



Shelter Investment Management

Remuneration Policy

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1 Purpose

This Remuneration Policy (the **Remuneration Policy**) aims at improving the taking, managing, and controlling of risks within Shelter Investment Management (**SIM**) by defining guidelines on the structure of remunerations and on their implementation.

This Remuneration Policy reflects SIM's objective to pay remuneration in consistency with, and promoting, sound and effective risk management that does not induce excessive risk-taking. The Remuneration Policy targets to contribute to the objectives and long term value creation of SIM in terms of UCITS investment management services (governed by the UCITS Law of 17 December 2010), alternative investment management services (governed by the AIFM law of 12 July 2013) and MIFID services.

This Remuneration Policy is in line with the business strategy, the risk management objectives, the nature, scale and complexity of business activities, and long-term interests, such as sustainable growth prospects, of SIM. It is also considered to be consistent with the principles relating to the protection of SIM's managed investment funds and investors of these funds in the course of services provided.

This Remuneration Policy is established on the basis of CSSF Circular 2010/437 (the **Circular**) that implements the Commission Recommendation 2009/384/EC that is the result of a widespread consensus that inappropriate remuneration practices induce excessive risk-taking and has contributed to the financial crisis that unfolded in 2007 and 2008.

It is also established on the basis of CSSF Circular 23/841 that implements the ESMA guidelines in relation to the remuneration requirements set out in Article 27 of the MiFID II Delegated Regulation as well as, on the one hand, the conflicts of interest requirements set out in Articles 16(3) and 23 of MiFID II and Article 34 of the MiFID II Delegated Regulation in the area of remuneration; and on the other hand, the conduct of business rules set out in Article 24(1) and (10) of MiFID II. In addition, these guidelines clarify the application of the governance requirements in the area of remuneration under Article 9(3) of MiFID II.

When establishing, updating and applying the remuneration policy, SIM shall furthermore at all times comply with the principles of the 2010 and the 2013 Law and the UCITS Directive on Remuneration (2009/65/EC) in a way that is **appropriate to its size, the size of the UCITS it manages, its internal organisation and the nature, scope and complexity of its activities**.

Special reference is made to the remuneration guidelines under the UCITS directive, to article 111b (1) m of the 2010 Law and to article 1 (m) of Annex 2 of the 2013 Law which require that at least 50% of any variable remuneration should consist of units or shares of the UCITS fund or equivalent instruments, unless the management of the UCITS/AIFs account for less than 50% of the total portfolio managed by the (A)IFM, in which case the minimum of 50% does not apply. Currently, this 50% threshold is not applicable for SIM.

Reference is also made to the ESMA guidelines on Remuneration as laid down in ESMA/2016/575 and ESMA/2016/579 in compliance with the points 389 and 390 of CSSF Circular 18/698 to which SIM fully adheres.

2 Scope

This Remuneration Policy applies to all employees and permanent service providers of SIM without restriction to any remuneration paid after the incorporation of SIM. However, a distinction is made between those employees or permanent service providers that control or contribute materially to the risk profile of SIM and those that do substantially less.

It is deemed that only the Core Management falls within the scope of the Circular, as well as the employees and permanent service providers in Controlling Functions. The **Core Management** of SIM consists of

- the Board of Directors of SIM (the **Board**) : Benedict Peeters, Bart De Coster and Kris Iserbyt.
- Benedict Peeters, Eric Duqué, Tim Vanvaerenbergh and Sandra Van Vaerenbergh act for the Core Management as conducting officers of SIM (the **Conducting Persons**).
- The **Controlling Functions** are Compliance, Accounting, Risk Management, and Internal Audit.

SIM does not engage in any business or transactions without the specific approval and the direct supervision of the Exco and delegation of decision power is limited. Although all other employees and permanent service providers are considered to fall outside of the scope of the Circular, they are still subject to a remuneration policy that discourages unnecessary and uncontrolled risk taking.

In order to avoid conflicts of interests with respect to their role in the design and/or overseeing of the remuneration policies and practices of the firm, the design of this Remuneration Policy applicable to control functions (risk management and internal audit functions, Exco and senior management) of SIM targets to avoid to compromise their objectivity and independence.

3 Structure of the Remuneration

3.1 Determination of the Remuneration

The remuneration of members of the Board and all other employees and permanent service providers, if any, is determined by the Remuneration Committee and confirmed by the Board of Directors.

The Exco is responsible for the implementation of the Remuneration Policy.

The Remuneration Committee shall elaborate staff and permanent service providers reviews and remuneration and variable remuneration proposals to this effect and submit them to the Board of Directors for approval.

The Remuneration Committee is composed of Benedict Peeters and Tim Van Vaerenbergh. The Remuneration Committee meets at least once a year in November and will organise the review and prepare a proposal for the Board in terms of adjustments to remuneration and bonuses.

The structure of the remuneration of members of the Exco and of the senior management of the firm, as well as the criteria used to assess performance, have been designed not create conflicts of interest or incentives that may lead members of the Exco or senior management of SIM to favour their own interests or SIM's interests to the potential detriment of any client.

3.2 Core management

In respect of their own remuneration, the Core Management sets as clear objective that the stability of SIM is needed to take absolute precedence on their own compensation. Their members will only receive a salary and will only start to receive bonuses or distributions when SIM will achieve a certain level of financial stability, measured by factors such as retained earnings and capital base.

3.3 Composition of the remuneration

SIM employee's and permanent service providers remuneration and service fees are composed of the following parts:

- a) fixed salary (some of which may be paid as fixed directorship fees for Core Management) or fixed service fee;
- b) variable cash bonus/fee, which depends on scoring on performance objectives and SIM results.

There are no other compensation elements than the above accept the use of corporate vehicles and cheques repas.

A similar setup exists for permanent service providers but is based on effective day rate services and a variable component.

3.4 Relative composition between fixed and variable parts within the overall compensation package

For Core Management and employees or permanent service providers in controlling functions, the fixed part is more important to the variable part of their compensation compared to employees in "non-controlling functions". In fact, the variable part should never exceed 100% of the fixed compensation and will often be substantially lower, i.e., between 0 and 80%.

For all other employees and permanent service providers, who fall outside of the scope of the Circular, there is no hard cap as a percentage of fixed compensation, but a general acknowledgement that variable compensation fully takes into account any risk that may be assumed in the business and that therefore such compensation may be deferred until the risk has passed. SIM avoids also paying these employees and permanent service providers variable parts that exceed fixed compensation, unless specific authorisation of the Board of Directors

SIM maintains a fixed salary policy for employees which enables its employees to face the normal expenses of life without them having to need to rely on receiving variable compensation. This allows SIM to also pay zero variable compensation, in respect to the cash element of such variable compensation in years where business is difficult or business caution is required.

3.5 Determination of variable part of compensation or service fees

Bonuses are paid without obligation at the absolute discretion of the Board of Directors of SIM. They depend on performance criteria being met by the individual staff member or permanent service provider concerned and the performance of SIM overall.

3.5.1 Welcome Bonus

In connection with their employment or service contract, employees respectively permanent service providers may be granted a bonus in the form of a fixed amount determined in the employment or service contract, payable once only and relating to the calendar year of their employment (Welcome Bonus) or start of the service contract. However, such Welcome Bonuses should be kept to a minimum and if possible, should be avoided all together. Welcome Bonuses can only be granted after approval by the Board.

3.5.2 Bonus withholding or repayment

Subject to employment contracts and employment law or as the case may be service contracts, SIM may withhold awarded variable remuneration or service fee in full or in part, where the situation of SIM deteriorates significantly, in particular where it can no longer be presumed that it can or will continue to be able to carry out its business as a going concern. Moreover, the Board may withhold variable remuneration or service fee, in full or in part, when performance criteria are not met by the employee or permanent service provider concerned or may require an employee or permanent service provider to repay or retransfer all or part of awarded variable remuneration or service fee that has been paid or transferred to the employee/permanent service provider for performance based on data which was subsequently proven to be fraudulent.

3.5.3 Alignment of interest

When designing remuneration policies and practices in accordance with the requirements under Article 27 of the MiFID II Delegated Regulation and, especially, where remuneration comprises variable components, SIM applies appropriate criteria to align the interests of the relevant persons and of the firms with that of the clients. Such criteria aligning the interests of the relevant persons and of SIM, allow SIM to assess the performance of relevant persons.

In order to do so and in accordance with Article 27(4) of the MiFID II Delegated Regulation, SIM considers qualitative criteria that encourage the relevant persons to act in the best interests of the client such as business ethics (see infra) and the quality of output (see infra).

These criteria in the Remuneration Policy of SIM are sufficiently and clearly defined and documented to ensure that they are not being used to indirectly reintroduce quantitative commercial criteria that may create conflicts of interests or incentives that may lead relevant persons to favour their own interests or SIMs interests potential detriment of any client. SIM does not apply quantitative criteria.

SIM applies a uniform performance measurement system that is applicable to all roles and functions performed by staff and permanent service providers, the type of products offered, and the methods of distribution (e.g. advised or non-advised, face-to-face or through telecommunications/electronic communications) in order to prevent potential conduct of business and conflict of interest risks from adversely affecting the interests of its clients and to ensure that SIM can adequately manage any related residual risk. The setup allows for the possibility to pay no variable remuneration at all.

SIM avoids setting performance targets that may incentivise the relevant persons to adopt behaviours focused on short-term gains to meet the relevant thresholds such as "all or nothing targets" as those might create a conflict of interest or impair clients' interests. SIM ensures that the variable part of the remuneration paid out is calculated and awarded on a linear basis or where the variable part depends on several performance targets set at different levels and giving rights to different amounts or, preferably, different rates of variable remuneration.

Career progression management within SIM may not be used to introduce quantitative commercial criteria upon which may depend staff or permanent service providers function or role advancement and having an impact on their (fixed and/or variable) remuneration if this may create conflicts of interests that may encourage such relevant persons to act against the interests of SIM's clients.

3.5.4 Tied Agents

When determining the remuneration for tied agents, SIM takes the tied agents' special status (as self-employed commercial agents) and the respective Luxembourg or Belgium specificities into consideration. This Remuneration Policy discourages Tied agents to disregard client's interests or favour their own interests in order to attain short-term performance objectives.

Where possible, SIM will provide ex-post adjustment criteria to allow SIM to further align the interests of SIM and of relevant persons with that of clients by adjusting variable remuneration if a case of misconduct appears after the remuneration has been awarded or paid-out. This not only in case of regulatory action but also in case of confirmed failings or breaches, taking into account the seriousness of any failings or misconduct impairing clients' interests. Bonus payments are generally paid only a quarter after the end of the calendar year.

3.6 Payments related to early termination

As a matter of principle SIM does not wish to pay any compensation for early termination other than what is required by law. Hence SIM contracts do not include any "golden handshake" terms. However, to protect the interests of SIM sometimes the contracts enforce a notice period of several months (usually three), which means that SIM needs to pay out three months of salary until the person is effectively no longer employed by it. Service contracts of permanent service providers may also foresee a fee payment during a notice period.

Generally, employees lose all deferred compensation rights in case they are a "bad leaver", i.e. when the employee terminates his contract to leave to a competitor or if his contract is terminated because the employee:

- a) in the reasonable opinion of the Board continues to fail or neglect efficiently and diligently to discharge his duties in a way materially affecting SIM after two written warnings by any of the Conducting Persons or by the chairman of the Board (the **Chairman**) or is guilty of any serious or repeated breach of his obligations;
- b) is guilty of serious misconduct or any other conduct which affects or in the reasonable opinion of the Board is likely to affect prejudicially the interests of SIM or is convicted of an arrestable offence (other than a road traffic offence for which a non-custodial penalty is imposed);
- c) becomes bankrupt or makes any arrangement or composition with his creditors;
- d) is disqualified from being a director of any company by reason of an order made by any competent court;
- e) resigns as a director without the prior consent of the Conducting Persons or the Chairman; or
- f) is guilty of any breach or non-observance of any code of conduct, rule or market regulation or fails within a reasonable period to become or ceases to be registered (where such registration is, in the opinion of the Board, required for the performance of his duties) by any regulatory body.

On the above basis, if the Board decides to terminate the contract of an employee for good reasons, the employee loses all deferred compensation. This acts as a strong incentive for employees to be diligent and responsible. The same concepts apply to permanent service providers.

4 Performance Measurement

Without prejudice to the structure of remuneration described above, the total amount of variable remuneration that may be awarded to an employee or permanent service provider shall be based on a combination of the assessment of the performance of the individual and of the overall results of SIM.

The performance assessment shall be updated yearly, and all annual performance reviews will be retained and contribute to the overall assessment of the employee/permanent service provider.

This performance assessment will be performed by the Remuneration Committee, on an annual basis during the month of November and is properly documented per employee and permanent service provider.

All staff and permanent service providers are informed of the criteria that are used to determine the amount of their variable remuneration, the (equal) weight attributed to each, the consequences of not meeting one or the other and the steps and timing of their performance reviews (annual). The criteria used by SIM as explained below to assess the performance of staff and permanent service providers are accessible, understandable and recorded.

The annual performance is conducted along five major dimensions :

4.1 Skills

Measurement of the extent to which the employee or the permanent service provider has demonstrated and continues to demonstrate possessing the skills for the functions required to be exercised. Measurement of the skills can be demonstrated by the employee or permanent service provider. This can be by the ability and speed of use of applications, software, the demonstration of specific business knowledge, ability to manage or risk manage or prepare documentation in all kind of forms in a way that review does not lead to important comments etc.

4.2 Output

Measurement of the output effectively produced or exhibited by the employee or permanent service provider, his/her contribution to a well-controlled and well organised business environment in terms of effective deliverables. The idea is to assess to what extents skills lead to effective output at an acceptable pace, it is about efficiency and ability to cope with workload.

4.3 Team Player

Measurement of the drive and enthusiasm demonstrated by the employee or permanent service provider in achieving SIM's objectives in group and with other people working at or for SIM. SIM does not want a team of silo's and solo players. Open communication, transparency, equal treatment with no regards to age, sex, race, embracing cooperation and motivating others is essential.

4.4 Business Ethics

Measurement of the extent to which the employee or permanent service providers possesses and develops his relevant business expertise in an ethical way. This includes a focus on sustainability that can be demonstrated by the employee or permanent service providers in different manners. This can be in the context of his or her daily work, for example sparing use of the means made available, favouring solutions that limit CO2 emissions, limiting unnecessary travels, etc. This can also be by contribution to avoidance and/or analysis of sustainability risks and encouraging investors to emphasize focus on ESG friendly investments.

4.5 Leadership

Leadership is key in a smaller firm such as SIM. Leadership is demonstrated by independence in the contribution, taking final responsibility and ownership of the tasks.

As part of the performance evaluation, every year both short-term and long-term objectives may be set for the employees and permanent service providers. The performance evaluation considers the progress the employee or permanent service providers has made meeting these objectives. SIM has been performing such performance evaluation for different years and all performance assessments are documented which allows SIM to monitor the performance of its employees and permanent service providers over a longer horizon in a coherent and consistent way.

The performance assessment is made under the responsibility of the Board of Directors by the Remuneration Committee.

Finally, as output results is only one of the five performance evaluation criteria, the performance monitoring is broad based and aims at developing a stable and sustainable business where ethics, group thinking, skills, ownership and performance meet.

5 Compliance with ESG Principles

This Remuneration Policy presented by the Board of Directors is annually checked for compliance with ESG criteria. There is no remuneration possible that creates a situation whereby the personal interest of the employee or service provider concerned is not in balance with the interest of the investors or clients of the Company.

The Board of Directors will not allow bonus or incentive schemes that encourage risk taking for personal benefit against the interest of investors or clients or favours the selection of investment solution or products that are not compliant with ESG criteria.

6 Governance of the Remuneration Policy

The structure of this Remuneration Policy shall be updated by the Board of Directors over time to ensure that it evolves to meet the changing situation of SIM.

Without prejudice to the overall responsibility of the Board of Directors, the implementation of this Remuneration Policy shall be subject, at least on an annual basis, to central and independent internal review by compliance, risk management and internal audit for compliance with policies and procedures defined by the Board of Directors.

The control functions shall report on the outcome of this review to the Board. A copy of said reports shall be put at the disposal of the CSSF.

The Remuneration Policy is made available electronically to all employees and permanent service providers and those dealing with the criteria that will be used to determine the remuneration and the appraisal process.

7 Disclosure of the Remuneration Policy

Without prejudice to confidentiality and data protection provisions, relevant information contained in this Remuneration Policy and any updates in case of policy changes shall be disclosed by SIM in a clear and easily understandable way to relevant stakeholders.

Such disclosure may take the form of periodic disclosure in annual financial statements.

The following information should in principle be disclosed:

- a) information concerning the decision-making process used for determining this Remuneration Policy, and the role of the relevant stakeholders;
- b) information on the link between pay and performance;
- c) information on the criteria used for performance measurement and risk adjustment;
- d) information on the performance criteria on which the entitlement to shares, options or variable components of remuneration is based;
- e) the main parameters and rationale for any annual bonus scheme and any other non-cash benefits.

The level of the information to be disclosed may consider the nature, the size as well as the specific scope of activities of SIM.