



Responsible Investment Policy for Brummer Multi-Strategy AB

<i>Adopted by:</i>	The Board of Directors of Brummer Multi-Strategy AB
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1. Introduction

This Responsible Investment Policy (the “**RI-policy**”) outlines Brummer Multi-Strategy AB’s (“**BMS AB**”) approach to responsible investments, the procedures to integrate sustainability risks in the investment decision-making process, and the due diligence process for identifying and prioritising 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 (“**BMS Master**”), and Brummer Multi-Strategy UCITS (“**BMS UCITS**”), 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 (environmental, social, governance) 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 14 founding members in 2008 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 Sub-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.

This RI-policy outlines BMS AB’s approach to sustainability and more specifically:

- How BMS AB integrates sustainability risks in the investment decision-making process;
- How BMS AB considers principal adverse impacts on sustainability factors;
- How responsible investments and sustainability risks are affecting BMS AB’s Remuneration Policy;
- How BMS AB discloses relevant information to investors;
- The environmental and social characteristics that BMS Master and BMS UCITS strives to promote.

2. Our approach and ambition

BMS AB acknowledges the increasing importance of integrating ESG factors into its investment decision process to meet the expectations of investors in the funds, both in terms of considerations for a sustainable future, and to make more well-informed investment decisions and generate returns in a responsible way. 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.

To help BMS AB fulfil its commitment to responsible investing, and to ensure alignment of responsible investment practices across the Brummer & Partners group, the group’s Sustainability

team advises BMS AB and the Sub-Investment Managers on policy development, sustainable finance regulation, ESG data and research, collaborative engagement, reporting and communication, as well as education.

3. BMS AB as an investor

BMS AB allocates to investment strategies that are managed by Sub-Investment Managers in the Brummer & Partners group, or by investment teams employed by BMS AB, collectively referred to as **Sub-Investment Managers**.

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

As an investor, BMS AB is a long-term partner to the Sub-Investment Managers. The partnerships with the Sub-Investment Managers enable us to proactively provide support on investment management related topics including on responsible investment and the consideration of ESG risks and opportunities in the investment decision making process. BMS AB's investment team performs continuous monitoring of risk and performance of the various investment strategies, and independent risk control is provided by the Brummer & Partners' Risk team. Potential structural issues as well as solutions are discussed with the Sub-Investment Managers and support and follow-up is provided by BMS AB's investment team.

Brummer & Partners' Sustainability and Risk teams screen and monitor the Sub-Investment Managers' portfolios to ensure compliance with BMS AB's and Sub-Investment Managers' respective RI-Policies. Findings are reported to BMS AB's investment team and board of directors, as well as to the relevant Sub-Investment Manager's board of directors. The Sustainability team also engages with the relevant Sub-Investment Manager on the issue and action plan going forward.

Although BMS AB is actively monitoring and screening the Sub-Investment Managers' portfolios, BMS AB expects each Sub-Investment Manager to implement sustainability risk policies and procedures in order to maintain a proper alignment between governance processes and disclosure requirements. BMS AB also expects each Sub-Investment Manager to support and contribute to BMS Master and BMS UCITS'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 Master and BMS UCITS promote:

- (1) climate action (activities to combat climate change and its negative impacts),
- (2) compliance with international norms and conventions on human rights, labour rights, the environment and anti-corruption; and
- (3) consideration of the United Nations Sustainable Development Goals (the "SDGs").

4. The Investment Decision Making Process

BMS AB is continually overlooking the optimal setup of Sub-Investment Managers and strategies in BMS Master's or BMS UCITS's portfolio and decides on allocation and inclusion/exclusion of strategies in the multi-strategy portfolio.

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. For more

information on the investment process, please see BMS Master's Information Memorandum and BMS UCITS's Supplement.

BMS AB, together with the Sub-Investment Managers, have in place a due diligence process in order to identify, prioritise and to introduce suitable actions regarding ESG risks and opportunities including on ESG risks which may also result in principle adverse impacts on sustainability factors, should they materialise. The management of these risks and potential principle adverse impacts also relate to the E and S characteristics that BMS AB strives to promote.

The cornerstone of the due diligence process is our monitoring and screening of the Sub-Investment Managers' portfolio holdings. We continuously develop the screening and measurements performed as we develop our responsible investment practices but have, since the screening was first implemented almost 10 years ago, focused on compliance with 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 also includes climate related data and SDG impact data as these are areas that BMS AB strives to promote (see Section 3 above), as well as EU taxonomy revenue alignment data and data to measure Principle Adverse Impact Indicators (as stipulated in the Sustainable Finance Disclosure Regulation, SFDR, and in the EU Taxonomy Regulation) among other things.

The purpose of the screening is to monitor portfolio exposure to certain ESG risks that BMS AB and the Sub-Investment Managers have identified to be of particular concern as they may result in material negative effects on returns and also could result in principle adverse impacts, should they materialise. Further, BMS AB's management of these risks and monitoring of certain indicators also assist the promotion of the E and S characteristics outlined above. Investment restrictions are updated quarterly, and together with (i) the screening to ensure compliance; (ii) the monitoring of certain indicators such as WACI and SDG impact; and (iii) engagement on screening results and the indicators measured, they form the binding elements that BMS AB applies to promote the E and S characteristics outlined above, and they are implemented as follows:

International norms and conventions

Both long¹ and short² exposure to 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, nuclear weapons) is avoided and BMS AB will require a Sub-Investment Manager to divest should any such exposure be identified.

Long exposure to companies in violation of the international norms described above are flagged to the relevant Sub-Investment Manager by the Sustainability team who engages with the Sub-Investment Manager on the identified controversy to provide more clarity on the issue. BMS AB may request the Sub-Investment Manager to divest the holding unless the Sub-Investment Manager provides rationale for the continued holding of such exposure including a suitable action plan.

Further, by avoiding investing in companies in violation of international norms, engaging with Sub-Investment Managers on any findings of such holdings in their portfolios including relevant action plans, and by participating in a collaborative engagement initiative encouraging companies to improve

¹ Long exposure means holding an asset through buying it directly or indirectly through financial derivatives, seeking to gain from price increases of the asset.

² Short exposure means borrowing and selling an asset, or a financial derivative that gives you the right to sell an asset at a price below the current market value, seeking to gain from a price decrease in the asset.

their governance and procedures in relation to these norms, BMS AB also promotes compliance with these norms both in investee (via the Sub-Investment Managers) and non-investee companies.

Climate action

Long exposure to 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, are avoided. Further, the Weighted Average Carbon Intensity (“WACI”) and general fossil fuel exposures of the issuers of equities and corporate bonds in the Sub-Investment Managers’ portfolios is measured and the Sustainability team engages with the Sub-Investment Managers on the results of the measurements to raise awareness and share insights, and to collaborate on interpreting the numbers from an alternative, absolute return and multi-strategy perspective. As it relates to thermal coal, an investment may be made in an issuer that exceeds the thresholds above, if the Sub-Investment Manager determines that the relevant company is making (or will do so in the near future), a significant contribution to the transition towards renewable energy sources.

Apart from the restrictions lists and the engagement with Sub-Investment Managers on the results of the screening and monitoring, BMS AB also participates in a collaborative engagement initiative targeted at investee and potential investee companies to encourage climate action activities, such as for example net-zero initiatives and alignment with the Paris Agreement.

Sustainable development goals

To promote the SDGs, BMS AB has requested the Sub-Investment Managers to identify which SDG or SDGs are relevant for their respective investment strategy. Awareness of the SDGs and the role they play may help identify investment opportunities for long exposure but also for short exposure as some companies fail to adapt to a more sustainable future. BMS AB’s Sustainability and Risk teams measure each Sub-Investment Manager’s portfolio exposure to companies which positively or negatively impact on the SDGs and the results of such assessment forms part of the ongoing dialogue between BMS AB and each Sub-Investment Manager in respect of the ongoing composition of the Sub-Investment Managers’ portfolios.

4.1 THE MULTI-STRATEGY PERSPECTIVE

BMS AB acknowledges that while the due diligence process described above including the binding elements applied are strong components of ESG risk management, they are not capable of identifying all ESG risks, nor all opportunities, applicable to the investment processes conducted by each Sub-Investment Manager. The described due diligence process allows BMS AB to identify exposure to companies 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 diversification of the Sub-Investment Managers’ investment strategies in terms of asset classes and markets traded, ESG risks and opportunities are of great variety. This acknowledgement underpins the expectation of each Sub-Investment Manager to formulate their own RI-Policy tailored to their specific investment strategy including outlining how ESG is integrated in the investment decision making process, and how financially material ESG factors are part of investment decisions.

4.2 ESG RATING MATRIX AND THE SUSTAINABILITY WORKING GROUP

BMS AB has formed a Sustainability Working Group (“SWG”) with representatives from the investment management, the Risk team and the Sustainability team. The SWG meets at least quarterly to discuss and evaluate the Sub-Investment Managers’ responsible investment activities and the result of the evaluation is documented in the ESG Rating Matrix. The Rating Matrix consists of several qualitative and quantitative indicators to help evaluate (i) the Sub-Investment Managers’ policies and processes for the integration of sustainability risks and opportunities in investment decisions; (ii) the

results of the screening and monitoring described above; and (iii) the attentiveness of the Sub-Investment Managers and their willingness to engage and improve on sustainability matters.

In the event that BMS AB is not satisfied with the results of the ESG evaluation of a Sub-Investment Manager or the relevant portfolio, the investment team may take this into account as part of its ongoing asset allocation process and may require the Sub-Investment Manager to take appropriate measures as a result of sustainability considerations. Repeatedly poor results in the ESG Rating Matrix or ignorance of BMS AB's recommendations regarding sustainability practices are factors that are considered in BMS AB's investment decision-making process and could lead to BMS Master and/or BMS UCITS decreasing, alternatively redeeming, its investments in any investment strategy.

5. Remuneration Policy

BMS AB has adopted a Remuneration Policy outlining 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.

6. Investor disclosure

BMS AB shall publish and keep updated on the website, the disclosures required by SFDR including the pre-contractual and periodic templates and the mandatory website disclosures required for funds classified under Article 8 of SFDR.

7. 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.
