

DYNASTY AM  
ESG Report  
30<sup>th</sup> April 2023

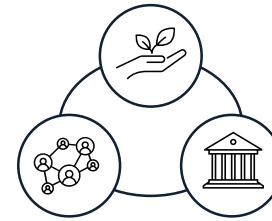


## DYNASTY CONVERTIBLES EUROPE





# ESG Policy



Dynasty AM S.A.'s **ESG (Environment, Social and Governance)** philosophy is based on the principle that there is a positive correlation between taking into account extra-financial criteria and generation of added value. We therefore aim to obtain the best long-term risk- return ratio for our clients, **by incorporating ESG criteria into our financial analysis.**

Objectives established by the working group were determined using the PRI Principles:

**Dynasty AM Goals**

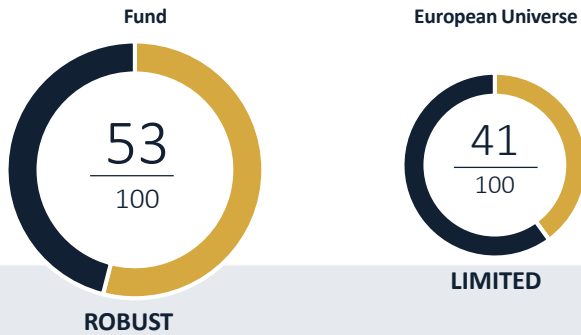
- ➔ **Integrate** ESG criteria into our investment process
- ➔ **Awareness and Training** of our internal teams
- ➔ **Transparency and Reporting** of ESG criteria integration
- ➔ **Promote** ESG criteria through our sales force



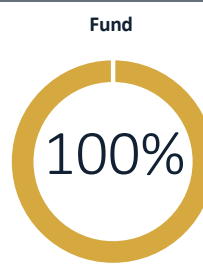


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## ESG Score



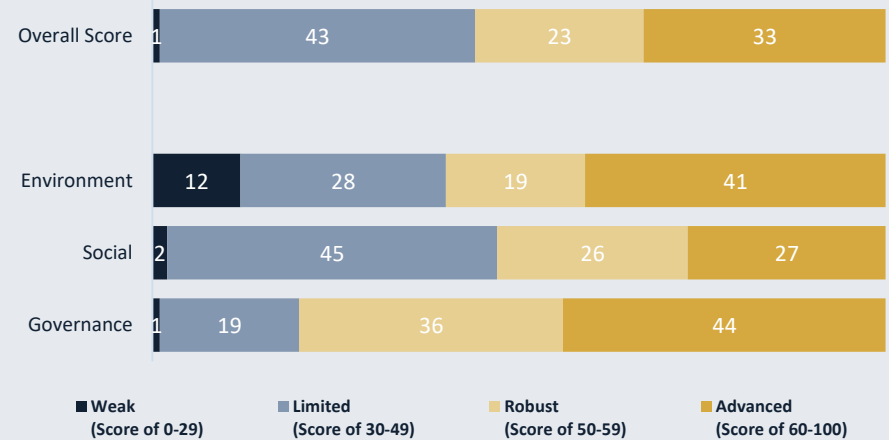
## ESG Coverage



## Overall and Domain Scores

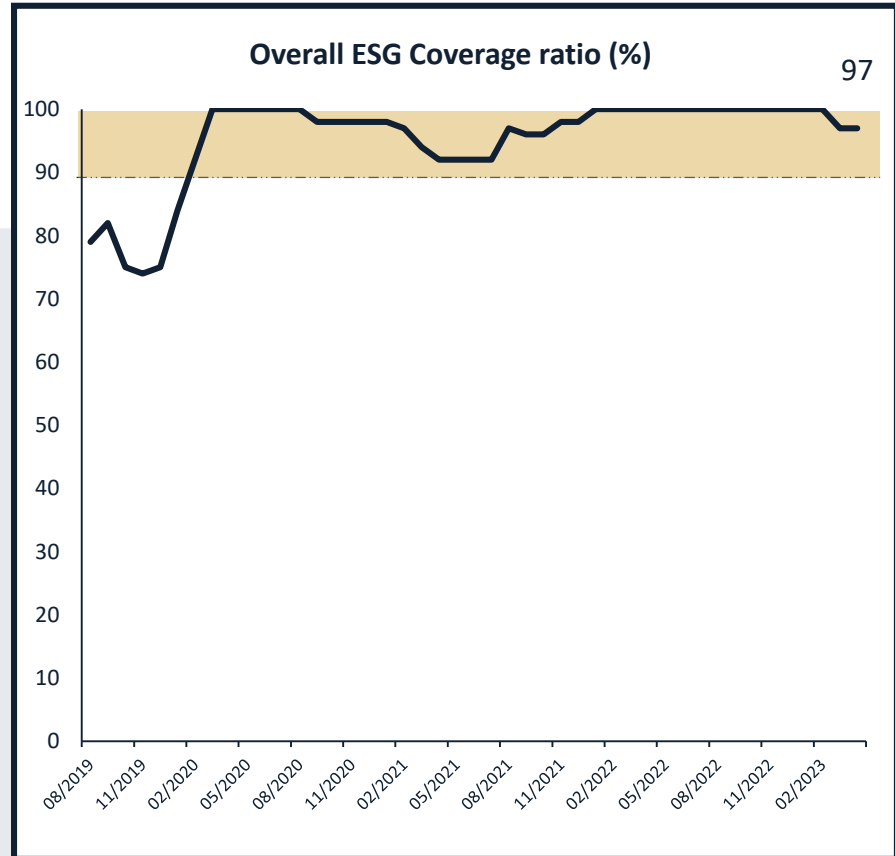
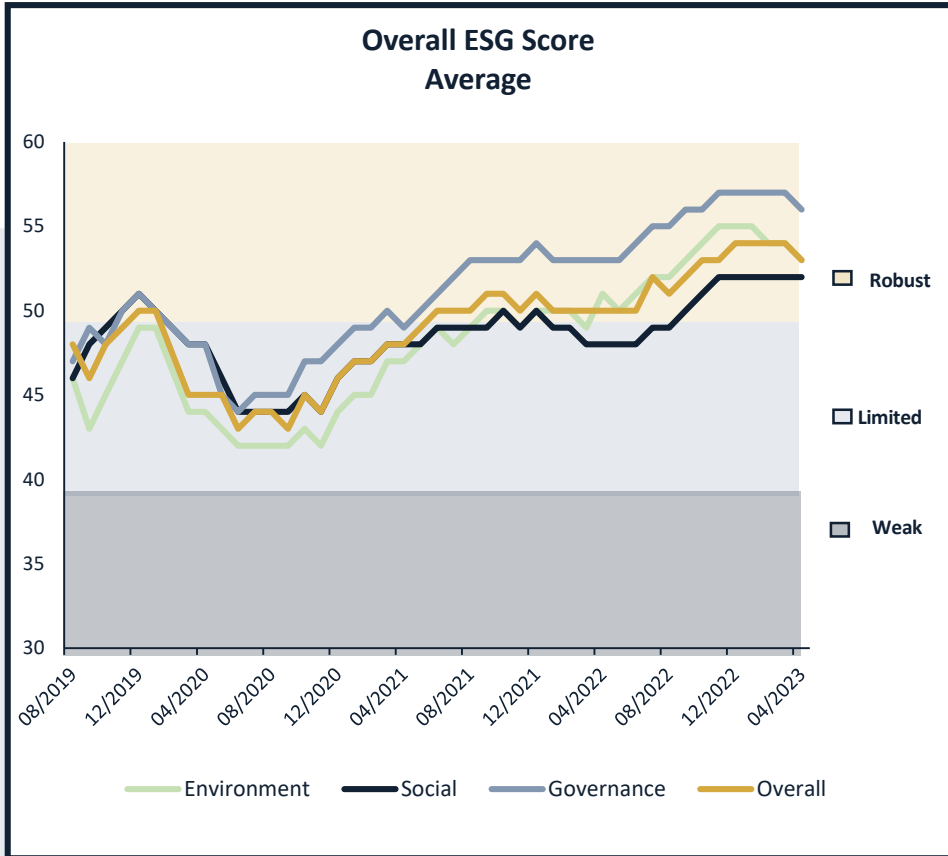
	Average
Overall	53
Environment	53
Social	52
Governance	56

## ESG Score Breakdown (% investment)





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## 5 highest rated ESG positions

Rank	Holding Name	Portfolio Weight	Sector (GICS)	Rating
1	Schneider Electric 0% 2026	4.6%	Industrial	Advanced
2	Iberdrola 0.8% 2027	2.2%	Utilities	Advanced
3	Pirelli 0% 2025	3.5%	Consumer, Cyclical	Advanced
4	STMicroelectronics	2.9%	Technology	Advanced
5	Edenred 0% 2024	2.7%	Consumer, Non-Cyclical	Advanced

## 5 lowest rated ESG positions

Rank	Holding Name	Portfolio Weight	Sector (GICS)	Rating
1	Voyageurs du Monde 3% 2028	1.5%	Consumer, Cyclical	Weak
2	Damm / Ebro Foods 1% 2023	0.7%	Consumer, Non-Cyclical	Limited
3	Mondelez / JDE Peet's	2.7%	Consumer, Non-Cyclical	Limited
4	Sika 0.15% 2028	6.6%	Industrial	Limited
5	Be Semiconductors 1.875% 2029	2.4%	Technology	Limited



# DYNASTY CONVERTIBLES EUROPE

## 5 largest positions

Rank	Holding Name	Portfolio Weight	Sector (GICS)	Rating
1	Sika 0.15% 2025	6.6%	Industrial	Limited
2	Rheinmetall 2.25% 2030	4.7%	Industrial	Limited
3	Schneider Electric 0% 2026	4.6%	Industrial	Advanced
4	Lagfin / Davide Campari 2% 2025	4.3%	Consumer, Non-Cyclical	Limited
5	Deutsche Post 0.05% 2025	4.1%	Industrial	Robust



# DYNASTY CONVERTIBLES EUROPE

We will implement a formal upstream **exclusion policy** on our **article 8** investable universe that will formally prohibit investments in companies that have as main activity:

- Thermal coal mining and extraction



- Tobacco production



- Gambling



We also comply with the U.S. Executive Order 13959 “Addressing the Threat from Securities Investments that Finance Communist Chinese Military Companies”

## EXCLUSION

### Thermal coal mining and extraction

Holding Name	ISIN	Portfolio Weight
None in portfolio		

### Tobacco production

Holding Name	ISIN	Portfolio Weight
None in portfolio		

### Gambling

Holding Name	ISIN	Portfolio Weight
None in portfolio		

### Chinese Military-Industrial Complex Companies

Holding Name	ISIN	Portfolio Weight
None in portfolio		

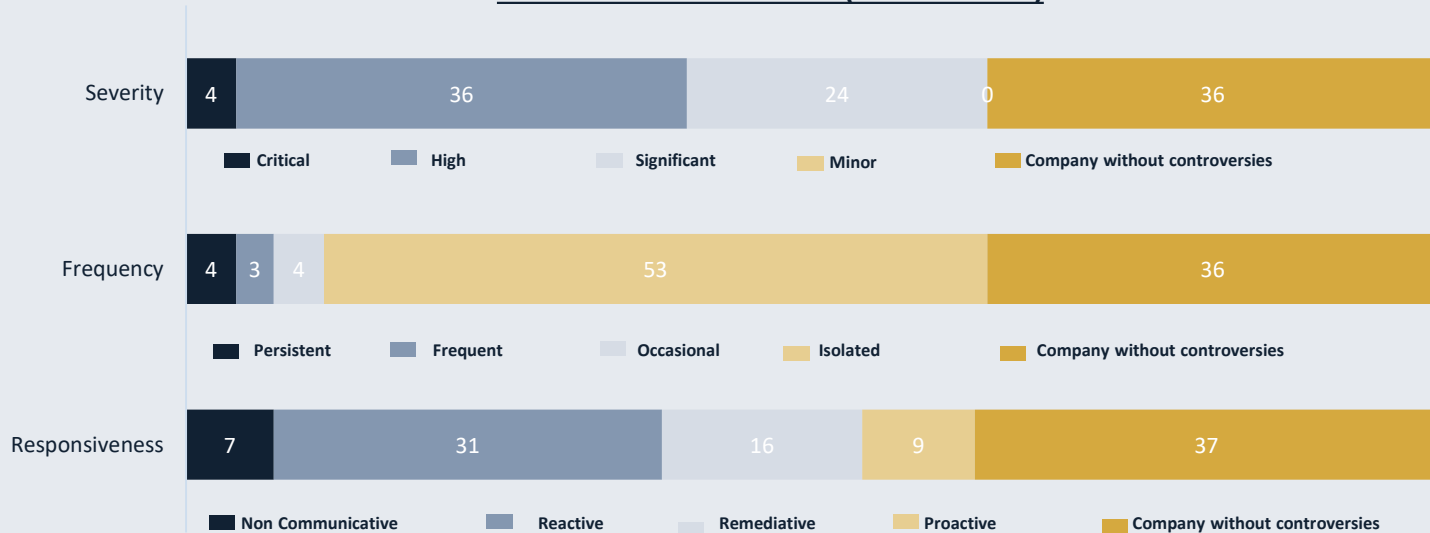


# DYNASTY CONVERTIBLES EUROPE

## Controversies are analyzed along three axes

- (1) The **severity** of the controversy: having an accidental minor oil spill is a controversial event, but we think it is less impacting than being directly involved in the employment of children or the production of cluster munition. There are 4 categories of severity of controversies: minor, significant, high, critical
- (2) The **frequency** of the controversy is the event isolated, occasional, frequent or persistent. Is it thus a one-off event or can it be considered business behavior of the company
- (3) The **responsiveness** of the company to the controversy in question. Has the company been proactive in its communication, or do they prefer the silent approach? There are 4 categories of responsiveness: proactive, remediative, reactive or non-communicative

### Controversies Breakdown (% investment)







# DYNASTY CONVERTIBLES EUROPE

We have decided to include a **special filter** on companies subject to critical controversies (i.e., the most severe) in domains we consider to be the most impacting.

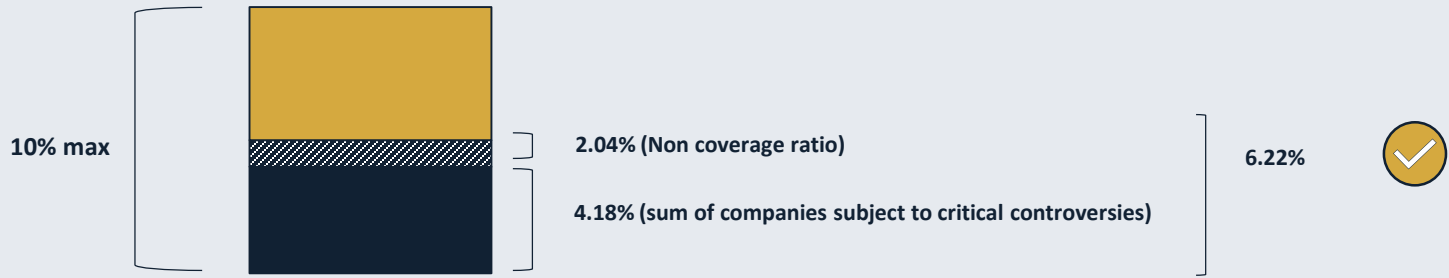
These domains are :

- (1) Environmental Strategy
- (2) Climate Change
- (3) Waste
- (4) Fundamental Human Rights
- (5) Audit and Internal Controls

## Companies subject to critical controversies\*

Holding Name	Portfolio Weight	Sector (GICS)	Domains impacted by the critical controversy
Glencore 0% 2025	4.2%	Basic Materials	2 – 3 – 4 – 5

\*These companies will remain investable, but the sum of these investments may not exceed a ratio of **10%** of the portfolio in case the investment universe is European or **20%** of the portfolio if the investment universe is global. Furthermore, these ratios are to be cumulated within the non coverage ratios.





# DYNASTY CONVERTIBLES EUROPE

If the **critical** controversy is linked to one of the following **sub domains** the company is not eligible for investment and if the company is subject to the controversy whilst already in the portfolio the fund manager has **3 months** to sell the position, whilst the company will be added to the list of **excluded investments**.

• Cluster Munitions



• Controversial Weapons



• Nuclear Weapons



• Anti Personal Mines



• Anti Personal Landmines



## EXCLUSION

### Cluster Munitions

Holding Name	ISIN	Portfolio Weight
None in portfolio		

### Anti Personal Mines

Holding Name	ISIN	Portfolio Weight
None in portfolio		

### Controversial Weapons

Holding Name	ISIN	Portfolio Weight
None in portfolio		

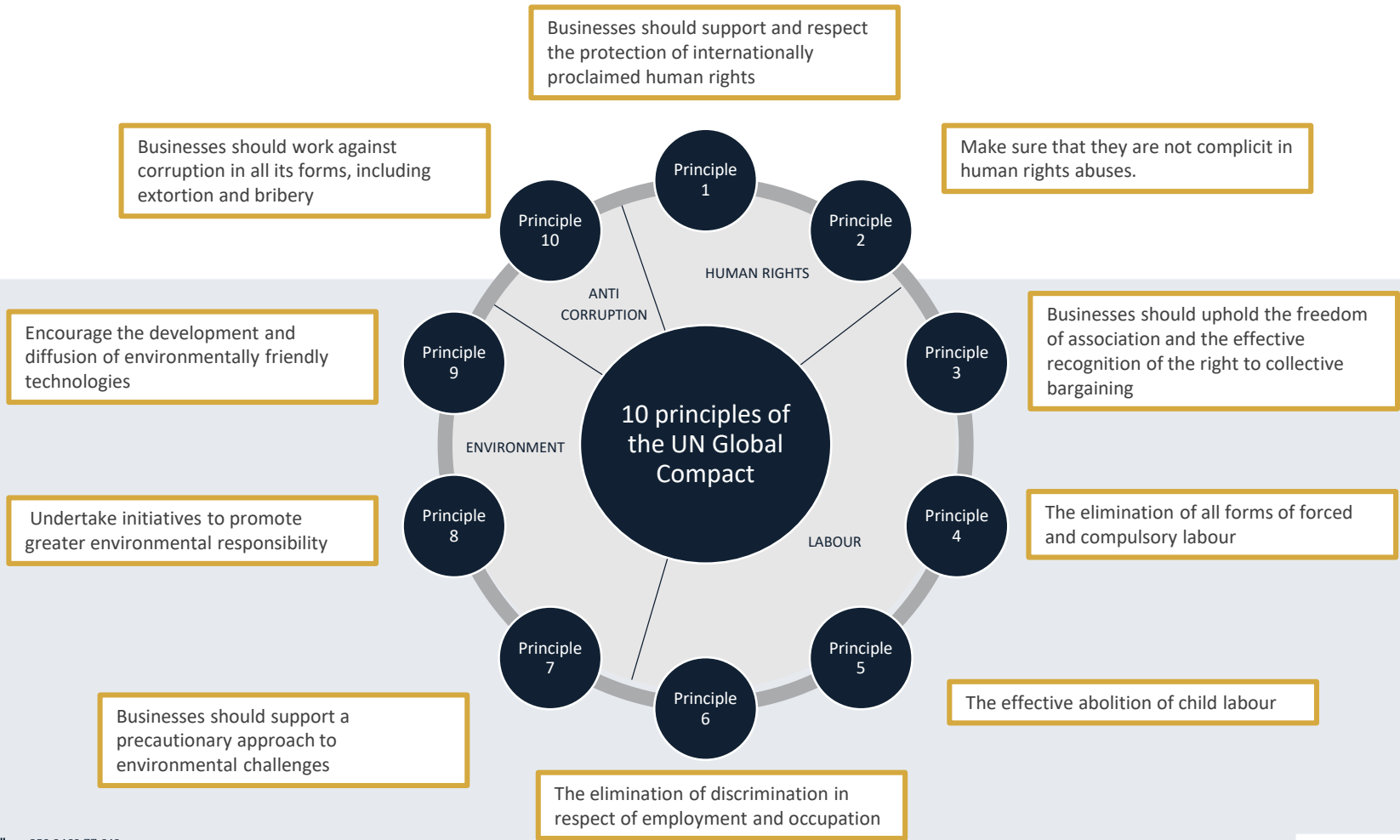
### Anti Personal Landmines

Holding Name	ISIN	Portfolio Weight
None in portfolio		

### Nuclear Weapons

Holding Name	ISIN	Portfolio Weight
None in portfolio		

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We associated each **principle** to a specific **analysis' criteria**:

- Principle 1 and 2: Human Rights → Fundamental Human Rights
- Principle 3: Human Resources → Social Dialogue
- Principle 4 and 5: Human Rights → Child and Forced Labour
- Principle 6: Human Rights → Non-Discrimination
- Principle 7 and 8: Environment → Environmental Strategy
- Principle 9: Environment → Use and Disposal of Products
- Principle 10: Business Behavior → Corruption

If a company has a **controversy** linked to one of these criteria and the status of the controversy in question is considered **“Critical”**, an **engagement process** shall be undertaken with companies.

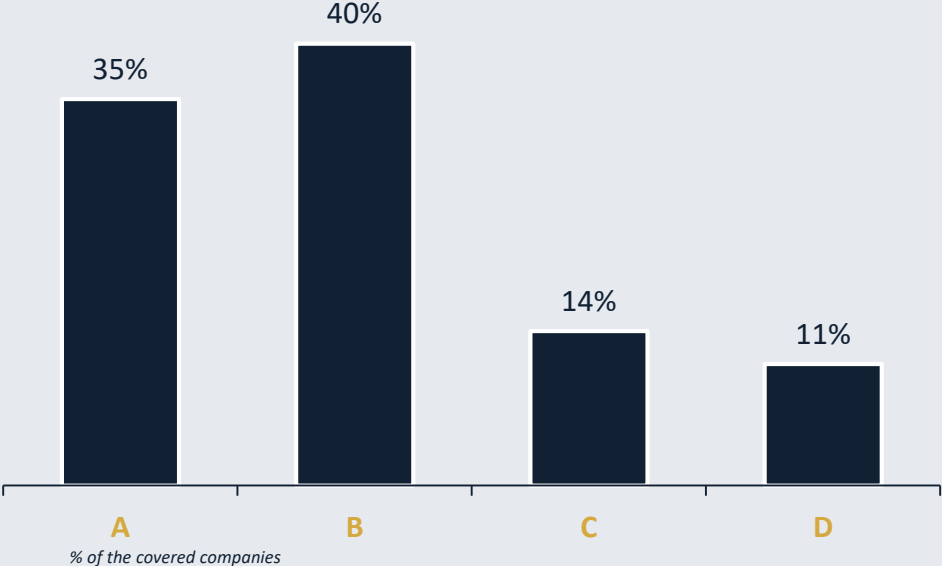
If this engagement does not lead to the desired change in a period of **2 years** from the **start** of this engagement, the company will join our **Global Compact Exclusion List**.

Holding Name	Portfolio Weight	UN Global Compact principle	Dynasty AM Status	Start of engagement	Time remaining below 2 years ?
Glencore 0% 2025	4.2%	Principles No. 1, 2	Ongoing Controversy	31/01/2022	Yes



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## Carbon Footprint (of investments)

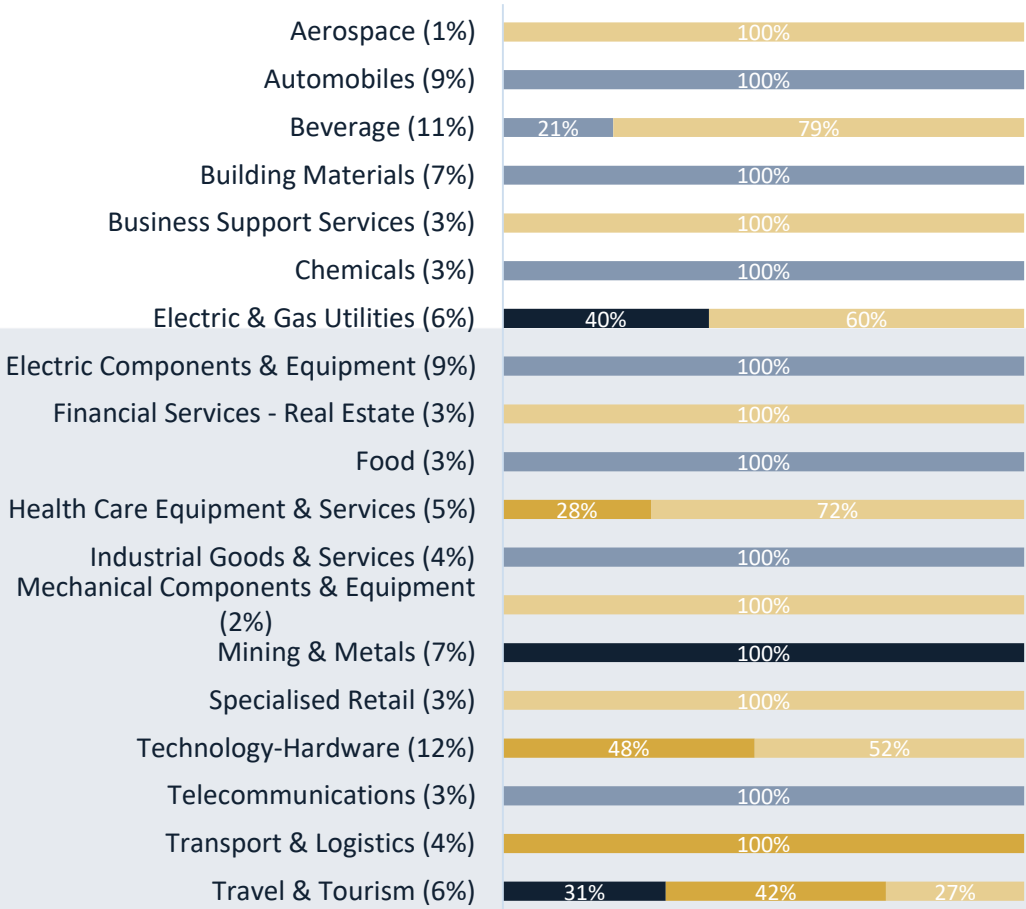


Scale	Emissions (T CO2 Equivalent)*	Categories
A	<100 000	Moderate
B	>= 100 000 and <1 000 000	Significant
C	>= 1 000 000 and <10 000 000	High
D	>= 10 000 000	Intense

\* Scope 1 & 2



# DYNASTY CONVERTIBLES EUROPE



## Carbon Footprint Breakdown by Sector *(of investments)*



Scale	Emissions (T CO2 Equivalent)*	Categories
A	<100 000	Moderate
B	>= 100 000 and <1 000 000	Significant
C	>= 1 000 000 and <10 000 000	High
D	>= 10 000 000	Intense

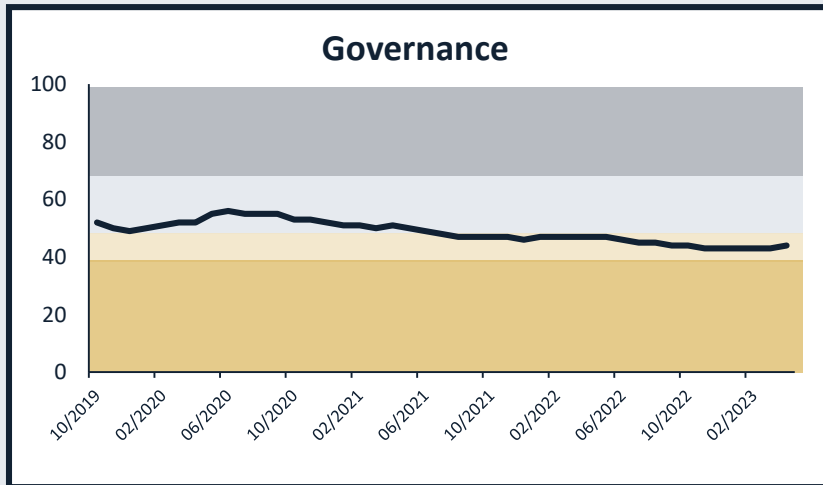
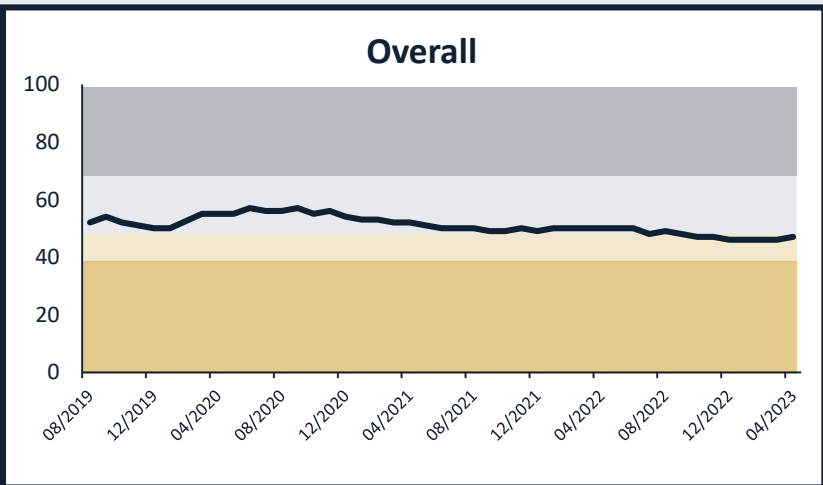
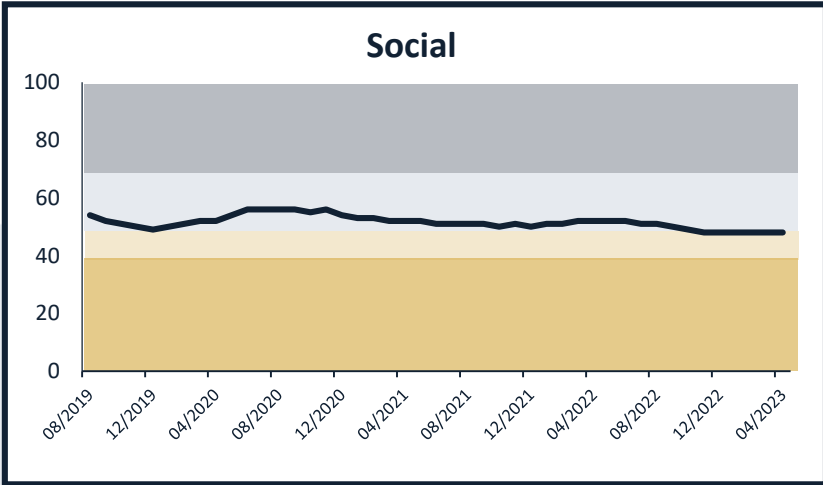
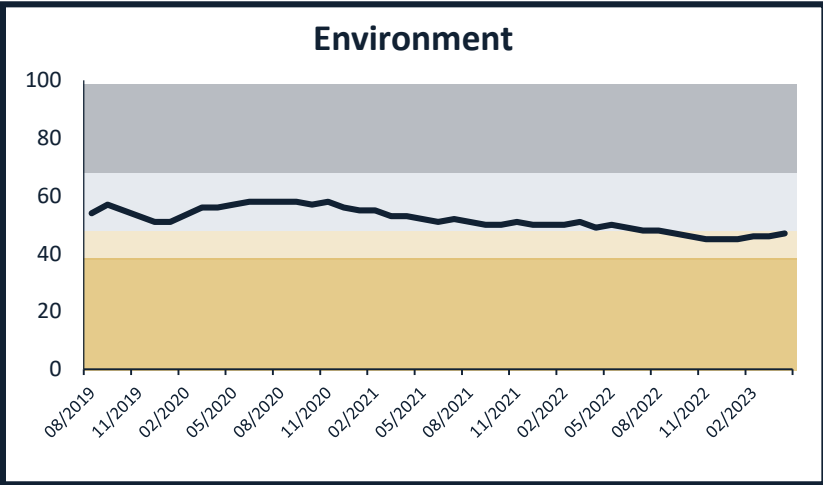
\* Scope 1 & 2

■ D   
 ■ C   
 ■ B   
 ■ A



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## ESG RISKS



- Advanced
- Robust
- Limited
- Weak



# DYNASTY CONVERTIBLES EUROPE

## LuxFLAG ESG Label – Exclusion List

List of sectors and activities, in which investments must be **excluded**:

- (1) Controversial Weapons
- (2) Controversial Jurisdictions
- (3) Tobacco
- (4) Controversial Behavior



ESG



LuxFlag Compliant

### Controversial Weapons

Holding Name	ISIN	Portfolio Weight
None in portfolio		

### Controversial Jurisdictions

Holding Name	ISIN	Portfolio Weight
None in portfolio		

### Tobacco

Holding Name	ISIN	Portfolio Weight
None in portfolio		





# DYNASTY CONVERTIBLES EUROPE

## LuxFLAG ESG Label – Exclusion List

List of sectors and activities, in which investments must be **excluded**:

- (1) Controversial Weapons
- (2) Controversial Jurisdictions
- (3) Tobacco
- (4) Controversial Behavior



**ESG**



**LuxFlag Compliant**

### Controversial Behavior

Holding Name	Portfolio Weight	UN Global Compact principle	Dynasty AM Status	Start of engagement	Time remaining below 2 years ?
Glencore 0% 2025	4.2%	Principles No. 1, 2	Ongoing Controversy	31/01/2022	Yes



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