

# Transparency Code

- IVO EM Corporate Debt Short Duration SRI UCITS –

January 2025

## Table of contents

<b><i>I.</i></b>	<b><i>Fund covered by this Transparency Code .....</i></b>	<b><i>2</i></b>
<b><i>II.</i></b>	<b><i>General data on the management company.....</i></b>	<b><i>3</i></b>
<b><i>III.</i></b>	<b><i>General data on the SRI fund presented in this Transparency Code .....</i></b>	<b><i>6</i></b>
<b><i>IV.</i></b>	<b><i>Management process.....</i></b>	<b><i>13</i></b>
<b><i>V.</i></b>	<b><i>ESG control .....</i></b>	<b><i>17</i></b>
<b><i>VI.</i></b>	<b><i>ESG impact measurement and reporting .....</i></b>	<b><i>18</i></b>

### **Declaration of commitment**

Socially Responsible Investment is an important part of IVO Capital Partners' strategy and the management of the IVO EM Corporate Debt Short Duration SRI UCITS fund. IVO Capital Partners has been a signatory to the Principles for Responsible Investment since 2017 and welcomes the implementation of this transparency code.

### **Compliance with the Transparency Code**

The management company IVO Capital Partners undertakes to be transparent. We believe that we are as transparent as possible given the regulatory and competitive environment in the countries in which we operate. The IVO EM Corporate Debt Short Duration SRI UCITS fund complies with all the recommendations of the Code.

## I. Fund covered by this Transparency Code

This transparency code applies to the IVO EM Corporate Debt Short Duration SRI UCITS fund.

Fund name: IVO EM Corporate Debt Short Duration SRI UCITS					
Dominant and additional strategy	Main asset class	Exclusions applied by the fund	Fund assets at 31/12/2024	Labels	Links to fund documents
Dominant strategy: <input checked="" type="checkbox"/> Best in class <input type="checkbox"/> Best in universe <input type="checkbox"/> Best effort <input type="checkbox"/> SRI theme Additional strategy: <input checked="" type="checkbox"/> Exclusion <input checked="" type="checkbox"/> Commitment	<input type="checkbox"/> French equities <input type="checkbox"/> Equities of eurozone countries <input type="checkbox"/> European Union equities <input type="checkbox"/> International equities <input checked="" type="checkbox"/> Bonds and other international debt securities  <input type="checkbox"/> Monetary <input type="checkbox"/> Short-term monetary <input type="checkbox"/> Formula fund	<input type="checkbox"/> Alcohol <input checked="" type="checkbox"/> Armament <input checked="" type="checkbox"/> Coal <input type="checkbox"/> Unconventional fossil energies <input type="checkbox"/> Global Compact <input checked="" type="checkbox"/> Tobacco <input checked="" type="checkbox"/> Other sector policies - Gambling  - Palm oil and pulp - Fur - Pornography - Oil sands  - Countries subject to trade embargoes and international sanctions	€162.5M	<input checked="" type="checkbox"/> ISRLabel <input type="checkbox"/> TEEC Label <input type="checkbox"/> CIES label <input type="checkbox"/> Luxflag label <input type="checkbox"/> FNG label <input type="checkbox"/> Austrian label <input type="checkbox"/> Other	<a href="#">Link</a> - DICI - Prospectus - Management Report - Financial and non-financial reporting - Miscellaneous presentations - Other

## II. General data on the management company

### 1) Name of the management company in charge of the fund(s) to which this Code applies

The UCITS in charge of the fund to which this code applies is **IVO FUNDS**. IVO FUNDS is managed by the management company **IVO Capital Partners**.

#### **IVO FUNDS**

Investment company with variable capital incorporated under

Luxembourg law Registered office: 28-32 Place de la Gare, L-1616

Luxembourg

R.C.S Luxembourg B 193811

#### **IVO Capital Partners**

Simplified joint stock company with share capital of €250,000

Asset management company authorised by the AMF under no. GP13000022

Registered office: 61-63 rue des Belles Feuilles 75016 Paris, France

Trade and Companies Register Paris no. 753107432

Website: <https://ivocapital.com/>

### 2) What are the history and principles of the management company's responsible investor approach?

**As an investment fund and asset manager, IVO Capital Partners' objective is to offer its investors a return above the market while meeting its fiduciary obligations.** We believe that responsible investing and integrating environmental, social and governance (ESG) risks into our investment analyses are an integral part of these obligations.

Issuers in our field regularly face environmental, social and governance issues. It is common for an ESG risk to result in a sharp fall in the price of a bond, restructuring or even default. **The analysis of ESG risks therefore contributes to our objective of improving the risk-adjusted return of our portfolios over the long term.**

In 2017, IVO Capital Partners became a signatory to the United Nations Charter of Principles for Responsible Investment, in order to be part of a proactive approach to responsible investment. Since then, the management company has integrated ESG into its investment policy and made public its policy and approach as a responsible investor .

- **The environmental pillar of our responsible investment policy aims to encourage and support companies in managing the environmental risks associated with their business and in the transition to a sustainable business.** For example, oil companies in our universe are increasingly interested in the post-oil era: they need to develop low-carbon technologies to reduce their greenhouse gas emissions and encourage the use of environmentally friendly biodegradable products.
- **We believe that integrating social factors improves our decision-making process by identifying companies' exposure to risks related to managing relationships with their employees, customers, stakeholders and local communities.** For example, Latin American companies producing proteins, sugar and ethanol are concerned by issues related to animal welfare, deforestation and the protection of indigenous rights. Other social considerations have an impact on bond prices and yields, such as respect for local communities or the fight against child labour.
- **As an asset manager, it is essential to ensure that companies are sound in terms of governance in order to minimise the risks of announcements and disclosures that could affect the price of companies in the portfolio.** IVO Capital Partners places greater importance on the analysis of governance, especially in emerging countries where the rules are sometimes less strict or less respected than in developed countries. Corruption scandals or the lack of independence of the board of directors can have significant impacts on bond prices.

IVO values two pillars in the corporate governance system:

- **Transparency:** the company's board of directors and management must be willing to share information openly when asked, be able to answer our questions, explain their decisions and build a relationship of trust.
- **Integrity of the management and the board of directors:** the shareholders and managers of the company must be reliable, and IVO is committed to ensuring that there is no passive corruption or scandal related to shareholders or managers before investing.

We use three levers to integrate these ESG considerations into our investment strategy:

- **Exclude from our investment universe** companies and sectors subject to ESG controversies;
- **Assess the quality of companies by integrating the ESG risks and opportunities** that impact them in our decisions and investment monitoring;
- **Engage with our portfolio companies** to help them adopt ESG best practices.

### 3) How has the management company formalised its responsible investor approach?

IVO Capital Partners has formalised its responsible investor approach in the following documents:

- [Responsible investment policy](#)
- [Policy on the exercise of voting rights](#)
- [Engagement policy](#)

### 4) How is the issue of ESG risks/opportunities, including those related to climate change, understood by the management company?

IVO Capital Partners believes that studying ESG risks and opportunities provides an in-depth understanding of its portfolio companies, how they create value and how they manage resources not recognised in the financial statements. We therefore systematically integrate the study of environmental, social and governance risks into our arbitrage process.

Managing climate change risks is an integral part of our overall ESG approach. We integrate ESG into our investment policy, first of all via a sector exclusion policy, aimed at excluding companies that have not implemented a "Responsible Policy" and operate in controversial sectors. Next, we have implemented an integration policy that combines ESG indicators with our analysis of companies when making investment decisions and monitoring our portfolio. This integration policy is implemented through our partnership with external providers such as Sustainalytics and Trucost, as well as our in-house research. Lastly, we are engaging with companies, again with the help of Sustainalytics, to encourage them to better understand and manage ESG risks.

### 5) Which teams are involved in the management company's responsible investment activity?

The entire IVO Capital Partners team has access to the management company's ESG research, in particular the ESG analysis sheets produced for each company in the portfolio or likely to be the subject of an investment.

The IVO Capital Partners teams involved in the responsible investment activity are:

- Co-founders (Chairman and Chief Executive Officers): formal sponsors of the management company's responsible investment policy;
- The ESG analyst/ESG manager: implementation of the responsible investment policy, coordination of actions, drafting of ESG analyses, internal training on sustainable and impact finance;
- Fund and mandate managers: management of responsible investment strategies;
- The analyst team: application of the exclusion policy, support for ESG analyses;
- The sales team: promotion of responsible investment products;
- The legal team: responsibility for the fund's legal documentation;
- The risk and reporting team, the Compliance and Internal Control Officer (RCCI): risk management and reporting, second-level control.

6) What is the number of SRI analysts and the number of SRI managers employed by the management company?

IVO Capital Partners employs 1 SRI analyst who is exclusively dedicated to implementing the management company’s new responsible investment and ESG integration policy.

The entire team of analysts (7 people) is also responsible for supporting the SRI analyst by applying the exclusion policy and integrating ESG issues and controversies in their analysis reports and interviews with management.

Current management team, which may change over time.

7) In which RI initiatives is the management company a stakeholder?

Generalist initiatives	Environmental/climate initiatives	Social initiatives	Governance initiatives
<input type="checkbox"/> SIFs – Social Investment Forum (more details on commissions) <input checked="" type="checkbox"/> PRI – Principles for Responsible Investment <input type="checkbox"/> ICCR – Interfaith Center on Corporate Responsibility <input type="checkbox"/> Ecumenical Council for Corporate Responsibility <input type="checkbox"/> AFG fees <input type="checkbox"/> EFAMA RI WG <input type="checkbox"/> European Commission’s High Level Expert Group on Sustainable Finance <input checked="" type="checkbox"/> Other - IIRC – International Integrated Reporting Council - UNGC – A Global Compact	<input type="checkbox"/> IIGGC Institutional Investors Group on Climate Change <input checked="" type="checkbox"/> CDP – Carbon Disclosure Project <input type="checkbox"/> Montreal Carbon Pledge <input type="checkbox"/> Portfolio Decarbonization Coalition <input type="checkbox"/> Green Bonds Principles <input type="checkbox"/> Climate Bonds Initiative <input type="checkbox"/> Appel de Paris <input checked="" type="checkbox"/> Other - Climate Action 100+	<input type="checkbox"/> Accord on Fire and Building Safety in Bangladesh <input type="checkbox"/> Access to Medicine Foundation <input type="checkbox"/> Access to Nutrition Foundation <input type="checkbox"/> Other	<input type="checkbox"/> ICGN – International Corporate Governance Network <input type="checkbox"/> Other

8) What is the management company’s total SRI assets under management?

At 31/12/2024, IVO Capital Partners’ total SRI assets amounted to €162.5 million.

Our exclusion, ESG integration and engagement policy applies to all our bond funds. SRI assets are assets for which the investment universe is not only defined according to our responsible investment policy, but also by a best-in-universe approach that excludes issuers with ESG quality within the lowest 75% rated of the investment universe.

9) What is the percentage of the management company’s SRI assets as a percentage of total assets under management?

IVO Capital Partners’ SRI assets represent approximately 10.5% of total assets under management as at 31/12/2024.

10) Which SRI funds are open to the public managed by the management company?

The SRI fund open to the public managed by IVO Capital Partners is:

- IVO EM Corporate Debt Short Duration SRI

### III. General data on the SRI fund presented in this Transparency Code

1) What is the objective(s) sought by taking ESG criteria into account within the fund?

Contribute through our asset management activity to steer economic growth in emerging countries and, more broadly, global growth towards sustainable growth is an approach in which IVO wishes to participate. This growth is important both for the financial performance of companies and for our customers. **Our best-in-universe approach allows us to gradually disengage from issuers that have a significantly lower ESG quality than the rest of the universe.**

As an asset manager, we must also consider all the criteria that can have an impact on the return on our investments. The costs and risks associated with the ESG transition can directly impact investment expenses, debt, refinancing possibilities, cost and access to capital, which are key metrics of credit analysis. **Taking ESG criteria into account therefore allows us to complete our analysis and identify risks that are difficult to detect with only financial information.**

The growth potential of companies in emerging countries is significant, but so are the associated ESG risks. Regulations in these countries are generally less restrictive and corruption issues and environmental and social challenges can be significant. **Our engagement policy aims to help these companies better manage ESG risks and support them in a positive change approach.**

2) What internal and external resources are used for the ESG assessment of issuers in the fund's investment universe?

IVO Capital Partners assigns in-house a person to carry out the ESG analyses of the issuers studied for a potential investment. The ESG analyst supports the fund manager by providing the manager with a recommendation level based on his/her exchanges with the issuer, his/her additional research, the manager's assessment and a proprietary methodology based on the Sustainability Accounting Standards Board materiality matrix. The final ESG recommendation level is the result of exchanges between the ESG analyst and the fund manager.

The entire team of analysts (7 people) is also responsible for supporting the SRI analyst by applying the exclusion policy and integrating ESG issues and controversies in their analysis reports and interviews with management.

#### Sources of ESG information

We also use a variety of sources of information and external service providers. We aim for the most comprehensive approach possible, and we want to capitalise on the expertise and knowledge of each of our partners.

- **Sustainalytics:**
  - a. Overview of the Sustainalytics offering

Sustainalytics is one of the leading ESG rating and research companies with 600 employees and more than 700 clients. It is owned by Morningstar, PGGM, ABN AMRO MeesPierson and Renewal Partners. Its main clients are banks or asset and wealth managers such as Blackrock, Amundi Asset Management, Goldman Sachs Asset Management, and green bond issuers such as Apple and Starbucks Coffee. It works in collaboration with indices such as S&P, JP Morgan, and platforms such as Morningstar.

Sustainalytics offers several responsible investment approaches:

- Negative selection: exclusion of companies that are weak in terms of ESG or involved in controversial industries;
- Selection based on standards: identification of companies that do not comply with international laws and standards;
- Positive selection: investment in the best performing companies in terms of ESG;
- Integration: incorporation of ESG analysis into the investment and valuation process in order to improve the risk-return profile of an investment portfolio;
- Engagement: collaborative and direct engagement and proxy voting on ESG considerations;
- Impact and thematic investment: targeted investment in companies aimed at solving sustainable development challenges (Taxonomy, SFDR, PAI).

b. ESG risk rating

Sustainalytics' ESG risk rating measures a company's exposure to ESG risks and its management of material ESG risks from a financial perspective. A company's exposure is determined by the industry in which it operates and its internal characteristics. An ESG issue is considered material if the company is sufficiently exposed to it. For example, corporate governance is material for all companies. Companies are then classified into five risk categories: negligible, low, medium, high and severe.

Sustainalytics first measures the company's overall exposure to ESG risks. Then there is a distinction between manageable and **unmanageable risks**: for example, an oil company will always face carbon risks unless it changes its business model. The company addresses part of the manageable risk through specific policies and programmes. The rest of the unmanaged risk constitutes **the management gap**. **The ESG risk rating adds together the unmanageable risk and the management gap.**

Sustainalytics relies on an annual review of company data, news, industry and NGO reports, comparables and company feedback, as well as daily monitoring of company news.

c. Research on controversies

Sustainalytics tracks approximately 83,000 sources worldwide with coverage of more than 15,000 issuers. Incidents (e.g. legal proceedings or oil spills) are identified and reclassified as controversies. The controversy is then rated from 1 to 5 (low, moderate, significant, strong, severe). Lastly, Sustainalytics estimates the evolution of the rating over the next 12 months based on several criteria such as risk factors and management systems.

• Trucost:

Founded in 2000, Trucost is owned by S&P and employs 100 people, including 50 analysts dedicated to environmental research. In France, around 70% of institutional investors' reports are based on Trucost services, tools or data, which cover 15,000 listed companies, 170 countries as well as unlisted companies. Trucost uses S&P tools and financial data and provides access to all underlying data in Excel format, with a team available 24 hours a day every day of the week.

Every year since 2005, Trucost has analysed all the direct and indirect carbon and environmental impacts of issuers (companies and countries) in all the business sectors in which the issuer operates. This includes, for example, energy consumed by companies in the IT sector, water and mineral resources used by industrial sectors or waste emitted by various sectors.

Trucost analysts follow the following steps when analysing an issuer:

- 1) Collection of financial and production data then segmentation by Trucost/NACE segment. Estimation of all environmental impacts via an estimation model;
- 2) Collection of carbon data and environmental resources reported by issuers;
- 3) Comparison / Verification of data;
- 4) Dialogue phase with the issuer;
- 5) Provision of data to financial institutions that are customers of Trucost.

Trucost uses the following sources: annual reports, asset-based data provided by the issuer and the regulator, and annual company interviews.

- **Rating agencies:**

We rely on ESG research from Moody's and S&P, which regularly publish notes and reports on the environment, governance, social issues and various themes (e.g. growth of electric vehicles in California, environmental impact of green bonds, etc.).

- **Financial Information Services**

We also use research providers REDD Intelligence (emerging market companies) and Debtwire (fixed income). In particular, we rely on their shareholder research and corporate news.

- **Broker note:**

Lastly, some brokers regularly publish ESG research, to which IVO Capital Partners subscribes, such as DNB.

### 3) What ESG criteria are taken into account by the fund?

This financial product takes into account environmental, social and governance (ESG) criteria through:

i) the systematic integration into the investment process of external ratings provided by the research firm Sustainalytics (<https://www.sustainalytics.com/>), the methodology of which takes into account 21 criteria. These criteria include: corporate governance / access to primary services / bribery and corruption / business ethics / community relations / data privacy and security / emissions, effluents and waste / carbon - operations / carbon - products and services / E&S impacts of products and services / human rights / human rights  
 - supply chain / human capital / land use and biodiversity / land use and biodiversity - supply chain / occupational health and safety / ESG integration - financial sector / product governance / resilience  
 / resource use / resource use - supply chain.

Depending on the relevant issuer's business sector, one or more of the 21 criteria are taken into account by Sustainalytics to determine the issuer's rating, in order to reflect the ESG risks for its business sector.

ii) measuring and monitoring the environmental impact of our portfolio using trucost data, which takes into account the following environmental criteria:

- The carbon footprint of our fund: the carbon footprint measures past, current or future greenhouse gas emissions, whether direct or indirect, associated with issuers in the investment portfolio. The unit is the tCO<sub>2</sub>e, or the tCO<sub>2</sub>e per revenue / invested amount / production unit.

- 2 degree analysis: the assessment of the resilience of the strategy must take into account the transition to a more carbon efficient and consistent economy with a scenario less than or equal to 2 degrees. The unit is the temperature or the CO<sub>2</sub> differential or the CO<sub>2</sub> differential per amount invested.

### 4) What principles and criteria related to climate change are taken into account by the fund?

IVO Capital Partners integrates climate change risk and opportunity management in its pre-investment analysis and portfolio monitoring. Climate change criteria have a direct impact on the ESG risk rating provided by Sustainalytics and on our internal analysis. In particular, we are paying more attention to the environmental indicators mentioned in the previous question, provided by Sustainalytics and Trucost: carbon – company-specific operations, emissions, effluents and waste, use of resources, carbon footprint of our fund, environmental footprint of our fund, 2 degree analysis.

Our ESG analysis systematically takes into account the physical risks to which issuers' activities are exposed. We use databases such as ThinkHazard to identify the most severe physical risks in business areas and how climate change affects those risks. We also pay close attention to extreme weather events, changes in the availability and price of natural resources, and how companies incorporate these elements into their strategy. We also analyse issuers' Environmental Management Systems and the consistency of their investment spending with a low-carbon strategy. The ESG team reviews the issuer's exposure to transition risks and its exploitation of opportunities related to the transition to a low-carbon economy. We therefore value players that demonstrate innovation and adaptation to the climate issues related to their industry. We believe that the cost and risks of climate change can directly impact a company's performance and credit quality.

Our ESG team also provides in-house research papers on risks and opportunities related to ESG considerations and climate change. This research is supplemented by broker ratings to which we subscribe, ESG research from rating agencies, our regular interviews with companies and our participation in conferences and events on the subject.

5) What is the ESG analysis and assessment methodology for issuers (construction, assessment scale, etc.)?

We exclude from our investment universe companies with activities subject to **moral or ethical controversies**.

Totally excluded sectors:

- Controversial weapons: biological weapons, chemical weapons, anti-personnel mines, cluster munitions.
- Direct or indirect financing of countries under trade embargoes and international sanctions
- Companies suspected of serious and/or repeated violations of the principles of the UN Global Compact.
- Issuers or states domiciled in jurisdictions on the FATF black/grey list or the EU list of non-cooperative tax jurisdictions.
- Sovereign bonds issued by countries with a score below 40/100 of the Corruption Perception Index (Transparency International).
- Any issuer developing new exploration, extraction or refining projects for conventional and/or unconventional liquid or gaseous fossil fuels

Sectors excluded depending on the degree of involvement of the issuer:

- Tobacco – more than 5% of income
- Oil sands – above 10% of revenues
- Conventional weapons: weapons not belonging to the category “weapons of mass destruction” (i.e. non-biological, non-chemical, non-nuclear and non-radiological) – exclusion if they represent more than 20% of revenues.
- Thermal coal extraction – more than 15% of revenue
- Unconventional coal mining-- more than 5% of revenues
- Pornography – more than 5% of revenues
- Any issuer of which more than 5% of the total production of liquid or gaseous fossil fuels originates from the exploration, extraction or refining of unconventional liquid or gaseous fossil fuels. Unconventional liquid or gaseous fossil fuels are identified according to the definition of the Scientific and Expert Committee of the Observatory for Sustainable Finance, namely shale and shale oil, shale gas and oil, oil from oil sands, extra-heavy oil, methane hydrates, ultra-deep offshore oil and gas and oil and gas fossil resources in the Arctic
- Electricity producers whose carbon intensity is not aligned with the objectives of the Paris Agreement.

Year	Carbon threshold (gCO <sub>2</sub> /kWh)
2024	326
2025	291
2026	260
2027	232
2028	207

Sectors excluded in the absence of a responsible policy:

- Gambling
- Palm oil and pulp
- Fur – from 10% of activity in the textile industry
- Activities in countries subject to international sanctions – greater than 5% of revenues

## ESG rating

To ensure the proper application of our responsible investment policy, we fully integrate ESG analysis upstream of the investment process:

- The manager first ensures that the companies proposed in the investment committee belong to the eligible investment universe and are not involved in the sectors excluded by our exclusion list.
- When initiating an investment idea and before entering the financial and extra-financial analysis phase, the manager consults the ESG analyst, who may or may not pre-validate the company in question according to the result of his preliminary analysis.
- This pre-validation aims at excluding companies exposed to severe material ESG risks from the outset. The ESG analyst verifies the compliance of the issuer's activities with the exclusion policy, reviews the ESG performance research provided by our service providers, analyses the governance and searches for evidence of major ESG controversies.

The preliminary study of the indicators provided by our ESG service providers allows us to rank our potential issuers according to their ESG quality:

- **A – the “best” companies in terms of ESG:** communication on the importance of ESG issues, proactive environmental, social and governance measures that are an integral part of the company's culture.
- **B – companies with a good ESG level:** good communication, measures to reduce ESG risks, possible existence of some controversies.
- **C – companies with an average ESG level:** little communication and measures aimed at reducing ESG risks, existence of controversies.
- **D – companies needing to improve their ESG policy:** very low or absent ESG disclosure, high exposure to ESG risks, major or numerous controversies.

## Additional internal analysis

In order to have a systematic view of the impact of an issuer's ESG quality on its credit quality, we carry out an additional analysis. This extra-financial analysis is carried out in parallel with the financial analysis of the issuer. Our ESG team issues a recommendation based on its discussions with the issuer, additional research, the manager's assessment and a proprietary methodology based on the Sustainability Accounting Standards Board materiality matrix.

We use the SASB materiality matrix to identify the material risks of the industry to which the company under analysis belongs. Based on information collected from the company, our ESG research providers and our research on controversies, we identify non-financial risks that can have a significant financial impact on the company's credit quality. Our assessment of an issuer's ESG quality is based on the company's ability to manage these risks to minimise their financial impact.

This qualitative analysis results in one of these four recommendation levels:

- **Green flag** – The analyst believes that material ESG risks to the company are not likely to impact the issuer's financial performance and the yield on its bonds.
- **Orange flag** – The analyst identifies at least one material ESG issue that is likely to negatively impact the issuer's bond yield.
- **Red flag** – The analyst believes that the financial risk associated with managing ESG issues is very high and is likely to hinder the issuer's ability to repay in the short term.
- **Black flag** – The analyst believes that an investment would represent a risk of a decline in return or payment default related to ESG risk that is too high for IVO Capital Partners.

## Integration of ESG analysis into due diligence

After determining an issuer's ESG quality and recommendation level on our internal ESG materiality scale, we integrate these elements into our investment process.

### a. Impact on the required rate of return

In order to complement ESG data collection and our internal analysis, we make the decision to adjust the rate of return we require from a company if the risk associated with managing its material ESG issues is high.

For this purpose, we compare the bond yield spread with the average yield spreads of bonds in a defined universe with the same rating (Standard & Poor’s, Moody’s and Fitch average). When we identify a material material ESG risk, we require a return of at least 15% to 30% above the average of the same rating universe. This ensures that our clients receive adequate remuneration for the ESG risk that we tolerate in our portfolios.

The rate of return is one of the determining factors in our decision-making and our day-to-day investment monitoring. As a result, integrating ESG factors into it has a real impact on our investment policy and leads us to more in-depth discussions on the subject.

We use the following table to determine the average yield spreads (dynamic values given for illustrative purposes). We rely mainly on JP Morgan data available on Bloomberg. We chose to compare companies to the CEMBI BROAD Diversified index, which includes investment grade, BB, B, CCC and CC companies in Africa, Asia, the Middle East, Europe and Latin America.

Rating	31/12/2024	Rating	31/12/2024	Rating	31/12/2024
A and above	85	BB+	223	B	418
BBB+	124	BB	263	B-	468
BBB	143	BB-	315	CCC+ and below	600
BBB-	183	B+	367		

b. ESG due diligence

The risks associated with the environment, society and governance impact our investment decisions according to the level of recommendation defined by our internal analysis. This last step determines whether the issuer being assessed meets IVO Capital Partners’ requirements in terms of ESG quality, a prerequisite for all our investments. During the investment committee meeting, which meets once or twice a week, the investment decision is taken collectively taking into account the ESG flag as follows:

- **Green flag**
  - o A, B, C or D – These companies may be the subject of an investment.
- **Orange flag**
  - o A or B – These companies may be the subject of an investment if they show a yield spread that is at least 15% higher than the average spread with the same rating.
  - o C or D – These companies may be the subject of an investment if they can prove that their yield spread is at least 30% higher than the average spread with the same rating.
- **Red flag**
  - o A, B, C or D – These companies may be the subject of an investment if they show a yield spread that is at least 30% higher than the average spread with the same rating.
- **Black flag**
  - o A, B, C or D – These companies are excluded from our investment universe regardless of their ranking.

In some cases, the reactivity requirement does not allow us to perform the additional ESG analysis before placing an order to buy. We therefore consider that the manager can invest if the manager has obtained the approval of the investment committee and a positive ESG pre-validation beforehand. In these cases, the objective of the pre-validation is to avoid investing in issuers that would receive a black flag during the additional ESG analysis.

Once the additional ESG analysis has been performed, the issuer is assigned a flag and we adjust the position based on the recommendation of our analyst. This detailed internal ESG analysis may therefore result in a divestment if the assigned flag so requires.

c. “Best-in-universe” approach for ESG funds

As part of a continuous improvement approach, we want to implement a more demanding responsible investment approach for some of our funds. In addition to sector exclusions and our ESG integration methodology, we

then apply an additional exclusion filter. For the time being, this screening only concerns the IVO EM Corporate Debt Short Duration SRI UCITS fund.

We have chosen a best-in-class approach in order to favour players that demonstrate innovation and adaptation to ESG issues related to their industry. We also want to gradually divest from issuers that have a much lower ESG quality than the investment universe. We therefore exclude from our investment universe issuers whose ESG quality is less than at least 75% of the issuers in the investment universe. The investment universe corresponds to bonds in hard currencies (EUR and USD) in emerging countries with a minimum outstanding amount of USD 300M (source: Bloomberg).

## Engagement

### a) Climate Action 100+

In June 2020, IVO Capital Partners joined the Climate Action 100+ investor initiative, launched in December 2017 during the One Planet Summit and considered one of the most relevant initiatives to address the challenges of climate change.

Climate Action 100+ aims to ensure that the world's largest greenhouse gas emitters take the necessary steps to combat climate change. These include 100 "systemically important issuers", which account for two-thirds of the world's annual industrial emissions, as well as more than 60 others which have the potential to support the clean energy transition.

Alongside the initiative's 450 investors representing total assets of \$40,000 billion, IVO Capital Partners supports the [public statement of action](#) and calls on companies to improve their governance on climate change, reduce their greenhouse gas emissions and strengthen their climate-related financial communication.

IVO Capital Partners is an active member of investor coalitions that engage with the following companies:

- Sasol
- Vale SA
- AES
- Suzano

### b) Sustainalytics

Today, our status as an asset management "boutique" and our intermediate size **allow us to be flexible and adapt our investment policy very quickly**. However, despite our ability to react quickly and talk regularly with management, the fact that we invest in debt and not in company shares **gives us de facto less leverage than shareholders to push companies for change**. **In addition, the emerging market is not very mature in terms of ESG issues** compared to that of developed countries. It is for all these reasons that **we decided to use an external service provider**, Sustainalytics, to help us increase our impact and support us in this engagement policy.

IVO Capital Partners has decided to subscribe to the Sustainalytics engagement service focused on material risks, i.e. the ESG risks to which companies are most exposed and which may have a significant impact on their financial performance. Sustainalytics initiates a constructive dialogue with the companies most exposed in terms of ESG risks to help them better manage these risks and implement best practices.

The purpose of this engagement is to help investors protect their long-term value by engaging with high-risk companies on their financially material ESG risks. Sustainalytics provides collaborative and constructive engagement to help the high-risk companies in our portfolios better identify, understand and manage their ESG risks. The aim is to fill their gaps in ESG risk management, so that the target company can improve its ESG performance.

We have access to research, news on ESG risks from Sustainalytics and the results of their regular meetings with companies. At these meetings, clear engagement objectives are defined, company responses are assessed and each meeting is followed by recommendations for improvement. Positive developments are reported to us as well as companies that ignore ESG issues and do not make any effort to improve, so this becomes an increased focus point on the company.

IVO Capital Partners can invest in the desired way alongside Sustainalytics and its clients for engagement: participation in meetings, telephone conversations and travels, access to the client platform with all the research on the universe.

6) How often is the ESG assessment of issuers reviewed? How are controversies managed?

We assess the company’s ESG quality level at the time of purchase and review the indicators once a year. The additional internal analysis may be updated early in the event of significant changes (strategy, management team, M&A), an eruption or a negative development of a controversy. Sustainalytics sends us a bimonthly report on developments in controversies affecting our issuers in the portfolio. The compliance team ensures that our portfolio complies at all times with our exclusion policy.

Our ESG analysis and integration methodology is also subject to an annual review and improvements if necessary.

### IV. Management process

1) How are the results of ESG research taken into account in portfolio construction?

**Overview of our ESG integration process**

Sustainalytics Score Internalanalysis	A 0 – 32	B 32 – 50	C 50 – 60	D 60+
Green flag	Company eligible for investment			
Orange flag	Investment if spread is greater than average CEMBI spread with similar rating +15%		Investment if spread is greater than average CEMBI spread with similar rating +30%	
Red flag	Investment if spread is greater than average CEMBI spread with similar rating +30%			
Black flag	Companies excluded from our investment universe regardless of their ranking			

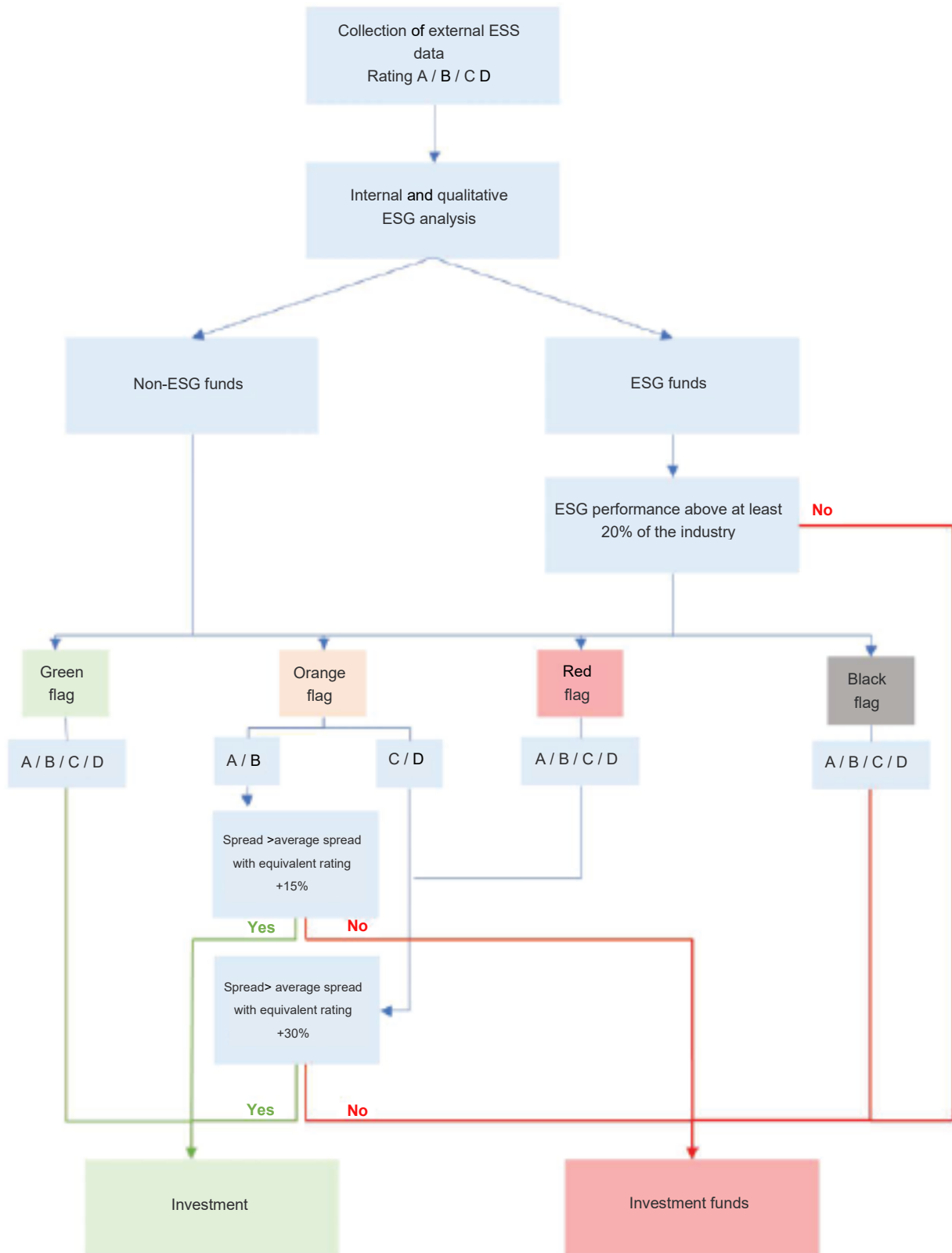
ESG research is fully integrated into the portfolio construction of our Short Duration fund. The first step before conducting an issuer’s ESG analysis is to verify that its activities comply with our exclusion policy. The special feature of the EM Corporate Debt Short Duration SRI UCITS fund is that it also excludes from the investment universe issuers whose ESG quality is within the 75% lowest-rated of the investment universe.

We then conduct an in-depth ESG analysis, based on Sustainalytics research and our in-house research. We thus cross-check the issuer's Sustainalytics score with the analyst's recommendation level following their research. These two factors determine the final ESG recommendation, among the 4 possible outcomes:

- Company eligible for investment
- Investment if spread is greater than average CEMBI spread with similar rating +15%
- Investment if spread is greater than average CEMBI spread with similar rating +30%
- Companies excluded from our investment universe regardless of their ranking

The recommendation resulting from the internal analysis conducted by IVO Capital Partners takes precedence over the Sustainalytics indicators: an issuer marked with a black flag cannot be the subject of an investment even if it is highly rated by our partner.

#### **Portfolio construction process**



2) How are climate change criteria taken into account in portfolio construction?

Climate change criteria are an integral part of our ESG approach.

Sustainalytics first looks at these topics to define the unmanageable risk and management gap and assign an issuer an ESG risk rating. This risk rating already partly reflects the issuer's performance in the face of climate change risks and opportunities. During our internal ESG analysis, we analyse these risks and opportunities in more detail. The identification of a climate change risk not addressed by the company impacts the internal recommendation provided by the ESG analyst and our final recommendation. For example, a company may be assigned a black flag following the climate risk analysis and therefore excluded from our eligible investment universe. Physical risks are a major point of attention, as they can lead to production interruptions or even payment default.

Our best-in-class exclusion principle also allows us to exclude from our investment universe players that have an ESG quality that is much lower than the investment universe. This has the effect of favouring issuers that adapt and innovate to change their model in the face of climate change, and of avoiding investing in companies that do not correspond to the ESG ambition of the fund or the international objectives of limiting climate change.

We also track the carbon footprint, environmental footprint and 2°C alignment of our portfolio using data provided by Trucost. Our objective is to outperform our benchmark on these indicators.

3) How are issuers in the fund's portfolio that are not subject to an ESG analysis (excluding UCIs) taken into account?

All issuers in the portfolios are systematically subject to internal ESG pre-validation. Some issuers are not rated by Sustainalytics; they represent a maximum of 10% of the portfolio.

4) Has the ESG assessment process and/or management process changed in the last twelve months?

The internal rating methodology has not been reviewed since the initial audit, nor has the investment policy been reviewed. However, the SRI process has been partially reviewed since the audit with regard to its integration pillar. The two pillars of exclusion and commitments remained the same.

Regarding the integration pillar, two changes have been made since 1 October 2021:

The SRI process remained the same for the exclusion and commitment pillars. As regards the integration pillar, the following changes have been made:

1. On the Best-in-Class approach:

- In the initial version of the SRI process, (i) the 20% of issuers with the lowest Sustainalytics ratings in their industry were excluded. Also excluded from the universe were (ii) certain issuers for reasons related to the sector exclusion pillar as well as (iii) certain issuers excluded on an ad hoc basis based on internal ESG ratings and the valuation of their securities.
- However, in our universe reduction calculation, we only counted issuers excluded due to their Sustainalytics rating.
- Since the 4<sup>th</sup> quarter of 2021, we have also taken into account in our calculation of the reduction of the universe issuers excluded for reasons related to the sector exclusion pillar. At the same time, we therefore decided to slightly lower the exclusion threshold based on the rating to the 19% of issuers with the lowest ratings in their industry (instead of 20% in the initial version).
- Following this change, the level of reduction of the calculated universe is now 20.9% (19.6% related to the Sustainalytics rating by industry and 1.3% related to the sector exclusion) – still in compliance with the 20% threshold defined by the terms of the investment policy and the requirements of the SRI label.
- In our calculation of the reduction of the universe, we still do not include issuers excluded on an ad hoc basis on the basis of internal ESG ratings, which are therefore added to the 20.9% level calculated.

- We changed our methodology from Best-in-Class to Best-in-Universe following the V3 application of the label. We have also updated the exclusion threshold to 25% for 2025 and 30% for 2026.

## 2. On the IVO integration process:

- In addition to the Best-in-Class approach, the Management Company has implemented a proprietary integration process, based on the valuation level of the securities concerned combined with an internal rating system that supplements the data provided by Sustainalytics.
- The internal rating methodology is extensively described in the ESG policy which was communicated to EY during the initial audit and has not changed since.
- What has changed is how these parameters are integrated into bond selection:
  - In the initial version, the Management Company did not invest in certain securities identified as presenting a high ESG risk if their valuation - measured in terms of credit spread - was below a certain threshold (equal to the average credit spread of bonds in the universe with an equivalent credit rating plus a fixed margin of 100 or 200 basis points to reflect ESG risk)
  - In the new version, this threshold has been changed – the average credit spread of bonds with equivalent credit rating remains the reference, but the additional margin applied is now variable (15% or 30% of the average credit spread level).
  - The aim of the change is to ensure that the integration approach remains relevant regardless of market conditions. Indeed, in periods when credit spreads within our universe are particularly high, the original approach is not very restrictive and conversely, in periods when average credit spreads are low, the approach tends to be too restrictive.
  - The original approach was also not relevant for Investment Grade bonds, where credit spreads are structurally low.
- The change in approach has no impact on the level of reduction of the universe, as securities excluded on an ad hoc basis are not counted as excluded in our reference universe.

Is a portion of the fund's assets invested in solidarity-based organisations?

Within the fund presented in this transparency code, no assets are invested in solidarity-based organisations.

5) Does the fund lend/borrow securities ?

The fund does not lend/borrow securities.

Furthermore, the fund does not hold short positions in selected assets such as ESG.

6) Does the fund use derivatives?

Currency risk is systematically hedged.

7) Does the fund invest in UCI?

The fund may invest in money market funds.

## V. ESG control

1) What internal and/or external control procedures have been put in place to ensure that the portfolio complies with the ESG rules set for the management of the fund(s)?

To ensure the proper application of our responsible investment policy, we have implemented two-level controls.

A first-level control is applied by management: pre-trade, the manager ensures that the companies proposed to the investment committee belong to the eligible investment universe. For the Short Duration fund, it applies an additional check and ensures that the security complies with the 75% threshold of the ESG percentile. Before placing an order to buy, the manager consults the ESG analyst, who may or may not pre-validate the company in question based on the result of the manager's preliminary analysis.

The ESG analyst also monitors the composition of the portfolio on a monthly basis and monitors changes in the ratings provided by Sustainalytics as well as compliance with the exclusion list. If securities no longer comply with our Best-in-Class policy, the management team has a period of 3 months to sell them. Regarding the exclusion list, we give a period of 12 months for portfolio companies to become compliant before withdrawing our investment (maximum 5% of the portfolio). This rule does not apply to the exclusion category "controversial weapons".

The Risk Committee also reviews the portfolio every three months. On this occasion, the committee carries out a second level verification of the compliance of the portfolio management with the ESG policy and monitors compliance with quantitative standards for the Short Duration fund. The Risk Committee also ensures that the fund presentation documents comply with the French Financial Markets Authority policy.

The delegated Compliance and Internal Control Officer, Agama Conseil, has integrated ESG risk control into its 2021 control plan.

## VI. ESG impact measurement and reporting

### 1) How is the ESG quality of the fund assessed?

The ESG quality of the fund is assessed with its average Sustainalytics score, its average percentile (ranking according to the ESG quality of the issuer within its industry), its carbon and environmental footprint and its alignment with a 2°C scenario. We also assess the fund's exposure to severe E, S and G controversies as well as its exposure to controversies related to human rights at work.

Regarding the V2 standard, we used the following measures:

We use the CEMBI Broad Diversified 1-3 years as a benchmark. The fund's objective is to outperform the benchmark index on the following indicators: 1- Portfolio exposure to controversies related to human rights at work (analysis rate above 90%)  
2- Portfolio exposure to controversies related to governance incidents (analysis rate above 75%)

For the V3 standard, we have chosen the following measurements:

- PAI 3: GHG Intensity of investee companies (analysis rate greater than 80%)
- PAI 11: Lack of processes and compliance mechanisms to monitor (analysis rate greater than 55%)

### 2) What ESG impact indicators are used by the fund?

We communicate on the following ESG impact indicators for 2024:

- Environment
  - o Carbon footprint (tCO<sub>2</sub>e / M euros invested): data provided by Trucost
  - o 2°C alignment (level of warming associated with the portfolio): data provided by Trucost
  - o Portfolio exposure to severe environmental controversies (level 4 or 5): data provided by Sustainalytics
- Social
  - o Portfolio exposure to severe social controversies (level 4 or 5): data provided by Sustainalytics
- Governance
  - o Portfolio exposure to governance controversies (level 1 to 5): data provided by Sustainalytics
  - o Portfolio exposure to severe governance controversies (level 4 or 5): data provided by Sustainalytics

- Human Rights
  - o Percentage of companies that have signed the United Nations Global Compact: data provided by UNGC
  - o Portfolio exposure to controversies related to human rights at work: data provided by Sustainalytics

3) What media are available to inform investors about the fund's SRI management?

We communicate on our SRI management of the fund through the following channels:

- Our website <http://ivocapital.com/> on which we publish our responsible investment policy and our engagement policy;
- The legal documents (prospectus, KIID, periodic reports) and monthly reports of the funds, published on the fund's website;
- The fund's impact report, published annually;
- The IVO Capital Partners ESG report, published annually;
- The report on the carbon footprint of our portfolios, in line with the recommendations of the TCFD, published annually;
- The fund's transparency code, published on the fund's website;
- IVO Capital Partners' annual report on the Principles for Responsible Investment.

4) Does the management company publish the results of its voting policy and its engagement policy?

The management company does not exercise the voting rights attached to the securities held by the UCITS that it manages.

IVO Capital Partners publishes an annual report detailing the results of its engagement policy.