

# Statement on principal adverse impacts of investment decisions on sustainability factors

J & E Davy Unlimited Company, LEI Code 63540061DPCBNMCGRY22

28/06/2024

## Summary

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 2023 to 31 December 2023.

## 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.

## 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.

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.

Table 1

## Indicators applicable to investments in investee companies

| Adverse sustainability indicator                 | Metric   | Impact year 2023  | Impact year 2022 | Coverage* year 2023 | 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   | 367,714.67       | 301,047.03          | 89.21%      | Entity Level Principal Adverse Impacts (PAI) reporting is now in its second year. This year's statement, for the reporting period 2023, allows Davy to compare metrics to the previous reporting period (2022). Work remains ongoing to analyse the drivers of changes in the individual PAI metrics and Davy commits to providing a detailed explanation of these changes. | Davy continues to monitor the evolution of PAI metric data, its availability, and its quality with a view to developing Davy's Sustainability Strategy. Guidance on target setting and planned actions in relation to individual PAI metrics will be provided by the Davy Sustainability Executive Committee, the Davy Investment Governance Committee and the Davy Investment Team |
|  |  | Scope 2 GHG emissions   | 65,141.35        | 57,209.63           | 89.21%      | See above   | See above   |
|  |  | Scope 3 GHG emissions   | 2,422,086.66     | 2,246,434.05        | 89.27%      | See above   | See above   |
|  | 2. Carbon footprint  | Total GHG emissions   | 2,908,145.86     | 2,647,249.20        | 89.09%      | See above   | See above   |
|  |  | Carbon footprint  | 406.46           | 451.21              | 89.09%      | See above   | See above   |
|  | 3. GHG intensity of investee companies                         | GHG intensity of investee companies   | 755.38           | 768.45              | 94.12%      | See above   | See above   |
|  | 4. Exposure to companies active in the fossil fuel sector      | Share of investments in companies active in the fossil fuel sector  | 6.77%            | 8.04%               | 93.84%      | See above   | See above   |
|  | 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 | 64.73%           | 64.39%              | 63.29%      | See above   | See above   |
| Greenhouse gas emissions                         | 6. Energy consumption intensity per high impact climate sector | NACE Code A (Agriculture, Forestry and Fishing)   | 0.55             | 0.58                | 84.26%      | See above   | See above   |
|  |  | NACE Code B (Mining and Quarrying)  | 1.13             | 1.85                | 84.26%      | See above   | See above   |
|  |  | NACE Code C (Manufacturing)   | 0.55             | 0.50                | 84.26%      | See above   | See above   |
|  |  | NACE Code D (Electricity, Gas, Steam and Air Conditioning Supply)   | 3.18             | 3.28                | 84.26%      | See above   | See above   |
|  |  | NACE Code E (Water Supply; Sewerage, Waste Management and Remediation Activities)   | 0.76             | 0.78                | 84.26%      | See above   | See above   |
|  |  | NACE Code F (Construction)  | 0.20             | 0.22                | 84.26%      | See above   | See above   |
|  |  | NACE Code G (Wholesale and Retail Trade; Repair of Motor Vehicles and Motorcycles)  | 0.09             | 0.11                | 84.26%      | See above   | See above   |
|  |  | NACE Code H (Transportation and Storage)  | 3.57             | 3.15                | 84.26%      | See above   | See above   |
|  |  | NACE Code L (Real Estate Activities)  | 0.42             | 0.49                | 84.26%      | See above   | 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 | 8.41% | 9.11% | 94.79% | See above | 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   | 0.40  | 0.33  | 0.64%  | See above | 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  | 3.17  | 3.92  | 28.49% | See above | 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   | 0.10%  | 0.11%  | 94.04% | See above | 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 | 0.67%  | 0.86%  | 93.89% | See above | See above |
|                             | 12. Unadjusted gender pay gap   | Average unadjusted gender pay gap of investee companies  | 15.34% | 12.12% | 30.02% | See above | See above |
| 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  | 37.10% | 36.41% | 93.43% | See above | 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   | 0.08%  | 0.09%  | 94.14% | See above | See above |

Table 1

## Indicators applicable to investments in sovereigns and supranationals

|               |   |  |        |        |           |           |           |
|---------------|---|--|--------|--------|-----------|-----------|-----------|
| Environmental | GHG intensity of investee countries                 | 224.32   | 248.98 | 99.53% | See above | See above | 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 | 6      | 7      | 99.53%    | See above | 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                     | 6.92%  | 6.14%  | 99.53%    | See above | 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 | - | Not currently available | See above |

\*The coverage in year 2023 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 2023.

## 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 2023 | Impact year 2022 | Coverage* year 2023 | Explanation   | Actions taken, and actions planned and targets set for the next reference period  |
|---|---|---|------------------|------------------|---------------------|---|---|
| <b>Climate and other environment-related indicators</b> |   |   |                  |                  |                     |   |   |
| 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 | 39.96%           | 39.52%           | 93.90%              | Entity Level Principal Adverse Impacts (PAI) reporting is now in its second year. This year's statement, for the reporting period 2023, allows Davy to compare metrics to the previous reporting period (2022). Work remains ongoing to analyse the drivers of changes in the individual PAI metrics and Davy commits to providing a detailed explanation of these changes. | Davy continues to monitor the evolution of PAI metric data, its availability, and its quality with a view to developing Davy's Sustainability Strategy. Guidance on target setting and planned actions in relation to individual PAI metrics will be provided by the Davy Sustainability Executive Committee, the Davy Investment Governance Committee and the Davy Investment Team |

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**Table 3**

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

| Adverse sustainability indicator                                  | Adverse impact on sustainability factors (qualitative or quantitative) | Metric   | Impact year 2023 | Impact year 2022 | Coverage* year 2023 | Explanation   | Actions taken, and actions planned and targets set for the next reference period  |
|---|--|--|------------------|------------------|---------------------|---|---|
| <b>Indicators applicable to investments in investee companies</b> |  |  |                  |                  |                     |   |   |
| 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 | 0.76%            | 0.87%            | 93.73%              | Entity Level Principal Adverse Impacts (PAI) reporting is now in its second year. This year's statement, for the reporting period 2023, allows Davy to compare metrics to the previous reporting period (2022). Work remains ongoing to analyse the drivers of changes in the individual PAI metrics and Davy commits to providing a detailed explanation of these changes. | Davy continues to monitor the evolution of PAI metric data, its availability, and its quality with a view to developing Davy's Sustainability Strategy. Guidance on target setting and planned actions in relation to individual PAI metrics will be provided by the Davy Sustainability Executive Committee, the Davy Investment Governance Committee and the Davy Investment Team |

\*The 'coverage in year 2023' 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 2023.

## 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

The table above displays the Principal Adverse Impact Indicators from the 2022 reporting period to the 2023 reporting period and their changes from one reporting period to the next. As stated in the table above Davy commits to providing a detailed explanation of these changes.

# 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 3% 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.