



Engagement policy

Brummer Multi-Strategy AB

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1. Introduction

Brummer Multi-Strategy AB (“**BMS**”) is the investment manager for Brummer Multi-Strategy (“**BMS AIF**”) and its master fund (“**BMS Master**”), as well as for Brummer Multi-Strategy 2xL (“**BMS 2xL**”, all together “**the BMS Funds**”) and Brummer Multi-Strategy UCITS (“**BMS UCITS**”).

BMS Master, BMS 2xL and BMS UCITS allocate to investment strategies managed by Sub-Investment Managers in the Brummer & Partners group, or by PM (Portfolio Manager) Pods employed by BMS. By allocating to different investment strategies with exposure to a variety of asset classes, BMS, strives to build diversified “all weather” portfolios that generate sustainable alpha over time, independent of market direction.

BMS is a wholly owned subsidiary of Brummer & Partners AB (“**Brummer**”), a limited liability company incorporated in Sweden. BMS, together with Brummer, its affiliates, and the Sub-Investment Managers and PM Pods are herein collectively referred to as the “**(the Brummer Group)**”.

2. Engagement activities

BMS believes that engagement activities may help inform investment decisions and encourage consideration of and action on certain ESG characteristics, such as climate change, and that engagement therefore contributes to the BMS Funds’ and BMS UCITS’s objective of generating long-term sustainable returns. The engagement strategies relevant to BMS are:

- voting;
- engagement with Sub-Investment Managers and PM Pods to inform investment decisions and raise awareness;
- collaborative engagement activities targeted at investee and non-investee companies to raise awareness of and encourage action on certain ESG characteristics;
- monitoring of the investment strategies that the BMS Funds and BMS UCITS allocate to;
- education and training of Sub-investment managers and PM Pods;
- management of potential conflicts of interest in relation to engagement; and
- membership in industry bodies and initiatives and participation in international working groups.

2.1 VOTING

The BMS Funds and BMS UCITS allocate to Sub-Investment Managers and PM Pods that manage different investment strategies and invest in a wide variety of financial instruments. While the long/short equity strategies invest in equity related financial

instruments that may or may not carry voting rights, systematic trend following strategies invest in financial instruments that do not carry voting rights, for example future contracts on commodities. While BMS has direct oversight of the PM Pods' and BMS UCITS's voting processes, the Sub-Investment Managers have oversight of their respective voting processes for the BMS Funds.

When equity investments carry voting rights, the decision to vote or not depends on:

- feasibility of voting in relation to the investment strategy (quantitative systematic investment strategy vs fundamental discretionary, holding period, and position sizing);
- the best interest of investors;
- alignment with investment objectives;
- potential conflicts of interest; and
- alignment with relevant policies, for example the Responsible investment policy.

Voting decisions are typically made via proxy together with the relevant Sub-Investment Manager's or PM Pod's investment team, and in alignment with BMS's voting guidelines. BMS's (and the Brummer Group's) Legal and Compliance team engages with the investment teams in advance of voting deadlines to inform voting decisions, when it is deemed relevant to do so. The investment teams perform their own voting research and have access to the Legal and Compliance team's proxy advisory research acquired from a research provider. However, the voting decisions are often made independent of such third-party research.

Votes are documented in the vote execution solution which is accessible by the Sub-Investment Managers and/or the Legal and Compliance team.

2.1.1 Voting guidelines

BMS's voting guidelines outline general principles for voting decisions. The principles serve as guidance that may be overruled on a case-by-case basis.

- Independent directors – according to local market best practices, support independent directors and vote against or withhold votes for non-independent directors where the overall board is not sufficiently independent.
- Overboarding – vote against or withhold votes for directors with many board seats in public companies.
- Executive remuneration – vote against excessive executive remuneration and compensation packages including remuneration that encourages unnecessary risk taking (e.g. solely based on share price performance).
- Capital structure – support stock issuance unless the issued capital leads to significantly adverse effect on the rights of existing shareholders, vote against, for example, proposals to adopt unlimited or unreasonable capital authorisations.

The following circumstances are non-exhaustive examples of cases where voting guidelines may be overruled and where votes may be cast against individual directors or the entire board of directors or other proposals made.

- Weak governance, governance failures or long-term performance issues.
- Matters relating to capital structure and sound financial management.
- Allegations of fraud.
- Distrust in management as well as board capacity to navigate disruptive technological shifts.
- Treatment of minority shareholders

2.1.2 Voting practicalities

In certain cases, trading restrictions are applied upon the exercising of voting rights. In such cases, it may be concluded that voting is not in the best interest of investors as share prices may be particularly volatile around Annual General Meetings (“AGM”) and an investment teams’ ability to act during such times should not be restricted.

Voting rights are also typically not exercised for companies where the exposure stems from liquidity management or hedging activities, or when voting rights are associated with short exposure (borrowed shares).

2.2 ENGAGEMENT ACTIVITIES

Engagement activities relevant to BMS are outlined below.

2.2.1 Engagement with Sub-Investment Managers and PM Pods

BMS engages with the Sub-Investment Managers and PM Pods on topics such as investment decision making processes, risk exposures and risk limits (including sustainability risk limits), performance attribution, investment themes, and on the investment teams’ engagement with investee companies and voting activities, for example.

The engagement is performed by relevant BMS and Brummer teams and may be both formal and structured as well as more informal and ad-hoc.

2.2.2 Engagement with investee companies

The Legal and Compliance team may also engage directly with investee companies in the Sub-Investment Managers’ and PM Pods’ portfolios to support the investment teams with subject-matter expertise and to raise awareness on sustainability matters of interest to BMS and other investors.

In addition, the Sub-Investment Managers and PM Pods perform engagement with investee or potential investee companies on their own behalf for research and analysis purposes, for example on business model and strategy, governance matters, capital structure, competitive positioning, and other matters which implicitly include financially material sustainability risks and opportunities. They may also engage with investee or potential investee companies on sustainability risks explicitly, either by themselves or with

the support of the Legal and Compliance team. Apart from investee companies, engagement may also be performed with exchanges and index providers on sustainability related disclosures or index characteristics, for example.

2.2.3 Collaborative engagement

BMS participates in collaborative engagement initiatives, coordinated by ISS Sustainability Solutions ("ISS"), to encourage action on climate change and compliance with international norms and conventions on human rights, labour rights, the environment and anti-corruption. ISS compiles a list of companies that they nominate for engagement activities and that the participating investors then vote upon to elect target companies. ISS liaise with target companies on behalf of the participating investors and dialogues are held by email, video meetings and in-person meetings. Progress reports are distributed to participating investors quarterly and annually.

2.3 MONITORING

Monitoring is performed both on investment strategy level and on investee company level.

2.3.1 Monitoring of Sub-Investment Managers and PM Pods

BMS's, and Brummer's, Risk team screens the Sub-Investment Managers' and PM Pods' portfolios to ensure compliance with Responsible investment policies including on investment restrictions relating to certain sustainability risks and potential adverse impacts of investment decisions on sustainability factors. The Risk team also monitor the portfolios to ensure compliance with investment guidelines and other risk related policies and limits and to calculate key metrics, including sustainability related ones.

Screening results and key risk metrics are reported to the relevant investment teams' Board of directors as well as to BMS's Board of directors and are also topics of engagement with the Sub-Investment Managers' and PM Pods' investment teams. For more information on monitoring of the investment strategies, see BMS's Responsible investment policy.

2.3.2 Sub-Investment Managers' and PM Pods' monitoring of investee companies

Investment teams' monitoring of investee companies include review of corporate events, business strategies and adaptation to disruptive trends and technologies, financial reports including material financial and non-financial returns, capital structures, corporate governance structures and practices, as well as sustainability activities, for example.

2.4 EDUCATION AND TRAINING

In addition to the Legal and Compliance team's on-going engagement with and support to all investment teams in the Brummer Group which, amongst other things, help raise awareness and action on sustainability risks and opportunities, and to prepare for and comply with sustainability regulations for example, the Legal and Compliance team may also organise training sessions with BMS or the Sub-Investment Managers and PM Pods to educate them on sustainability more generally and on relevance to their investment strategies more specifically.

2.5 INDUSTRY BODIES AND INITIATIVES

BMS, through its parent company Brummer, is a signatory to the United Nations supported Principles for Responsible Investment (“PRI”). The PRI strives to achieve a sustainable global financial system by encouraging responsible investment principles and practices and collaboration on their implementation.

Brummer is one of the 14 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, including on responsible investment. The standards form a governance framework for transparency, integrity and business ethics and complement applicable laws and regulations. BMS is a signatory to the SBAI and report to the SBAI annually on a comply or explain basis.

BMS is also a member of the Alternative Investment Management Association (“AIMA”), an industry initiative that develops best practice standards and educational guides to promote the alternative investment industry and enhance a wider understanding of its function.

2.5.1 *Engagement with policy makers*

By being a member of or signatory in the initiatives mentioned above and participating in working groups and contributing to developing standards and best practice, the Legal and Compliance team may also engage with policy makers on sustainability related regulations to provide feedback on applicability to hedge fund strategies, for example. BMS may also engage directly with financial supervisory authorities on industry practices or regulatory initiatives. BMS does not however engage in political engagement related to specific political parties and does not make any financial contributions or in other ways support political parties in order to influence the democratic agenda or process.

2.6 CONFLICTS OF INTERESTS

As a means to achieve well-diversified portfolios however, the BMS Funds and BMS UCITS allocate to different investment strategies managed by separate investment teams who may or may not make contradictory investment decisions in relation to equities and other financial instruments, and who may or may not have different opinions on shareholder proposals. Also, conflicts of interest may arise when BMS, the Sub-Investment Managers and the PM Pods engage with companies that are invested in by other investment teams in the Brummer Group.

BMS’s and the Legal and Compliance team’s engagement activities on behalf of the BMS Funds and BMS UCITS are guided by BMS’s and the investment teams’ Responsible investment policies. The Responsible investment policies adopted by the investment teams in the Brummer Group include certain common criteria on for example investment restrictions and screening as well as encouraging compliance with the international norms, for example. The alignment of Responsible investment policies is a mitigating factor in terms of conflicts of interest in relation to engagement on sustainability matters. In addition, the Legal and Compliance team informs the investment teams on target

companies and topics of engagements and may also share progress reports with the investment teams to consider in their research and analysis and investment decision making processes.

In determining whether there exists a conflict of interest in relation to sustainability activities or other areas related to BMS's business activities, some of the general factors which BMS considers, and encourages the Sub-investment Managers and PM Pods to consider, are:

- business relationships;
- personal relationships;
- familial relationships; and
- fund relationships.

A potential conflict of interest is to be evaluated on a case-by-case basis and BMS requires the Sub-Investment Managers and PM Pods to resolve conflicts duly and promptly.

For more information on BMS's and the Sub-Investment Managers' and PM Pods' identification and management of conflicts of interest, see their respective Conflicts of interest policy.

3. Annual disclosure on policy implementation

BMS will disclose a general description of voting behaviour, an explanation of the most significant votes, how it has cast votes in the general meetings of companies in which it holds share, report on the use of proxy advisors annually, or give an explanation as to why these disclosures are not being made.

4. Auditing and record-keeping

The Compliance function has the overall responsibility for maintaining files and records regarding BMS's Engagement policy, as well as ensuring that practices are conducted in an appropriate manner.

5. Borrowing stocks to vote

As a general principle, BMS does not accept voting on borrowed stocks.

6. Prevention of market abuse

If a Sub-Investment Manager or PM Pod intends to join efforts with other investors in engagement activities, the Sub-Investment Manager or PM Pod must consider the policies and procedures implemented to prevent market abuse. The Sub-Investment Manager and PM Pod must, prior to joining any such efforts, liaise with the Compliance

function if the Sub-Investment Manager or PM Pod identifies potential market abuse issues or market notification requirements.

BMS requires the Sub-Investment Managers to have procedures and instructions in place to prevent market abuse.

7. 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.