



# Shareholder Engagement Policy for Brummer Multi-Strategy AB

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# 1. Introduction

## 1.1 GENERAL PREMISES

Brummer Multi-Strategy AB (“the **Manager**”) is an alternative investment fund manager authorised to manage alternative investment funds (“**AIF**”) pursuant to the Swedish Alternative Investment Fund Managers Act (2013:561) (“**SAIFMA**”). In addition to this, the Manager holds a license to perform discretionary management of portfolios of investments.

The Manager is the Alternative Investment Fund Manager (“**AIFM**”) for Sweden domiciled AIFs. The primary portfolio management is focused to Brummer Multi-Strategy Master (“**BMS**”), which invests in AIFs managed by investment managers in the Brummer & Partners group. The Manager is also the AIFM for a single-strategy AIF (Aurora).

Additionally, the Manager performs discretionary portfolio management of collective investment schemes. The discretionary portfolios are either multi-manager, in Brummer Multi-Strategy UCITS (“**BMS UCITS**”), or portfolio manager pods (“**PM Pods**”). PM pods are part of the Manager but managing separate mandates in which BMS may invest. The PM Pods may also be part of BMS UCITS and Brummer Multi-Strategy (Cayman) Ltd. Both BMS UCITS and PM Pods may from time to time invest in European equities. The Aurora fund is managed by one of the PM Pods.

Hence, the portfolio management of the Manager can be divided into three compartments:

- i. fund management of BMS, which invest in other AIFs,
- ii. discretionary management of BMS UCITS, which is multi-managed by sub-Investment Managers in the Brummer & Partners group, and
- iii. discretionary management of PM Pods, including the Aurora fund.

The Manager’s shareholder engagement strategies may differ between these three compartments. Investments in other AIFs (i.) do not constitute shareholder engagement in terms of voting, but the Manager will participate in collaborative engagement and dialogue with these AIFs’ investee companies. The management of the multi-manager portfolio (ii.) includes various investment strategies, with different shareholder engagement relevance, due to the type of assets they invest in. Some sub-investment strategies invest in relevant asset classes and are in scope of the principles set out in this policy. The same applies to the PM Pods (iii.)

## 1.2 RELEVANT REQUIREMENTS

Under article 37 of the Commission delegated regulation (EU) No 231/2013 (“the regulation”), AIFMs are required to develop *strategies for determining when and how any voting rights held in the AIFs they manage are to be exercised*. The strategies are to be adequate, effective, and designed in accordance with the Manager’s investment process. They are also to be to the exclusive benefit of the AIF and its investors.

Moreover, an AIFM that manages AIFs which invest in the shares of listed EEA based companies is, under Directive (EU) 2017/828 of the European Parliament and of the Council of 17 May 2017 (the “Shareholder Rights Directive”), required to enact an *engagement policy* that describes how the AIFM integrates shareholder engagement in its investment strategy. Similarly, an AIFM licensed to perform discretionary management of portfolios investments is required to enact an engagement policy for its investments in shares of listed EEA based companies, should its discretionary portfolio management comprise such investments.

The Shareholder Rights Directive is mirrored in chapter 8, sections 27 a through 27 d in SAIFMA.

As the Manager is domiciled in Sweden, these requirements follow from Swedish law. For the discretionary management of Ireland domiciled UCITS funds corresponding Irish provisions apply.

### 1.3 THE MANAGER'S OBJECTIVES VISAVI SHAREHOLDER ENGAGEMENT

The Manager's main objective is to generate risk-adjusted absolute returns with a low correlation to traditional asset classes, such as equities and bonds, over time, and irrespective of market environment. The nature of the Manager's shareholder engagement is contingent upon whether it can promote the Manager's ability to achieve its main objective.

The Manager provides discretionary portfolio management, each individual portfolio with its own general and individual objectives, however all in line with the main objective to generate risk-adjusted absolute returns.

The management compartment (i), fund management of BMS, which invest in other AIFs, does not include direct investment in companies which trigger shareholder engagement in terms of voting. Certain other engagement activities may however be undertaken as described in this policy when relevant, especially in reference to Environmental, Social or Governance (“ESG”) matters. The Manager is also actively and continuously engaging in dialogue with Sub-Investment Managers in the Brummer & Partners group, to which AIFs the Manager allocates assets.

The management compartment (ii) and (iii), the discretionary management of BMS UCITS and PM Pods however, does include, from time to time, custody held equities and the Manager has, in light of this, adopted this Shareholder Engagement Policy. It purports to outline the Manager's views on the shareholder engagement in exercising its discretionary portfolio management.

## 2. Shareholder engagement principles

Shareholder engagement includes the exercise of voting rights but also general dialogue with investee companies, potential investee companies, and other stakeholders. Some activities are carried out by the Manager, taking into account that the various portfolios under management may or may not have overlapping exposures to any given investee company. Other activities are carried out by a specific portfolio manager (of an AIF, a sub-Investment Manager or a PM-pod). For example, a portfolio manager may engage with an investee company on its own behalf, and the Manager may take part in dialogues both collaboratively and on the Manager's own behalf. The Manager may also engage with a company where there is no registered direct or indirect equity ownership.

The reason for the Manager to be an active and responsible owner is the belief that the overall business objective of the portfolio management is promoted by the leverage of the position as a shareholder to influence corporate decision-making. This might be driven by the support of general governance (e.g., appointment of the board of directors), take a stand in specific business cases or act in response to observed issues or topics that may be relevant from other perspectives, such as sustainability risks or various ESG considerations. Also, although the Manager may not be a direct or an indirect owner of the equity of a company, the Manager

believes that there is a greater chance of success by joining efforts with other investors in efforts to drive positive change.

The Manager's shareholder engagement activities must be aligned with the main objective of generating risk-adjusted absolute returns and to promote the ESG-characteristics as described in the Manager's Responsible Investment Policy.

The Manager's main principles for shareholder engagement are:

- shareholder engagement as an integrated part of the investment strategies;
- investment monitoring;
- voting strategy;
- engagement strategy; and
- handling of conflicts of interest.

### 3. Shareholder engagement as an integrated part of the investment strategies

#### 3.1 INTRODUCTION

The Manager has adopted investment decision-making procedures, which integrate the identification and management of sustainability risks, the identification and actions taken in relation to principle adverse impacts of investment decisions on sustainability factors, and shareholder engagement policies. In the investment decision-making procedures of the AIF management, shareholder engagement principles apply in the ongoing dialogue undertaken with the AIF portfolio managers, due to the fact that investments are made into other AIFs. Shareholder engagement principles are also integrated in the investment decision-making procedures of the Manager's discretionary management compartments (ii and iii).

#### 3.2 DISCRETIONARY MULTI-MANAGER PORTFOLIO MANAGEMENT

The discretionary multi-manager portfolio management in BMS UCITS includes allocation of mandates to sub-Investment Managers, which in return will manage their respective mandate in accordance with the strategy applied by the sub-Investment Manager. The management also includes cash management and currency exposure hedges, which do not constitute any shareholder engagement activities.

The allocation decisions as such do not include direct shareholder engagement considerations but is subject to the dialogue and engagement that is undertaken by the Manager with portfolio managers in the Brummer & Partners group. Such considerations are also made in the sub-Investment Manager agreement which impose on each sub-Investment Manager to consider shareholder engagement in their respective investment-decision making process, where relevant.

The management of the various strategies may include direct investments in listed equity, issued by EEA established companies, but also in other, non-EEA companies. The Manager requires that portfolios are actively managed by the sub-Investment Managers and that they either reduce the overall risk, and/or increase the overall return. The Manager believes that a comprehensive, sustainable and positive development of the underlying investee

companies can be beneficial to both the multi-manager portfolio and the investee company concerned.

The Manager however also acknowledges that shareholder engagement is less relevant, in particular in terms of exercising voting rights, for some of the multi-manager's sub-portfolios. For example, systematically traded investment strategies, given how the analysis is performed and how investment decisions are made, or the holding period and the size of position in a single company may not allow a meaningful, nor practical, approach to voting. Voting can also be hindered when trade restrictions are imposed on voted shares, and the Manager also acknowledges that the portfolios may include short positions which can generate voting rights that shouldn't be used.

The Manager requires the sub-Investment Managers to identify the individuals making the investment decisions as well as to adopt general procedures on how investment decisions are made. Additionally, the Manager requires that the sub-Investment Managers adopt policies on shareholder engagement, if relevant due to the investment strategy and portfolio holdings. The Manager must be made aware of any amendments made to these policies.

The Manager acknowledges that a sub-Investment Manager may be subject to other local regulations on shareholder engagement. As a minimum, sub-Investment Managers that regularly invest in listed shares issued by EEA-companies must consider the principles set out in this policy including investment monitoring, shareholder engagement procedures, the procedures for exercising voting rights, and handling of conflicts of interest. Any deviations must be disclosed and explained to the Manager.

### 3.3 DISCRETIONARY MANAGEMENT OF PM PODS AND THE AURORA FUND

The management of the PM Pods, including the Aurora fund, may include direct investments in listed equities issued by EEA established companies but also in other non-EEA companies. The Manager adopts an Investment Management Policy and a Responsible Investment Policy for each PM Pod. Shareholder engagement is an integrated part of the investment decision-making process and the shareholder engagement principles set out above are integrated in this process.

## 4. Investment monitoring

The Manager requires the portfolio managers to monitor the relevant investee companies. The monitoring includes review of corporate events of investee companies and should be integrated in the analyses made of the investee companies and may also include meetings with investee companies' representatives and assistance of professional investment analysts.

The monitoring should include issues relevant to the portfolio management, including investee companies' business strategies, financial and non-financial returns, capital structures, corporate governance, and sustainability.

The portfolio managers are also encouraged to discuss matters regarding investee companies with other shareholders.

The Manager has engaged Institutional Shareholder Services Inc (ISS) for research services with voting recommendations and additional information on upcoming investee companies' annual or extra general meetings. Furthermore, the Manager has also engaged ISS-ESG for

engagement services to enable participation in collaborative engagement with certain companies on various themes.

The Manager also uses ISS-ESG's services for screening purposes as a complement to the analysis made by the portfolio managers in their investment decision making processes. The screening results are shared with the portfolio managers and is subject to follow up discussions. The screening process is also described in the Manager's Responsible Investment Policy.

## 5. Voting strategy and assessing investee companies

With regards to potentially exercising voting rights, the Manager encourages the portfolio managers to take the following factors into consideration:

- whether voting is in the common interest of the investors;
- whether voting is in accordance with the investment objectives;
- whether voting gives rise to conflicts of interest;
- whether voting is made in accordance with policies adopted by the portfolio manager, especially shareholder engagement and voting rights policies and responsible investment policies; and
- whether the investee company's corporate governance, capital structure, financial and non-financial standing as well as relevant risks gives to exercise voting rights.

The basis of these considerations is the monitoring and information gathering as described above, including any ISS voting recommendations.

Since the analysis of the investee companies is performed by each portfolio manager it is the respective sub-Investment Managers that are best placed to exercise voting rights. The Manager supervises the actions taken and offers to execute voting in particular cases. The Manager applies scrutiny to the voting activities undertaken by the portfolio managers.

The exercising of voting rights, or the abstaining of voting in EEA domiciled companies, must be documented in writing. Additionally, a summary of voting strategies and details of the actions taken based on these voting strategies must be made available to the Manager upon request.

## 6. Engagement strategy

The Manager acknowledges that while exercising voting rights may be the most obvious way of engaging as a shareholder, other activities are also relevant. Specifically, the Manager believes that engagement with boards or senior management teams to influence an investee company to make certain decisions may be an effective and balanced way to exercise shareholder influence. This is evident when seeking more information, a reaction or response to statements made in periodic reports, and other topics not necessarily subject to the general meetings of an investee company.

The Manager encourages the portfolio managers to engage with investee companies on various topics when deemed relevant.

The Manager has also engaged ISS-ESG's engagement services to enhance the ability to interact with investee companies on various sustainability matters. Through this service, the Manager receives suggestions to participate in collaborative engagement activities on certain

themes. The Manager typically finds it meaningful to participate in engagement activities that support the promotion of the environmental and social characteristics outlined in the Manager's Responsible Investment Policy, whether the Manager is a direct or indirect shareholder or not. ISS-ESG informs the Manager on the outcomes of the engagement processes. This information is shared with the portfolio managers to include in their analyses and investment decisions. The main driver for a specific engagement is the aim to promote certain environmental and social characteristics.

## 7. Conflicts of interests

The Manager will take all reasonable steps to identify and manage conflicts of interest arising from exercising voting rights in accordance with the Conflict of Interest Policy and requires the same from each portfolio manager.

In determining whether there exists a conflict of interest, some of the general factors which the Manager will consider and encourages the portfolio managers 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.

In the event of an actual or potential conflict of interest arising in relation to a specific voting, the Manager requires the portfolio managers to resolve the conflict duly and promptly. The decision and the reasoning behind it must be documented and filed. This information must be disclosed to the Manager upon request.

## 8. Auditing and record-keeping

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

The performance of shareholder engagement under the principles set out in this policy is subject to quarterly review. The Manager's Compliance function will follow up on the compliance with each portfolio manager and also interact with the Sustainability team.

In this regard, the portfolio managers will be asked to give a general description of their voting behaviour, a description of the most important votes made, and information on in which matters the portfolio manager have used voting advisers. Any deviations must be explained.

The Manager requires that the portfolio managers keep record of their shareholder engagement activities including when they have exercised voting rights. A portfolio manager must provide its shareholder engagement and voting rights policies to the Manager upon request.



## 9. Borrowing stocks to vote

As a general principle the Manager seeks not to vote on borrowed stocks.

## 10. Prevention of market abuse

If a portfolio manager intends to join efforts with other investors in collaborative engagement activities, the portfolio manager must consider the policies and procedures implemented to prevent market abuse. The portfolio manager must prior to joining any such efforts liaise with the Compliance function if the portfolio manager identifies potential market abuse issues or market notifications requirements.

The Manager requires the portfolio managers to have procedures and instructions in place in order to prevent market abuse.

## 11. Engagement with policy makers

The Manager may from time to time participate in engagement with policy makers on the development of regulatory initiatives through industry initiatives such as the Standards Board for Alternative Investments (“**SBAI**”) and the Alternative Investment Managers Association (“**AIMA**”), that among other things, promote best practice standards and frameworks in the alternative investment industry. The manager may also engage directly with financial supervisory authorities on industry practices or regulatory initiatives. The manager 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.

## 12. 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.