

## General

VDK Sustainable flex is a sub-fund of the Shelter UCITS SICAV where Shelter IM is the investment manager. The objective of the Sub-fund is to aim to provide, after total expenses, a positive return versus the Benchmark, MSCI World Index: 50% - Eonia Index: 50% (in EUR), over a 5-year period whilst maintaining a level of volatility that is below the index volatility level. The Sub-fund will invest in a dynamically managed portfolio of global listed large or mid-cap equities - i.e. equities listed on various worldwide exchanges that have been selected from a sustainable and ethical investment universe on the basis of a systematic multi-factor equity stock selection process in combination with a variable market exposure hedge through the use of financial derivatives, and/or Exchange Traded Funds . This Sub-fund is classified as an “Article 8 +” fund under SFDR regulations and promotes environmental and social characteristics with a minimum % sustainable investments. The asset manager will target to select investment funds that take sustainability and/or ESG criteria into account in their investment policy where this ESG policy is further described below.

## Shelter’s Approach to ESG Investing for VDK Sustainable Flex Fund

### Good Governance Screening - 100%

- 1) (a) **Norm based exclusions** on the basis of “controverses” including fundamental human rights, labour rights and business malpractices (b) **sector based exclusions** such as animal welfare and wellbeing, controversial weapons, fossil fuel exposure, gambling, use of GMO’s, nuclear production, pornography and tobacco.
- 2) Screening on authoritative standards for responsible business conduct, such as the UN Global Compact, the OECD Guidelines for Multinational Enterprises, the UN Guiding Principles for Business and Human Rights.
- 3) A regular screening against a series of sanction lists as provided by the Luxembourg data provider Worldcheck.

### Environmental and Social Promotion Screening – 80%

- Overall ESG Corporate Rating >= D+
- This factor is derived from ISS ESG and provides the rated entity’s overall rating based on an assessment of environmental, social, and governance performance. The overall rating is graded on a twelve-point scale for A+ (Excellent performance) to D- (poor performance).
- PAI 10: Violation of UNGC principles = False
  - PAI 14: Exposure to controversial weapons = False

### Sustainable Investments – 50%

#### Positive Contribution Analysis

Each issuer needs to positively contribute to one or more different Sustainable Developments Goals (SDG’s) and this for each sustainable investment individually.

VDK Sustainable Flex Fund requires the following:

- Full alignment 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.
  - 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**”).

#### Do Not Significantly Harm Analysis (“DNSH”)

##### 1. Analysis of Shale Oil and/or Gas - Involvement Tie

Exclusion of all issuers that have any shale oil/and or gas involvement in production or services.

Sustainable Investments –50%

**Do Not Significantly Harm Analysis (“DNSH”)**

**2. Analysis of Principal Adverse Impact (PAI) indicators**

- PAI 1&2: GHG Emissions\*
- PAI 3: GHG Intensity\*
- PAI 4: Exposure to companies active in the fossil fuel sector = False
- PAI 7: Activities negatively affecting biodiversity-sensitive areas = False
- PAI 10: Violation of UNGC principles and OECD guidelines for Multinationals = False
- PAI 11: Lack of processes monitoring UNGC principles and OECD guidelines for Multinationals = False
- PAI 13: Board Gender Diversity >=10%
- PAI 14: Exposure to Controversial Weapons = False

\* Threshold levels are defined according to an internal process that might be dynamically adjusted as more information becomes available.

**Calculation % of Sustainable Investments (SI)**

An issuer that successfully passes the Positive Contribution and Do Not Significantly Harm Analysis, is fully considered for the calculation of the percentage of Sustainable Investments:

$$\%SI = \sum Weight_{Issuers\ that\ Successfully\ Passed\ Positive\ Contribution\ and\ "DNSH"\ Analysis}$$