

# Statement on Davy’s due diligence policies with respect to the principal adverse impacts of investment decisions on sustainability (pursuant to article 4(1)(a) SFDR)

Version 1.2 / November 2024

**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.”

Davy publishes an annual statement of Principal Adverse Indicators at an entity level in accordance with EU Sustainable Finance Disclosure Regulation (SFDR), the first statement was published in June 2023. At an investment solution level, consideration of PAIs occurs to varying degree, depending on Service Level and the Investment Solution.

## 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
<b>Companies</b>	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

	Environmental Indicators	Social Indicators
<b>cont. Companies</b>	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) (OECD) Guidelines for Multinational Enterprises
	6. Energy consumption intensity per high impact climate sector	
	7. Activities negatively affecting biodiversity sensitive areas	
	8. Emissions to water	
	9. Hazardous waste ratio	
<b>Sovereigns</b>	15. GHG intensity	16. Investee countries subject to social violations
<b>Real Estate Assets</b>	17. Exposure to fossil fuels through real estate assets	
	18. Exposure to energy-inefficient real estate assets	

Source: EU SFDR Annex 1 – PAI Reporting Template

### 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.

J & E Davy will produce its first entity level Adverse Impacts report in June 2023. Policy Ownership & Updates

## Article 4.1 Identification & Prioritisation of Principal Adverse Impacts

Davy Private Clients' 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. Davy Private Clients typically employs a multi asset, multi manager approach to constructing investment portfolios.

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 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) will provide 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-SRI products but may not be a deciding factor in investment decision making or in the provision of financial advice.

Within the Davy Private Clients' SRI 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 Sustainability preferences also represent a deciding factor in the provision of financial advice. Client sustainability preferences may be expressed using the adverse impact indicators. Davy's SRI Product range aims to have an enhanced adverse impact profile relative to a broad market allocation.

The investment process for the SRI 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 (UNGPHR), providing a significant overlap with the Social Indicators outlined by the EU SFDR.

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.

## 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.

Reporting on Principal Adverse Impacts

Davy Private Clients 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 2023 in accordance with EU SFDR timelines.
- Product Level Disclosures

Further information on how existing Article 8 products (SRI product range) consider Principal Adverse Impacts are provided in pre contractual disclosure documents.

## Ownership of Principal Adverse Impact Statement

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

## Future updates to this statement

Future updates to this document will be made by the SRI Investment Committee during 2024.

## Links to related documents

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

<https://www.davy.ie/binaries/content/assets/davy/legal/disclosures/2022/sustainable-finance-disclosure-art-3.pdf>

**Information on how Davy's remuneration policy is consistent with the integration of sustainability risks (pursuant to Art 5 SFDR)**

<https://www.davy.ie/binaries/content/assets/davy/legal/disclosures/2022/sustainable-finance-disclosure-art-5.pdf>

**Shareholder Engagement Policy**

[https://www.davy.ie/binaries/content/assets/davy/legal/disclosures/2021/shareholder\\_engagement\\_policy.pdf](https://www.davy.ie/binaries/content/assets/davy/legal/disclosures/2021/shareholder_engagement_policy.pdf)

**Modern Slavery Statement**

<https://www.davy.ie/about-us/csr/modern-slavery-statement.html>

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