

DYNASTY AM  
ESG Report  
31<sup>st</sup> October 2022

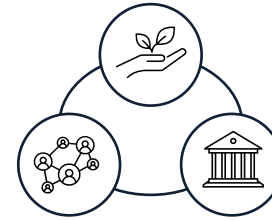


DYNASTY CREDIT SUB



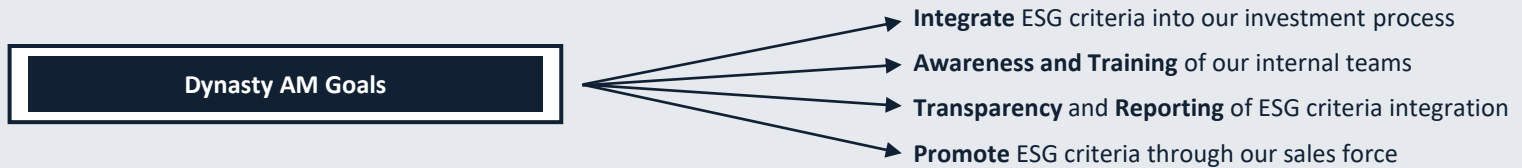


# ESG Policy



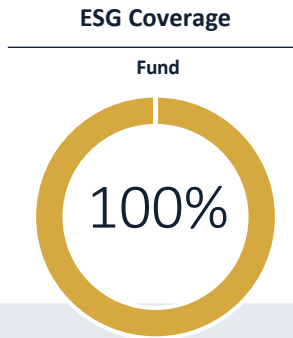
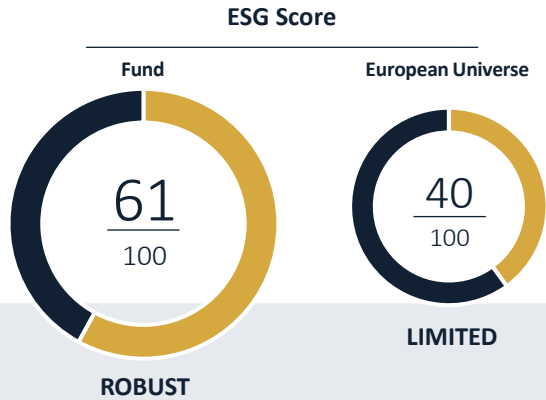
Dynasty AM S.A.'s **ESG (Environment, Social and Governance)** philosophy is based on the principle that there is a positive correlation between taking into account extra-financial criteria and generation of added value. We therefore aim to obtain the best long-term risk- return ratio for our clients,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

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





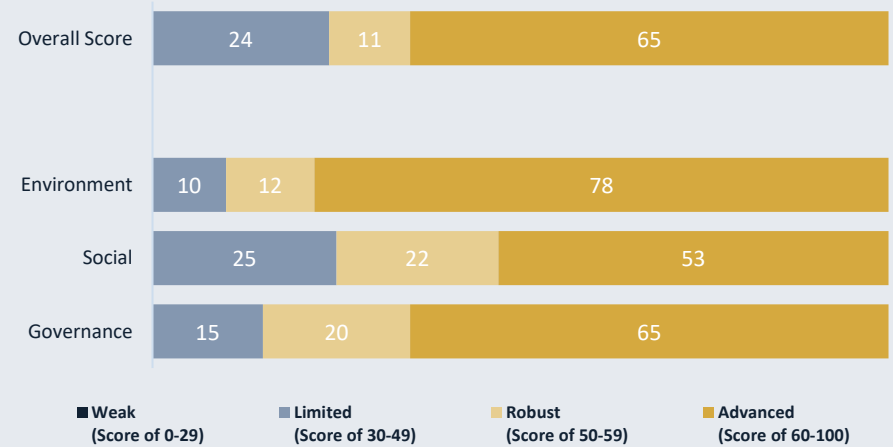
## DYNASTY CREDIT SUB



### Overall and Domain Scores

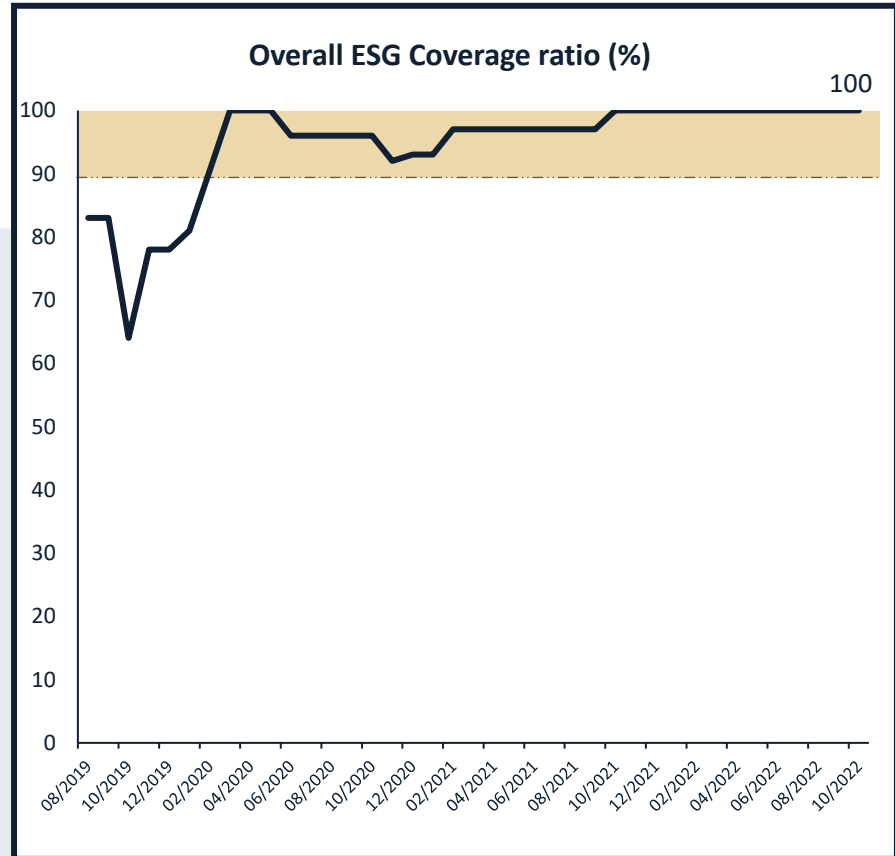
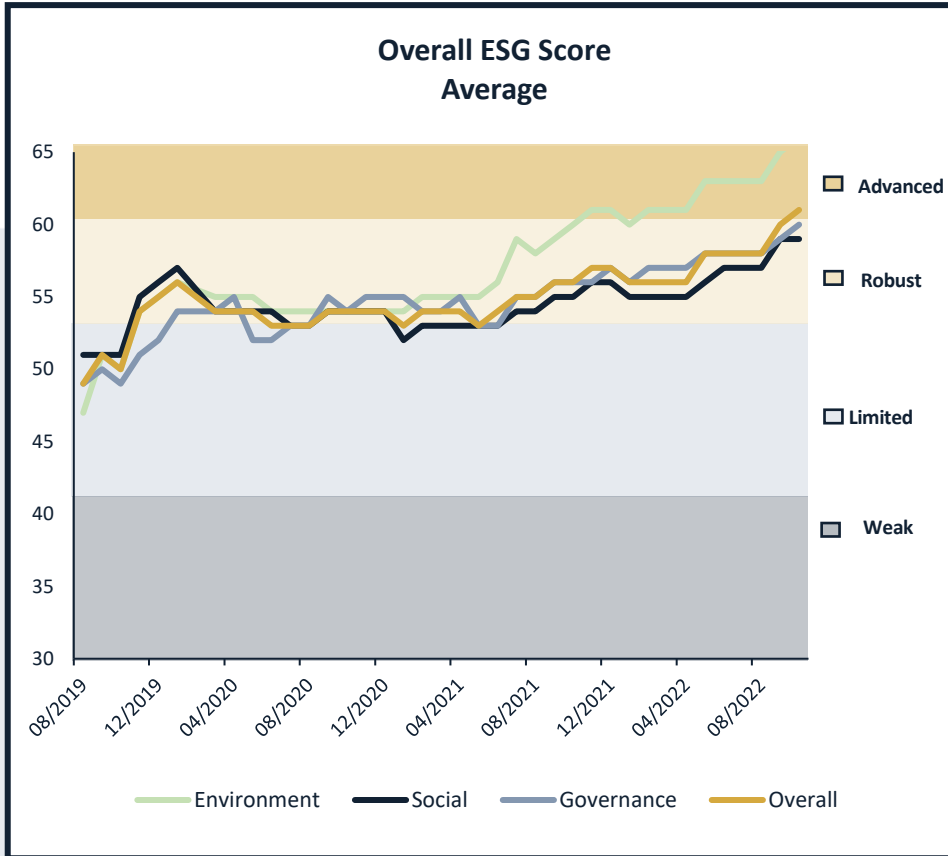
	Average
Overall	61
Environment	66
Social	59
Governance	60

### ESG Score Breakdown (% investment)





**DYNASTY CREDIT SUB**





## DYNASTY CREDIT SUB

### 5 highest rated ESG positions

Rank	Holding Name	Portfolio Weight	Sector (GICS)	Rating
1	La Poste 5.3% 2043 (Call 2023)	4.3%	Industrial	Advanced
2	Danone 1% Perp (call 2026)	0.9%	Consumer, Cyclical	Advanced
3	Casino 4.87% Perp (call 2024)	1.1%	Consumer, Non-cyclical	Advanced
4	EDF 2.875% Perp (call 2026)	4.9%	Utilities	Advanced
5	Eni Spa 2.625% Perp (call 2025)	5.8%	Energy	Advanced

### 5 lowest rated ESG positions

Rank	Holding Name	Portfolio Weight	Sector (GICS)	Rating
1	Abertis 3.248% Perp	4.5%	Industrial	Limited
2	Aroundtown 1.625% Perp (call 2026)	4.1%	Real Estate	Limited
3	Bertelsmann 4.6% 2075 (call 2027)	3.7%	Communications	Limited
4	Gazprom PJSC 3.897% Perp (Call 2025)	1.2%	Energy	Limited
5	AT&T 2.875% Perp (Call 2025)	4.8%	Communications	Limited



**DYNASTY CREDIT SUB**

**5 largest positions**

Rank	Holding Name	Portfolio Weight	Sector (GICS)	Rating
1	Eni Spa 2.625% Perp (call 2025)	5.8%	Energie	Advanced
2	Unibail 2.875% Perp (call 2026)	5.7%	Real Estate	Advanced
3	Eurofins Scientific 3.25% Perp (call 2025)	5.6%	Consumer, Non-cyclical	Robust
4	Infineon 2.88% Perp (Call 2025)	5.0%	Technology	Advanced
5	EDF 2.88% (Call 2026)	4.9%	Utilities	Advanced



**DYNASTY CREDIT SUB**

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		

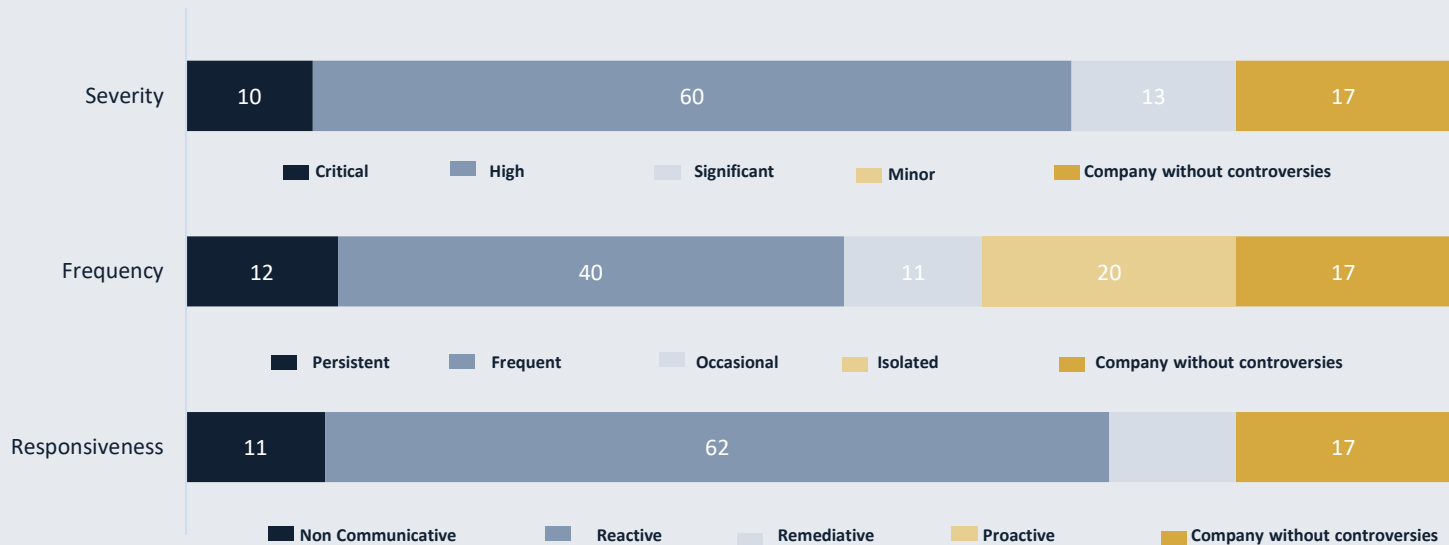


## DYNASTY CREDIT SUB

### 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 CREDIT SUB

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.

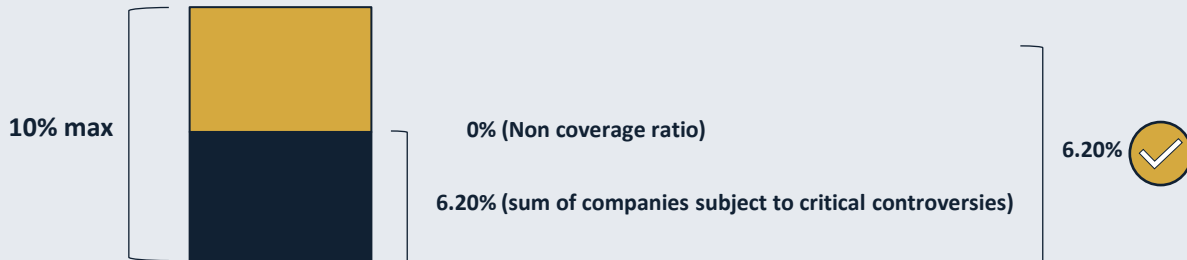
These domains are :

- (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
Solvay Finance 5.425% Perp (Call 2023)	1.1%	Basic materials	5
Renault Float Perp (call 2024)	2.0%	Consumer cyclical	5
Volkswagen 3.375% Perp (call 2027)	3.1%	Consumer cyclical	1 - 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 CREDIT SUB**

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**

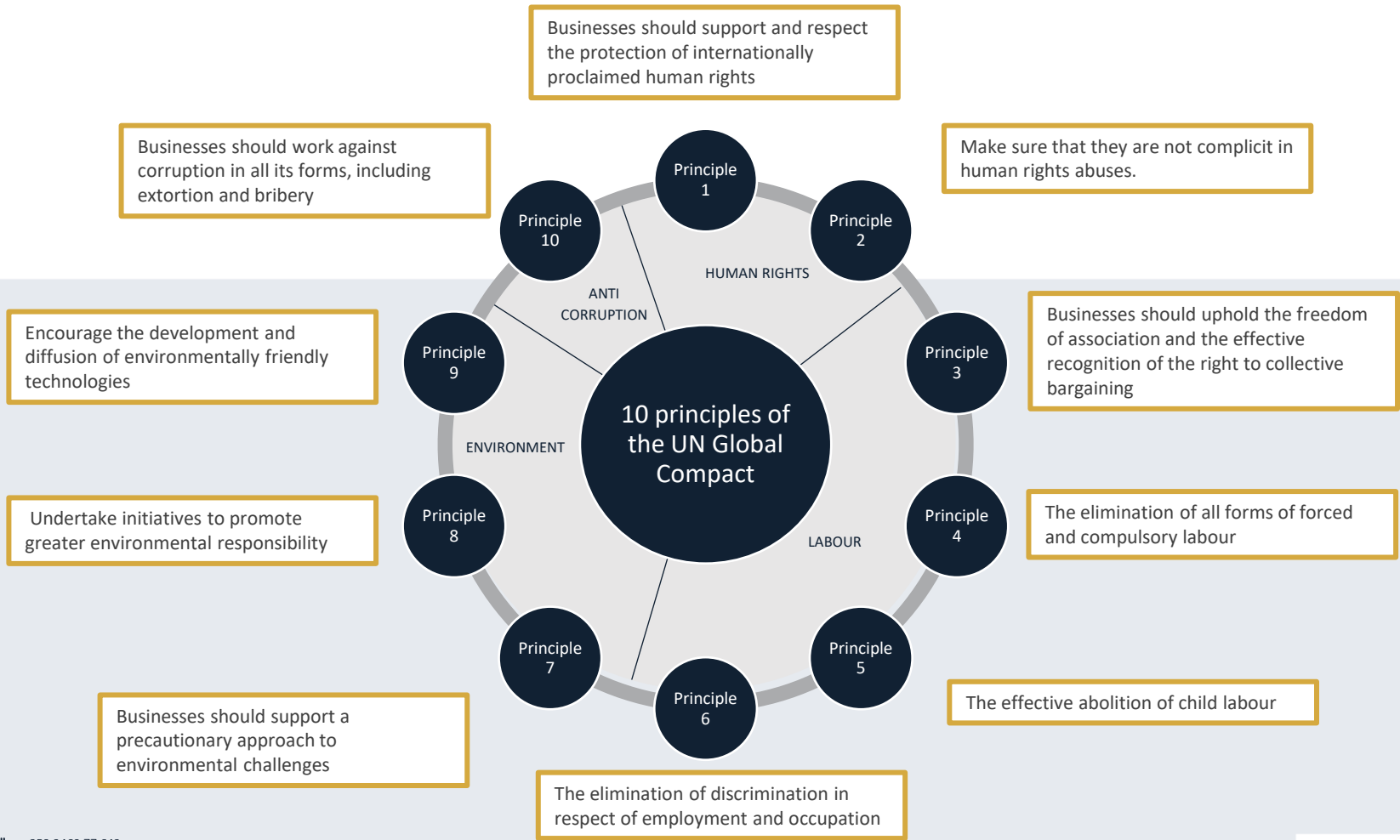
Holding Name	ISIN	Portfolio Weight
None in portfolio		

**Nuclear Weapons**

Holding Name	ISIN	Portfolio Weight
None in portfolio		



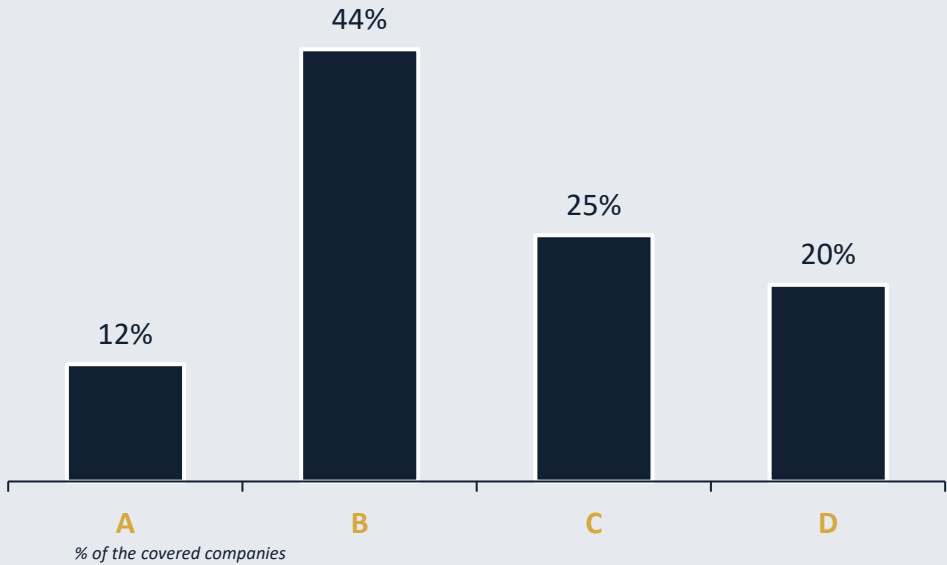
**DYNASTY CREDIT SUB**





**DYNASTY CREDIT SUB**

**Carbon Footprint (of investments)**

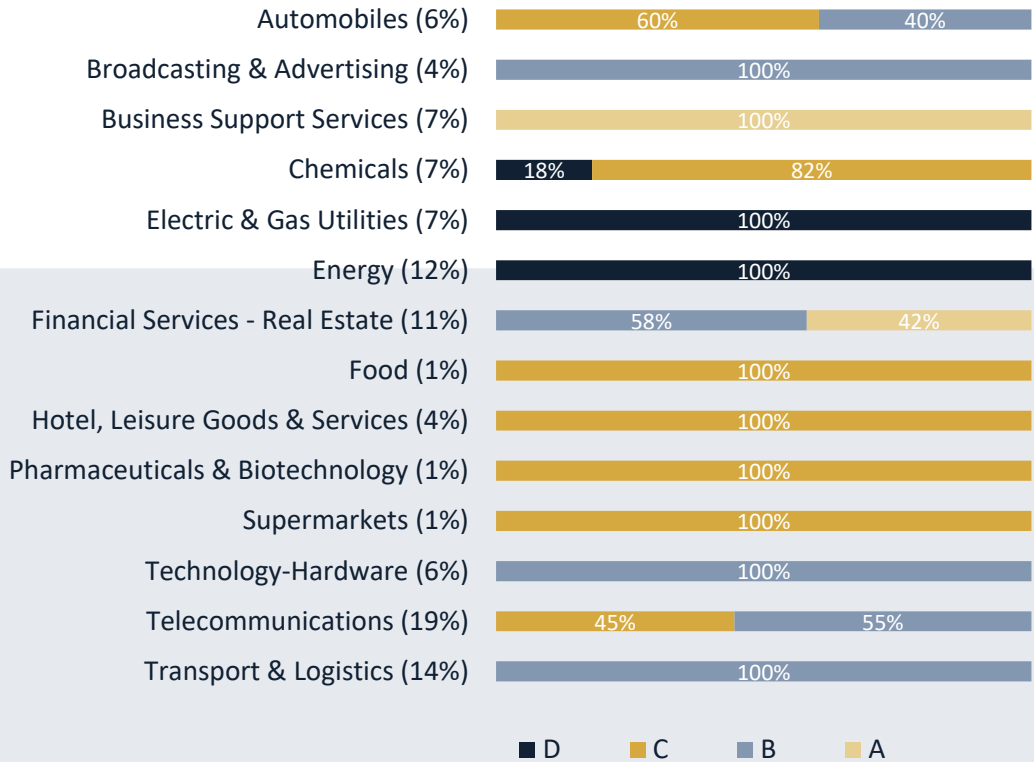


Scale	Emissions (T CO2 Equivalent)*	Categories
A	<100 000	Moderate
B	>= 100 000 and <1 000 000	Significant
C	>= 1 000 000 and <10 000 000	High
D	>= 10 000 000	Intense

\* Scope 1 & 2



## DYNASTY CREDIT SUB



### 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



## DYNASTY CREDIT SUB

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.

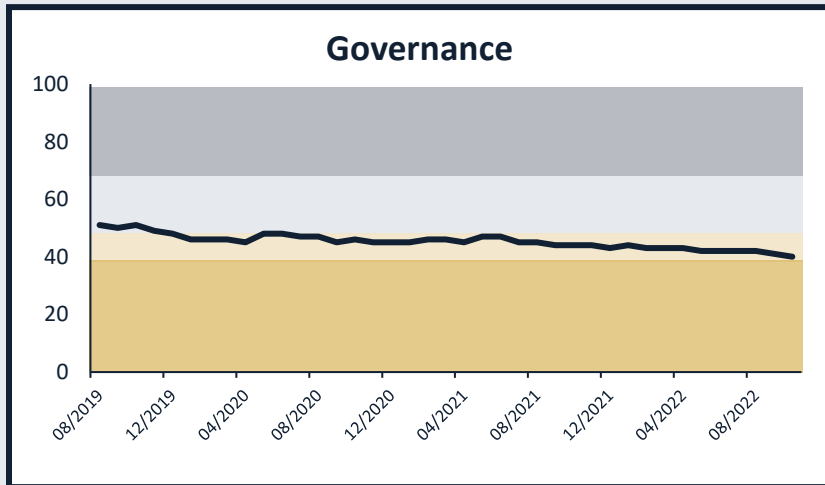
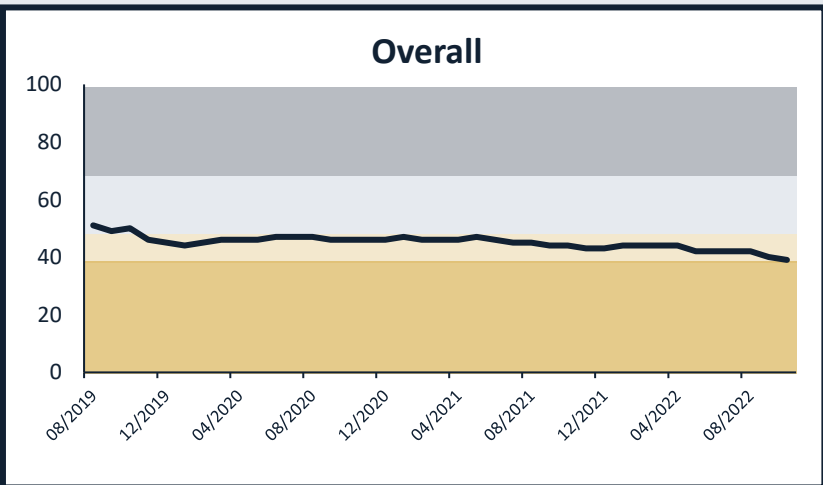
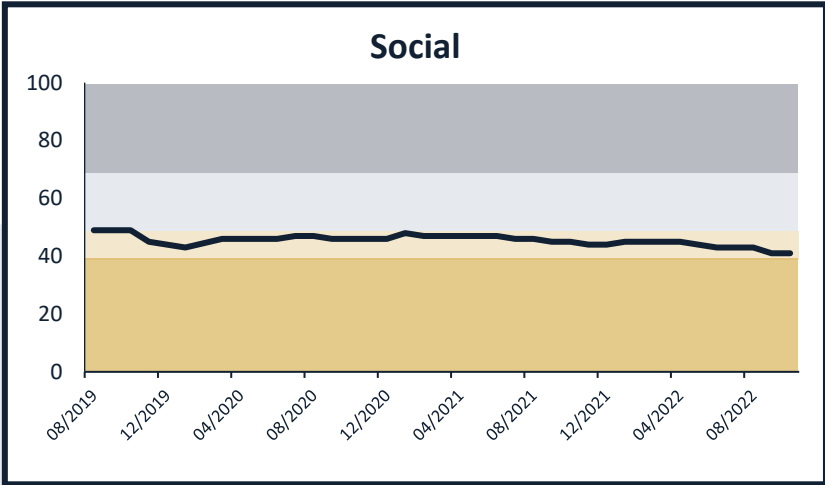
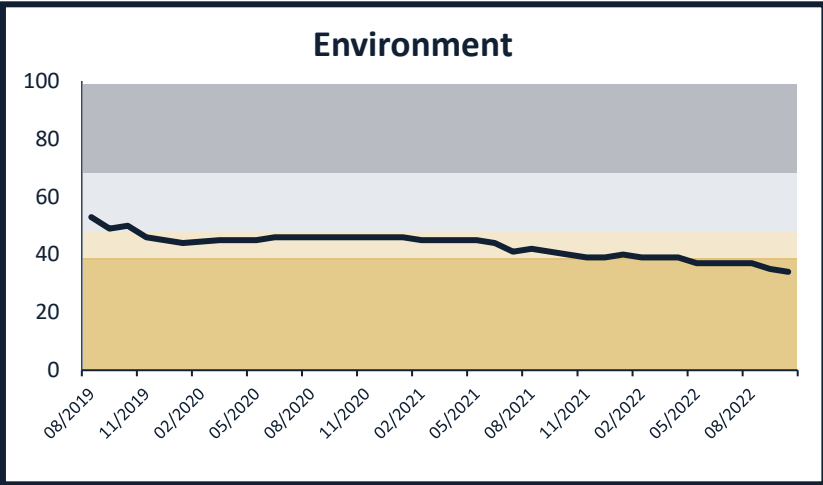
If this engagement does not lead to the desired change in a period of **2 years** from the **start** of this engagement, the company will join our **Global Compact Exclusion List**.

Holding Name	Portfolio Weight	UN Global Compact principle	Dynasty AM Status	Start of engagement	Time remaining below 2 years ?
TotalEnergies 2.625% Perp (call 2025)	2.5%	Principle No. 10	Not Active		
TotalEnergies 3.369% Perp (call 2026)	1.0%	Principle No. 10	Not Active		
Volkswagen 3.375% Perp ( call 2027)	3.1%	Principles No. 9, 10	Not active		
Renault Float 1.25% Perp (call 2022)	2.0%	Principles No. 9, 10	Not Active		



**DYNASTY CREDIT SUB**

**ESG RISKS**



- Advanced
- Robust
- Limited
- Weak



**DYNASTY CREDIT SUB**

**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



**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 CREDIT SUB

### 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 ?
TotalEnergies 2.625% Perp (call 2025)	2.5%	Principle No. 10	Not Active		
TotalEnergies 3.369% Perp (call 2026)	1.0%	Principle No. 10	Not Active		
Volkswagen 3.375% Perp (call 2027)	3.1%	Principles No. 9, 10	Not active		
Renault Float 1.25% Perp (call 2022)	2.0%	Principles No. 9, 10	Not Active		



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