

Information on Davy's policies on the integration of sustainability risks in the investment decision making and investment advice processes (pursuant to Article 3 SFDR)

Version 1.2 / November 2024

General Principles of Reference and application of policy

This policy 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 policy applies to all assets managed by Davy Private Clients internal investment committees and is reviewed annually.

Integration of sustainability risk in the investment decision making process.

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 Davy Private Clients, Sustainability Risk is assessed at both an investment fund level by our Investment Selection Team and at a portfolio level by the Portfolio Construction Team. In addition, the relevant Davy Investment Committees provide an additional layer of oversight.

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-SRI 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 SRI products within Davy Private Clients we are seeking to generate a positive ESG impact in addition to investment returns. The positive impact can be assessed using the Principal Adverse Impacts indicators such as carbon footprint, exposure to companies active in the fossil fuel sector, exposure to controversial weapons and exposure to violation on UN Global Compact. In addition, our SRI products target significantly reduced exposures at a portfolio level to Thermal Coal, Tobacco Producers, Controversial Weapons and Violations of UN Global Compact.

As a result, for our SRI offering 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 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. In addition, this step also takes account of client sustainability preferences.

In addition, Davy Private Clients 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 or a reduction in position size.

Table 1 below summarizes the ESG approaches typically used by managers within each investment solution. It illustrates that managers within Davy Private Clients 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 our SRI products 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.

Integration of sustainability risks in the investment advice process.

All client's preferences in relation to Sustainability risks are assessed as part of the client onboarding process via our Investor Profile and on an ongoing basis via our Annual General Meeting (AGM) process. Where a client specifically indicates sustainability preferences Sustainability Risk is integrated into investment advice which can be achieved through investing in the Davy SRI Investment Funds.

Otherwise, or where these funds are not considered suitable to meet the needs of the client sustainability risk will not be integrated into investment advice with the exception of the consideration of Principal Adverse Impact (PAI) indicators as outlined in Article 4(1) (a).

Notwithstanding this and as outlined above, Davy may recommend investments in third party investment funds which use ESG factors to Inform their investment process and/or investments in companies with sustainability priorities. This will not however be a deciding factor in Davy's investment selection process.

The consideration of sustainability risks can positively or negatively impact on the returns of financial products.

Table 1: Davy Private Clients – Summary of ESG Approaches employed

			Discretionary Products (Non- SRI)	SRI Products	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 Ownership / 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

Governance of the Policy

The policy, as summarized in table 1 is implemented across the Davy Private Clients 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, the Davy Private Clients Investment Governance Committee.

In addition, the Davy Private Clients 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 policy.

Policy Ownership & Updates

The policy is owned by the Davy Private Clients Investment Team and is subject to ongoing review. Updates to the policy must be approved by the Davy Private Clients Governance Investment Committee (GIC), in consultation with the Socially Responsible Investment Committee (SRI IC) that is responsible for SRI discretionary solutions within Davy Private Clients.

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