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2025 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

As one of the pioneers of systematic quantitative investing and armed with the belief that responsible investment efforts are likely to impact market dynamics, we have been allocating significant research efforts over the last 6 years into making our investment process aware of sustainability-related risks and opportunities.

The environmental ("E") dimension illustrates this shift particularly clearly: the carbon-intensive model that powered much of the last century is progressively giving way to a lower-carbon, more resource-efficient economy. This transition is likely to be impactful for investors, even if episodes of volatility, policy reversals or temporary setbacks, such as those observed recently, remain inevitable.

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.

In 2025, our strategy was predicated on seeking to identify those technologies and or companies that will be the winners and laggards of this transition, on seeking to allocate when the time is ripe, and at the same time keeping an eye on relevant 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 ESG policy, in its current philosophy and design, was largely inspired by the "Fiduciary Duty in the XXIst century" report. 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 (we side with Shiller in his argument with Fama, recognizing market endogenous volatility i.e. refuting the market efficiency hypothesis);
- ▶ 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;
- ▶ Capital markets, when supported with appropriate regulation and pricing of environmental externalities, can play a central role in scaling solutions to environmental challenges. Persistently allocating capital to companies that lag this transition may prove financially ineffective over the long term;
- ▶ 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, and;

- ▶ Stewardship, through engagement in industry initiatives when feasible, is an important lever to influence corporate behaviour and support the transition towards more sustainable business models.

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.

Despite these efforts and intentions, and a promising start, the QUASAR program was discontinued in January 2025 due to limited investor interest.

Nonetheless, this initiative has provided valuable learnings, including the development of innovative trading signals, fresh approaches to data analysis, and enhanced supply chain scrutiny. Despite the discontinuation, CFM’s commitment to the principles of sustainability and the energy transition remains strong. Our continued investments in living forests and support for initiatives like ‘The Shift Project’ exemplify our ongoing dedication to advancing sustainability.

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 as well as blinding lasers and incendiary weapons), we have also recently excluded companies (within both the Mining and the Utilities sectors) 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
AIMA	Responsible Investment Group Member	2020 (AIMA membership since 2009)
Carbon Disclosure Project (CDP)	Member	2019
Climate Action 100+	Collaborator	2020
SBAI Hedge Fund Standards	Signatory	2011
FAIRR	Member	2021
The Investor Coalition on Food Policy	Signatory	2024

In addition to the above:

- ▶ CFM supports TCFD recommendations since December 2020;
- ▶ 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 workstreams;

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.

CFM does not manage any funds with an ESG label (e.g. French ISR funds) nor funds classified under article 8 or 9 of SFDR. Following the discontinuation of the QUASAR program on January 1st, 2025, none of CFM's investment programs promote any sustainability objectives.

Internal resources and governance

Governance

In 2025, CFM transitioned to a new sustainability governance framework to support a more integrated and operational approach to sustainability across the firm.

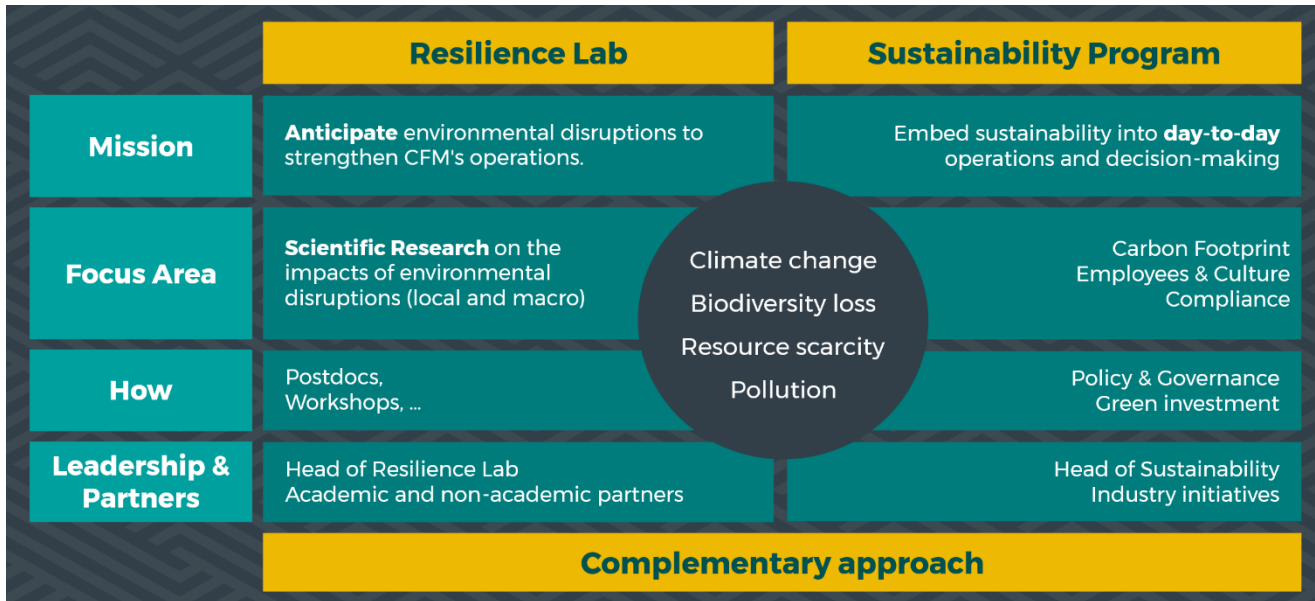
As of end of 2025, this transition materialised with the launch of the Sustainability @ CFM program ("SCFM"), which aims at embedding sustainability into CFM day-to-day operations and decision-making, to create long-term value for our firm, staff, clients and the broader society. SCFM's role is to integrate material sustainability factors into CFM investment processes where relevant, manage CFM's corporate carbon footprint, ensure robust and compliant ESG disclosures (notably on environmental topics), and develop practical recommendations on data, methodologies, reporting and voting approaches. The program is built around a science-based sustainability framework that leverages CFM's research DNA and is implemented through dedicated workstreams.

Governance of the program is entrusted to the Sustainability Working Group ("SWG"), composed of the Head of Human Resources and Administration, the Chief Technology Officer, the Head of Operations, Legal & Compliance, the Head of the Resilience Lab, the Head of Regulatory, the Head of Sustainability, the Head of CFM London Office as well as a Managing Director from the New York Office. The SWG meets quarterly to provide oversight and operational direction for SCFM, coordinate and arbitrate across workstreams, help unblock operational issues, monitor progress against objectives and commitments, and ensure a coherent firm-wide approach across all departments. The SWG also approves key climate and environmental partnerships and collaborative initiatives as well as reports key developments and recommendations to the Executive Committee¹, complemented by ad hoc updates when appropriate.

Additionally, CFM launched a complementary research initiative in June 2025, named the Resilience Lab ("RL"). The main responsibilities of the RL are to inform and strengthen CFM long-term strategy. The RL aims to evaluate and improve the robustness of the company's operations, to anticipate future economic shocks and sudden market shifts and to build expertise on the nature of environmental changes and the methods to evaluate their impacts. The RL also contributes to the scientific debate with a practical and global perspective while bringing human, technical and financial resources to the environmental sciences. In addition, the RL wish to cover the main disruptions to the environment that have been scientifically documented and could significantly affect our economic and social systems in the years to come, namely climate change, biodiversity collapse, pollution spreading and resource scarcity.

The RL combines a core team of full-time researchers from various disciplines and with diverse skillsets, and a wider group of PhD students, post-docs and CFM researchers whose interests align with the agenda of the Lab. In addition, The Resilience Lab also actively engages with external partners, either academic or non-academic, to benefit from a plurality of expertise and experiences. The RL meets weekly to discuss operational questions and new research findings. Its objective is to produce, review, and share the results of scientific research on the impacts of major environmental changes, at global and local levels.

¹ The internal rules of the Executive Committee do not explicitly take into account ESG considerations, but 4 of the 12 Executive Committee members are sitting on the SWG.



ESG resources

In 2025, the bulk of the ESG related research efforts were carried out by several researchers, the equivalent of 3 FTEs. This team seeks to identify new ESG datasets and potential models, which are then passed along to CFM's broader Research group for evaluation, testing and implementation. Several internal teach-in sessions between Research and Investor Relations have taken place, including on progress made regarding development of sustainability strategies. A formal RI training course is available to all employees.

In 2026, CFM will deploy the Climate Fresk across the firm, a collaborative workshop designed to enhance employees' understanding of causes and consequences of climate change, based on scientific literature from the IPCC. This initiative aims to strengthen climate awareness across all departments and ensure that climate considerations are embedded not only in our quantitative models but also in our organisational culture and decision-making processes.

The 2025 budget for ESG-only datasets and research amounted to 1.5% 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 controversy risk specialist;
- ▶ One gender equality specialist;
- ▶ One provider of green revenue share data;
- ▶ Various datasets maintained by non-profit organizations (SBTi, Urgewald, CDP, Influence Map 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), and;
- ▶ 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.

In order to maximize our impact, we have chosen to focus our efforts on the following commitments:

- ▶ Supporting socioeconomically disadvantaged populations, contributing to tackling inequality where it often begins, and;
- ▶ Fostering gender equality across the organization.

In support of these commitments, CFM has implemented the following initiatives throughout 2025:

- ▶ Engaging with the pipeline upstream of recruitment, participating in initiatives aimed at inspiring female students to pursue careers in IT and science, targeting students as early as middle school;
- ▶ Actively sourcing female candidate profiles on professional networks, leveraging employees' personal networks to identify potential candidates;
- ▶ Diversifying the academic profiles considered, notably broadening the range of PhD disciplines considered for hiring in the Research department;
- ▶ Contributing financially to the "Women in Quantitative Finance" scholarship at École Polytechnique. Under this program, CFM currently hosts three PhD students, supporting them throughout their thesis projects and contributing to the development of the next generation of female researchers in quantitative finance;
- ▶ Promoting volunteer work through the charity platform Wenabi, offering 8 hours of paid time annually for charitable involvement;
- ▶ Sponsoring events like "Girls Who Code" in the U.S;
- ▶ Allocating resources to Social Builder, a non-profit that provides tech training for women;
- ▶ Offering internships through "Viens Voir Mon Taf" for high school students from challenging backgrounds and tailored programs for high school girls to encourage early career exploration, and;
- ▶ Through "Women in Tech @ CFM", organizing internal and external events to attract talented women in Technology teams, to empower our CFM Tech women and to foster our community through networking.

Governance

CFM has set up an HR committee, comprising the CEO, the Deputy CTO, the Head of North America, the Head of Human Resources and Administration, the Head of Compensation and Benefits, the Head of Talent Acquisition and Talent Management and the Head of Portfolio Construction Research.

This committee is responsible for making operational HR decisions and suggesting improvements to the company's HR policies to the Executive Committee, including supervision of policy promoting an impartial recruitment process and ensuring equal opportunities for all genders,

To further support these DEI objectives, CFM also appoints DEI Ambassadors who are tasked with proposing and supporting initiatives, organizing activities, and raising awareness about DEI issues to cultivate a more inclusive workplace environment.

Frameworks and policies

In 2025, CFM maintained its commitment to fair and equitable treatment for all candidates and employees, with a range of policies designed to ensure equal opportunity at every stage of the employment journey. All job openings carried our Equal Opportunity Statement, and our HR team systematically reviewed each application with care.

CFM's dedicated gender equality plan was updated in 2025, continuing to focus on three core pillars: training, pay, and hiring. Training budgets were allocated on a global basis and distributed strictly according to the relevance of the training to each employee's role, with no distinction made between men and women. Annual communications were carried out to remind all employees of the training opportunities available to them and to explain the request, validation, and funding processes.

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 based on different indicators, including pay gaps between men and women. For 2023, 2024 and 2025 the score was respectively: 87/100, 87/100 and 82/100.

CFM stands firmly against any form of harassment or sexist behaviour, as clearly stated in its internal regulations. In 2023, the firm established a contact group for anyone who has experienced harassment or interpersonal issues at work, composed of volunteer employees trained to hear, support, and assist colleagues who may have faced difficult situations. Following consultation with its staff representatives' committee, CFM adopted a formal investigation policy describing the process to follow when such issues are reported. All investigations lead to a written report and corrective and/or disciplinary action if required. In February 2026, CFM will deploy a mandatory e-learning module on harassment for all staff.

Our working-from-home policy remained in place in 2025, allowing employees to work remotely up to two days per week and five full weeks per year. The option to work from abroad also continued to be available, reflecting the international make-up of our workforce. The Firm has included some exceptions, allowing extra days of working from home in cases of pregnancy, single parenthood with a child, and employees caring for a dependent relative.

Education and awareness

As part of our DEI education and awareness strategy, CFM organises keynotes, workshops, and other training opportunities for employees on DEI-related topics, reflecting the firm's belief that education and awareness are key to fostering a more inclusive workplace.

Fairness in compensation

Fairness in compensation remained a central priority for CFM in 2025. Our Compensation & Benefits team continued to draw on a combination of external market benchmarks and internal analyses to ensure that employment offers, salary adjustments and overall packages were both competitive and free from bias. Looking ahead to 2026, we are preparing for the implementation of the EU Pay Transparency Directive, which will further support our commitment to equitable compensation practices.

Extending Our Commitment Beyond CFM

CFM's commitment to diversity extended beyond its own walls in 2025. As a signatory to the UN Women's Empowerment Principles, CFM continued to apply their guidance in pursuit of full gender equality within the 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 into the organisation of many activities each year in which all employees are invited to participate.

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 onsite

and outsourced IT footprint as well as air travel recorded the year before. Figures in the last few years were lower due to substantially less travel by CFM employees with respect to the pre-Covid era.

In 2023, CFM decided to stop buying and retiring carbon credits to instead invest in a Nature Based solution. After reviewing a range of sustainable forestry and sustainable agriculture funds, decision was made to invest in a European sustainable forestry fund, Capman Dasos Sustainable Forest and Wood III AIF. This investment is designed in such a way that the net (after harvest) increase in biomass should translate into more carbon being stored in trees and, later on, in planks, to partially compensate for CFM corporate carbon emissions. CFM's share of this solution's carbon compensation² equalled 1,845 tCO₂ for 2025.

CFM also pays attention to relying on data centers that have ambitious enough carbon policies in place. Our main provider carbon footprint's trajectory is compliant with the Paris Agreement's 1.5°C objective when it comes to its own operations, and we are in the process of computing the footprint related to the manufacturing of the portion of their equipment that is allocated to us.

Finally, CFM conducts periodic meetings with its landlords with respect to energy efficiency, recycling and water management and operates in offices that are certified HQE (Haute Qualité Environnementale).

Engagement policy

CFM's engagement policy is available on our website³, as is our annual report on shareholder engagement⁴:

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 Sustainability 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).

² Includes forest growth, harvesting, natural mortality, the soil carbon sink, and emissions caused by forestry. (Scope 1, 2, 3)

³ <https://cfm-fr.digital.fundglobam.org/api/DistributionSupport/ContractAttachment/download/uCi4UNp9qoagsSg1n9Pni80LvZJQ0gkA0gI5bKHq.pdf>

⁴ <https://cfm-fr.digital.fundglobam.org/api/DistributionSupport/ContractAttachment/download/z0ufBKy6ZXBxmMpXFAlhi20R7xQQD3nhH85STwvg.pdf>

As of December 31, 2025, the overall long exposure of CFM to companies active in the fossil fuel sector amounted to \$708M, or 3.5% of total assets under management; while the short exposure to the same amounted to \$413M or 2.1% of 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 Agreements

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) companies with stronger environmental credentials, (b) companies that actively advance the transition to a sustainable economy and (c) companies that accelerate their sustainable transition 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 matter⁵.

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.

Starting from 2026, CFM plans to develop a comprehensive suite of quantitative climate and transition indicators, derived from third-party datasets and proprietary in-house methodologies. These indicators will assess companies across multiple dimensions, including but not limited to: carbon emissions, intensity and credibility of reduction trajectories, resilience to transition and physical climate risks, green technology exposure as well as capacity to contribute to economic decarbonization.

CFM's aim, when implementing this battery of indicators, is not to regulate our portfolio construction using negative screening, but 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.

⁵ <https://www.cfm.com/insights/cfms-views-on-shorts-and-derivatives/>

Alignment with long-term objectives regarding biodiversity

CFM recognises biodiversity as a critical financial materiality factor that will significantly influence both real-world economies and financial markets in coming decades. This recognition has accelerated markedly across industrial and financial sectors in recent years, extending well beyond NGOs and civil society organisations, a shift that CFM welcomes. We equally welcome increasing regulatory attention to biodiversity, particularly since various climate change solutions exhibiting similar carbon efficiency may present substantially different biodiversity footprints or face distinct capacity constraints. A comprehensive assessment of both climate and nature-related risks therefore requires integrated evaluation across all critical dimensions.

Emerging datasets based on input-output matrices and environmental coefficients offer a useful foundation for long-only biodiversity reporting. However, current data quality remains insufficient for meaningful application in long-short portfolio contexts. Granularity limitations are substantial: product taxonomies and geographic specificity fall short of enabling company-level peer differentiation. Vendors typically assign equivalent biodiversity profiles to companies offering similar product categories, despite material differences in operational practices, such as adoption of regenerative agriculture, pesticide and fertiliser restriction, water-stress-aware sourcing, or pollution management intensity. Self-reported data renders standardised comparison difficult, whilst third-party measurements rely excessively on sector-average environmental factors applied to coarse product classifications. This results in peer comparison frameworks based primarily on broad value-chain participation rather than location-dependent factors that drive actual ecosystem dependency and impact.

CFM considers biodiversity to be among the most important factors that will affect mankind and, consequently, financial markets in coming decades, particularly given its deep interconnection with climate change. We will therefore continue to invest resources in investigating this thematic and exploring optimal integration pathways.

Until biodiversity datasets satisfy our dual criteria of demonstrable financial materiality and company-specific measurability, we do not formally constrain our equity portfolios on biodiversity metrics. However, starting 2026, we will be looking at emerging indicators across three complementary UN Sustainable Development Goal (SDG) frameworks:

- ▶ SDG 12 – Responsible Consumption & Production: companies' exposure to ecological high-impact supply chains dependencies, waste management practices, pollution prevention, and sustainable agriculture practices;
- ▶ SDG 14 – Life below water: water management efficiency and related policy adoption, involvement in water stress controversies and engagement in water sustainability solutions;
- ▶ SDG 15 – Life on land: ecosystem degradation and related controversies, biodiversity policy adoption, direct deforestation contribution risk, as well as contribution to ecosystem restoration.

As our data providers continues to expand coverage and company-specific granularity across these indicators, CFM will incrementally integrate biodiversity metrics into its risk monitoring framework. We anticipate enhanced capacity to differentiate companies on biodiversity dimensions throughout 2026, enabling more sophisticated ESG integration.

Initiatives to take into account ESG criteria in risk management

ESG Data Infrastructure

CFM's approach to ESG integration centers on extracting financially material, measurable signals from a curated set of data providers. In 2020, CFM's ESG Research Task Force conducted an in-depth evaluation of ESG datasets from more than fifteen third-party vendors, with particular focus on climate-related metrics.

Based on these findings, CFM rationalized its data infrastructure in 2025 around a focused set of vendors providing sufficient granularity and company-specificity to support our investment strategies. Our current toolkit assesses companies across

multiple dimensions, such as but not limited to: carbon emissions and intensity, stranded asset risk exposure, credibility of carbon emissions reduction trajectory as well as resilience to transition and physical risks.

This focused vendor approach enables consistent, comparable metrics across our investment universe whilst maintaining sufficient data quality for differentiated peer analysis in long-short portfolio contexts, a requirement that sector-average data cannot satisfy.

ESG Risk Management Framework and Metrics

CFM's SWG oversees ongoing evaluation of emerging ESG data providers, adding vendors to our toolkit as their coverage and company-specific content improve. As part of this forward-looking strategy, CFM will continue to look for potential subscription integration in 2026, contingent on demonstrated improvement in company-level differentiation and financial materiality signals.

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 programs' monthly factsheets.

Such metrics are provided separately for long and for short positions, with unlevered and net figures also computed when relevant. Exposures acquired through 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. Our risk framework reflects this balanced perspective, enabling capture of returns from both transition and physical risk differentiation.

Action plans

CFM's ability to quantify investment policy impacts, risks and opportunities is fundamentally constrained by data availability. Large-scale, verified, consistent datasets across all investment pools remain scarce, a limitation particularly acute for sector-neutral long-short strategies where company-specific differentiation is essential. Modelled sustainability datasets relying on sector-average assumptions rather than granular company-level analysis are, at best, insufficient for meaningful peer comparison and, at worst, actively misleading for our investment approach.

As a quantitative asset manager, CFM is always seeking to improve its access to meaningful data. We therefore maintain a systematic, ongoing effort to expand and enhance our access to financially material, company-specific datasets. Should new relevant datasets emerge across dimensions of our ESG integration framework, we will seek to include their indicators in this report.

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 datasets relating to GHG emissions, carbon footprint, GHG intensity, in our opinion there is not yet enough commercially available, reliable data 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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