

# Engagement policy

- IVO Capital Partners -

## Table of contents

<b>I. Engagement at IVO Capital Partners</b>	<b>1</b>
<i>Responsible investment</i>	1
<i>Dialogue with issuers</i>	1
<b>II. Collaborative engagement</b>	<b>1</b>
<i>Objective</i>	1
<i>Scope</i>	1
<i>Format</i>	1
<i>Themes</i>	2
<i>Reporting</i>	2
<b>III. Engagement with Sustainalytics</b>	<b>3</b>
<i>Objective</i>	3
<i>Scope</i>	3
<i>Format</i>	3
<i>Themes</i>	4
<i>Reporting</i>	4

## I. Engagement at IVO Capital Partners

### Responsible investment

As an 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.

Since 2017, IVO Capital is thus a signatory to the "Principles for Responsible Investment", the charter set up by the United Nations, for the generalization of the consideration of extra-financial criteria by all financial businesses.

Extra-financial criteria have a major role in our investment decisions and monitoring: 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. We use 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.

### Dialogue with issuers

IVO Capital Partners believes that dialogue with its issuers is an essential part of its fiduciary responsibility. Indeed, exchanges with companies are a key element of our investment approach and we frequently organize meetings with the management. **We now wish to initiate a constructive discussion 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 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. Most emerging countries are also less advanced on ESG communication and risk management issues. **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.**

## II. Collaborative engagement

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.

### Objective

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. **Climate Action 100+ gathers investors to ask companies to strengthen their governance on climate change, reduce their greenhouse gas emissions and reinforce their disclosure of climate-related financial information.**

### Scope

Our engagement policy applies to all of our bond 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 do not exclude the possibility of joining other coalitions engaging with companies in our portfolios in order to increase our impact.

### Format

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

« Lead investors » are required to:

- Be the main point of contact between the company and the initiative, including sending the company the initial initiative letter.
- Develop knowledge of the company, identify engagement priorities/questions (using input from collaborating investors)
- Coordinate at least one meeting with the company each year
- Complete the biannual Climate Action 100+ engagement survey to communicate high level progress with each focus company being engaged.
- Provide interim updates on engagement progress to the Climate Action 100+ coordinating networks.

« Collaborating investors » are required to:

- Proactively support the lead investor(s) with analysis and assessment of the company to help set engagement priorities.
- Provide input to letters, statements and other communications where requested.
- Attend company engagement meetings in support of lead investor(s) where possible.
- Push the leads and other collaborators for ambition in the engagement when necessary
- Reach out to network staff with any questions or concerns about engagement strategy

IVO Capital Partners acts as a "collaborating investor" within the coalitions we are part of. We do not exclude the possibility of joining other coalitions as lead investor to increase our impact.

## Themes

Alongside the 450 investors of the initiative accounting for a total asset under management of \$40 trillion, IVO Capital Partners supports the following [sign-on statement](#):

*" We, the investors that are signatories to this statement, are aware of the risks climate change presents to our portfolios and asset values in the short, medium and long term. We therefore support the Paris Agreement and the need for the world to transition to a lower carbon economy consistent with a goal of keeping the increase in global average temperature to well below 2 degrees Celsius above pre-industrial levels.*

*Through this initiative, we aim to fulfill the commitment made in the "2014/15 Global Investor Statement on Climate Change" which stated that "...as investors and consistent with our fiduciary duty to our beneficiaries, we will work with the companies in which we invest to ensure that they are minimising and disclosing the risks and maximising the opportunities presented by climate change."*

*We believe that engaging and working with the companies in which we invest – to communicate the need for greater disclosure around climate change risk and company strategies aligned with the Paris Agreement – is consistent with our fiduciary duty and will contribute to achieving the goals of the Paris Agreement.*

**The initiative aims to secure commitments from the boards and senior management to:**

- **Implement a strong governance framework** which clearly articulates the board's accountability and oversight of climate change risk and opportunities.
- **Take action to reduce greenhouse gas emissions across their value chain**, consistent with the Paris Agreement's goal of limiting global average temperature increase to well below 2 degrees Celsius above pre-industrial levels.
- **Provide enhanced corporate disclosure** in line with the final recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) and, when applicable, sector-specific Global Investor Coalition on Climate Change Investor Expectations on Climate Change to enable investors to assess the robustness of companies' business plans against a range of climate scenarios, including well below 2 degrees Celsius, and improve investment decision-making."

## Reporting

IVO Capital Partners includes reporting on the Climate Action100+ initiative in its annual ESG report. Climate Action100+ tracks companies progress towards reaching the initiative goals through three levers:

1. **Biannual investor updates:** we will request that the Lead Investor for each company produces a biannual report to the initiative on that company's progress. This includes observed areas of improvement and updated priorities for the next phase of engagement.

2. **Tracking company progress:** A framework for benchmarking company progress will be developed and maintained which assesses the performance of companies on the Focus List against the goals of the initiative. This will be revised and updated on an ongoing basis to reflect best practice, available data and analytical tools available for application.
3. **Public accountability:** Each year, the initiative will produce a public assessment of progress supported by data and analysis from independent third-party experts to evaluate corporate progress toward its goals.

### III. Engagement with 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.

We chose Sustainalytics because the company has more than 25 years of experience in the development and redefinition of a transparent engagement model based on international conventions and norms. Its 55 clients engaged worldwide manage more than 1.8 trillion in assets. Its team include 21 engagement professionals in Europe and North America, helped by more than 120 analysts.

#### Objective

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.

#### Scope

Sustainalytics is engaged with more than 500 issuers worldwide and the engagement service we have subscribed to applies to our entire bond business.

#### Format

1. As soon as a company in the worst-performing half of its industry is assigned a risk rating above 32, the Material Risk Engagement engagement process commences.
2. The first meeting with the company is preferably face-to-face to build a common understanding of the company's material ESG issue, creating the trust that is key for our partnership approach.
3. The engagement team defines change objectives and the engagement strategy is developed. The company also receives the first set of suggested actions to address management gaps in the Material ESG Issues.
4. Sustainalytics regularly follows up with the company and tracks progress on action points and positive developments. Change objectives and suggested actions are updated regularly to ensure continuous improvement.
5. An engagement case is closed when the company's ESG Risk Rating improves to below a score of 28, or the company's rating improves to the top 40% of its industry.

IVO Capital Partners has 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.

## Themes

The themes addressed by Sustainalytics within its engagement service depend on the identified ESG risks that are material to a company. An ESG issue is considered material if the company is sufficiently exposed to it. For example, corporate governance is material for every company.

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

- Corporate governance
- Corruption
- Business Ethics
- Access to basic services
- Product Governance
- Carbon – Own Operations
- Carbon – Products and Services
- Land use and biodiversity
- Land use and biodiversity – Supply Chain
- Resource Use
- Resource Use – Supply Chain
- Emissions, effluents and waste
- Community relations
- Human capital
- Occupational health and safety
- Data security and privacy
- 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, the executive summary of which we include in our annual ESG report.