monthly.

The objective of the SRTF is to propose science-based models seeking to contribute alpha and risk management based on sustainability considerations. Initially it is envisaged that such models will be based on carbon related data and alternative data but may also involve more traditional data as ESG data becomes part of standard corporate reporting.

The main responsibilities of the SRTF are to:

a. Propose practical & conceptual research ideas;
b. Drive data selection and integration efforts;
c. Drive the general research effort towards incorporating sustainability factors; and
d. Present the Sustainability Committee with recommendations on RI related issues including but not limited to data sources, external expertise, RI reporting formats, ESG fund scoring methodologies, measurement of carbon footprints and ESG voting policies.

Sustainability Procedures

In order to render its Sustainability policy objectives operational, the Firm has implemented a series of Sustainability Procedures.

RI Procedures

Exclusion of investment in Controversial Weapons producers

Based on data ("CW Data") sourced from an external provider of ESG solutions, CFM establishes a list of companies that are excluded from the Firm’s investment universe (the “CW Exclusion List”). Historically the exclusion list was applied as an absolute exclusion both in relation to long and short exposures. In line with its convictions, the Firm allows for short exposures to securities issued by excluded names. Consequently options (and other derivatives) on such names are allowed under this Policy provided the aggregate delta exposure to the underlying name is null or negative.

Historically, the CW Exclusion List was grounded on a score-based methodology. From 1 April 2020, the structure of the CW Data was changed to i) include more names (as the universe covered by the third-party provider was extended) and ii) be based on more descriptive information (as opposed to scores).

From 31 May 2020, the Firm’s policy for establishing the CW Exclusion List (the “CW Policy”) was updated to exclude long delta exposures via cash or derivatives, on securities issued by manufacturers of:

i) cluster bombs,
ii) cluster ammunitions,
iii) anti-personal mines, and
iv) chemical and biological as well as depleted uranium weapons.

The name of the CW Data provider is available to investors on request.

Workflow:

1. As of the end of each calendar quarter the CW Data provider makes available a new data file on its website;

2. The Sustainability team will download the updated CW Data and filters it in order to identify the names to be excluded in line with the Firm’s CW Policy;

3. Before the 15’th of the first month of each calendar quarter, the Sustainability Team provides the Ops - Front Support Team with the updated CW Exclusion List;

4. Ops – Front Support to update the CW Exclusion List table implemented at CFM’s intranet: [LINK] and endeavour to give PMs 10 business days advance notice of the new CW Exclusion List; and

5. On a quarterly basis, the Internal Control team verifies that the CW Exclusion List table has been correctly updated as well as verify the actual portfolio exposures to the names.

Coal policy

As of the date of this ESG & Sustainability Policy, CFM does not take any positions in future contracts with coal underlying. In addition, CFM will gradually reduce to zero any net long exposure to any company that derived, for the past 4 consecutive quarters (or previous year, if quarterly information is not available), more than 20% of its operating revenue from thermal coal (whether mining or electricity production). CFM will allow exceptions to this rule when either:
- The company has sustainable activities which outweigh thermal coal-related activities by revenue, or
- The company’s alignment to net zero objectives is sufficiently material (as measured by an Implied Temperature Rise (provided by a leading third data provider) strictly lower than 3 degrees Celsius).

Other issuer exclusions

CFM does not currently enforce any exclusion of issuers other than those that are screened for their activities in controversial weapons or thermal coal as described above.

CFM may, however, from time to time receive requests from managed account clients to exclude certain securities from their investment universe based on their own policies.

CFM will endeavour to accommodate the requests of managed account clients regarding their exclusion policies as far as legally and operationally possible and as long as such lists do not materially impact the investment strategy that CFM is expected to deliver. When doing so we need to verify whether the client’s exclusion list applies only to long exposures or also to short.

Further integration of sustainability factors

In 2020, CFM ESG Research Task Force conducted an in-depth survey of multiple ESG datasets, from more than fifteen third party vendors, with three objectives in mind:
a. To revisit the preliminary conclusions reached in academic paper “Is ESG an Equity Factor or Just an Investment Guide?”. In that first attempt, only high level scores from just one source had been put to the test. This time the objective was to seek combinations of elements from multiple datasets that could be used in CFM systematic trading algorithms to enhance risk adjusted returns of investment strategies with a particular focus on financially material sub-factors, using SASB as a guide in the exploration.

b. Given CFM strong conviction that the “Inevitable Policy Response” will create substantial risks and opportunities around climate change in the years to come, to 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. The objective was to lay the ground for TCFD 3rd and 4th pillars, to identify carbon related metrics susceptible of being integrated in portfolio management across all products, and to provide for the main fundamental predictors (signals) to be used in a climate transition focused fund.

c. To kick-start a discussion around sustainability reporting design and implementation for all CFM funds.

In view of the results obtained by the Research Task Force, and with the aim to start integrating sustainability in a more substantial manner, at least as far as financially material factors are concerned, CFM’s Sustainability Committee decided to develop relationships 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 sustainability factors.

Following the launch of a climate transition focused program (Quant Sustainable Absolute Return (Quasar), launched in December 2020), CFM gradually introduced the new Quasar predictors in all the other equity programs in Q2 2021. The Equileap dataset was acquired in Q3 2021, and Impact-Cubed dataset in Q1 2022 which allows tracking the portion of revenues a company has been generating in green or green enabling activities. In 2024, one of the three vendors providing carbon related data was discontinued and replaced with an energy specialist which informs on solar and wind power capacity outlook as well as related capex.

Active ownership and engagement

Proxy voting

CFM has implemented a Proxy Voting Procedure available as a separate document.

CFM votes proxies in line with its Proxy Voting Procedure in shareholder meetings as notified to us by a third-party proxy voting adviser (the “Proxy Agent”). CFM will generally vote by proxy in line with recommendations of the Proxy Agent. To this end, CFM has subscribed to the Proxy Agent’s ESG Guidelines (included as an Appendix to the Proxy Voting Procedure) and has verified, based on general guidelines and principles, that it 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 sustainability related targets. For position above a certain size, for ballots relating to particularly sensitive topics, the CFM Sustainability team will furthermore from time to time verify that the Proxy Agent’s recommendation fits its clients’ best interest.
Workflow:

1. The Proxy Agent receives daily data on the long positions where clients have title interest and that may thus be voted for proxies;
2. The Proxy Agent identifies the general meetings and the issues that may be voted and issues voting recommendations when positions are above a materiality threshold;
3. Having opted for the ESG service of the Proxy Agent, the Firm also receives ESG based recommendations;
4. The Head of Sustainability will manually check that certain of the ESG based proxy voting recommendations are in line with the Firm’s sustainability convictions. Such recommendations will be checked manually on a monthly basis during the voting season and will be modified in line with the Firm’s sustainability convictions if required; and
5. Except for any issues identified in clause 4, the Firm votes proxies in line with the recommendations of the Proxy Agent;

Engagement

CFM does not currently engage directly with issuers. However CFM deems it appropriate, at times, to support collaborative engagements, on top of acting through its CDP’s signatory status.

For instance, the Firm signed the letter addressed by the Swiss Sustainable Finance organisation to index providers asking them to remove controversial weapons manufacturers from their mainstream indices. More recently, the Firm co-signed a letter prepared by the Investor Coalition on Food Policy to The Rt. Hon. Victoria Atkins MP expressing support for ambitious outcomes from the FDPT, including the need for mandatory reporting.

The Firm also supports the TCFD (Supporters | Task Force on Climate-Related Financial Disclosures (fsb-tcfd.org)), is a member of FAIRR (Network Members - FAIRR ), and a member of the CAI 100+ initiative, collaborating on an airline engagement work-stream.

DEI Policy

Our priorities and focus

In order to maximize our impact, we have chosen to focus our efforts on initiatives supporting socioeconomically disadvantaged populations and enhancing women’s situation and opportunities.

Our DEI Bodies

At CFM, we have installed an HR committee consisting of the following members for the year 2024:

- Jacques Saulière, CEO
- Jean Passerat, Deputy CTO
- Olivier Schupp, Head of North America
- Annabel Aslett, Head of Human Resources and Administration
- Samy Moussa, Head of Compensation and Benefits
- Anne Vuillerme, Head of Talent Acquisition and Talent Management
The HR committee’s mandate is twofold: make operational HR decisions and suggest improvements to the ExCom regarding the company’s HR policies. This committee plays an important role in ensuring that all employees are fairly treated, feel valued and are given the tools to thrive at work. This includes designing impartial recruitment processes, encouraging timely and objective feedback and promoting equal opportunities for men and women at CFM. Their scope also includes the promotion and expansion of diversity and inclusion at CFM.

In 2021, we have created a network of DEI Ambassadors to suggest and support DEI initiatives at CFM. The Ambassadors are invited to propose ideas, organize activities and raise awareness within the firm about DEI issues.

Finally, ideas and suggestions related to DEI topics are brought to and discussed in collaboration with our Sustainability Committee.

Our Employment Policies

CFM has implemented several policies to ensure fair and equitable treatment for all candidates and employees, and taking into account particular needs that may arise.

Evolving in a competitive environment, we aim to recruit top talent to join our teams. We endeavor that our recruitment process is clear, objective and exempt of bias. This is reminded in our Equal Opportunity Statement, which appears on all our job openings. Our HR team carefully analyzes each application, and, for a major part of our processes, a technical test is sent to the candidate to objectively evaluate their skills. Our recruitment process involves interviews with different stakeholders who then make a collegial decision regarding the new hire.

We stand firmly against any form of harassment or sexist behavior and this is clearly spelled out in our internal regulations. Among our preventive actions, we have set up in 2023 a contact group for anyone who has experienced harassment or interpersonal issues at work. This group is composed of volunteer employees who have been trained to hear, support and assist colleagues who may have faced difficult situations at work. We have also, after consultation with our staff representatives’ committee, adopted an investigation policy describing the process to follow if such issues are reported. All investigations will lead to a written report, and corrective and/or disciplinary action if required.

Our DEI Education

We strongly believe that education and raising awareness on DEI issues is key to foster a more inclusive workplace. This is why we organize each year keynotes, workshops and offer other training opportunities to our employees on DEI related topics.

Our Compensation Practices

Fairness in compensation is a priority at CFM and our Compensation & Benefits team ensures that employment offers, salary raises, and global packages are fair and competitive, both between employees and with regards to the market. To do so, we use several external and internal benchmarks to endeavor to remove any form of bias from compensation decisions.

Our Remuneration Policy explicitly prohibits discrimination in determining an employee’s variable remuneration.
Our Employee Leave Options and Remote Working

CFM has implemented generous policies regarding employee leave.

Employees benefit from the payment of their full base salary during a form of parental leave (maternity, paternity, primary/secondary caregiver and adoption leave, subject to applicable local legislation). CFM provides employees in each office with competitive leave terms according to the local market standards.

All employees are provided with life and health coverage and are paid their full base salary when sick up to a certain number of days. Employees in France also have 5 paid days specifically to take care of a sick child.

CFM has also implemented a working-from-home policy (“WFH”), allowing employees to WFH up to two days per week and five full weeks per year. For additional flexibility and taking into consideration that our employees come from all parts of the world, employees are also allowed to telework form abroad. We understand that particular situations may require special consideration and we are open to discuss alternative WFH arrangements if need be.

Our Community Outreach and Charitable Actions

Our commitment goes beyond our walls and we strongly advocate for increased diversity in the world of finance. We have notably joined the UN’s Women Empowerment Principles and apply their expert guidance to achieve full gender equality within our firm.

CFM’s DEI Ambassadors work with various charities to help disadvantaged groups and encourage girls and young women to undertake careers in scientific fields. This translates in the organization of many activities each year in which all employees are invited to participate.

Promoting sustainability in the industry

PRI and other work groups

As of December 2020, CFM joined the Hedge Fund Advisory Committee of the PRI.

In addition, CFM is committed to generally promote sustainability within the Hedge Fund industry via its discussions with and participation in certain AIMA & SBAI working groups and/or publication of white papers (https://www.aima.org/sound-practices/industry-guides/short-selling-and-responsible-investment.html and https://www.sbai.org/resource/the-sbais-principles-for-carbon-footprinting-new-guidance-for-alternative-managers-and-investors.html).

Reporting

Website disclosures

All disclosures required to be made under applicable regulation are published on CFM’s website: www.cfm.com. CFM SA does not currently manage any fund with a NAV of EUR500m or above (the only funds managed by CFM SA are UCITS funds; all others are managed under delegation).
Pre-contractual disclosures

Pre-contractual disclosures will be included or appended to the funds’ Offering Memorandums, Prospectuses or Supplements, as applicable.

Periodic disclosures

Periodic disclosures mandated by applicable regulation will be appended to the funds’ annual audited report.

Voluntary Reporting on Climate and other ESG risks

As per decisions made by its Sustainability Committee:

a. CFM introduced elements of sustainability reporting around exposures held on single name issuers and their associated carbon footprint information by default for all its funds containing single name issuer exposures. Measures of average scope 1&2 emission intensities as well as temperatures expressed level of transition risks are now provided.

b. Such metrics will be provided separately for long and for short positions, with unlevered and net figures also computed when relevant. Exposures acquired through derivatives will be considered equivalent to physical positions and metrics on short positions will be considered to linearly extend from the long-only case.

c. Such carbon past and forward-looking footprint were provided as early as Dec 2020 for the QuaSAR fund, and started to be rolled out to other funds in Jan 2022.

d. Beyond climate change related metrics, and within the same timeframe, CFM also plans to introduce additional reporting and provide transparency alongside more holistic ESG risks on a monthly or quarterly basis.

PRI Reporting

As required under principle 6 of the PRI, CFM reports annually with the PRI since 2019. The reports are available from the PRI’s website at the following link: [LINK].

Evolution of CFM ESG & Sustainability Policy

On an annual basis, the Sustainability Committee will publish an updated version of this Policy, taking into account new insights, opportunities or risk not previously identified as well as new requirements that may arise given expected regulatory changes and or client demands.