

Statement on principal adverse impacts of investment decisions on sustainability factors

J & E Davy Unlimited Company, LEI Code 63540061DPCBNMCGRY22

30/06/2023

J & E Davy Unlimited Company, LEI Code 63540061DPCBNMCGRY22, considers principal adverse impacts of its investment decisions on sustainability factors. The present statement is the consolidated principal adverse sustainability impacts statement of J & E Davy Unlimited Company.

This Principal Adverse Impacts (PAI) statement covers both mandatory and additional voluntary PAIs for the reference period from 1st January 2022 to 31 December 2022.

Adverse Impact Indicators

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.

Mandatory Principal Adverse Impact Indicators (PAIs)

In line with EU SFDR, 18 mandatory PAIs are disclosed to provide investors with a comprehensive understanding of the potential adverse impacts that our investment decisions may have on the environment, society, and good governance. These 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.

Table 1

Indicators applicable to investments in investee companies

Adverse sustainability indicator	Metric	Impact year 2022	Impact year 2021	Coverage* year 2022	Explanation	Actions taken, and actions planned and targets set for the next reference period
Climate and other environment-related indicators						
Greenhouse gas emissions	1. GHG emissions					
	Scope 1 GHG emissions	292,910.05	-	93.72%	"Sum of portfolio companies' Carbon Emissions - Scope 1 (tCO2e) weighted by the portfolio's value of investment in a company and by the company's most recently available enterprise value including cash."	"We will monitor evolution of Principal Adverse Impact Indicator data availability over time with a view to further developing Davy's Sustainability Strategy. J & E Davy Unlimited Company's planned actions for individual PAI Metrics will be informed by the Davy Sustainability Executive Committee and the Davy Investment Team"
	Scope 2 GHG emissions	50,612.98	-	93.72%	"Sum of portfolio companies' Carbon Emissions - Scope 2 (tCO2e) weighted by the portfolio's value of investment in a company and by the company's most recently available enterprise value including cash."	See above
	Scope 3 GHG emissions	2,431,107.54	-	92.99%	"Sum of portfolio companies' Scope 3 - Total Emission Estimated (tCO2e) weighted by the portfolio's value of investment in a company and by the company's most recently available enterprise value including cash."	See above
	Total GHG emissions	2,777,470.91	-	92.99%	"The total annual Scope 1, Scope 2, and estimated Scope 3 GHG emissions associated with the market value of the portfolio. Companies' carbon emissions are apportioned across all outstanding shares and bonds (based on the most recently available enterprise value including cash)."	See above
	2. Carbon footprint					
	Carbon footprint	515.56	-	92.99%	"The total annual Scope 1, Scope 2, and estimated Scope 3 GHG emissions associated with 1 million EUR invested in the portfolio. Companies' carbon emissions are apportioned across all outstanding shares and bonds (based on the most recently available enterprise value including cash)."	See above
	3. GHG intensity of investee companies					
GHG intensity of investee companies	843.13	-	94.96%	"The portfolio's weighted average of its holding issuers' GHG Intensity (Scope 1, Scope 2 and estimated Scope 3 GHG emissions/EUR million revenue)."	See above	
4. Exposure to companies active in the fossil fuel sector						
Share of investments in companies active in the fossil fuel sector	9.33%	-	95.11%	"The percentage of the portfolio's market value exposed to issuers with fossil fuels related activities, including extraction, processing, storage and transportation of petroleum products, natural gas, and thermal and metallurgical coal."	See above	

Table 1

Greenhouse gas emissions	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	67.87%	-	77.53%	“The portfolio’s weighted average of issuers’ energy consumption and/or production from non-renewable sources as a percentage of total energy used and/or generated.”	See above
	6. Energy consumption intensity per high impact climate sector	“NACE Code A (Agriculture, Forestry and Fishing)”	1.19	-	84.03%	“The portfolio’s weighted average of Energy Consumption Intensity (GwH/million EUR revenue) for issuers classified within NACE Code A (Agriculture, Forestry and Fishing)”	See above
		NACE Code B (Mining and Quarrying)	1.58	-	84.03%	“The portfolio’s weighted average of Energy Consumption Intensity (GwH/million EUR revenue) for issuers classified within NACE Code B (Mining and Quarrying)”	See above
		NACE Code C (Manufacturing)	0.77	-	84.03%	“The portfolio’s weighted average of Energy Consumption Intensity (GwH/million EUR revenue) for issuers classified within NACE Code C (Manufacturing)”	See above
		“NACE Code D (Electricity, Gas, Steam and Air Conditioning Supply)”	7.07	-	84.03%	“The portfolio’s weighted average of Energy Consumption Intensity (GwH/million EUR revenue) for issuers classified within NACE Code D (Electricity, Gas, Steam and Air Conditioning Supply)”	See above
		“NACE Code E (Water Supply; Sewerage, Waste Management and Remediation Activities)”	0.93	-	84.03%	“The portfolio’s weighted average of Energy Consumption Intensity (GwH/million EUR revenue) for issuers classified within NACE Code E (Water Supply; Sewerage, Waste Management and Remediation Activities)”	See above
		NACE Code F (Construction)	0.12	-	84.03%	“The portfolio’s weighted average of Energy Consumption Intensity (GwH/million EUR revenue) for issuers classified within NACE Code F (Construction)”	See above
		“NACE Code G (Wholesale and Retail Trade; Repair of Motor Vehicles and Motorcycles)”	0.09	-	84.03%	“The fund’s weighted average of Energy Consumption Intensity (GwH/million EUR revenue) for issuers classified within NACE Code G (Wholesale and Retail Trade; Repair of Motor Vehicles and Motorcycles)”	See above
		“NACE Code H (Transportation and Storage)”	5.78	-	84.03%	“The portfolio’s weighted average of Energy Consumption Intensity (GwH/million EUR revenue) for issuers classified within NACE Code H (Transportation and Storage)”	See above
	NACE Code L (Real Estate Activities)	0.67	-	84.03%	“The portfolio’s weighted average of Energy Consumption Intensity (GwH/million EUR revenue) for issuers classified within NACE Code L (Real Estate Activities)”	See above	

Table 1

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	0.21%	-	95.18%	“The percentage of the portfolio’s market value exposed to issuers’ that reported having operations in or near biodiversity sensitive areas and have been implicated in controversies with severe or very severe impacts on the environment.”	See above
Water	8. Emissions to water	Tonnes of emissions to water generated by investee companies per million EUR invested, expressed as a weighted average	97.41	-	0.97%	“The total annual wastewater discharged (metric tons reported) into surface waters as a result of industrial or manufacturing activities associated with 1 million EUR invested in the portfolio. Companies’ water emissions are apportioned across all outstanding shares and bonds (based on the most recently available enterprise value including cash).”	See above
Waste	9. Hazardous waste and radioactive waste ratio	Tonnes of hazardous waste and radioactive waste generated by investee companies per million EUR invested, expressed as a weighted average	8.92	-	29.64%	“The total annual hazardous waste (metric tons reported) associated with 1 million EUR invested in the portfolio. Companies’ hazardous waste is apportioned across all outstanding shares and bonds (based on the most recently available enterprise value including cash). “	See above

Indicators for social and employee, respect for human rights, anti-corruption and anti-bribery matters

Social and employee matters	10. Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises	Share of investments in investee companies that have been involved in violations of the UNGC principles or OECD Guidelines for Multinational Enterprises	0.46%	-	95.24%	“The percentage of the portfolio’s market value exposed to issuers with very severe controversies related to the company’s operations and/ or products.”	See above
	11. Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises	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	50.88%	-	95.07%	“The percentage of the portfolio’s market value exposed to issuers that are not signatories in the UN Global Compact.”	See above
	12. Unadjusted gender pay gap	Average unadjusted gender pay gap of investee companies	16.17%	-	31.07%	“The portfolio holdings’ weighted average of the difference between the average gross hourly earnings of male and female employees, as a percentage of male gross earnings.”	See above

Table 1

Social and employee matters	13. Board gender diversity	Average ratio of female to male board members in investee companies, expressed as a percentage of all board members	35.78%	-	94.81%	“The portfolio holdings’ weighted average of the ratio of female to male board members.”	See above
	14. Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)	Share of investments in investee companies involved in the manufacture or selling of controversial weapons	0.10%	-	95.11%	“The percentage of the portfolio’s market value exposed to issuers with an industry tie to landmines, cluster munitions, chemical weapons or biological weapons. Note: Industry ties includes ownership, manufacturing and investments. Ties to landmines do not include related safety products.”	See above

Indicators applicable to investments in sovereigns and supranationals

Environmental	15. GHG intensity	GHG intensity of investee countries	269.02	-	98.89%	“The portfolio’s weighted average of sovereign issuers’ GHG Emissions Intensity (Scope 1, 2 and 3 emissions/ EUR M GDP)”	See above
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	0	-	N/A	“The portfolio’s number of unique sovereign issuers with European External Action Service (EEAS) restrictive measures (sanctions) on imports and exports”	See above
		“Number of investee countries subject to social violations (relative number divided by all investee countries), as referred to in international treaties and conventions, United Nations principles and, where applicable, national law”	0.86%	-	N/A	“The portfolio’s percentage of unique sovereign issuers with European External Action Service (EEAS) restrictive measures (sanctions) on imports and exports”	See above

Indicators applicable to investments in real estate assets

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	-	N/A	Not currently available	See above
Energy efficiency	18. Exposure to energy-inefficient real estate assets	Share of investments in energy-inefficient real estate assets N/A	N/A	-	N/A	Not currently available	See above

*The coverage in year 2022 column in this statement shows the extent of the financial instrument-level data actually used by MSCI in MSCI’s calculation of each PAI metric for 2022

Other indicators for principal adverse impacts on sustainability factors

In addition to the mandatory PAIs, 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.

Davy has selected one emissions focused additional climate indicator, Investments in companies **without carbon emission reduction initiatives** (Table 2, Indicator 4) and one anti-corruption and anti-bribery focused additional indicator, **Investments in entities lacking anti-corruption and anti-bribery policies** (Table 3, Indicator 15).

Table 2							
Indicators applicable to investments in investee companies							
Adverse sustainability indicator	Adverse impact on sustainability factors (qualitative or quantitative)	Metric	Impact year 2022	Impact year 2021	Coverage* year 2022	Explanation	Actions taken, and actions planned and targets set for the next reference period
Climate and other environment-related indicators							
Emissions	4. Investments in companies without carbon emission reduction initiatives	Share of investments in investee companies without carbon emission reduction initiatives aimed at aligning with the Paris Agreement	26.23%	-	94.87%	"The percentage of the portfolio's market value exposed to issuers without a carbon emissions reduction target aligned with the Paris Agreement."	See above

*The 'coverage in year 2022' column in this statement shows the extent of the financial instrument-level data actually used by MSCI in MSCI's calculation of each PAI metric for 2022.

Table 3							
Indicators applicable to investments in investee companies							
Adverse sustainability indicator	Adverse impact on sustainability factors (qualitative or quantitative)	Metric	Impact year 2022	Impact year 2021	Coverage* year 2022	Explanation	Actions taken, and actions planned and targets set for the next reference period
Climate and other environment-related indicators							
Anti-corruption and anti-bribery	15. Lack of anti-corruption and anti-bribery policies	Share of investments in entities without policies on anti-corruption and anti-bribery consistent with the United Nations Convention against Corruption	3.85%	-	95.05%	"The percentage of the portfolio's market value exposed to issuers without an anti-corruption and anti-bribery policy consistent with the United Nations Convention against Corruption."	See above

*The 'coverage in year 2022' column in this statement shows the extent of the financial instrument-level data actually used by MSCI in MSCI's calculation of each PAI metric for 2022.

Description of policies to identify and prioritize principal adverse sustainability impacts

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.”

Principal Adverse Indicators are identified and assessed at an investment fund level by our Investment Selection Team. 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 Environmental, Social and Governance (ESG) and sustainability factors in their investment process. Portfolio level Principal Adverse Impacts are monitored by our Portfolio Construction Team.

Davy Private Clients’ 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 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, Davy Private Clients may make use of assumptions and estimated data. Finally, the launch of the European ESG Template (EET) provides an additional source of adverse impacts data. Davy Private Clients will develop an approach to assessing differences in reported data points from multiple sources as the availability of EET data increases. The dataset is available to the investment team, allowing for an assessment of the indicators to be applied across Davy Private Clients’ product range, providing a source of additional information when making investment decisions. The PAIs will be considered and assessed in non-Socially Responsible Investing (SRI) products but may not be a deciding factor in investment decision making or in the provision of financial advice

The prioritisation of Principal Adverse Impacts is currently dictated by the investment product’s objective and ESG priorities, consistent with the SFDR framework. Davy Private Clients recognises the significant challenges presented by climate change. As such, Davy Private Clients 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 Davy Private Clients offering.

Engagement policies

Davy Private Clients, 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.

References to international standards

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

Historical comparison

A historical comparison will be provided in June 2024.

Additional Disclosures

Description of AUM Universe

This PAI statement covers Davy Private Clients (Advisory & Discretionary assets), Davy Credit Unions (Advisory & Discretionary assets). Davy Real Estate assets (circa 4% of AUM universe) are considered to be in scope under EU SFDR, however they are omitted from this statement due to limitations with data availability.

Assets lacking sufficient sustainability data have been excluded from this statement, examples include Private Equity, Structured Products and Direct Property. Assets falling under Execution Only service are also excluded from this statement as Davy does not exercise any influence over investment decision making.

Statement Methodology and Limitations

J & E Davy Unlimited Company have prepared this statement in conjunction with MSCI ESG Research.

The statement output is subject to MSCI ESG Research calculation and estimation methodologies and limitations of available data