



ESG policy

Dynasty AM

Signatory of:



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1. ESG policy introduction

Dynasty AM S.A. is a Luxembourg asset management company (UCITS, AIF and discretionary management) approved by the CSSF and created by credit market specialists. The company is independent of any other institution and belongs entirely to its founding members, which allows it to manage assets of its customers in an objective and sincere manner. Dynasty AM S.A. offers institutional, private and Family Office clients a range of UCITS invested in classic and convertible bonds. Our interests are directly associated with those of our clients and our investment policy is the result of team working and a continuous exchange of ideas.

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.

This policy was drafted by a working group within Dynasty AM (composed of Philippe HALB, Eric BOZZETTO, Laurent PLUCHARD, Henri RAYOT and Simon ROGER), based on the PRI guideline (Principles for Responsible Investment) which is entitled "Investment policy: processes and practices".

This policy was approved by the board of directors of Dynasty AM on March 9, 2020 and will be reviewed at least once a year.



2. Definitions

ESG (Environment, Social and Governance) (Novethic):

- **Environmental** criterion takes into account: waste management, reduction of greenhouse gas emissions and prevention of environmental risks.
- **Social** criterion takes into account: accident prevention, staff training, respect for employee rights, supply chain and social dialogue.
- **Governance** criterion verifies: independence of the executive board, management structure and presence of an audit committee.

Integration of ESG criteria (Novethic): ESG integration consists in taking into account in traditional management (also called "mainstream") some key environmental, social or governance criteria (ESG) and making them available to all investment management teams to promote ESG's consideration directly at the heart of financial analysis criteria and in portfolios' construction.

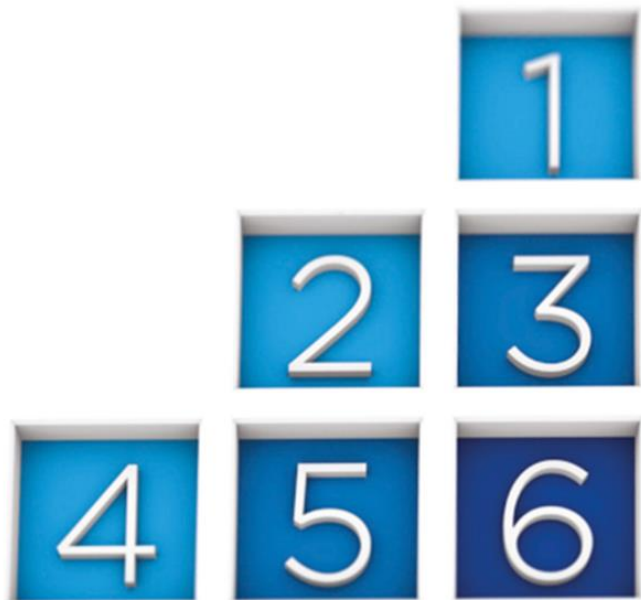
Vigeo Eiris is an international extra-financial rating agency founded in 2002, the company « *assesses the level of integration by organizations of social, environmental and governance factors into their strategy, operations and managerial functions. Within focus, promotion of economic performance and responsible investment, sources of sustainable value creation.* »
Vigeo Eiris



PRI (Principles for Responsible Investment): Initiated already since 2005 by Kofi Annan under the aegis of the UN, PRI are a voluntary initiative to apply the six following principles:

1. Take ESG issues into account in the investment analysis and decision-making processes.
2. Be active investors and take ESG issues into account in shareholder policies and practices.
3. Ask the entities in which we invest to publish appropriate information on ESG issues.
4. Encourage the acceptance and application of the Principles to those involved in asset management.
5. Work together to increase effectiveness in applying the Principles.
6. Report individually on activities and progress in implementing the Principles.

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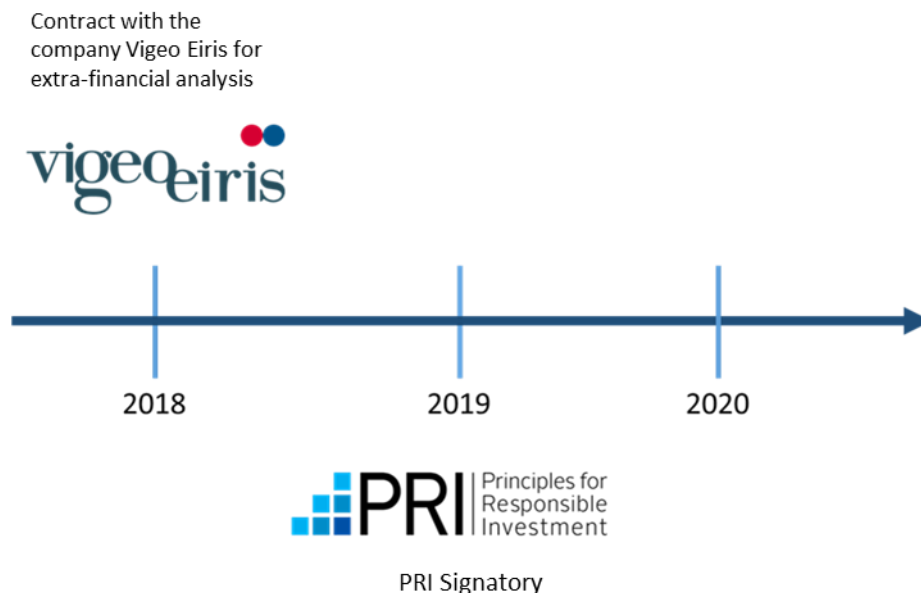


3. ESG policy objectives and scope

For several years, Dynasty AM S.A. has been concerned with challenges linked to extra-financial criteria integration, it has been 2 years since we set ourselves objectives to concretize our vision and our commitments. We have therefore made several important steps.

First in 2018, we initiated our contract with Vigeo Eiris, the globally recognized company for extra-financial analysis.

In a second step, we set up the ESG rating of our portfolios using our partner's tools (see example in Appendix, Figure 1: ESG rating of Quilvest Credit SUB fund (December 31, 2019)). This contract with Vigeo Eiris covers the largest European companies listed on financial markets, but also a large number of non-European companies. 2019 was the year of the signing of the PRI, once again concretizing our commitments.



Finally in 2020, Dynasty AM S.A's ESG wrote its first ESG policy applying to each of our UCITS funds under Luxembourg and French law, which represents around 70% of the assets managed by the company (as of December 31, 2019). All funds in question are available on our website at the following address: <http://www.dynasty-am.lu/funds/>. The next step will be the first annual report issuance.



4. Dynasty AM Goals

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

- **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

5. How to achieve these goals ?

To achieve our objectives, we notably rely on data from Vigeo Eiris, which allows us to cover a whole range of European and non-European companies. We have therefore access to a complete report detailing companies rating. In addition, all of the covered portfolios are updated monthly on the Vigeo Eiris extranet, which allows us to have a detailed and global view of these portfolios.

Regarding the awareness and training of Dynasty AM S.A employees, an ESG report is sent monthly to email addresses. This ESG report includes a summary sheet on each portfolio (see example in the Appendix, Figure 1: ESG rating of Quilvest Credit SUB fund as of December 31, 2019). We also send the rating of all of the covered companies present in our portfolios, with a clarification on the variation of this rating. A “Top 10” and “Bottom 10” is also produced (see Appendix, Figure 2: Top 10 of the variations of the ESG rating on 12/31/2019 and Figure 3: Bottom 10 of ESG rating variations on 12/31/2019).

As all of these reports are therefore available to our sales force, our sales team can communicate directly and transparently our ESG data on request from our customers.

We communicate on our progress to higher authorities, during monthly committee of managers reviewing investments.



6. 2020 – 2021 Target

Dynasty AM S.A keeps an eye on the future, we want to have a real vision, a real progression approach, our objectives for the next 2 years will therefore revolve around 3 axes:

		Target Year
1	1.Drafting of PRI annual report	Year 1
2	1.Increase coverage rate of our portofolios	Year 1
3	1.Establishment of an ESG investment committee	Year 2



Appendices

Evaluation: January 2020

QAM_SUB

Portfolio Coverage
Issuers : 77.8% (28/36) - Market Capitalization : 82.4%

Client mode : **ESG Mode** Current matrix : **None**

Overall ESG Score	Robust (55/100)
Average Carbon Footprint*	—
Energy Transition Strategy	—

Overall ESG Score

	ESG Mode score			Vigeo score
	min	max	average	average
Overall Score	35	72	55	55
Environment	33	76	55	
Social	31	76	56	
Governance	25	68	52	

ESG Mode score : Corporate performance Breakdown (% Investment)

Overall Score	<div><div></div><div></div><div></div></div> <div>332343</div>			
Environment	<div><div></div><div></div><div></div></div> <div>342541</div>			
Social	<div><div></div><div></div><div></div></div> <div>352045</div>			
Governance	<div><div></div><div></div><div></div><div></div></div> <div>2245123</div>			

Weak
(Score of 0-32)

Limited
(Score of 30-48)Robust
(Score of 50-58)Advanced
(Score of 60-100)

Performance Breakdown per Topic

Energy Transition Strategy Breakdown (% Investment)	
A Issuers with a Moderate Carbon Footprint (xx,xx %) B Issuers with a Significant Carbon Footprint (xx,xx %) C Issuers with a High Carbon Footprint (xx,xx %) D Issuers with a Intense Carbon Footprint (xx,xx %)	To access to the research "Carbon footprint and Energy Transition", please contact your Relationship Manager.

■ Weak (-)
 ■ Limited (-)
 ■ Robust (+)
 ■ Advanced (++)

Controversies Breakdown (% Investment)	
Controversies Risk Mitigation	20 44 29 6 2
Severity	20 23 45 9 3
Responsiveness	20 9 66 6
Frequency	20 11 33 20 16

■ Weak
 ■ Limited
 ■ Robust
 ■ Advanced

■ Critical
 ■ High
 ■ Significant
 ■ Minor

■ Non Communicative
 ■ Reactive
 ■ Remedative
 ■ Proactive

■ Persistent
 ■ Frequent
 ■ Occasional
 ■ Isolated

* None : Company without controversies

Controversial Activities Breakdown (% Investment)

Alcohol	xx
Animal welfare	xx
Chemicals of concern	xx
Gambling	xx
Genetic engineering	xx
High interest rate lending	xx
Nuclear power	xx
Pornography	xx
Reproductive medicine	xx
Tobacco	xx
Fossil Fuels Industry	xx
Coal	xx
Tar sands and oil shale	xx
Civilian firearms	xx
Military	xx

■ Major Involvement
 ■ Minor Involvement
 ■ No Involvement

Major Issuers

Issuer	Weight in Portfolio	Global Score	Carbon Footprint	Energy Transition Strategy	Controversies Risk Mitigation
Electricite de France FR0010242511	5.96 %		—	—	Weak
Arroundown LU1673108939	5.20 %		—	—	None
Volkswagen DE0007664039	4.93 %		—	—	Weak
Total FR0000120271	4.52 %		—	—	Weak
Engie FR0010209488	4.39 %		—	—	Weak

Figure 1: ESG rating of the Quilvest Credit SUB fund as of December 31, 2019



Top 10 Variations			
Companies	Produced	Score N /100	Top 10 Variation vs N-1
Rémy Cointreau	02/12/2019	47	+3
Sanofi	03/12/2019	57	+2
Intesa Sanpaolo	01/12/2019	60	+2
Carrefour	01/12/2019	68	+1
Peugeot	01/11/2019	70	0
Eiffage	01/09/2019	47	
STMicroelectronics	01/02/2018	58	0
Alstom	01/07/2019	42	0
LVMH Moët Hennessy Louis Vuitton	01/08/2019	53	0
AMS	01/02/2018	33	0

Figure 2: Top 10 variations of the ESG rating as of 12/31/2019

Bottom 10 Variations			
Companies	Produced	Score N / 100	Bottom 10 Variation vs N-1
Merck	02/12/2019	51	-3
KPN	02/09/2019	58	0
LafargeHolcim	01/11/2019	42	0
Accor	01/11/2019	65	0
LANXESS	01/10/2019	55	0
Air France-KLM	01/05/2018	61	0
Linde	01/10/2019	52	0
AMS	01/02/2018	33	0
Lloyds Banking Group	02/11/2019	54	0
Aroundtown	01/05/2019	42	0

Figure 3: Bottom 10 of ESG rating variations as of 12/31/2019

