DAVY

J & E Davy (UK) Limited

MIFIDPRU 8 Annual Disclosure

30th December 2023

Table of Contents

DAVY

J & E Davy (UK) Limited – **MIFIDPRU 8 Disclosure (Unaudited)**

Donegall House, 7 Donegall Square North, Belfast BT1 5GB

30th December 2023

1. Introduction

1.1 Background

These disclosures are prepared in accordance with the FCA's Investment Firms Prudential Regime (IFPR) for MIFID Investment Firms which was implemented on 1st January 2022 and supersedes the Capital Requirements Directive and the Capital Requirements Regulations (jointly CRD IV). The purpose of the IFPR is to streamline and simplify the prudential requirements for solo-regulated Investment Firms and consider and address the potential for harm to consumers, markets, and the Firm. The IFPR is supported by the prudential sourcebook for MIFID Investment Firms (MIFIDPRU) which sets out the requirements relating to capital, liquidity, internal governance and risk management, disclosure and reporting for in-scope firms.

This document presents the MIFIDPRU Chapter 8 disclosures, superseding Pillar 3 disclosures, which aim to drive market discipline in Investment Firms by requiring disclosure of information to key stakeholders. These disclosures seek to describe the Firm's financial strength (own funds and liquid assets) and behaviour and culture (risk management, governance, and remuneration).

1.2 Structure and scope

The disclosures in this document relate to J & E Davy (UK) Limited. Davy Private Clients UK, Davy UK and Davy Capital Markets UK are the trading names of J & E Davy (UK) Limited. J & E Davy (UK) Limited is authorised and regulated by the Financial Conduct Authority (Firm Reference Number is 172140). These disclosures provide a level of detail that is proportionate to the size and internal organisation of the Firm, and to the nature, scope, and complexity of its activities.

The Firm holds permissions to carry on its regulated activities in the UK including managing investments, arranging (bringing about) deals in investments, making arrangements with a view to transactions in investments, and advising on investments (including advising on pension transfers and opt-outs). The Firm's permissions also include dealing in investments as principal and as agent and arranging safeguarding and administration of assets. The Firm also carries out insurance distribution activities. It can control but not hold client money.

The Firm is classified under MIFIDPRU as a Non-Small and Non-Interconnected Investment Firm ("Non-SNI MIFIDPRU Investment Firm"). As such, MIFIDPRU 8 requires Davy UK to disclose information in the following areas:

- Risk Management Objectives and Policies;
- Governance arrangements;
- Own Funds and Own Funds Requirements; and
- Remuneration Policies and Practices (for the performance period commencing on 31st December 2022).

These MIFIDPRU 8 disclosures have been prepared as at 30th December 2023, which is the accounting period end date. J & E Davy (UK) Limited is a wholly owned subsidiary of J & E Davy Holdings Unlimited Company ("Davy Group"), a company incorporated and registered in Ireland. The ultimate parent company and controlling party of the Company is Bank of Ireland Group plc, a company incorporated and registered in Ireland.

1.3 Frequency, location, and verification of disclosures

The Firm publishes its MIFIDPRU 8 disclosures at least annually (and more frequently should a material change in the business arise such as a change in its business model) on the same date it publishes its Financial Statements. The Firm considers that publication of these disclosures on the company's website (www.davyuk.co.uk) is the most appropriate medium.

Whilst these disclosures have been reviewed and approved by J & E Davy (UK) Limited's Board of Directors ('the Board'), they have not been subject to an audit by the Firm's external auditors. Accordingly, these disclosures must not be relied upon solely when making any financial judgement on the Firm.

2. Risk Management Objectives and Policies

2.1 Risk Governance

The Board is ultimately responsible for the management of the Firm including the setting of risk management policies within the Board-approved Risk Appetite Statement. The Directors are appointed based on their skills, qualifications and experience whilst ensuring that they have the appropriate time to devote to their responsibilities as a Board member in light of their other professional commitments.

The Board meets on, at least, a quarterly basis and more frequently should the need arise. There is a formal structure for the management and reporting of risk to the Board. Day to day executive management of the Firm is delegated by the Board to the Senior Management Team, which comprises the Heads of Functions in the Firm, who are responsible for identifying and managing the risks in their respective business areas. The Senior Management Team meets monthly and quarterly in advance of the scheduled Board meetings.

Davy UK operates a three lines of defence model and has an independent compliance and risk function. This function reports to the Boards of both Davy UK and its immediate parent, J & E Davy Holdings Unlimited Company ("Davy Group Board"), via the relevant Davy Group governance fora, overseen by the Davy Group Chief Risk and Regulatory Officer. Davy UK is therefore accountable to the relevant Davy Group Board Committees as part of the governance arrangements that are set out in Section 3.

2.2 Risk Strategy

Davy UK's risk strategy is to ensure that the Firm has clearly defined its Risk Appetite Statement, it is reflected in the Firm's strategy and it has appropriate risk governance, processes, and controls in place to execute its strategy within the defined risk appetite.

The Firm has no appetite to knowingly breach any regulatory obligations and it has no appetite for the Firm, and/or its staff, conducting business in an inappropriate or negligent manner that leads to adverse outcomes for clients, colleagues or communities. However, the Firm acknowledges that a level of residual risk may arise from the provision of services and normal operations. The Firm's risk strategy is to take all prudent and reasonable steps to avoid any regulatory conduct risks and client asset risk issues arising.

Davy UK seeks to optimise its performance, subject to remaining within its Risk Appetite, and meet the expectations of its stakeholders. The Davy UK Risk Management Framework (RMF) is the foundation stone for how it manages risk. The RMF sets out the Firm's approach to risk management and reflects its strong risk culture. It establishes the:

- Common activities for the risk management process of identifying, assessing, monitoring, and mitigating risks to the Firm.
- Standard definitions of risk terms and classifications to ensure consistent application across the Davy Group.
- Clear roles and responsibilities for the management of risk across the Davy Group.
- Governance mechanisms by which risk oversight is exercised and risk decisions taken.
- Standard methods to identify and classify risks faced by the Davy Group.
- Processes for setting Risk Appetite to define the level of risk Davy Group is willing to tolerate.
- Role of risk policies and procedures within risk management in implementing the RMF; and
- Minimum requirements for reporting of risk as part of business-as-usual risk management information in the Firm.

2.3 Risk Management

Risk Management is the set of activities and mechanisms through which Davy UK makes sure the risk-taking decisions and the risk-return profile of the Firm is controlled and optimised. Good risk management aligns Davy UK's strategic objectives, code of conduct and stakeholder priorities. Risk Management is central to the financial and operational management of financial services companies and fundamental to Davy UK's strategic priorities of Best Network, Best People, Simple and Efficient, and Social Licence.

The Risk Management Framework is a Davy Group-wide process representing a robust and comprehensive approach to risk identification and assessment, measurement, monitoring, reporting and controls addressing the threat landscape. A summary of the risk management approach is shown in Diagram 1 below, highlighting the key elements that make up the approach to managing risk.

Diagram 1: Managing Risk

1. Risk Identification & Assessment
2. Risk Policies
3. Risk Appetite
4. Stress Testing & Scenario Analysis
5. Risk Monitoring & Reporting

The identification of potential adverse risk events is a fundamental first step in managing the risks within any business or process. To facilitate this, the Firm utilises the Risk Library to assist with categorisation of its risk exposures. The Firm's tolerance, or "appetite", for each of its identified risk categories, in pursuit of its business objectives, is set by the Board in the Risk Appetite Statement, and its exposure to each of the risk categories is managed and controlled by the operation of a suite of risk policies. Senior management monitor the Firm's exposure relative to its appetite and the effectiveness of its controls using a range of metrics and indicators.

2.4 Three Lines of Defence

Davy UK's risk culture starts with the "tone from the top" and is supported by the Board and the Senior Management Team (SMT). A sound risk culture drives and supports risk awareness, desired behaviours, and judgements about risk-taking.

Davy UK has adopted the Three Lines of Defence (3LoD) risk governance model to support its integrated approach to managing risk. The model distinguishes between three key groups or 'lines of defence' in the Firm, all of which are involved in the identification, management and reporting of risk. The First Line of Defence (1LoD) includes the business lines that own and manage the Firm's risks. They have primary responsibility for managing risk, which includes identifying risks and assessing, measuring, managing, monitoring and reporting risk exposures. The Second Line of Defence (2LoD) designs and develops the relevant risk management frameworks to support the 1LoD's risk management activities; and provides oversight, challenge and advice to the 1LoD in the implementation of the frameworks. The 2LoD involves Risk Management and Compliance performing independent review and challenge to facilitate an effective control framework. The Third Line of Defence (3LoD), which consists of Davy Group's Internal Audit function, including its co-sourced external subject matter experts, performs independent assurance and objective testing of Davy UK's risk and control environment and processes with the aim of providing the Board/Senior Management with a level of comfort that the Firm's governance, risk management and control activities are adequate and operating effectively.

Employees at all levels are responsible for the management of risk. All employees are expected to exhibit behaviours that support a sound risk culture where risk is simply part of the way we work and think. This involves all Davy UK staff knowing what to look out for, challenging what is happening around them and being risk-aware at all times.

2.5 Risk assessment of potential harms

The potential harms associated with the business strategy of the Firm, based on its Level 1 Risks from its Risk Library, and the processes used to manage these are set out in the table below. The overall objective of the Firm's strategy is to maximise shareholder value within a risk-controlled environment and deliver world-class outcomes for its clients.

The Firm's Board of Directors is responsible for ensuring that it has the appropriate systems and controls in place to identify, monitor and, where proportionate, reduce all potential material harms that may result from the ongoing operations of the business or from winding down the business; and to hold adequate financial resources for the activities it undertakes. To ensure the above, it actively identifies and assesses the risks and potential harms associated with its business strategy, ongoing operations, business changes or external threats, as well as identifying and assessing the quality of controls in place to mitigate the associated risks and reduce the potential material harms. These assessments are completed using various components of the Firm's Risk Management Framework, including its Risk Library, the Internal Capital and Risk Assessment Process (ICARA), the Firm's Risk Control Self-Assessment (RCSA) process, Operational Risk Events' Reporting, Key Risk Indicators (KRIs), as well as through the various risk reporting components of Group Risk Committees. The Firm believes that these robust risk management processes are effective in mitigating risks and limiting harms to Clients, the Market and the Firm.

Risk	Harm	Strategies and processes to manage risk
Business and Strategic Risk	Harm to Firm and Market	**The risk of not achieving agreed strategic and business goals, arising due to inadequate planning or implementation, and/or changes in the external environment or economic factors. This also includes adverse impacts on the franchise value e.g., by implementing an unsuitable strategy, or maintaining an obsolete business model.** Business Risk Management: ■ As part of the ICARA process the Firm has completed several stress tests that directly challenge the Firm's projections and the ability to withstand the harms associated with its business risk(s). ■ The Board has established Risk Appetite KRIs that will trigger if certain types of business risk begin to impact on the Firm's Assets under Management and profitability. Strategic Risk Management: ■ Operating within agreed and approved Risk Appetite thresholds which are monitored and updated regularly. ■ Strategy Performance Measurement carried out quarterly using Balanced Scorecard reporting and variances to the Strategic Plan (denoting deviations and framing conversation on management intervention and actions for underperformance). ■ Structured Board agenda with strategic updates delivered by relevant accountable business functions.
Reputational Risk	Harm to Firm	**The risk arising from negative perception on the part of customers, counterparties, shareholders, investors or regulators that can adversely affect the Firm's ability to maintain existing, or establish new, business relationships and continued access to sources of funding.** Integrity and reputation are highly valued within Davy UK due to the nature of the business. Damage to the Firm's reputation because of compliance, regulatory, operational breaches or errors could erode investor and stakeholder confidence and result in loss of business, revenue and key employees. Reputational risk can occur in a number of ways: directly as a result of actions by the Firm itself, indirectly due to actions of an employee or employees or through other parties connected directly or indirectly to the Firm. Risk Management: Sources of reputational risk include conflicts of interest, governance weaknesses or failures, poor conduct, products not performing as expected and departure of key personnel. Davy UK acts in the best interests of clients and is committed to delivery of exceptional client outcomes. The Firm has strong risk frameworks and tolerances to ensure that inherent conflicts of interest do not disadvantage clients; that products and investment services operate as described, meeting the objectives and risk levels agreed; and that clients are not exposed to failures of governance or regulatory compliance. ■ Senior Management Team in place to address reputational matters and issues that arise while acting in the best interest of clients. ■ Client engagement surveys undertaken annually with results helping to inform brand positioning workshops and Davy UK brand strategy. ■ Risk training mandatory for all employees to increase awareness of and ensure harms arising from conduct risk are mitigated. ■ Suitability of products and services to clients is monitored at all times to deliver good customer outcomes.

Risk	Harm	Strategies and processes to manage risk
Client Asset Risk	Harm to Client	**Failure to safeguard client assets due to an inadequate client asset control framework or non-adherence to client asset principles and/or regulations.** Risk Management: ■ The Firm relies on its immediate parent company, which is responsible for client operations and a service level agreement is in place to manage and monitor this. ■ Assets are managed in compliance with regulatory policies and procedures to ensure the accuracy and protection of client assets at all times.
Conduct Risk	Harm to Firm, Client and Market	**The risk of inappropriate, unethical and/or unlawful behaviour or inaction on the part of Davy UK, a Davy UK employee and/or an individual/ firm acting on behalf of Davy UK that leads to actual or potential detriment to the Firm, its clients, the integrity of the markets, and/or to fellow employees.** Risk Management: ■ Advisors act in the best interests of clients, have no conflicts of interest, and provide suitable recommendations to meet their needs. ■ Advice execution and remediation meet the expectations of our clients and regulator. ■ Adherence to market conduct regulations that support the integrity of the financial markets and authorised trading. ■ Employees are adequately and appropriately trained and meet fitness and propriety standards.
Operational Risk	Harm to Firm, Client and Market	**The risk of loss resulting from suboptimal or failed internal processes, systems, human factors or from external events.** This includes risks concerning, inter alia, IT, change management, cyber-attacks, third party and outsourcing, people, physical infrastructure, data, legal, model risk etc. Risk Management: ■ The Risk Management Framework includes details of the controls, reporting and resolution for each operational risk. The Senior Management Team monitor operational risk regularly against Key Risk Indicators (“KRIs”) and this is reported to the Board. ■ The Firm’s Compliance department, as the Second Line of Defence, is involved in the day-to-day monitoring of internal controls and investigate or escalate any issues when necessary. ■ The Davy Group’s Internal Audit Department, as the Third Line of Defence, also carry out and report their findings and recommendations from the testing of internal controls. ■ Sources of operational risk are monitored through regular review of Key Risk Indicators (“KRIs”) and the Risk Control Self-Assessment (“RCSA”) process. ■ The Operational Resilience Framework governs the risk of loss from operational disruption due to failure to identify, prepare for, respond and adapt to internal and external disruptions. ■ Operational risks are also considered when reviewing the top harms of the business and inform the Firm’s internal assessment of Own Funds and Liquid Asset requirements.

Risk	Harm	Strategies and processes to manage risk
Regulatory Risk	Harm to Firm	**The risk that Davy UK does not identify legal or regulatory change or appropriately manage its relationships with its regulator.** Risk Management: ■ Horizon scanning in operation to ensure new notices and changes are identified. ■ Professional third-party advice sought for regulatory guidance and interpretation where necessary. ■ Open, compliant and regular FCA reporting.
Market Risk	Harm to Firm and Market	**The risk of loss arising from movements in interest rates, foreign exchange (FX) or other market prices.** Risk Management: ■ The business model of the Firm is based principally on diversification which should allow for a reduced impact on fees earned if external market conditions are volatile. ■ Potential stresses and impacts are modelled through the ICARA process, and capital tested to ensure that the Firm can operate effectively within its regulatory requirements. ■ End of day and daily Value-at Risk positions and limits are monitored daily and reported within the Firm's Risk Appetite limits.
Credit Risk including Concentration Risk	Harm to Firm	**The risk of loss resulting from a client or counterparty being unable to meet their contractual obligations to the Firm in respect of loans or other financial transactions or any other deterioration in a counterparty's creditworthiness.** Credit risk arises in the Firm from bank exposures and client activity. As part of the Firm's business operations and cash management procedures, it conducts business with regulated credit institutions through current accounts and holds deposits with UK-regulated credit institutions. The Firm holds all of its cash and cash equivalents with pillar banks. **Concentration risk is the risk arising from the strength or extent of the Firm's relationships with, or direct exposure to, a single client group of connected clients or institutions.** Risk Management: ■ Davy UK monitors banking exposures on a daily basis and credit risk assessments are performed as required, but at least on an annual basis. ■ Established operational policies, procedures and controls exist around the collection of client receivables and identification and follow-up of at-risk balances. Impairments on client receivables are accounted for under IFRS 9. ■ Daily monitoring of direct holdings in equity against limits. ■ The majority of Davy UK's trading transactions are settled on a Delivery-Versus-Payment ("DvP") basis, which minimises counterparty risk. ■ The Firm does not have a material concentrated relationship to any client or group of connected clients. The Firm has a diverse spread of product types and a varied client base. ■ The Firm monitors the concentration of client balances to maintain low levels of concentration risk. ■ The Firm operates a diversity policy in its banking institutions. ■ The FCA requires monitoring and reporting of, if applicable, end of day positions under IFPR. This includes the calculation of K-CON and reporting of large exposures. The Firm's risk management objective is to ensure that there are no large exposures outside the rules set in MIFIDPRU and procedures have been established to ensure that this does not occur. ■ Trade receivables are also monitored regularly to ensure they are within the Firm's risk and regulatory limits.

Risk	Harm	Strategies and processes to manage risk
Funding and Liquidity Risk	Harm to Firm and Client	**The risk that Davy UK will experience difficulty in financing its assets and/ or meeting its contractual payment obligations as they fall due or will only be able to do so at substantially above the prevailing market cost of funds.** The Firm has a simple liquidity model, generating cash from fees charged to clients sand trading activities, paying staff and third-party vendors as part of its ongoing business activities. Therefore, its balance sheet is predominately made up of cash and short-term debtors and creditors, including intercompany balances. Risk Management: ■ In line with MIFIDPRU 6.2, Davy UK is required to hold an amount of core and non-core liquid assets equivalent to a sum of at least one third of the Fixed Overhead Requirement. The Firm only holds core liquid assets. The Firm's risk management objective is to ensure it has adequate liquid resources at all times and on a forward-looking basis in line with the Overall Financial Adequacy Rule (OFAR). ■ Cash balances are monitored daily against the Risk Appetite Statement and Early Warning Indicator (EWI) metrics (representing internal triggers and limits) and external regulatory requirements (representing hard limit(s)) and circulated to key stakeholders. ■ Cash is held in a number of different pillar banks addressing counterparty risk and the risk of any bank operational resilience issues that may prevent the Firm accessing its resources. ■ In considering liquidity needs, a forward-looking assessment is undertaken and haircuts incorporated, where applicable, to key inflows, as well as applying stresses to significant outflows to demonstrate that the Firm can maintain adequate financial resources at all times in its planning cycle. ■ Intercompany balances are reconciled regularly and amounts cleared down where applicable.
Capital Adequacy Risk	Harm to Market and Client	**The risk that Davy UK has insufficient capital to support its normal business activities, meet its regulatory capital requirements or absorb losses should unexpected events.** Risk Management: ■ The Firm's risk management objective is to ensure it holds surplus capital at all times and in the future to meet its regulatory requirements and support its business strategy. Compliance with the requirements of the IFPR in calculating Own Funds, Own Funds Requirements and Own Funds Threshold Requirements in the ICARA process ensure that the Firm has adequate resources in line with the Overall Financial Adequacy Rule (OFAR) to support its business activities, absorb losses or to wind down in an orderly manner. ■ Daily and monthly monitoring of the Own Funds Requirements (the K Factors and the Fixed Overhead requirement) is carried out by the Firm and reported to senior stakeholders. ■ The Firm carries out regular projections and stress testing of Own Funds and the Own Funds Requirement in order to ensure that adequate financial resources are held by the Firm.

2.6 Risk Appetite for Financial and Operational Risks

The Risk Appetite Statement articulates the Firm's agreed tolerance for the levels of risk it is willing to take in pursuit of its strategic objectives. For financial risks, levels of negative outcomes are expressed as tolerances for earnings and capital volatility, and as tolerances for how long the firm can survive under liquidity stress. Operational risk appetite is more subjective. This is focused on the amount of operational, conduct or compliance and/or operating stress the Firm can bear before it potentially over-trades and operates beyond its operating capacity or outside the threshold of trust and reputation with customers, counterparties and the regulator. Worded or qualitative statements of risk appetite exist for each of the principal risks - these flow from the risk identity of the Firm and link to its capital and liquidity adequacy, desired risk profile, reputation and strategic business intent.

2.7 Effectiveness of risk management processes

The risk management processes within the Firm are aligned to its strategic objectives and their effectiveness is assessed by the Firm as follows:

- Processes are compliant with regulatory obligations.
- Risk events are monitored and these have increased over the period. This is evidence of an increased risk-awareness culture, where items are reported and improvements made as a result.
- Risk metrics (Risk Appetite Statement metrics (RAS)) and Key Risk Indicators (KRI)) are monitored regularly and reported to senior management.
- The Firm has a comprehensive and compliant approach to horizon scanning for regulatory developments and implementation of regulatory changes, such as Consumer Duty.
- The quality of risk management information reported to the Board is rigorous and complete.
- The number of client complaints has remained comparatively low.
- RCSA process and risk register are updated regularly in line with business objectives and developments.

3. Governance Arrangements

3.1 Davy UK Board

The Davy UK Board (the Board) has overall responsibility for the Firm, including its risk strategy. It sets the Firm's strategic aims, ensuring that the necessary resources are in place for the Firm to meet its objectives and review management performance. It sets the Firm's values and standards and ensures that its obligations to its stakeholders are understood and met. The Board defines, oversees and is accountable for the implementation of governance arrangements ensuring effective and prudent management of the Firm, including the segregation of duties in the organisation and prevention of conflicts of interest in a manner that promotes the integrity of the Firm, the market and the interests of clients. In 2023, the Davy UK Board comprised one non-executive director and four executive directors, representing both business lines in the Firm; i.e., wealth management and capital markets. The Board meets at least quarterly and attends to scheduled matters as set out in the J & E Davy (UK) Corporate Governance Framework, other items brought to the attention of the Board and any recommendations requiring Board approval and/or action.

3.2 Davy Group Risk and Compliance Committee (BRCC)

The Davy UK Board has ultimate responsibility for risk management within the Firm and is subject to oversight by the Group Board Risk and Compliance Committee. The primary purpose of the Davy Group Board Risk and Compliance Committee (BRCC) is to provide advisory review and oversight across the Davy Group, including J & E Davy (UK) Limited, for all categories of financial and non-financial risk, in the context of its risk appetite and ensuring that an appropriate risk framework is in place. The BRCC ensures compliance with the relevant laws and regulations together with Davy Group internal policies.

The BRCC has been appointed by the Board of J & E Davy Holdings Unlimited Company and established to assist it in discharging its responsibilities on a range of risk and compliance matters. The BRCC is the governance body responsible for oversight of risk activities other than those that are the responsibility of the Davy Group Board or that have been explicitly delegated to other Davy Group Board Committees. The BRCC is responsible for assessing the Firm's control framework and for designing, implementing and ensuring that the Davy Group's Risk Management Framework operates effectively. The BRCC receives a report from the Group Enterprise Management Committee (ERMC), via the Chief Risk and Regulatory Officer, on at least a quarterly basis. The ERMC operates under the authority of the Executive Committee (ExCo) and has responsibility for, inter alia, senior management oversight and governance of the Group's risk and compliance profile; risk assessments and risk treatment strategies; risk management architecture; and risk processes and systems. The ERMC also monitors the effectiveness of the control environment.

By reference to the relevant FCA balance sheet and trading book thresholds in MIFIDPRU 7.1.4R, Davy UK is not required to, nor does it, have an individual entity-level Risk Committee.

3.3 Davy Group Board Audit Committee (BAC)

The Davy Group Board is ultimately responsible for all matters relating to the presentation of Financial Accounts, Statutory Returns and their audit. The primary responsibility of the Board Audit Committee is to assist the Davy Group Board in fulfilling its responsibilities for ensuring independent oversight of the quality and integrity of accounting policies, financial reports and related disclosures. The Board Audit Committee is also responsible for ensuring the appropriateness, completeness and effectiveness of internal control, risk management, and accounting and financial reporting systems. It assesses the adequacy of arrangements by which staff may raise concerns about possible improprieties in matters over financial reporting and considers the independence and performance of the internal and external auditor. The Committee carries out its responsibilities mainly through regular contact with the external and internal auditors, and senior management.

3.4 Davy Group Board Remuneration Committee (RemCo)

The Davy UK Board is the ultimate decision-maker in relation to remuneration and awards as they apply to Davy UK, with oversight by the Group Remuneration Committee. The key responsibilities of the Davy Group Board Remuneration Committee are to oversee the design and implementation of the Group's overall Remuneration Policy for employees and executive directors, which is designed to support the long term business strategy, values and culture of the Davy Group: putting the customer first, promoting effective risk management and discouraging excessive risk taking; providing advice to the Davy Group and subsidiary Boards on applicable remuneration requirements; overseeing the operation of the Davy Group-wide remuneration policy and practices for all employees with specific reference to Material Risk Takers (MRTs); keeping the Davy Group Remuneration Policy under regular review and, if necessary, making recommendations to the Davy Group Board for updates.

The Committee comprises at least three non-executive members, two of whom are Independent Non-Executive Directors, with an appropriate mix of skills and experience. The Committee meets three times per year and takes input, advice and guidance from internal or external experts as required. The Committee is authorised by the Board of J & E Davy Holdings Unlimited Company to investigate any matter falling within its terms of reference or undertake or consider on behalf of the Chair of the Davy Group Board, or the Davy Group Board, such other related tasks or topics as they may from to time entrust to it. It also makes any recommendations to the Davy Group Board which it deems appropriate on any area within its remit where action or improvement is needed; sub-delegate any or all of its powers and authority as it sees fit, including, without limitation, the establishment of sub-committees to analyse particular issues or themes and to report to the Committee to facilitate the effective carrying out of its responsibilities; and to seek any information it requires from any employee of the Davy Group.

3.5 Davy Group Market Risk and Underwriting Committee (MRUC)

The Market Risk and Underwriting Committee oversees and approves all underwriting activity within Davy Group and is responsible for the approval of the Market Risk Policy. The Committee comprises Davy Group Executive Directors and the Davy Group Board Chairman.

3.6 Davy Group Internal Audit Function

The Davy Group's Internal Audit function (3LoD) includes co-sourced external subject matter experts, who perform independent assurance and objective testing of the governance, risk and control environment and processes with the aim of providing the Davy Group Audit Committee and Management with a level of comfort that the Davy Group and its subsidiaries' governance, risk management and control activities are adequate and operating effectively.

The Davy Group Internal Audit function has no direct authority for or responsibility over any activities under review. This independence of audited activities ensures the unbiased judgements essential to its proper conduct and impartial advice to management.

The Davy Group Chief Internal Auditor (CIA) reports to the Davy Group Board Audit Committee each quarter, including a report on management's self-assessed status of its implementation of Internal Audit recommendations. The CIA will confirm to the Audit Committee, at least annually, the independence of the function.

3.7 UK Compliance and Risk Function

The Davy UK Compliance and Risk team provides an integrated, 2LoD function led by the Head of Risk and Compliance (UK), who is also the Firm's Money Laundering Reporting Officer (MLRO). The team is responsible for monitoring and assessing the adequacy and effectiveness of the measures and procedures in place to detect any risk of failure by the Firm to comply with its obligations under the regulatory system and the actions taken to address any deficiencies in the Firm's compliance with its obligations; and for advising and assisting the Firm's management and staff in complying with their regulatory obligations. The function oversees and advises on compliance with the relevant parts of the UK's Money Laundering Regulations and the MLRO makes reports to the external bodies as required.

The UK Compliance and Risk team is responsible for ensuring effective risk management, for facilitating the setting of Risk Appetite by the Board and providing ongoing assurance to the Board that the Firm is operating within its Risk Appetite. The Head of Compliance and Risk (UK) is responsible for implementing and maintaining Davy UK's Risk Management Framework (RMF) and the development of appropriate policies to strengthen risk management throughout Davy UK.

The Head of Compliance and Risk (UK) provides a quarterly report to the Board of Directors and will inform senior management of matters requiring attention, build and maintain strong relationships with the Regulator and ensure sufficient subject matter expertise within the function.

3.8 Directorships held by Management Body

As the Firm is a non-SNI MIFIDPRU Investment Firm it is obliged to disclose the number of directorships (executive and non-executive) held by each member of the management body. Note that directorships within a group are counted as one. This information is listed in the table below.

Position within the Firm	Number of directorships (executive and non-executive) held
Chairperson (appointed from 2nd March 2023 (Interim Chair from 13th October 2022- 1st March 2023))	2
Director	2
Director	2
Director	1
Director	1

3.9 Diversity of the Management Body

The Davy Group's Firm's Diversity Policy is committed to achieving an appropriate blend and balance of diversity over time. The Firm recognises in its policy that diversity in its widest sense is important and embraces its benefits among its own staff, including diversity of skills, experience, background, and gender.

In 2021, the Group Board agreed to a gender diversity target of a minimum of 33% of the under-represented gender by the end of 2023. As at the end of December 2023, the Davy UK Board was composed of 20% female members however this has now increased to 40% in March 2024.

4. Own Funds

Under MIFIDPRU 8.4, the Firm is required to disclose the following information of the Firm's Own Funds:

1. A reconciliation of common equity tier 1 items (CET1), additional tier 1 items (AT1), tier 2 items (T2), and the applicable filters and deductions applied in order to calculate the Own Funds. (See 4.1 below).
2. A reconciliation of capital in the audited financial statements with the Firm's Own Funds calculation. (See 4.2 below).
3. A description of the main features of CET1, AT1 and T2 instruments. (See 4.3 below).

4.1 Composition of regulatory Own Funds (OF1)

The Firm's Own Funds are exclusively CET1 Capital which has the highest degree of loss absorbency. Total capital resources comprise share capital and audited retained earnings as per the 2023 audited Financial Statements of J & E Davy (UK) Limited with deductions for Intangible and Deferred Tax Assets which do not qualify as regulatory capital. Intangible Assets are deductible net of the associated deferred tax liabilities.

	Item	Amount (GBP thousands)	Source based on reference numbers/letters of the balance sheet in the audited financial statements
1	**OWN FUNDS**	11,962	
2	**TIER 1 CAPITAL**		
3	**COMMON EQUITY TIER 1 CAPITAL**		
4	Fully paid-up capital instruments	6,630	a
5	Share premium	0	
6	Retained earnings	(5,901)	b
7	Accumulated other comprehensive income	0	
8	Other reserves	14,307	c
9	Adjustments to CET1 due to prudential filters	0	
10	Other funds	0	
11	(-) TOTAL DEDUCTIONS FROM COMMON EQUITY TIER 1	(3,074)	d
19	CET1: Other capital elements, deductions, and adjustments	0	
20	**ADDITIONAL TIER 1 CAPITAL**		
21	Fully paid up, directly issued capital instruments	0	
22	Share premium	0	
23	(-) TOTAL DEDUCTIONS FROM ADDITIONAL TIER 1	0	
24	Additional Tier 1: Other capital elements, deductions and adjustments	0	
25	**TIER 2 CAPITAL**	0	
26	Fully paid up, directly issued capital instruments	0	
27	Share premium	0	
28	(-) TOTAL DEDUCTIONS FROM TIER 2	0	
29	Tier 2: Other capital elements, deductions and adjustments	0	

4.2 Own Funds: Reconciliation of regulatory Own Funds to Balance Sheet in the audited Financial Statements

		Balance sheet as in published/audited financial statements (As at period end)	Under regulatory scope of consolidation (As at period end)	Cross-reference to Template OF1 (As at period end)
Assets – *Breakdown by asset classes according to the balance sheet in the audited financial statements*				
1	Property, plant and equipment	278	N/A	
2	Intangible assets	2,929	N/A	OF1 row 11 (d)
3	Right-of-use asset	336	N/A	
4	Deferred tax asset	701	N/A	OF1 row 11 (d)
5	Trade and other receivables	2,579	N/A	
6	Financial assets held at fair value through profit or loss	393	N/A	
7	Cash and cash equivalents	13,974	N/A	
8	Corporation tax	-	N/A	
	Total Assets	**21,190**	N/A	
Liabilities – *Breakdown by liability classes according to the balance sheet in the audited financial statements*				
1	Lease liability	423	N/A	
2	Provisions	349	N/A	
3	Deferred tax liability related to accelerated capital allowances	27	N/A	
4	Deferred tax liability related to intangible asset	556	N/A	OF1 row 11 (d)
5	Trade and other payables	4007	N/A	
6	Financial liabilities at fair value through profit or loss	792	N/A	
	Total Liabilities	**6,154**	N/A	
Shareholders' Equity				
1	Called up share capital	6,630	N/A	OF1 row 4 (a)
2	Retained earnings/(loss)	(5,901)	N/A	OF1 row 6 (b)
3	Capital contribution reserve	14,307	N/A	OF1 row 8 (c)
	Total Shareholders' Equity	**15,036**	N/A	

4.3 Own Funds: main features of own instruments issued by the Firm

Own Funds: main features of own instruments issued by the firm	
Public or private placement	Private
Instrument type	Ordinary Shares
Amount recognised in regulatory capital (GBP thousands, as of most recent reporting date)	6,630
Nominal amount of instrument	6,630
Issue price	£1 per share
Redemption price	£1 per share
Accounting classification	Shareholder's Equity

5. Own Funds Requirement (OFR)

The Firm must maintain Own Funds at all times that are at least equal to its Own Funds Requirement. The Own Funds Requirement is the highest of the following three calculations:

- **Permanent Minimum Capital Requirement:** The minimum level of Own Funds a firm must hold at all times in order to operate, which is defined by the regulation and is at £750,000; or
- **Fixed Overhead Requirement:** This is a calculation of a minimum amount of capital that Davy UK would require in order to absorb losses in a wind-down scenario. This is equal to one quarter of the Firm's relevant expenditure in the preceding year; or
- **K-Factor Requirement:** This is a calculation of a minimum amount of capital that Davy UK would require in order to fund ongoing business operations.

The K-Factors are directly related to the potential for harm posed by the Firm's business strategy and are monitored on a daily basis. Details of the applicable K-Factors and their calculations are set out below.

5.1 K-Factors

Risk to Client

Risk to Client addresses risks carried by an Investment Firm during the undertaking of its services, actions, or responsibilities, which could negatively impact clients. Risk to Client within Davy UK comprises of holding capital for Assets under Management (K-AUM) and Client Orders Handled (K-COH).

K-AUM (Assets Under Management)

K-AUM relates to the value of assets that an Investment Firm manages for its clients under both discretionary portfolio management and non-discretionary arrangements constituting investment advice of an ongoing nature. K-AUM includes assets where the Investment Firm has formally delegated management to another entity. K-AUM excludes assets where another financial entity has formally delegated the management of the assets to the Investment Firm.

To determine the K-AUM capital requirement, the sum of the most recent fifteen months of AUM, excluding the three most recent months values, is multiplied by a coefficient of 0.02%.

Clients who avail of Davy UK's Discretionary and Advisory Portfolio management service are managed using an extensive risk assessment process that aligns with their investment objectives and willingness and ability to bear investment risk. On an annual basis, a statement of ongoing suitability is issued to clients following a reassessment of their circumstances. These procedures are designed to mitigate potential harm to clients by reducing the risk of unsuitable advice and unfair client outcomes.

K-COH (Client Order Handling)

K-COH relates to the value of orders that an Investment Firm handles for clients, through the reception and transmission of client orders and through the execution of orders on behalf of clients.

K-COH includes transactions executed by Investment Firms providing portfolio management services on behalf of investment funds. However, K-COH excludes transactions handled by an Investment Firm that arise from the servicing of a client's investment portfolio where the firm already calculates K-AUM in respect of that client's investments or where this activity relates to the delegation of management of assets to the Investment Firm not contributing to their AUM.

To determine the K-COH capital requirement, the sum of the most recent six months of COH, excluding the three most recent months values, is multiplied by a coefficient of 0.1% (cash trades) and/or 0.01% (derivatives).

Davy UK is required to execute orders on terms that are most favourable to its clients (termed 'best execution'). This requires it to take all sufficient steps to obtain the best possible result for clients in the execution or placement of such orders. In order to meet this obligation, Davy UK transmits orders to, or places orders with J & E Davy, another company in the Davy Group, which executes these orders using an authorised list of execution venues. These procedures are designed to mitigate potential harm to clients by reducing the risk of poor client outcomes. In certain circumstances, Davy UK transmits orders to other third-party platforms for execution. These third-party platforms also have an obligation to achieve best execution and good outcomes for clients.

Risk to Market

Risk to Market relates to the impact an Investment Firm could have on the markets in which it operates, and on those counterparties with whom it trades. Risk to Market is defined as the potential for adverse change in the value of financial instruments from movements in stock prices, currency exchange rates and interest rates. Risk to market for Davy UK comprises of holding capital for Net Position Risk (K-NPR) and FX risk.

K-NPR (Net Position Risk)

K-NPR relates to the value of transactions recorded in the trading book of an Investment Firm. As Davy UK is a market maker in equities, K-NPR comprises of position risk in relation to equity instruments and foreign exchange risk. K-NPR is calculated in accordance with Title IV of Part Three of the UK CRR in the form in which it stood at 31st December 2021.

The Firm calculates both specific and general capital risk requirements on equity positions. This calculation is based on 8% of the long and the short holdings, and 8% of the net positions.

The Market Risk Policy is reviewed by the Group Market Risk Underwriting Committee (MRUC) and approved by the Davy Group Board. The Policy sets out the markets and instruments in which the trading desks are permitted to transact and the risk management tools utilised in managing market risk.

The principal tool used to measure risk and control market risk exposure within the Firm's listed trading portfolios is Value at Risk (VaR). The VaR methodology is used to estimate, based on certain assumptions, the maximum likely loss, in market value terms, for existing risk positions. The VaR of a trading portfolio is the estimated maximum loss that will arise on the portfolio over a specified probability (confidence level) by reference to relevant historical data and market standards. It allows Davy UK to measure and control the risk exposure in a portfolio.

Foreign exchange risk is the net exposure of foreign currencies on Davy UK's balance sheet. The Firm is exposed to foreign exchange risks in the normal course of business where market settlement may occur in a different currency to that in which a security is dealt.

These procedures allow Davy UK to reduce the likelihood of harm to the market by monitoring and managing the extent of any exposure.

Risk to Firm

Risk to Firm captures risks to an Investment Firm's solvency from its trading activity and market participation. Risk to Firm for Davy UK comprises of capital held for Daily Trading Flows (K-DTF) and concentration risk (K-CON).

K-DTF (Daily Trading Flow) and K-CON (Concentration)

K-DTF relates to the daily value of transactions that an Investment Firm enters through dealing on own account or the execution of orders on behalf of clients in its own name, excluding the value of orders that an Investment Firm handles for clients through the reception and transmission of client orders and through the execution of orders on behalf of clients which are already considered in the scope of K-COH. To determine the K-DTF capital requirement, the sum of the most recent nine months of DTF, excluding the three most recent months values, is multiplied by a coefficient of 0.1% (cash trades) and/or 0.01% (derivatives).

K-CON relates to exposure, in the trading book of an Investment Firm, to a client or group of connected clients which exceeds the limits in the IFPR. K-CON capital requirements are calculated as the aggregate amount of capital for each client or group of connected clients based on daily excess exposures above specific thresholds. The Firm has policies and procedures in place to ensure that institutional counterparties are of appropriate credit worthiness. The Firm has no significant concentration of counterparty credit risk, with exposure spread over a number of counterparties and customers mainly within the financial services sector. The trading book counterparty base of the Firm is predominantly investment banks, credit institutions, investment firms and fund managers. Institutional trades are settled on a delivery versus payment (DvP) basis within a two-day settlement cycle and therefore exposure to counterparty credit risk is limited.

In relation to its Wealth Management business, the Firm does not consider that, given the breadth of its client list and the volume of trades, there is a significant risk of client default that would be material in the context of its overall Wealth Management business. In addition, Wealth Management receivables are managed and controlled using well-defined policies and procedures, which are independently managed and reviewed within the Finance department.

5.2 K-Factor Calculation

K-Factor Calculation at 31 December 2023	
K-Factor	**Value (£'000)**
K-AUM	343
K-COH + K-DTF	21
K-NPR + K-CON	172
Total	**536**

5.3 Fixed Overhead Requirement (FOR)

The Firm's Fixed Overhead Requirement for the year amounts to £4,342k and is calculated as 25% of the Firm's total expenditure in the preceding year, per MIFIDPRU 4.5. The FOR is the highest of the calculations required for the Own Funds Requirement, including the Own Funds Threshold Requirement assessed in the ICARA process and therefore is the Firm's Own Funds Requirement.

5.4 Overall Financial Adequacy Rule

The Firm's capital and liquidity management objectives are to comply at all times with the Overall Financial Adequacy Rule (OFAR) which is the obligation for a MIFIDPRU Investment Firm to hold Own Funds and liquid assets that are adequate, both as to their amount and quality, to ensure that:

- the Firm is able to remain financially viable throughout the economic cycle, with the ability to address any material potential harms that may result from its ongoing activities; and achieve its objectives having regard to the Board-approved Risk Appetite and the Firm's Strategy; and.
- the Firm's business can be wound down in an orderly manner, minimising harm to consumers or to other market participants.

The Firms monitors its Own Funds, Liquid Assets resources and minimum requirements in comparison to the Own Funds Threshold Requirement (OFTR) and Liquid Asset Threshold Requirement (LATR) respectively. The OFTR and LATR are determined through the Internal Capital Adequacy and Risk Assessment (ICARA) process. The ICARA sets out the business model and summarises the strategy together with a three-year base case projection. It includes stress tests conducted under the stress testing framework to determine if the Firm can meet the Overall Financial Adequacy Rule under severe and plausible scenarios. The stresses undertaken include a macroeconomic downturn and idiosyncratic stress events. Stress events are derived from the risk management framework (RMF) and risk assessments for scenario analysis. An assessment is undertaken for ongoing operations, which incorporates an internal assessment of the potential harms associated with the activities represented by each of the K Factors, and then an assessment for all other potential harms identified. In addition, an assessment is undertaken for wind down, which incorporates an assessment of the cost and potential harms of a wind down compared to the Fixed Overheads and Liquid Asset Requirement. The assessment for ongoing operations, wind down and the Firm's Minimum Requirements are compared and the highest assessment determines the OFTR and LATR.

Financial Resources held by the Firm at 30 December 2023	Value (£000)
Level of Own Funds held	11,962
Own Funds Requirement	4,342
Surplus of Own Funds held	7,620
Core Liquid Assets	13,974
Basic Liquid Asset Requirements (BLAR)	1,447
Surplus Liquid Assets	12,527

Risk management in Davy UK is an ongoing process and the ICARA process complements the continuous risk monitoring and reporting that takes place. The ICARA process demonstrates that the Firm has appropriate governance, systems, and controls in place to identify, assess and manage key risks to the Firm's strategic priorities and financial, capital, and liquid resilience. Ongoing monitoring of risk levels, risk appetite, stress test results and relevant indicators is performed throughout the year to ensure that the Firm continues to hold adequate financial resources. The ICARA demonstrates that the Firm has sufficient surplus capital and liquid resources, at a point-in-time and on a forward-looking basis to support its business and achieve its objectives, having regard to the Board-approved Risk Appetite and the Firm's strategy while meeting its regulatory capital and liquidity requirements. The ICARA, in conjunction with the Firm's Wind Down Plan, demonstrates that appropriate resources are in place to minimise harm to the Firm, consumers and the overall market in a wind down situation.

6. Remuneration Policy and Practises

This section provides information on the Firm's remuneration policy under the MIFIDPRU Remuneration Code in SYSC 19G which now applies to the Firm.

6.1 Approach to remuneration

The Firm's approach to remuneration for all employees is to reward people fairly and competitively for their contribution to the Firm. Performance is rewarded through a combination of base pay, benefits, and variable pay. The Firm's Remuneration Policy supports this approach; and advice received from CMS, PwC and A&L Goodbody was considered in ensuring the arrangements are compliant with regulatory requirements.

The following principles underlie the Policy:

1. Davy Group aims to attract, develop, and retain high-performing people in a competitive market;
2. The Policy is designed to prevent any conflicts of interests or incentives that may lead relevant persons to favour their own interests or the Firm's interests to the potential detriment of any client;
3. People are offered a fair, consistent, competitive and market aligned remuneration package, with the fixed component representing a sufficiently high proportion of the total remuneration;
4. Davy Group promotes gender neutrality and inclusiveness by ensuring commitment to the provision of equal pay for male and female workers for equal work;
5. The Policy is aligned with effective risk management of risks including sustainability risks;
6. All types of current and future risks are considered when allocating bonus pools and individual awards;

7. The Policy, underlying procedures and practices promote sound and effective risk management aligned to Davy Group's long-term business strategy and risk appetite; and
8. Variable Remuneration reflects the sustainable and risk adjusted performance of the individual employee, the relevant business unit, and the overall Firm.

The objectives of employee financial incentives are to deliver our purpose to provide exceptional client outcomes delivered by a world-class team;

- deliver our purpose to provide exceptional client outcomes delivered by a world-class team;
- deliver our vision to be Ireland's most admired provider of wealth management and investment banking services;
- live our values of Client Success, One Davy and Proud Legacy;
- attract and retain the best people;
- facilitate a culture that ensures staff conduct business appropriately and deliver good outcomes both for clients and the markets as a whole;
- avoid excessive risk taking; and
- support the sustainable growth of Davy Group while ensuring sound and effective risk management and compliance with applicable regulatory requirements.

6.2 Remuneration decision making and governance

6.2.1 The Board of J & E Davy Holdings Unlimited Company (the Group Board)

The Group Board approves, adopts, and periodically reviews the Davy Group Remuneration Policy and is responsible for ensuring its implementation. It delegates the oversight and decisions on remuneration policy and procedure to the Davy Group Remuneration Committee.

6.2.2 The Group Remuneration Committee (RemCo)

The main role of the RemCo is to:

- oversee the design and implementation of the Firm's overall Remuneration Policy for employees and Executive Directors with specific reference to Material Risk Takers (MRTs);
- provide advice to the Board of J & E Davy Holdings on applicable remuneration requirements;
- consider the status of the Firm's operational resilience to satisfy themselves that award arrangements do not create a financial position that is detrimental to the maintenance of a sound capital base; and
- keep the Davy Group Remuneration Policy under regular review and recommend for approval to the Board.

Davy UK is not required to, nor does it, have an individual entity-level Remuneration Committee.

6.2.3 The Group Board Risk & Compliance Committee (BRCC)

The BRCC assesses and reports any risk matters warranting the Remuneration Committee's or Group Board's consideration in recommending remuneration awards.

6.2.4 The Group Executive Committee (ExCo)

The ExCo is responsible for:

- ensuring that the Remuneration Policy is aligned with the long-term mission, values, and strategy of the Firm; and
- ensuring that all Business areas comply with the Policy objectives of sound and effective risk management and do not engage in excessive risk taking.

6.2.5 J & E Davy (UK) Board

The J & E Davy (UK) Board in its supervisory function, is responsible for approving the Policy as it applies to Davy UK. An annual, independent internal review is carried out to provide assurance to the Board that the implementation of its remuneration policies and practices comply with the remuneration policy and practices adopted by the Board.

6.3 Link between pay and performance

The components of remuneration are both fixed and variable and an appropriate ratio is set for fixed to variable of total remuneration. The fixed component of remuneration represents a sufficiently high proportion of the total remuneration to enable the operation of a fully flexible approach to the application of variable remuneration components, including the possibility of paying no variable remuneration. Variable remuneration may be withdrawn or considerably reduced in the event of subdued or negative financial performance of the firm or the Davy Group as a whole, or where warranted by individual conduct.

Fixed remuneration comprises market rate salary, employer pension contributions and other benefits that are in line with market practice and this forms the basis of the Firm's remuneration package. All permanent staff are eligible to receive variable remuneration subject to meeting the relevant performance and risk criteria.

The total amount of the Firm's profits before bonus and tax that is available to be awarded to staff, in the form of variable remuneration, (the bonus pool) and the fixed to variable pay ratio is approved by the RemCo and considers:

- All current risks;
- Expected losses;
- Estimated unexpected losses;
- Current and estimated future capital and liquidity requirements of the Firm;
- Stressed conditions associated with the Firm's
- Financial performance period.

Individual business units' allocation of the bonus pool is dependent on their financial performance, risk profile and their contribution to the Group's strategic plan and values. In turn, individual employees' awards are based on the individual's overall annual performance rating, which is applied on the basis of 'what' and 'how' ratings. Any misconduct or breach of conduct risk obligations will influence variable remuneration. Conduct Flags are in place, which will drive individual accountability. Failure to meet conduct obligations could result in a conduct flag which could negatively impact an individual's year-end performance rating and variable remuneration. In addition, while variable rewards may be awarded to employees across the Firm, the quantitative and qualitative metrics applied to retail client-facing employees' variable remuneration aim to ensure that good client outcomes remain central to their performance management. Where warranted by individual, business unit and company performance, variable remuneration is awarded annually and may be in the form of cash, special employer pension contributions and/or, where applicable, non-cash instruments.

6.4 Employees' designation as Material Risk Taker (MRT or Remuneration Code Staff) for the purpose of the MIFIDPRU Remuneration Code

Remuneration Code Staff are senior management and members of staff whose actions may have a material impact on the Firm's risk profile; referred to as Material Risk Takers. The Firm's MRTs, at 30th December 2023, comprised:

- all Directors of Davy UK, including Non-Executive Directors
- members of the Senior Management Team;
- employees who are head of a material business unit;
- employees who have managerial responsibility for a control function and/or for the prevention of money laundering and terrorist financing; and
- employees who have authority to take decisions approving or vetoing the introduction of new products.

As at 30th December 2023, the number of Remuneration Code Staff was 15, of which 11 were "senior management" (including 4 Executive Directors and 1 Non-Executive Director) and 4 were other material risk takers. MRTs are prohibited from participating in personal hedging strategies on remuneration or in liability-related contracts of insurance to undermine the risk alignment effects embedded in remuneration arrangements.

6.5 Risk adjustment

The Group Remuneration Policy is supported by a Malus and Clawback Policy which operates to mitigate rewarding undesirable, irresponsible and/or excessive risk-taking or poor conduct. Malus is an arrangement that permits the Firm to reduce the value of all or part of unvested and/or deferred variable remuneration. Clawback is an arrangement under which the Firm may require an individual to repay an amount paid and/or vested variable remuneration.

Vesting will normally occur once per annum to enable proper assessment of risks before the application of any post-risk adjustments. Ex-post risk adjustment resulting in either Malus or Clawback will always be performance or risk related. Such adjustments will reflect the actual risk outcomes or changes to the Firm's overall risk profile or performance against its risk appetite. The application of Malus and Clawback arrangements will lead to a reduction in variable remuneration, where appropriate. Malus and/or Clawback may be applied, at the discretion of the RemCo, without prejudice to contractual law in the event that:

- an individual directly or indirectly participated in or was responsible for misconduct or severe negligence resulting in significant losses for the Firm;
- there is evidence of misconduct or material error by an individual (e.g., breach of code of conduct and other internal rules, especially concerning risks); or
- an individual failed to meet the required standards of fitness and propriety;
- the Firm and/or the business unit subsequently suffered a significant downturn in its financial performance;
- there have been significant increases in the Firm's or the specific business unit's economic or regulatory capital base;
- the Firm and/or the business unit in which the individual works suffers a significant failure of risk management;
- there have been any regulatory sanctions, e.g., punitive, administrative, disciplinary, or otherwise, where the conduct of the individual contributed to the sanction;

- the wider Group has suffered a significant downturn in its financial performance (e.g. specific business indicators) and/or requires increasing its capital reserves (in this case, only malus may be applied); or
- any other reason determined by the RemCo in its absolute discretion.

6.6 Exceptional awards

Guaranteed variable remuneration is only offered, by exception, to new hires in the first year of employment or as a retention strategy and is always subject to conduct criteria. The Davy Group may provide, on an exceptional basis, remuneration packages that compensate for the loss of income from previous employment, such as sign-on payments, to attract and retain key staff with specialised skills. Such packages will comply with the remuneration regulations. Payments relating to the early termination of an employment contract shall reflect the performance achieved by the person over time and do not reward failure or misconduct.

6.7 Quantitative disclosures

The quantitative information in respect of the 2023 financial year is set out in the table below as required by MIFIDPRU 8. This includes some MRTs who are also MRTs of the Davy Group.

J & E Davy (UK) - 2023 Remuneration		
Number of MRTs		**15**
Senior management	Total remuneration	£1,799,549
	Fixed remuneration	£950,409
	Variable remuneration	£849,140
Other MRTs	Total remuneration	£617,053
	Fixed remuneration	£327,191
	Variable remuneration	£289,862
Guaranteed variable remuneration payments		£190,433
No. of MRTs receiving guaranteed variable remuneration		8
Total amount of severance payments awarded		Not disclosed
No. of MRTs receiving severance payments		Not disclosed
Amount of the highest severance payment awarded		Not disclosed
Number of other staff		**114**
Total remuneration		£8,833,621
Fixed remuneration		£6,754,576
Variable remuneration		£2,079,045

The Firm has relied on the exemption in MIFIDPRU 8.6.8R(7)(b), which operates to prevent disclosure concerning one or two people where to do so could lead to those people being identified by the reader. The disclosures normally include the total amount of the severance payments awarded during the financial year and the number of material risk takers receiving those payments, split into categories for senior management and other MRTs. We have determined that disclosure of severance awards made in the period could lead to the recipients being identifiable and so we have relied on the exemption in this instance.

170_1333144/09/24