

Hafnium Investment acknowledges the increasing significance of sustainability risks in global financial markets. While ESG considerations are not the primary focus of our investment strategies, we remain committed to incorporating sustainability risks within our broader risk framework. Our quantitative models integrate price signals that capture the impact of sustainability risks on financial markets, ensuring that we remain agile and responsive to evolving market conditions.

Our approach to ESG integration is guided by a deep understanding of risk and its influence on market dynamics. Our investment strategies maintain neutrality, allowing us to take both long and short positions, contributing to market liquidity and price efficiency. When evaluating new instruments for trading, ESG-related risks are assessed alongside traditional financial metrics, ensuring a well-informed and balanced decision-making process.

We believe that a stable and efficiently functioning global financial system is critical for long-term value creation. As part of our broader investment framework, we continuously monitor and evaluate ESG-related risks, adapting to emerging trends and developments to safeguard our strategies against unforeseen challenges.

Key Sustainability Risks Identified

- 1. Physical Risk:**
Climate change-driven events, such as extreme weather conditions or shifts in growing seasons, could disrupt financial markets. These risks are particularly relevant for sectors like agriculture and energy, which are directly impacted by environmental changes.
- 2. Transition Risk:**
The shift toward sustainable commodities and reduced reliance on fossil fuels presents challenges, including transitioning market liquidity from legacy contracts to sustainable alternatives. Such transitions require careful management to avoid inefficiencies or increased market volatility.
- 3. Operational Risk:**
Sustainability risks can disrupt market operations, as demonstrated during the COVID-19 pandemic. Unexpected changes, such as short-selling bans or dramatic price collapses, highlight the importance of robust operational risk management.
- 4. Geopolitical and Regulatory Risk:**
Political and economic tensions, as well as regulatory changes, can significantly impact investments. Events like government interventions in financial markets or geopolitical conflicts underscore the need for adaptive strategies to address these risks.

Hafnium Investment actively monitors sustainability-related developments and continuously assesses its capacity to manage ESG risks. Regular reviews and updates to our processes reflect evolving best practices and regulatory standards, ensuring that we remain aligned with market realities and investor expectations.