



Brown Shipley Co Limited Sustainability Risks in Investments Policy



BROWN SHIPLEY
A QUINTET PRIVATE BANK

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1. KEY DEFINITIONS

- **Engagement** – The act of undertaking constructive dialogue with investee companies/issuers with a view to improve environmental, social, and governance (ESG) practises.
- **ESG factors** – environmental, social or governance aspects. Examples of such aspect are pollution, carbon emissions, health & safety, labour conditions, board diversity, and anti-corruption.
- **Exclusion** – the act of barring an entity's securities from being purchased for a portfolio due to business activities that are deemed unethical, harmful to society, or in breach of laws or regulations.
- **Funds** – collective investment vehicle that is widely held which holds a diversified portfolio of securities
- **SFDR** – Regulation 2019/2088 of European Parliament and the Council of 27 November 2019 on
- **Sustainability**-related disclosures in the financial services sector. SFDR is a European regulation introduced to improve transparency in the market for sustainable investment products, to prevent greenwashing and to increase transparency around sustainability claims made by financial market participants.
- **Sustainability risk** - is an environmental, social or governance (ESG) event or condition that, if it occurs, could cause a material negative impact on the value of the investment.
- **SI team** - shall mean in sustainable investment team which is part of the Investment & Client Solutions ('ICS').
- **FRR team** - shall mean Financial Risk and Reporting team which is part of the Risk Function at Quintet
- **GFS team** - shall mean Group Fund Solution team
- **BRM team** - shall mean Business Risk Management
- **Voting** – shareholders (typically) receive voting rights to be cast at annual or extraordinary general meetings on a range of strategic and environmental, social, and governance (ESG) matters
- **Quintet** – Quintet Private Bank Europe (S.A.) including its branches and subsidiaries.

2. PURPOSE AND SCOPE

2.1. PURPOSE

Brown Shipley Co Limited is a subsidiary of Quintet and, as such, primarily adopts Quintet's sustainability risk framework and related policies. Those frameworks have been developed at Group level with reference to applicable EU regulatory requirements, including where such policies are formally required within the wider Group. As a UK-regulated entity, however, Brown Shipley operates within the jurisdiction of the United Kingdom and is therefore subject to the UK Sustainability Disclosure Requirements (SDR) and Anti-Greenwashing Rule (AGR), rather than directly to EU sustainability disclosure rules. Accordingly, in applying the Group framework, appropriate consideration has been given to the UK legal and regulatory environment, and any necessary adjustments have been made to ensure consistency with applicable UK rules and expectations.

Brown Shipley has elected to publish this policy voluntarily, in line with Group, in order to support transparency, good governance, and a consistent articulation of how sustainability-related risks are identified, assessed, and incorporated into investment decision-making. This approach also provides a clear basis on which Quintet's investment processes and controls can be applied within Brown Shipley's UK business. Sustainability risks are financial risks. At Quintet, sustainability risks are considered as integral to fiduciary duty and to delivering resilient, long-term, risk-adjusted returns for clients..

This Policy sets out, in one coherent framework, how Quintet identifies, measures, manages, and monitors sustainability risks across all investment and advisory activities. It operationalises these regulatory obligations and translates them into clear, practical actions embedded in day-to-day decision-making.

Quintet's Board of Directors (BoD) maintains a low appetite for sustainability risks. The firm makes its best effort to prevent unacceptable exposures from entering portfolios, applies pre-trade and post-trade controls, and monitors defined Key Risk Indicators (KRI) with thresholds that reflect the Board's risk appetite. Where risks emerge, Quintet attempts to respond early through time-bound engagement linked to measurable milestones and, where risks remain unacceptable or remediation fails, through timely exit. Roles and responsibilities are clear across Investment,

Sustainability/ESG, Risk, Compliance and governance committees so that decisions are consistent, evidence-based and auditable.

The firm understands that sustainability risk is currently a developing field, and the capabilities required to identify and manage sustainability risks are constantly changing. Therefore, this policy is reviewed at least annually, and additionally, whenever there is a material regulatory or methodological change; to ensure that the policy remains effective, proportionate and aligned with Quintet's risk appetite, regulatory standards, and our commitment to clients.

This Policy applies across the full product and portfolio spectrum—discretionary and advisory mandates, proprietary and third-party funds, listed and private markets, indexed and passive exposures, derivatives and securities lending—throughout the product life cycle from design to reporting. Sections 4.2 and 4.3 describe the activities and processes The firm carries out to ensure a proper management and continuous monitoring of those risks.

3. POLICY PROVISIONS

3.1. Investment Relevance

For this Policy, Quintet adopts the following market practice definition: a sustainability risk is an environmental, social or governance event or condition that, if it occurs, could cause an actual or potential material negative impact on the value of an investment. These can alter cash flows, discount rates, and terminal values through channels such as regulation, technology shifts, litigation, supply-chain disruption, physical damage, conduct failures or reputational harm. This means that for Group sustainability risks are financially material to investment and advisory decisions across asset classes and geographies.

3.2. Identification of sustainability risk

At Quintet, sustainability risks are identified by factoring in the events and conditions most likely to crystallise as financial losses within the relevant investment horizon. The process combines quantitative and qualitative analysis, leveraging both external and internal sources of information to ensure a consistent and comprehensive assessment.

Sustainability risk identification is embedded within Quintet's investment due diligence and risk management frameworks. Quintet systematically analyses the potential for ESG factors to affect an issuer's financial performance, valuation, creditworthiness, and reputation. The assessment considers sector, geography, asset class, time horizon, and exposure type—distinguishing between idiosyncratic risks at issuer or project level and systemic risks (such as climate change or biodiversity loss) that affect markets more broadly.

3.2.1. Environmental risks to the investment

Environmental risks encompass both climate-related and non-climate environmental factors that may materially affect the value, performance or resilience of investments. These risks can emerge gradually or abruptly, and can impact issuers through financial, operational, regulatory, and reputational channels.

Climate Risks:

Climate risks represent all potential impacts on investments arising from climate change and its consequences. They are divided into two broad categories:

Physical Risks

Physical risks stem from the direct impacts of climate change. They can be:

- **Acute**, such as heatwaves, floods, storms, and wildfires that damage assets, disrupt operations or supply chains, and reduce productivity.
 - **Chronic**, such as long-term changes in temperature, precipitation, or sea levels that progressively affect resource availability, agricultural yields, infrastructure durability and insurability.
- A failure to adequately manage physical risks can result in financial losses through asset impairment, higher insurance costs, or reduced access to critical inputs such as water and energy.

Transition Risks

Transition risks arise from the shift toward a lower-carbon and more sustainable economy. They can be triggered by:

- **Policy and regulation**, such as carbon pricing, emission caps, or mandatory disclosure requirements.
 - **Technology**, where innovations render existing assets, products or processes obsolete.
 - **Market and consumer shifts**, including reduced demand for high-emission products or preference for sustainable alternatives.
 - **Legal or liability actions**, such as climate-related litigation or non-compliance with evolving standards.
- Poor management of transition risks may lead to stranded assets, declining competitiveness, margin compression, or significant capital expenditure needs to realign operations.

Non-Climate Environmental Risks

Beyond climate change, other environmental risks relate to broader ecosystem degradation. These include biodiversity loss, deforestation, land and water pollution, waste generation, and resource scarcity. Such risks can disrupt supply chains, increase operating costs, and create reputational or regulatory pressures. Although not always directly linked to climate change, these factors share the same potential to affect company fundamentals, market stability, and long-term value creation.

3.2.2. Social risks to the investment

Social risks arise from the way companies manage relationships with their employees, suppliers, customers, and the communities in which they operate. These risks can materially affect business continuity, reputation, and ultimately financial performance. They often manifest through operational disruption, loss of market access, litigation, or regulatory penalties.

Social risks encompass several dimensions, including:

- **Labour and working conditions** – Health and safety incidents, inadequate labour standards, poor working conditions, or lack of diversity and inclusion can impair productivity, increase staff turnover, and expose firms to compliance breaches.
- **Human rights and supply chain integrity** – Violations of human rights or failure to ensure ethical supply chain practices can lead to reputational harm, legal liability, and disruption of production or procurement channels.
- **Product responsibility and customer welfare** – Failures in product safety, data protection, or consumer rights can result in loss of customer trust, fines, recalls, or litigation.
- **Community relations and social licence to operate** – Projects that disregard community impacts, land rights, or cultural heritage can face protests, permit withdrawals, or operational delays, particularly in emerging markets and resource-intensive sectors.

Quintet's assessment of social risks focuses on the degree to which issuers anticipate and manage these issues through clear policies, transparent practices, and measurable outcomes.

3.2.3. Governance risks to the investment

Governance risks arise from weaknesses in the systems, processes, and controls that determine how an organisation is directed and managed. Strong governance is essential to long-term value creation, while poor governance can amplify both environmental and social risks, lead to misallocation of capital, and erode stakeholder trust.

Governance risks include, but are not limited to:

- **Board composition and effectiveness** – Limited independence, inadequate diversity, insufficient expertise, or weak oversight can undermine strategic decision-making and risk control. Ineffective boards may fail to challenge management or address material ESG issues.
- **Ethical conduct and compliance** – Corruption, bribery, fraud, tax evasion, or sanctions breaches can trigger regulatory penalties, litigation, and reputational damage. Inadequate internal controls or opaque ownership structures heighten these vulnerabilities.
- **Shareholder rights and transparency** – Weak protection of minority shareholders, poor disclosure practices, or unbalanced voting structures can reduce accountability and investor confidence.
- **Executive remuneration and incentives** – Misaligned pay structures that reward short-term performance at the expense of sustainable value creation can encourage excessive risk-taking or neglect of long-term ESG priorities.
- **Oversight of environmental and social issues** – Governance failures in managing climate, social, or human rights risks can translate directly into financial exposure through fines, operational disruption, or loss of social licence to operate.

3.3. Management of sustainability risks in portfolio management

The management of sustainability risks may vary per type of investment and asset class. Quintet has implemented processes to manage sustainability risks when investing in single lines and when investing in collective investment vehicles.

3.3.1. Single-line investments

The management of sustainability risks within single-line investments follows a structured, risk-based approach designed to prevent, identify, and mitigate sustainability-related financial impacts at the issuer level. Quintet's framework integrates multiple layers of control and analysis, ensuring that sustainability risks are consistently addressed across the investment lifecycle—from pre-trade screening and due diligence to ongoing monitoring and active ownership.

Sustainability risk management in single-line investments operates through four complementary mechanisms:

3.3.1.1. Active Ownership

Active ownership is the use of the rights and position of ownership to influence the activities or behaviour of investee entities. Quintet believes that active ownership is an effective means of mitigating sustainability risks. Quintet's Sustainable Investing team executes this policy through such actions as engagement with company management and proxy voting.

With regard to engagement, Quintet collaborates with an engagement partner to co-create its active ownership and stewardship strategy, conducting structured dialogues with companies to improve their practices and behaviours on sustainability matters. These focus areas include climate change, human and labour rights, human capital management, and board effectiveness. Through proxy voting, Quintet also exercises its rights as an equity owner to support progress on key sustainability issues within its investee companies.

Please refer to Brown Shipley's Active Ownership Policy, which mirrors the Quintet policy, for more details.

3.3.1.2. *Exclusion*

Exclusion serves as the first safeguard in managing sustainability risks by removing exposure to issuers, sectors, or activities that conflict with Quintet's fiduciary duty, responsible investment principles, or risk appetite. It applies where financial, ethical, or reputational risks are considered unacceptable or where meaningful engagement is no longer feasible.

Quintet's exclusion framework covers all single-line equity and fixed income investments and is anchored in internationally recognised standards, including the United Nations Global Compact (UNGC), the OECD Guidelines for Multinational Enterprises, and the UN Guiding Principles on Business and Human Rights. Issuers found to be in severe or structural breach of these principles are deemed non-compliant with Quintet's minimum ESG requirements and excluded from the investment universe.

In addition, Quintet restricts investments in activities with inherently high sustainability risks, including:

- Companies involved in controversial weapons, such as anti-personnel mines, cluster munitions, or chemical and biological weapons.
- Issuers from countries under an EU arms embargo, as well as bonds issued by such sovereigns.
- Companies deriving significant revenues from thermal coal extraction or coal-based power generation, given the sector's high transition and environmental risks.

The exclusion list, managed within the Quintet Group Investment Universe (GIU), is reviewed and updated regularly to reflect evolving data, regulation, and standards. This process ensures that all client portfolios remain aligned with international norms, Quintet's low sustainability risk appetite, and its long-term investment objectives.

Please refer to the Brown Shipley Responsible Investment Policy for more detail on our exclusion policy.

3.3.1.3. *ESG Integration*

For Quintet's single-line investments, particularly within its Article 8 core discretionary mandates and flagship offerings, ESG integration forms a fundamental part of the investment process. Quintet's Sustainable Investing (SI) team integrates ESG consideration at the individual security level through an internally developed sector-specific approach as well as at company level. Companies are measured on the degree to which a company's economic value is at risk driven by ESG factors.

ESG integration is complementary to other (market, credit, or duration) risk assessments in the investment decision-making process. This integration ensures that sustainability risks are rigorously assessed alongside financial and operational risks. Quintet's approach combines sector-specific ESG methodologies with quantitative data and qualitative analysis to evaluate how environmental, social, and governance factors may materially impact an issuer's long-term value, stability, or resilience.

Key elements of this integration include:

- **ESG risk assessment** is embedded throughout Quintet's single-line selection process. ESG analysis is conducted at the individual security level prior to portfolio inclusion, where issuers are evaluated against peers within their sector and across the broader investment universe. Securities that display weak ESG risk management or perform below peers are not eligible for selection. Once included, portfolios are continuously monitored to ensure that holdings maintain strong ESG performance and remain aligned with Quintet's sustainability objectives and risk standards.
- **Controversy monitoring** forms an integral part of this process. Quintet identifies and assesses ESG-related incidents that could materially affect an issuer's financial performance, reputation, or long-term resilience. These controversies may relate to environmental issues (e.g. pollution, deforestation), social issues (e.g. labour rights or human rights violations), or governance issues (e.g. corruption, fraud, or

unethical business conduct). Companies involved in 'severe' controversies are excluded from flagship products. The SI team monitors these incidents using independent ESG data providers, complemented by internal review and escalation procedures.

- **Product involvement** research is used to identify a set of sensitive or high-risk activities that pose elevated levels of environmental, social, or governance risk. As such, Quintet limits investments in companies that generate significant revenues from activities such as alcohol, tobacco, gambling, adult entertainment, or oil and gas production, as well as other sectors associated with heightened social or ethical concerns.

3.3.2. Collective investment vehicles

When investing in collective investment vehicles, Quintet applies a structured and rigorous process to ensure that sustainability risks are properly identified, assessed, and managed at the fund level.

The group fund selection team evaluates the sustainability profile of each fund manager through a detailed questionnaire and research process. This assessment focuses on key areas including the manager's sustainability strategy, approach to UN Global Compact (UNGC) breaches, management of controversial weapons exposure, and commitment to active ownership and engagement.

All approved fund managers that Quintet allocates to flagship products are expected to meet Quintet's Responsible Investment Criteria, which require:

1. The integration of ESG factors into financial analysis and portfolio construction;
2. Active ownership through engagement and proxy voting where relevant;
3. The consideration of issuers violating the United Nations Global Compact (UNGC); and
4. The exclusion of issuers involved in controversial weapons.

For funds with stronger sustainability ambitions, the fund selection team also evaluates the intentionality of their ESG objectives, the sustainability of portfolio holdings, the quality of ESG research and analysis, and the transparency of their reporting on engagement and outcomes.

Complementing this, the Sustainable Investment (SI) team conducts an independent due diligence review of each asset manager's responsible investment (RI) framework. This review assesses how managers integrate ESG factors into investment decisions, and align with Quintet's broader sustainability principles and fiduciary standards.

3.4. Change Log

Version	Approval date	Changes
1.0	2021-09-06	Initial version
2.0	By circular firstly signed on 21 Dec 2022; By circular sent on February 9, 2023 and firstly signed on 9 Feb, 2023	Incorporation of the 2022 Group Risk appetite statement as well as update of the 3 lines of defence model. Name of the Policy changed/has been adjusted
3.0	27.11.2023 14.12.2023	see Covernote
4.0	31/12/2024	Updated Policy Provisions.

5.0	30/05/2025	Updated Policy Provisions
6.0	10/03/2026	Updated Policy Provisions
7.0	24/07/2026	Solidified diversion from group policy