



# Responsible Investment Policy for Brummer Multi-Strategy AB

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## 1. Introduction

This Responsible Investment Policy (the “**Policy**”) includes Brummer Multi-Strategy AB’s (“**BMS AB**”) principal approach to Responsible Investments, the procedures to integrate sustainability risks as a natural part in the investment decision-making process, and the due diligence process for identifying and prioritising principal adverse impacts in order to assess and consider the principal adverse impacts of BMS AB’s investment decisions on sustainability factors. It also includes the binding elements used in the management of Brummer Multi-Strategy Master fund (“**BMS**”) to promote certain environmental and social characteristics.

Responsible investment, including environmental, social and governance factors (“**ESG**”) has been subject to both voluntary and regulatory initiatives for many years. As a responsible investor, BMS AB acknowledges that the expectation and values of our funds’ investors evolve as society changes, and that the concept of fiduciary duty by many investors is considered to include sustainability and the management of ESG risks and opportunities. The parent company of BMS AB, Brummer & Partners AB, has formalised the commitment of being a responsible investor through the signature of the UN Principles for Responsible Investment (“**PRI**”). Brummer & Partners AB was also one of the founding members of the Standards Board for Alternative Investments (“**SBAI**”), an industry initiative where asset owners and asset managers come together to develop best practice standards for the alternative investment industry. The standards form a framework for transparency, integrity and business ethics and complement applicable laws and regulations. BMS AB and all other investment managers in the Brummer & Partners group are SBAI signatories and report to SBAI annually on a comply or explain basis.

Furthermore, several initiatives on a global and European level are rapidly changing the regulatory framework for business in general and financial asset management in particular. The European Union (“**EU**”) has issued new regulations with the aim to promote the UN Agenda 2030 and the Paris Agreement on climate change, including the goal to be climate-neutral by 2050. There are also early initiatives and draft legislation, applying specifically for UCITS and AIF managers, for the integration of sustainability risks in the overall risk management process.

This Policy is designed to describe how BMS AB complies with the requirements in the EU’s Sustainable Finance Disclosure Regulation (2019/2088) (“**SFDR**”). The Policy includes information on:

- How BMS AB integrates sustainability risks in the investment decision-making process (Article 3);
- The BMS AB due diligence policy for identifying and prioritising principal adverse sustainability impacts and indicators, and how we plan to take relevant action in accordance with this analysis (Article 4);
- How responsible investments and sustainability risks are affecting BMS AB’s Remuneration Policy (Article 5); and
- How BMS AB discloses relevant information to the investors, pre-contractually and on our website (Articles 3, 4, 5 and 6);
- The environmental and social characteristics that BMS promotes (Article 8).

This Policy is an integrated part of BMS AB’s internal policies and procedures and should be read in conjunction with BMS AB’s Asset Management Policy, which outlines BMS AB’s investment decision making process and process for selecting funds to invest in. Furthermore, investment decisions made by BMS AB must comply with the fund rules of the funds under management, the AIFM and UCITS legislation, any managed account agreement provisions, and the Risk Management Framework.

## 2. Our approach and ambition

It is BMS AB's aim, as a responsible investor, signatory of PRI, and founding member of SBAI, to address the increasing importance of ESG factors for a sustainable future and to meet the expectations and values of our investors. To achieve our mission to generate sustainable, long-term returns, we are dependent upon stable, well-functioning and well-governed social, environmental and economic systems. To deliver on our long-term responsibilities to our investors, we aim to build and manage a diversified portfolio of different investment strategies that, over time, will have a low correlation to traditional assets classes.

As a PRI-signatory, we will be active owners and incorporate sustainability risks and opportunities into our engagement practices, seek disclosure on ESG issues by the investment strategies that we invest in, promote acceptance and implementation of responsible investment and ESG-integration within the investment industry, and report on our activities and progress in implementing responsible investment to PRI and other stakeholders.

BMS AB welcomes the EU initiatives and, in alignment with SFDR, we now take further steps to formalise the integration of sustainability risks into our decision-making process, and to increase transparency and disclosures relating to our responsible investment activities.

BMS AB has also started the process to consider potential principal adverse impacts by our investment decisions on sustainability factors, which will require additional attention and implementation of EU technical standards over the next couple of years. Our ambition is however not only to consider adverse impacts but also to promote certain ESG factors in our investment management activities (for both funds and managed accounts) and to classify our products as so-called Article 8-funds.

To help BMS AB fulfil its commitment to responsible investing, we have access to the Brummer & Partners group's Sustainability Team. Among other things, the team focuses on policy development, support and education to the investment managers of the Brummer & Partners group.

## 3. BMS AB as an investor

BMS AB's investment model includes investments in funds which are managed by other investment management companies ("**Investment Managers**") within the Brummer & Partners group or through sub-delegation of portfolio management. A natural part of BMS AB's investment decision making process and the monitoring and assessment of the Investment Managers, is governance and engagement.

Brummer & Partners AB has board representation and is a shareholder in the Investment Managers and therefore has the possibility to influence board agenda items and initiate discussions on topics of interest such as sustainability, both on a fund and a portfolio holding level.

As an investor, BMS AB is a long-term partner to the Investment Managers. The partnerships with the Investment Managers enable us to proactively provide support on investment management related topics such as sustainability. BMS AB's investment team has full position transparency and performs continuous monitoring of risk and performance of the various investment strategies in which it invests, and independent risk control is provided by the Brummer & Partners' Risk team. Potential structural issues as well as solutions are discussed with the investment teams of the investment strategies and support and follow-up is provided by BMS AB's investment team.

Brummer & Partners' Sustainability and Risk teams perform quarterly screenings, which is central to the ESG risk management process, and screening results are subject to dialogue and engagement with the Investment Managers.

Although BMS AB is actively monitoring and screening the underlying investments, BMS AB expects each Investment Manager to implement and keep sustainability risk policies and procedures compliant with the EU regulations, in order to maintain a proper alignment between BMS AB's investments and underlying assets. BMS AB also expects each Investment Manager to support and contribute to BMS's sustainability efforts in a way suitable for their respective investment strategy. This includes engaging in dialogue with BMS AB on the environmental and social characteristics that BMS promotes:

- (1) climate action (to combat climate change and its impacts),
- (2) international norms and conventions on human rights, labour rights, the environment and anti-corruption, and
- (3) UN Sustainable Development Goals ("SDGs").

## 4. Sustainability Risks and the Investment Decision Process

BMS AB's investment decision process is more closely described in the company's Asset Management Policy. The Asset Management Policy outlines the investment strategy, the link between positions and risk, eligible markets, permitted transactions, risk limits and the use of counterparties.

BMS AB makes investment decisions a) when the BMS Master Fund intends to invest in a new product managed by an existing or new Investment Manager, b) in connection with adjustments to the allocation of the BMS Master Fund portfolio and c) when it is considered necessary to partially or totally redeem a fund investment due to the analysis made by BMS AB's investment team. A similar investment decision process applies to the discretionary management of BMS UCITS.

All investment decisions are based on a monitoring and analysis framework that has been developed over the years, and the process comprises qualitative as well as quantitative methods. BMS AB also takes into consideration the risk limits set, including financial risk, and sustainability risk as described in BMS AB's Risk Management Framework, including BMS AB's Sustainability Risk Management Policy.

In the selection of underlying funds and ongoing allocation decisions BMS AB use five **binding elements** to promote certain environmental and social characteristics. The same elements are assessed qualitatively in the evaluation of a potential new fund that BMS may allocate to.

### 4.1 BINDING ELEMENTS

1. *Investment Governance.* All Investment Managers of BMS must abide to an ongoing dialogue with BMS AB on sustainability matters, including suitable internal processes and disclosure to BMS AB, as well as participate in any due diligence measures taken by BMS AB. The reason for this is that BMS, as a multi-strategy fund, is dependent on the understanding and cooperation of the underlying funds' Investment Managers to achieve its commitment to sustainability. BMS AB also requires the underlying funds to ensure the ability for BMS AB to measure (screen) the underlying funds on relevant indicators. BMS AB finally also requests, that the underlying Investment Managers take necessary and relevant action in order to support BMS's promotion of certain environmental and social characteristics, such as exclusion of certain investments, shareholder engagement or other.
2. *Alignment.* All Investment Managers must acknowledge the environmental and social characteristics that BMS promotes and should also abide to identify the UN SDGs relevant for their specific investment strategy (which may vary).

3. *Sustainability risk.* BMS AB expects all Investment Managers to take necessary and relevant measures in order to integrate sustainability risk into their respective investment decision-making processes. BMS AB as an investor expects the underlying funds to consider all relevant risk factors, including sustainability risk. BMS AB assess the sustainability risk profile of the underlying funds as an integrated part of BMS AB's investment decision making process.
4. *Consideration of Principal Adverse Impact.* BMS AB expects all Investment Managers to consider principal adverse impacts on sustainability factors, where applicable and relevant. BMS AB is aware that certain strategies have difficulties to fully consider all impacts due to the type of assets they invest in, but also due to the lack of relevant sustainability information currently available to the underlying funds. As a minimum however, BMS AB requires all Investment Managers to do the analysis and to consider principal adverse impacts when possible.  
BMS AB also requires the Investment Managers to ensure the ability for BMS AB to measure (screen) the underlying funds for relevant indicators.  
BMS AB finally also requests, that the Investment Managers take necessary and relevant measures in order to mitigate identified principle adverse impacts, such as exclusion of certain investments, shareholder engagement or other.
5. *Taxonomy.* The upcoming Taxonomy regulations link sustainability disclosure to the facilitation of sustainable investments. BMS AB expects the Investment Managers to cooperate with BMS AB in the efforts to comply with the Taxonomy regulations requirements on processes, procedures and disclosures.

#### **4.2 ESG RISK RATING MATRIX AND THE SUSTAINABILITY WORKING GROUP**

BMS AB has formed a Sustainability Working Group ("SWG") with representatives from the portfolio management, the Risk team and the Sustainability team. SWG meets quarterly to discuss and evaluate the Sustainability Risk Management Process and potential new risks identified. Based on the information from the continuous screening as well as quarterly Risk Forums with the underlying funds, the SWG establishes the BMS ESG Risk Rating. The rating consists of several factors supporting the evaluation of the five binding elements, and, among other things, the quarterly screening described in our due diligence process, and is generated for each underlying fund as well as for BMS overall.

The ESG Risk Rating is part of BMS AB's ongoing governance and due diligence of the underlying funds. The responsibility to take necessary measures (e.g., exclude investments or to engage with investee companies) lies with the underlying fund. Relevant factors to consider is the underlying funds' assessment of the significance of the matter, the size of holdings and the scope to effect change. The reasoning for any such decisions should be disclosed to BMS.

A repeatedly poor ESG Risk Rating or ignorance of BMS AB's recommendations regarding sustainability practices are factors considered in BMS AB's investment decision-making process and could lead to BMS decreasing, alternatively redeeming, its investments in the underlying funds.

## **5. Principle Adverse Impact**

### **5.1 BMS CONSIDERS PRINCIPAL ADVERSE IMPACT ON SUSTAINABILITY FACTORS**

As previously mentioned, BMS AB only invests in funds and portfolios managed by Investment Managers within the Brummer & Partners group. This means both that BMS AB's investment universe is limited, and that BMS AB is able to adopt a unique methodology of continuous dialogue with the Investment Managers on topics of great importance, such as ESG. BMS AB has the possibility

to align its views and interests of how to approach the need not only to consider sustainability risks effects on the various portfolio returns, but also to consider its investment decisions' adverse impact on sustainability factors.

BMS AB requests that all Investment Managers have responsible investment policies in place, tailored to their specific investment strategies and organisations, which take into consideration the principal adverse impacts on ESG-factors relevant and applicable.

In order to consider potential principal adverse impacts on sustainability factors, BMS AB – and the underlying Investment Managers – apply a methodology which includes:

- Identification and prioritisation of principal adverse sustainability impacts and indicators in our due diligence process (section 5.2) including responsible business conduct codes and internationally recognised standards for due diligence and reporting.
- Description of the principal adverse sustainability impacts and of any actions in relation thereto taken or, where relevant, planned (section 5.2).
- Establish and maintain a Shareholders Engagement Policy in accordance with Article 3g of Directive 2007/36/EC.

## 5.2 OUR DUE DILIGENCE PROCESS

BMS AB, together with the Investment Managers, have in place a process in order to identify, prioritise and to introduce suitable actions regarding ESG risks and opportunities, which also measure the attainment of the promoted environmental or social characteristics our due diligence process.

The cornerstone of the due diligence process is our quarterly screening process. This screening process undergoes continuous development, but has for many years had its foundation in the identification of any holdings in companies in violation of global norms on environmental protection, human rights, labour standards, and anti-corruption. These global norms are set out in international initiatives and guidelines such as the OECD Guidelines for Multinational Enterprises, the UN Global Compact, the ILO Tripartite declaration of Principles concerning Multinational Enterprises and Social Policy and the Guiding Principles on Business and Human Rights. The screening process is conducted via the use of third party data from an external ESG research provider (ISS-ESG).

To promote (1) climate action (to combat climate change and its impacts), BMS AB quarterly measures the carbon intensity, Weighted Average Carbon Intensity (“WACI”), of the underlying funds. BMS AB will monitor WACI over a time period of two years, after which it is BMS AB’s ambition to set meaningful targets in relation to WACI.

BMS AB also measures thermal coal and fossil fuel exposures, within the equity and corporate bond sections of each underlying fund. We have identified that long positions in certain companies that are dependent on coal energy might introduce principal adverse impacts on environmental sustainability factors and, hence, we have prioritised avoiding investments in companies that generate more than 5 percent of their revenue from the production of thermal coal, or derive more than 30 percent of their revenue from energy production based on coal. However, long positions in companies that for example significantly contribute to, or are expected to significantly contribute to, the transition towards renewable energy sources may be entered into on a case-by-case basis. If an underlying fund has a long position in a coal company, the Investment Manager needs to provide the reasoning behind the investment and a clarification of how the company is contributing to the transition towards renewables. Short positions in coal companies are not excluded.

To promote (2) international norms and conventions on human rights, labour rights, the environment and anti-corruption, BMS AB measures on a quarterly basis the exposure (through the underlying funds) to companies involved in violation of these international norms and conventions. Any norm-based flagged holdings are followed up by the Sustainability team who engages with the relevant

Investment Manager to get informed of any potential dialogues on the subject between the Investment Manager and the flagged company. The alleged norm violation is also recognised at the subsequent board meeting. BMS AB expects the Investment Managers to avoid long investments in norm-based flagged holdings unless the Investment Managers can assess the reasons behind the company being flagged and confirm the rationale behind the investment decision to go long in such company. It is BMS AB's view that such companies may introduce principal adverse impacts on sustainability factors. Short positions are however encouraged.

We have also identified that both long and short investments in companies which are directly involved in the development, production, maintenance or sale of illegal weapons and weapons that are considered controversial, such as cluster bombs, anti-personnel mines, biological and chemical weapons, and nuclear weapons may have principal adverse impacts on several ESG-factors. Such weapons can upon use inflict indiscriminate harm and have gross principal adverse impacts and may obstruct basic human rights. Due to the impact, we have decided to put highest priority on avoiding these types of investments, excluding these investments from all portfolios of BMS AB.

To promote (3) UN SDG's BMS AB measures on a quarterly basis the exposure to companies with particularly positive or negative impact on the relevant SDGs. The results of this measurement are part of the dialogue that is undertaken with the Investment Managers.

BMS AB acknowledges that while these routines are strong components of top-level ESG risk management, they are not capable of identifying all ESG risks, nor all opportunities, applicable to the investment processes conducted in the individual investment teams. The described screening process allows BMS AB to monitor and manage ESG risks within corporate exposures and to identify exposure to corporates that have adverse impacts, are involved in controversial or unsustainable activities, or in some cases such that can be viewed to be poorly governed and as such at higher risk of being neglectful of the impact of their operations, and therefore potentially more likely to be subject to other types of poor or unethical business conduct. However, given the differentiated characteristics of each constituent strategy in terms of asset classes and markets traded, ESG risks and opportunities are of equally great variety. This acknowledgement underpins the expectation of each Investment Manager to formulate their own views in a responsible investment policy, including procedures for responsible investing. The investment teams are expected to outline how ESG is integrated in the investment decision making process, and how financially material ESG factors are part of well-informed investment decisions.

We continuously monitor the compliance of the priorities taken and perform a quarterly screening of all portfolios and the results feed into the ESG Risk Rating Matrix described in chapter 4.

The EU has on 4 February 2021 presented draft technical standards on e.g., relevant sustainability factors and principal adverse impact indicators (“PASI”). The EU published an updated draft October 22, 2021 and rejected the draft published February 4 in late November 2021. BMS AB has started to analyse the standards, and is following the regulatory development. BMS AB plans to implement the standards into its identification and prioritisation process, assessing the principal adverse impacts and suitable actions for relevant PASIs no later than the planned starting date for the reference period (presently 1 January 2022). Later, the EU Taxonomy will also be included in this process. The PASIs will become an integrated part of our current screening process. The exact impact, suitable actions needed on BMS AB level and on Investment Manager level, is a part of the implementation process.

## 6. Remuneration Policy

BMS AB has adopted a Remuneration Policy in line with the regulatory requirements of AIFMs with discretionary mandates. The policy outlines the conditions set for employees of BMS AB to receive

remuneration. The policy seeks to avoid that variable remuneration promotes unwanted behaviour and risk-taking, including disregarding sustainability risks and the potential effects on the returns of the products, as well as ignoring any identified and prioritised principal adverse impact factors.

## 7. Investor disclosure

### 7.1 WEBSITE DISCLOSURE

BMS AB shall publish, and keep updated, on [www.brummer.se](http://www.brummer.se);

- 1) Information regarding the integration of sustainability risks in our investment decision-making process (section 2 through 4 of this policy);
- 2) a statement on the due diligence policy with respect to principal adverse impacts (“PAIS”) in accordance with section 5 of this policy; and
- 3) information on how our Remuneration Policy is consistent with the integration of sustainability risks (section 6 of this policy).

In order to comply with these disclosure requirements, it is preferable to publish this policy on [www.brummer.se](http://www.brummer.se) with an explanatory text.

### 7.2 PRE-CONTRACTUAL DISCLOSURE

BMS AB shall, in the pre-contractual information (Swe. *informationsbroschyren*) disclose:

- 1) the manner in which sustainability risks are integrated into our investment decisions (section 2 through 4 of this policy); and
- 2) the results of the assessment of the likely impacts of sustainability risks on the returns of the BMS funds under management.

## 8. Review of this policy

The Compliance function is responsible for ensuring that this policy is reviewed in consultation with the content owner at least annually. The content owner is also responsible for ensuring that the policy is updated when necessary.