DAVY

SFDR Website Disclosures

1. Integration of Sustainability Risks

General Principles of Reference and application of approach
This approach is based upon the international best practice in this area including:

- UN Principles of Responsible Investment (UN PRI)
- UN Global Compact
- UN Sustainable Development Goals (UN SDG)

This approach applies to all assets managed by J & E Davy internal investment committees and is reviewed annually. This approach is guided by our core values of Client First, Always Growing and One Team.

Integration of Sustainability Risk
Sustainability Risk (an ESG event or condition that, if it occurs, could cause an actual or a potential material negative impact on the value of the investment) is integrated throughout the investment process. Within J & E Davy, Sustainability Risk is assessed at both an investment fund level by our Investment Selection Team and at a portfolio level by J & E Davy's relevant Investment Committees.

During the investment selection process, consideration is made as to how the manager integrates ESG into their investment process. We look to gain an understanding of the role ESG factors play in their investment decision making process alongside traditional valuation metrics.

For our non-ESG oriented offerings we may select managers who use ESG factors to inform their investment process, but they are not a deciding factor in the fund holdings. In addition, the fund may not be required to generate a positive ESG impact in order to qualify as an eligible investment.

For ESG products within J & E Davy we are seeking to generate a positive ESG impact in addition to investment returns. As a result, we select from a universe of investment managers that:

- Are signatories to the UN Principles of Responsible Investing
- Have responsible investing embedded in the corporate culture
- Have dedicated resources to ESG research
- Have Voting & Engagement with portfolio companies on ESG matters
- Have an investment universe that excludes at a minimum
  - Controversial Weapons
  - Tobacco
  - Gambling
  - Adult Entertainment
- Have ESG factors fully integrated into the investment process
- Have a track record of outperformance by investing in companies with strong or improving ESG profiles

Portfolio construction builds client portfolios that are aligned to risk/return objectives whilst also reflecting the Investment Strategy Team view. Clients' unique ESG preferences can be catered for during this step in the process.

In addition, J & E Davy ESG products have a dedicated Socially Responsible Investment (SRI) Committee that, alongside Investment Selection and Portfolio Construction teams, monitors the ongoing alignment of instruments with the overall ESG objectives of the product. If any deviations are identified they are discussed at Investment Committee level to agree how best to proceed and whether the deviation warrants deselection of the instrument from portfolios.

Table 1 below summarizes the ESG approaches typically used by managers within each investment solution. It illustrates that managers within J & E Davy Discretionary Model portfolios typically consider ESG risk and opportunities in their processes but not to the same extent as the SRI Model Portfolios.

The SRI Models embrace multiple ESG approaches that include exclusionary screening, Best in Class and Full ESG Integration. This allows the ESG portfolio to blend multiple ESG viewpoints.

Typically, the approach employed within the Advisory product offering is broadly similar to that of the Discretionary Models however, it may offer thematic ESG products with a stated sustainability objective, such as reducing fossil fuel emissions.

			Discretionary Models	SRI Models	Advisory Products
Exclusions	Business Involvement	Exclusions based on business activity or sector		Y	
	Other Exclusions	ESG Rating Minimums, Client Specific		Y	
ESG Considerations	ESG Analysis	Taking account of ESG risks and opportunities in the Investment Decision making process. However, ESG issues may not be the deciding factor and instruments may not generate a positive ESG impact	Y		Y
	Full ESG Integration	ESG is an integral part of investment decision making process and instruments generate a positive ESG impact		Y	
	ESG Best in Class	Identify companies with superior ESG credentials to industry peers.		Y	
	Active Owner-ship / Engagement	Actively exercising rights as shareholders to address ESG issues		Y	
	Thematic	Investing in companies that contribute to solutions to environmental or social issues. E.g. Climate Change		Y	Y

Management of the Approach
The approach, as summarized in table 1 is adopted across J & E Davy Investment Committees who are:

- ROI Investment Committee
- UK Investment Committee
- SRI Investment Committee
- Advisory Investment Committee

The Investment Committees are in turn, governed by an oversight committee, J & E Davy Investment Governance Committee.

In addition, J & E Davy investment team has dedicated SRI resources within the Portfolio Construction and Investment Selection teams.

The SRI Committee has significant input into the ongoing review and updates of this approach.

2. Transparency of Adverse Sustainability Impacts at entity level

2.0 Introduction

EU Sustainable Finance Disclosure Regulation (EU SFDR) aims to assist investors in making informed decisions about the sustainability characteristics of their investments. With this aim in mind, the Regulation seeks to standardise sustainability disclosures made by Financial Market Participants (FMPs) and Financial Advisers.

A component of these disclosures will consider how J & E Davy assesses potential adverse impacts of its investment decisions and financial advice on the environment and social factors. This document will outline how J & E Davy considers Principal Adverse Impacts across its investments.

The EU defines a Principal Adverse Impact (PAI) as follows:

"Negative, material or likely to be material effects on sustainability factors that are caused, compounded by or directly linked to investment decisions and advice performed by the legal entity."

2.1 **Mandatory Adverse Impact Indicators**

These adverse sustainability impact indicators relate to 3 areas – Companies, Sovereigns, and Real Estate Assets. The EU SFDR requires assessment and consideration of 18 mandatory indicators under the headings of Environmental and Social which are outlined in the table below:

Figure 1: Mandatory Environmental & Social Indicators

	Environmental Indicators	Social Indicators
Companies		
	1.Greenhouse Gas (GHG) Emissions	**10.** Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises
	2. Carbon Footprint	**11.** Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises
	3. GHG Intensity of Investee Companies	**12.** Unadjusted gender pay gap
	4. Exposures to companies active in the fossil fuel sector	**13.** Board gender diversity
	5. Share of non-renewable energy consumption and production	**14.** Exposure to controversial weapons (antipersonnel mines, cluster munitions, chemical weapons, and biological weapons)
	6. Energy consumption intensity per high impact climate sector	
	7. Activities negatively affecting biodiversity sensitive areas	
	8. Emissions to water	
	9. Hazardous waste ratio	
Sovereigns		
	15. GHG intensity	**16.** Investee countries subject to social violations
Real Estate Assets		
	17. Exposure to fossil fuels through real estate assets	
	18. Exposure to energy-inefficient real estate assets	

2.2 **Additional Adverse Impact Indicators**
In addition to the mandatory indicators, entities must report on 1 additional indicator related to principal adverse impacts on climate or environmental related sustainability factors and 1 additional indicator related to principal adverse impacts on a social, employee, human rights, anti-corruption or anti-bribery sustainability factor.

3. **2. Identification & Prioritisation of Principal Adverse Impacts**

J & E Davy's website disclosure on "Integration of Sustainability Risks" provides details of how sustainability risk is accounted for within the investment decision making process and provision of financial advice.. J & E Davy typically employs a multi asset, multi manager approach to constructing investment portfolios.

Principal Adverse Indicators are identified and assessed at both an investment fund level by our Investment Selection Team and at a portfolio level by J & E Davy's relevant investment committees. The Investment Selection Team perform initial and ongoing due diligence of third-party investment managers and a key part of this process is gaining an understanding of how prospective and existing managers consider ESG and sustainability factors in their investment process.

J & E Davy's methods of identifying adverse impact is based upon a broad set of data taken from multiple providers including MSCI ESG Research, MSCI Index Data, Bloomberg, Factset and Style Analytics, in addition to data and reports provided by third party investment managers.

While the available dataset is extensive, it is important to note that ESG and Sustainability data is an evolving area. Data sources will be reviewed on an ongoing basis to ensure the best quality data is integrated into the investment process. Where data is missing or unavailable, J & E Davy may make use of assumptions.

The dataset is available to the investment team, allowing for an assessment of the indicators to be applied across J & E Davy 's product range, providing a source of additional information when making investment decisions and providing financial advice. The PAIs will be considered and assessed in non ESG product be may not be a deciding factor in investment decision making or in the provision of financial advice.

Within J & E Davy's ESG product range, which seeks to generate a positive ESG impact in addition to investment returns, the assessment of principal adverse impacts is pertinent and constitutes a deciding factor in the investment decision making process. Stated ESG preferences also represent a deciding factor in the provision of financial advice.

The investment process for the ESG product range favours investment managers who are signatories of the UN Principles of responsible Investing (UN PRI) and who adhere to norms-based criteria such as the UN Global Compact principles, the International Labour Organization's (ILO) conventions and the United Nations Guiding Principles on Business and Human Rights (UNGPBHR).

In addition, the ESG product range applies exclusion criteria to its investment universe that excludes at a minimum:

- **Controversial Weapons**
- **Tobacco**
- **Gambling**
- **Adult Entertainment**

This provides a significant overlap with the Social Indicators outlined by the EU SFDR. Details of these criteria and their application are provided in the "Integration of Sustainability Risks" disclosure posted on the Davy website.
The prioritisation of Principal Adverse Impacts is currently dictated by the investment product's objective and ESG priorities, consistent with the SFDR framework. J & E Davy recognises the significant challenges presented by climate change. As such, J & E Davy undertakes an analysis of indicators which includes the carbon footprint and the exposure of portfolios to fossil fuels. This analysis can be applied across the J & E Davy offering.

J & E Davy, as part of its investment manager due diligence process, engages with its third-party investment managers on many issues, including sustainability. In addition, Davy engages directly with companies it invests in on behalf of Discretionary clients, consistent with the requirements of the revised Shareholder Rights Directive (SRD II).

Further details can be found in the Shareholder Engagement Policy published on Davy's website.

4. Adherence to responsible business conduct codes and internationally recognised standards for due diligence and reporting

J & E Davy conducts its business in a manner compliant with all applicable legislation.

5. Reporting on Principal Adverse Impacts

J & E Davy will report on Principal Adverse Impact in line with the expectations outlined in the EU SFDR.

- **Entity Level Disclosures**
  - **The first entity level disclosures will be provided by June 2022.**

- **Product Level Disclosures**
  - **Further information on how existing Article 8 products consider Principal Adverse Impacts will be outlined in pre-contractual documentation, prospectus and Key Investor Information Documents (KIIDs) before January 2022.**
  - **In addition, by January 2023, the performance of products against the indicators, and a description of how Principal Adverse Impacts were assessed will be provided through regular reporting.**

6. Ownership of Principal Adverse Impact Statement

As of now, the ownership of the Principal Adverse Impact Statement for J & E Davy resides within the Socially Responsible Investment Committee (SRI IC). It's Governance and ownership may evolve throughout the following months.

7. Future updates to this statement

The first update of this statement will be made by the end of 2021.

Links to documents

- **Integration of Sustainability Risks & Sustainability Risks & Remuneration Policies**
  https://www.davy.ie/binaries/content/assets/davy/legal/disclosures/2021/sustainable-finance---disclosures-under-sfdr---art.-3-4-5.pdf

- **Shareholder Engagement Policy**
  https://www.davy.ie/binaries/content/assets/davy/legal/disclosures/2021/shareholder_engagement_policy.pdf

8. Sustainability Risks & Remuneration Policies

J & E Davy has in place a Remuneration Policy which promotes sound and effective risk management and does not encourage risk-taking that exceeds the level of tolerated risk of the Group. Underpinning the Remuneration Policy, J & E Davy has procedures in place for assessing variable remuneration to ensure that employees are remunerated in a manner that promotes sound and effective risk management in their conduct of business. The procedures seek to ensure that excessive risk taking is not rewarded. J & E Davy aligns the payment of variable remuneration to its business cycle and the risks of the Group. Appropriate deferral arrangements are in place to allow adjustment of variable remuneration for risk outcomes, together with the application of ex post risk adjustments (malus or clawback) if required.

J & E Davy recognises that sustainability risks can have a material impact on the value of investments and their associated returns. Investment Managers will assess the degree to which sustainability risk is a factor in the individual fund or portfolio solution and this will be documented in the Client Suitability Report. The completion of this assessment will be a factor taken into consideration in the determination of variable remuneration.

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