



Shelter Investment Management

Engagement and Voting Rights Policy

Process Document Description

<i>Objective/Description</i>	This Policy describes the approach of SIM in relation to engagement and the exercise of voting rights, and in accordance with applicable Luxembourg and EU rules.
<i>Entity</i>	Shelter Investment Management (SIM)
<i>Portfolios</i>	All UCITS and AIFs
<i>Instrument Type</i>	Funds

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1.1 Background

The Engagement & Voting Rights Policy (the “**Policy**”) of SIM outlines the general principles how engagement activities are integrated in the investment strategy for funds where Shelter Investment S.A. (“**SIM**”) acts as UCITS management company (“**UCITS Management Company**”) or alternative investment fund manager (“**AIFM**”).

This Policy embeds engagement and voting rights and obligations as imposed and in accordance with applicable rules, notably:

- SRD II (Shareholder Rights Directive II) (2017/828): EU directive aimed at strengthening the position of shareholders in publicly listed companies, requiring intermediaries as SIM to disclose voting practices to ensure shareholder interests are prioritized and governance is transparent.
- SFDR (Sustainable Finance Disclosure Regulation) (2019): EU regulation aimed at increasing transparency on sustainability within financial markets by requiring financial market participants to disclose how they integrate ESG factors into their investment decisions and advisory processes. SFDR Article 4 (on PAI’s) requires to report on engagement.
- Luxembourg law of 17 December 2010 transposing Directive 2009/65/EC on undertakings for collective investment in transferable securities (UCITS) (“**UCITS Directive**”);
- CSSF Regulation 10-04 transposing in Luxembourg Directive 2010/43/EU as regards organizational requirements, conflicts of interest, conduct of business, risk management and content of the agreement between a depositary and a management company (“**CSSF Regulation 10-04**”);
- Luxembourg law of 12 July 2013 implementing Directive 2011/61/EU on alternative investment fund managers (“**AIFMD**”);
- Commission Delegated Regulation (EU) No 231/2013 of 19 December 2012 supplementing AIFMD with regard to exemptions, general operating conditions, depositaries, leverage, transparency and supervision (“**AIFMR**”);
- Luxembourg law of 10 July 2019 transposing Directive (EU) 2017/828 regarding the encouragement of long-term shareholder engagement (“**SRD II**”);
- CSSF Circular 18/698 on the authorization and organization of investment fund managers incorporated under Luxembourg law (“**CSSF Circular 18/698**”).
- The framework established by Towards Sustainability Initiative (QS 2023)

Effective and sustainable shareholder engagement is one of the cornerstones of the good corporate governance model. SIM believes that engaging with target issuers and portfolio companies and in particular fund managers on environmental, social and governance (ESG) topics, and in the case of fund managers on their approach to engagement and voting, 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.

1.2 Scope

This Policy shall apply to all funds where SIM acts as UCITS Management Company or AIFM unless the management body of such fund, or the delegated portfolio manager appointed by SIM for this fund (if any, the “**Portfolio Manager**”), or the investment advisor appointed by SIM for this fund (if any, the “**Investment Adviser**”) has provided SIM with a fund specific engagement policy.

In such case, provided that such policy is approved by SIM, such policy shall be published on SIM’s website and shall prevail over this Policy until it is terminated. This Policy does also apply to all funds where SIM acts as delegated portfolio manager to the extent in has expressed to the UCITS Management Company its intention, and the latter has accepted, the application of this Policy.

1.3 Setup

This Engagement and Voting Rights Policy of SIM has been established by the Sustainability Committee (SC) and is approved by the Board of Directors of SIM.

The purpose of SIM’s Engagement and Voting Rights Policy is to set effective goals and targets in order to properly and effectively contribute via active engagement and the structural exercise of voting rights to the building a global financial system that delivers improved long-term returns for investors, as well as better, more sustainable outcomes for society, and this in alignment with the principles determined by the Towards Sustainability Quality Standard in Belgium.

1.4 Long term goals and targets

SIM combines (1) a direct approach of active ownership through engagement and the exercise of voting rights in relation to investee companies with (2) an indirect approach of engagement oversight and review of methodology and existence of a proper voting rights methodology and reporting when investing through third party fund managers.

SIM does not apply engagement or voting rights in relation to investments where is has no entitlement to exercise voting rights or engagement This is the case for most MiFID services that SIM offers, such as discretionary portfolio management, advisory services and RTO services where the right to vote or engage is with the investor him or herself.

SIM wants to be an “active owner” of assets, fulfilling its voting and engagement responsibilities by (1) monitoring third party funds, their engagement and voting rights policies and reporting, and by (2) monitoring investee companies and engaging in relation to material issues that SIM considers important to be escalated for action, with focus on companies active in sectors with elevated risks in line with the sectors defined by the Towards Sustainability Initiative in Belgium and through the exercise of voting rights.

SIM also applies active ownership through engagement and exercise of voting rights with regard to its AIF real estate activities as it is represented in different real estate projects via participation in board membership. SIM applies indirect active engagement in relation to its private equity FoF activities in line with the indirect engagement and voting monitoring of third party funds.

The big picture outcome SIM seeks to achieve via its direct and indirect engagement and use of voting rights includes:

- **Governance** – SIM wants effective boards of companies composed (in the longer term) with a majority of independent individuals, representing the diversity of stakeholders that the company

serves. SIM also pursues that there is an alignment of executive remuneration with the creation of long-term value. SIM also wants companies to develop a corporate culture that puts customers first and treats its stakeholders including employees and its supply chain fairly;

- **Strategy, risk and communications** – SIM is in favour of a clear articulation of a company’s purpose in order to ensure delivery of long-term value to all stakeholders, supported by a sustainable business model and strategy that addresses the needs of the different stakeholders. SIM believes in the need for robust risk management practices to protect long-term value. SIM believes in transparent, timely disclosures of reliable information sufficient for investors and wider stakeholders to make informed decisions on long-term investment.

SIM seeks - through engagement and exercise of voting rights - alignment in the longer run, with specific environmental and social outcomes that are derived from the UN’s Sustainable Development Goals (SDGs). The UN Sustainable Development Goals and the UN’s 2030 agenda for sustainable development set out 17 goals and 169 underlying targets, providing a blueprint for a sustainable world. The goals call for action by all countries to promote prosperity, economic growth and address social needs while also protecting the natural environment and have been adopted by all UN member states. The SDGs outcomes that SIM specifically aims to see improved in the longer run, include:

- **Climate Action:** aiming that investee company strategies and actions are aligned to the goals of the Paris Agreement to pursue efforts to limit climate change to 1.5°C and demonstrate that business models are resilient and can adapt to future climate change.
- **Life on Land and Below Water:** aiming that investee companies contribute to protecting, preserving and restoring natural resources and biodiversity by the transitioning to sustainable food systems, avoiding anti-microbial resistance and managing water consumption and enable more affordable access to food and clean water.
- **Good Health and Wellbeing:** aiming for respect of all human and labour-related rights linked to a company’s operations, products and supply chains, including through the provision of affordable essential goods and services to help reduce poverty.

1.5 Selected Focus Topics for Engagement and Voting

SIM is a small management company and therefore has to focus on specific topics that it considers among the most important from an engagement and voting rights perspective. Derived from the broader themes mentioned in section 1.4, SIM’s engagement focus is on what it considers the most material drivers of long-term value, with a focus on core priority topics:

- **Environment focus : climate change:** The emphasis of SIM’s engagement and voting is on greenhouse gas emissions reduction targets aligned to the Paris Agreement, seeking to limit climate change to 1.5°C.
- **Environment focus : biodiversity:** SIM expects high risk companies to address biodiversity loss across their value chains,
- **Social focus : fundamental rights :** SIM expects high risk companies eg to acknowledge the likelihood that human and labour rights impacts are present within some operations and supply chains and to demonstrate appropriate board- and executive level governance of human rights.
- **Social focus : human capital:** SIM’s focus is on health and safety, diversity, inclusion and representation.
- **Governance focus :** SIM’s focus is to enhance quality of board performance by different means.

1.6 Engagement

1.6.1 For investments in companies :

1.6.1.1 Engagement objectives and priorities

SIM has decided to organise direct engagement with companies that form part of the public equity and corporate fixed income holdings to seek positive change for clients, the companies themselves, and the society in which they operate. Sectors that we engage with are the elevated risk sectors of significant harm to sustainability factors as determined by the Towards Sustainability Initiative :

- The sectors of textiles manufacture and related wholesale activities;
- The agriculture/fishery sector and related wholesale activities;
- Sectors involved in mineral resources extraction, basic products manufacture and wholesale activities;
- Sectors involved in weapons, tobacco, coal, oil & gas and power generation;
- Carbon-intensive & high-emitting sectors such as cement, shipping, aviation.

SIM screens all UCITS portfolios it manages and gathers data to determine if an investee company is active in an elevated risk sector. The investee companies that are screened in this manner are checked on the basis of various criteria in relation to the topics listed in section 1.5., such as (where relevant):

1. Having formal policies in place that sufficiently address the issue;
2. Having meaningful targets in place, which are established in accordance with applicable market practices or standards;
3. Disclosure of the information needed to assess the company's approach, policy, and performance on the specific topic;
4. Performance on relevant KPIs vis-à-vis peers;
5. Increased sustainability risk.

A formal engagement is initiated if the investee company lags in one or more selected focus topics or other topics SIM might consider important. Annex I includes the template used for this purpose.

1.6.1.2 Escalation procedure

Engagement milestones at SIM include :

- Informing the investee company about the issue and requesting the investee company to explain how they see the issue;
- Confirmation whether the investee company is willing to take the steps requested by SIM or if not, why not and how they expect to resolve the issue;
- In case the investee company is willing to take action, assessment of whether these actions are considered appropriate and sufficient. If considered needed, this may lead to additional dialogue with the investee company.
- Review of the situation of the investee company at least annually and assess progress of the investee company, analysed within the SC of SIM
- When SIM determines that the company is not making sufficient progress or does not seem willing to address the issues raised, the SC will escalate the matter to the Exco of SIM.

- When the Exco of SIM concludes that the investee company has not resolved the issue in a satisfactory manner, SIM will seek to reflect this in its voting decisions at the AGM of that company, and may ultimately consider selling the position.

1.6.1.3 Monitoring

SIM keep track of a status of the engagement process with status reporting and outcome analysis in the quarterly SC using the template in Annex I.

1.6.2 For investments via third party funds :

1.6.2.1 Engagement objectives and priorities

SIM has decided to focus on the monitoring of the existence of a proper voting and engagement policy and the monitoring of voting reports by the management companies.

- SIM excludes investing in managers that have no voting right and/or engagement policy.
- SIM will conduct a due diligence on the voting and engagement policy of the top 10 positions is invested in (UCITS and AIF activities), as well as on the managers' voting and engagement reporting, together with an external service provider. The analysis includes selected topics selected by SIM.

Priorities that SIM has decided to focus on when reviewing the voting and engagement policy are :

- Scope;
- Consideration of relevant ESG themes and topics;
- Transparency about methodology and processes;
- Reporting quality;
- Position of the manager in relation to elevated risk sectors as defined by the the Towards Sustainability Initiative.

1.6.2.2 Escalation procedure

- SIM will write the manager in case of observations in the voting and engagement policy that require specific attention and analyse the reply in the SC;
- Without satisfactory outcome the matter is escalated to the Exco and SIM will be voting against the management at AGMs or will ultimately consider selling the position .

1.6.2.3 Monitoring

We keep track of the status of the engagement process and results in the SC of SIM, based on the template as define in Annex I.

1.7 Voting Rights

1.7.1 For investments in companies

SIM has decided to outsource the exercise of voting rights. SIM started a collaboration with service provider ISS to exercise voting rights.

- SIM will exercise proxy voting rights for positions in investee companies that exceed an internally determined threshold, defined with reference to the absolute value of the holding across portfolios. SIM will vote in the defined elevated risk sectors by Towards Sustainability without any position size related threshold.
- Voting is limited to the companies in UCITS that SIM manages at the time of the vote and where it is offered the opportunity to exercise voting rights via the ISS proxy voting platform.
- Significant Voting : SIM will provide further explanations on its voting in relation to significant votes. SIM identifies significant votes as:
 - Voting on topics that are at the core of the strategy of SIM on sustainability topics, including environmental issues, climate change, labor rights, and human rights.
 - Voting on topics where SIM opposes the management’s recommendation, when it holds a significant economic interest in the company.
 - Voting on topics where there has been considerable controversy about an agenda topic or shareholder meeting.
 - Voting on topics where engagement is or has been conducted with a specific company.
- Voting can further be excluded or reduced by SIM in case the investee company has organised share blocking other constraints that could affect the liquidity offered to SIM in relation to its position in the Company. Some markets have implemented such ‘share blocking’ practices. In these markets, active owners, such as SIM, are not able to vote for shares which have been traded or lent for some period of time ahead of, and sometimes following, the date of the shareholder meeting. As a result, any trade made after a vote has been cast (for involved amount of shares) during the share blocking period, may induce administrative or management burden, and ultimately payment of penalties if the trade fails. A proper communication between the SC and the investment management team at SIM ensures that, based on the investment strategy of the portfolio and on the economic environment, a decision is taken in the SC to consider whether to vote, and the percentage of shares to be blocked.

SIM has decided that it will follow in general the thematic “sustainable voting policy benchmark” of ISS. The focus of this policy is suitable for PRI signatories and similarly aligned investment managers & asset owners.

This means in summary that SIM votes in line with following principles :

- **Board:** independence (>50%), composition, accountability and responsiveness - including on ESG topics (our voting will be influenced by our engagement as the case may be);
- **Compensation:** Alignment of pay and performance, presence of problematic compensation practices, shareholder value transfer (SVT);
- **Voting on Environmental and Social themes**
 - ISS applies a common approach globally to evaluating social and environmental proposals which cover a wide range of topics, including consumer and product safety, environment and energy, labour standards and human rights, workplace and board diversity, and corporate political issues. The overall principle guiding principles of all vote recommendations focuses on how the proposal may enhance or protect shareholder value in either the short or long

- term.
- Voting is examined on a case-by-case basis, primarily focusing on whether implementation of the proposal is likely to enhance or protect shareholder value. The following factors will be considered when ISS offers vote recommendation that SIM considers important :
 - If the issues presented in the proposal are being appropriately or effectively dealt with through legislation or government regulation;
 - If the investee company has already responded in an appropriate and sufficient manner to the issue(s) raised in the proposal;
 - Whether the proposal's request is unduly burdensome (scope or timeframe) or overly prescriptive;
 - The investee company's approach compared with any industry standard practices for addressing the issue(s) raised by the proposal;
 - Whether there are significant controversies, fines, penalties, or litigation associated with the company's
 - If the proposal requests increased disclosure or greater transparency, whether reasonable and sufficient information is currently available to shareholders from the company or from other publicly available sources; and
 - If the proposal requests increased disclosure or greater transparency, whether implementation would reveal proprietary or confidential information that could place the company at a competitive disadvantage.
 - **Say on Climate (SoC) Management Proposals**
 - Voting is assessed on a case-by-case basis on management proposals that request shareholders to approve the company's climate transition action plan, taking into account the completeness and rigor of the plan.
 - Information that will be considered where available includes the following:
 - The extent to which the investee company's climate related disclosures are in line with TCFD recommendations and meet other market standards;
 - Disclosure of its operational and supply chain GHG emissions (Scopes 1, 2, and 3);
 - The completeness and rigor of company's short-, medium-, and long-term targets for reducing operational and supply chain GHG emissions (Scopes 1, 2, and 3 if relevant);
 - Whether the company has sought and approved third-party approval that its targets are science-based;
 - Whether the company has made a commitment to be "net zero" for operational and supply chain emissions (Scopes 1, 2, and 3) by 2050;
 - Whether the company discloses a commitment to report on the implementation of its plan in subsequent years;
 - Whether the company's climate data has received third-party assurance;
 - Variations of this request also include climate transition related ambitions, or commitment to reporting on the implementation of a climate plan.
 - **Board Gender Diversity** : In terms of gender diversity, boards should adhere to domestic legal requirements or local best market practices or, in the absence thereof, be in line with established practice. Generally SIM will vote against the chair of the nomination committee (or other directors on a case-by-case basis) if:
 - The underrepresented gender accounts for less than 30 percent (or any higher domestic threshold) of shareholder-elected directors of a widely held company – excluding, where relevant, employee shareholder representatives
 - Both genders are not represented on the board of a non-widely-held company.
 - Mitigating factors may exist
 - **Climate Accountability** : For companies that are significant greenhouse gas (GHG) emitters, through their operations or value chain, SIM will generally vote against the responsible incumbent director(s),

or any other appropriate item(s) in cases where ISS determines that the company is not taking the minimum steps needed to understand, assess, and mitigate risks related to climate change to the company and the larger economy.

- **Say on Climate (SoC) Shareholder Proposals** : SIM will vote case-by-case on shareholder proposals that request the company to disclose a report providing its GHG emissions levels and reduction targets and/or its upcoming/approved climate transition action plan and provide shareholders the opportunity to express approval or disapproval of its GHG emissions reduction plan

1.7.2 For investments via third party funds

SIM has decided to focus in a first instance on the monitoring of the existence of a proper voting and engagement policy as per above.

SIM will question the voting and engagement policy of the top 10 managers of the funds SIM is invested in using a questionnaire. SIM does this analysis of the voting policy and the voting reporting, together with external service provider.

SIM may decide following negative engagement outcome, to exercise voting rights at the general assembly of the Fund in case we are of the opinion that the manager is not sufficiently aligned its policy with the principles and the selected focus topics defined by SIM.

1.8 Monitoring and Reporting

1.8.1 Monitoring

SIM follows a milestone system allowing SIM to track the progress of its engagement, relative to the objectives set for each company or fund manager. When SIM sets an objective, it also identifies the milestones that need to be achieved. Progress is assessed regularly and evaluated against the original engagement proposal. Reference is made to Annex I.

1.8.2 Engagement Reporting

1.8.2.1 For investment in companies

Regarding engagement with companies in the sectors defined, SIM will report the percentage of companies in elevated risk sectors, that is engaged with. SIM will also disclose each year :

- The selection criteria used to decide whether to start engaging with a company;
- The number of companies engaged with in the previous year;
- The average number of annual contact points per company selected for engagement and the characteristic of the contacts;

1.8.2.2 For investments in Funds

SIM will report on the activities it has undertaken with the management company and more in particular :

- Letters sent
- Answers received

- Escalation

1.8.3 Voting Reporting

1.8.3.1 For investments in companies

SIM shall produce a voting dashboard report on all votes on the basis of the ISS application, including a report on significant votes.

The voting dashboard report shall give an overview of votes :

- Regions
- Sectors
- Voting statistics
- Votes against management
- Votings per topic
- Significant votes

1.8.3.2 For investments in Funds

See 1.8.3.1.

2 Appendix

Engagement Plan - Company

General company information	
Company name	...
ISIN	...
Sector/industry	...
Invested in since	...
Current position size	...
Date of last update	...



KPIs that are monitored in relation to (potential) engagement			
KPI name	KPI score/performance	Assessment	Action needed?
<i>E.g. Formal target to reduce carbon emissions</i>	<i>No target</i>	<i>Below expectations</i>	<i>Yes</i>
...
...
...
...
...
...

Basic engagement information	
Engagement considered needed?	<i>Yes/No</i>
Key reason for engagement	<i>[Provide rationale]</i>
Date of origination or observation of the issue	
Engagement objective(s)	
Engagement strategy	<i>[E.g. letter writing, meet with board members, vote at AGM, etc.]</i>
Engagement owner	<i>[Person leading or overseeing the engagement]</i>
Starting date of the engagement	
Max. end date of engagement	
Identified milestones (if applicable)	<i>[Milestones could be the company committing to look into the issue, the company committing to create a policy, set a target, resolve the issue, provide disclosures, etc.]</i>
Engagement Status	<i>[To be filled in: To be initiated / pending / closed].</i>
Progress	<i>If pending: [On track / watch-list / at risk].</i>

Engagement log					
Interaction date	Type of interaction	Topics discussed	Key outcomes or actions	Staff member involved	Company contact(s)
<i>[Fill in date]</i>	<i>[Email/letter/phone call/video call/in person meeting]</i>			<i>[Fill in names]</i>	<i>[Fill in names]</i>

Engagement Plan - Investment Manager

General Fund information

Investment Manager name	...
Specific fund/funds that are in focus	...
ISIN(s) in case of specific fund(s) in focus	...
Type of funds/asset classes	...
Current position size (all funds together)	...
Date of last update	...



Topics that are monitored in relation to (potential) engagement

Topic	Performance	Assessment	Action needed?
<i>E.g. Disclosing all votes on a public website</i>	<i>Not all votes published</i>	<i>Below expectations</i>	<i>Yes</i>
...
...
...
...
...
...

Basic engagement information

Engagement considered needed?	Yes/No
Key reason for engagement	<i>[Provide rationale]</i>
Date of origination or observation of the issue	
Engagement objective(s)	
Engagement strategy	<i>[E.g. letter writing, meet with portfolio managers, meet with senior management]</i>
Engagement owner	<i>[Person leading or overseeing the engagement]</i>
Starting date of the engagement	
Max. end date of engagement	
Identified milestones (if applicable)	<i>[Milestones could be the investment manager committing to look into the issue, the investment manager to create a policy, set a target, resolve the issue, provide disclosures, etc.]</i>
Engagement Status	<i>[To be filled in: To be initiated / pending / closed].</i>
Progress	<i>If pending: [On track / watch-list / at risk].</i>

Engagement log

Interaction date	Type of interaction	Topics discussed	Key outcomes or actions	Staff member involved	Investment Manager contact(s)
<i>[Fill in date]</i>	<i>[Email/letter/phone call/video call/in person meeting]</i>			<i>[Fill in names]</i>	<i>[Fill in names]</i>

2.1 Contacts

2.1.1 Shelter IM

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