ESG report

- IVO Capital Partners - 2021

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Scope of the report
Socially Responsible Investing is an important part of the strategy of IVO Capital Partners and of the management of the IVO Fixed Income UCITS, IVO Fixed Income Short Duration SRI UCITS, and IVO Global Opportunities UCITS funds. This ESG report applies to these three collective management funds and covers the January 2021 – December 2021 period.

I. Introduction

Partner's foreword

What is your vision of ESG at IVO?

Economic development brings its share of positive elements but also its share of negative elements, some of which are unquestionably dramatic. If we don't want to promote degrowth, it is essential that things change for the better. ESG is probably the initiative that was missing to move towards this better. Some say that capitalism has the defect of producing excesses but that it has the quality of correcting itself. The acceleration of ESG is neither a coincidence nor a fashion; it is part of the famous self-correction mechanism necessary for the survival of the capitalist model. It is therefore not by chance either if the link of transmission of ESG from the philosophical to the economic side is: the cost of capital / access to capital.

At IVO, we asked ourselves three questions about how to integrate ESG into our management processes: i) how to consider the specificities linked to the great heterogeneity of emerging markets ii) how to reconcile environmental and social issues iii) how to deploy an ESG management process consistent with one of the main prerogatives of the asset manager: the prospective vision. In the same way that, to create value, we work to anticipate a company's financial trajectory over the next few years, we must be able to invest in ESG trajectories for which we see positive developments and therefore a likely decrease in their cost of capital. To do this, it is not possible to only do an ESG "of the present" and it becomes essential to be able to invest in a present that has not yet been optimized but has a good potential for improvement. The change must be abrupt where possible. That's true, otherwise things don't change fast enough... On the other hand, it must be accompanied where necessary. We must therefore go beyond normative exclusion because it is by considering the realities of the countries in which our companies operate that we encourage a consistent positive change dynamic. Moreover, we are convinced that a global approach to valuing positive ESG trajectories will become more widespread in the coming years.

In the same way, our companies are not exposed to the same extra-financial risks that developed country visions may imply. We need to adopt analytical reflexes specific to emerging ESG management. Thus, in certain sectors, we pay particular attention to the presence of anti-corruption mechanisms. In other sectors, we analyze in detail the management of relations with local communities, because the associated incidents can have a material impact on company operations. The discussions we have initiated as part of our engagement policy confirm this observation: sometimes local regulations and infrastructures are the first obstacle to implementing an ambitious energy transition policy. Engaging with these companies enables us to set a level of requirement that is relevant and compatible with the ability of a company in a specific sector in a specific country.

How does this translate into your UCITS funds?

We wish to apply and promote an approach to ESG management that reconciles the objectives of sustainable development and the objectives of our investors. We therefore apply to all our bond funds a responsible investment policy based on 3 pillars: exclusion, integration, and engagement.

For us, integration is the central lever of this SRI policy: we are aware that the credit risk profile is no longer the main factor and that ESG risk also influences the cost of capital. This has led us to develop expertise in ESG risk assessment, in order to identify which financial risks are associated with non-financial issues. We also adjust the rate of return we demand from a company if the risk associated with managing its material ESG issues is high: we thus ensure that our clients receive adequate compensation for the ESG risk we tolerate within our portfolios.

In a continuous improvement process, we have implemented a more demanding approach on the IVO Fixed Income Short Duration SRI UCITS fund. In addition to the 3 pillars of our SRI policy, we apply a Best-in-class strategy in order to progressively disengage from issuers whose ESG quality is well below best industry practices. For this fund, we exclude from our investment universe issuers whose ESG quality is below at least 80% of issuers in the same sector.

Michael Israel, Managing Partner at IVO Capital Partners

II. Responsible investment at IVO Capital Partners in 2021

Our progress and commitments

- We implemented and enhanced our new responsible investment policy, which covers our approach to ESG exclusion, integration, and engagement.
- We continued to review our portfolio companies and implement our ESG analysis methodology to provide an ESG analysis, with the aim of issuing a binding ESG analysis for all our bonds.
- We obtained the SRI label for our IVO Fixed Income Short Duration SRI fund, where we use a Best-in-Class approach: in addition to our exclusion and integration policies, we exclude issuers whose ESG quality is below 80% of their sector peers (data provided by Sustainalytics).
- We have integrated the ESG data provided by Sustainalytics into our InFin Portfolio Management System in order to continuously monitor compliance with our responsible investment policy and our ESG ratios.
- We engaged with 10 companies through Sustainalytics and acted as an active collaborator in the 4 engagement coalitions to which we belong in the Climate Action 100+ initiative (Vale, Sasol, Suzano, AES).
- We continued to support several initiatives promoting SRI: the International Integrated Reporting Initiative, the TCFD's list of supporters and Climate Action 100+.
- For the second year, we published several ESG reports in line with our transparency approach:
    - At the asset management company level
        - Principles for Responsible Investment Annual Report,
        - UNPRI Assessment Report,
        - ESG Annual Report,
        - Annual report on the carbon and environmental footprint of our portfolios, with data provided by Trucost, in accordance with TCFD recommendations.
    - At the level of the IVO Fixed Income Short Duration SRI fund
        - Transparency code in line with the Code designed by the Association Française de la Gestion Financière, the Forum pour l'Investissement Responsable and Eurosif.
        - Annual impact report measuring
            - The overall ESG performance of the portfolio compared to a benchmark.
            - The environmental, social, governance and human rights performance of the portfolio.
            - The fund's outperformance against its benchmark on two ESG criteria.
- We have updated our pre-contractual documentation and compensation policy to comply with the requirements of the Sustainable Finance Disclosure Regulation (SFDR). In 2022, we will publish for the first time a periodic report for our Section 8 funds. In 2023, we will publish a report on the key negative impacts of our 2022 investments.

IVO SHORT DURATION SRI

Article 8 — *Product promoting environmental or social characteristics*

Category 1 — *Significant commitment*

- **Lower sector ESG risk score than the JPM CEMBI Broad 1–3-year index**
- **ESG analysis** on at least 90% of securities
- Consideration of **the main negative impacts on sustainability factors**
- **Best-in-class policy:** exclusion of issuers whose ESG quality is below at least 80% of issuers in the same industry

IVO FIXED INCOME

Article 8 — *Product promoting environmental or social characteristics*

Category 2 — *Significant commitment*

- **Lower sector ESG risk score than the JPM CEMBI High Yield Plus**
- **ESG analysis** on at least 75% of securities
- Consideration of **the main negative impacts on sustainability factors**
- Application of IVO Capital Partners' policy of **exclusion, integration and commitment**

IVO GLOBAL OPPORTUNITIES

Article 8 — *Product promoting environmental or social characteristics*

Category 2 — *Significant commitment*

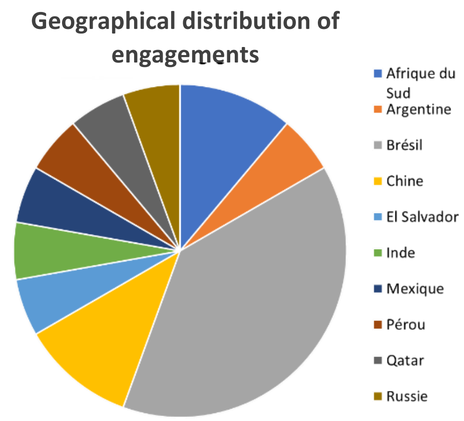
- **Lower sector ESG risk score than the JPM CEMBI High Yield Plus**
- **ESG analysis** on at least 75% of securities
- Consideration of **the main negative impacts on sustainability factors**
- Application of IVO Capital Partners' policy of **exclusion, integration and commitment**

Our results in 2021

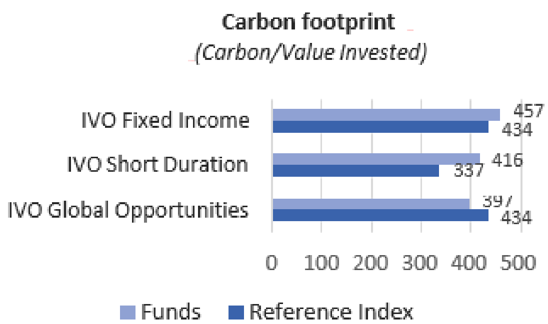
ESG performance of the funds	Score	Centile	Reference Index	Score	Centile
IVO Fixed Income	30.6	46.5	JPM CEMBI High Yield Plus	30.8	44.3
IVO Short Duration SRI	28.7	39	JPM CEMBI Broad Diversified 1-3 years	30.4	43.7
IVO Global Opportunities	29.8	48.1	JPM CEMBI High Yield Plus	30.2	43.3

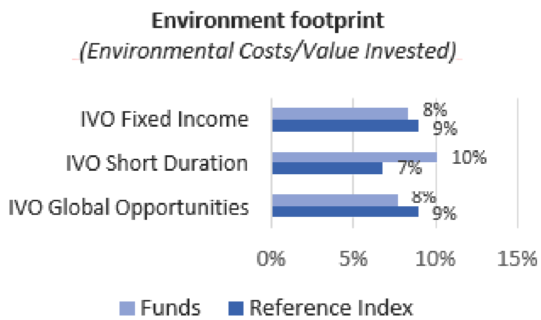
Results as of end of December 2021

Number of engagements
18



% AUM covered by a Best-in-class strategy	UNPRI grade Governance & Strategy
9.01%	A





III. Taking ESG criteria into account in our activities

Collective management

As an asset manager, IVO Capital Partners' mission is to provide 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 Partners has thus been a signatory of the "Principles for Responsible Investment", a charter set up by the United Nations to ensure that non-financial criteria are taken into account by all financial businesses. Extra-financial criteria are of major importance for 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 identified 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.

ESG integration process

To ensure the good application of our responsible investment policy, we fully integrate ESG analysis into the 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.
- 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, B, C or D.
- 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.
- Once the additional ESG analysis has been performed, the issuer is assigned a flag (green, orange, red or black flag) and we adjust the position according to our analyst's recommendation.

Sustainalytics Score / Analyst view	**A** 0 – 32	**B** 32 – 50	**C** 50 – 60	**D** 60+
Green flag	Positive ESG view on investment			
Orange flag	Request for higher spread than average CEMBI spread for similar rating +15%		Request for higher spread than average CEMBI spread for similar rating +30%	
Red flag	Request for higher spread than average CEMBI spread for similar rating +30%			
Black flag	Issuer excluded from investment universe regardless of the rating			

Impacts on portfolios

Best-in-class approach

Following the implementation of a Best-in-class strategy within the IVO Fixed Income Short Duration fund, we sold all positions that showed an ESG performance below at least 80% of their industry peers and therefore did not comply with our new requirements.

As a result, in 2021, we sold 4 positions in the IVO Fixed Income Short Duration SRI portfolio.

Environment

During the year, the poorly controlled environmental risk dissuaded us from buying the bond issued by a Russian nickel mining company, **MMC Norilsk Nickel**.
In addition to the industry's high exposure to ESG risks, the company's lack of tank maintenance caused a 20,000-ton diesel leak in May 2020 that spilled into nearby rivers. Considered the second worst environmental disaster in Russian history, the accident resulted in a $1.95bn fine to cover cleanup costs. We believe that MMC is not in a position to absorb the associated legal, financial and reputational risks.

As a result of our internal ESG analysis, we have classified MMC Norislk Nickel as a black flag and have excluded this issuer from our eligible investment universe.

Social

During the year, high social risk led us to divest from a Canadian mining company operating in Africa, primarily in Burkina Faso, **Endeavour Mining**.
Despite good management of workplace safety issues, Endeavour's operations in Burkina Faso are exposed to significant operational risks related to ambushes of employees during their transport to the mine. We believe that the deteriorating political situation in Burkina Faso could cause further disruptions and material production difficulties to the company's results.

As a result of our internal ESG analysis, we rated Endeavour as an orange flag. A few months later, as the investment was not performing sufficiently better than its rating universe, we sold the position.

Governance

Our pre-investment ESG analysis also dissuaded us from investing in the pharmaceutical company **Mallinckrodt**.
The company had recently filed for Section 11 bankruptcy protection for its generic business to pay settlements associated with several investigations into its responsibility for the U.S. opioid crisis. We believe Mallinckrodt remains highly exposed to financial risks related to its product governance and business ethics, with several investigations and charges still pending against the company and its executives.

As a result of our internal ESG analysis, we have classified Mallinckrodt as a black flag and excluded this issuer from our eligible investment universe.

IV. Our engagement strategy

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.**

In 2021, IVO Capital Partners engaged with 6 companies (8.4%) in the IVO Fixed Income UCITS fund, 8 companies (7.3%) in the IVO Fixed Income Short Duration SRI UCITS fund, and 7 companies (7.4%) in the IVO Global Opportunities UCITS fund.

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.

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.**

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.

Engagement with Sasol

The coalition of which IVO Capital Partners is a member initiated the engagement process in October 2020 and held a meeting with Sasol management in May 2021.

Among other things, the engagement group addressed the following topics at this meeting:

- Decarbonization plan
- Capital allocation and transition to natural gas
- Net-zero benchmark
- Regulatory and local infrastructure hurdles

Engagement with Vale SA

The coalition of which IVO Capital Partners is a member initiated the engagement process in February 2020 and held two initial meetings with Vale management in July and October 2020.

The engagement group addressed the following topics in these meetings:

- Operational impacts of climate change mitigation
    - Carbon neutrality target by 2050
    - "No Net Loss" biodiversity program
- Operational and financial impacts of climate change
    - Positive and negative impacts of climate change mitigation program
- Opportunities for ClimateAction100+ support to help Vale set specific climate change targets

Engagement with AES

The coalition of which IVO Capital Partners is a member initiated the engagement process in August 2020 and held a meeting with AES management in April 2021. with AES management in April 2021.

The engagement group addressed the following topics at this meeting:

- Publication of the AES 2021 climate report
- Long-term climate objectives (post-2030) and alignment with the 2050 objective of the Paris Agreement
- Plans to reduce the share of electricity generated by coal
- Disclosure of lobbying activities

Engagement with Suzano

The coalition of which IVO Capital Partners is a part initiated the engagement process in December 2019 and held an initial engagement meeting with Suzano management in January 2021.

The engagement group addressed the following topics at this meeting:

- Carbon sequestration projects and land management
- Climate resilience, climate governance, Scope 3 emissions reduction
- Reduction of emissions from operations

Engagement with Sustainalytics

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.

a) Participation in engagement actions

IVO Capital Partners wishes to be closely involved in the engagement process led by Sustainalytics. We thus decided to participate in meetings and engagement calls with representatives of all our portfolio companies. This availability gives us the opportunity to regularly be the sole investor alongside Sustainalytics, allowing us to engage directly with the teams of our issuers and to share our questions regarding their management of material ESG risks. We thus aim to strengthen our ESG risk mitigation strategy by obtaining additional information on the progress of these companies and by conveying our interest as an investor in the financial risks associated with ESG risks.

We also participate in meetings with several companies for which we have held bonds in the past. We thus wish to engage with companies whose issues we are familiar with and whom we want to encourage to implement good ESG material risk management practices. This is part of a broader effort to engage with companies in emerging markets that face specific ESG risks and are often less mature in their approach in identifying and mitigating those risks.

During the period January 2021 - December 2021, IVO Capital Partners participated in 15 engagement meetings with 10 companies, including 5 portfolio companies and 5 former investments. We are also following the engagement process initiated by Sustainalytics with 6 portfolio companies that did not result in an engagement meeting during the period.

Name \ Addressed subjects	Detention as of 31/12/21	Carbon	Emissions, Effluents & Waste	Land Use & Biodiversity	E&S Impact of Product and Services	Community Relations	Occupational Health & Safety	Resource Use	ESG Integration in Financials	Risk assessment	ESG disclosure
BRF	Non			•	•						
China Railway Group	Non									•	•
Companhia Siderurgica Nacional	Non									•	•
Compañía de Minas Buenaventura	Non							•			
China Construction Bank	Oui								•		
Cosan	Oui			•							
JBS	Oui			•							
Petróleo Brasileiro	Oui	•			•						
Petroleos Mexicanos	Non	•				•					
Qatar Islamic Bank[1]	Oui									•	•
Sasol	Oui	•						•			
The Bidvest Group	Oui									•	•
Vale	Oui		•			•					
Vedanta Ltd	Oui		•				•				
VTB Bank	Non								•		
YPF	Oui									•	•

[1] **Qatar Islamic Bank** – The engagement process is in the process of being initiated, Sustainalytics has not yet held a first engagement meeting.

Engagement with portfolio companies

*Engagement with **China Construction Bank** - Focus on ESG Integration in Financials ●*
Participation in 1 engagement meeting

Actions suggested by Sustainalytics

- Communicate ESG performance targets related to the company's material risks.
- Align climate risk reporting with TCFD recommendations and communicate its goals and strategies for the global transition to a low-carbon economy.
- Report on CCB's responsible investment policy and methodology for assessing and managing ESG risks in its investment activities using different strategies through CCB Principal Asset Management and other entities.
- Make public its anti-bribery and anti-corruption policies and Code of Conduct.
- Consider aligning with the Principles of Responsible Banking.

Positive developments reported since initiation of the commitment in 2013

- CCB applies the GRI4 methodology for its ESG reporting and has developed a materiality matrix.
- CCB became a supporter of the TCFD in May 2021.
- CCB has improved its transparency on the ESG criteria used in its credit granting and its sector approach.
- CCB established a board committee to oversee ESG governance. The board has established processes to monitor ESG performance.
- CCB's management subsidiary joined the Principles for Responsible Investment in July 2021.

*Engagement with **Cosan** - Focus on Land Use and Biodiversity in Supply Chain ●*
No engagement meeting during the period

Actions suggested by Sustainalytics

- Develop more quantitative targets related to the "10 sustainability commitments".
- Develop a consistent approach to materiality assessment within the group, to enable the holding company to report on the most material issues.
- Provide information to investors on the use and results of the Ethical Chain and any other complaint mechanisms.
- Develop group-wide community relations management policies, particularly for indigenous groups.
- Provide investors with an overview of water-related risks at Raizen and plans to mitigate challenges related to erratic rainfall due to climate change.

Positive developments reported since initiation of engagement in 2011

- Reporting to the Carbon Disclosure Project and receiving a C grade for this first report.
- Definition of "10 sustainability commitments" for the group.

*Engagement with **JBS** - Focus on Land Use and Biodiversity in Supply Chain ●*
No engagement meeting during the period

Actions suggested by Sustainalytics

- Publish real-time updates on the website on risk assessment and progress in mitigating the most critical ESG issues such as deforestation, business ethics and safety.
- Provide investors with information on efforts to address indirect supplier challenges and favor full-cycle suppliers that do not expose to these risks.
- Ensure that any preference or certification of non-deforestation for full-cycle producers does not dilute JBS' overall commitment to non-deforestation.
- Provide investors with an analysis of the potential impacts of climate change scenarios on operations, including raw material supply.
- Support R&D and implementation of existing knowledge to minimize the climate impact of meat production.

Positive developments reported since the initiation of the commitment in 2012

- Establishment of an effective monitoring system for a fragmented and complex supply chain exposed to high risks of environmental and human rights violations.

- Selected JBS as the beef supplier for McDonald's Sustainable Burger program.
- Systematic review of methane emissions and deforestation issues resulting from supplier beef production.
- Published more detailed information on the use and function of the claim system.

*Engagement with **Petrobras** - Focus on Carbon ● E&S Impact of Products and Services ●*
No engagement meeting during the period

Actions suggested by Sustainalytics

- Adopt a long-term perspective in strategy and projects dedicated to climate change risk mitigation. Senior management should form the Petrobras of the future low (zero) carbon economy with tangible and significant investments in energy diversification based on renewable energy.
- Provide investors with a view of the extent and severity of water-related operational risks. They should be able to identify operations located in areas at risk of water scarcity as well as the main measures to mitigate these risks.
- Pay significant attention to oil spill prevention, ensuring proper maintenance and safe procedures.
- Provide investors with information on the significance of oil theft and pipeline sabotage and the associated safety risks.
- Increased emphasis on screening and engagement with contractors on safety issues.

Positive developments reported since the initiation of the engagement in 2011

- The ombudsman function has been revitalized and is operating with much greater transparency and credible reporting.
- Climate change defined as a strategic theme that will influence all investments and policy decisions.
- Significant strengthening of climate change strategy and communication.
- Petrobras improved its reporting on oil theft so that investors can track the trend in terms of extent and recurrence.
- The extent of theft decreased by 30% in 2020 compared to 2019. Petrobras has implemented various monitoring mechanisms to manage this risk.
- In its 2020 Sustainability Report, Petrobras provides investors with a much better overview of water-related risks and its mitigation strategies.
- Carbon reduction targets are ambitious and now extended to 2030.

*Engagement with **Sasol** - Focus on Carbon ● Resource Use ●*
No engagement meeting during the period

Sustainalytics Suggested Actions

- Publicly acknowledge that the CTL methodology is not sustainable, and that Sasol intends to phase it out.
- Take advantage of new opportunities in the PPI space to invest in low-carbon energy generation facilities, first for Sasol's own energy consumption and then for broader use of low-carbon energy in South Africa.
- In the new climate change report, clearly present to investors its carbon management choices, as well as the environmental and financial impacts of those choices.
- Provide investors with greater insight into Sasol's risks of non-compliance with the Air Pollution Act and its financial implications.
- Set public targets for water use reduction and reuse.

Positive developments carried over from the initiation of the commitment in 2019

- Sasol has decided to stop investing in new CTL facilities.

*Engagement with **The Bidvest Group** - Focus on Risk Assessment ● ESG Disclosure ●*
Participation in 2 engagement meetings

Sustainalytics Suggested Actions.

- Develop a more granular material risk assessment at the divisional level and implement a related reporting structure.
- Develop group-wide policies and management systems for areas such as compliance, human capital and data privacy/IT security.
- While tracking carbon emissions at the group level, develop a more detailed risk assessment, set targets and mitigation strategies, including scope 3 for branches.
- Communicate on quality and food safety, environmental management and health and safety certifications and the proportion of relevant activities covered by these certifications.

Positive developments reported since the initiation of the commitment in 2020

- Bidvest provides analysts with additional ESG performance data on its website.
- Bidvest publishes information on product-related incidents in the group.
- Bidvest has developed group-wide quantitative targets for several ESG metrics, including carbon, water and diversity.

*Engagement with **Vale SA** - Focus on Emissions, Effluents & Waste ● Community Relations ●*
Participation in 2 engagement meetings

Actions suggested by Sustainalytics

- Provide investors with a complete overview of third-party rail accidents for all operations, including Mozambique.
- Include the risk materiality matrix in the integrated report and provide an overview of material risks, associated performance measures and improvement targets.
- Keep investors regularly updated on progress toward alignment with the Global Industry Standard on Tailings Management.
- Provide investors with an overview of assets exposed to physical climate change risks (and risk mitigation strategies, if any).

Positive developments reported since initiation of the commitment in 2012

- 2015: Memorandum of Understanding with the Government of Mozambique to resolve relocation disputes.
- 2016: Improved water risk communication in 2015 Sustainability Report, showing over 80% reuse rate.
- Migration of actions to comply with the high governance requirements of Novo Mercado.
- Annual filing of a fiscal report for each country.
- Publication of a more ambitious carbon reduction target, now aiming for carbon neutrality by 2050.
- Vale has committed to spending at least $2 billion to achieve carbon neutrality by 2050. This includes an interim commitment to reduce carbon emissions by 33% by 2030.
- In August 2020, a new Global Industry Standard on Tailings Management was released. While this standard is voluntary, ICMM members have committed to its implementation. Vale is a member of ICMM.
- Vale now provides much better information on the use and results of the whistleblower system.

*Engagement with **Vedanta** - Focus on Occupational Health & Safety ● Emissions, Effluents & Waste ●*
No engagement meeting during the period

Sustainalytics Suggested Actions

- Provide consistent non-carbon air emissions intensity data to investors and stakeholders.
- Develop a plan to decarbonize operations, including a goal of increasing use of renewable energy.
- Develop a water risk management plan with an inclusive, regional approach involving local authorities and other stakeholders.
- Significantly improve the safety performance of contract workers by adopting international best practices in risk assessment, safety training and continuous monitoring.

Commitment initiated in 2020, no positive developments reported yet.

Engagement with YPF - Focus on Risk assessment ● ESG disclosure ●
Participation in 2 engagement meetings

Actions suggested by Sustainalytics

- Strive to provide investors with recent ESG data in English.
- Develop a methane emissions reduction target as soon as possible.
- Implement an ambitious long-term carbon emissions reduction target that is at least aligned with a 2-degree scenario and the ambitions of the Paris Agreement.
- Provide investors with a view of water-related operational risks and key mitigation measures for those risks.
- Dedicate sufficient resources to maintaining the integrity of the pipeline system to avoid oil spills and negative environmental impacts associated with a lack of maintenance.

Positive developments reported since the commitment was initiated in 2014

- Committed to reducing carbon emissions by 10% by 2022 and increasing renewable energy generation to 20% of the energy mix.
- Published first Sustainability report in English, aligned with GRI recommendations.
- Continued improvement in workplace injury frequency rate, and 50% reduction since 2015.
- YPF provides information on the use and results of ethical communication channels.

Activism with companies not held in portfolios

*Engagement with **RCW** - Focus on E&S Impact of Products and Services ● Land Use and Biodiversity ●*
Participation in 2 engagement meetings

Sustainalytics Suggested Actions

- Expand water risk analysis to cover key suppliers operating in areas where BRF does not operate.
- Develop a materiality analysis that gives investors a comprehensive overview of all material ESG issues, with some sort of relative materiality ranking or assessment.
- Pay particular attention to deforestation risk in the supply chain and provide investors with an overview of key risk mitigation strategies and performance metrics.
- Provide investors with additional information on the Transparency Channel and other grievance mechanisms.
- Publish voluntary staff turnover as well as overall staff turnover.

Positive developments reported since the initiation of the commitment in 2014

- Application of GRI4 format to reporting in 2013.
- Raised €500 million with a green bond in 2015 and committed to investing in sustainable projects.
- Increased water recirculation rate from 25% in 2015 to 38% in 2016.
- Communication on the number of reports sent to whistleblower channels.

*Engagement with **China Railway Group** - Focus on Risk assessment ● ESG disclosure ●*
Participation in 2 engagement meetings

Sustainalytics suggested actions

- Provide investors with more information on risk management and safety performance in the next reporting cycle.
- Enhance the current compliance policy by including clear definitions of bribery and facilitation payments.
- Strengthen the permanent whistleblowing and grievance mechanism by allowing anonymous reporting, including a non-retaliation policy for whistleblowers, and proactively communicating the mechanism to employees.
- Demonstrate processes in place to formally consult with local communities and stakeholders throughout project development in company publications.
- Clarify in company disclosures how human capital risks are assessed and mitigated, as well as overall performance such as employee turnover rates over the past three years.
- Publish in the next reporting cycle the percentage of operations covered by the ISO 9001 quality management standard.

Positive developments reported since the initiation of the engagement in 2017

- CREC published its compliance policy (in Chinese) on its website, covering the company's expectations for employees and business partners on bribery, corruption, and business ethics.
- Since the 2017 dialogue, a whistleblower and grievance mechanism available to internal and external stakeholders is in place and is offered in local languages.

*Engagement with **Companhia Siderurgica Nacional** - Focus on Risk assessment ● ESG disclosure ●*
Participation in 1 engagement meeting

Actions suggested by Sustainalytics

- Create a clear governance structure for ESG risk management. Governance at the Board level remains unclear and too dependent on the CEO/Chairman of the Board, who has a very long tenure.
- Conduct a third-party facilitated study on the effectiveness of the Board and the separation of the roles of CEO and Chairman.

- Review the materiality analysis of overlapping topics and present it in a way that makes the relative materiality clear to the reader.
- Provide investors with consistent and up-to-date information. The ESG website is a good idea as a dynamic tool as long as it covers the right issues with consistent data.
- As part of a TCFD report, set a more ambitious carbon intensity reduction target. Short-, medium-, and long-term targets should be science-based targets.
- Publish more detailed statistics on the use of whistleblower and complaint mechanisms, including the number of reports received, broken down by category and severity, and the number of disciplinary actions taken.

Engagement initiated in 2020, no positive developments reported yet.

Engagement with ***Compañía de Minas Buenaventura*** *- Focus on Resource Use* ●
Participated in 1 engagement meeting.

Actions suggested by Sustainalytics

- Formalize assessment of material ESG issues based on stakeholder engagement.
- Develop performance metrics for all identified material ESG issues and set targets accordingly.
- Provide investors with better insight into resource use, including water.
- Enhance current information on key waste management strategies to include, for example, performance data, targets, adopted design/tailings management standards and their respective scopes, company policy on cyanide management, etc.
- Utilize locally applied good community relations management practices to develop company-wide policy and guidance on clean operations, joint ventures and/or other relevant operating models.
- Strengthen climate risk assessment to inform the setting of reduction targets and mitigation actions.

Engagement initiated in 2021, no positive developments reported yet.

Engagement with ***Petróleos Mexicanos*** *- Focus on Carbon ● Community Relations ●*
Participation in 1 engagement meeting.

Sustainalytics Suggested Actions.

- Provide updated ESG performance information to investors. PEMEX's ESG performance is particularly closely watched, and late, inconsistent, and limited ESG disclosure will raise questions.
- Significantly improve transparency on climate change mitigation, including setting a carbon intensity target and implementing the TCFD recommendations.
- Continue to invest in the integrity of the pipeline system to prevent spills and leaks.
- Set clear requirements to develop new fields and projects only at a pace that ensures project safety.

Positive developments carried forward since the initiation of the 2020 commitment

- PEMEX has successfully reduced oil theft by approximately 90% since the 2018 peak in losses.
- PEMEX has tripled spending on pipeline system rehabilitation and maintenance in 2019 vs. 2020.

Engagement with ***VTB Bank*** *- Focus on ESG Integration in Financials ●*
Participation in 1 engagement meeting

Sustainalytics suggested actions

- Further highlight climate change and energy transition as a material ESG risk that VTB intends to address in ESG integration in credit risk management and investments.
- Identify the most relevant performance metrics for each of the material ESG issues and integrate them into performance management within the organization and into the reporting structure to senior management and the supervisory board.
- Articulate coal, oil and gas exposure separately in ESG reporting.
- Develop an approach to ESG integration in credit risk assessment.
- Develop a comprehensive human capital development program that will mitigate undesirable employee turnover.

Commitment initiated in 2021, no positive developments reported yet.

V. Collaborations and promotion of SRI

IVO Capital Partners is committed to promoting responsible initiatives by taking part in international and national ESG promotion initiatives and by donating to foundations and associations.

Participation in international and national ESG initiatives

Since February 2017, IVO Capital Partners is a signatory to the United Nations charter, **"Principles for Responsible Investment" (PRI).** Upon the 2019 annual review report, IVO Capital Partners was graded A for the Strategy & Governance category of the reporting on its responsible investment activities. Signing on this charter has 6 major implications:

1. We will incorporate ESG issues into investment analysis and decision-making processes
2. We will be active owners and incorporate ESG issues into our ownership policies and practices.
3. We will seek appropriate disclosure on ESG issues by the entities in which we invest.
4. We will promote acceptance and implementation of the Principles within the investment industry.
5. We will work together to enhance our effectiveness in implementing the Principles.
6. We will report individually on our activities and progress towards implementing the Principles.

In 2021, IVO Capital Partners continued to implement these six principles by improving its responsible investment policy and ESG internal control processes in order to integrate ESG issues into our analysis and investment decision-making process and to initiate a relevant engagement dialogue with the companies in our portfolios.

IVO Capital Partners also supports the **International Integrated Reporting Council (IIRC)**. The IIRC is a global coalition of actors convinced that corporate reporting must evolve towards a communication on value creation. IIRC has developed a framework that structures a common set of guiding principles, key concepts and building blocks for the Integrated Report, with the following objectives:

- Improve the quality of information available to providers of financial capital to enable a more efficient and productive allocation of capital.
- Promote a more cohesive and efficient approach to corporate reporting that draws on different reporting strands and communicates the full range of factors that materially affect the ability of an organization to create value over time.
- Enhance accountability and stewardship for the broad base of capitals (financial, manufactured, intellectual, human, social and relationship, and natural) and promote understanding of their interdependencies.
- Support integrated thinking, decision-making and actions that focus on the creation of value over the short, medium and long term.

In 2021, IVO Capital Partners supported the International Integrated Reporting Council by participating in the 2021 Investor Critique campaign, which offers companies the opportunity to submit their integrated reports to the IIRC and obtain recommendations from investors. As part of this campaign, we reviewed 2 integrated reports and provided 2 companies with our views on the strengths and weaknesses of their reporting.

IVO is also a supporter of the **Task-Force on Climate-related Financial Disclosures (TCFD)**. In 2017, this taskforce set up by the G20 Financial Stability Board published a set of recommendations to encourage consistent and reliable financial reporting enabling investors to take proper account of climate-related financial risks. These recommendations are based on three key findings:

- Climate change is going to be very costly to the economy (2,300 billion dollars);
- Reporting is an essential tool to reduce this risk as it allows shareholders, banks and financial actors to assess the cost of climate change;
- Companies must publish 2°C scenarios and assess the potential financial impact of climate change on their activities.

These recommendations are now widely recognized by governments, investors, and financial managers as climate reporting best practice.

In 2021, IVO Capital Partners supported the recommendations of the Task-Force on Climate-related Financial Disclosures by being an active member of the Climate Action 100+ initiative to communicate to the most polluting companies our interest as an investor in climate-related financial risks. We also continue to report annually on the carbon footprint and 2°C alignment of our portfolios.

Donations to foundations and associations

In order to encourage social progress, IVO Capital financially supports the following foundations and associations:

- ***Alpha Omega Foundation*** - Venture Philanthropy foundation to accelerate the development of social enterprises whose objective is to give back to disadvantaged people their economic and financial autonomy, through education or access to employment.
- ***Humanitaire Himalaya*** - Association to support Nepalese projects with the objective of helping children in difficulty and contributing to development aid
- ***Imagine for Margo*** - Association to help in the fight against childhood cancer: financing and mobilization of research, raising awareness of childhood cancer, improving the well-being of sick children.
- ***Mummy Jee Foundation*** - Association to help the population in difficulty, schoolchildren and women in the Bodhgaya region in India.
- ***Colegio Internacional Luz Ciencia y Arte*** - Foundation to support the education of Mexican children: partnerships with public schools and universities to promote scientific and artistic knowledge and to provide courses centered on the United Nations' sustainable development goals.
- *Pym**o Mexico*** - Organization that gathers and validates charitable projects in Mexico and links companies that wish to have a social impact with these projects.