



# Sustainability Risk Management Policy

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Brummer Multi-Strategy AB

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

Brummer Multi-Strategy AB's (the "**Manager**" or "**BMS AB**") is the investment manager for Brummer Multi-Strategy ("**BMS AIF**"), Brummer Multi-Strategy NOK, Brummer Multi-Strategy Euro, and Brummer Multi-Strategy Utdelande and their master fund ("**BMS Master**"), as well as Brummer Multi-Strategy 2xL ("**BMS 2xL**", all together "**the Brummer Multi-Strategy Funds**") and Brummer Multi-Strategy UCITS ("**BMS UCITS**"). BMS allocates in BMS Master, BMS 2xL and BMS UCITS to investment strategies managed by either Portfolio Manager Pods (the "**PM Pods**") within BMS AB or by other investment management companies (together "**Sub-Investment Managers**") within the Brummer & Partners group.

BMS AB's view is that all material risks and opportunities, including ESG<sup>1</sup> risks and opportunities, should be considered in the investment decision process in order to make more well-informed investment decisions. To include material sustainability risks in the evaluation of new or existing investment strategies is therefore crucial in order to deliver long-term sustainable alpha to investors via the Brummer Multi-Strategy Funds and BMS UCITS, whether in a discretionary mandate or through an AIF. Including sustainability risks in the decision process is also necessary if we are to be good long-term stewards of our investors' capital.

This Sustainability Risk Management Policy (the "**Policy**") outlines the methodology and process for BMS AB's management of sustainability risks in the Brummer Multi-Strategy Funds and BMS UCITS. The policy serves as a complement to BMS AB's *Responsible Investment policies* (the "**RI-Policy**") and BMS AB's *Risk Management Framework*. Sustainability Risk Management for PM Pods are described separately in their respective RI-Policies.

BMS AB's approach to responsible investment evolves over time as the integration of ESG factors is a continuous learning process. Given the Brummer group's commitment to be aligned for sustainable alpha and the growing amount and quality of data supporting effective ESG implementation, we expect our methods to continue to evolve over time.

The policy is approved by BMS AB' Board of directors.

## 2. Definitions

*Sustainability risk* is defined as an environmental, social or governance event or condition that, if it occurs, could cause an actual or a potential material negative impact on the value of the investment.

*Sustainability risk management ("**SRM**")* is a business strategy that aligns BMS AB's goal of delivering absolute, good risk-adjusted returns and diversification with the responsible investment policy. An effective SRM framework can help the Manager identify emerging issues of concern at an early stage, thus avoiding or minimising

<sup>1</sup> Environmental, Social, Governance

potential negative impact. It may also facilitate for the Manager to identify and evaluate new investment strategies in which BMS Master, BMS 2xL or BMS UCITS may allocate assets to.

### 3. BMS AB as an investor

Natural parts of BMS AB's investment decision making processes are governance and engagement with the Sub-Investment Managers.

Brummer & Partners AB ("**B & P**") 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 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 sustainability. BMS AB's investment team performs continuous monitoring of risk and performance of the investment strategies in which BMS Master, BMS 2xL and BMS UCITS invest, and independent risk control is provided by the B & P Risk team. Potential structural issues as well as solutions are discussed with the Investment Managers and support and follow-up is provided by BMS AB's investment team.

### 4. Methodology

BMS AB's approach to SRM is built upon three pillars: Identification, Monitoring and Evaluation, as well as the Partnerships within the group. Together they create a solid basis for achieving our mission of generating sustainable, long-term returns to our investors.

#### 4.1 IDENTIFICATION

Portfolio screening is one of the main tools for identifying investments with exposure to ESG issues and is disclosed in the RI-Policy. It provides us with an objective assessment of our investments and enables us to analyse the aggregate portfolio that our investors ultimately invest in. The screening does not provide any risk measures *per se* but is an important tool for objective identification.

While being an important cornerstone for the SRM process, the portfolio screening approach is not capable of identifying all ESG risks and opportunities. Given the differentiated characteristics of each investment strategy in terms of asset classes and markets traded, ESG risks and opportunities are of equally great variety. It is therefore vital that the Investment Managers and the PM Pods integrate investment-specific risks and opportunities in their SRM process.

BMS AB has identified and prioritised certain ESG criteria with obvious principal adverse impacts and decided to avoid these investments or to impose additional activities. These assessments are followed up quarterly as part of our regular Risk Forums between the Investment Managers and the B & P Risk team and form another important process for

identifying sustainability risk. It also enables us to apply the reasoning from one portfolio manager upon another, i.e. leveraging our business model to improve our ESG framework.

Quarterly, the Sustainability Working Group ("**SWG**"), consisting of members from BMS AB and B & P Risk and Sustainability teams, meet to discuss and evaluate the SRM process and potential new risks. The method for identifying and measuring sustainability risks is being constantly developed.

## **4.2 MONITORING AND EVALUATION**

BMS AB has put into place a process for monitoring the responsible investment policies compliance. Factors in scope as well as the screening process as well as the generation of pre-trade restrictions lists are described in depth in BMS AB's Responsible Investment Policy.

In short, flagged investments through the portfolio screening process are followed up by B & P Sustainability team who engage with the relevant Sub-Investment Manager And any flagged investments are also recognised at the subsequent relevant board meeting and the CIO of the relevant Investment Manager.

The Investment Managers' SRM process and company specific ESG risks are further discussed and followed up with B & P Risk team in the quarterly Risk Forums. In contrast with the screening, which is an external assessment, Sub-Investment Managers are encouraged to disclose their own actions and views of their investments in the context of sustainability risks. With the portfolio transparency that BMS AB possesses, these disclosures can be monitored and followed up.

### *4.2.1 ESG Matrix*

Based on the information from the continuous monitoring as well as the quarterly Risk Forums with the Investment Managers, the Sustainability Working Group maintains an Internal ESG Matrix. The matrix consists of several factors supported by the continuous monitoring which enables BMS AB to arrive at a set of results across ESG matrix of each investment strategy, including aggregate results for the Brummer Multi-Strategy funds, as well as the UCITS fund.

The following are examples of factors that are being monitored and evaluated on a regular basis:

- The Investment Managers' compliance, engagement in and documentation of their SRM processes.
- The Investment Managers' engagement related to the ESG screening.
- Results of the investment strategy ESG screening.
- BMS AB's assessment of the potential impact that the Investments Managers'/PM Pods' strategy has on sustainability.
- Portfolio impact of ESG specific stress tests.

The full set of factors that are included in the model is maintained in a document owned by the SWG.

Where data is not readily available or not considered appropriate, a qualitative assessment of the Investment Manager's compliance with the ESG and RI-Policy is performed. These factors are assessed and rated for each investment strategy on at least a quarterly basis.

#### **4.3 ACTIVE OWNERSHIP**

BMS AB believes in exercising our rights as shareholders in Sub-Investment Managers, as well as being committed as employers for the PM Pods. We engage, through direct dialogue, with the portfolio managers and/or the management and board of the Sub-Investment Managers to address various concerns, including environmental, social and corporate governance. Our active engagement is an effective signal to the Sub-Investment Managers on where we stand on various issues that are important and we use it to influence the Sub-Investment Managers' investment decision process regarding ESG factors.

The decision to engage with investee companies should be made based on the Sub-Investment Manager's assessment of the significance of a particular matter, the size of holdings and the scope to effect change. BMS AB also participate in collaborative engagement directly with investee and non-investee companies, and in the case of BMS UCITS, BMS AB can also act on voting rights in some cases. This approach is described in BMS AB's Shareholder Engagement Policy.

A repeatedly low ESG rating and ignorance of BMS AB's recommendation regarding ESG practices could lead to BMS Master, BMS 2xL and BMS UCITS decreasing, or alternatively, fully redeem its investments in an investment strategy.

## **5. Review of the 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.