



# Statement on Principal Adverse Impacts of Investment Decisions on Sustainability Factors

30 June 2023

## Principal adverse sustainability impacts statement

**Financial market participant:** Dynasty AM S.A. (529900D8CPEE0VLAMW38)

### Summary

Dynasty AM S.A. (Legal Entity Identifier 529900D8CPEE0VLAMW38) considers principal adverse impacts of its investment decisions on sustainability factors. The present statement is the consolidated statement on principal adverse impacts on sustainability factors of Dynasty Credit Sub “DCS” (529900MD440JNDNGHW24), Dynasty Convertibles Europe “DCE” (5299000CM8994GTAQS27) and Dynasty Global Convertibles “DGC” (5299001DRNEM1HI5ID27).

This statement on principal adverse impacts on sustainability factors covers the reference period from 1 January to 31 December 2022. Starting from 30 June 2023, we will annually publish on our website a Principal Adverse Impact (PAI) statement. This statement will include impact data for each principal impact indicator we have selected to assess.

At the entity level, we assess the overall negative impact on sustainability factors resulting from our funds' investments. We consider the mandatory principal adverse impact indicators applicable to investments in investee companies. Dynasty AM's responsible investment expertise aligns completely with its ESG policy and considers the primary adverse impacts of investment decisions as outlined in this document.

### Description of principal adverse sustainability impacts

Principal adverse impacts are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters. We have chosen the same voluntary PAI indicators for all of our sub-funds to establish a consistent approach to addressing principal adverse impacts.

The SFDR mandates certain indicators, outlined in Table 1, to consider adverse impacts on key sustainability factors. We provide details on actions taken and planned, along with targets set, to avoid or mitigate these impacts for each indicator. This information covers the period from January 1 to December 31 of the previous year. A comparison of the impact to the previous year will be reported by June 30, 2024, and annually thereafter.

Indicators applicable to investments in investee companies (Table 1)			
Adverse sustainability indicator	Metric	Impact 2022 (year n)	Explanation, action planned, and targets set for the next reference period
<b>CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS</b>			
Greenhouse gas emissions	1. GHG emissions	Scope 1 GHG emissions (expressed in tonnes of CO2 equivalent)	<p><b>General Approach</b></p> <p>Regulation (EU) 2019/2088 on sustainability-related disclosures “SFDR”, sets out 18 mandatory indicators relating to principal adverse impacts of investment decisions on sustainability factors which Dynasty AM considers in its investment process and report against.</p> <p>Dynasty AM is aware that its fund investments are vulnerable to a sustainability risk, which might severely impact the fund’s value. As a result, portfolio managers identify and assess sustainability risks as part of their investment policies and decisions.</p> <p>With this objective in mind, Dynasty AM has developed an exclusive approach to ESG analysis, bolstered by external ESG and climate data sources.</p>
		Scope 2 GHG emissions (expressed in tonnes of CO2 equivalent)	
		Scope 3 GHG emissions (expressed in tonnes of CO2 equivalent)	
		DCS: 1,287.84 MT CO2-eq/EVIC DCE: 857.30 MT CO2-eq/EVIC DGC: 7,587.65 MT CO2-eq/EVIC	
		DCS: 255.66 MT CO2-eq/EVIC DCE: 166.50 MT CO2-eq/EVIC DGC: 2,202.25 MT CO2-eq/EVIC	
		DCS: 7,145.44 MT CO2-eq/EVIC DCE: 18,869.48 MT CO2-eq/EVIC DGC: 183,310.04 MT CO2-eq/EVIC	

		Total GHG emissions (expressed in tonnes of CO2 equivalent)	DCS: 8,688.95 MT CO2-eq/EVIC DCE: 19,807.70 MT CO2-eq/EVIC DGC: 192,522.47 MT CO2-eq/EVIC	<p>These analyses and data are accessible to all employees of the management company.</p> <p>Our philosophy is based on the principle that there is a positive correlation between considering extra-financial criteria and the generation of added value. Our objective is to achieve the optimal long-term risk-return ratio for our clients. To accomplish this, we integrate ESG criteria into our financial analysis and investment process.</p> <p>Dynasty AM systematically incorporates ESG factors in its financial analysis and selects companies that possess an appropriate ESG profile. This enables us to construct portfolios with ESG ratings surpassing those of the investment universe or benchmark.</p> <p>To ensure ESG compliance of the portfolio, the management company's control functions play a crucial role.</p>
	2. Carbon footprint	TOTAL GHG emissions expressed as a ratio of all investments	DCS: 1,201.26 MT CO2-eq/EVIC DCE: 1,396.78 MT CO2-eq/EVIC DGC: 1,114.06 MT CO2-eq/EVIC	
	3. GHG intensity of investee companies	GHG intensity of investee companies (expressed as a ratio of investee company's revenue)	DCS: 1,067.65 MT CO2-eq/Sales DCE: 1,768.8 MT CO2-eq/Sales DGC: 1,314.61 MT CO2-eq/Sales	
	4. Exposure to companies active in the fossil fuel sector	Share of investments in companies active in the fossil fuel sector	DCS: 10.47 % (revenue %) DCE: 4.13 % (revenue %) DGC: 6.01 % (revenue %)	

	5. Share of non-renewable energy consumption and production	Share of non-renewable energy consumption and non-renewable energy production of investee companies from non-renewable energy sources compared to renewable energy sources (expressed as a percentage of total energy sources)	Consumption (non-renewable energy-consumption): DCS: 71.62% DCE: 55.95% DGC: 60.87%  Production (non-renewable energy production): DCS: 91.67% DCE: 68.82% DGC: 68.82%	<p>Dynasty AM largely relies on data provided by Moody's ESG Solutions (covers the largest European companies listed on financial markets, but also a large number of non-European companies).</p> <p>PAI indicators are provided by Bloomberg.</p> <p>Dynasty AM monitors each of the PAI for any Article 8 sub-fund for which Dynasty AM acts as AIFM or Management Company and will publish them annually on its website.</p> <p>Within our funds, we pledge also to consider the potential adverse impacts on biodiversity, water emission and hazardous waste generation in our investment decisions. Whenever feasible, we actively engage with companies identified as outliers in terms of biodiversity, seeking to address and mitigate concerns.</p>
	6. Energy consumption intensity per high impact climate sector	Energy consumption in GWh per million EUR of revenue of investee companies, per high impact climate sector	DCS: 642.46 MWh/Sales (M€) DCE: 190.30 MWh/Sales (M€) DGC: 224.42 MWh/Sales (M€)	
Biodiversity	7. Activities negatively affecting biodiversity- sensitive areas	Share of investments in investee companies with sites/operations located in or near to biodiversity-sensitive areas where activities of those investee companies negatively affect those areas	DCS: 12.37% DCE: 4.48% DGC: 1.53%	

Water	8. Emissions to water	Tonnes of emissions to water generated by investee companies per million EUR invested (expressed as a weighted average)	DCS: 56.94 tons/EUR M invested DCE: 0.19 tons /EUR M invested DGC: 29.60 tons/EUR M invested	Dynasty AM will consistently review the regulatory framework, along with the scope and applicable set of indicators for determining principal adverse impacts (PAIs). The objective is to continually expand and improve the incorporation of PAIs considering the investment strategy of the company.
Waste	9. Hazardous waste ratio	Tonnes of hazardous waste generated by investee companies per million EUR invested (expressed as a weighted average)	DCS: 285.39 tons/EUR M invested DCE: 12.01 tons/EUR M invested DGC: 26.28 tons/EUR M invested	

**SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS**

<p>Social and employee matters</p>	<p>10. Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises</p>	<p>Share of investments in investee companies that have been involved in violations of the UNGC principles or OECD Guidelines for Multinational Enterprises</p>	<p>DCS: 0.00% DCE: 0.00% DGC: 0.00%</p>	<p><b>General Approach</b></p> <p>Dynasty AM is adhering to the United Nations Global Compact principles. Dynasty AM excludes companies that deem as non-compliant with UN Global Compact's ten principles when investing. Our aim is that the investee companies that our funds invest in comply with these norms.</p> <p>This initiative seeks to improve the application of sustainable development principles, such as the incorporation of environmental, social, and governance (ESG) concerns into investment analysis and processes, as well as risk management and evaluation.</p> <p>The screening process ensures compliance with international norms and conventions, serving as the foundation for engaging with companies involved in any violations. The ultimate goal is to address and resolve any controversies (events that might but will not for sure have an adverse impact on the company's environmental, social or governance scores and reputation) or breaches of these conventions, striving for their</p>
	<p>11. Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises</p>	<p>Share of investments in investee companies without policies to monitor compliance with the UNGC principles or OECD Guidelines for Multinational Enterprises or grievance/complaints handling mechanisms to address violations of the UNGC principles or OECD Guidelines for Multinational Enterprises</p>	<p>DCS: 81.93% DCE: 82.75% DGC: 79.33%</p>	
	<p>12. Unadjusted gender pay gap</p>	<p>Average unadjusted gender pay gap between female and male employees of investee companies</p>	<p>DCS: 7.1% DCE: 5.5% DGC: 47.42%</p>	
	<p>13. Board gender diversity</p>	<p>Average ratio of female to male management and supervisory board members in investee companies (expressed as a percentage of all board members)</p>	<p>DCS: 40.97% DCE: 40.68% DGC: 34.09%</p>	

	<p>14. Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)</p>	<p>Share of investments in investee companies involved in the manufacture or selling of controversial weapons</p>	<p>DCS: 0.00% DCE: 0.00% DGC: 0.00%</p>	<p>remediation.</p> <p>Within our funds, we will take into account the average unadjusted gender pay gap and the average ratio of female to male board members of investee companies, provided that data quality and availability are satisfactory.</p> <p>Our funds refrain from investing in companies engaged in the production or advancement of cluster munitions, anti-personnel mines, biological weapons, chemical weapons, weapons with non-detectable fragments, incendiary and blinding laser weapons, or depleted uranium munitions.</p>
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<b>Indicators applicable to investments in sovereigns and supranationals</b>				
<b>Adverse sustainability indicator</b>		<b>Metric</b>	<b>Impact 2022 (year n)</b>	<b>Explanation, action planned, and targets set for the next reference period</b>
Environmental	15. GHG intensity	GHG intensity of investee countries as a ratio of investee country's GDP	N/A	Since our funds do not include investments in sovereigns, supranational entities, or real estate assets, we have not formulated any planned actions or set targets for these PAI indicators.
Social	16. Investee countries subject to social violations	Number of investee countries subject to social violations (absolute number and relative number divided by all investee countries), as referred to in international treaties and conventions, United Nations principles and, where applicable, national law	N/A	

<b>Indicators applicable to investments in real estate assets</b>				
<b>Adverse sustainability indicator</b>		<b>Metric</b>	<b>Impact 2022 (year n)</b>	<b>Explanation, action planned, and targets set for the next reference period</b>
Fossil fuels	17. Exposure to fossil fuels through real estate assets	Share of investments in real estate assets involved in the extraction, storage, transport or manufacture of fossil fuels	N/A	Same as above.
Energy efficiency	18. Exposure to energy-inefficient real estate assets	Share of investments in energy-inefficient real estate assets	N/A	
<b>Other indicators for principal adverse impact on sustainability factors</b>				
Other than the necessary indicators listed in Table 1 above, Dynasty AM does not use any other indicators to detect and assess extra principal detrimental impacts on a sustainability component.				

### **Description of policies to identify and prioritise principal adverse impacts on sustainability factors**

Sustainability factors, as defined by the SFDR, encompass environmental, social, employee matters, human rights, anti-corruption, and anti-bribery considerations. Principal adverse impact (PAI) refers to the commonly understood negative effects on these factors resulting from investment decisions or advice. The SFDR provides a set of specific indicators to gauge an issuer's or investee company's detrimental impact on sustainability factors. These indicators enable financial market participants to identify the principal adverse impact of their investments.

The Management Company's integration of sustainability risks in the investment decision-making and portfolio construction process is reflected in its ESG policy and its investment processes. Sustainability risks are identified, managed and monitored in the Management Company's risk management procedure. The Management Company considers that sustainability risks might have a potentially limited negative impact on the value of the Company's investments in the medium to long term.

The methodology for identifying principal adverse impact (PAI) is dependent on the availability and quality of data. We rely on data provided by investee companies and third-party data providers, giving priority to data reported directly by investee companies whenever feasible. By minimizing reliance on third-party estimations, we aim to enhance the overall quality of the data used in our investment and active ownership processes.

The assessment of principal adverse impacts relies on external data from various sources. To obtain PAI indicators, we primarily utilize Bloomberg, relying on companies' reporting and disclosure.

For more information, please refer to the ESG Policy of Dynasty AM.

## Engagement policies

For several years, Dynasty AM S.A. has been concerned with the challenges linked to extrafinancial criteria integration; since 2018, we have set ourselves objectives to concretize our vision and our commitment. We have therefore taken several important steps.

Our journey towards integrating ESG practices began in 2018 with our partnership with Moody's ESG Solutions, a renowned global company specializing in non-financial analysis. Through this collaboration, we utilized their tools to establish ESG ratings for our portfolios. This partnership extended beyond European companies, encompassing a significant number of non-European companies as well.

In 2019, we solidified our commitment by signing the PRI (Principles for Responsible Investment). This further exemplified our dedication to sustainable investment practices.

In 2020, Dynasty AM S.A. formulated its inaugural ESG policy, applicable to each of our UCITS funds under Luxembourg and French law. These funds represented approximately 92% of the assets under our management as of December 31, 2020. You can access all the relevant funds on our website: <http://www.dynasty-am.lu/funds/>.

By the end of 2021, our three flagship funds, including both convertible and subordinated funds, were classified as "Article 8" under the new SFDR (Sustainable Finance Disclosure Regulation). Additionally, we initiated the production of monthly ESG risk reports for these funds, which can be found on our website: <https://www.dynasty-am.lu/en/funds>.

Lastly, our ESG commitment was further reinforced as of December 31, 2021, by attaining the LuxFlag ESG label for our Article 8 funds, namely Dynasty Global Convertibles, Dynasty Convertibles Europe, and Dynasty Credit Sub.

As previously explained, we engage in various activities to interact with investee companies and issuers on behalf of the funds. Our objective is to exert influence and promote the adoption of enhanced ESG practices, fostering sustainable long-term financial performance, and working towards mitigating adverse impacts on sustainability factors.

For more information, please refer to the ESG Policy of Dynasty AM.

## **References to international standards**

Dynasty AM is committed to ensuring that the companies for which it serves as a management company or alternative investment fund manager adhere to the international conventions and standards that Dynasty AM strives to comply with. These standards encompass a broad range of guidelines, including but not limited to the following:

### **UN Global Compact**

In order to monitor compliance with the UN Global Compact, we have decided to implement an engagement process with companies that have significant breaches on these principles and guidelines. As a first step, we associated each principle to a specific analysis' criteria:

- Principle 1 and 2: Human Rights → Fundamental Human Rights
- Principles 3: Human Resources → Social Dialogue
- Principles 4 and 5: Human Rights → Child and Forced Labour
- Principle 6: Human Rights → Non-Discrimination
- Principles 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 it. If this engagement does not lead to the desired change 2 years from the start, the company will be included in our Global Compact Exclusion List. Our data provider keeps with an "Active" status any controversy with Critical or High severity Assessment for a period of 48 months after the last update, meaning that, even if the controversy is outdated, it will be flagged by our monitoring system. The Investment committee will be in charge of defining the status of this potential controversy towards the UN Global Compact Principles (ie. "Ongoing Controversy" or "Not Active")

### **PRI ("Principles for Responsible Investment")**

Initiated 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.

**Historical comparison**

A historical comparison with the previously reported period will be made as of 2024.