Davy Global Fund Management Luxembourg S.A. – Sustainable Finance Disclosure Regulations Statements

Version: 3.0
Date: March 2021

Table of contents

1.	Overview	3
1.1	The Company	3
2.0	DGFM SFDR requirements	4
2.1	Transparency of sustainability risk policies	4
2.2	Transparency of adverse sustainability impacts at entity level	5
2.3	Transparency of remuneration policies in relation to the integration of sustainability risks	5

1. Overview

1.1. The Company

Davy Global Fund Management Luxembourg S.A. (the “Company” or “DGFM” or ”Manager”) was incorporated in Luxembourg on 12 March 2007 the RCS under no. B124965. The Company is authorised to act as an Alternative Investment Fund Management Company and a Management Company by the Commission de Surveillance du Secteur Financier (“CSSF”).

Definitions

"SFDR", Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector, as amended and as may be further amended.

"Sustainability Risk", as defined in the SFDR, means an environmental, social or governance event or condition that, if it occurs, could cause an actual or a potential material negative impact on the value of an Investment.

"Sustainability Factors", as defined in the SFDR, means environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

2. DGFM SFDR requirements

2.1 Transparency of sustainability risk policies

Article 3(1) of the SFDR notes that Financial Market Participants shall publish and maintain on their websites information about their policies on the integration of sustainability risks in their investment decision-making process.

In compliance with its obligations under the SFDR, DGFM has established an iterative and systematic process for the integration of Sustainability Risk which may impact financial products. The risk integration process, as implemented by DGFM in respect of financial products, is summarised below.

In integrating Sustainability Risks into its investment decisions, DGFM first endeavours to identify such risks (if any) and, where relevant, monitors and manages any such risks in a manner considered appropriate to the particular investment strategy of the financial product and consistent with the best interests of investors. While the integration of Sustainability Risks forms part of the overall investment decision-making process, the manner in which this integration will be achieved will vary between financial products, depending on the degree to which Sustainability Risks are considered relevant to the strategy or asset class being managed.

Where DGFM appoints an Investment Manager as the entity responsible for investment decisions relating to an investment fund, in practice, DGFM will rely upon the investment decision-making processes of the Investment Manager to ensure that Sustainability Risks relevant to the investment fund are integrated effectively. The policy of DGFM will be to rely upon the processes which are adopted by the Investment Manager in relation to the integration of Sustainability Risk in respect of such investment fund.

At DGFM we appreciate that ESG is a broad church and can be additive to an investment process in a variety of forms. We offer a broad range of ESG integrated approaches providing exclusionary, quantitative, best-in-class and thematic solutions, sometimes in combination.

The risk integration process can involve, amongst other metrics, considering the ESG characteristics of a target asset to support the identification of Sustainability Risk, based on qualitative indicators, as part of the investment due diligence and ongoing risk management processes.

It is DGFM's view that Sustainability Risk of assets can be driven by applying one or more risk indicators to help capture ESG risks including the application of market taxonomies, standards and labels along with other qualitative information and forward-looking/long-term investment benchmarks. This classification system allows for the enhancement of the list of relevant ESG factors through the use of specific indicators that support the evaluation of ESG risks.

Sustainability Risk Integration Challenges

The Sustainability Risk integration process faces a range of challenges including;

- **Materiality: the materiality of any perceived or potential risk will ensure due prominence and consideration of same in the decision process.**
- **Uncertainty: transition risks are inherently challenging to assess as the timing and effect of policies and interventions are driven by regulators and national and EU policymakers as are physical risks e.g. the financial impact of emissions reduction is an ever-evolving question;**
- **Lack of data: the lack of reliable, comparable, available data is a key challenge to assessing ESG risks;**
- **Historical data: while historical data is used to assess ESG risks, its ability to estimate future risks is more limited;**
- **Time-horizons: ESG risks are generally considered long-term risks likely to materialise beyond the standard time horizons used in tools to assess financial risks impacting financial products.**

Sustainability Risk Monitoring & Management

Once assets have been classified according to their ESG characteristics, a risk-based, exposure assessment is sought to be applied in respect of the potential impact of Sustainability Risks, where possible and relevant seeking to take due account of the materiality of the Sustainability Risks as driven by the ESG characteristics of its exposure.

Sustainability Risk Impact

Sustainability Risk is an evolving, multi-faceted and multi-point-impact risk category that can drive a multitude of prudential risks relevant to a diverse range of asset classes but perhaps most significantly in the case of corporate and sovereign debt, equities and real estate. Given the systemic and pervasive impacts of climate change and other ESG factors, Sustainability Risk is likely to have an impact on the returns of a financial product in respect of which DGFM act as Financial Market Participant.

DGFM continues to monitor market and regulatory updates with regard to Sustainability Risk and to the extent that appropriate and accurate data becomes more widely available/accessible and the regulatory landscape stabilises, we will continue to look and consider as appropriate such developments as relevant to financial products under management.

2.2 Transparency of adverse sustainability impacts at entity level

Article 4(1) of the SFDR notes that Financial Market Participants shall publish and maintain on their websites where they do not consider adverse impacts of investment decisions on sustainability factors, clear reasons for why they do not do so, including, where relevant, information as to whether and when they intend to consider such adverse impacts.

Taking due account of the nature and scale of its activities and the wide and varied range of financial products it makes available, the Manager, in accordance with Article 4(1)(b) of the SFDR, has elected for the time being not to consider (in the manner specifically contemplated by Article 4(1)(a) of the SFDR) the principal adverse impacts of investment decisions in financial products on Sustainability Factors. The Manager considers this a pragmatic and economical approach to compliance with its obligations under the SFDR.

To the extent that appropriate and accurate data becomes more widely available/accessible and the regulatory landscape stabilises, the Manager may in the future look to consider the principal adverse impacts of its investment decisions on sustainability factors within the meaning of Article 4(1)(a) of the SFDR, if the Manager considers that the results of such an assessment would prove meaningful to investors in the financial products it makes available. The relevant pre-contractual documentation of these financial products would be updated as appropriate in such circumstances

2.3 Transparency of remuneration policies in relation to the integration of sustainability risks

In compliance with UCITS and AIFMD remuneration rules (the "Remuneration Rules"), Davy Global Fund Management Limited (the “Company”) has established a remuneration policy that seeks to promote sound and effective risk management and neither encourage risk taking which is inconsistent with the risk profiles, rules or instruments of incorporation of its financial products nor impair compliance with the Company’s duty to act in the best interest of its clients (the Remuneration Policy).

In line with the SFDR, the Company has integrated sustainability risk in its investment decision making process, via the consideration of the sustainability risks of investments on an initial and on-going basis. The Remuneration Policy is considered consistent with the Company's approach to sustainability risk integration.

Contact DGFM

If you are a client of Davy Global Fund Management, this communication has been sent to you as part of our service offering. If you are not a client of Davy Global Fund Management, you can opt out of further similar communications at any stage by emailing **davygfm@davygfm.com.** The Davy Group Privacy Notice can be found at **www.davygfm.com.**

Dublin Office
Davy House
49 Dawson Street
Dublin 2
D02 PY05
Ireland
+353 1 679 7788

Luxembourg Office
1, Rue Hildegard
von Bingen
L-1282 Luxembourg
G.D. Luxembourg
+352 26 49 58 40 98

London Office
Dashwood House
69 Old Broad Street
London EC2M 1QS
United Kingdom
+44 207 448 8871

Chicago Office
One Lincoln Centre
18 W 140 Butterfield Rd
Suite 1535
Chicago IL 60181
+1 630 716 1719

www.davygfm.com

Davy Global Fund Management Limited, trading as Davy Global Fund Management, is regulated by the Central Bank of Ireland. In the UK, Davy Global Fund Management Limited, trading as Davy Global Fund Management, is deemed authorised and regulated by the Financial Conduct Authority. Details of the Temporary Permissions Regime, which allows EEA-based firms to operate in the UK for a limited period while seeking full authorisation, are available on the Financial Conduct Authority's website. In Luxembourg, Davy Global Fund Management Limited is authorised by the Central Bank of Ireland and is subject to limited regulation by the Commission de Surveillance du Secteur Financier.

Davy Global Fund Management Luxembourg S.A. ('the Company') is registered with the RCS under no. B124965 with the registered office at 1, rue Hildegard von Bingen, L-1282 Luxembourg, G.D. Luxembourg. The Company is supervised by the CSSF as a Management Company authorised under Chapter 15 of the Law of 17 December 2010 with number S00000727 and an Alternative Investment Fund Manager according to the Law of 12 July 2013 with number A00000148.

Details about the extent of our authorisation and regulation by the Central Bank of Ireland, the Financial Conduct Authority and Commission de Surveillance du Secteur Financier are available from us upon request.

198_162319/03/21