



**Capstone Investment Advisors, LLC  
Capstone Investment Advisors (UK), LLP**

Modern Slavery Statement

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## 1. Introduction

This joint statement discloses the actions taken by Capstone Investment Advisors, LLC and Capstone Investment Advisors (UK), LLP (collectively, "Capstone") to address risks of modern slavery, forced labour, and human trafficking in our business and supply chains for the financial year ended 31 December 2021 (the "Reporting Period"). This statement is prepared to comply with the requirements of the United Kingdom Modern Slavery Act 2015 and the Australian Modern Slavery Act 2018.

As an investment manager, our mission is to anticipate and harness the complexities of global derivatives markets to create unique opportunities for our clients, team, and industry. Our vision is to provoke the evolution of asset management through open and continuous collaboration.

We are committed to upholding our key values, which define who we are and how we operate:



### Transcendent Thinking

Where others fear instability, we find opportunity.



### Tenacious Innovation

Anticipate change and adapt proactively to maintain a sustainable advantage.



### Deliberately Particular

Promote a results-driven work ethic that seeks out and nurtures the exceptional.



### Progressive Transparency

Lead through open and continuous collaboration with our team, clients and industry.



### Rigorous Discipline

Maintain exceptional standards and support one another to achieve them.



### Pure Integrity

Build trust by delivering results with objectivity and humility.

Capstone is also committed to treating all people with respect and dignity. As such, we do not tolerate any forms of slavery or human trafficking.

## 2. Our structure, operations and supply chains

### 2.1 Our structure and operations

Capstone is a global, alternative investment management firm operating across a broad range of derivatives-based strategies with a deep understanding of volatility. With approximately \$9.2 billion of assets under management as of June 1, 2022 and 230+ full-time employees, Capstone was established in 2004 and is headquartered in New York with offices in London, Amsterdam, Boston, Stamford, and Los Angeles. Through strategic insight, market-leading expertise, and advanced technology, we seek to anticipate and harness the complexities of world markets, creating unique opportunities for our clients, team, and industry.

**Capstone Investment Advisors, LLC ("CIA LLC")** is a registered investment adviser with the United States Securities and Exchange Commission (the "SEC"). It is also a member of the National Futures Association (the "NFA") and registered with the Commodities and Futures Trade Commission (the "CFTC") as a Commodity Pool Operator. Additionally, CIA LLC is also registered as a foreign entity in Australia (ARBN 635 015 771).

CIA LLC holds management control of Capstone Investment Advisors (Netherlands), B.V., a Dutch private company with limited liability that serves as a sub-advisor to certain investment vehicles for which CIA LLC is the

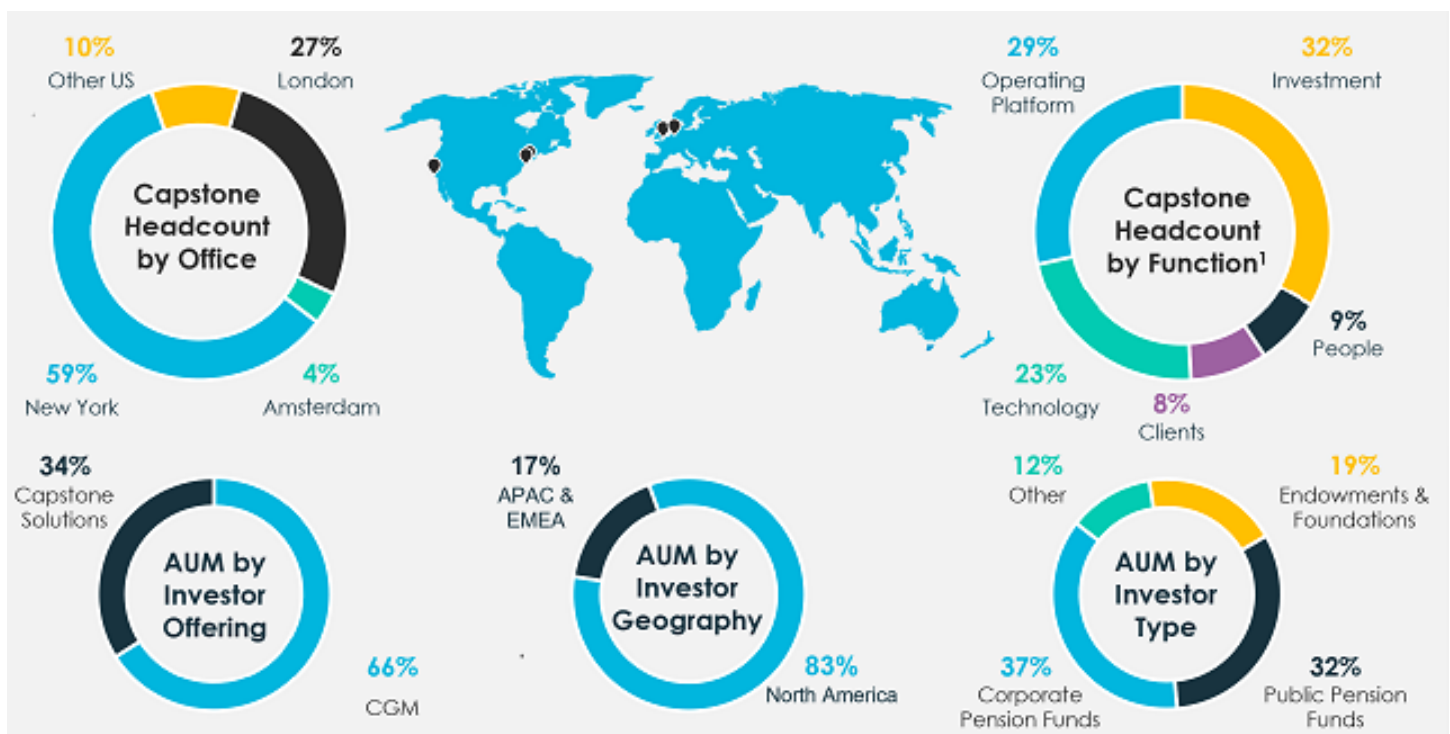


Investment Manager. CIA LLC also holds ownership and management control of Capstone Investment Advisors (Aus) Pty Ltd and Capstone Investment Advisors (UK), LLP, each described below.

**Capstone Investment Advisors (UK), LLP (“CIA UK”)** is a London-based subsidiary and serves as a sub-advisor to certain investment vehicles for which CIA LLC is the Investment Manager. It is authorized and regulated by the UK Financial Conduct Authority in addition to the United States SEC as a relying adviser. It is also a member of the NFA and registered with the CFTC as a co-Commodity Pool Operator.

**Capstone Investment Advisors (Aus) Pty Ltd (“CIA AUS”)** (ACN 643 307 671) is an Australian-based subsidiary of CIA LLC and serves as a sales affiliate for certain investment vehicles managed by CIA LLC. CIA AUS is also a member of the NFA and registered with the CFTC as a co-Commodity Pool Operator. CIA AUS did not meet the reporting threshold during the Reporting Period and is not a reporting entity for the purposes of the Australian Modern Slavery Act 2018.

**Both CIA LLC and CIA UK are reporting entities for the purpose of this joint statement.**



As of May 1, 2022.

## 2.2 Investment Management Business

Capstone serves as the investment manager with both discretionary and non-discretionary trading authority to investment vehicles that are offered to investors on a private placement basis. Capstone represents a set of sophisticated global institutional investors, including public and corporate pension funds, university endowments, charitable foundations, sovereign wealth funds, insurance companies, and banks.

Capstone operates two investment platforms: Capstone Global Master (“CGM”) and Capstone Solutions. Through its two platforms, Capstone seeks to capitalise on perceived inefficiencies in the pricing of volatility in target derivative markets.



CGM

Multi strategy approach trading derivatives across asset classes and regions, with a focus on volatility and relative value



CAPSTONE SOLUTIONS

Customized mandates and strategies tailored to client needs across the volatility and derivatives spectrum

More information regarding our operations can be found [on our website](#).

## 2.3 Supply chain

As a financial services business, our supply chains largely consist of the following categories:

- Technology infrastructure and services
- Office infrastructure, rent, and services
- Professional services companies including legal and consulting firms and other financial institutions
- Travel services

During the Reporting Period, Capstone had over 400 vendor and supplier relationships worldwide. The nature of our business means that our spend is highly concentrated. Like in the prior year, our top fifteen vendors and suppliers accounted for almost 50% of our overall spend during the Reporting Period. Further, year over year, the composition of the top fifteen vendors largely remained the same.

Generally, our vendor relationships are stable and longer term. Most of our vendors are based in the United States, the United Kingdom, or Europe and employ skilled labour in developed financial markets. Although we do acknowledge that some of our vendors and suppliers, like those linked to technology infrastructure and travel services, are likely to have higher risks of modern slavery within their own supply chains.

## 3. Modern slavery risks in our operations and supply chains

### 3.1 In our operations

Most of our staff conduct highly skilled activities requiring post-secondary qualifications. Roles are performed in office-based contexts in countries considered low risk for modern slavery and human trafficking. The majority of our staff are based in the firm's New York City and London offices.

Our global staff are compensated in excess of the applicable minimum wage commensurate with experience and qualifications. Capstone complies with relevant employment legislation across our offices and ensures that employees are not subject to any form of modern slavery and human trafficking. We have internal policies that outline equitable standards for compensation, working conditions, and fair and ethical treatment of all employees. For the reasons set out above, we consider the risk of modern slavery and human trafficking in our operations to be low.

In relation to our investment management business, we generally do not hold majority ownership or controlling interests in the investments we make. We do, however, recognize the potential for modern slavery risks in our investments, but consider these to be low given our trading strategies are not fundamental in nature.



Beginning in 2021, in certain limited investment strategies, Capstone added independent Environmental, Social, and Governance (“ESG”) factors into the investment process. While considering these factors does not make those strategies ESG based, the factors are intended to provide additional information for the portfolio manager to use at their discretion as part of the investment process.

Lastly, we also recognize the potential risk of modern slavery and human trafficking as it relates to our client base, which includes sovereign wealth funds. During the client onboarding process, Capstone, with its fund administrator, will perform certain Anti-Money Laundering (“AML”) and Know Your Client (“KYC”) reviews that may result in enhanced diligence or review by Capstone Compliance.

### 3.2 In our supply chain

The risks of modern slavery and human trafficking in our first tier supply chains relating to professional services is low, for much the same reasons set out in relation to our operations. The area of greater risk is likely to exist in relation to our procurement of non-core functions such as travel services, office cleaning, catering, and building facilities services. As with all businesses, there is also modern slavery risk in the IT and telecommunications hardware we use to operate, often deep within the supply chains of our suppliers.

We recognize that several of our direct vendors are likely to rely on global supply chains for the provision of goods and/or services provided to us, which makes it challenging for us to have visibility across our supply chains beyond the first tier.

## 4. Actions taken to assess and address modern slavery risks

### 4.1 In our operations

Upon hiring globally, all employees are required to provide evidence of working rights. Human Resources also check that those we employ are of legal working age and are choosing to work of their own free will.

Capstone is committed to acting with fairness, honesty, and integrity. Our Code of Ethics outlines the general principles that all employees are expected to uphold, including, amongst other things, to comply with all applicable laws and regulations.

We encourage people to speak up if they become aware of potential misconduct including modern slavery risks and promote a culture in which everyone feels supported. Capstone’s Whistleblower Policy details our grievance reporting process. Capstone has also made available a confidential and anonymous reporting hotline to all employees. During 2021, Compliance conducted mandatory firmwide compliance training that included discussion of the Whistleblower Policy and reporting hotline.

In 2021, Capstone Compliance facilitated Modern Slavery Act awareness training for key executives including Capstone’s Chief Operating Officer, the Chief Financial Officer, the General Counsel and Chief Compliance Officer, the Chief Information and Security Officer, the Head of Human Resources, and their respective teams involved in the firm’s procurement process. The goal of the training was to raise awareness of modern slavery risks at Capstone and effectively build a foundation for a future working group. Moreover, Capstone’s Global Compliance Manual was also updated to document the firm’s Modern Slavery Act obligations as well as the enhanced diligence process for certain first tier vendors.

Further, Capstone takes seriously its obligation to uphold its fiduciary duty with respect to its proxy voting determinations. Capstone has engaged Institutional Shareholder Services (“ISS”) to facilitate the firm’s votes on behalf of its clients. Unless Capstone deems an alternative vote selection to be more advantageous to a fund or separately management account, ISS has been authorized and instructed to vote all of Capstone’s eligible proxy ballots in accordance with a recommendation resulting from the application of the ISS US Sustainability Voting Guidelines. The Sustainability Voting Guidelines focus on long-term economic value preservation and enhancement through promotion of corporate governance best practices that mitigate risks to shareowners but



also reflect the recognition that ESG factors could present material risks to portfolio investments. The Sustainability Voting Guidelines were specifically formulated to meet the growing need by mainstream institutional investors to account for ESG elements in their voting practices, including signatories to the United Nations Principles for Responsible Investment (“PRI”) looking to fulfill their obligations to the PRI from a proxy voting perspective. ISS liaised with the United Nations PRI Secretariat to help inform the development of the Sustainability guidelines.

## 4.2 In our supply chains

As an investment manager, Capstone has relatively simple supply chains largely comprising of business and professional service organizations. As a result, we believe there is limited risk of modern slavery or human trafficking taking place within our first tier suppliers, although we acknowledge the risk of modern slavery deep within our supply chains (for example the risk of modern slavery in cobalt mining, which is used to manufacture rechargeable batteries in our phones and computers, is well known). We are also aware of the risk of modern slavery in cleaners and laundry, security services, hospitality, and travel.

We have adopted a materiality risk-based approach by seeking to understand where the risks of modern slavery and human trafficking are greatest and prioritizing accordingly in relation to our first tier vendors and suppliers. In assessing our risk, we categorized our suppliers and vendors based on the following criteria:

- Amount of annual spend
- Type of good and/or service provided
- Industry/sector risk
- Location

We expect all our vendors and suppliers to adhere to all applicable laws in conducting their businesses and to operate a fair and ethical workplace for their staff.

Furthermore, we conduct certain due diligence when retaining any third-party service providers that are involved in Capstone’s provision of investment advisory services, or that have contact with clients or investors. We are continuing to assess how this process can be extended to include modern slavery risk.

## 5. Effectiveness and future actions

Capstone’s Compliance department, along with Human Resources, Finance and Technology work together to review the firm’s modern slavery risks and update this statement annually based on the latest vendor data and business developments. The statement is then reviewed and approved by the Capstone’s Management Committee and the ultimately signed by the Chief Executive Officer.

In 2021, Capstone aimed to improve its approach to assessing and addressing modern slavery and human trafficking risks year on year. Below is a summary of the proposed actions from the prior reporting period and the outcomes:

Actions	Outcomes
Global Compliance Manual and Whistleblower Policy Updates	<ul style="list-style-type: none"> <li>✓ Updated the Global Compliance Manual and Whistleblower Policy to include Modern Slavery Act considerations.</li> <li>✓ Covered the Whistleblower Policy as part of mandatory annual compliance training for all employees globally.</li> </ul>
Targeted Modern Slavery Act Training for Key Individuals	<ul style="list-style-type: none"> <li>✓ As mentioned in Section 4.1, provided Modern Slavery Act training to key executives and internal teams involved in firm’s procurement processes.</li> </ul>



Enhanced Diligence for Top-Tier Vendors	✓ Performed enhanced diligence on first tier vendors and acknowledged the risk of modern slavery in indirect supply chains, in particular relating to technology and consulting services.
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In 2022, Capstone will aim to take the following actions:

- Establish a Modern Slavery Risk working group and create guidelines to address any potential modern slavery risks identified during vendor and supplier diligence of first tier providers.
- Review and identify new potential risks associated with Capstone's future business operations and office expansion in Asia, in particular Hong Kong.
- Continue to enhance the risk assessment process for our operations and review process for top-tier vendors.

## 6. Consultation and approval

In preparation of this statement, we engaged with each of the reporting entities covered by this statement and consulted the entities we own or control, which all share staff and are governed by the same Management Committee.

This statement was approved by the Management Committee, which is our equivalent to a principal governing body of CIA LLC (the parent entity) and is signed by Mr. Paul Britton in his capacity as its sole managing member and Chief Executive Officer.

*Paul Britton*

**Paul Britton**

*Chief Executive Officer, Member of the Management Committee  
Sole Managing Member of Capstone Investment Advisors, LLC  
Sole Managing Member of Capstone Investment Advisors, LLC, as sole  
Managing Member of Capstone Investment Advisors (UK), LLP*

**28 June 2022**



## 7. Mandatory reporting criteria

Reporting Criterion		Page
1 & 2.	Identify the reporting entity and describe its structure, operations and supply chains	1-3
3.	Describe the risks of modern slavery practices in the operations and supply chains of the reporting entity and any entities the reporting entity owns or controls	3-4
4.	Describe the actions taken by the reporting entity and any entities that the reporting entity owns or controls to assess and address these risks, including due diligence and remediation processes	4-5
5.	Describe how the reporting entity assesses the effectiveness of actions being taken to assess and address modern slavery risks	5-6
6.	Describe the process of consultation with any entities the reporting entity owns or controls	6
7.	Any other relevant information	7