



Controversy management policy

- IVO Capital Partners -

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I. Context

IVO Capital Partners is committed to adopting a responsible and ethical approach to its asset management activities. As part of this approach, we recognise the importance of taking into account controversies related to the issuers in which we invest. This policy aims to define our approach to assess and manage controversies in order to minimise risks to the performance of our portfolios and promote sustainable practices.

II. Definition of controversies

A controversy is defined as a situation where an issuer is involved in activities or behaviours that may have a negative impact on the environment, society or human rights. This may include issues such as pollution, human rights violations, corruption or unfair business practices.

II. Identification and assessment process

IVO Capital Partners is committed to conducting an in-depth assessment of potential controversies related to the companies we hold in the portfolio.

In addition to the daily monitoring of companies carried out by analysts (meetings, follow-up of news, ratings from our market counterparties), we collect information from our data provider

Sustainalytics:

- Sustainalytics monitors more than 83,000 media sources on a daily basis covering topics ranging from financial and political news to business news.
- ESG filters are applied to sort news and restrict it to relevant information.

Sustainalytics assesses the involvement of companies in incidents with negative environmental, social and governance (ESG) implications: these incidents are classified into 40 event indicators that address ESG issues. These controversies are then qualified according to their severity on a scale ranging from **0 (absence of controversy) to 5 (very severe controversy)**.

A company's controversies being the result of poor management of its ESG issues, they therefore constitute a risk for investment. In addition, through our SRI-certified fund, certain controversies may not be compatible with the ESG objectives sought by the fund.

Thus, IVO Capital Partners integrates Sustainalytics' ratings into its internal rating system, with in particular an enhanced analysis for **level 4 and 5** controversies.

We find these ratings in our OMS/PMS tool to ensure daily monitoring of changes in valuations. A monthly analysis in our ESG report also identifies the different levels of controversy existing in the portfolio.

IV – Process for integrating controversies into our management

Controversies are directly integrated into the ESG rating model used by IVO Capital Partners. This model is based in part on Sustainalytics' ESG risk management data. If a controversy affects a material ESG issue, the rating assigned to the issuer is automatically downgraded. The ESG analysts supplement this Sustainalytics rating with an internal analysis in order, in particular, to take into account the severity of the controversy. This internal analysis is based on a system of **flags**:

- **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.
 - ✓ A, B, C or D – These companies may be the subject of an investment.

- **Orange flag** – The analyst identifies at least one material ESG issue likely to negatively impact the issuer’s bond yield.
 - ✓ 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.
 - ✓ 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.
- **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.
 - ✓ A, B, C or D – These companies may be the subject of an investment if they have a yield spread of at least 30% greater than the average spread with the same rating.
- **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.
 - ✓ A, B, C or D – These companies are excluded from our investment universe, regardless of their ranking.

Sustainalytics Score Analyst view	A	B	C	D
	0 – 32	32 – 50	50 – 60	60+
Green flag	Company eligible for investment			
Orange flag	Investment if spread is greater than the average CEMBI spread with a 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			

This ESG analysis is discussed during management committee meetings with the managers in order to decide on a possible sale of the security interest. It may lead to divestment after three months if the yield spread is deemed insufficient with regard to the ESG risk incurred, including controversies.

IV- Engagement and monitoring of controversies

As bondholders, our ability to influence and dialogue with companies is limited. However, where possible, we engage with the issuer in order to highlight identified ESG issues.

IVO Capital Partners regularly monitors the development of severe controversies (levels 4 and 5) as well as the commitments made by companies, in order to ensure the implementation of appropriate policies and their progress.

We do not have any conflicts of interest with the companies financed and act with complete independence.