

Responsible Investment Policy for Brummer Multi-Strategy AB

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Contents

1. Introduction	3
2. Our approach and ambition.....	4
3. BMS AB as an investor	4
4. Sustainability Risks and the Investment Decision Process	5
5. Principle Adverse Impact.....	5
5.1 BMS considers Principal Adverse Impact on sustainability Factors.....	5
5.2 Our Due Diligence Process	6
6. Remuneration Policy	7
7. Investor disclosure.....	7
7.1 Website disclosure.....	7
7.2 Pre-Contractual Disclosure	8
8. Future outlook.....	8
9. Review of this policy	8

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.

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).

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 be in compliance 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 supports the Paris Agreement 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 by 2022.

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 team performs 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.

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.

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.

BMS AB's methodology applies also to the process of introducing new products into the investment universe. Sustainability is part of the rigorous evaluation and due diligence process that is performed in advance of a decision to invest in a new strategy.

Furthermore, BMS AB continuously assesses the portfolios' quantitative asset level exposures through a screening processes, to assist the Investment Managers in their respective monitoring and to make sure that the exposure complies with BMS's Policy.

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

- Identification and prioritisation of principal adverse sustainability impacts and indicators (section 5.2).

- 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.
- A due diligence process (section 5.2) including responsible business conduct codes and internationally recognised standards for due diligence and reporting.

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: our due diligence process.

The cornerstone of the due diligence is our screening process, with particular emphasis on UN Sustainable Development Goals (“SDG”) impact. 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.

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 and the CIO of the relevant Investment Manager has to confirm all relevant ESG-factors have been included in the investment analysis.

BMS AB does not automatically encourage Investment Managers to exclude investments, long or short, in norm-based flagged holdings but does require investment managers to be aware of the reasons behind the company being flagged and confirm the rationale behind the investment decision to go long or short in any such company.

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.

BMS AB, together with the Investment Managers, have identified and prioritised certain positions/investments to introduce principal adverse impacts and decided to exclude these investments or to impose additional activities.

We have 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 have principal adverse impacts on several ESG-factors. 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.

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 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. Our aim is to avoid such investments. 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 a specific Investment Manager takes 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.

We continuously monitor the compliance of the priorities taken and perform a quarterly screening of all portfolios.

The EU has on 4 February 2021 presented draft technical standards on e.g. relevant sustainability factors and principal adverse impact indicators (“PASI”). 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 date for application (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;

- 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 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. Future outlook

BMS AB is committed to continue to work alongside the Investment Managers to maintain and improve our processes to consider sustainability risks in our asset management and to consider principal adverse impact on relevant ESG-factors. We abide by the principles of SFDR and will work on implementing the technical standards by end of 2021.

It is also BMS AB's ambition to evolve and to analyse how our portfolio strategies can include the promotion of certain environmental or social characteristics, becoming so-called Article 8-funds. We believe that this is essential to meet our common objective of a sustainable future and in the best interest of our investors.

9. 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.
