



# Impact report

- IVO Capital Partners -

Fixed Income Short Duration UCITS

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## *Investment strategy*

IVO Fixed Income Short Duration UCITS invests in hard currency corporate bonds whose issuers are headquartered or have their principal activity in emerging markets. The fund's SRI approach aims at favoring players who demonstrate innovation and adaptation to industry-related ESG issues, and at gradually withdrawing from issuers whose ESG quality falls well below industry best practice.

Thus, in addition to our exclusion and ESG integration policies, 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.

Through this report, IVO Capital Partners wishes to communicate on the impact of the companies in which the IVO Fixed Income Short Duration UCITS fund is invested. The goal of this report is to analyze the impact of our fund according to four pillars: environment, social, governance and human rights. IVO Capital Partners publishes this report for the first time in 2020 et uses impact metrics relative to the benchmark index CEMBI Broad Diversified 1-3 years. It is based on data as of 31 December 2020.

We aim to produce this impact report annually in order to monitor the progress of our portfolio issuers, and adjust our engagement initiatives in line with the ESG performance of our companies.

## *Methodology*

IVO Capital Partners chooses to monitor the 12 following indicators based on their relevance towards the 3 pillars of ESG analysis and on their coverage of our companies. The general data and the research on controversies are provided by Sustainalytics, the environmental indicators are provided by Trucost, the governance indicators are provided by companies, and the indicator on human rights is provided by the UN Global Compact.

### *ESG performance*

**ESG risk rating** – The ESG risk rating provided by Sustainalytics measures a company's exposure to ESG risks and its management of financially material ESG risks. The company is granted a risk rating from 1 to 100, 100 being the most severe rating.

**Average percentile** – Each rated issuer has its rating converted into a percentile ranking from 1 to 100, 1 being the best percentile and 100 the worst. The percentile is computed based on the ESG risk ratings provided by Sustainalytics, in relation to the fund's investment universe.

IVO Capital Partners relies on the industry percentile to avoid sector bias and identify the ESG performance of an issuer compared to its peers.

### *Environment*

**Carbon footprint** – The carbon footprint measures past, current or future, direct or indirect greenhouse gas emissions associated with the issuers within the investment portfolio (Scope 1 and Scope 2). The unit of measurement is the tCO<sub>2</sub>e per million euros invested.

**Environmental footprint** – The environmental footprint quantifies water emissions, landfilled, incinerated, nuclear and recycled waste, water, air and soil pollutants, and the use of natural resources associated with our portfolio. The unit of measurement is the percentage measuring the environmental cost per million euros invested.

**2°C Alignment** – The 2°C alignment measures the alignment of the fund's constituent greenhouse gas emissions with the global transition trajectory required to limit global warming below 2 degrees. The unit is the level of warming associated with the portfolio.

**Severe environmental controversies** – Sustainalytics identifies and requalifies incidents involving the 15000 tracked issuers as controversies. The controversy is the rated from 1 to 5. An issuer is considered exposed to a severe environmental controversy as soon as it is implied in a 4 or 5-level controversy in the following categories: product and services, environmental supply chain and operations. We measure the percentage of the fund exposed to category 4 and category 5 environmental controversies.

### *Social*

**Severe social controversies** – Sustainalytics identifies and requalifies incidents involving the 15000 tracked issuers as controversies. The controversy is the rated from 1 to 5. An issuer is considered exposed to a severe social controversy as soon as it is implied in a 4 or 5-level controversy in the following categories: employees, supply chain and subcontractors, clients, society and community. We measure the percentage of the fund exposed to category 4 and category 5 social controversies.

### *Governance*

**Board independence** – We believe that the presence of independent directors within the Board of Directors raises the probability of taking into account the interests of shareholders, promoting independent decision-making, and avoiding conflicts of interest. The unit is the average percentage of independent directors.

**Presence of women on the Board of Directors** – We believe that diversity on the Board of Directors also contributes to implementing sustainable management practices that defend the long-term interests of shareholders. The unit is the average percentage of women on the Board of Directors.

**Severe governance controversies** – Sustainalytics identifies and requalifies incidents involving the 15000 tracked issuers as controversies. The controversy is the rated from 1 to 5. An issuer is considered exposed to a severe governance controversy as soon as it is implied in a 4 or 5-level controversy in the following categories: business ethics, governance and public policy. We measure the percentage of the fund exposed to category 4 and category 5 governance controversies.

### *Human rights*

**Percentage of UN Global Compact signatories** – The Global Compact aims at encouraging companies around the world to adopt a socially responsible attitude by committing to integrate and promote several principles relating to human rights, international labour standards, the environment and anti-corruption. The unit is the percentage of companies in the fund that are signatories to the United Nations Global Compact.

**Human rights at work controversies** - Sustainalytics identifies and requalifies incidents involving the 15000 tracked issuers as controversies. The controversy is the rated from 1 to 5. We measure the percentage of the fund exposed to any controversy related to human rights at work.

## ESG Performance

As of 31 December, 2020, the ESG performance of the IVO Fixed Income Short Duration UCITS fund compared to its benchmark, CEMBI Broad Diversified 1-3 years, was as follows.

The following data is provided by Trucost: carbon footprint, environmental footprint and 2°C alignment. The rest of the data is provided by Sustainalytics.

Metric	IVO Fixed Income Short Duration	Coverage	CEMBI Broad Diversified 1-3 years	Coverage
ESG risk rating (/100)	31.53	88%	31.33	99.6%
Average percentile	51.8%		47.14%	
Carbon footprint	803.42	57.49%	556.3	83.44%
Environmental footprint	10.12%		6.81%	
2°C Alignment	2 à 3°C	17%	> 3°C	32%
Controversies exposure – Human rights at work	3.16%	88%	3.61%	100%
Controversies exposure – Severe environmental	1.47%		1%	
Controversies exposure – Severe social	0%		3.81%	
Controversies exposure – Severe governance	2.77%		2.2%	

The table below provides key information on the set of indicators we have chosen to measure the impact of our IVO Fixed Income Short Duration UCITS fund.

<b>Metric</b>	<b>Category</b>	<b>Average score</b>	<b>Coverage</b>	<b>Data provider</b>
<b>ESG risk rating (/100)</b>	ESG performance	31.53	88%	Sustainalytics
<b>Average percentile</b>		51.8%		
<b>Carbon footprint</b>	Environment	803.42	57.49%	Trucost
<b>Environmental footprint</b>		10.12%		
<b>2°C Alignment</b>		2 à 3°C	17%	
<b>Controversies exposure – Severe environmental</b>		1.47%	88%	
<b>Controversies exposure – Severe social</b>	Social	0 %		
<b>Board of Directors independence</b>	Governance	43.4%	95.3%	Companies
<b>Women within the Board of Directors</b>		15.3%		
<b>Controversies exposure – Severe governance</b>		2.77%	88%	
<b>Controversies exposure – Human rights at work</b>	Human Rights	3.16%		
<b>United Nation Global Compact signatories</b>	Human Rights	30.7%	100%	UN Global Compact