Remuneration policy
for Brummer Multi-Strategy AB

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1. Introduction

This remuneration policy has been prepared in accordance with Chapter 8, Section 22 of the Swedish Alternative Investment Fund Managers Act (2013:561), Article 107 of Commission Delegated Regulation (EU) No 231/2013 of 19 December 2012 ("**the Delegated Regulation**") and the Regulations regarding alternative investment fund managers (FFFS 2013:10) ("**the Regulations**") of the Swedish Financial Supervisory Authority ("**FSA**"). In preparing this policy, account has been taken of the FSA's decision guidance document of 25 June 2013 concerning the new rules as well as the ESMA Guidelines on sound remuneration policies (ESMA/2013/232). Furthermore, the policy has also been designed to comply with the general provisions set out in chapter 9, section 10 of the Swedish Securities Markets Act (2007:528).

This remuneration policy also reflects Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector.

This policy is consistent with and promotes sound and effective risk management and has been designed for the purpose of preventing risk taking that is inconsistent with the risk profiles and fund rules of the managed funds and the risk profiles and investment management agreements for discretionary investment portfolios. The policy covers all employees of Brummer Multi-Strategy AB ("**the Investment Manager**") and has been designed in a way that is appropriate with regard to the size and internal organisation of the Investment Manager and the nature, scope and complexity of its activities. The policy is also consistent with the Investment Manager's commercial strategy, goals, values and interests as well as the managed funds/discretionary investment portfolios and their investors' interests, and includes measures that are designed to avoid conflicts of interest. The policy contains an assessment of the risks associated with the Investment Manager's remuneration policy and remuneration system, an assessment of which employees are identified as regulated personnel as well as the basis and principles for determining the remuneration of employees of the Investment Manager. The policy also contains provisions on how the policy should be applied and followed up.

2. Regulated personnel

The policy covers all employees of the Investment Manager. However, some provisions are only relevant for certain categories of employees known as "regulated personnel" or "identified staff" (as defined in the ESMA Guidelines). In this policy, regulated personnel are used to cover both these terms.

The Investment Manager has identified the following employees and roles in the company as regulated personnel.

1. Executive management: The Managing Director and his/hers deputy (the Investment Manager does not have a management team or similar body that reports directly to the Board of Directors or Managing Director).
2. Employees in charge of control functions, i.e. the Chief Compliance Officer, the head of the independent risk function and the internal auditor. The Investment Manager has engaged B & P Fund Services AB ("**BFS**") and Öhrlings PricewaterhouseCoopers AB ("PwC") to perform these services for the Investment Manager. BFS is regulated by the FSA and is subject to equally effective regulations governing the remuneration of employees. The Investment Manager will ensure that BFS follows these regulations in the course of its ongoing monitoring of BFS as a service provider. PwC is an arms-length service provider which in Sweden employs around 3 000 people. The remuneration to PwC is set in the

outsourcing agreement and is not linked to the performance of the Investment Manager or the result of the services provided by PwC.

3. Risk takers. Employees who can enter into agreements or take positions for the Investment Manager or the managed funds/discretionary investment portfolios or otherwise influence the Investment Manager's or funds'/discretionary investment portfolios' risk profiles.
4. Other employees, whose total remuneration is equal to or exceeds the total remuneration of the Managing Director or his/her deputy, unless these persons do not materially influence the risk in accordance with the assessment in Section 3 below.

3. Employees who may be classified as regulated personnel

A common denominator for employees who are classified as regulated personnel is that they are able materially to influence the fund's/discretionary investment portfolios' or Investment Manager's risk. It is therefore logical first to assess to what extent employees are in a position to do so. In this assessment, the Investment Manager has taken account of the ESMA Guidelines.

The Investment Manager defines a "risk taker" as an employee who can enter into agreements or take positions for the Investment Manager or the managed funds/discretionary investment portfolios or otherwise influence the Investment Manager's or funds'/discretionary investment portfolios' risk profiles. On that basis, the Investment Manager classifies the Managing Director, the Deputy Managing Director and the portfolio managers as risk takers. Also analysts and other staff could be classified as risk takers, if they are considered to materially influence the fund's/discretionary investment portfolios' or Investment Manager's risk. Other employees of the Investment Manager comprise e.g. analysts who provide background data on risk and returns as well as employees in more operational roles. These are typically not in a position to influence the risk profile other than through currency hedging transactions, which are aimed at eliminating the fund's/discretionary investment portfolios' currency exposure, or cash management and therefore are not considered to have a material impact on the risk.

In some cases, employees who have not been identified as risk takers may receive a total remuneration which is equal to or exceeds the total remuneration of the Managing Director or his/her deputy. As mentioned, these persons do not make any decisions which can materially influence the risk, either in the Investment Manager or in the managed funds/discretionary investment portfolios. These persons are therefore not classified as regulated personnel.

4. Bases and principles for remuneration of employees

The Investment Manager applies a remuneration policy which includes fixed as well as variable remuneration.

Fixed remuneration refers to all forms of remuneration for which the amount or size has been determined beforehand, such as salary, scheduled pension contributions and car benefits. The size of these forms of remuneration, how the remuneration is calculated and the balance between them shall be determined with reference to the bases and principles set forth in this section. The purpose is to create strong incentives for a long-term absolute return and to ensure that the remuneration paid to employees is consistent with and rewards sound and effective risk management while preventing excessive risk taking.

a) <u>A long-term approach and measurement of results</u>

The Investment Manager’s remuneration model is adapted to the long-term interests of the Investment Manager and the managed funds/discretionary investment portfolios and with regard to how the Investment Manager’s results may be affected by current and future risks. The remuneration of employees is based on a risk-adjusted return and the individual employee’s contribution to this return.

The Investment Manager currently manages a number of multi-strategy funds without fixed or performance-based management fees. This means that the Investment Manager’s results are not directly dependent on the net asset value or results of the managed funds. Instead, the Investment Manager receives income from the parent company. The parent company is in turn a shareholder of the Brummer group’s other investment managers, whose funds, with some exceptions, are included in the multi-strategy funds. The parent company’s results are thus dependent on the success of the fund management activities of the other investment managers. This means that the Investment Manager is indirectly dependent on the result of the other Brummer companies.

A portion of the surplus that is generated comes from fixed fees, based on the managed net asset value. The intention in the Brummer group is not to generate a surplus through fixed management fees. Instead, these fees should in theory cover the Investment Manager’s fixed overheads, although a surplus may nonetheless arise from fixed management fees. The majority of the parent company’s earnings is, however, dependent on the performance-based management fees which are collected if the portfolio managers generate an excess return for the fund unit holders. The remuneration model used in the underlying funds is essentially identical (although the manner in which variable remuneration is calculated may vary). In view of the aforesaid, there is no direct incentive for the Investment Manager to take account of the underlying funds’ fee structures in its multi-strategy asset management activities.

The Investment Manager also manages a single-strategy fund which generate fixed management fees and potentially performance-based management fees. As mentioned above, the fixed fees linked to this fund cover in general the costs involved to run the business. Any performance fee generated may however be the basis for variable remuneration.

The Investment Manager also manage discretionary investment portfolios for which the Investment Manager receives fees. The performance fees from such discretionary investment portfolios are paid to the Investment Manager. After re-distributing any performance fees due to sub-investment managers, any remaining part will be a part of the Investment Manager’s revenue.

Employees linked to a specific portfolio which generates performance-based revenue, either single-strategy funds or discretionary mandates, may be eligible for variable remuneration linked to this particular portfolio revenue, however with a cap of variable remuneration to maximum 60 percent of the performance fees generated for the particular portfolio. These fees will as a principle be re-distributed in full, however considering the criteria laid down in this policy, e.g. non-financial criteria et cetera.

The employees’ variable remuneration is thus not directly based on the Investment Manager’s results, with the possible exemption of the specific discretionary mandates and single-strategy fund managed by the Investment Manager, but rather on the results of the parent company. Variable remuneration to employees outside of those managing specific discretionary mandates or single strategy funds requires a capital contribution from the parent company. As mentioned, this result is closely linked to the results of the fund management activities of the Brummer group rather than those of the Investment Manager.

However, the common objective for the fund management activities of the Brummer group, as well as for the portfolio management of discretionary mandates and single-strategy funds, is to create a stable, risk-adjusted absolute return that is independent of market trends. It is also in this respect the integration of sustainability risks are relevant to the investment manager, as the variable remuneration is dependent on results, directly through its own management or indirectly through the capital contribution from the parent company, that stems from generation of stable and risk-adjusted absolute returns while utilising the integration of proper risk management processes and evaluation of financially material sustainability risk research. Further, there is therefore no direct lifecycle for the funds and portfolios managed by the Investment Manager and the managers of the Brummer group and consequently not for the funds managed by the Investment Manager either. It is reasonable to calculate the result on a calendar year basis, as the calendar year coincides with the company's financial year.

In addition to the above, another condition for the payment of variable remuneration is that the individual also fulfils non-financial criteria such as behaviour and compliance with internal rules on, for example, the Investment Manager's risk management plan, the employees' transactions for own account, the policy for responsible investment and the policy on ethical issues. These non-financial criteria apply equally to all staff, including staff managing specific discretionary mandates.

b) Measures to prevent or forestall conflicts of interest

A condition for the payment of variable remuneration to employees is that such remuneration is consistent with the common interest of the unit holders and the discretionary portfolio management clients. The remuneration model or the remuneration paid to an individual employee must not create incentives for the employee to act in a way that is contrary to the common interests of the unit holders or clients.

As stated above, there is no reason for employees of the Investment Manager to take account of the underlying funds' fee structures, as these are essentially identical. This also applies to the discretionary investment portfolio management. Allocation to underlying funds or specific discretionary mandates is essentially neutral regarding performance fees. The Investment Manager receives the fixed management fee generated by discretionary investment portfolios. After re-distributing any fixed fees due to sub-investment managers, any remaining part will be kept by the Investment Manager. The fixed fee is however designed to cover fixed costs rather than generating profits to be distributed as variable remuneration.

The variable remuneration to employees managing specific discretionary mandates managed by the Investment Manager is linked to the performance fee generated by that mandate and may potentially create a conflict of interest of maximising performance fees in order to get a higher remuneration, maybe without considering the inherent risks of the positions taken. It is important to keep this in mind when assessing the profits generated but also the risk taking of the responsible staff, especially at the end of the relevant life cycle period used to calculate performance fees and consequently potential variable remuneration. Withholding and ex-post adjustment will also be an integrated part to mitigate this risk.

The remuneration paid to employees only constitutes one of several measures aimed at ensuring that the client is treated fairly and that the unit holders' common interests are safeguarded. The parent company, which makes decisions on additional allocations for variable remuneration, is a shareholder of all companies in the Brummer group and has an interest in not favouring one fund/ discretionary investment portfolio at the expense of another. The parent company has ownership interests in the management companies of all funds and has also invested assets in most of the funds indirectly through its investment in the multi-strategy fund(s). The shareholders have a long-term approach and believe their long-term profits can be maximised if the Brummer Multi-Strategy funds deliver the best possible competitive returns in accordance with the funds' objectives, as this has a clear impact on the Investment Manager's ability to retain unit holders or attract new unit holders. The multi-strategy funds' portfolio managers are also indirectly shareholders of the Investment

Manager, and their interests therefore coincide with the interests of the other shareholders. In this way, the Investment Manager seeks to create a shared interest with its clients. The portfolio managers also operate on the basis of defined risk mandates, and all investment decisions must comply with applicable laws, fund rules/investment management agreements and internally defined limits.

c) Balance between fixed and variable remuneration

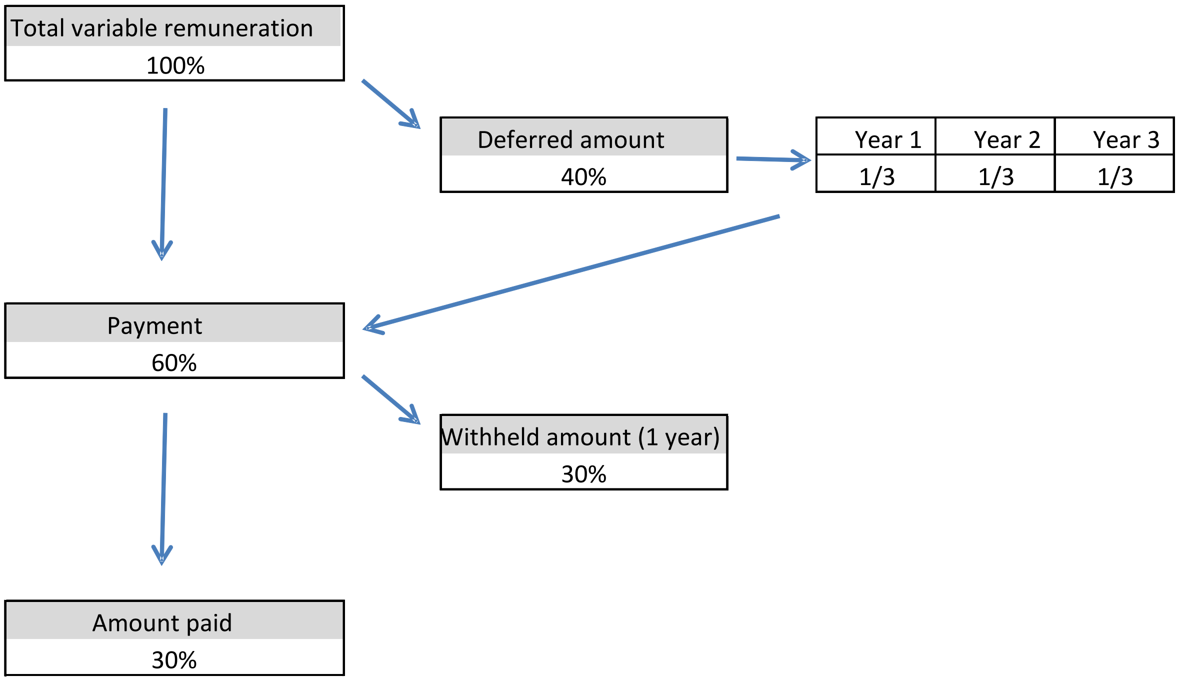
The Investment Manager strives to create a balance between fixed and variable remuneration.

The Investment Manager pays employees a fixed remuneration based on what is appropriate for the purpose of recruiting qualified staff. The remuneration paid thus depends on the Investment Manager's needs, the employee's knowledge and experience, other objective criteria that are relevant to the duties involved and the general level of salaries. The fixed remuneration shall, however, always make up a sufficiently large portion of the employee's total remuneration to allow for the variable component to be set at zero.

A common factor for all employees is that variable remuneration is discretionary and can be set at zero if there are no grounds for variable remuneration. This may be the case if the parent company does not generate a profit or if the employee has not fulfilled the other criteria for variable remuneration. Variable remuneration to employees managing specific single-strategy funds or discretionary mandates at the Investment Manager is also subject to the Investment Manager's discretion.

With regard to variable remuneration for regulated personnel, the Investment Manager has assessed the need to withhold a portion of the employees' variable remuneration. In view of the analysis presented under a) and b) above, the Investment Manager has decided that 40 per cent of the variable remuneration of regulated personnel shall be deferred for up to three years. Deferred remuneration will be paid on a pro rata basis over the three-year period during which the remuneration is deferred. The first payment of this deferred portion will be made one year after the variable remuneration was determined. The Investment Manager offers employees the option of choosing whether the deferred portion should remain at its nominal value or if the value should be adjusted according to the change in value of Brummer Multi-Strategy ("**BMS**"), Brummer Multi-Strategy 2xL ("**BMS 2xL**") or Brummer Multi-Strategy UCITS (a sub-fund of Brummer Umbrella ICAV, managed by the Investment Manager) (**"BMS UCITS"**) over the deferral period. For employees managing specific discretionary mandates at the Investment Manager, the offer will be to link the value of the deferred portion to net performance of the specific discretionary mandate managed.

The Investment Manager has also decided that 50 per cent of the variable remuneration paid to regulated personnel shall be paid in the form of fund units of BMS, BMS 2xL or BMS UCITS, or regarding the employees managing specific single-strategy funds or discretionary mandates at the Investment Manager, fund units linked to the specific portfolio managed, if possible. This allocation shall be made in connection with each disbursement and the employee is not permitted to access these fund units during a period of one year from the disbursement. See the schematic illustration below.



For regulated personnel who receive variable remuneration of a particularly high amount, 60 per cent of awarded variable remuneration shall instead be deferred for up to three years. The Investment Manager considers that remuneration of SEK 10 million or more constitutes a particularly high amount.

The Investment Manager has decided to cap the variable remuneration payable to regulated personnel at five (5) times the fixed remuneration. Exemptions from this rule may be made in individual cases, in which case a resolution shall be made by the Board of Directors in accordance with Section 5 a) below. This may be relevant especially for the portfolio manager of any specific single-strategy fund or discretionary investment mandate managed by the Investment Manager, since exceptionally good return in such mandate may be rewarded with a higher variable remuneration.

The Investment Manager believes there is no reason to withhold portions of the variable remuneration of other employees than regulated personnel.

d) The composition of variable remuneration and limitation of guaranteed variable remuneration

Variable remuneration shall consist of cash. For regulated personnel, a portion of the variable remuneration shall instead be paid in the form of fund units in BMS, BMS 2xL or, where relevant, fund units linked to the specific discretionary investment mandate managed in accordance with what is stated under c) above.

The Investment Manager does not apply guaranteed variable remuneration; as mentioned above, decisions on variable remuneration are made on a discretionary basis.

e) Ex-post risk adjustment

The Investment Manager applies a model in which an ex-post assessment of the risks taken in the activities is made in connection with each disbursement of deferred variable remuneration to regulated personnel. The purpose is to create an explicit mechanism for ensuring that the realised risks are consistent with the assumed risks. The process refers to variable remuneration irrespective of whether it is paid in cash or in the form of fund units. This process is thus based on a "malus" perspective (cf. ESMA Guidelines), i.e. an assessment before further variable remuneration is paid, instead of the clawback of already awarded remuneration.

The model is designed to ensure that the payment of deferred remuneration is warranted in view of the Investment Manager's financial situation and generally ex-post justified based on the individual criteria for variable remuneration on which the original decision on variable remuneration was based including the sustainable return of the specific discretionary investment mandates managed by the Investment Manager.

The first stage in this model is to determine whether the Investment Manager's financial situation allows for the disbursement of the awarded remuneration. The Investment Manager will adjust the deferred variable remuneration prior to disbursement if paying the remuneration would otherwise put at risk the equity capital which the Investment Manager is required to maintain under the applicable commercial law regulations. In such case, an equal adjustment will be made to all employees' deferred remuneration. For example, if the Investment Manager's equity allows for the disbursement of only 80 per cent of the deferred remuneration, the variable remuneration of each regulated employee will be reduced by 20 per cent. Each employee in the regulated personnel category needs to be aware that deferred remuneration can be adjusted down to zero.

The second stage of this model is to assess once again the criteria on which the original decision to award variable remuneration was based having regard to the knowledge that exists at the disbursement date of how the individual's performance and actual risk outcomes have changed since the original decision was made. This analysis is a form of ex-post assessment of whether the original assumptions were correct. In view of the Investment Manager's ability to calculate results and risk exactly at the time of the realised result, the scope for an ex-post adjustment is normally small or non-existent. Special notice will be taken regarding specific discretionary investment mandates managed by the Investment Manager. There may also be reason to adjust the remuneration based on an assessment of other criteria than results and risk, such as behaviour and compliance with internal rules, including the Investment Manager's risk management plan, employees' transactions for their own account and the policy on ethical issues. In such case, it is possible to identify retrospectively potential mismanagement or serious mistakes.

f) Termination of employment

The payment of remuneration during the term of notice or after the end of employment shall be made based on the principles and bases defined in this policy and based on the individual employment contract.

5. Governance

a) The Board of Directors' responsibilities

The Board of Directors of the Investment Manager shall make decisions in respect of this policy and is responsible for ensuring that the policy is applied and followed up.

The Board shall make decisions in respect of the remuneration of employees in executive management, the portfolio manager of any specific discretionary investment mandate managed by the Investment Manager, and in other cases, as required under this policy.

The Board shall also decide on the measures to be taken to monitor the application of this policy.

The Investment Manager is, in view of the number of employees, its internal organisation and assets under management, not considered a "significant" investment manager and is therefore not obliged to have a remuneration committee.

b) Other decisions

Other decisions on remuneration, both fixed and variable, are made by the Managing Director.

c) Documentation and transparency

Payments of variable remuneration shall be documented.

For regulated personnel, decisions on how variable remuneration has been determined shall be documented and a description of the basis for the remuneration shall be made. The decision template is provided by HR.

This policy shall be made available to all employees.

d) Identification and measurement of risks arising from remuneration

As a rule, the Board of Directors or other executives shall, prior to making a decision on remuneration for employees, identify and assess any risks that may arise from the decision. To the extent that such risks are identified, these shall be reported to the person in charge of independent risk management. This should also be noted specifically in the decision template, provided by HR.

The identification, measurement and monitoring of risks associated with remuneration shall be addressed in the same way as other risks in the business.

6. Follow-up and control

a) Follow-up and control of this policy

The Compliance function is responsible for examining and following up this policy. In accordance with Chapter 9, Section 16 of the Regulations, Compliance shall, at least annually, examine whether the remuneration paid by the company is consistent with the remuneration policy. Compliance shall report the results of its examination to the Board of Directors.

b) Remuneration of employees in control functions

Variable remuneration of employees in the Risk function, the Compliance function and the internal auditor shall, in accordance with Chapter 9, Section 18 of the Regulations, be determined based on the objectives linked to each function and be independent of the Investment Manager's results.

7. Information on the investment manager's remuneration system

The Investment Manager shall, in the annual report for each managed fund, include the information on remuneration specified in Article 107.1 a) – c) of the Delegated Regulation. The annual report shall thus include information on the total amount of remuneration paid by the company to the entire staff, indicating the number of beneficiaries. The total remuneration for the year shall also be broken down by fixed and variable remuneration and the aggregate remuneration broken down by executive management and regulated personnel shall be indicated along with information on compliance and material changes to the Investment Manager's remuneration policy.

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.