

DYNASTY AM

ESG Report

30<sup>th</sup> November 2022

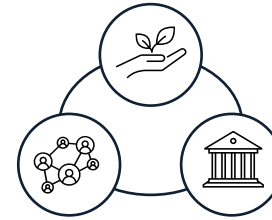


## DYNASTY CONVERTIBLES EUROPE



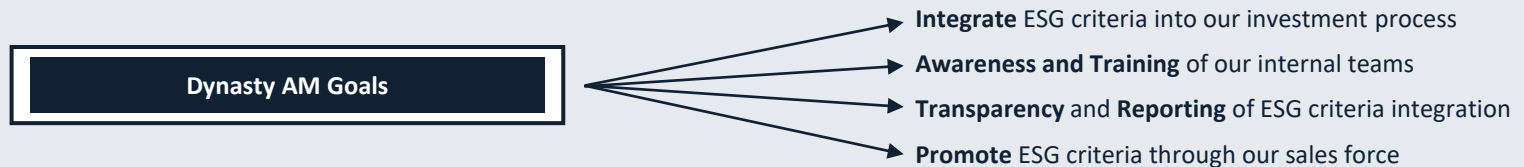


# ESG Policy



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.**

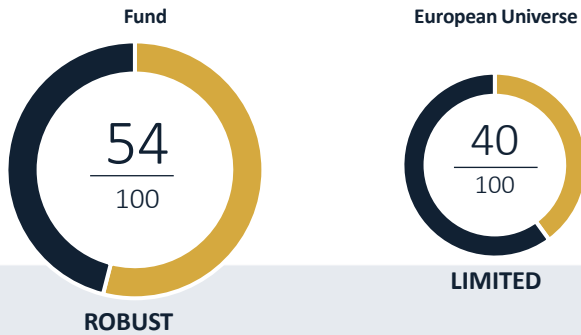
Objectives established by the working group were determined using the PRI Principles:



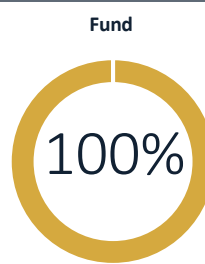


## DYNASTY CONVERTIBLES EUROPE

### ESG Score



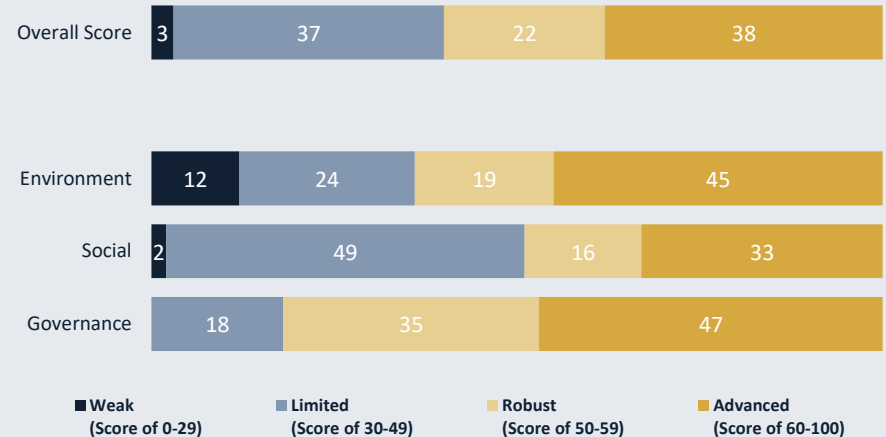
### ESG Coverage



### Overall and Domain Scores

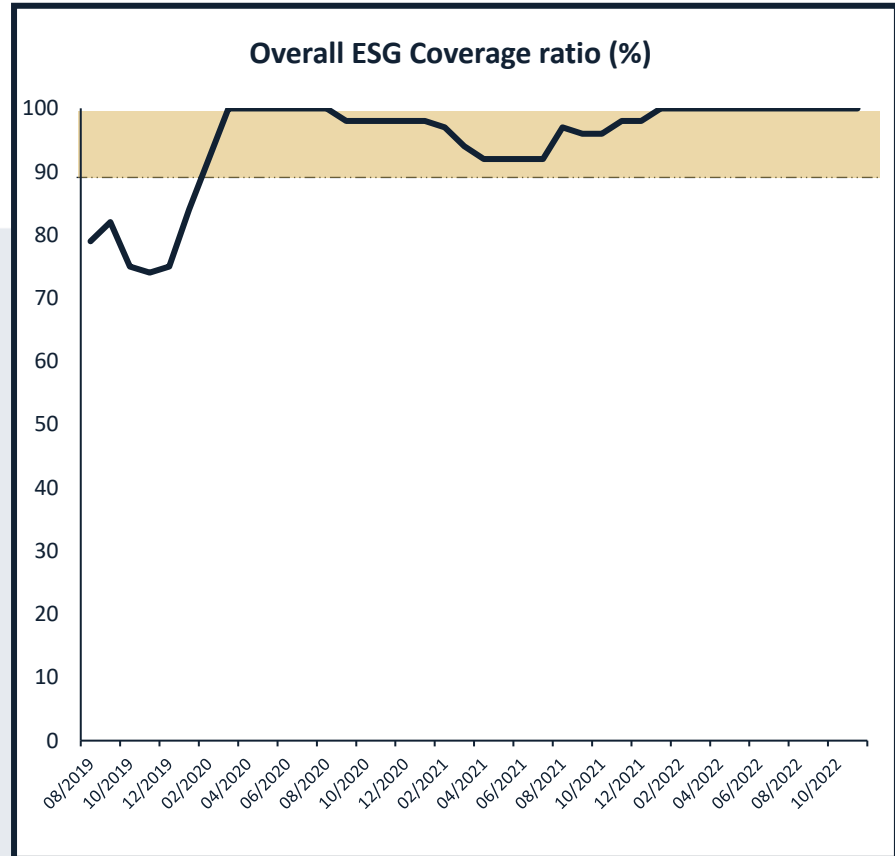
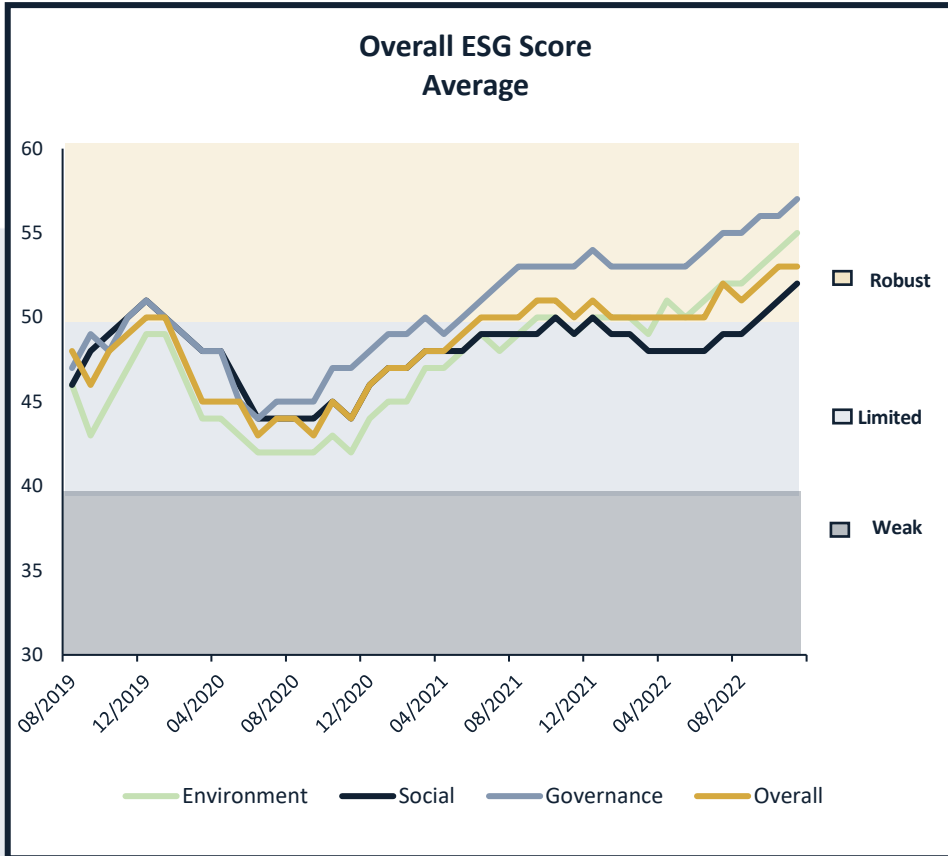
	Average
Overall	54
Environment	55
Social	52
Governance	57

### ESG Score Breakdown (% investment)





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## DYNASTY CONVERTIBLES EUROPE

### 5 highest rated ESG positions

Rank	Holding Name	Portfolio Weight	Sector (GICS)	Rating
1	Schneider Electric 0% 2026	4.2%	Industrial	Advanced
2	Artemis / Kering 0% 2023	6.3%	Consumer, Cyclical	Advanced
3	GBL / Holcim 0% 2022	1.9%	Industrial	Advanced
4	LVMH / JP Morgan 0% 2024	2.8%	Consumer, Cyclical	Advanced
5	Pirelli 0% 2025	3.1%	Consumer, Cyclical	Advanced

### 5 lowest rated ESG positions

Rank	Holding Name	Portfolio Weight	Sector (GICS)	Rating
1	Voyageurs du Monde 3% 2028	1.1%	Consumer, Cyclical	Weak
2	Idorsia 2.125% 2028	1.8%	Consumer, Non-cyclical	Weak
3	Damm / Ebro Foods 1% 2023	0.6%	Consumer, Non-cyclical	Limited
4	Sika AG 0.150% 2025	6.1%	Industrial	Limited
5	Mondelez / JDE Peet's 0% 2024	2.6%	Industrial	Limited



**DYNASTY CONVERTIBLES EUROPE**

**5 largest positions**

Rank	Holding Name	Portfolio Weight	Sector (GICS)	Rating
1	Artemis / Kering 0.000% 2023	6.3%	Consumer, Cyclical	Advanced
2	Sika 0,15%	6.1%	Industrial	Limited
3	Adidas 0.050% 2023	5.1%	Consumer, Cyclical	Robust
4	Schneider Electric 0% 2026	4.2%	Industrial	Advanced
5	STMicroelectronics 0% 2025	4.0%	Technology	Advanced



## 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		

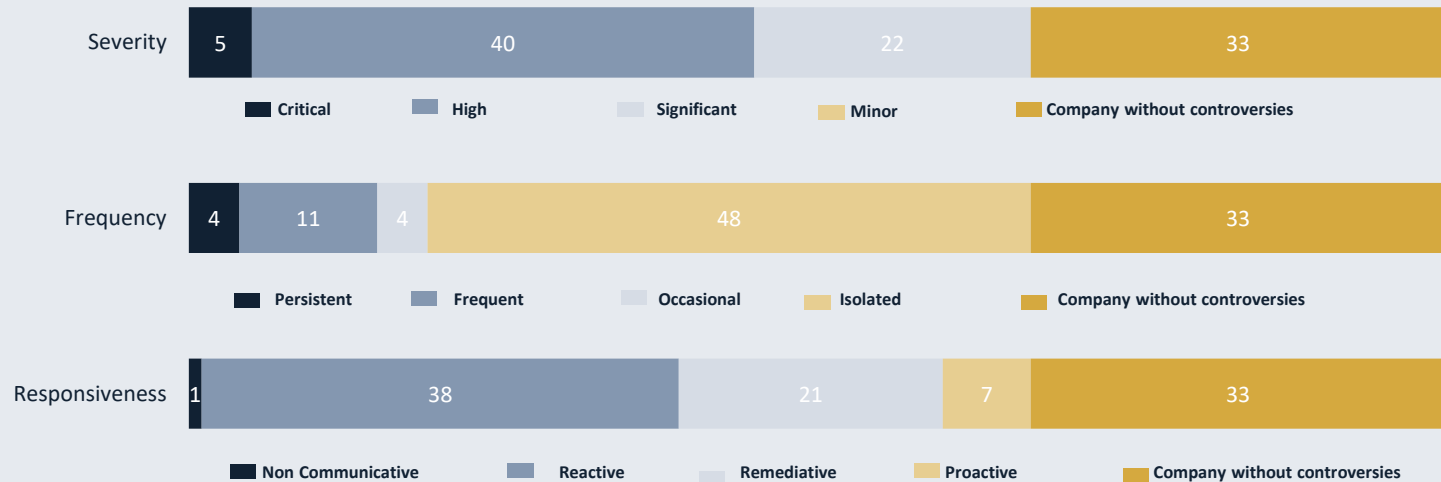


## DYNASTY CONVERTIBLES EUROPE

### 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.

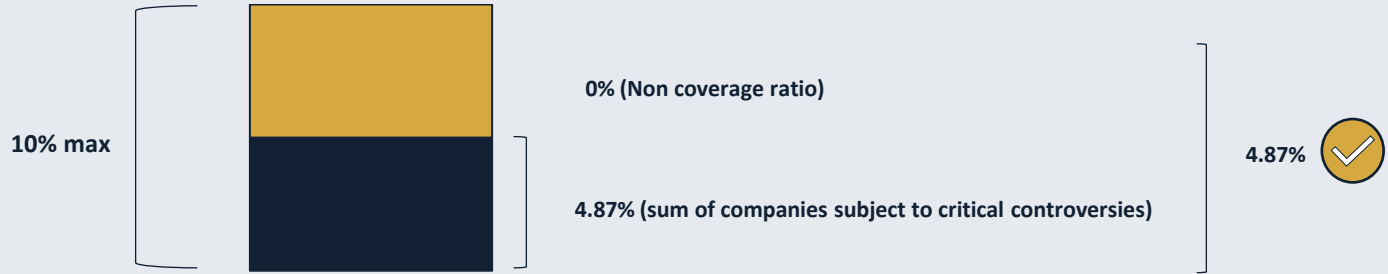
These domains are :

- (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
GBL / Holcim 0% 2022	1.9%	Industrial	4
Glencore 0% 2025	2.9%	Basic Materials	2 - 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

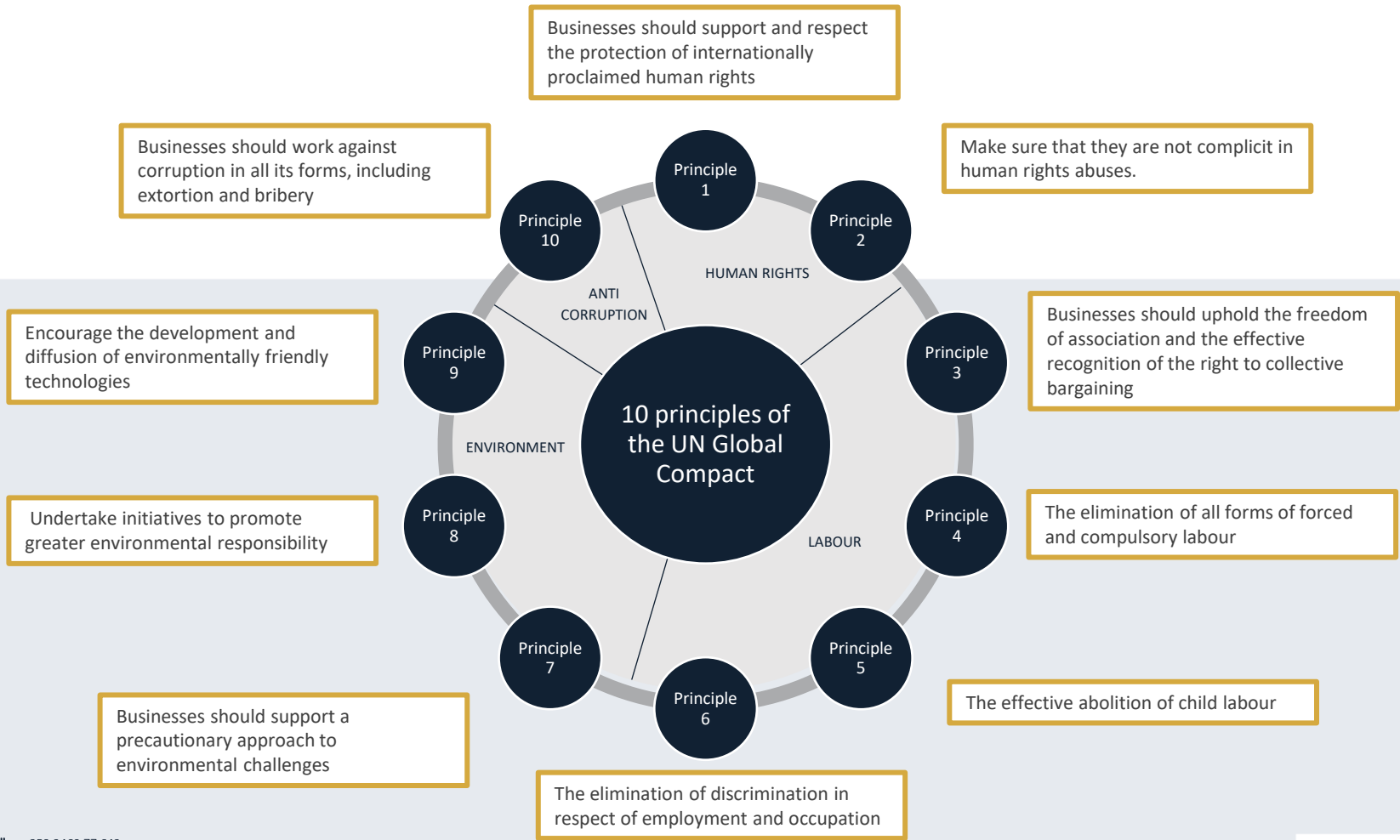
Holding Name	ISIN	Portfolio Weight
None in portfolio		

#### Nuclear Weapons

Holding Name	ISIN	Portfolio Weight
None in portfolio		



# DYNASTY CONVERTIBLES EUROPE





## DYNASTY CONVERTIBLES EUROPE

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.

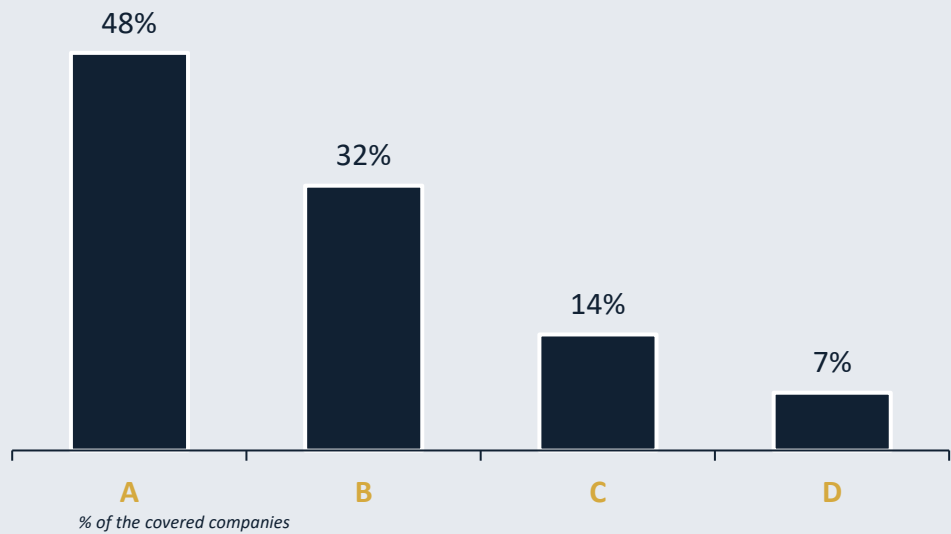
If this engagement does not lead to the desired change in a period of **2 years** from the **start** of this engagement, the company will join our **Global Compact Exclusion List**.

Holding Name	Portfolio Weight	UN Global Compact principle	Dynasty AM Status	Start of engagement	Time remaining below 2 years ?
GBL / Holcim 0% 2022	1.9%	Principles No. 1, 2, 10	Not Active		
Glencore 0% 2025	2.9%	Principles No. 1, 2	Ongoing Controversy	31/01/2022	Yes



**DYNASTY CONVERTIBLES EUROPE**

**Carbon Footprint (of investments)**

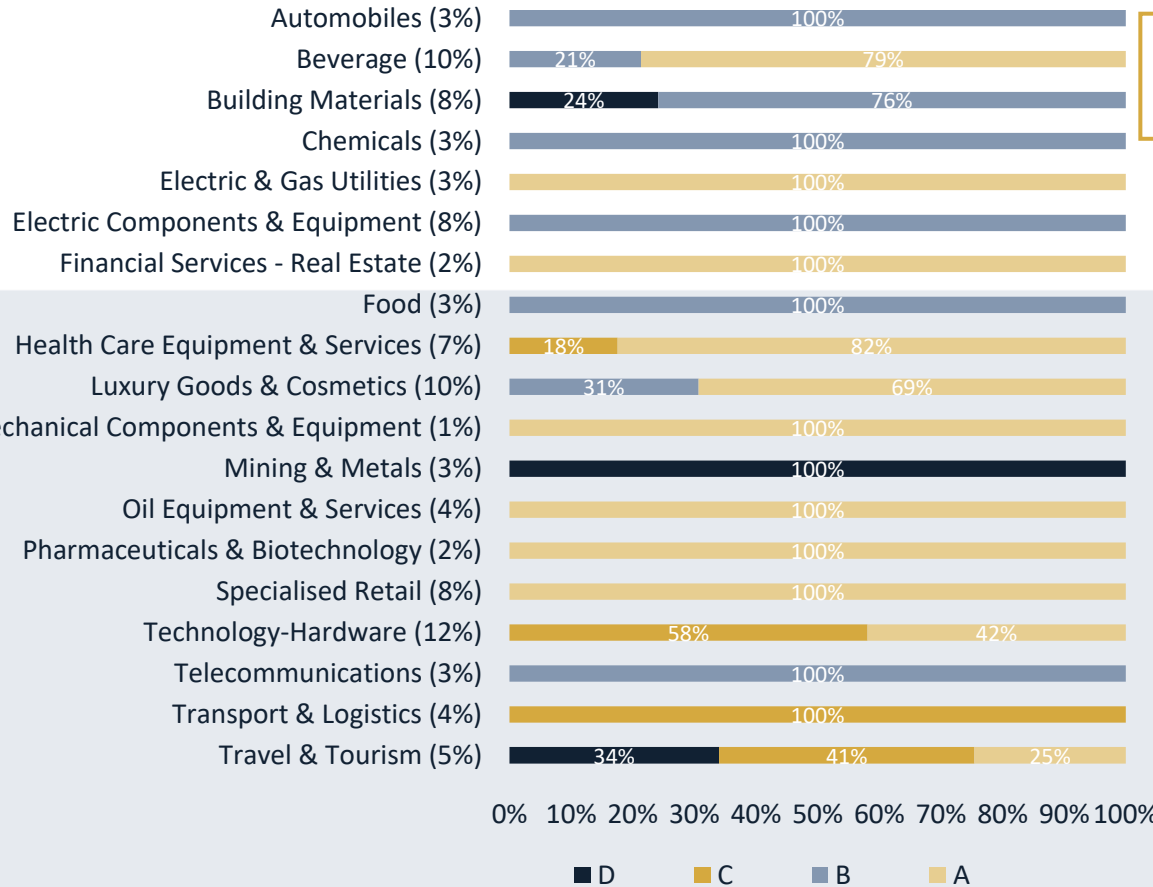


Scale	Emissions (T CO2 Equivalent)*	Categories
A	<100 000	Moderate
B	>= 100 000 and <1 000 000	Significant
C	>= 1 000 000 and <10 000 000	High
D	>= 10 000 000	Intense

\* Scope 1 & 2



## DYNASTY CONVERTIBLES EUROPE



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



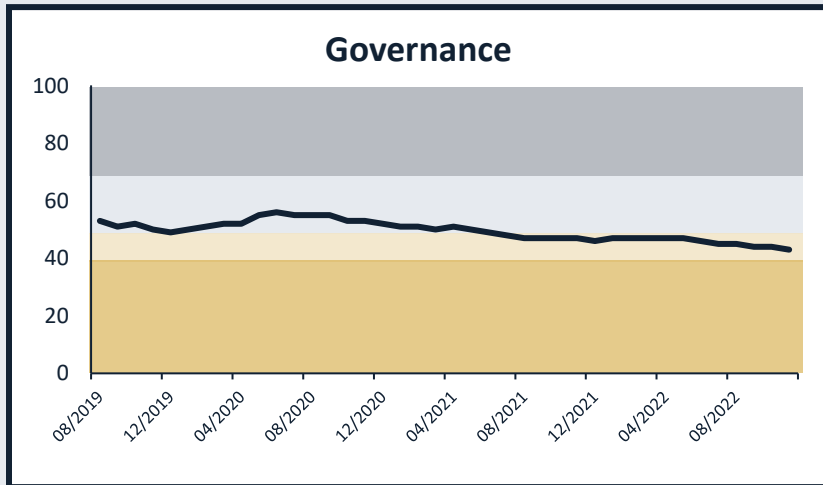
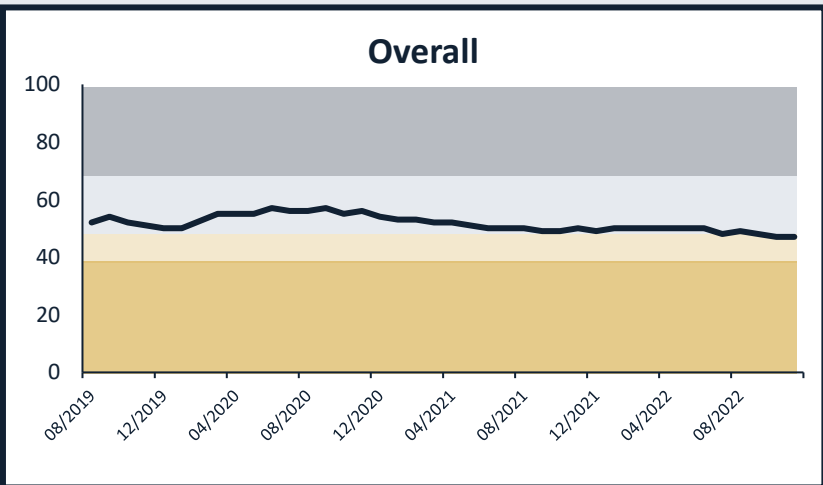
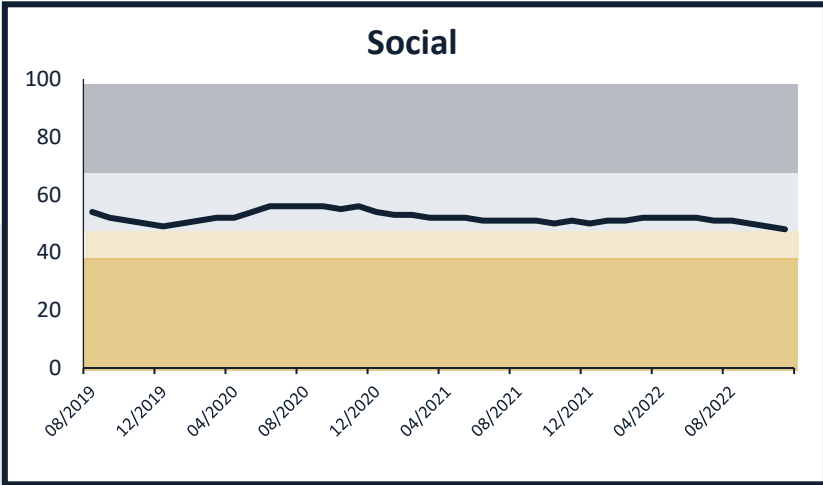
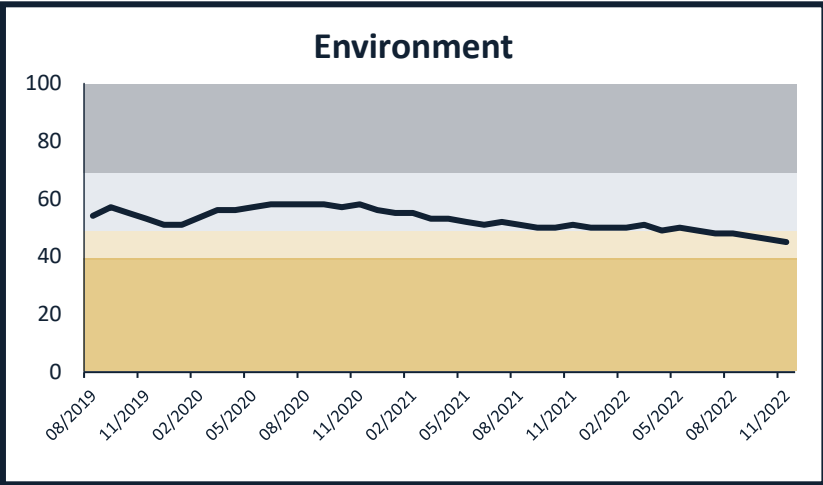
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\* Scope 1 & 2



# DYNASTY CONVERTIBLES EUROPE

## 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



**Controversial Behavior**

Holding Name	Portfolio Weight	UN Global Compact principle	Dynasty AM Status	Start of engagement	Time remaining below 2 years ?
GBL / Holcim 0% 2022	1.9%	Principles No. 1, 2, 10	Not Active		
Glencore 0% 2025	2.9%	Principles No. 1, 2	Ongoing Controversy	31/01/2022	Yes



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# Get in touch

## /Sales contact

**DYNASTY AM S.A.**  
16, Avenue Marie-Thérèse  
L-2132 Luxembourg  
**Tel. : +352 24 69 77**

**Laurent PLUCHARD**  
Partner - Head of Development  
Tel: +352 2469 77 642  
Mobile: +352 621 380 785  
[laurent.pluchard@dynasty-am.lu](mailto:laurent.pluchard@dynasty-am.lu)

**Henri RAYOT**  
Sales [Europe]  
Tel: +352 2469 77 644  
Mobile: +352 621 379 155  
[henri.rayot@dynasty-am.lu](mailto:henri.rayot@dynasty-am.lu)





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