Transparency code

- IVO Fixed Income Short Duration UCITS -

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Commitment statement

Socially Responsible Investment is an important element of IVO Capital Partners' strategy and management of the IVO Fixed Income Short Duration UCITS fund. IVO Capital Partners has been a signatory to the Principles for Responsible Investment since 2017 and celebrates the implementation of this transparency code.

Compliance with the Transparency Code

The investment management company IVO Capital Partners is committed to transparency. We consider that we are as transparent as possible given the regulatory and competitive environment in the countries where we operate. The IVO Fixed Income Short Duration UCITS fund complies with all the recommendations of the Code.

On the 31st of July 2020

I. Funds covered by this Transparency Code

This Transparency Code applies to the IVO Fixed Income Short Duration UCITS fund.

Name of the fund: IVO Fixed Income Short Duration UCITS					
Dominant and complementary strategies	**Asset class**	**Exclusions standards and norms**	**Fund capital as of 31/12/2019**	**Labels**	**Links to relevant documents**
Dominant strategy: ☒ Best in class ☐ Best in universe ☐ Best effort ☐ SRI Thematic Complementary strategy: ☒ Exclusion ☒ Engagement	☐ French equity ☐ Euro-zone country equity ☐ European Union country equity ☐ International equity ☒ Bonds and other international debt securities ☐ Monetary ☐ Monetary short-term ☐ Formula fund	☐ Alcohol ☒ Weapons ☒ Coals ☐ Unconventional fossil fuels ☐ Global Compact ☒ Tobacco ☒ Additional sector-based screenings - Gambling - Palm oil and paper pulp - Fur - Nuclear - Oil sands - Countries under trade embargoes and international sanctions	9,2M€	☐ ISR label ☐ TEEC label ☐ CIES label ☐ Luxflag label ☐ FNG label ☐ Austrian label ☐ Others	Link - KIID - Prospectus - Management report - Financial and non-financial reporting - Corporate presentations - Others

II. General information about the management company

1) Name of the management company in charge of the fund 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 under Luxembourg law

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

R.C.S Luxembourg B 193811

IVO Capital Partners

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

Portfolio management company authorized by the AMF under no. GP13000022

Head office: 4, avenue Bertie Albrecht 75008 Paris, France

R.C.S. Paris n°753107432

Website: http://ivocapital.com/home/

2) What are the track record and principles of the management company's responsible investment approach?

As an investment fund and asset manager, IVO Capital Partners' mission is to provide our investors with above-market returns while respecting our fiduciary obligations. We believe that responsible investing and the integration of environmental, social and governance (ESG) risks into our investment analysis are an integral part of these obligations.

The issuers in our universe frequently face environmental, social and governance issues. ESG risk often results in a sharp drop in the price of a bond, restructuring or even default. **ESG risk analysis 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 charter of Principles for Responsible Investment set up by the United Nations, in order to implement a proactive approach to responsible investment. Since then, we integrated ESG into our investment policy and made our policy and approach as a responsible investor public.

- **The environmental pillar of our responsible investment policy aims at encouraging and supporting companies in managing environmental risks associated with their business and in transitioning towards a sustainable activity**. For example, oil companies in our universe are increasingly interested in the post-oil era: they must develop low-carbon technologies to reduce their greenhouse gas emissions and promote the use of environmentally friendly biodegradable products.
- **We believe that the integration of social factors improves our decision-making process by measuring companies' exposure to risks related to managing their relationship with employees, customers, stakeholders and local communities.** Latin America-based companies producing proteins, sugar and ethanol are also affected by challenges linked to animal welfare, deforestation and indigenous rights protection. Other social considerations have an impact on bond prices and yields, such as respect towards local communities or the fight against child labor.
- **As an asset manager, ensuring the companies strength governance-wise is paramount in order to minimize the risk of announcements and disclosures that could affect the price of portfolio companies.** Governance analysis is of great importance to IVO Capital Partners, all the more so in emerging countries where rules are less strict or less complied with than in developed countries. Corruption scandals or a lack of independence of the board can have a significant impact on bond prices.

IVO values two pillars in the corporate governance system:

- Transparency: the board of directors and management of the company must be willing to share information openly when asked, answer our questions, explain their decisions and build a trustworthy relationship.

- Integrity of the management and board of directors: the shareholders and managers of the company must be reliable, and IVO is committed to checking that there are no past events of corruption or scandals related to shareholders or management before investing.

We operate three levers in order to integrate ESG into our investment strategy:

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

3) How does the company formalize its sustainable investment process?

IVO Capital Partners formalized its approach as a responsible investor in the following documents:

- Responsible investment policy
- Voting rights exercise policy
- Engagement policy

4) How are ESG risks and opportunities, including those related to climate change, addressed by the management company?

We at IVO Capital Partners are convinced that the analysis of ESG risks and opportunities brings a deep understanding of our portfolio companies, how they create value and how they manage resources not recognized by financial statements. We therefore systematically integrate the study of environmental, social and governance risks into our arbitration process.

Climate change risk management is an integral part of our overall ESG approach. We first integrate ESG into our investment policy with a sector-based exclusion policy, aimed at leaving out companies that have not implemented a "Responsible Policy" and operate in controversial sectors. Secondly, we crafted an integration policy that includes ESG indicators in company analysis when making investment decisions and monitoring our portfolio. This integration policy is carried out through our partnerships with external service providers such as Sustainalytics and Trucost, as well as our internal research. Finally, we are engaging with companies with the help of Sustainalytics, to drive them to a better understanding and management of ESG risks.

5) Which teams are involved in the responsible investment activities of the asset management company?

The entire IVO Capital Partners team has access to the company's ESG research, especially the ESG analysis sheets written for each portfolio company and each company likely to be the subject of an investment.

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

- The co-founders (Chairman and Chief Executive Officers): formal sponsors of IVO’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 subjects;
- Fund and mandate managers: management of responsible investment strategies;
- The analyst team: application of the exclusion policy, support for ESG analysis;
- The sales team: promotion of responsible investment products;
- The legal team: responsible for the legal documentation of the fund;
- The risk and reporting team, the Compliance and Internal Control Manager (CIO): risk management and reporting, second level control.

6) How many SRI analysts and SRI managers are employed by the asset management company?

IVO Capital Partners employs 1 SRI analyst dedicated exclusively to the implementation of the company's new responsible investment and ESG integration policy.

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

Current management team, likely to evolve over time.

7) Is the company involved in any RI initiatives?

General initiatives	Environmental/Climate initiatives	Social initiatives	Governance initiatives
☐ SIFs – Social Investment Forum ☒ PRI – Principles for Responsible Investment ☐ ICCR – Interfaith Center on Corporate Responsibility ☐ Ecumenical Council for Corporate Responsibility ☐ AFG commissions ☐ EFAMA RI WG ☐ European Commission's High-Level Expert Group on Sustainable Finance ☒ Others - IIRC – International Integrated Reporting Council	☐ IIGGC Institutional Investors Group on Climate Change ☐ CDP – Carbon Disclosure Project (precise carbon, forest, water…) ☐ Montreal Carbon Pledge ☐ Portfolio Decarbonization Coalition ☐ Green Bonds Principles ☐ Climate Bonds Initiative ☐ Paris pledge ☒ Others - Climate Action 100+	☐ Accord on Fire and Building Safety in Bangladesh ☐ Access to Medicine Foundation ☐ Access to Nutrition Foundation ☐ Others	☐ ICGN – International Corporate Governance Network ☐ Others

8) What is the total number of SRI assets managed by the company?

As of 31/12/2019, IVO Capital Partners had 9.2 million euros of SRI assets under management.

Our exclusion, ESG integration and engagement policies apply to all of our bond funds. SRI assets are the assets for which the investment universe is not only defined according to our responsible investment policy, but also by a Best-in-class approach that excludes issuers with an ESG quality lower than at least 80% of issuers in the same industry.

9) What is the percentage of the company's SRI assets with respect to total assets under management?

IVO Capital Partners' SRI assets accounted for about 1,5% of assets under management as of 31/12/2019.

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

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

- IVO Fixed Income Short Duration UCITS

III. General information about the SRI fund presented in the Transparency Code

1) What is the fund aiming to achieve by integrating ESG factors?

IVO wishes to use its asset management activities to drive economic growth in emerging countries and to contribute to global growth towards sustainable development. This growth is as important for the financial performance of companies as it is for our clients. **Our Best-in-class approach allows us to divest gradually from issuers with an ESG performance well below**

industry best practices, while favoring actors demonstrating innovation and adaptation to ESG issues related to their activities.

As an asset manager, we also have to consider all the factors that can impact the return on our investments. Costs and risks associated with the ESG transition can have a direct impact on key metrics in credit analysis, such as capital expenditure, indebtedness, refinancing opportunities, cost and access to capital. **ESG integration thus helps us completing our analysis and identifying risks that are difficult to detect solely with financial information.**

The growth potential of companies in emerging markets is significant, but so are the associated ESG risks. Regulations in these countries are generally less stringent, and issues of corruption and environmental and social challenges can be significant. **The objective of our engagement policy is to help these companies in strengthening their management of ESG risks and support them in making positive change.**

2) What are the internal and external means used to assess the ESG quality of the issuers composing the investment universe of the fund?

IVO Capital Partners employs one person full-time to draft the ESG analyses of the issuers considered for a potential investment. The ESG analyst supports the fund manager in providing him with a recommendation level based on discussions with the issuer, additional research, the manager's assessment and a proprietary methodology based on the Sustainability Accounting Standards Board's materiality matrix. The final ESG recommendation level is the result of discussions between the ESG analyst and the fund manager.

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

ESG information sources

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

- <u>**Sustainalytics:**</u>

a. <u>Sustainalytics product overview</u>

Sustainalytics is one of the main 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 customers are banks or asset and fortune managers such as Blackrock, Amundi Asset Management, Goldman Sachs Asset Management, or green bonds issuers like Apple or Starbucks Coffee. Sustainalytics works in collaboration with indexes like S&P, JP Morgan or platforms like Morningstar.

Sustainalytics offers several responsible investment services:

- Negative selection: exclusion of companies with weak ESG practices or involved in controversial industries;
- Norms-based selection: identification of companies that do not comply with international regulations and laws;
- Positive selection: investment in companies with the highest ESG quality;
- Integration: incorporation of ESG analysis into the investment and valuation process to improve the risk-return profile of an investment portfolio;
- Engagement: collaborative and direct engagement, proxy voting on ESG considerations;
- Thematic and impact investment: targeted investment in companies whose aim is to resolve sustainable development challenges.

b. <u>ESG risk rating</u>

Sustainalytics' ESG risk rating measures a company's exposure to ESG risks and its management of financially material ESG risks. The 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 every company. Companies are then classified into five risk categories: negligible, low, medium, high and severe.

Sustainalytics first measures the company's global exposure to ESG risks. A distinction is then made between manageable and **unmanageable risks**: for example, an oil company will always face carbon-related risks unless it changes its business model. The company addresses a portion of the manageable risk through specific policies and programs. The remainder of the unmanaged risk constitutes **the management gap**. **The ESG risk rating adds up the unmanageable risk and the management gap.**

Sustainalytics relies on an annual review of company data, news, industry and NGO reports, comparables and company feedbacks, and a daily monitoring of company-related news.

c. Controversies research

Sustainalytics tracks approximately 83 000 sources worldwide with a coverage of more than 15 000 issuers. Incidents (lawsuits or oil spills for example) are identified and requalified as controversies. The controversy is then rated from 1 to 5 (low, moderate, significant, strong, severe). Finally, 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 persons, including 50 analysts dedicated to environmental research. In France, around 70% of reports published by institutional investors are based on Trucost services, tools and data, which have a coverage of over 15 000 listed companies, 170 countries and some unlisted companies. Trucost relies on S&P tools and financial data and give access to the underlying data in Excel format, with a team available 24 hours a day, every day of the week.

Each year since 2005, Trucost analyzes all the direct and indirect carbon and environmental impacts of the issuers (companies and countries), over the complete range of industries in which the issuer operates. This includes for example the energy consumed by companies in the IT sector, mineral and water resources used by industrial sectors or waste produced by several sectors.

Trucost analysts go over the following steps when analyzing an issuer:

1) Collection of financial and production data, then segmentation by Trucost / NACE segment. Estimation of all the environmental impacts with an estimation model;
2) Collection of carbon and environmental resources data reported by issuers;
3) Comparison / Verification of the data;
4) Dialogue with the issuer;
5) Provision of data to Trucost's financial institution clients.

Trucost uses the following sources: annual reports, data by assets communicated by the issuer and the regulator and annual interviews with companies.

- **Rating agencies:**

We rely on Moody's ESG research, which regularly publishes notes and reports on the environment, governance, social issues and various themes (for example, the growth of electric vehicles in California, the environmental impact of green bonds, etc.).

- **Financial research providers**

We also use research providers REDD Intelligence (emerging market corporates) and Debtwire (fixed income markets). We rely in particular on their research dedicated to shareholders and company news.

- **Brokers notes:**

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

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

IVO Capital Partners relies on four types of ESG indicators for its extra-financial analysis:

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

1. Environmental indicators

We use several indicators provided by Sustainalytics, on the following themes:

- Carbon – company-specific operations: indicators measuring the energy consumption and greenhouse gas emissions.
- Emissions, effluents and waste: indicators measuring the management of emissions caused by company operations into the air, water and soil, except for greenhouse gas emissions.
- Resource use: assessment of the efficacy and efficiency with which the company uses its raw materials (excluding oil-based products and energetic products) in its production and how the company handles the associated risks.

We also use Trucost data to measure and monitor the environmental impact of our portfolio:

- The carbon footprint of our fund: the carbon footprint measures past, present and future, direct and indirect greenhouse gas emissions associated with issuers in the investment portfolio. The unit is the tCO2e, or tCO2e per turnover / amount invested / production unit.
- The environmental footprint of our fund: the environmental footprint quantifies water emissions, landfilled, incinerated, nuclear and recycled waste, water, air and soil pollutants, and natural resources exploitation associated with our portfolio. The unit is the cost in euro, the cost in euro per turnover / invested amount / production unit with a distribution by issue (water, waste, etc).
- 2 degrees analysis: the assessment of the strategy resilience must take into account the transition towards a more carbon-efficient economy, consistent with a less than 2 degrees or 2 degrees scenario. The unit is the temperature, the CO2 differential or the CO2 differential per amount invested.

2. Social indicators

Sustainalytics provides several social indicators, on the following themes:

- Occupational health and safety: takes into account the company's ability to provide its employees with a safe and sane work environment, exempt from physical, chemical, biological and radiological risks specific to its sector or industry.
- Community relations: measures the way the company manages the impact of its activities on local communities, notably in sectors where consequences on water quality, air quality and land availability are high.
- Product governance: assesses the way companies handle their responsibilities towards their customers. Emphasis is placed on the quality of the management system, marketing practices, accuracy of invoicing and after-sales responsibilities.

3. Governance indicators

The governance indicators measure the structure of the companies and their management of ESG risks:

- Integrity and quality of the Board of Directors and management
- Structure of the Board of Directors
- Shareholder and ownership rights
- Remuneration policy
- Financial reporting and audit

4. Human rights indicators

Sustainalytics has several indicators related to the management of human rights, on the following themes:

- Human capital: assesses the management of risks related to the lack of qualified workforce as well as labor relations, such as non-discrimination, working hours and minimum wages.
- Human Rights: assesses the respect of international norms and conventions and the protection of human rights within the activities of a company.

4) What principles and criteria linked to climate change are taken into account in the fund?

IVO Capital Partners integrates climate change risk and opportunity management into 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 pay increased attention to the environmental indicators mentioned in the previous question, provided by Sustainalytics and Trucost: carbon - company-specific operations, emissions, effluents and waste, resource use, 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 the issuer's activities are exposed. We use databases like ThinkHazard to identify the most severe physical risks in the company operations areas and how climate change affects these risks. We also pay close attention to extreme weather events, changes in the availability and price of natural resources and how companies integrate these elements into their strategy. We also analyze the Environmental Management Systems of issuers and the consistency of their capital expenditure with a low carbon strategy. The ESG team examines the issuer's exposure to transition risks and its exploitation of the opportunities associated with the transition to a low-carbon economy. We value players that are innovative and adaptive in addressing the climate issues of their industry. We are convinced that the costs and risks related to climate change can directly impact a company's performance and credit quality.

Our ESG team also provides internal research papers on risks and opportunities related to ESG considerations and climate change. This research is complemented by the broker notes 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 evaluation methodology (construction, assessment scale…)?

Exclusions

We exclude **the companies and sectors subject to moral and ethical controversies** from our investment universe.

- Entirely excluded sectors:
  - Controversial weapons
  - Direct or indirect financing of countries under trade embargoes and international sanctions
- Sectors excluded depending on the involvement:
  - Tobacco – over 5% of revenues
  - Oil sands – over 10% of revenues
  - Conventional weapons – over 20% of revenues
  - Thermal coal extraction – over 30% of revenues
  - Nuclear – limited to 5% of the portfolio
- Sectors excluded in the absence of a responsible policy:
  - Gambling
  - Palm oil and paper pulp
  - Fur – from 10% of activities in the textile industry
  - Activities in countries subject to international sanctions – over 5% of revenues

In an engagement process with our portfolio companies, **we grant companies on the above exclusion list a period of 3 months to become compliant before withdrawing our investment** (maximum 5% of the portfolio). This rule does not apply to the "controversial weapons" and “direct and indirect financing of countries under international sanctions and trade embargos” categories.

ESG risk rating

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

- The portfolio manager first ensures that the companies brought forward during the investment committee belong to the eligible investment universe and are not involved in sectors excluded by our exclusion policy.
- During the initiation of an investment idea and before we go forward with the financial and extra-financial analysis process, the portfolio manager consults the ESG analyst who pre-approves the studied company or not, depending on the result of the preliminary ESG analysis.
- This pre-approval system aims at weeding out companies exposed to severe material ESG risks from the start. The ESG analyst checks the conformity of the company’s activities with the exclusion policy, studies the research provided by our service providers on its ESG performance, analyses the governance and researches elements evidencing major ESG controversies.

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

- A – **the « best » ESG companies**: communication on the importance of ESG issues, proactive environmental, social and governance measures that are an integrant part of the company’s culture.
- B – **the « good » ESG companies**: good communication, ESG risk-reduction measures, possible existence of some controversies.
- C – **the companies with a medium ESG quality:** poor communication and few ESG risk-reduction measures, existence of controversies.

- D – **the companies needing to improve their ESG policy**: very weak or absent ESG communication, high exposure to ESG risks, important 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 and the financial analysis are produced simultaneously. Our ESG team makes 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's materiality matrix.

We use the SASB materiality matrix to identify the material risks of the industry to which the analyzed company belongs. Based on information collected from the company, our ESG research providers and our controversy research, we identify extra-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 minimize their financial impact.

This qualitative analysis leads to one of these four recommendation levels:

- **Green flag** – The analyst believes that material ESG risks are not likely to impact the issuer's financial performance and bond yields.
- **Orange flag** – The analyst identifies at least one material ESG issue that is likely to negatively impact the issuer's bond performance.
- **Red flag** – The analyst believes that the financial risk associated with managing ESG issues is very high and that it is likely to hinder the issuer's ability to repay in the short term.
- **Black flag** – The analyst believes that investing would represent too great a risk of diminished returns or ESG-related default for IVO Capital Partner

Integrating ESG analysis into due diligence

Once we determine the ESG quality of an issuer and its level of recommendation according to our internal ESG materiality scale, we integrate these elements into our investment process.

a. Impact on requested spread

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

We thus compare the bond spread to the average spread of bonds in a defined same-rating universe (Standard & Poors, Moody's and Fitch average). When we identify a significant material ESG risk, we require the bond spread to be at least 200 basis points higher than the average spread of the same rating universe. This ensures that our clients receive adequate compensation for the ESG risk we tolerate within our portfolios.[1] The spread is one of the decisive factors in our decision and daily investment monitoring. Consequently, integrating ESG factors has a concrete impact on our investment policy and prompts us to further debate these issues.

We use the following table to determine the average spreads (indicative dynamic values). We mainly rely on JP Morgan data available on Bloomberg. We chose to compare companies to the CEMBI Broad Diversified index, which gathers Investment Grade, BB, B CCC, and CC companies in Africa, Asia, Middle East, Europe and Latin America.

Rating	03/01/2020
A and higher	<120
BBB+	160,8
BBB	181,4
BBB-	223,2
BB+	265
BB	306,8
BB-	367,8
B+	428,9
B	489,9
B-	539,9
CCC+ and below	600

b. ESG due diligence

Environmental, social and governance risks affect our investment decisions depending on the recommendation level defined by our internal analysis. This final step determines whether the evaluated issuer meets IVO Capital Partners' requirements regarding ESG quality, a prerequisite for all our investments. During the investment committee, gathered once or twice a week, the investment decision is taken collegially, taking into account the ESG flag as follows:

- **Green flag**
  - A, B or C – Positive ESG view on investment.
  - D – We may invest in these companies if they show a spread at least 200bps higher than the average spread for the same rating.
- **Orange flag**
  - A or B – These companies should be the subject of additional internal discussions on ESG risks identified by the analyst. The company is then requalified as a green, red or black issuer.

[1] *We do not apply the adjustment to bonds with a duration of less than 1, as it is normal for spreads on this type of bond to be lower than those on high duration securities: as they are close to maturity, they are less sensitive than bonds with a longer maturity.*

    - C or D – We may invest in these companies if they show a spread at least 200bps higher than the average spread for the same rating.
- **Red flag**
    - A, B, C or D – We may invest in these companies if they show a spread at least 200bps higher than the average spread for the same rating.
- **Black flag**
    - A, B, C or D – These companies are excluded from our investment universe regardless of their rating.

In some instances, the need for reactivity doesn't allow us to complete the additional ESG analysis before placing a purchase order. We thus consider that the portfolio manager can invest in the company if he previously obtained the agreement of the investment committee as well as a positive ESG pre-approval. In such cases, the goal of the pre-approval is to avoid investing in issuers that would receive a black flag following the additional analysis.

Once the additional ESG analysis is produced, the issuer is granted a flag and we adjust the position depending on our analyst recommendation. This detailed internal ESG analysis can thus result in divestment if the attributed flag calls for it.

c. Best-in-class approach for ESG-focused funds

As part of our continuous improvement process, we seek to implement a more demanding responsible investment policy on some of our funds. In addition to the sector exclusions and our ESG integration methodology, we then apply an additional exclusion filter. This screening applies to the IVO Fixed Income Short Duration UCITS fund for now.

We chose a Best-in-class approach in order to favor actors who demonstrate innovation and adaptation to industry-related ESG issues. We also wish to gradually withdraw from issuers whose ESG quality fall well below industry best practices. Thus, we exclude from our investment universe issuers with an ESG quality lower than at least 80% of issuers in the same industry. The ESG performance of companies is provided by our partner Sustainalytics. The investment universe corresponds to the "Global Emerging" universe of Sustainalytics to which we have added a hundred emerging issuers. IVO Capital Partners calculates sector performance rankings based on this investment universe and the Sustainalytics ratings.

Engagement

a) Climate Action 100+

In June 2020, IVO Capital Partners decided to join the investor-led 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 the world's largest corporate greenhouse gas emitters take necessary action to fight climate change. Among these companies are 100 'systemically important emitters', accounting for two-thirds of annual global industrial emissions, alongside more than 60 others with significant opportunity to drive the clean energy transition.

Alongside the 450 investors involved in the initiative with more than USD$40 trillion in assets under management, IVO Capital Partners supports the sign-on statement and asks companies to strengthen their governance on climate change, reduce their greenhouse gas emissions and reinforce their disclosure of climate-related financial information.

IVO Capital Partners is an active member of the coalitions of investors engaged with the following companies:

- Sasol
- Vale SA
- AES
- Suzano

b) Sustainalytics

Today, our « boutique » asset management status and our intermediate size **allow us to be flexible and promptly adapt our investment policy.** However, despite our ability to react quickly and frequently meet with the management, as we invest in debt and not shares, **we have less leverage to prompt companies to change than shareholders**. Moreover, emerging markets are not very mature regarding ESG issues compared to developed countries. All these reasons led us to **decide to work with an external service provider**, Sustainalytics, to help us increase our impact and support us in this engagement policy.

IVO Capital Partners decided to subscribe to the Sustainalytics engagement service focused on material risks, i.e. 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 in order to help them better manage these risks and implement best practices.

The aim of this engagement service 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 goal is to address their ESG risk management gaps so that the target company can improve its ESG performance.

We have access to research, news on ESG risks sent by Sustainalytics and the results of their regular company interviews. During these meetings, clear engagement objectives are defined, the companies' answers are evaluated, and each meeting is followed up by recommendations for improvement. Positive developments are reported to us, as well as companies ignoring ESG issues and lacking improvement efforts, this thus becomes a point of increased attention on the company.

IVO Capital Partners can engage in the desired way alongside Sustainalytics and its clients: participation in meetings, phone interviews and trips, access to the client platform with all the research on the universe.

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

We assess the company's ESG quality level at the time of purchase and we review the indicators once a year. The additional internal analysis can be updated in advance in the event of significant changes (strategy, management team, merger and acquisition), the outbreak or negative evolution of a controversy. Sustainalytics sends us a bimonthly report on the evolution of controversies affecting our portfolio issuers. The compliance team ensures that our portfolio complies with our exclusion policy at all times.

Our ESG analysis and integration methodology is also reviewed annually and improved where necessary.

IV. Investment process

1) How are the results of the ESG research integrated into portfolio construction?

Overview of our ESG integration process

<table>
<tr><th>Sustainalytics Score
Analyst view</th><th>A
0 – 32</th><th>B
32 – 50</th><th>C
50 – 60</th><th>D
60+</th></tr>
<tr><td>Green flag</td><td colspan="3">Positive ESG view on investment</td><td>Request for higher spread than average CEMBI spread for similar rating +200bps</td></tr>
<tr><td>Orange flag</td><td colspan="2">Request for additional discussion and reclassification</td><td colspan="2">Request for higher spread than average CEMBI spread for similar rating +200bps</td></tr>
<tr><td>Red flag</td><td colspan="4">Request for higher spread than average CEMBI spread for similar rating +200bps</td></tr>
<tr><td>Black flag</td><td colspan="4">Issuer excluded from investment universe regardless of the rating</td></tr>
</table>

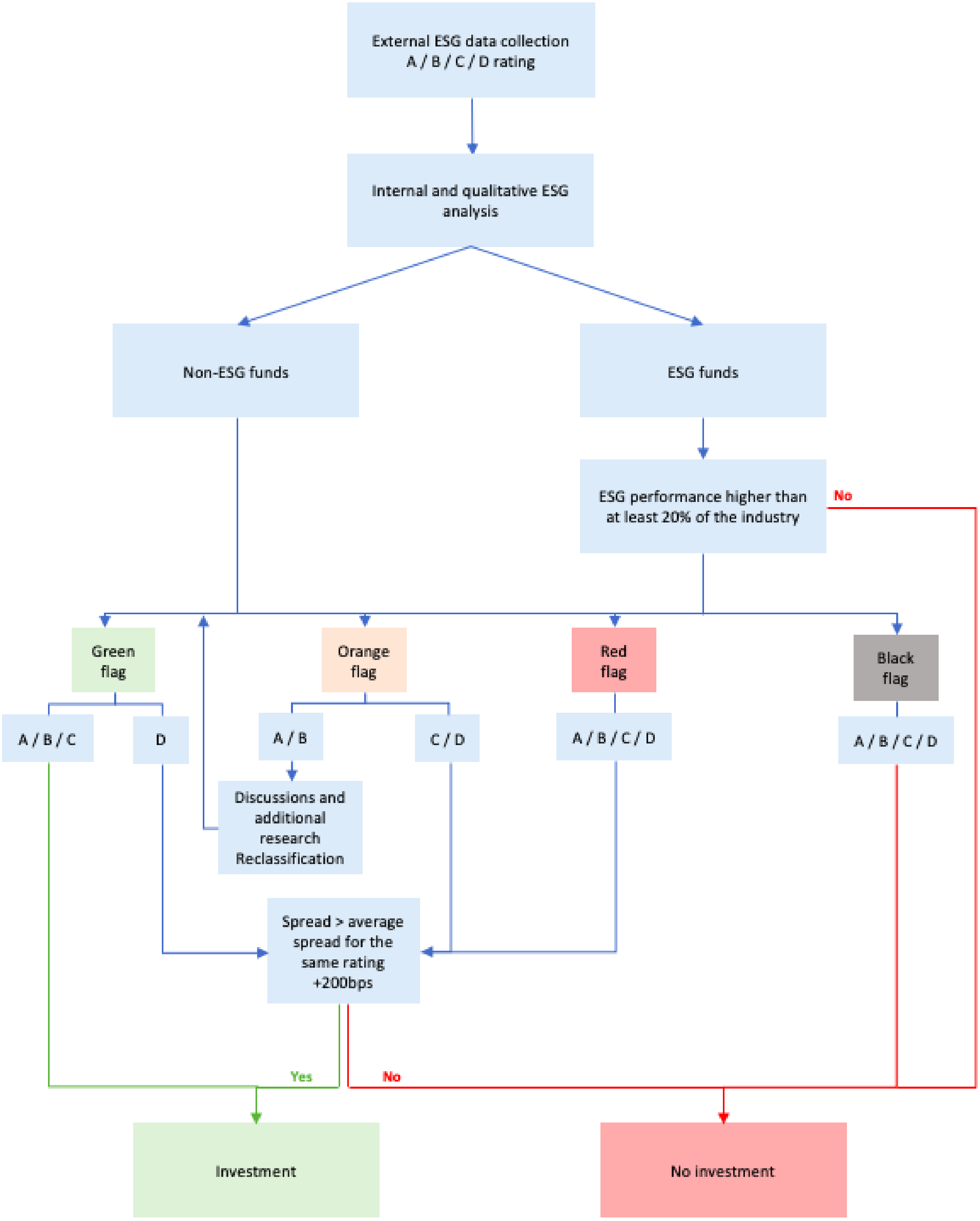
ESG research is fully integrated into the portfolio construction of our Short Duration fund. The first step before carrying out the ESG analysis of an issuer is to verify that its activities comply with our exclusion policy. The particularity of the Fixed Income Short Duration fund is that it also excludes from the eligible investment universe issuers whose ESG quality is below at least 80% of their industry sector.

We then conduct an in-depth ESG analysis, based on Sustainalytics research and our internal research. We then cross-reference the issuer's Sustainalytics score with the analyst's research recommendation. These two factors determine the final ESG recommendation from among the four possible outcomes:

- Positive ESG view on investment
- Request for additional discussion and reclassification in green, red or black flag
- Request for higher spread than average CEMBI spread for similar rating +200bps to invest
- Issuer excluded from investment universe regardless of the rating

The recommendation resulting from the internal analysis conducted by IVO Capital Partners prevails over the Sustainalytics indicators: an issuer marked with a "black flag" will not be eligible for investment even if it is rated as low ESG risk by our partner.

Portfolio construction process



2) How are criteria specific to climate change integrated into portfolio construction?

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

Sustainalytics first examines these topics to define the unmanageable risk and the management gap, then assigns an ESG risk rating to an issuer. This risk rating already partly reflects the issuer's performance in relation to the risks and opportunities associated with climate change. During our internal ESG analysis, we analyze these risks and opportunities further. The identification of a climate change risk that is not addressed by the company impacts the internal recommendation provided by the ESG analyst and our final recommendation. For example, a company may be given a "black flag" as a result of the climate risk analysis and therefore be excluded from our eligible investment universe. In particular, physical risks are a major focus of attention, as they can lead to production interruptions or even default.

Our Best-in-class screening principle also allows us to exclude the players with an ESG quality significantly below industry best practice from our investment universe. This has the effect of favoring issuers that adapt and innovate to change their business model in the face of climate change and avoids investing in companies that do not correspond to the ESG ambition of the fund or to international climate change mitigation targets.

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 the issuers that are present in the portfolio, but not subject to ESG analysis evaluated (not including mutual funds)?

All issuers in the portfolios are systematically subject to an internal ESG analysis.

Some issuers are not rated by Sustainalytics and represent a maximum of 10% of the portfolio.

4) Has the ESG evaluation or investment process changed in the last 12 months?

The ESG assessment process presented in this document was implemented from May 2020 onwards.

5) Is part of the fund invested in entities pursing strong social goals?

Within the fund presented in this transparency code, no assets are invested in solidarity organizations.

6) Does the fund engage in securities lending activities?

The fund does not participate in securities lending.

Also, the fund does not hold short positions in selected ESG assets.

7) Does the fund use derivative instruments?

Currency risk is systematically hedged.

8) Does the fund invest in mutual funds?

The fund may invest in money market funds.

V. ESG controls

1) What internal and/or external control procedures are in place to ensure that the portfolio complies with the ESG rules established for the management of the fund?

To ensure the proper application of our responsible investment policy, we set up a two-tier control system.

A first level control is applied by the management team: pre-trade, the manager ensures that the companies discussed with the investment committee belong to the eligible investment universe. The portfolio manager applies an additional screening on the Short Duration fund by ensuring that the security meets the 80% ESG percentile criterion. Before placing a purchase order, the manager consults the ESG analyst who pre-approves the company under study or not, depending on the result of her preliminary analysis.

The ESG analyst also controls the portfolio composition monthly and tracks the evolution of the ratings provided by Sustainalytics as well as the compliance with the exclusion list. If securities are not compliant with our Best-in-class policy, the management team is granted a 3 months grace period to sell. Regarding the exclusion policy, we grant a 12 months grace period for portfolio companies to become compliant before withdrawing our investment (maximum 5% of the portfolio). This rule does not apply to the "controversial weapons" exclusion category.

The risk committee also reviews the portfolio every 3 months. On this occasion, the committee ensures a second-tier control on the compliance of the portfolios' management with the ESG policy and controls the respect of the quantitative rules on the Short Duration fund. The risk committee also guarantees the compliance of the fund presentation documents with the AMF doctrine.

VI. Impact measures and ESG reporting

1) How is the quality of the fund assessed?

The ESG quality of the fund is assessed with its Sustainalytics average 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 evaluate the fund's exposure to E, S and G severe controversies and its exposure to controversies related to human rights at work.

We use the CEMBI Broad Diversified 1-3 years as the benchmark index. The fund's objective is to outperform the benchmark on the following indicator: portfolio exposure to controversies related to human rights at work.

2) What ESG indicators are used by the fund?

We communicate on the following ESG indicators:

- Environment
    - Carbon footprint (tCO_2e / million euros invested): data provided by Trucost
    - Environmental footprint (% assessing the environmental costs / million euros invested): data provided by Trucost
    - 2°C alignment (warming level associated with the portfolio): data provided by Trucost
    - Portfolio exposure to severe environmental controversies (level 4 or 5): data provided by Sustainalytics
- Social
    - Portfolio exposure to severe social controversies (level 4 or 5): data provided by Sustainalytics
- Governance
    - Percentage of independent directors on the Board of Directors: data provided by companies
    - Percentage of women on the Board of Directors: data provided by companies
    - Portfolio exposure to severe governance controversies (level 4 or 5): data provided by Sustainalytics
- Human rights
    - Percentage of companies signatory to the United Nations Global Compact: data provided by the UNGC
    - Portfolio exposure to controversies related to human rights at work: data provided by Sustainalytics

3) What communication resources are used to provide investors with the information about the SRI management of the fund?

We communicate about 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;
- Legal documents (prospectus, KIID, periodic reports) and monthly fund reports, published on the fund's website;
- The fund impact report, published annually;
- IVO Capital Partners' ESG report, published annually;
- The report on the carbon and environmental footprint of our portfolios, in line with TCFD recommendations, 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 fund management company publish the results of its voting and engagement policies?

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

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