

Commitment Report

- IVO Capital Partners -

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I. Commitment to IVO Capital Partners

Responsible investment

As an asset manager, IVO Capital Partners' goal is to provide its investors with a market-beating return while meeting its fiduciary duties. We believe that responsible investing and the integration of environmental, social and governance (ESG) risks into our investment analysis are integral to these obligations.

Since 2017, IVO Capital has therefore been a signatory of the "Principles for Responsible Investment", a charter set up by the United Nations for the generalization of the consideration of non-financial criteria by all financial professions.

Non-financial criteria are of major importance for our investment decisions and monitoring: issuers in our universe regularly face environmental, social and governance issues. It is common for an ESG risk to result in a sharp drop in the price of a bond, a restructuring or even a default.

ESG risk analysis therefore contributes to our objective of improving the risk-adjusted return of our portfolios in the long term. We leverage three levers of action to integrate ESG into our investment strategy:

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

Dialogue with issuers

IVO Capital Partners believes that dialogue with its issuers is an essential part of its fiduciary responsibility. Exchanges with companies are a key element of our investment approach and we frequently organise interviews with management. **We now wish to initiate a constructive dialogue with companies in order to encourage them to protect themselves against non-financial risks that may arise in the course of their activities.**

The growth potential of companies in emerging countries is significant, but so are the associated ESG risks. Regulations in these countries are generally less burdensome, and corruption issues and environmental and social challenges can be significant. Most emerging countries are also less advanced on ESG communication and risk management topics. **Our engagement policy aims to help these companies better manage ESG risks and support them in a positive change journey.**

II. Collaborative engagement

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.

Objective

Climate Action 100+ aims to ensure that the world's largest greenhouse gas emitting companies take the necessary action to combat climate change. These companies include 100 "systemically important emitters," which account for two-thirds of global annual industrial emissions, as well as more than 60 others that have the potential to drive the clean energy transition. **Climate Action100+ brings together investors to urge these companies to improve their governance on climate change, reduce their greenhouse gas emissions and strengthen their climate-related financial disclosure.**

Perimeter

Our engagement policy applies to all of our fixed income activities.

Investors who join the Climate Action 100+ initiative as participants commit to participating in at least one engagement group with one of the companies on the list each year. IVO Capital Partners is an active member of four investor coalitions that engage with the following companies: Sasol, Vale SA, AES and Suzano. We

Let's not rule out the possibility of joining other coalitions committed to companies in our portfolios to increase our impact.

Format

The engagement process with Climate Action 100+ is overwhelmingly collaborative, with defined roles for the investors involved.

The role of lead investors is to:

- Be the main point of contact between the company and the initiative, including sending the company the initial letter of initiative;
- Develop their knowledge of the company, identify priorities/engagement issues (using contributions from collaborating investors);
- Coordinate at least one meeting with the company each year;
- Complete the biannual Climate Action 100+ Engagement Survey to communicate the high-level progress made by each committed company.

Collaborating investors are required to:

- Actively support the lead investor(s) through business analysis and evaluation to help prioritize engagement;
- Provide inputs to letters, statements, and other communications, as appropriate;
- Participate in engagement meetings with the company to support the lead investor(s), if possible;
- Push lead investors and other investors to be ambitious in engagement, if necessary;
- Contact network staff with any questions or concerns about the engagement strategy.

IVO Capital Partners acts as a "collaborating investor" within the coalitions of which we are a member. We let's not rule out the possibility of joining other coalitions as a lead investor to increase our impact.

Thematic

Alongside the 450 investors in the initiative representing a total of \$40 trillion in assets, IVO Capital Partners supports the following [public statement of action](#) :

"We, the investors who signed this statement, are aware of the risks that climate change poses to our portfolios and the value of our assets in the short, medium and long term. We therefore support the Paris Agreement and the need for the world to transition to a low-carbon economy, in line with the goal of keeping the increase in the average global temperature to well below 2 degrees Celsius above pre-industrial levels.

Through this initiative, we intend to deliver on the commitment made in the "2014-2015 Global Investor Statement on Climate Change" which states that "... As investors and in line with our fiduciary duty to our beneficiaries, we will work with the companies we invest in to ensure that they minimize and disclose the risks and maximize the opportunities that climate change presents."

We believe that engagement and collaboration with the companies we invest in – to communicate the need for greater disclosure of climate change risks and corporate strategies in line with the Paris Agreement – is consistent with our fiduciary duty and will contribute to the achievement of the goals of the Paris Agreement.

The initiative seeks the following commitments from boards and senior management :

- **Establish a robust governance framework** that clearly articulates the board's responsibility and oversight of climate-related risks and opportunities.
- **Take action to reduce greenhouse gas emissions along their value chain**, in line with the Paris Agreement's goal of limiting the increase in global average temperature to well below 2 degrees Celsius above pre-industrial levels.
- **Improve corporate reporting in** line with the final recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) and, where applicable, the Global Investor Coalition on Climate Change Investor - Expectations on Climate Change, to enable investors to assess the strength of companies' business plans against a range of climate scenarios, including well below 2 degrees Celsius, and improve investment decision-making.

Through partner organizations, namely the Asia Investor Group on Climate Change (AIGCC), Ceres, the Investor Group on Climate Change (IGCC), the Institutional Investors Group on Climate Change (IIGCC), and the Principles for Responsible Investment (PRI), we will track companies' progress towards these goals together. We are committed to working collaboratively on this initiative, using a range of engagement approaches to ensure the above goals are achieved. »

Reporting

IVO Capital Partners includes the initiative's reporting in its annual ESG report. Climate Action100+ tracks companies' progress towards achieving the initiative's goals in three different ways:

1. **Semi-annual investor updates:** The lead investor of each engagement coalition with a company produces a semi-annual report on its progress. This report includes areas of improvement observed and updated priorities for the next phase of engagement.
2. **Monitoring of business progress:** A benchmarking framework is developed and updated to assess the performance of the companies on the list against the initiative's goals. This framework is continuously reviewed and updated to reflect best practices, available data and available analytical tools.
3. **Public accountability:** Each year, the initiative publishes a public assessment of its progress, supported by data and analysis from independent third-party experts, to assess companies' progress in achieving its goals.

III. Engagement with Sustainalytics

Today, our status as asset management "boutique" and our intermediate size **allow us to be flexible and to adapt our investment policy very quickly**. However, despite our ability to react quickly and speak 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 the developed market. 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 commitment policy.

We chose Sustainalytics because the company has more than 25 years of experience in developing and redefining a transparent engagement model based on international conventions and standards. Its 55 engaged clients worldwide manage more than 1.8 trillion in assets. Its team consists of 21 engagement professionals in Europe and North America, who are also supported by more than 120 analysts.

Objective

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 can have a significant impact on their financial performance. **Sustainalytics engages in a constructive dialogue with the companies most exposed to ESG risks to help them better manage these risks and implement best practices.**

The goal of this commitment 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 high-risk companies in our portfolios better identify, understand and manage their ESG risks. The aim is to close their ESG risk management gaps, so that the target company improves its ESG performance.

Perimeter

Sustainalytics engages with more than 500 issuers worldwide and the engagement service we have subscribed to applies to our entire fixed income business.

Format

1. As soon as a company that has an ESG performance of less than 50% of its sector is assigned a risk score above 32, the material risk engagement process begins.
2. The first meeting with the company is preferably physical in order to establish a common understanding of the company's material ESG risk and to create a relationship of trust.
3. The engagement team defines change goals and the engagement strategy is developed. The company also receives an initial set of suggested actions to close the management gap related to material ESG risks.
4. Sustainalytics follows up regularly with the company and tracks progress on action points and positive developments. Change goals and suggested actions are regularly updated to ensure continuous improvement.
5. An engagement file is closed when the company's ESG risk score falls below 28 or when the company's ESG performance reaches the top 40% in its industry.

IVO Capital Partners has access to research, ESG risk news from Sustainalytics and the results of their regular interviews with companies. At these meetings, clear engagement goals are defined, company responses are evaluated, 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 efforts to improve, which then becomes a point of increased attention on the company.

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

Thematic

The topics addressed by Sustainalytics within its engagement department depend on the material ESG risks identified for a company. An ESG issue is considered material if the company is sufficiently exposed to it. Corporate governance, for example, is material for all companies.

As an indication, the ESG issues studied by Sustainalytics are as follows:

- Corporate Governance
- Corruption
- Professional ethics
- Access to basic services
- Product Governance
- Carbon – Company-Specific Operations
- Carbon – Products and Services
- Land use and biodiversity
- Land Use and Biodiversity – Supply Chain
- Resource Utilization
- Resource Utilization – Supply Chain
- Emissions, effluents and waste
- Community Relations
- Human Capital
- Occupational Health and Safety
- Data Privacy and Security
- Human Rights
- Human Rights – Supply Chain
- Environmental and social impact of products and services
- ESG Integration
- Resilience

Reporting

Sustainalytics provides us with a semi-annual report on its material risk engagement activities, which we include Executive Summary in our annual ESG report.