

Transparency of the promotion of environmental or social characteristics and of sustainable investments.

This document includes information relating to environmental and social characteristics of financial products and information relating to sustainable investments, in accordance with article 10 of the Sustainable Financial Disclosure Regulation (SFDR)

Product name : Shelter UCITS - VDK Sustainable Flex Fund

Legal entity identifier : 254900SNIBQ6L3YKDH86

(a) Summary

This Fund promotes certain environmental and/or social characteristics. It does not have as its objective sustainable investment but commits to a minimum proportion of 50% of such investments.

Shelter Investment Management defines sustainable Investments as investments in issuers or securities that contribute to an environmental or social objective, do not significantly harm any of those objectives and where investee companies follow good governance practices.

Specific sustainability indicators will be used to measure the attainment of the environmental and/or social characteristics of the fund in accordance with the methodologies described below. The asset allocation of the fund is presented in the form of a chart that holds a specification of the percentage of investments expected to be aligned with the environmental and/or social characteristics of the fund and the commitment to sustainable investments. Internal limit monitoring systems run pre- and post-trading screenings for the holdings of the fund. Purpose is to block unfit investment opportunities and flag exposure to activities not aligned with the investment guidelines of the fund.

We use external data sources and data providers to ensure that the fund is invested in accordance with the environmental and/or social characteristics promoted. We aim to mitigate limitations to data sources by due diligence controls and manual checks.

Does this financial product have a sustainable investment objective?

<p><input checked="" type="radio"/> <input checked="" type="radio"/> <input type="checkbox"/> Yes</p> <p><input type="checkbox"/> It will make a minimum of sustainable investments with an environmental objective: ___%</p> <p style="padding-left: 40px;"><input type="checkbox"/> in economic activities that qualify as environmentally sustainable under the EU Taxonomy</p> <p style="padding-left: 40px;"><input type="checkbox"/> in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy</p> <p><input type="checkbox"/> It will make a minimum of sustainable investments with a social objective: ___%</p>	<p><input type="radio"/> <input checked="" type="checkbox"/> No</p> <p><input checked="" type="checkbox"/> It promotes Environmental/Social (E/S) characteristics and while it does not have as its objective a sustainable investment, it will have a minimum proportion of 50% of sustainable investments</p> <p style="padding-left: 40px;"><input type="checkbox"/> with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy</p> <p style="padding-left: 40px;"><input checked="" type="checkbox"/> with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy</p> <p style="padding-left: 40px;"><input type="checkbox"/> with a social objective</p> <p><input type="checkbox"/> It promotes E/S characteristics, but will not make any sustainable investments</p>
--	---

(b) No Significant Harm to the sustainable investment objective

The fund promotes E/S Characteristics but does not have as its objective sustainable investments. The fund will have a minimum of 50% sustainable investments.

How do the sustainable investments that the financial product partially intends to make, not cause significant harm to any environmental or social sustainable investment objective?

The Fund’s sustainable investments are screened to ensure that they do not significantly harm (“DNSH”) to any environmental or social sustainable investment objective.

How have the indicators for adverse impacts on sustainability factors been taken into account?

The Fund considers Principal Adverse Impact (PAI) data of underlying companies directly or provided by an external specialist data provider in order to monitor if candidate or existing investee companies achieve certain levels of adverse impacts on any of the sustainability factors that are considered to cause significantly harm, on the basis of the indicators in Table 1 of the SFDR Regulatory Technical Standards - Template Principal Adverse Sustainability Impacts Statement. The Investment Manager of the Fund sets levels or principles for what would be deemed to cause significant harm by applying appropriate values in relation to the principal adverse impacts applicable to sustainable products.

The intention of the Fund is to consider at least all the mandatory (corporate) PAI’s of Table 1 of the SFDR Regulatory Technical Standards. Other PAI’s (of Tables 2 and 3 of the SFDR Regulatory Technical Standards) may be taken into consideration as well in the future.

How are the sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights?

All sustainable investment in the Fund are fully aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights including the rights set out in the eight fundamental conventions identified in the Declaration of the International Labour Organisation on Fundamental Principles and Rights at Work and the International Bill of Human Rights.

(c) Environmental or Social characteristics of the financial product

The Fund promotes different environmental and social (E/S) characteristics through investments in a carefully selected and diversified portfolio of globally listed equities.

The following cumulative E/S characteristics are taken into consideration by the Fund:

Overall ESG Corporate Rating: the candidate investee companies and existing investee companies, can only become or remain part of the portfolio of the Fund that promotes E/S characteristics on the basis of a satisfactory overall minimum ESG Corporate Rating (that may include a satisfactory ESG Performance Score).

(d) Investment Strategy

The investment strategy followed by the Fund is to achieve a positive return, comprising income and capital gains, after total expenses, over a long-time horizon versus its benchmark.

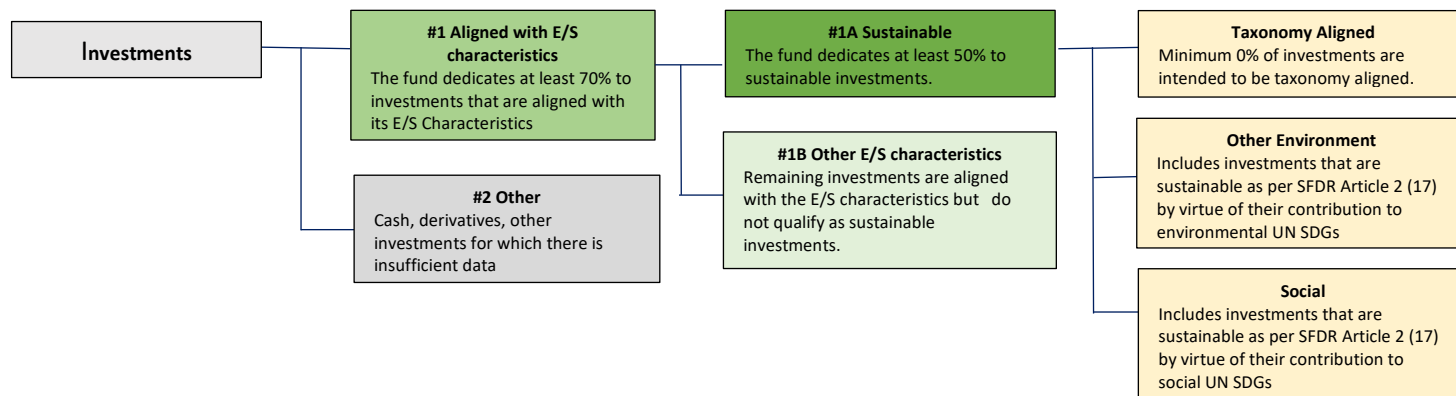
Description of the investment strategy used to meet the environmental or social characteristics of the financial product.

The investment strategy used to meet the environmental or social characteristics promoted by the financial product includes an analysis of the **ESG Corporate rating** with the requirement for an overall ESG Corporate Rating of D+ or higher as per ISS-ESG Corporate Ratings for any candidate or existing investee company to be part of the asset allocation that is considered promoting E/S characteristics.

Description of the policy to assess good governance practices of the investee companies.

- a) The investment policy to assess good governance practices of the investee companies includes a **Norms based Screening** for all candidate investee companies, which is a binding screening on the basis of “controversies” applied following a specified normative framework that includes: fundamental human rights, labour rights (child labour, forced labour, labour standards, union rights, workplace discrimination) and business malpractices (including accounting disclosure standards, bribery and money laundering).
- b) It also includes a **Sector based Screening** for all existing and candidate investee companies which is a binding screening on the basis of sector based exclusions which include animal welfare and wellbeing, controversial weapons, fossil fuel exposure with thresholds, gambling, use of GMO’s, nuclear production with thresholds, pornography and tobacco with thresholds. It also includes a **Worldcheck Screening**, all candidate investee companies need to pass a screening against a series of sanction lists that is provided by the Luxembourg data provider Worldcheck.

(e) ‘Proportion of investments’



#1 Aligned with E/S characteristics includes the investments of the financial product used to attain the environmental or social characteristics promoted by the financial product.

#2 Other includes the remaining investments of the financial product which are neither aligned with the environmental or social characteristics, nor are qualified as sustainable investments.

The category #1 Aligned with E/S characteristics covers:

- (a) The sub-category #1A Sustainable covers sustainable investments with environmental or social objectives.
- (b) The sub-category #1B Other E/S characteristics covers investments aligned with the environmental or social characteristics that do not qualify as sustainable investments.

(f) Monitoring of environmental or social characteristics

Description of how the environmental or social characteristics promoted by the financial product and the sustainability indicators used to measure the attainment of each of those environmental or social characteristics promoted by the financial product are monitored throughout the lifecycle of the financial product and the related internal or external control mechanisms.

Monitoring of the ESG characteristics and sustainable investments is undertaken by the investment team of ShelteR, including an ESG dedicated specialist and risk management. The team monitors via pre- and post-trade checks on an ongoing basis the binding elements (referred to in the investment strategy section) of the fund to ensure that these binding elements are complied with throughout the life of the fund. The team also uses an alert system, that provides a warning whenever one of the used indicators in the sustainability process changes or a specific report is issued regarding a constituent, so that immediate action can be taken in the event of an expected risk of breach of binding sustainability elements. The Investment Manager also actively reviews the portfolio’s regularly inclusive of these binding commitments.

(g) Methodologies

Description of the methodologies used to measure the attainment of the sustainable investment objective and how the sustainability indicators to measure the attainment of that sustainable investment objective are used.

Sustainable investment is defined under the SFDR as an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

In order to select sustainable investments, we apply the following framework:

- (a) **Good governance test** – a company cannot have direct corporate involvement in controversies assessed as red or amber and related to the following thematic areas: bribery; accounting; anti-competitive behaviour; money laundering; child labor; forced labor; union rights; workplace discrimination, labor standards; taxes. In addition the company needs to meet minimum requirements with regard to good governance practices in the following areas: Corporate Governance Rating; Business Ethics Rating; Staff Rating. A company can also not be active in the following sectors: animal welfare and wellbeing, controversial weapons, fossil fuel exposure with thresholds, gambling, use of GMO's, nuclear production with thresholds, pornography and tobacco with thresholds..
- (b) **Environmental or Social Positive Contribution test** – a company needs to be fully aligned with the Paris Agreement for at least the three (3) following years. The Paris Agreement of 2021 is the outcome of a climate conference in Paris in 2021 ("COP21"), applicable to all countries, aiming to keep global warming at 1.5°C - 2°C, in accordance with the recommendations of the IPCC. This is measured by the (1) percentage assigned Sustainable Development Scenario Carbon Budget ("SDS Carbon Budget") measured by reference to (2) the International Energy Agency's Sustainable Development Scenario (the "IEA SDS Scenario")
- (c) **Do not significant harm test** – a company cannot perform negatively on selected principal adverse impact ("PAI") indicators. Principal adverse impacts are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anticorruption and antibribery matters. The thresholds defining negative outliers and poor performance vary for each PAI indicator. In addition, a specific exclusion is applied for candidate or existing companies involved in production of services in relation to Shale Oil

(h) Data sources and processing

What are the data sources used to attain the sustainable investment objective of the Fund?

We use a the ISS ESG Data desk as core data source to monitor the indicators which align to the sustainable investment objective of the Fund and cross check with market information from internal sources.

What are the measures taken to ensure data quality?

We have regular teams calls with the ESG data providers to understand the data and changes to data. We have received general information on the methodology to collect, arrange and control data by our data vendor and understand they are subject to a review of their business model, research process, technical expertise, data coverage, quality assurance mechanisms, and prevention of conflicts of interests.

How are the data processed?

The data we receive is internally processed and mapped versus internally sourced fund composition data and company identifiers are matched with the incoming raw data, also to companies that we can potentially invest into.

What proportion of data that are estimated?

We do rely to some extent on estimations and estimated data provided by our external data providers.

(i) Limitations to methodologies and data

Are there any limitations to the methodologies and data sources used?

One limitation of sustainable investment methodologies is the potential for inadequate data coverage or quality. Indicators used to monitor these objectives rely on environmental, social, and governance (ESG) information from third-party providers, which may not be complete, accurate, or available. This can lead to incorrect assessments of companies and their inclusion or exclusion in the portfolio, as well as incorrect outcomes for indicators within the fund.

While it is not possible to fully eliminate the risk of errors from external data vendors, the responsible investment manager does carry out an own evaluation and questioning in cases where he/she believes investments have been incorrectly classified. In instances where there is a lack of data coverage or quality, the security is not given a rating and does not factor into the fund's commitment to environmental and social characteristics and sustainable objectives.

(j) Due diligence

Description of the due diligence carried out on the underlying assets of the fund, including the internal and external controls on that due diligence.

A due diligence check is performed on all instruments in the Fund, by performing an asset screening on each of the individual lines in the portfolio.

Shelter Investment Management manages assets, in accordance with a determined investment strategy, for the benefit of one or multiple UCI's investors. SIM needs to analyse the ML/FT risks intrinsic to the investment activity and establish appropriate due diligence measures on a risk-based approach.

SIM performs:

I. appropriate due diligence controls by asset type (Know Your Investment) on a risk-based approach.

II. Targeted financial sanctions/Proliferation financing (TFS/PF) screening controls on all assets and depending on the asset types, the parties linked to the transactions.

(k) Engagement policies

Description of the engagement policies implemented where engagement is part of the environmental or social investment strategy, including any management procedures applicable to sustainability-related controversies in investee companies.

Effective and sustainable shareholder engagement is one of the cornerstones of the good corporate governance model. ShelterR Investment Management believes that engaging with target issuers and portfolio companies, including on environmental, social and governance (ESG) topics, is often a key factor for properly identifying investment opportunities, managing investment risks, monitoring assets in portfolio, ensuring long-term sustainability and more generally fostering trust in the financial market.

Furthermore, integrating and disclosing non-financial considerations can improve the matching between investment products and investors' preferences and characteristics. Moreover, reputational benefits from increased disclosure and integration of ESG topics in funds' processes might attract new investors. ESG measures contribute to the capital shift towards sustainable investments that is expected by and would benefit to the society as a whole.

ShelterR Investment Management acknowledges the importance of constructive dialogue with management teams in order to promote good corporate governance practices, determine long-term alignment of interests, properly asset the strategy of the management team (including on ESG topics as the case may be), as well as to improve disclosure mechanisms. For that purpose, ShelterR Investment Management may be liaising with the management teams directly or relying on management's reporting.

For more information on SIM's engagement policy, we also refer to the voting right and engagement policy on our website.

(l) Designated Reference Benchmark

Description of whether an index has been designated as a reference benchmark to meet the environmental or social characteristics of the financial product and how.

No specific ESG index has been designated