

**Compliance and Internal Control Officer's report on the proper
application of the ESG risk management procedure
Year 2024**

Theme	Proper application of the ESG risk management procedure
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Table of contents

1. Reminder of the principles of IVO Capital Partners' ESG policy.....	3
1.1. Lever #1: Exclude from our investment universe companies and sectors subject to ESG controversies.....	3
1.2. Lever #2: Assess the quality of companies by integrating ESG risks and opportunities in our investment decisions and monitoring	4
1.3. Lever #3: Engage with our portfolio companies to help them adopt ESG best practices	6
1.3.1. Commitment within Climate Action 100+	6
1.3.2. Support Sustainalytics.....	6
2. Implementation of an ESG risk control procedure.....	8
3. Human resources	8
4. Quantitative analysis.....	9
5. Qualitative analysis	9
6. Results of first-level controls	9
7. Results of second-level controls.....	11

1. Reminder of the principles of the IVO Capital Partners ESG policy

The analysis of ESG criteria contributes to the objective of improving the risk-adjusted return of all IVO Capital Partners' portfolios over the long term, according to 3 action levers:

1.1. Lever #1: Exclude from our investment universe companies and sectors subject to ESG controversies

A modification was made in 2024 concerning the extraction of thermal coal: IVO Capital Partners now excludes companies that derive more than 15% of their revenues from thermal coal extraction.

Totally excluded sectors:

- Controversial weapons: Companies involved in the development, production, storage, use or transport of cluster munitions, anti-personnel mines, and chemical, biological or nuclear weapons
- Direct or indirect financing of countries subject to trade embargoes and international sanctions: Afghanistan, the Central African Republic, the Democratic Republic of Congo, Eritrea, Guinea-Bissau, Iran, Iraq, Lebanon, Libya, Mali, North Korea, Somalia, Sudan, South Sudan, Syria and Yemen

Sectors excluded depending on the degree of involvement of the issuer

- Oil sands: companies that generate more than 10% of their revenue from oil sands extraction
- Conventional weapons: companies that generate more than 20% of their revenue from weapons-related activities
- Thermal coal extraction: we exclude companies that generate more than 15% of their revenues from thermal coal mining
- In order to protect young and vulnerable people from unethical content, we completely exclude from our investment universe issuers that specialise in pornographic activities (pure players, cinema, video game producers or distributors and physical stores) and companies that generate more than 5% of their revenue from such activities (minority or other interests).

The following sectors are excluded in the absence of a responsible policy:

- Tobacco: companies that generate more than 5% of their revenue from the tobacco industry, including producers and distributors, and that do not apply a responsible health and environmental policy.
- Gambling: companies that work in the gambling industry (casinos, online betting websites, TV broadcasts, bookmakers) that do not have an adequate anti-money laundering policy in place and do not provide anti-money laundering training to employees.
- Palm oil and paper pulp: producers of palm oil and paper pulp that do not have responsible forest restoration, wildlife protection and environmental protection policies in place.
- Animal welfare: companies that generate more than 10% of their revenue from the textile industry (producers and distributors) that do not have an anti-fur policy in place or that have not confirmed that their activities do not use fur.

- Activities in countries subject to international sanctions: we ensure that the business activities of companies that have significant activities (5% of revenue) in one of the 16 sanctioned countries are not sanctioned by the United Nations. After checking the above, we ensure that they have a responsible policy in place that, at the very least, includes provisions concerning Human Rights.

Following the new version of the SRI label applicable since early 2025, new exclusions have been added to the EM Corporate Debt Short Duration SRI fund in addition to the general exclusion policy in order to meet the new label requirements.

The following are excluded from an environmental criterion:

- Any issuer of which more than 5% of the total production of liquid or gaseous fossil fuels comes from the exploration, extraction or refining of unconventional liquid or gaseous fossil fuels defined by the Scientific and Expert Committee of the Observatory of Sustainable Finance (oil shale, shale gas and oil, oil sand, extra-heavy oil, methane hydrates, ultra-deep offshore oil and gas and fossil oil and gas resources in the Arctic).
- Any issuer in which more than 5% of its activity relates to the exploration, extraction or refining of thermal coal or the supply of products or services specifically designed for these activities, such as transport or storage; as well as any issuer developing new projects for the exploration, extraction or transport of thermal coal.
- Any issuer developing new projects for the exploration, extraction or refining of liquid or gaseous, conventional and/or unconventional fossils.
- Any issuer whose total share of revenues comes from electricity generation with a CO₂ intensity greater than 100gCO₂e/kWh.

The following are excluded with regard to a social criterion:

- Any issuer suspected of serious and/or repeated breaches of one or more principles of the UN Global Compact.

Sovereign bonds are excluded if they are issued by countries and territories which are:

- Included in the latest available version of the EU list of non-cooperative countries and territories for tax purposes.
- Included on the Financial Action Task Force (FATF) blacklist or grey list. - Whose latest version of the corruption perception index published by Transparency International is strictly below 40/100.

In order to align with the new requirements of the label, we made a portfolio transition from September 2024.

1.2. Lever #2: Assess the quality of companies by integrating ESG risks and opportunities in our decisions and investment monitoring

Change made during the year

A change was made in 2021 to Lever #2 regarding the calculation of our spread requirements for orange flags and red flags:

Sustainalytics Score Analyst view	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			

Internal recommendation based on our discussions with the issuer, our additional research, the manager's assessment and a methodology based on the materiality matrix of the Sustainability Accounting Standards Board.

We assess the company's ESG quality level at the time of purchase and review the metrics once a year.

Collection of data

IVO Capital Partners uses four types of ESG indicators for its non-financial analysis:

- Environmental indicators
- Social indicators
- Governance indicators
- Human rights indicators

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

- A – the “best” companies in terms of ESG
- B – companies with a good ESG level
- C – companies with an average ESG level
- D – companies that need to improve their ESG policy

Additional internal analysis

The ESG team issues a recommendation based on its discussions with the issuer, its additional research, the manager's assessment and a proprietary methodology based on the materiality matrix of the *Sustainability Accounting Standards Board*.

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 impact negatively the yield on the bonds of the issuer.

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 ESG risk-related payment default too significant for IVO Capital Partners.

We assess the company's ESG quality level at the time of purchase and conduct a review of indicators once a year.

Integration of ESG analysis into 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.

Best in Universe approach for IVO EM Corporate Debt Short Duration SRI fund

In early 2025, we changed our Best-in-Class approach to a Best-in-Universe policy ". This new direction, combined with our sector exclusion policy, leads to a 25% reduction in our investment universe.

1.3. Lever #3: Engage with our portfolio companies to help them adopt ESG best practices

1.3.1. Commitment within Climate Action 100+

In June 2020, IVO Capital Partners joined the investor initiative Climate Action 100+, 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. Alongside the initiative's 450 investors representing total assets of \$40,000 billion, IVO Capital Partners is calling on companies to improve their governance on climate change, reduce their greenhouse gas emissions and strengthen their climate-related financial communication.

1.3.2. Sustainalytics support

IVO Capital Partners subscribes 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 in order 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.

Presentation of Sustainalytics

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 is engaged with more than 500 issuers worldwide and the engagement service we have subscribed to applies to our entire bond business. An engagement case is closed when the company's ESG risk rating falls below 28 or when the company's ESG performance reaches the 40% highest rated in its sector.

Sustainalytics offers several responsible investment approaches:

- Negative selection: exclusion of companies that are weak in terms of ESG or involved in controversial industries
- Standards selection: 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 with the aim of solving sustainable development challenges.

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 is 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.

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.

1.4. Alignment with European regulations

Under the new SFDR regulation, we have set the following minimum requirements:

- 3% sustainable investments within the meaning of the taxonomy for the SRI-certified fund
- 1% sustainable investments within the meaning of the taxonomy for other funds

We have updated all prospectuses and regulatory documents to add the SFDR appendix.

We have also completed the mandatory transparency documents (EET file and Article 10) and published them on the website.

2. Implementation of an ESG risk control procedure

IVO Capital Partners has formalised an ESG risk control procedure since 2020. The

controls must ensure the proper application of the ESG policy via:

- A posteriori analysis of all the companies in the portfolio taking into account the results of the analyses then follow-up to arrive at a definitive flag until the next analysis/update of the analysis in the event of an event (controversy, change of governance, etc.)
- Integration of a check of compliance with the exclusion policy in credit analyses to take into account in particular the new exclusions and new thresholds (see coal extraction) and ensure that the current portfolios are compliant.
- The implementation of a go/no go system to ensure that each order is at least subject to an ESG pre-analysis to prevent further ESG analysis from leading to a black flag.

ESG compliance is also monitored via:

- The integration of ESG issues in the quarterly risk committees and implementation of a second-level control on compliance with the ESG policy in order to ensure a second level of verification of the compliance of portfolio management with the ESG policy.
- The production of a report on the proper application of the ESG policy in order to ensure that the controls mentioned above are carried out on all funds and that quantitative standards are complied with on the Short Duration fund (80% and 10% rules).

The Compliance and Internal Control Officer has integrated ESG risk control into

its control plan since 2021. Since 2021, ESG risk control has been integrated into

the InFin PMS tool.

3. Human resources

In 2024, the ESG research team consists of:

- Mathieu Quenechdu - ESG manager and analyst: Mathieu Quenechdu joined IVO Capital Partners in July 2021, first as a middle officer and then as an ESG analyst from July 2022. Mathieu Quenechdu holds a double Master's degree in International Management and Finance.

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 CEO): formal sponsors of the responsible investment policy of the management company
- 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 risk team, the Compliance and Internal Control Officer (RCCI): risk management and reporting, second-level control."

4. Quantitative analysis

In 2024, 126 companies underwent a pre-validation ESG analysis:

- 72 companies have been approved for investment in the IVO EM Corporate Debt Short Duration SRI fund
- 126 companies have been approved for investment only in IVO EM Corporate Debt, IVO 2028 and IVO Global Opportunities

126 companies were also subject to in-depth ESG analysis:

- 125 of them received a **Green flag**
- 1 of them received an **Orange flag**
- None received a **Red flag**
- None received a **Black flag**

IVO Capital Partners has also engaged with 14 companies.

Sustainalytics support: IVO Capital Partners participated in 13 engagement meetings with companies.

5. Qualitative analysis

In 2024, as part of the Best-in-class strategy that we apply to the EM Corporate Debt Short Duration SRI fund, all portfolio positions whose ESG performance has deteriorated to below at least 80% of their sector peers were sold.

In 2024, two positions in the IVO EM Corporate Debt Short Duration portfolio were closed. Shamaran was sold on 06/02/2024, 37 days after being classified as non-compliant. Telecom of Trinidad & Tobago was sold on 31/01/2024, 75 days after being classified as non-compliant.

6. Results of 1st level controls

Q12024

In Q1 2024, no pre-validation errors were identified. All investments have been subject to ESG pre-validation.

In Q1 2024, the IVO EM Corporate Debt Short Duration fund never fell below the 90% ESG coverage limit, nor below the 20% exclusion limit.

No bonds emerged as having an ESG percentile above 81% in the fourth quarter of 2023. Q2 2024

In Q2 2024, no pre-validation error was identified. All investments have been subject to ESG pre-validation.

In Q2 2024, the IVO EM Corporate Debt Short Duration fund never fell below the 90% ESG coverage rate limit, nor below the 20% exclusion limit.

No bonds emerged as having an ESG percentile above 81% in the second quarter of 2024. Q3 2024

In Q3 2024, no pre-validation errors were identified. All investments have been subject to ESG pre-validation.

In the Q3 2024, the IVO EM Corporate Debt Short Duration fund never fell below the 90% ESG coverage rate limit, nor below the 20% exclusion limit.

No bonds emerged as having an ESG percentile above 81% in the third quarter of 2024. Q4 2024

In Q4 2024, no ESG pre-validation error was identified. All investments have been subject to ESG pre-validation.

In Q4 2024, the IVO EM Corporate Debt Short Duration fund never fell below the 90% ESG coverage rate limit, nor below the 20% exclusion limit.

2 bonds emerged as having an ESG percentile above 81% in the fourth quarter of 2024.

Name	Isin	Weight	ESG Centile
PWRLNG 6 1/4 08/10/24	XS2213954766	0.04%	91.20%
PWRLNG 5.95 04/30/25	XS2250030090	0.02%	91.20%

Powerlong's rating deteriorated on 29/11/2024 and became non-compliant with our Best-in-Class policy. However, since 01/01/2025, we have applied a Best-in-Universe policy.

At 01/01/2025, our universe complies with the exclusion of 25%.

In addition, the IVO EM Corporate Debt Short Duration SRI fund also meets the 2 new SRI Label outperformance criteria at 01/01/2025, namely:

	IVO EMCD SD SRI	EM Universe	IVO EMCD coverage SD SRI
GHG intensity scope 1&2	352	603	94%
% Lack of UNGC compliance	39%	51%	100%

7. Results of second level controls

Control points	Conclusion of controls (1)	Recommendations	Status of recommendations
Human and technical resources put in place	<i>Compliance</i>	No recommendation	Done
Compliance and risk control system	<i>Compliance</i>	No recommendation	n/a
ESG methodology in the selection and monitoring of investments	<i>Compliance</i>	No recommendation	n/a
Control of the transparency code	<i>Compliance</i>	No recommendation	n/a
Control of the shareholder engagement policy and of the voting policy	<i>Compliance</i>	No recommendation	n/a
Control of the "Article 173" report	<i>Minor deficiency</i>	Strategy of alignment with the objectives of the Paris Agreement and national low-carbon strategy The national low-carbon strategy: the time horizon must be 2030 and not 2040.	n/a