Brown ADVISORY
Thoughtful Investing.

Brown Advisory

Reflections on Stewardship

2022

Stewardship | Defined as "the responsible allocation, management and oversight of capital to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society."

Foreword

We think about stewardship broadly—indeed, you will see us use the term "raise the future" to refer to how we view our purpose for our clients, colleagues and communities. The idea behind this reflection of our purpose is the deep sense of responsibility we feel to help create a better and more sustainable future. At its essence, stewardship at Brown Advisory looks forward and requires us to take actions today to ensure that tomorrow is better.

As investors, we believe we can drive performance by investing in companies and issuers that are contributing to building that sustainable future; as investors, we invest in companies and issuers that are better and stronger because of their role in building that sustainable future.

As advisors, we can help clients articulate what matters most to them in order to help them achieve their goals through thoughtful portfolios that may include philanthropy, community-based and impact-driven investments. As a business, we partner with for-profit and nonprofit purpose-driven organisations. As a firm, we make strategic contributions to certain charities and offset our emissions in pursuit of reducing our carbon footprint. As a collection of colleagues, we bring our authentic selves to work every day in service to our clients, and we donate time and funds to support the communities that sustain us and our families.

To do this well, we must continue to intentionally recruit and elevate colleagues who share these values. Indeed, one of our criteria for promotion to Principal and Partner is demonstrating service to and leadership in the community. With deep humility, we have found that our firm's breadth and depth give our colleagues a platform to demonstrate stewardship in their communities.

As always, we are appreciative of the Financial Reporting Council's commitment to promoting stewardship in our industry. In this same spirit, we are grateful for the opportunity to work with our clients—a group of inspiring individuals, families and organisations—so that they may be meaningful stewards for the future.

Sincerely,

Michael D. Hankin
President and CEO

Karina Funk, CFA
Portfolio Manager; Chair of Sustainable Investing

Logie Fitzwilliams
Head of International Business and Global Head of Sales

Contents

PRINCIPLE 1

OUR PURPOSE, STRATEGY AND CULTURE

Brown Advisory was founded on a simple vision: to build a client-first investment and strategic advisory firm. Today, over 800 colleagues are privileged to serve an inspiring group of individuals, families, nonprofits, charities, institutions and financial intermediaries around the globe. In Principle 1, we outline how together, our firm's mission, purpose, investment philosophy and culture allow us to be effective stewards for our clients, colleagues and communities.

OUR MISSION

To make a material and positive contribution for each client by delivering first-rate investment performance, thoughtful strategic advice and the highest level of service to help them get to wherever it is they want to go. Our business model, providing investment management and advice to our clients, allows us to remain objective in our decision-making and reduces the number of conflicts that arise when firms have multiple, competing client income streams.

At the foundation of our work for clients is how we think about building a firm that has a bigger purpose, one that aligns very closely with the Financial Reporting Council's definition of stewardship—"to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society."

Clientfirst.

Colleaguedriven.

Communityfocused.

Cultureled.

OUR PURPOSE

We use the term "raise the future" to refer to how we view our purpose for our clients, colleagues and communities. As investors, we invest for the long term. As advisors, we can help clients articulate what matters most to them in order to help them achieve their goals through thoughtful portfolios that may include philanthropy, community-based and impact-driven investments. As a business, we partner with for-profit and nonprofit purpose-driven organisations. As a firm, we consider our charitable contributions strategically, work toward reducing our emissions and, as a last resort, offset our necessary operational emissions in pursuit of carbon neutrality. As a collection of colleagues, we donate time and funds to support the communities that support us and our families.

There are a lot of needs, and we certainly do not have all the answers. However, we believe that through innovation, collaboration and humility, we can raise the future, for all of us, together.

"RAISE THE FUTURE"

It is a big statement, a tall order and a moving target all at the same time. It is also meant to embody, in just three short words, our firm's purpose. Our effort, energy and focus are all aimed at elevating the potential of tomorrow for our clients, colleagues and communities. If we are successful in the pursuit of our tomorrow-based purpose, those whom we count as shareholders will share in the value that our collective future holds.

Like our clients, colleagues, communities and culture, the word "raise" has many sides. Its flexibility and depth as a verb parallel how we think about our responsibility for those around us, and ultimately, the future.

1. to physically construct or move something to a higher position
   like a barn
2. to gather for a purpose
   like capital
3. to bring to maturity
   like a family
4. to bring up for consideration or debate
   like a question
5. to increase the strength, intensity or pitch of
   like a voice

THOUGHTFUL INVESTING

Our **investment philosophy** is rooted in our aspiration to be thoughtful investors. For Brown Advisory, "thoughtful investing" is a dedication to rigorous, fundamental research to gain a deep understanding of the businesses, issuers and managers in which we invest our clients' capital. It is the patience to allow the quality of strategies, companies and allocators to compound our clients' capital over time. It is the humility needed to make objective, unbiased decisions—even under pressure—and to learn from our mistakes. It is an appreciation of context so that ideas can be kept in proper perspective. It is a focus on sustainable investment as a means to outperform. Thoughtful investing is the belief that teams—through diversity, collaboration and a willingness to challenge one another—best deliver the first-rate performance that we promise to each and every client.

The idea of "thoughtful investing" manifests in different ways across our various business activities:

Funds and Strategies: We use a disciplined, bottom-up, fundamental research approach to build low-turnover, concentrated portfolios with the potential to drive attractive performance results over time. We have a culture and firm equity ownership structure that help us attract and retain professionals who share these beliefs, and we follow a repeatable investment process that helps us stay true to our philosophy. Our integrated research team brings together sustainable and fundamental expertise to inform investment decision-making.

As investors, we will consider any data, factor, business tactic or strategy, economic or market condition—whether quantitative and qualitative—that might allow us to better understand the material challenges and opportunities facing a business or issuer. Every Brown Advisory investment strategy holds the fiduciary duty of delivering investment performance to clients as its highest obligation.

To respond to clients' needs and provide specific solutions for each client's considerations and goals, we have expanded our platform, adding investment strategies, making significant new hires and promoting colleagues from within our own research team.

Multiasset Portfolio Solutions: Our Investment Solutions Group (ISG) guides asset allocation and manager research recommendations for our private clients, as well as our endowments, foundations and charities portfolios, conducting deep and rigorous due diligence across asset classes to provide access to both leading and emerging managers. As our client base grows and the capital markets become ever more complex, we have expanded our external manager platform and continue to add highly specialised, best-in-class managers—so that we can customise portfolios to maximise opportunities and account for risk and liquidity preferences. As part of our responsibility to clients, we continue to seek opportunities with investment managers in public and private markets that will add value to client portfolios.

OUR CULTURE

Brown Advisory's culture is rooted in our DNA, which we have come to define, with and through, our Four Cs: clients, colleagues, community and culture. We focus on clients, always. We take care of each other, our colleagues. We find material ways to help our communities thrive. And we strive to invest in, nurture and cultivate a culture that can support a special focus on the first three.

Fundamental to Brown Advisory's DNA are our ownership structure and our independence. Brown Advisory has been a private, independent firm since 1998. Together, our colleagues own approximately 70% of the firm—with every one of our full-time colleagues owning equity and no one individual owning more than 5% of the firm. The remaining 30% is owned by select outside investors who provide insight, perspective and stability. We believe this approach ensures that we have an inclusive and balanced ownership structure—and that our colleagues' interests are aligned with those of our clients. This "ownership mindset" could not be more essential to our culture. As owners, we are responsible for building a firm that will navigate and raise the future. It's on us. Each of us. And this makes for an exciting, challenging and empowering environment in which we are privileged to work.

Our first and primary measure of how effective we are at being good stewards for our clients, colleagues and communities is our client retention rate. For a "client-first" firm, it is really the only thing that matters. And if we are unable to keep our clients happy, then we will fail as a business, and that will not allow us to dedicate time, focus and resources to our colleagues and communities. Our trailing 10-year firmwide client retention rate is 98%, a number that we think reflects our clients' confidence in our mission, purpose, investment philosophy and ultimately our ability to be good stewards of capital.

Perhaps no characteristic distinguishes Brown Advisory more than our team approach.

We have a remarkable group of professionals based across 18 offices who serve our clients—and by working as a team, we can bring to bear the power of our collective experience, insights and service.

Collaboration, whether focused on investment research, tax planning or creating an impact in the community, allows us to ask the right questions, formulate thoughtful strategies and fine-tune solutions. It may not always be the easiest way to operate or the quickest approach to a result, but we know that teams deliver the best solutions and outcomes for our clients.

THE SHARED VALUES AND BELIEFS UNDERPINNING OUR CULTURE

Putting clients first, always
This principle underpins everything we do. We are fortunate to be in a position to amplify the work, effort and impact of individuals, families and institutions who are making a difference in the world.

The importance of our people
We invest in individuals who embody our mission, purpose and values with humility. These colleagues perpetuate our culture by directing their focus, energy and skills for the benefit of our clients.

The importance of investment results
As investors, first and foremost, we know that achieving compelling investment results is paramount to our success.

Being disruptive and innovative
As a private firm, our long-term investment horizon allows our colleagues to explore new ideas and take certain risks. This entrepreneurial spirit is the foundation for building new performance, advice and service capabilities for clients.

Working as a team
We believe that decisions are best made with input from a group and in the light of each other's scrutiny, instead of alone and in the dark.

Embracing outside views
A key ingredient in making sound decisions for our clients is to surround ourselves with a network of intelligent, experienced and diverse people. For us, this includes but is not limited to directors, outside shareholders, clients, other investors and industry leaders across the globe.

Open and honest communication
Our flat organisational structure makes it particularly important for us all to communicate effectively. At the heart of effective communication is our honesty, openness and a willingness to challenge each other with positive intent.

Celebrating diversity, equity and inclusion
Beyond just being the right thing to do, we know that a diverse team—with different backgrounds, worldviews and perspectives—operating in an inclusive environment will create more meaningful outcomes for clients. This commitment should not only be reflected in the diversity of our colleagues but also in those recognised as Principal and Partner. Further, a constructive attitude toward progress, an open mind and an open heart are factors that are held in focus when candidates are considered for Principal and Partner.

Protecting our equity structure
We award equity to all colleagues to make sure that our ownership structure is inclusive and balanced. This "partnership" philosophy underlies our shared sense of purpose and the alignment of our interests with those of our clients.

Learning and curiosity
Colleagues who are always in learning mode tend to have two important traits that translate to client success—humility and an adept ability to listen. In celebrating our collective curiosity, we recognise that we do not always have all the "right" answers and must continue to search for new and more effective solutions.

The importance of growth and reinvestment
We seek to grow steadily over time so that we can develop our resources to better serve clients. This includes meaningful reinvestment activity to expand our range of advice and service capabilities, strengthen our investment research teams, and improve technology resources.

The value of sustainable investing
We believe that there does not have to be a trade-off between strong performance and responsible business practices.

SUSTAINABLE INVESTING

As investors, we will consider any data, factor, business tactic or strategy, economic or market condition—whether quantitative and qualitative—that might allow us to better understand the material challenges and opportunities facing a business or issuer. Every Brown Advisory investment strategy holds the fiduciary duty of delivering investment performance to clients as its highest obligation. In our sustainable investment strategies, these considerations include an emphasis on the risks and opportunities that arise from the effects of natural resources, climate, human capital and governance on the securities in which we invest, and hence on their investment returns.

We have over a decade of experience developing sustainable investment solutions. Through this work, we have developed a number of tools that can be used to integrate sustainable investment considerations into investment decision-making and portfolio construction that can be used across our platform, including tools to assess and report on investment risks and opportunities, engagement, and environmental and social exposure.

We believe that there does not have to be a trade-off between strong performance and responsible business practices, whether we are managing in-house strategies within equities, fixed income or other asset classes, selecting external managers, or working with individuals, families and charities to align their investment portfolios with their values.

MISSION ALIGNMENT

For some of our clients, particularly nonprofits, charities and families, we construct multi-asset, mission-aligned portfolios that seek to deploy capital to achieve both financial objectives and the positive impact that the client seeks to make in the world, including investment solutions that integrate performance-driven research on sustainability issues such as climate, diversity or economic development. Just as we do not build portfolios based on models, we do not make assumptions about a client's values. We start by listening and investigating what is most important before we begin to discuss how to express those values through a client's investment portfolio.

OUTCOME

LAUNCHING A NEW INVESTMENT STRATEGY

As a client-focused firm, when we launch new investment strategies, we are responding to what our clients tell us they need. Our newest institutional strategy, Large-Cap Sustainable Value, is a case in point. A number of clients asked us to provide a high-quality solution in an asset class where there were few options. The Large-Cap Sustainable Value (LCSV) strategy builds on the firm's history in large-cap investing, value-investing, and sustainable investment research, and seeks investment opportunities that are emerging, or risk mitigation that is material. Companies in the portfolio possess one or both of these characteristics. LCSV is an example of where our performance-first mindset enables nuanced solutions to climate challenges.

Using our 3P investment filter allows us to uncover undervalued companies that others may overlook. To gain our attention, a company does not have to demonstrate a strong Sustainable Cash Flow Advantage (SCFA) outcome across all three—it could be that they are laser-focused on one but on a clear path to the others.

PEOPLE. How is this company attracting, promoting and retaining employees as a driver of value? Is this company fostering a culture of success, where employees can grow organically through the ranks of the business, where they are treated fairly and are well compensated for their work? Is diversity, equity and inclusion (DE&I) a core focus for this company?

PROCESS. Does this company have a mindset of continuous improvement? Sound operations that promote a safe and healthy community can bolster franchise value while also avoiding regulatory or reputational risk. We believe this has many benefits, including cost and resource savings, leading to an outcome that will likely cut carbon emissions and improve natural capital.

PRODUCT. Is this company focused on delivering a product or service that solves a sustainability challenge? Is it able to drive a superior customer experience to allow its clients to achieve their sustainability goals?

Every company in the portfolio must either have an established Sustainable Cash Flow Advantage or an emerging SCFA, that has the potential to be realised within our investment time horizon. When searching for companies that we deem to have an SCFA, we are looking for those that are laser-focused on controlling the controllable. Every company is exposed to external and uncontrollable factors (e.g. market, political or economic risks). Rather than dwelling on this, we think there are three things a company can truly control—their people (and the culture they drive), their process and day to day operations and their products or services. Our 3P investment filter allows us to find companies that are gaining an advantage or reducing risk by improving their sustainability practices. If a company can tie one of those 3Ps to a sustainable opportunity thesis, we believe it has a material Sustainable Cash Flow Advantage.

Our philosophy is centered on a holistic view of a company, where we consider how it plays defence on risks and offense with opportunities. We are exclusively focused on companies at the intersection of strong fundamentals and our SCFA analysis, where a company uses sustainability to drive outperformance, through its management of people, process and/or product.

CLIMATE

The four Cs—our clients, colleagues, community and culture—guide all our activities, including our work on climate. As a business, we believe we have a responsibility to understand our climate impact.

As an investment firm, we view climate decisions through the lens of our fiduciary duty to generate attractive investment returns that help our clients achieve their goals over the long term. This long-term lens, we believe, requires an appreciation of how climate and other sustainability challenges will strengthen or weaken an investment case. Given our role as an investment advisor, we have a responsibility to strive to identify information—which includes climate-related risks, costs and opportunities—relevant to driving investment performance.

Our firm's entire approach to climate change, and to sustainable investment research in general, is very much in line with our philosophy of "thoughtful investing". We have long conceived of sustainable investing as a performance-focused concept and that it can be a financially beneficial course of action, but only when thought, discernment, patience and discipline are at the core of each individual investment decision within a portfolio.

There are no shortcuts to making good investment decisions, and we are extremely leery of top-down, "enforced" approaches to investing. For example, we generally do not use screening as a tool in our investment process, although we do implement it as appropriate to meet certain client or investment policy restrictions on sector exposures or other issues. Instead, the portfolio managers of our sustainable investment strategies actively seek out investments where they believe value is being driven in some way by leveraging sustainability as a competitive advantage and by managing risks related to its effects on the climate, biodiversity, and human capital and communities. A nuanced approach is also essential in our engagement with portfolio holdings or proxy voting decisions. We take a case-by-case approach that focuses our engagement priorities and leads to a mix of "yea" and "nay" votes on various shareholder proposals after our investment teams understand as best we can whether the intent of the proposal is in fact likely to be beneficial to shareholders.

We believe that any climate-focused commitment we make as a firm will be achieved as a natural outcome of our performance-focused investment philosophy. In our view, there are many ways for companies, bond issuers and economies to contribute positively to the trajectory of climate change, and we have long experience in finding these situations where sustainable investment strategies, products and services can materially and positively impact an issuer's financial position.

Operational Carbon Footprint

From an operational perspective, our focus is on monitoring and reducing emissions and contributing financially to climate-positive projects that can help offset emissions that are unavoidable in the course of serving our clients. All of our newly developed office space must meet the highest levels of LEED and BREEAM certifications.

Our operational carbon emissions in 2022 were approximately 4,750 metric tons of CO_2e. This number is attributed to about 1,150 mt CO_2e of Scope 2 emissions related to electricity in our offices and 3,600 mt CO_2e of Scope 3 coming from air travel to connect with clients and colleagues. Consistent with prior years, we purchased Renewable Energy Certificates (RECs) to match electricity use for the year related to Scope 2 emissions and offset projects to address Scope 3 emissions.

In an effort to offset our emissions, we strive for a diversified portfolio of high-quality projects that are backed by rigorous science and monitoring and incorporate secondary benefits such as biodiversity and human health. This year, we invested in the following climate-positive projects:

- **Seeing the Forest for the Trees:** This project mitigates forest exploitation in Mexico. All members of the community within the project area are involved in the effort to sustainably manage and increase the carbon stocks in the forests—conserving forests, increasing biodiversity, and providing education and jobs to local residents.
- **Doo Doo Does More:** This project installs biodigesters in rural Indian homes that convert cow dung into clean methane gas for cooking. The biodigesters replace inefficient wood-burning stoves—preventing the depletion of already-scarce local forest resources and reducing emissions from methane, a greenhouse gas that would otherwise be released into the air from decaying cow dung.
- **The Giving Trees:** This project supports reforestation and sustainable development among small groups of farmers in Kenya, Uganda, Tanzania and India. The trees help break the cycle of deforestation, drought and famine. The profits earned through the sale of carbon offsets provide capital for tree planting, as well as leadership opportunities for women, and income to address agricultural and nutritional deficiencies, HIV/AIDS, clean cooking, and fuel availability.

OUTCOME

CLIMATE: REDUCING RISKS AND SEIZING OPPORTUNITIES

As an investment firm, we do not produce goods that generate material emissions. Hence, the emissions associated with our investments are much greater than our firm's carbon footprint. As of December 31, 2022, the firm's listed equity holdings—totaling $78.2 billion—had a carbon footprint approximately 460 times greater than the footprint of our operational emissions.

We believe we can make a more significant difference as investors, through the investment tools we have developed to evaluate climate risk and to identify companies and other issues that are developing solutions to mitigate climate change. As part of our disciplined investment process, we address climate risk in multiple ways:

1. We believe our sustainable investment strategies will ultimately lead to emissions reduction over time due to the internal risk management efforts that our portfolio holdings are undertaking and/or the products or services they provide, which help to reduce the emissions of their customers. Perhaps more importantly, many of our sustainable strategies seek to invest in companies that are trying to drive business success by solving climate challenges around the world.
2. Through our engagement work. Climate change was a priority for our engagement efforts in 2022. This is covered in further detail in Principles 10 and 11.
3. Through our initial steps as part of the Net Zero Asset Managers initiative (NZAMi). All of this work has one common thread running through it: our belief that sustainable investment information can help us make better investment decisions.

INVESTING IN HUMAN CAPITAL

In many ways, we are in the human capital business. We cannot achieve our mission—to make a material, positive difference for our clients—without recruiting, investing in, nurturing, challenging and elevating a world-class team of thoughtful, collaborative and inclusive colleagues. In 2022, we focused on two key efforts—continuing to find, develop and retain top talent; and remaining steadfast in protecting our culture.

A hallmark of Brown Advisory is investing in, developing and promoting our own talent. We believe in challenging our colleagues with new opportunities and, with proper support, have seen time and again that they bring fresh perspectives and insightful approaches that benefit our clients. Many of the innovations described in these pages have been created, launched and led by colleagues who joined the firm as recent college graduates in entry-level positions. Driven by entrepreneurial spirit and nurtured by mentors, they continue to seek out new and better ways to serve clients. They hold us accountable for ensuring the continued evolution of the firm.

Under the leadership of Mia Contreras, Director of DEI and Learning & Development, we broadened our partnerships to source the best and brightest talent, working with Historically Black Colleges and Universities (HBCUs) and other community partners such as Invest in Girls, Modern Guild, Association of Latino Professionals For America (ALPFA), The Mom Project, Hiring Our Heroes, the Ron Brown Scholar Program, Girls Are INvestors (GAIN), YearUp and Black Women in Asset Management.

OUTCOME

COLLEAGUE ENGAGEMENT SURVEY

In 2022, we launched our first firmwide engagement survey, administered by a third party, to ensure that we remain accountable for our colleagues' experiences. It allowed us to assess how we compare to our peers and translate survey results into actionable business goals. We learned some things that made us feel pretty good—89% of colleagues said Brown Advisory was a great place to work, and 88% believe "the firm shows care and concern for colleagues." From an absolute perspective, these are strong marks, and they are well above our industry's average. At the same time, we learned plenty about where we need to improve, which includes but is not limited to: training for colleagues and visibility for colleagues into their future pathways at the firm. We plan to conduct this survey each year over the near term to measure our progress.

An important part of the engagement survey was continuing our firmwide diversity, equity and inclusion assessments that we began in 2018. Our commitment to creating an environment where all colleagues feel they belong is stronger than ever. We know that diverse experiences, backgrounds and thinking are essential to serving our clients and to helping all of our stakeholders raise the future.

Rebecca Sugarman
Chief Human Resources Officer

Mia Contreras
Director of Diversity, Equity and Inclusion and Learning and Development

In addition to expanding our external talent acquisition network, we continue to strengthen our internal network. Our seven colleague resource groups (CRGs) support colleagues and allies as well as proactively educate colleagues about the needs and experiences of underrepresented groups:

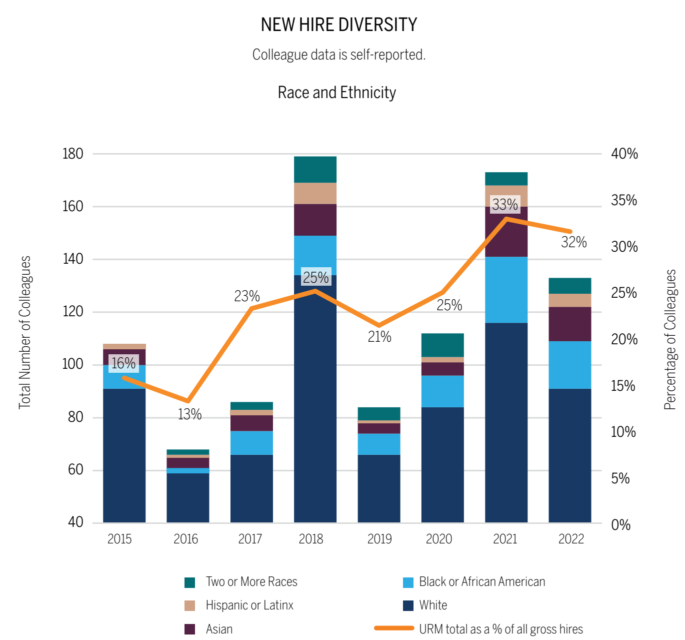
- Asian and Pacific Islander
- Black and African
- Hispanic and Latinx
- LGBTQ+
- Military and First Responders
- Parents and Caregivers
- Women

Colleague Resource Groups host educational and social events across Brown Advisory offices for colleagues to learn and connect.

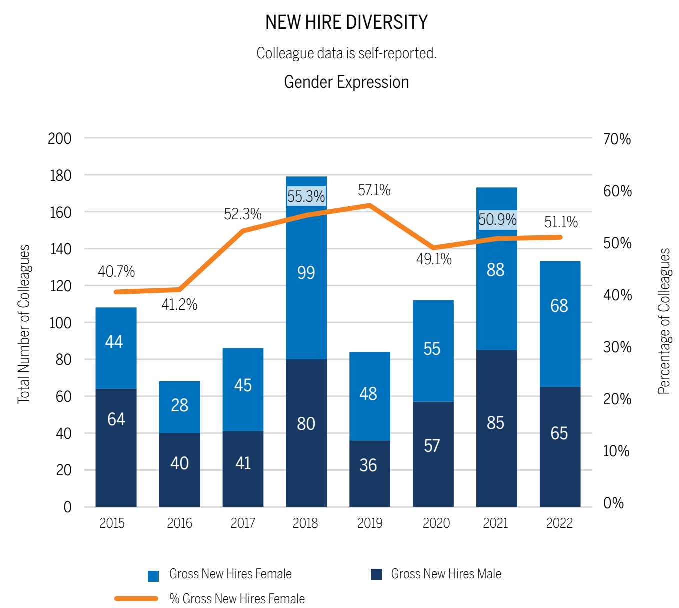
Four days a week, the entire firm gathers for our morning meeting to listen to our investment teams discuss topics that are influencing their investment thinking.

Recruiting World-Class Talent is Essential to Serving Our Clients
New Hire Diversity

Colleague data is self-reported.



As of December 31, 2022



As of December 31, 2022

"At its core, our DEI work is about each of us reflecting upon what it feels like to be in other people's shoes and asking: Is everyone comfortable working in the Brown Advisory environment? Is everyone treated fairly and with respect? How can I help?"

—Mike Hankin, President and CEO

CLIENT OUTCOME SPOTLIGHT

STEWARDSHIP OF CAPITAL FOR CLIENTS MAKING A DIFFERENCE IN SOCIETY

Zamorano University changes lives and transforms communities.

While that may seem like hyperbole, everyone who interacts with the Honduras-based agricultural university seems to come away with that opinion. Since its founding 80 years ago, Zamorano has educated students from across Latin America and the Caribbean to become agricultural and agribusiness entrepreneurs and leaders.

While many universities may talk about educating students to be future leaders, Zamorano's approach is distinctive. "You have to go to Zamorano to understand Zamorano," says Erik Peterson, Chairman of the Zamorano Board of Trustees. "When you actually see the students, you grasp what a profound experience this is for them."

Most of Zamorano's students live at or below the poverty line, and most are only able to attend the university because of scholarship funds. According to Erik, "Educating a single student can break the cycle of poverty. It can transform an entire community." The students bring skills, knowledge and environmental awareness back to their communities and countries that can help create businesses, grow economies and provide leadership to build sustainable agri-food systems. Alumni go on to run multinational organizations, large farms that employ hundreds of people and governmental agencies—indeed, the current Secretary of Agriculture and Livestock in Honduras (the first woman in the country's history in that role) is a graduate and former professor of the university.

A Zamorano education is focused on "learning by doing" and is based on the school's belief that students build knowledge through practical work and collaboration in agriculture-based business. The students—one-third of whom are women—spend half the day in the fields learning experientially and attend classes during the other half. Students are expected to work hard; they start their day no later than 5:00 a.m. and all lights are out by 11:00 p.m. Not only do they receive excellent hands-on practical training, but they also receive a world-class education. In addition to offering its own master's programs, approximately 30% of Zamorano students go on to attend graduate programs at other institutions, including elite universities such as Cornell, University of Texas, Purdue, and other schools in the U.S. and Europe.

Internships are another aspect of the experiential learning programme. Students travel internationally to pursue internships at other academic institutions or in industry. As Ana Maier, Acting President of Zamorano, says, "These kids have often never left their communities. The opportunity to travel internationally can completely transform their perspective and what they think is possible."

Zamorano's endowment plays a pivotal role in facilitating this potential for transformation, providing the bulk of financial support for most students. When the university was looking for a new OCIO (Outsourced Chief Investment Officer), cultural alignment was important. Erik commented, "The Brown Advisory team, led by Brandon Parrish and Amy Seto, was committed to the power of education and to sustainability, which was meaningful to us. They have spent time getting to know us and to understand how much our endowment matters to our mission."

PRINCIPLE 2

GOVERNANCE, RESOURCES AND INCENTIVES

Having adequate governance, resources and incentives are fundamental pillars to support and enhance the effective stewardship of client assets. In Principle 2, we present our leadership team, provide a summary of our key responsible stewardship policies and outline the investment tools that we use. We also highlight how our training and incentives promote and enhance stewardship.

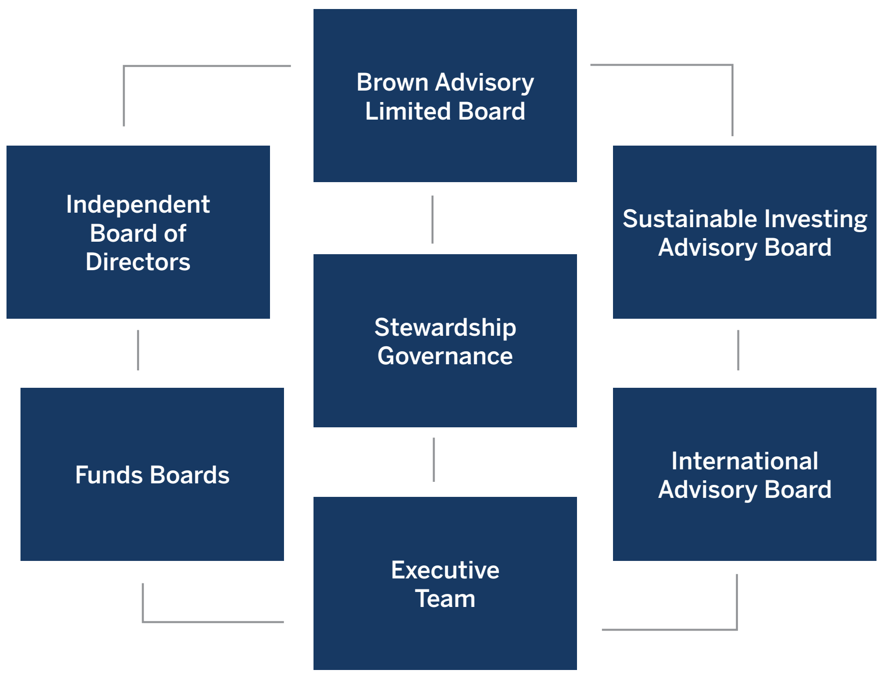
GOVERNANCE STRUCTURES

Supporting the firm's stewardship activities are multiple levels of governance that are aligned to provide our clients, colleagues and communities the support that we aspire to achieve through our mission and purpose.

The governance structure comprises the groups shown in the chart on the right. These groups include a large number of colleagues and our independent advisors, who have deep experience from across our industry and beyond. Individual biographies can be found on our website:

https://www.brownadvisory.com/us/people

At Brown Advisory, no one team has ownership of stewardship. Quite simply, teamwork is the Brown Advisory way. We have a remarkable group of professionals who serve our clients—and by working as a team, we can bring to bear the power of our collective experience, insights and service.



Independent Board of Directors

When we established our firm 25 years ago, we elected to engage an outside board of directors, even though there was no regulation or even convention for a private firm to do so. Today, we are even more passionate about the accountability and benefits that an outside, independent board provides—for all of our stakeholders. Our directors share diverse perspectives on strategic issues, question our assumptions and challenge us to be the best. Their independence ensures impartiality in decision-making, which in turn supports our stewardship. This board meets at least quarterly, often with additional ad hoc board meetings throughout the quarter. As of December 31, 2022, the firm's Board of Directors comprised:

Matthew Cutts*

Chair Audit Committee

Partner at Squire Patton Boggs LLP

Doug Eu*

Member, Advisory Board, Audiience

Robert J. Flanagan*

Lead Director; Chair Governance Committee

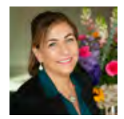
Chairman, Clark Enterprises Inc.

Christine Fox*

Senior Fellow at the Johns Hopkins University Applied Physics Laboratory

Michael D. Hankin

President and CEO, Brown Advisory



Beatrice H.M. Hollond*

Chair, Compensation Committee

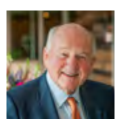
Chair, Millbank Financial Services Limited and F&C Investment Trust PLC

Katherine Kalin*

Former Head of Corporate Strategy, Celgene and Partner, McKinsey

Charles Linehan*

Co-founder and Co-CEO, Building 21



Robert S. Murley*

Chair, Finance Committee

Senior Advisor and Former Chair, Investment Banking in the Americas, global investment bank

Charles E Noell III*

Chair, Investment Committee

Co-Founder, JMI Equity Partners

David Robinson*

Co-Founder, Admiral Capital Group and Carver Academy

**Denotes non-executive/independent board member.*

Brown Advisory Ltd Board of Directors

The Brown Advisory Limited Board gives direction and oversight to our international business, which covers the U.K., Europe and Asia Pacific. Our directors challenge our business teams and assist in thoughtful decision-making, drawing on their deep operating experience. Our corporate governance is strengthened through their review of significant policy decisions, new product proposals and progress against our business goals.

Edward Chadwyck-Healey

Head of the London Office, Brown Advisory

David M. Churchill

Chief Financial Officer, Brown Advisory

Logie Fitzwilliams

Head of International Business and Global Head of Sales, Brown Advisory

Michael D. Hankin

President and CEO, Brown Advisory

Peter G. C. Mallinson*

Former Partner and Managing Director, Goldman Sachs International

Simon Peck*

Former Partner and Senior Advisor, Brown Advisory

Richard Thomason

Head of Compliance for International Business, Brown Advisory

**Denotes non-executive/independent board member.*

OUTCOME

Across the organisation, we have a number of committees that are structured to enable effective stewardship and build accountability within our wider organisation. On the right, we provide examples of three committees across our U.S., U.K., European and Asia-Pacific operations.

CORPORATE GOVERNANCE AND CONFLICTS COMMITTEE
Board of Directors

Brown Advisory maintains a Corporate Governance and Conflicts Committee that assists it in its oversight of material conflicts of interest to protect the interests of clients. As covered in more detail in Principle 3, conflicts of interest can arise from time to time, and the purpose of this committee is to identify such conflicts and ensure they are managed effectively. This independent oversight promotes responsible stewardship and strengthens our firmwide corporate governance whilst also allowing for impartial decision-making when a potential conflict may arise.

RISK AND COMPLIANCE COMMITTEE
Brown Advisory Ltd

To ensure adequate oversight and challenge, the Risk and Compliance Committee meets on a quarterly basis to oversee the risk and compliance functions of the firm, in accordance with the firm's regulatory obligations and its business plan. The committee performs extensive oversight, such as product governance to ensure that new products are in line with regulatory requirements, in the interest of the firm and consumer. The committee also reviews breaches and complaints to monitor for any underlying systemic issues.

OPERATING COMMITTEE
International Business

Our international operating committee meets monthly to discuss all operational opportunities and risks facing our business, including new jurisdictions and products, incidents and notable client queries, and progress on strategic initiatives.

Firm Leadership and Executive Team

Mike Hankin, Brown Advisory's president and CEO since 1998, is supported by a 33-person executive leadership team that represents all groups and functions at the firm. Together, the team is tasked to voice, raise and debate any and all issues that may impact our clients, colleagues and communities. The Executive Team meets regularly to discuss the management of the firm as well as engages in continuous dialogue through the usual course of business.

In 2022, to reflect the growth of the firm and our commitment to a flat management structure, we added a number of new Executive Team members. In particular, we added sustainable investing leaders across the business as a reflection of their importance to our business and the future of the firm.


Sid Ahl, CFA
Co-CIO for Private Client, Endowments and Foundations


Chris Bartlett
Co-Head of Institutional Business


Carey Buxton
Head of Sustainable Investing Business

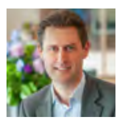

Edward Chadwyck-Healey
Head of London Office


Paul J. Chew, CFA
Chief Investment Officer


David M. Churchill
Chief Financial Officer


Brian Cobb
Chief Technology Officer


Charlie Constable
Head of Private Client, Endowment and Foundation Business


Logie Fitzwilliams
Head of International Business and Global Head of Sales


Richard Gamper
Head of Messaging

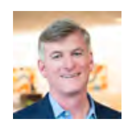

Tom Geddes
Head of Family Office Solutions


Brett Gibson
Chief Operating Officer of U.S. Private Client, Endowments and Foundations


Douglas Godine, CFA
Head of Private Client Business Development


Eric Gordon, CFA
Portfolio Manager


Michael D. Hankin
President and CEO

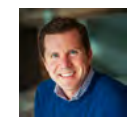

Timothy Hathaway, CFA
CIO for Institutional Investments and Co-Head of Institutional Business


Amy Hauter, CFA
Portfolio Manager, Director of Sustainable Fixed Income


Jacob Hodes
CIO for Private Investments; Head of Baltimore Office

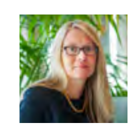

Katherine Kroll
Director of Equity Research, Sustainable Investing


Sandra Moffet
Co-Head of Strategic Advisory


Daniel Mooney, CFA
Director of Equity Research


Nicole Nesbitt
Head of U.S. Institutional Sales and Client Service


Alice S. Paik
Chief Strategic Advisory Officer

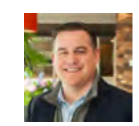

Erika Pagel
Portfolio Manager; Co-CIO for Private Client, Endowments and Foundations

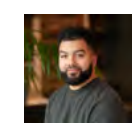

Shannon Pierce, CPA
Controller


Brett Rogers
General Counsel


Samir Shah, CFA
Head of Investment Risk


Stephen Shutz, CFA
Portfolio Manager, Director of Tax-Exempt Fixed Income Business


Craig Standish
Co-Head of Strategic Advisory; Head of Boston Office


Keith Stone
Managing Director of Private Investments


Rebecca Sugarman
Chief Human Resources Officer


Dune Thorne, CTFA, CWS
Chief Strategy Officer of U.S. Private Client, Endowment & Foundation Business


Brien White
Chief Operating Officer

OUTCOME
STEWARDSHIP GOAL SETTING

Members of the executive team are required to create and share objectives annually with Brown Advisory's Board of Directors. Beginning in 2020, this group was required to set at least one objective each around advancing sustainability across our business as well as at least one objective each regarding diversity, equity and inclusion. These objectives have been shared with the Board and are regularly reported on along with the progress of other goals set forth by these leaders for the teams and functions under their leadership and direct oversight.

Update on 2021 Outcome

In 2021, Brown Advisory Ltd committed to HM Treasury's Women in Finance Charter with a target to reach 30% of women attaining Partner level by June 30, 2026. We will work toward this target by creating and maintaining a diverse and inclusive environment for all Brown Advisory colleagues and by ensuring that our firmwide gender diversity initiatives are encompassed within the five pillars of our DEI effort, which include Leadership, Assessment, Education, Recruiting, and Colleague Success. The first public reporting on our progress will be made available in December 2023.

Example
Accredited Living Wage Employer

In 2022, Brown Advisory became accredited as a Living Wage Employer, formalising our commitment, as a responsible employer, to paying the independently calculated real London Living Wage rates every year to all their staff.

https://www.livingwage.org.uk/accredited-living-wage-employers

Example
U.K. Stewardship Code Signatories

In 2022, Brown Advisory Limited was successful in our inaugural application to become signatories of the U.K. Stewardship Code, governed by the Financial Reporting Council, which sets high stewardship standards for those investing money on behalf of U.K. savers and pensioners, and those that support them.

Brown Advisory is fully supportive of the Financial Reporting Council's commitment to promoting stewardship in the industry, and we will submit revised reports annually, addressing the FRC's expectations, in order to continue as signatories to the Code.

https://www.brownadvisory.com/sites/default/files/2023-02/Brown_Advisory_UK_Stewardship_Report_2021.pdf

OUR STEWARDSHIP

Perhaps no characteristic distinguishes Brown Advisory more than our team approach. We have a remarkable group of professionals who serve our clients—and by working as a team, we can bring to bear the power of our collective experience, insights and service. Our culture of teamwork is supported by our firm's structure. As partners and collective owners of the firm, we are well-positioned and incentivised to challenge each other to achieve better outcomes for clients. It is also much easier to listen for the nuance of a certain client situation when you have eight ears tuned in rather than two. Collaboration, whether focused on investment research, tax planning or creating an impact in the community, allows us to ask the right questions, formulate thoughtful strategies and fine-tune solutions. It may not always be the easiest way to operate or the quickest approach to a result, but we know that teams deliver the best solutions and outcomes for our clients. We believe we can credit our unusually high client retention rate of 98% for the past 10 years to this approach.

Sustainable Investing Advisory Board

Mark Collins
Partner and Senior Advisor, Brown Advisory

Martin S. Kaplan
Retired Partner, Wilmer Cutler Pickering Hale and Dorr

Dune Thorne, CTFA, CWS
Chief Strategy Officer—U.S. Private Client

Mamie Parker
Chair, Virginia Department of Game and Inland Fisheries Commission

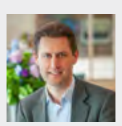
Truman T. Semans
Partner and Senior Advisor, Brown Advisory

Herta von Stiegel
Founder and Chair, Ariya Capital Group Limited

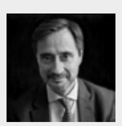
Karina Funk, CFA
Portfolio Manager; Chair of Sustainable Investing

Beth Richtman
Former Managing Investment Director, Sustainable Investments at CalPERS

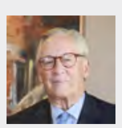
International Advisory Board



Logie Fitzwilliams
Head of International Business and Global Head of Sales



Robin Niblett
Former Director and CEO, Chatham House

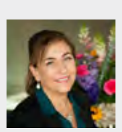


Benjamin H. Griswold, IV
Senior Advisor

Jamie W.J. Ritblat
Founder and Chair, Delancey

Michael D. Hankin
President and CEO, Brown Advisory

Robert Waley-Cohen
Founder and Former CEO, Alliance Imaging Inc. and Alliance Medical Ltd



Beatrice H.M. Hollond
Chair, Millbank Financial Services Limited and F&C Investment Trust plc

Sian Westerman
Chair, Strathberry Holdings Limited, and NED Augustinus Bader and Fenwick

Peter G. C. Mallinson
Former Partner and Managing Director, Goldman Sachs International

Jasmine Whitbread
Chair, Travis Perkins plc

Advisory Boards

To help give us an additional layer of feedback and guidance, we have organised two boards that are "advisory" in nature. The Sustainable Investing Advisory Board is a group of experts that we thought could help us through their independent and external perspective better serve our clients seeking sustainable investment solutions. Similarly, the International Advisory Board is a group that is helping us develop and monitor solutions for clients outside of the United States.

SUSTAINABLE INVESTMENT LEADERSHIP

On this page, we share our sustainable investment leadership.

Institutional Investment Solutions

Karina Funk, CFA
Portfolio Manager; Chair of Sustainable Investing

Lisa Fillingame Abraham
Director of Fixed Income Research, Sustainable Investing

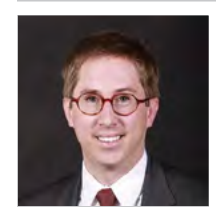
Amy Hauter, CFA
Portfolio Manager, Director of Sustainable Fixed Income

Katherine Kroll
Director of Equity Research, Sustainable Investing

PCE&F Investment Solutions

Erika Pagel
Portfolio Manager; Co-CIO for Private Client, Endowments and Foundations

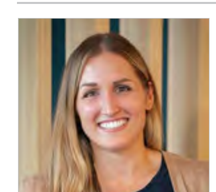
Investment Solutions Group



Taylor Graff, CFA
Head of Asset Allocation Research

Kif Hancock, CFA
CIO for International Private Client, Endowments and Foundations

Business Strategy



Carey Buxton
Head of Sustainable Investing Business

Dune Thorne, CTFA, CWS
Chief Strategy Officer—U.S. Private Client

GOVERNANCE POLICIES AND PROCEDURES

The governance structures outlined above underpin our business. Brown Advisory considers sustainable investing to be a key component of our approach to responsible stewardship. Therefore, we provide examples of the policies and procedures that govern our sustainable investing business, which serves our clients with sustainable investing requirements, below.

Brown Advisory's Institutional Sustainable Investing Policy establishes a foundation for the firm's philosophy and capabilities. It serves as an accountability and transparency mechanism for both our internal team and external stakeholders. The firm's sustainable investing leadership across each asset class; the sustainable investing business; research team; portfolio managers; and compliance team members are all key contributors to and/or reviewers of its content. The policy reflects Brown Advisory's approach to sustainable investing and aims to help our clients and other stakeholders understand how our approach fits within the range of approaches available in the industry.

Strategies that are part of our sustainable investing platform make specific commitments around the use of sustainability as a competitive advantage and management of sustainability-related risks. Internally, we run reports to ensure compliance with those commitments. Other strategies may integrate sustainable investment research but do not make commitments around the level of sustainable investments or risks. They use this information nevertheless for decision-making.

In the unlikely situation that concerns arise regarding compliance with the investment policy or where there are elevated risks in the portfolios, the team will escalate concerns to the Head of the Sustainable Investing Business, who will then consult with other appropriate stakeholders, possibly including members of the Compliance Team and Investment Risk Management Committee, to determine the best course of action.

Additionally, the firm's legal and compliance team is responsible for maintaining alignment with forthcoming regulations that may impact the current policy and is working with the Head of Sustainable Investing Business and research team to effect any appropriate changes. Further, Mike Hankin, President and CEO, remains highly engaged in all of our sustainable investing activities and signs off on material changes and actions. Any material changes to the sustainable investing business philosophy, including the sustainable investing policy, are communicated regularly to senior leadership and the appropriate Boards.

Brown Advisory's Investment Solutions Group (ISG) Sustainable Manager Search Policy articulates our investment due diligence framework and defines nuances in our approach to manager selection in line with our firmwide sustainable investment philosophy. Our framework adheres to a scoring system, reviewing both firm and fund, to evaluate strategies objectively on their investment approach across material considerations. The process was designed to demonstrate a thorough approach to manager assessment and to showcase consistency across managers and processes; it was created with input from professionals across our Investment Solutions Group, Sustainable Investing, and Operational Due Diligence teams. To summarise our process, we are looking for managers who incorporate risk factors such as resource usage, climate risk and social concerns into their valuations and position selection while also identifying holdings and aligning portfolios to capitalise on positive contributions from improving sustainability.

At Brown Advisory, as investors, we will consider any data, factor, business tactic or strategy, economic or market condition—whether quantitative and qualitative—that might allow us to better understand the material challenges and opportunities facing a business or issuer. Every Brown Advisory investment strategy holds the fiduciary duty of delivering investment performance to clients as its highest obligation. Certain strategies apply an active and documented investment decision-making framework that emphasizes the materiality of the risks and/or opportunities that arise from natural resource, social and economic, climate, and/or governance issues in their underwriting of an investment. As active investors, each portfolio manager has the independence to apply their own experience, point of view and expertise to generate long-term performance for clients.

We are not looking to define our clients' values or mission on their behalf but instead work alongside them to identify strategies that help them express their values through our client toolkit without compromising the investment performance they expect from our firm. The Head of the Sustainable Investing Business and the Co-Chief Investment Officer of Private Client, Endowments and Foundations provide ongoing oversight and sign off on external manager selection as part of our manager selection process.

Brown Advisory's Engagement Policy governs the firm's sustainable investment engagement with companies and bond issuers represented in our internally managed equity and fixed income sustainable investment strategies. Engagement may also include dialogue with other stakeholders with connection to our investments.

Engagement is a central input to due diligence. We believe that as fiduciaries and stewards of our client's capital, we have a responsibility to use various tools to enhance our due diligence and seek investments that are likely to result in strong performance over the long term. Engagement is one tool that can help us to accomplish this.

Our engagement efforts aim to:

- Promote transparency and enhance due diligence
- Identify risks and encourage companies/issuers to responsibly manage them
- Encourage strong leadership and capitalisation on opportunities tied to sustainability.
- Advise stakeholders to promote action on material sustainable investment issues

Brown Advisory's Proxy Voting Policy serves as a foundation of our approach to proxy voting for securities held within our institutional strategies. For these securities, Brown Advisory's equity research team has researched the company and generally is well-informed of any issues material to the company's business model and practices.

Proxy voting is our fiduciary duty. We hold ourselves responsible for aligning our investment decision-making process and our proxy voting in order to be consistent about what we seek from companies that we hold in our institutional portfolios. We seek investments that are building and protecting long-term shareholder value, and we seek to align all proxy voting activity with this goal. We seek to consider relevant material information when making our proxy voting decisions, including the effect of social inputs, natural resources, climate and governance practices. We seek to vote every proposal in line with long-term financial performance.

- **Transparency is essential.** Brown Advisory is committed to providing certain disclosure of our voting history, as well as publishing N-PX filings for our mutual funds as required by law. Transparency is an important step in helping our clients evaluate whether we uphold our stated principles.
- **Bottom-up due diligence should inform voting decisions.** We review each proposal that comes up for vote. Our analysts seek to dive below the surface and fully understand the implications of especially complex and material proposals. The recommendations of our proxy voting partner, ISS, are taken into consideration but do not determine our final decisions.
- **Collaboration can enhance due diligence.** We collaborate on voting research through dialogue between our analysts and portfolio managers. Where additive and practicable, we also collaborate with external stakeholders, including company management, ISS, issue experts and others. We believe this collaboration leads to better-informed decisions.
- **Proxy voting can be a part of a larger programme to encourage positive changes.** Proxy voting is just one way to communicate with companies on risks and opportunities. To complement our proxy voting process, and sometimes as result of it, our investment team might choose to pursue an extended engagement with a company as it relates to any information found during the due diligence process for determining the vote.

Working With External Sustainable Managers

As it pertains to supporting our Private Clients and Charities through sustainable investment offerings, there is a feedback loop between our client teams and investment teams to identify and prioritise external investment solutions. Solutions result from our deep, iterative, qualitative and quantitative research process aimed primarily at identifying superior investment managers with market-leading investment acumen. The pillars of this process include an emphasis on identifying managers with a well-honed, repeatable process based on fundamental, bottom-up research and a high-conviction, long-term and concentrated approach to portfolio management. We developed a framework to evaluate specific sustainability parameters that we think are integral to a manager's success. This framework helps us identify managers with an adhered-to, sustainable investment process and philosophy that have translated into performance.

An important part of our evaluation of managers and investment strategies has become the way these managers engage with businesses they own to improve outcomes operationally—both financially for their shareholders, but also for stakeholders, including employees, customers and the communities in which they do business. Some of the most compelling sustainable investment managers operate like consultants for the management teams they invest in, sharing best practices related to the management of natural and social capital, and demonstrating their commitment to sustainability with authenticity. We have found that engagement is an important tool leveraged by the most effective active managers, helping to accelerate value creation amongst portfolio companies by highlighting key risks and opportunities. As such, engagement strategy, process, outcomes and reporting are components on which we evaluate these managers.

RESOURCES

In order to maintain consistent standards across asset classes and minimise duplicative work on managers, companies or bond issuers held in multiple portfolios whilst also seeking to embed sustainable investment research deeply within the decision-making process for sustainable investments, we have invested meaningfully in resources to develop an investing toolkit to support research, engagement and reporting.

Our sustainable investment research team conducts deep due diligence using a combination of primary research and third-party data sources in an effort to fully understand the risks and opportunities associated with a given investment. The process culminates with formal assessments that are leveraged for portfolio decisions as well as engagement dialogue with companies, bond issuers and other stakeholders.

Research Tools

a. **Risk Assessment:** This assessment seeks to produce an analysis of potentially material risks facing an investment, and documents what may be deemed as controversies associated with the company or issuer. Analysis focuses on the absolute risks that may be present, as well as the company or issuer's ability and track record in managing those risks.

b. **Opportunity Assessment:** This assessment aims to identify a company or issuer's sustainability characteristics with the potential to enhance long-term performance.

c. **Labelled Bond Assessment:** This assessment is specific to the fixed income asset class and seeks to examine and, where possible, quantify the positive or negative impacts of any projects that a labelled bond may be funding. The assessment seeks to ensure adherence to best practices, including voluntary guidelines produced by International Capital Markets Association.

d. **Thematic and Sector-Focused Research:** In addition to its extensive work on security specific research, the research team collaborates to create sector frameworks to help guide the integration of research across certain sectors. The research team also collaborates to examine broad issues and themes that have the potential to reverberate across multiple investments. When such trends are identified, the team develops specific investigative projects that may involve in-depth stakeholder interviews, close document review and other techniques.

Private Client and Charities Research Tools

From the outset of our relationship with a client, we believe it is key to really understand our clients' values in order to develop an actionable plan and build an investment portfolio that not only aligns with these values but can potentially enhance them. In order to understand our client's values, we created a four-part framework to help guide the conversation, from setting a plan and timeline to tracking and progress.

Step one is "discovery" through careful listening. Before we can even consider investing any portion of a client's portfolio, we need to define the full range of their financial and values-based priorities. We do this by taking new clients through a discovery workshop, which seeks to understand the client's mission and portfolio goals and issues of interest, and defines ways to measure success.

Step two is "expression." After reaching a shared understanding around what is most important, we dissect the proposed portfolio using our propriety reporting tool, Alignment, Risk, Impact, Sustainability (ARIS) Analytics. The output then becomes the starting point from which we document a long-term plan meant to guide an investment programme that expresses a client's values and beliefs.

Step three is "integration." With a plan in place, we can integrate investments that can drive both returns and alignment of the client's values.

Step four is "improvement," which allows us to evaluate the investment strategy with our client, including measuring and tracking success.

Reporting Tools

We provide regular reporting on our sustainable strategies and additionally offer customised reporting to clients upon request. Our primary means of communicating this information is through annual reports on the impact of our investment decisions and certain quarterly materials.

Screening Tools

Independent of our research process, Brown Advisory also has the capability to apply screening tools to portfolios. Our screening process leverages third-party data to apply a rules-based screening process that seeks to identify companies that may have business involvement that a client deems to be counter to their values.

OUR APPROACH TO ENGAGEMENT

At Brown Advisory, our engagement activity generally falls into four categories:

- **Engagement as part of due diligence:** Engagement is an important part of the investment process for both our equity and fixed income investment teams. Brown Advisory's research analysts partner with portfolio managers in an effort to engage existing and prospective holdings of our investment strategies in discussions on various topics. Engagement can take place during the initial evaluation of a company or other bond issuer's investment prospects, as well as part of ongoing monitoring of existing holdings. Asking the right questions can reveal important information about a company or other bond issuer that can inform investment decision-making and protect long-term value.

- **Performance-oriented engagement:** We also prioritise certain engagement topics based on their scope and materiality across our entire investment platform and seek to engage companies and other bond issuers on these issues in a concerted manner. To determine our priorities, we rely both on top-down analysis of broadly relevant issues, as well as findings that emerge from our bottom-up research and due diligence engagement. Examples include climate change, diversity and inclusion, and ethical implementation of artificial intelligence. We believe that engagement can help signal to companies and other bond issuers the level of investor support to address these issues, and we find that our conversations spur key decision makers to consider new thinking, and in some cases, new initiatives. These engagements are conducted in a constructive manner, as we believe that we can be most effective in a positive, collaborative mode. In some cases, we conduct these broader engagement efforts in collaboration with industry initiatives involving many partners.

- **Informal advisor to sustainable economy stakeholders:** We offer our perspective to stakeholders (when asked) on how to enhance risk management and reporting. Particularly, our fixed income team was an early participant in the nascent green bond market, which has since greatly expanded to encompass a wide array of labelled bonds that fund projects with positive environmental and social impact. Owing to our fixed income team's experience in this space, bond issuers and underwriters call on the team to provide guidance on structuring options. While we are not advisors in any official capacity in these situations, we are always grateful for the opportunity to offer our thoughts.

- **Proxy voting:** Our equity strategies support shareholder proposals that should improve shareholder value over time. For example, we support proposals that request disclosure on an issue (e.g. climate risk, supply chain resiliency, human capital management) where further information would help us to better assess material risks and opportunities. We actively consider each proposal's specific merits and the company's specific circumstances, and we may engage with a company or other stakeholders in certain cases. Proxy voting for our institutional investment strategies is overseen by a Proxy Voting Committee, while the responsibility for casting votes rests with the fundamental and sustainable investment analysts on our research team and, ultimately, with the portfolio managers of each Brown Advisory equity investment strategy. For more information, please see our proxy voting policy and reporting dashboard located on our website.

LEARNING, TRAINING AND IMPROVEMENT:

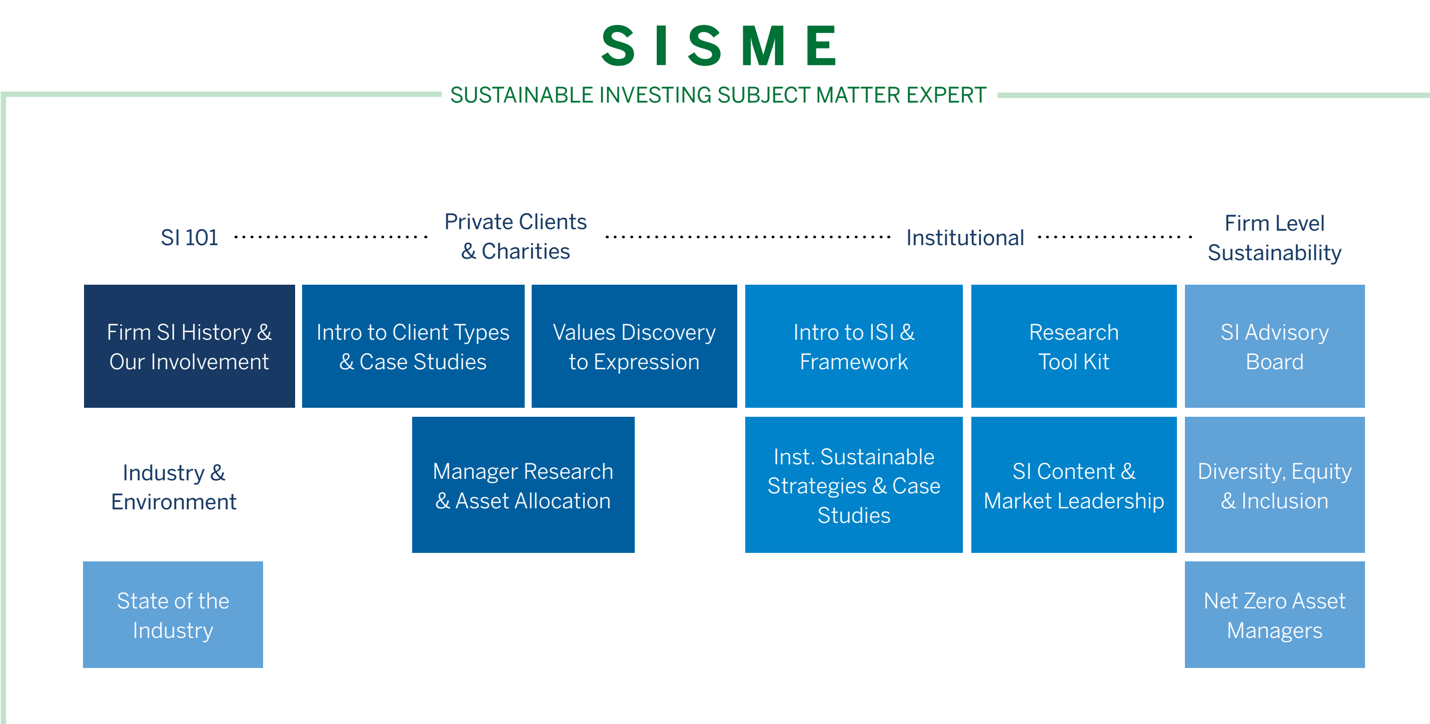
We are always looking for ways to improve our research techniques, data sets and decision-making processes. We actively listen to colleagues, clients, board members, competitors, industry partners and other key stakeholders in an ongoing effort to evolve our skill sets and capabilities. We are also committed to spreading knowledge about sustainable investing to all of our colleagues, and we offer extensive internal training to all colleagues so they can better understand our sustainable investing solutions and better serve our clients.

To help our colleagues understand and articulate our approach to sustainable investing, we run an internal development programme called SISME (short for "Sustainable Investing Subject Matter Experts"), in which all colleagues are invited to participate.

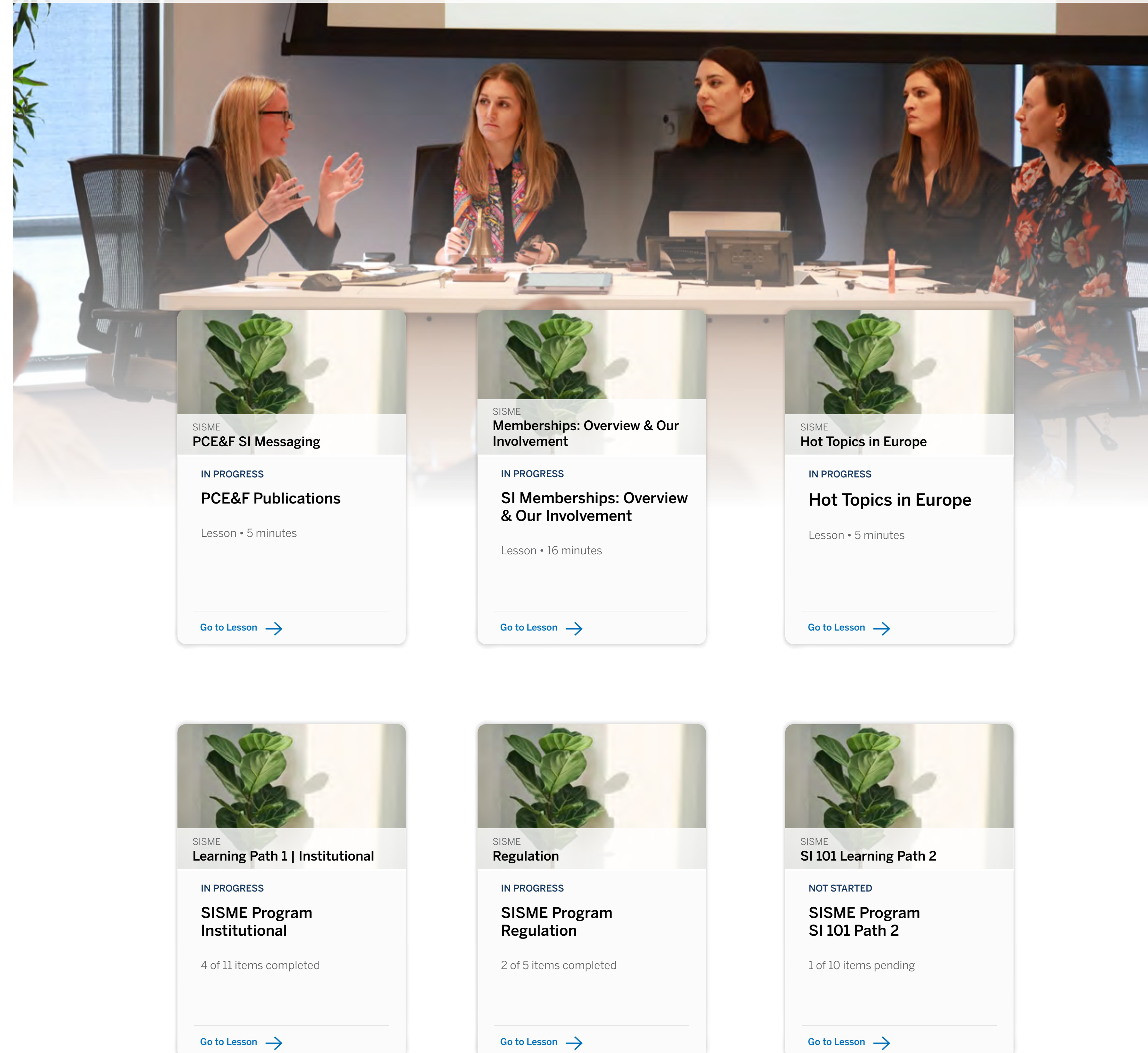
Our internal SISME programme includes an expansive curriculum covering the history of the field, core sustainable investing principles, sustainable research techniques, frameworks for serving clients and many other topics. The programme currently takes colleagues through learning modules covering:

- **Institutional solutions:** market overview and history of sustainable investing, sustainable research tools, Brown Advisory's institutional strategy offerings, client case studies, industry partnerships and collaborative initiatives
- **Balanced portfolio solutions:** asset allocation, manager selection, recommended sustainable manager roster, private investments, reporting (e.g. internal ARIS Analytics), client case studies, strategic advice
- **Brown Advisory through a sustainable research lens:** a series of modules that use our research team's tools to hold a mirror up to our own firm, examining the material characteristics of our solutions, our DEI efforts, charitable giving, community programmes, colleague development and wellness, and governance, and how each contributes to the performance of the firm.

In addition to this formal training, our colleagues dedicated to sustainable investing work hard to keep all colleagues informed about the evolving landscape. These efforts include thought pieces posted to the firm's intranet, presentations at firmwide morning meetings, discussions relating to sustainable investment integration at equity and fixed income research team meetings, presentations to the sales and service team, and a video introducing our sustainable investing capabilities.



SISME Lessons



INCENTIVES

We believe our ability to meet our clients' needs and, ultimately, our firm's success is dependent on our ability to attract, recruit and retain exceptional colleagues at all levels of the firm. From senior portfolio managers and analysts to colleagues just joining our firm as their first job, we seek to hire professionals who embody the culture and values at Brown Advisory whilst also bringing their own unique perspective from which we can learn.

Our remuneration philosophy, including the award of firm equity, aims to align colleagues closely with all clients and to foster a collaborative culture to support and enhance stewardship. In determining remuneration for our investment professionals, we take into consideration investment performance, teamwork and the overall profitability of the firm. Our remuneration structure is designed to create a highly collaborative investment process rather than a star system and seeks to avoid prioritising one client ahead of another, further enhancing our role as stewards of our clients' capital.

Portfolio Managers

The performance bonus portion of the portfolio managers' remuneration considers a number of factors, including but not limited to performance, teamwork, the ability to grow and retain assets, and the firm's profitability. When evaluating a portfolio manager's performance, the firm compares the performance of all accounts to the relevant market index over trailing one-, three- and five-year time periods. Additionally, the firm considers the portfolio manager's peer rankings and performance compared to the relevant market index. These factors feed in to a formal review process, and remuneration is based on merit.

Analysts

The performance bonus portion of analyst remuneration is based on the performance of our investment strategies, the analyst's stock selection on an absolute and relative basis, and teamwork and contribution to the overall investment process, stressing quality over quantity. These factors feed in to a formal review process, and compensation is based on merit.

PROMOTION TO PARTNER

A promotion to partner is reserved for those individuals who exhibit all elements of the firm's core DNA and act as ambassadors of the firm both inside and outside of the walls of Brown Advisory—including but not limited to stewardship for the community, our sustainable investing practice, and our commitment to building a diverse and inclusive workplace environment. These individuals are leaders in their respective areas of expertise, and they help support and drive the goals and growth of the business forward.

Finally, in all promotion, performance management and incentive discussions, we consider personal effective risk management (e.g. contribution to low error and incident rates). Details on our incident review process are described in Principle 5.

2022

Nicholas Andjel | Danielle Barrett | Walter Beckett | Erik Briggs | Chris Chalke | Peter Curteis
Emily Dwyer | Michael Gaughan | Amanda Gift | Ted Hanks | Sanjeev Joshi | Kathleen Mack
Billy Mathews | Olachi Opara | Brandon Parrish | Nick Taylor | Ashley Webb

PRINCIPLE 3

CONFLICTS OF INTEREST

Our fiduciary relationship with clients requires that we act with undivided loyalty, fairness, good faith and without regard to personal interest or profit. The nature of financial services markets is such that conflicts of interest can arise from time to time, including on matters regarding stewardship, such as voting and company engagement. We aim to identify such conflicts and ensure that they are managed effectively. In Principle 3, we outline our policy and include examples of potential conflicts that may arise during the course of business.

OVERVIEW

The nature of the financial services market is such that conflicts of interest can arise. We therefore seek to organise our business in a manner that avoids this. Accordingly, we have implemented procedures, controls and a segregation of duties amongst staff.

Brown Advisory maintains a Conflicts of Interest Policy that all employees are required to read and adhere to. The Policy is maintained by the Legal and Compliance team and reviewed annually, and a Summary Policy is publicly available. Senior Management, in conjunction with Legal and Compliance and business unit heads, takes responsibility for implementing systems and controls designed to prevent conflicts of interest.

The firm's Code of Ethics outlines our commitment to maintaining the highest standards of professional conduct and ethics to discharge our legal obligations to our clients, protect our business reputation and avoid even the appearance of impropriety in our investment activities on behalf of clients. Whilst we strive to avoid conflicts, we are cognisant that conflicts will nevertheless arise, and it is our policy to fully disclose any known material conflicts to our clients.

CONFLICT MITIGATION

1. **Corporate Governance and Conflicts Committee**

Brown Advisory maintains a Corporate Governance and Conflicts Committee that meets as the Committee deems necessary, at least twice a year. Consisting of executive and non-executive members, it assists Boards with their oversight of potential material conflicts of interest.

In determining whether a material conflict of interest may exist, the Committee uses the following guidelines:

- Officer and Director Conflicts: conflicts that involve a material transaction to be entered into by the Firm, or by the Firm on behalf of a client, in which an executive officer or director of the Firm has a financial interest, will be considered material.
- Shareholder Conflicts: conflicts that involve a material transaction to be entered into by the Firm, or by the Firm on behalf of a client, in which the Firm is aware that a significant equity holder of the Firm has a financial interest, will be considered material.
- Client Conflicts: conflicts that involve a material transaction to be entered into by the Firm, or by the Firm on behalf of a client, in which the Firm is aware that a client of the Firm has a financial interest, will be considered material.

2. **Annual employee conflict attestation and training,** including an annual requirement to read and agree to abide by the Code of Ethics.
3. **Ethical walls** exist to create internal barriers between our client and investment teams.
4. **A formalised proxy voting process** and policy. We seek investments that are building and protecting long-term shareholder value, and we believe this is reflected in all of our proxy voting decisions.
5. **We monitor the external interests and appointments of employees** to ensure they do not conflict with their duties to Brown Advisory and its clients.
6. **We monitor the way in which staff are remunerated** to ensure that remuneration structures do not create conflicts between the interests of employees and the overriding requirement to always act in the best interests of clients.

CONFLICT MANAGEMENT

Identification
The Firm has implemented procedures and controls to detect conflicts as they may arise. Once a conflict has been identified, further procedures and controls are in place to monitor the effectiveness of the management arrangements of a conflict. The Firm's Compliance Monitoring Programme incorporates specific tests which are aimed at reviewing the Firm's performance in the management of any conflicts identified.

Assessment
Once a potential conflict is identified, the employee is required to escalate the matter to the appropriate business head. If employees are unsure whether a conflict exists, or require guidance on the mitigating controls, they must consult with the Compliance Officer in the first instance.

Review By The Conflicts Committee
The Conflicts Management Committee assists Boards with their oversight of potential material conflicts of interest. The Management Body shall review on a periodic basis the Conflicts Inventory and the results of any conflicts monitoring where exceptions have been raised. Where deficiencies are reported, the Management Body will ensure that appropriate steps are taken to address the identified deficiencies. The Compliance Function and relevant business head will be empowered to oversee the resolution and remediation of the conflict.

Potential Conflicts

The below table highlights examples of common types of conflicts of interest and how we manage these.

Trading and Investment Conflicts

Issue	Potential Conflict	Management Arrangements
Allocation of transactions	Investment opportunities between Clients or between the Firm, Personnel and Clients may be allocated more preferably to one party, disadvantaging one or more Clients.	The Firm has a Personal Account Dealing Policy and an Aggregation and Allocation Policy to manage this potential conflict.
Conflicting positions or trading strategies	Having a conflicting position in securities or adopting conflicting trading strategies for different Clients such that dealing for one Client may potentially be detrimental to the other.	The Firm's International Investment Committee meets monthly. This Committee is responsible for the oversight of the Firm's private clients' investment strategies and avoiding or managing any conflicts associated with them.
Remuneration structures	The remuneration structures/practices incentivise short-term performance targets, contrary to the investment horizons of the client portfolio or otherwise to the detriment of the client.	The Firm maintains a Remuneration Policy intended to align the long-term interests of Clients, the Firm and employees.
Influence of outside business interests or activities	Employees who have outside commitments (e.g. directorships, business interests) may be influenced to act in a manner that conflicts with the interests of the Firm or its Clients.	Employees of the Firm are required to obtain prior approval in relation to outside directorships and business interests. The approval process requires disclosure of relevant information, including the nature of the role being undertaken, the type of interest, the required time commitment and any remuneration for that role.
Side letters and preferential terms	Certain Investors may request preferential treatment or provision of information compared to other investors in the same Fund(s), which may give rise to a conflict of interest between the interests of investors to whom preferential rights have been granted and the interests of investors to whom preferential rights have not been granted.	The Firm will resist requests for preferential treatment from Fund investors where representations have indicated that a standardised service or terms will be provided.
Company engagements	Individuals on the board of a company that we engage with or vote on may have a commercial relation with Brown Advisory or with individuals who work at Brown Advisory.	Measures would be taken to ensure the conflict was effectively managed and regularly reviewed. For example, if an employee was a trustee of a board that we engage with, or vote on, we would ensure the employee was not party to decision-making.
Chinese walls/physical barriers to information distribution/attribution	Where the Firm implements Chinese walls or physical barriers to information distribution, there may be inadequate monitoring of such barriers or governance of those individuals above the Chinese wall/on either side of the barrier to prevent distribution of information.	The Firm precludes the misuse of information through application of the Code of Ethics. In addition, the Firm applies a Data Security Policy and maintains appropriate controls around the flow of information.
Investor relationships	Where the Firm has large or otherwise influential Investors, they may be provided with greater fund transparency or provided with better fund liquidity.	The group's in-house Funds' subscription and redemption policies are designed to mitigate this risk.
Personal account trading	Personnel may trade on their personal accounts in an inappropriate manner, including to the detriment of Clients.	The Firm has a Personal Account Dealing Policy to manage this potential conflict.
Management and performance fees	A failure to properly disclose the amount and basis of the calculation of the fees and commission charged on a particular fund, which could give rise to a conflict of interest between the interests of the Firm, its Clients and those of its investors.	The Firm does not currently apply performance fees on any discretionary investment management mandate. Funds managed by a Brown Advisory group company ("in-house funds") disclose fees and commissions in accordance with applicable laws.
Ownership structure	All colleagues are shareholders of Brown Advisory. This could pose a risk that inappropriate advice is given to clients in order to maintain business, even if a product may be unsuitable, to increase the share price.	The Firm performs periodic reviews of all client portfolios to ensure investments are suitable and portfolio managers are held accountable to FCA Conduct and Treating Customers Fairly rules.

OUTCOME

MANAGING POTENTIAL CONFLICTS

Example: Equitable Trading Practices

Since most of our clients maintain tiered asset-based fee schedules, this means some portfolio managers are managing accounts for clients that compensate the firm according to an asset-based fee schedule at the same time they are managing accounts for clients that compensate the firm according to a portfolio's investment performance relative to its benchmark. By managing these two types of fee-paying accounts at the same time, a portfolio manager is faced with certain potential conflicts. These include:

- An incentive for the portfolio manager to favor accounts for which we receive a performance-based fee, and
- An increased chance that the portfolio manager's strategy will experience style drift or take on excessive risk if his or her compensation is tied to performance.

Brown Advisory maintains and enforces written policies and procedures designed to ensure that all accounts are treated equitably regardless of the fee arrangement. In addition, we have adopted trading practices designed to address potential conflicts of interest inherent in proprietary and client discretionary trading, including bunching and pro-rata allocation.

Example: Conflicts Disclosure

Senior executives hold a variety of positions in nonprofit and for-profit organizations. To mitigate any potential or perceived conflicts of interest, all colleagues are required to report all outside business activities and service on a board of directors to our Compliance Department. These include board/committee memberships and obligations, employment commitments, nonprofit commitments, government commitments and other outside business commitments.

PRINCIPLE 4

PROMOTING WELL-FUNCTIONING MARKETS

Whilst we consider short-term factors, such as interest rate, commodity and currency risk, these factors do not determine our investment thinking. However, we closely monitor a range of economic drivers and systemic risks. Principle 4 considers our approach to market-wide risk factors, ongoing disparities in the workforce and climate-related investment risks.

Colleagues across the firm are focused on assessing and managing systemic risks. For example, our technology and cybersecurity teams are laser-focused on keeping pace with emerging cyber threats. We invest heavily in security architecture, while continuing to ask; Are our current tools and partners supporting us effectively? Are there any areas that we need to reinforce? We implemented 31 cybersecurity projects in 2022 and will complete more than 40 projects in 2023.

OUTCOME

ENTERPRISE RISK RESPONSE TEAM

The Enterprise Risk Response team, led by our Chief Operating Officer, is charged with ensuring a cohesive and proactive response to investment and non-investment events that impact clients, colleagues and firm, including market risk, counterparty risk, cyber risk and other risk types. Investment risk is an important aspect of this, but our efforts expand beyond this remit; we are formalising this group to better organise existing efforts and allow us to respond to market-wide and systemic risk events in a more unified way.

We set up the Enterprise Risk Response team to improve our effectiveness in identifying and responding to market-wide and systemic risks. During 2022, we also invested in building out our investment risk programme, as detailed on the next page. We are pleased with the progress made during 2022 and will continue to report on how we continue to improve our effectiveness each year.

Brien White
Chief Operating Officer

MANAGING INVESTMENT RISK

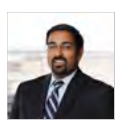
Brown Advisory employs an independent and comprehensive investment risk management programme to proactively identify, monitor and manage risk. We rely on multiple layers of oversight when managing risk to reduce the probability of taking unintended risk.

Team	Description
Portfolio Managers	As lead decision makers, portfolio managers are accountable for the performance and stock specific risks of their portfolios as well as alignment with goals.
Investment Risk Team	The firm's independent risk team includes a group of dedicated analysts who provide investment risk oversight and reporting to portfolio managers and other Brown Advisory leaders.
Investment Risk Management Committee	The Investment Risk Management Committee (IRMC) comprises investment team leads and other business heads from across the firm. The IRMC receives regular reporting from the Investment Risk team and focuses on broader investment related topics.
Compliance/Legal	Compliance oversight ensures adherence to investment and regulatory guidelines. The firm has implemented automated pre- and post-trade compliance where possible.

Investment Risk Programme

Whilst we are confident in our ability to manage risk comprehensively, we also believe in continual improvement, so we are currently engaged with a global consultant to further enhance our Investment Risk Programme. We believe this investment of time and resources is highly valuable to our clients and is reflective of our role as stewards of their capital.

Investment Risk Team



Samir Shah, CFA
Head of Investment Risk

Ashley Webb
Director of Investment Risk and Analytics

Rima Parikh
Head of Operational Due Diligence

Terry Trusty
Investment Risk Analyst

Consistent with our culture, the teams outlined above coordinate and work collaboratively. Additionally, the firm has implemented a tiered escalation process, which can include the involvement of the IRMC and business leadership as required.
Our investment risk team continuously monitors market-wide and systemic risks. In 2022, the team monitored risks that included the following:

- Interest rates and global central bank policies
- Artificial intelligence
- China
- Climate risk
- The war in Ukraine
- Global government debt
- Inflation
- The energy transition
- Valuations
- Private markets

OUTCOME

A BESPOKE APPROACH TO INVESTMENT RISK MANAGEMENT

Investment Risks can be identified by multiple groups across the business, including our investment teams and investment risk team. Our approach to investment risk management includes a defined process of review, identification, ownership, and follow up to assess outcomes. The investment risk management team works collaboratively with investment teams to produce a bespoke investment risk oversight framework, tailored to each investment strategy's approach, considering both absolute and relative risks to appropriate benchmarks. The framework includes efficient mechanisms for escalation and remediation. Our process is a foundation for regular review and discussion across the investment platform. In addition, our approach includes investment leadership, the investment risk committee, and regular reporting to our board.

Our commitment to an independent investment risk management team is an additional layer of identification, reporting, and analytics for the benefit of our clients, colleagues, and firm. Every risk event is unique. This approach provides our teams a governance structure that is flexible to addressing a variety of unintended investment risks. Our frameworks are constructed to proactively identify risk and follow an appropriate escalation process that ensures relevant parties are involved in remediation, if necessary. Improvement opportunities in our process are constantly assessed regardless of an associated risk event. Under both normal and non-normal market conditions, our teams are evaluating potential direct and indirect unintended risks.

OUTCOME

RESEARCH COLLABORATION

Collecting and assimilating disparate points of view is central to developing an independent investment perspective, to managing systemic and investments risks, and to serving as long-term stewards of our clients' capital.

This is the driving force behind the intense collaboration that we pursue across all of our research disciplines—equities, fixed income, private investments and our external manager platform.

Equity research team members collaborate to gain a nuanced understanding of businesses and the complex, global landscape in which they operate. Our coverage of Amazon is one example. Led by Eric Cha, Victoria Schlotterback, Katherine Kroll, Angie Wilson and Lauren Cahalan, the research team assesses the company's investment risks holistically, including antitrust regulation, consumer trust and labor, as well as our upside-downside analysis. The factors are intertwined, and our view on the company benefits from continual communication among the analysts, as well as multifaceted research methods—such as interviewing third-party sellers and union experts, delving into E.U. antitrust proceedings, evaluating data center sustainability, and engaging with the management team.

Equity Research Analysts **Eric Cha, CFA**, **Lauren Cahalan** and **Victoria Schlotterback**

Market-wide risks:

Risks that lead to financial loss or affect overall performance of the entire market.

Systemic risks:

Risks that may lead to the collapse of an industry, financial market or economy.

OUTCOME

ILLUSTRATIVE RISK OVERVIEW DASHBOARD

Category	Limit	Portfolio Weight
Prospectus Limits		
Non-Investment Grade	50%	0.0%
Emerging Market Bonds	50%	6.2%
Total ABS	40%	2.8%
Non-Agency ABS	10%	0.0%
CLO/CMO	10%	0.0%
CoCos	10%	0.0%
China Onshore	20%	0.0%
144A	30%	0.0%
144A w/No Registration	10%	0.0%
Total Non-Agency ABS, CoCos, CLO, CMO, 144A w/ No Reg	15%	0.0%

Factor	IPS Min	IPS Max	Tier 1 Range	Tier 2 Range	Port Output
Top Down					
VAR	0%	10%	7.5%	10.0%	2.13%
Duration	0	8	6	8	3.18
Active Currency	0%	30%	10%	20%	5%
Credit	0%	70%	50%	60%	12%
High Yield	0%	40%	20%	30%	0%
Leverage			350%	500%	276%
Leverage ex FX Hedging			300%	450%	186%
Regulatory Leverage	0%	400%	250%	350%	174%

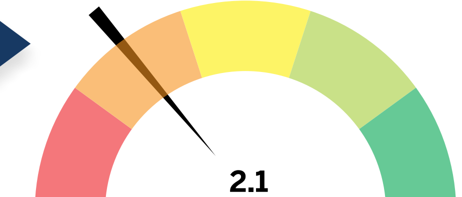
FIXED INCOME MONITORING

Our global fixed income team continually assesses the macro landscape to understand and monitor systemic risks, such as climate risk and market-wide risks.

OUTCOME

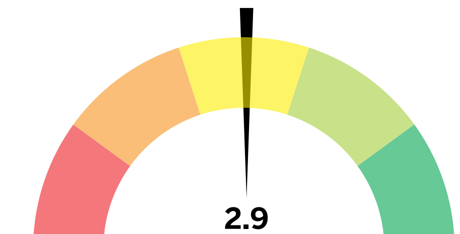
FIXED INCOME ECONOMIC DRIVERS

These charts are an example of how we reflect our views of the main drivers of the economic cycle. We forecast growth and inflation for the largest global economies and integrate market-based and broader sentiment indicators in order to assess both the current phase of the economic cycle and identify key inflection points within the cycle. This allows us to understand the key risks and opportunities that we expect to manifest in the global markets for the next 6–12 months and position portfolios accordingly.



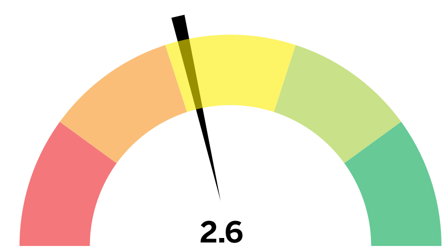
GROWTH

Trend Growth	2
Industrial Production	2
Global Manufacturing PMI	1
Global Services PMI	2
Consumer Sentiment	3
OECD Leading Indicator (Aggregate)	2
Global Housing	1
Lending Standards/Credit Growth	3
Third-Party Global Economic Surprise Index	3
TOTAL	**2.1**



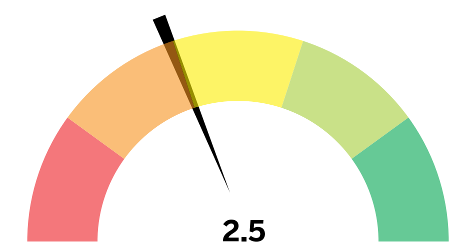
INFLATION

Realised Inflation to CB Target	2
Inflation Expectations	2
Output Gap	4
Productivity	3
Wage Growth	1
Oil	3
Commodities Ex-Oil	3
Shipping Rates (Land/Sea/Air)	4
Money Supply	5
Third-Party Global Economic Surprise Index	2
TOTAL	**2.9**



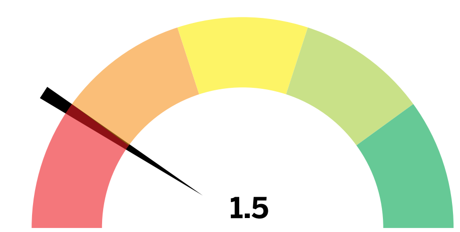
CREDIT FUNDAMENTALS

Leverage	2
Interest Coverage	4
Earnings	2
Free Cash Flow	3
Margins	2
Covenants	1
Liquidity/Near-Term Maturities	3
Upgrades/Downgrades	2
Capital Access	3
TOTAL	**2.6**



SENTIMENT/MARKET INDICATORS

Yield Curve Slope	1
Valuations - P/E	2
Valuations - Credit Spreads	2
Valuations - HY to IG Spread	1
Liquidity	3
M&A LBO Activity	2
IPO/SPAC/Crypto	5
Fund Flows	3
CSFB Euphoria Index	3
Consumer Leverage/Margin	2
% Equites in Asset Allocation	3
TOTAL	**2.5**



POLICY

Fiscal	2
Monetary	1

Industry Engagement: A Tool For Managing Risk

When it comes to systemic risks such as climate change, Brown Advisory has found engaging with industry groups focused on these issues to be a useful input into our stewardship activities. The access to frameworks, working groups and disclosure tools that the groups provide help to ensure that our integration of climate-related considerations is both structured in a manner that allows for consistency but also takes into consideration the nuances of specific asset classes or regions. For example:

1. Frameworks: While we could have chosen to set a net zero target for some of our assets independently of an institutional group, we found formalizing such a commitment in partnership with the Net Zero Asset Manager initiative to be beneficial. For example, through this membership, we were introduced to the Net Zero Investment Framework, which we used to guide the development of our targets. We found this framework to be one that provided enough structure for us to develop a systematic approach to categorise applicable investments' progress toward net zero, but also reasonable flexibility that allowed for it to be applied to our specific investment strategies and in alignment with our fiduciary duty to the client. To read more about this work, please see our report Investing in a Resilient Future: Our Role in Supporting the Climate.

2. Working Groups: Within the last two years, Brown Advisory has begun to increase our focus on emerging markets investments. This has largely been driven by the launch of two strategies: Sustainable International Leaders and Global Sustainable Total Return. Considerations of the impact of climate change must vary by geography, both because the effects of climate change are different in different parts of the world, but also because most of the largest drivers of the climate crisis are located in more developed economies. In order to expand our understanding of this, as well as other emerging market-related issues, Brown Advisory became a member of the Emerging Markets Investors Alliance in 2022. Many of our research analysts have joined sector and topical focused working groups, and our participation has helped to refine our approach to analyzing companies and other issuers in emerging markets.

3. Disclosure Tools: Brown Advisory has been a supporter of CDP for many years. Among other things, CDP provides a disclosure template for issuers (including companies and municipalities) to use to report on climate and other environmental related risks and opportunities associated with their activities. We have found the data that results from these disclosures to be a useful input to our sustainable research integration process, and we have engaged in a number of collaborative engagement initiatives to encourage companies and other issuers to respond to CDP's questionnaire. In particular, we participated in CDP's Non-Disclosure Campaign in 2022. A number of companies and municipal issuers in our portfolios were approached as part of this initiative and asked to respond to the questionnaire, and we were pleased that many did or expressed an intention to in the coming years.

OUTCOME

SHARING OUR VIEWS ON THE RISK LANDSCAPE

As a practice, we try to articulate our views on the risk landscape each year through our annual Asset Allocation report. In our 2023 edition, we reflect our team's thinking on the risks and opportunities around the following topics:

- Interest rates and global central bank policies
- Artificial intelligence
- China
- Climate risk
- The war in Ukraine
- Global government debt
- Inflation
- The energy transition
- Valuations
- Private markets

OUTCOME

SOVEREIGNS ANALYSIS

Our piece titled "Sustainable Sovereigns: Integrating Sustainable Investment Analysis into Government Debt Research" describes how we analyse and report on the risks and opportunities of investing in sovereign bonds of different countries. Our framework combines a quantitative methodology with qualitative analysis to build a holistic assessment of a country's sustainable risks and opportunities that is comparable across countries yet able to capture subtleties and gradations. We believe that one size does not fit all when assessing the sustainability profile of sovereigns. Below is an example of this analysis, which plots Brazil against other emerging market countries.

For further detail, please refer to the paper here:

www.brownadvisory.com/intl/sustainablesovereigns-integrating-sustainableInvestment-analysis-government-debt-research-2023

INCLUSIVE CAPITAL

Another risk that we consider is inequity of opportunity. We catalyze innovation in mission-driven businesses and initiatives that are designed to materially enhance opportunities in our communities. These strategic investments take the form of capital, resources and collaboration with change-agents who promote opportunity, equity and inclusion in the ecosystems in which we work. Examples include B.Innovative and Brown Advisory Seed Capital.

In addition, we incorporate a number of diverse manager characteristics into our manager research process from both the investment and operational due diligence angles to address the systemic and ongoing disparities in access to funding for female- and BIPOC-led money managers. By embedding DEI and diverse manager selection in our day-to-day work, we aim to deliver the best performance results to our clients as well as provide an array of investment options to fit their values-driven goals.

Recognising that our process for evaluating managers' DEI characteristics relied on their own disclosure, Brown Advisory approved a contract with Lenox Park, a technology company specialising in data aggregation and analysis of diversity data on asset managers. We are now in a position to provide clients more granular-level diversity data and reporting. Moreover, we are able to leverage Lenox Park's cloud-based technology platform, which provides private peer networks, allowing for collaboration around investments, events and other topics designed to bypass traditional industry gatekeepers. Our intentions in this effort are to identify leading and high-quality investment solutions and to continue to meet our changing clients' needs in this space. Our goals are to ensure that we are addressing any unintentional bias in our investment selection process and to provide a long overdue increase in representation of diverse managers across the investment platform.

In a different light, we also support our clients' efforts to direct capital to female- and BIPOC-led entrepreneurs through a number of different investments, be they directing lending opportunities to business owners in local communities or fund structures focused on developing seed-stage or friends and family round capital to startup founders who traditionally don't have access to those investments.

OUTCOME

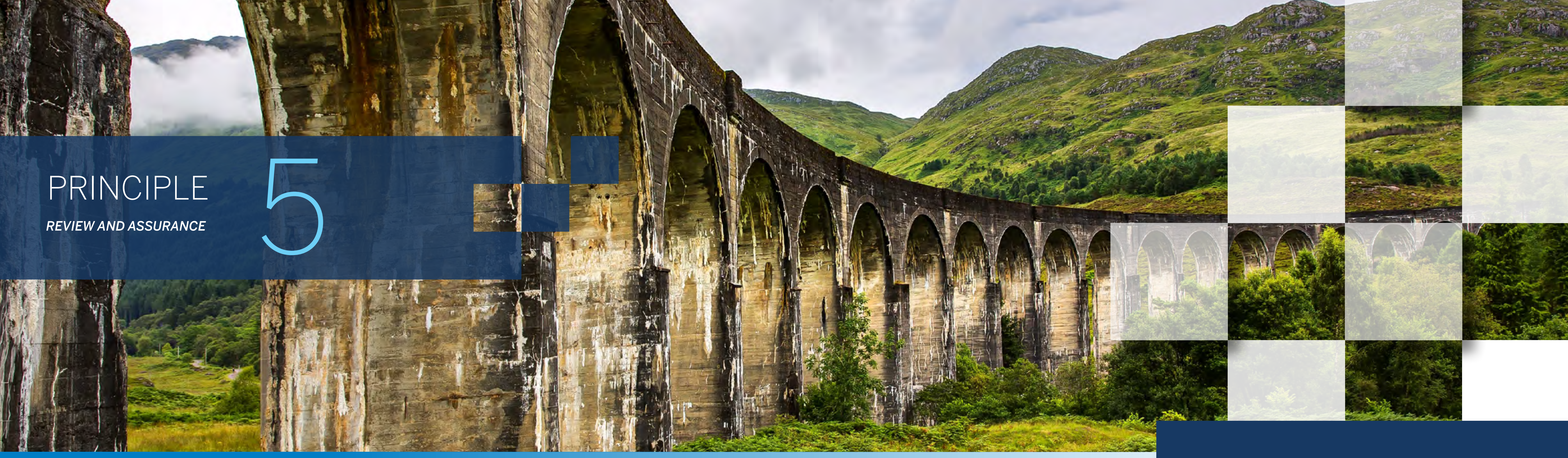
B.Innovative

B.Innovative is our "in-house" programme for purpose-driven startups, investors and ecosystem-builders to catalyze entrepreneurial activity and thought leadership across underserved stakeholders. We provide collaborative workspace and wraparound services to help our resident innovators raise the future. Located in our Baltimore and Austin offices—so far—B.Innovative enables us to invest in our communities and, equally importantly, brings our colleagues into the flow of new ideas, fresh thinking and diverse perspectives.

We value the opportunity to convene innovators. In Baltimore, TechStars Equitech uses our space for demo days and other events. In Austin, we support the local start-up ecosystem with events during SXSW and throughout the year.

Preston James, CEO, DivInc *(third from right)*, and DivInc team members. DivInc is a member of our B.Innovative community in Austin.

2023 Techstars Equitech class with **Mac Conwell,** Founder and Managing Partner, RareBreed Ventures *(fourth from right)*



PRINCIPLE 5

REVIEW AND ASSURANCE

In addition to our comprehensive framework that governs the oversight and review of our policies and processes, as referred to in Principle 2, we utilise additional layers of review and validation to ensure the effectiveness of our stewardship activities. Principle 5 provides a high-level overview of our Internal Audit and Compliance functions.

COMPLIANCE OVERSIGHT

The Compliance function serves as a core component of the firm's second line of defence for managing risks, overseeing and reviewing the firm's implementation of, and its compliance with, policies, procedures and controls. A key outcome is to ensure that the FCA's requirement to "Treat Customers Fairly" is embedded into the firm's culture, which is paramount to acting as responsible stewards for clients.

To ensure adequate oversight and challenge, a Risk and Compliance Committee meets on a quarterly basis to oversee the risk and compliance functions of the firm in accordance with the firm's regulatory obligations and its business plan.

The committee discusses and advises on the following issues:

- Compliance monitoring and audit outputs
- Anti-money laundering issues
- Product governance oversight/new products
- Conflicts of interest
- New policies and procedures
- Incidents/breaches/complaints
- New regulation/legal developments

OUTCOME

PROCESS EVOLUTION

An example of how we have evolved and strengthened the execution of our policies is the changes we made to the process for reviewing and recommending votes on proxies for our institutional equity strategies.

Brown Advisory has a Proxy Voting policy that results in vote recommendations for all proposals for which Brown Advisory has the authority to vote for our clients. For those companies held in our institutional equity strategies, our fundamental and sustainable research analysts who cover the various companies are responsible for reviewing the recommendations provided for each vote. In order to increase the efficiency of this process, we began using ISS's Communicator Tool in 2022. Where before all analysts received notification of all the upcoming votes across strategies, the communicator tool allowed us tailor the notifications sent to each analyst so that they only received notifications for the companies in their coverage. The introduction of this tool has reduced the chance of an analyst missing a particular meeting and has also meant that analysts receive notification of meetings in a more timely manner, allowing ample time for review and, if deemed necessary, time to recommend and implement a vote against policy well before the vote cut off.

Internal Audit

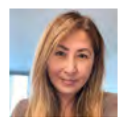
The Internal Audit function serves as Brown Advisory's independent third line of defence to ensuring the organisation's policies and processes are adequate and effective in supporting our clients, colleagues and communities. Reporting to the Board's Audit Committee and administratively to the firm's General Counsel, at a high level, the team focuses on:

- Providing independent assurance to management and the board on the adequacy and effectiveness of governance, risk management, and control processes for the organisation
- Recommending changes/corrective actions when needed
- Providing advice and guidance on the risk and control aspects of new (or changing) processes, systems, products and policies

Ashley Mansfield
Internal Auditor

Uche Ogbuokiri
Audit Supervisor

Sarah Penne
Audit Supervisor



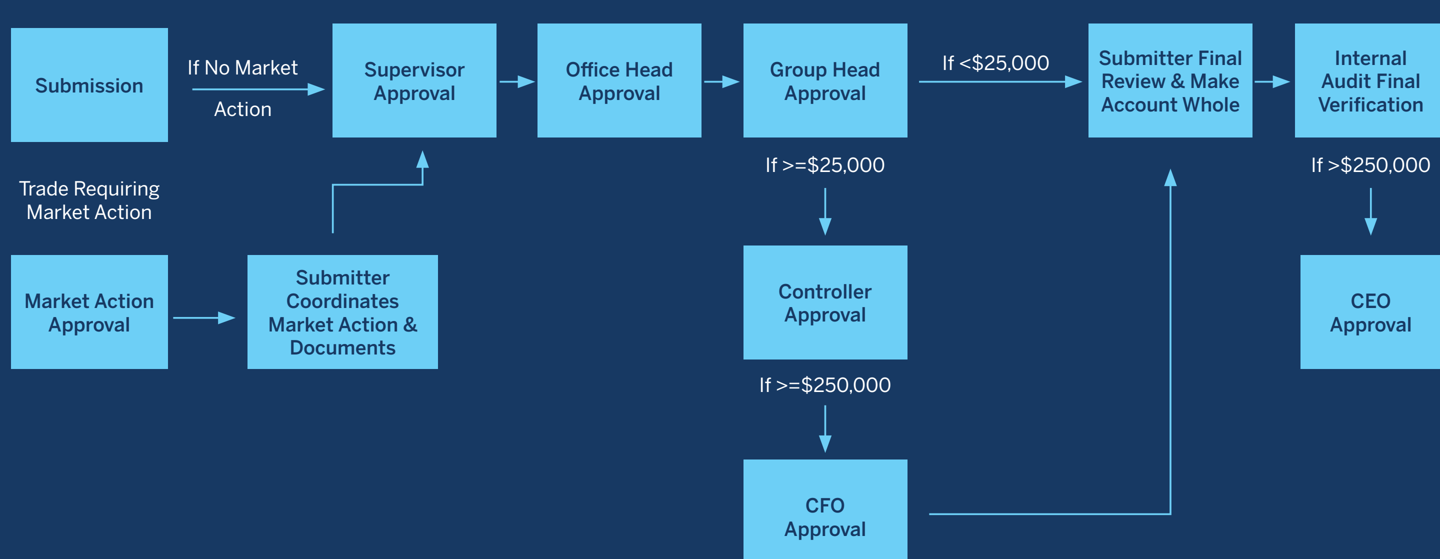
Linda Tan
Head of Internal Audit

OUTCOME

INTERNAL INCIDENT REPORTING

As a firm, we have procedures in place to conduct daily business activities. We have corresponding controls in place to validate procedures are executed as intended. However, sometimes an event (incident/error) occurs that either our procedures did not anticipate or resulted from a colleague's mistake. When an event occurs that has unintended or negative consequences to clients or to other internal colleagues (whether monetary or not) and remediation is necessary, that event is considered an "incident". Colleagues will not be penalised for filing an Incident Report. Thoughtful Incident Report filings can be catalysts for learning, change and resource allocation. An incident report is be completed any time a client's account or internal firm operations are affected in a way other than initially intended. The process is enabled by a software system—Archer—and overseen by the Internal Audit team.

In addition to the levels of governance detailed in Principle 2, we lean on additional layers of review and validation to ensure that we are acting as the most effective stewards for our clients, colleagues and communities.



OUTCOME

ARIS ANALYTICS

Analysis and reporting on alignment, risk, impact and sustainability personalised for each client's interests

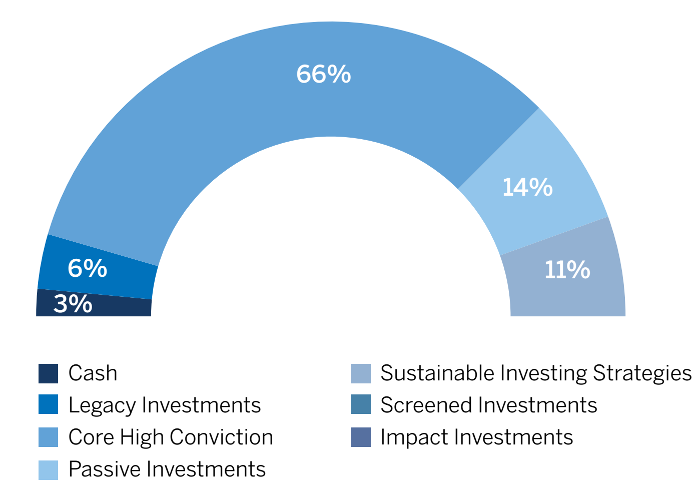
To help effectively manage and monitor our portfolios, we developed and continue to enhance our in-house, cloud-based system called ARIS Analytics. ARIS (which is an acronym for alignment, risk, impact and sustainability) can cross-reference Brown Advisory's primary research, third-party data sources and holdings data for hundreds of managers on our approved and recommended list.

Importantly, ARIS is available to all portfolio managers across the firm, and they can use it to generate analysis for any client's portfolio. This sample dashboard provides an ARIS-derived selection of snapshots of a hypothetical portfolio's attributes: allocation among various investment types, exposure to controversies, footprint relative to a broad-market index and carbon footprint analysis over time.

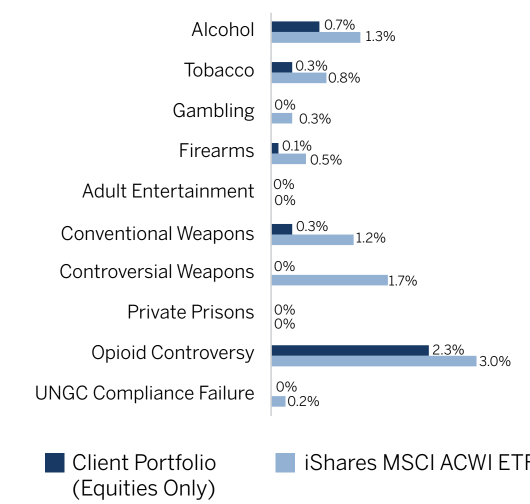
Beyond the illustrative example, we can also report on a portfolio's exposure to particular business practices as identified by the client, corporate diversity, governance and exposure to positive impact themes.

Below is an illustrative example of an ARIS dashboard.

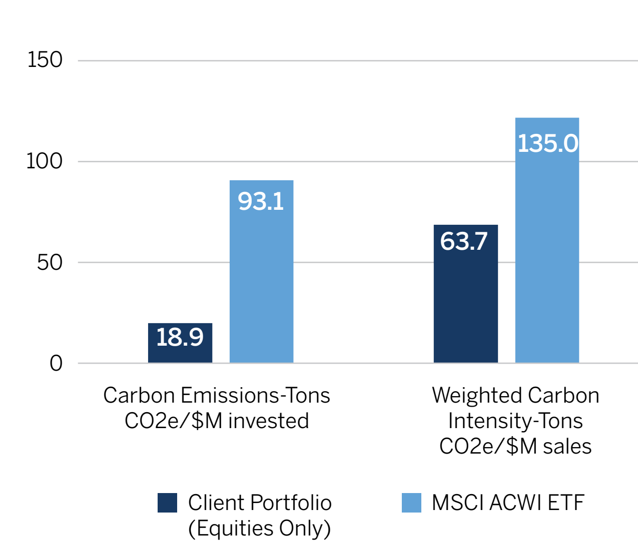
Asset Allocation



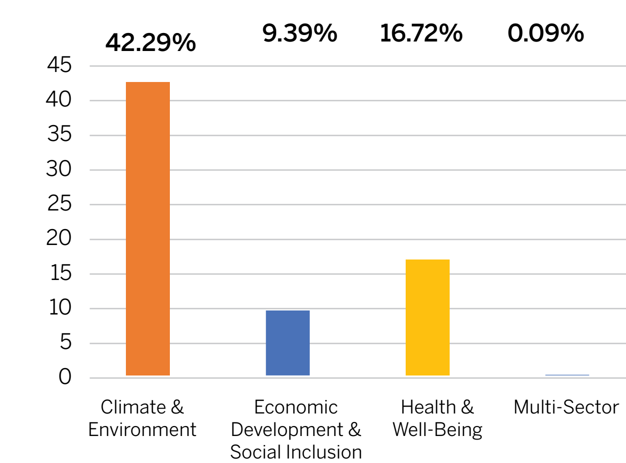
Exposure to Controversies



Carbon Footprint Analysis



Exposure To Impact Themes



TRANSPARENCY

Transparency is key to ensuring accountability.

Our firm's structure, where every colleague is an equity owner, breeds accountability—to our clients, to our colleagues, to our community and to our culture. Holding ourselves and each other accountable is central to our DNA. Given our ownership mindset, stewardship is embedded in the decisions we make for our clients. Likewise, we make every effort to ensure that our stewardship reporting is fair, balanced and understandable.

Our periodic reporting to the U.N. Principles for Responsible Investment serves as a means of being able to evaluate the setup and application of our policies. Furthermore, the veracity of our sustainable investing approach has been verified through our application for certain sustainable labels for a selection of our funds. For example, we have received the LuxFlag for the U.S. Sustainable Growth Fund, and the FNG label for the U.S. Sustainable Growth Fund and for the Global Leaders Sustainable Fund. These labels are only awarded after a thorough application process, and compliance with the funds' stated investment approach is audited at least annually.

OUTCOME

REPORTING ON THE IMPACT OF OUR INVESTMENT DECISIONS

For a number of our most prominent sustainable strategies, we produce an annual impact report that details and discusses how the strategies have addressed certain sustainability and stewardship matters over the previous year, including:

- Overview of the strategy's approach to sustainable investing
- Case Studies and outcomes reporting
- Emissions reporting
- Engagement update and data
- Proxy data

PRINCIPLE 6

CLIENT AND BENEFICIARY NEEDS

Communication and reporting to our clients have always been, and will continue to be, a priority at Brown Advisory. Our preferred method of communication is direct and personal, and we have found that the best way to build trust is through person-to-person connection. Principle 6 provides further detail on our client base and the ways in which we communicate with them.

OUR CLIENT BASE

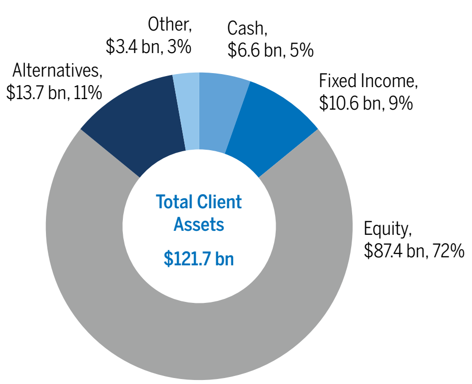
Throughout this report, we discuss our client-first approach and our continual effort to understand our clients' needs. For example, in Principle 1, we discuss our mission: to make a material and positive difference in the lives of our clients. In Principle 2, we discuss our new investment strategy, Large-Cap Sustainable Value, which we launched in response to client needs. In all of our activities, we seek continual feedback from clients to understand how we can improve and serve them more effectively.

When planning and investing for both our clients and our firm, we think in terms of generations and value the long term over the short. As a private and independent firm, we have a patient, supportive and aligned group of shareholders (most of whom are colleagues). They have enabled us to develop multigenerational relationships with clients, build institutional portfolios that beat their benchmarks over decades, and seed new, innovative strategies and services that likely won't "reward" shareholders for many years.

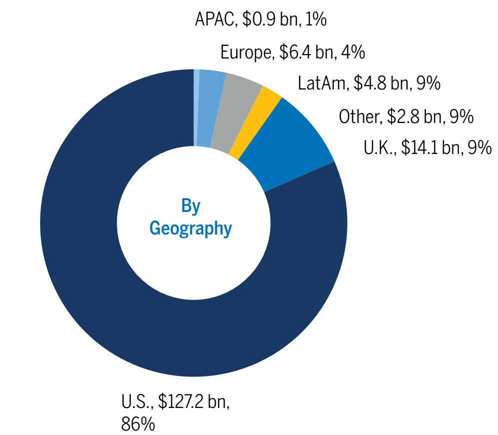
Our clients rely on us to realise their investment objectives. We believe that achieving compelling investment results starts and ends with an ability to weather the tough times (which are always shorter than they feel) so that capital can compound. This philosophy applies whether we are investing on behalf of individuals, families, family offices, nonprofits and charities, pension plans, or financial institutions, and is underpinned by rigorous research, repeatable processes, collaborative teamwork and high-conviction ideas.

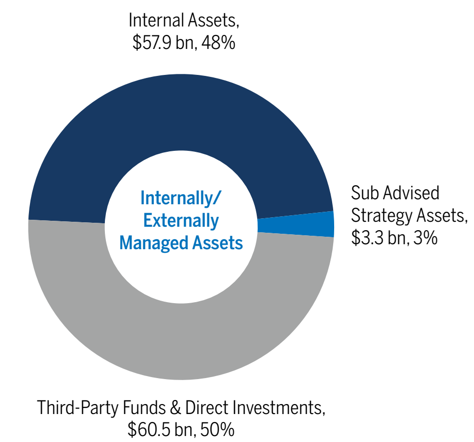
CLIENT ASSETS BREAKDOWN

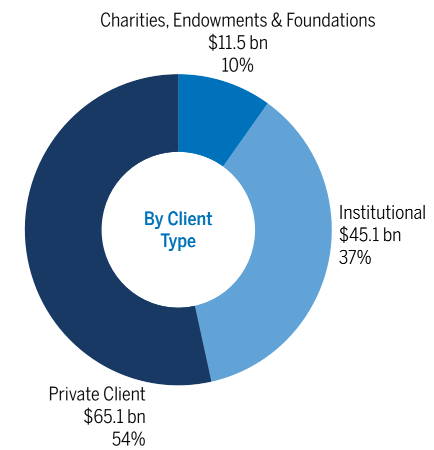
By Asset Class



As of December 31, 2022, approximately 40% of our clients' assets are managed in funds and separate account mandates for institutions, family offices, wealth managers and global banks. The remaining 60% is typically invested on a multiasset basis on behalf of individuals, families, endowments, foundations and charities.





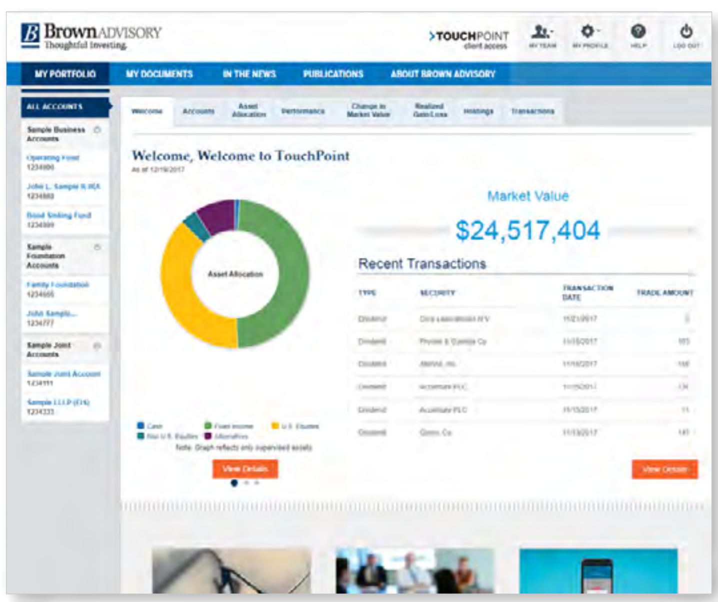


CLIENT OVERSIGHT AND COMMUNICATION

When we oversee and manage a majority (if not the entirety) of an overall investment portfolio, we use our "three-bucket" framework to help protect a long-term focus. The first bucket, or operating account, provides liquidity and stability; the second bucket, or core portfolio, combines growth and stability assets designed to pursue long-term growth; and the third bucket, or opportunistic allocation, enables timely investments that capitalise on time-sensitive opportunities. Over the 10-plus years that we have used this three-bucket approach, we have found that it not only serves as a useful structure to survive down markets but also allows our clients to thrive in them—the confidence of adequate liquidity frees up capital to take advantage of opportunities in times of market dislocation.

TOUCHPOINT
client access

TouchPoint helps provide our clients with better service—whether we are displaying their account information, granting access to other advisors or sending documents to our clients directly. Our clients and their teams can use TouchPoint to quickly and effectively resolve many day-to-day investment needs.



When we manage individual portfolios for clients, we also take the long view, relying on concentration to drive the long-term orientation of the given strategy. Concentration forces, amongst other things, high conviction and a ruthless search for the best ideas. Coupling conviction with the possibility that selling a position from a concentrated portfolio can lead to adverse tax outcomes, our institutional portfolio managers and analysts have a fundamental incentive to invest in securities that they intend to hold for, at the very least, three to five years.

We approach each client with a listen-first mindset and come with no presumptions so that through conversation, we can develop a solution tailored to their needs. When Brown Advisory is chosen to provide investment advisory services to a client, the relationship and investment team sets up an initial meeting with the key people within the client's organisation. In this initial meeting, we place a major focus on setting appropriate asset allocation and portfolio guidelines, as they serve as the foundation for the management team to develop an appropriate investment strategy for the client. We find a discussion of multiple factors assists our clients and us in determining proper asset allocation guidelines.

For clients seeking financial or estate planning to supplement their investment goals, we have a team of Strategic Advisors who work closely with clients to develop a family mission statement and strategic plan to focus on long-term goals and objectives and determine whether a family wants to include their values in their investment philosophy. This team helps clients create an Investment Policy Statement that outlines clear guidelines for how capital will be invested and can also help create a framework for good decision-making. They also help clients think through tax and capital gains implications associated with clients' investments. Strategic Advisors and Portfolio Managers work collaboratively to translate objectives into sustainable investment actions–aligning investments with values.

From there, communication and reporting to clients on our activity have always been a priority for the firm. Importantly, our preferred method of communication with clients is direct and personal—we have found the best way to build trust is through human-to-human connection, and that starts with intimate communication. Our ARIS Analytics tool and reporting, mentioned in Principle 5, is a great way to reflect exactly how an individual client's portfolio reflects their stewardship goals and targets. We have also built a proprietary client portal—TouchPoint—which clients can access 24/7 to review the holdings, documents and performance related to their portfolios.

Outside of the direct, client relationship-based communication, we have a number of consolidated and aggregated reports that can help inform a collection of clients at once.

Our Annual Report

Each year, our in-house team produces the annual report. We consider the report to be a primary tool for communicating with clients and for sharing our reflections on the markets and the broader context in which we invest.

While the annual report is an opportunity to share our thinking and to encapsulate our DNA annually, as a client-first firm, we communicate with clients on a continual basis—through quarterly meetings, ad-hoc phone calls, social and educational events, regular email communications, podcasts, and shared thought leadership.

9,980
clients received the annual report

2,923
impressions on LinkedIn*

1,691
website pageviews**
(through 75 days after publication)

*Impressions = how many times the content was seen
**Excluding Brown Advisory colleague website traffic

OUTCOME

NAVIGATING OUR WORLD PODCAST

Navigating Our World is our podcast where we speak with outside experts across our firm's network for insights about some of the most pressing questions that we face as investors and as a society. We examine the forces shaping our world, moving capital and raising the future. We believe these conversations help us make better decisions for our clients. Recent NOW episodes included a series on the energy transition, moderated by Co-CIO for Private Client, Endowments and Foundations Erika Pagel, to explore the opportunities and challenges in the drive to a lower-carbon economy.

www.brownadvisory.com/now

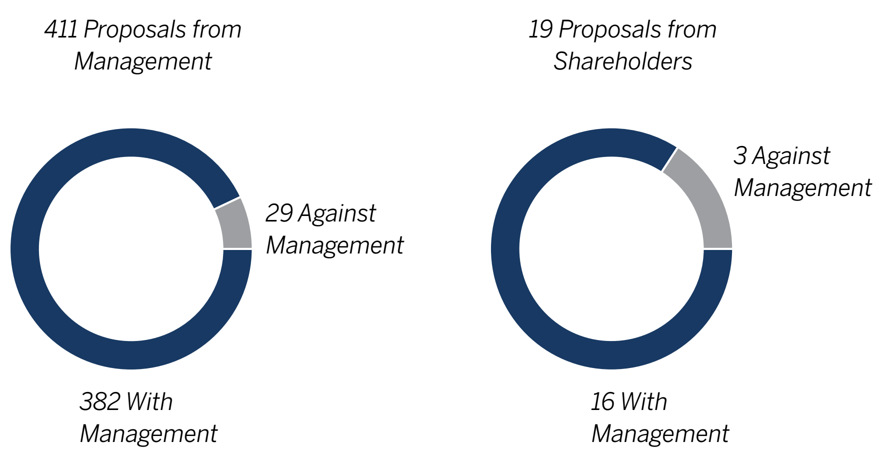
Proxy Voting Committee

We approach proxy voting with the same team-oriented approach that guides all of our investment decision-making, believing that diverse perspectives provide the best outcomes. Our proxy voting committee includes representatives from our equity research, sustainable investing, investment risk, compliance, operations, and sales and service teams. The committee oversees the proxy voting process; however, responsibility for casting votes rests with our investment teams and, ultimately, with the portfolio managers for each Brown Advisory equity investment strategy

OUTCOME

2022 EXAMPLE PROXY VOTING DATA

Global Leaders Holdings, 2022 Calendar Year



There are various factors that guide our case-by-case voting decisions, many of them related to materiality. In recent years, regulators focused on proxy voting and the importance of fiduciaries to only consider financially material factors when engaging in proxy voting.

PROXY VOTING GUIDELINES AND TRANSPARENCY

Brown Advisory has developed standard proxy voting guidelines that are used by many of our clients. From time to time, clients may prefer to elect alternative voting guidelines. In cases where a client desires to elect alternative voting guidelines, the firm will work with the client and ISS to identify appropriate alternative voting guidelines. Where no appropriate pre-defined alternative guidelines are available, the firm will work with the client to define and set up guidelines to vote proxies on a case-by-case basis. If pre-defined alternative ISS policy guidelines are selected that the firm has not previously implemented, members of the firm's proxy voting committee will review the policy and determine whether it may be offered to a broader array of clients as part of the on-boarding process. The firm may recommend a departure from specific aspects of the selected policy's guidelines when it deems such a departure to be in the client's best interest.

In order to provide clients with transparency on how proxies were voted on their behalf, Brown Advisory can produce proxy reports for a client's specific accounts. Voting records for Brown Advisory's U.S. Mutual Funds and UCITS Funds are also available on the firm's website. This website disclosure is powered by ISS and updated in real time. We have also begun to include the disclosure of "significant" votes in the impact reports for certain strategies. For example, the table below outlines notable proxy votes for our Global Leaders strategy.

OUTCOME

GLOBAL LEADERS NOTABLE PROXY VOTES IN 2022

The Global Leaders team considers proxy voting to be a part of our fiduciary duty to clients. While we believe that each vote cast is an important action, some of our votes each year are, in our view, especially aligned with issues of relevance for the company in question. We have highlighted some of the votes we considered to be more notable in 2022.

Company Name	PT Bank Rakyat Indonesia	Atlas Copco	The TJX Companies, Inc.	Mastercard Incorporated	Estee Lauder
Date of Vote	1-Mar-22	26-Apr-22	7-Jun-22	21-Jun-22	18-Nov-22
Proponent	Management	Management	Shareholder	Shareholder	Management
Proposal Theme	Board changes	Director election	Sustainable investment-related reporting requirements	Process changes to call a special meeting	Executive compensation
Proposal Text	Approve Changes in the Boards of the Company	Re-elect Peter Wallenberg Jr as Director	Report on Assessing Due Diligence on Human Rights in Supply Chain	Provide Right to Call a Special Meeting at a 15% Ownership Threshold	Advisory Vote to Ratify Named Executive Officers' Compensation
Vote Instruction	Against	For	Against	Against	For
Rationale	Voted against proposed change based on insufficient available information; we communicated our rationale to management ahead of our vote.	We voted for the re-election of a member of the Wallenberg family to the Board, as we believe this gives Atlas Copco a multigenerational investment horizon that is unique amongst peers.	We believe that TJX provides sufficient disclosure regarding its human rights due diligence processes for its supply chain and that the cost of additional requested reporting would not outweigh its benefits. We are currently comfortable with the company's management of this risk.	After weighing costs and benefits of this proposal, we believe that its suggested ownership threshold is too low. Shareholder rights are very important, but we believe these should not be granted in a manner that unnecessarily disrupts company management.	We have assessed concerns regarding the structure of the pay programme that have been highlighted, however we believed that the pay is reasonably aligned with performance for the particular year under review.

OUR COMMUNITIES

We recognise that we are accountable for the current and future health of our communities. Our responsibility takes numerous forms: climate stewardship, catalyzing local mission-driven businesses, providing nonprofit leadership and volunteer service, and charitable giving.

You will often hear colleagues share that our community focus attracted them to Brown Advisory. Indeed, demonstrated leadership in the community is one of the criteria for promotion to Principal and Partner. Across our offices, you will find colleagues contributing financially, intellectually and through hands-on partnership to local organizations of their choice—all of which are encouraged and supported by the firm.

Charitable Giving

In 2022, Brown Advisory contributed more than $2 million to a range of nonprofits and charities across the communities where we live and work. Our focus is supporting local organizations that are important to our clients and colleagues, in addition to our strategic giving areas: the environment, gender equity and justice.

We are pleased to share a few of these organizations that are working to raise the future.

Royal Botanic Gardens, Kew, with one of the largest and most diverse botanical collections in the world, is dedicated to protecting biodiversity, motivating environmental advocacy, inspiring the next generation of scientists and creating a world where nature is valued and managed sustainably.

Environment:

The nonprofits and charities with which we partner strive to solve the complex environmental challenges threatening our world, such as climate change, water scarcity and quality, biodiversity, sustainable agriculture, and environmental justice. We believe that these issues are interconnected with their social and systemic counterparts and that addressing them requires a holistic approach to balance urgency with long-term solutions.

Gender Equity:

We partner with organizations dedicated to helping and empowering women and girls, especially those in underrepresented groups. Their work focuses on inclusion, education, health and social services, and includes closing the gender gap in business and government, mentoring, furthering and supporting women's rights, preventing abuse, and providing direct services to people in need.

Justice:

We support charitable organizations that address social injustice and racial inequity. These organizations provide support and services to underrepresented and economically disadvantaged groups, work to dismantle systemic barriers to racial equity, and build deliberate systems to achieve and sustain racial equity.

OUTCOME

CHARITABLE GIVING—ENVIRONMENT

In 2022, we invested in the following charities:

Baltimore Healthy Harbor Project | Chesapeake Bay Foundation | The Nature Conservancy | Nature Sacred | Royal Botanic Gardens, Kew

OUTCOME

CHARITABLE GIVING—GENDER EQUITY

In 2022, we invested in the following charities:

Girls Are INvestors (GAIN) | Him For Her | Invest in Girls

OUTCOME

CHARITABLE GIVING—JUSTICE

In 2022, we invested in the following charities:

10,000 Black Interns | Anti-Defamation League | Bard Prison Initiative | East London Business Alliance | Roca | Ron Brown Scholar Program

Girls are INvestors (GAIN) inspires and prepares young women for careers in the investment management industry.

We work with our partners, including 10,000 Black Interns and GAIN, to recruit our summer analysts.

OUTCOME

U.K. CORPORATE CHARITY

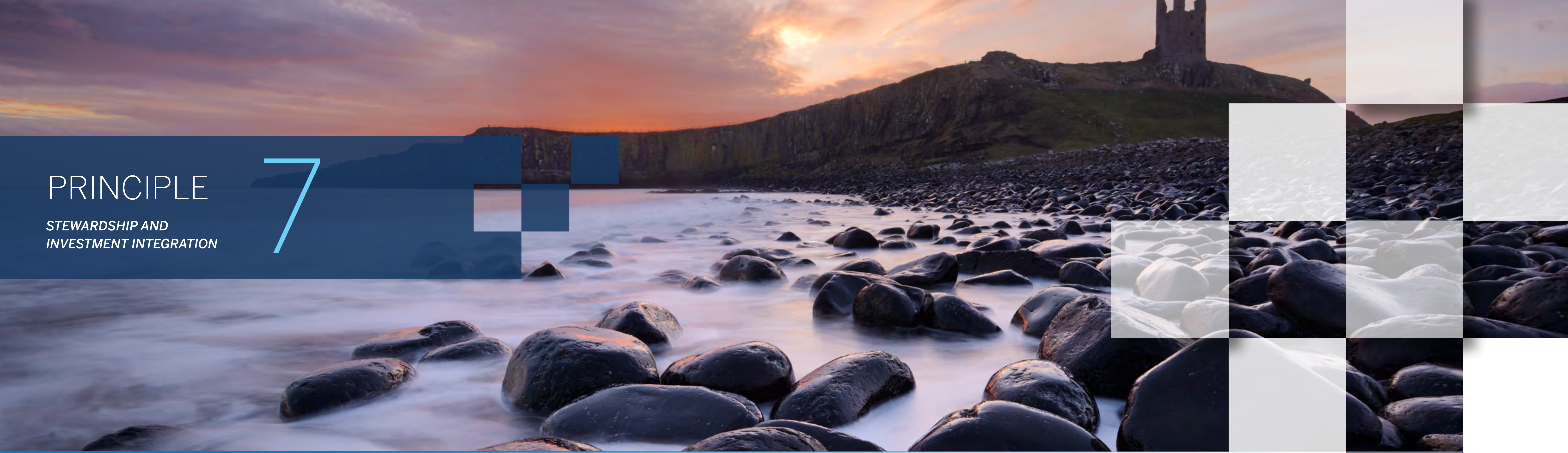
Each year, we support a number of charities through individual as well as firm contributions. Additionally, colleagues in our London office shortlist and vote for a corporate charity with which we actively engage with for a minimum period of two years.

In September 2022, the team selected Greenhouse Sports as our corporate charity. Since then, we have raised £32,000 for the organization. All funds raised through our individual and team pursuits will go toward fulfilling Greenhouse Sports' vision that every child deserves a fair chance to succeed.

Brown Advisory's involvement with Greenhouse Sports extends beyond fundraising to volunteering as part of a programme with a local school. We take part in basketball, table tennis and tennis lessons with students; in addition, we mentor students and talk with them about workplace and interview experiences. The ultimate goal is to engage young people living in the inner city to develop social, emotional and physical skills.

In addition to Greenhouse Sports, the team has elected to partner with The Children's Literacy charity, which provides specialist literacy tuition for disadvantaged children who are at risk of being left behind.

The team participates in Literacy and Reading Lab sessions, which give children life-changing literacy skills, unlocking their true potential. To date, the firm has raised £6,000 in support of the organization.



PRINCIPLE 7

STEWARDSHIP AND INVESTMENT INTEGRATION

We believe sustainable investing is an effective way to incorporate stewardship into our investment process. In Principle 7, we explain how we integrate stewardship and sustainable investment analysis into our overall research and investment processes.

We see incorporating a broad range of risks and opportunities into our research process as an important tool to generate long-term performance—including how a company or potential investment is managing products, services and solutions in the face of climate change and other long-term societal forces.

Just as we do not build portfolios based on models, we do not make assumptions about what sustainability means to a client. It can be a path to investment performance, a way to reflect values through an investment portfolio or an opportunity to create a multitude of positive outcomes.

The following timeline shows the evolution of our sustainable investing journey so far and includes key moments in the evolution of our sustainable investing platform:

2009

- Winslow Management Company joined Brown Advisory, bringing 25+ years expertise in sustainable investing
- Inception of Brown Advisory's sustainable investing platform, utilising sustainable investment research as a value-added component with the objective of generating long-term investment performance

2010

- Launched first U.S. sustainable equity strategy: U.S. Large-Cap Sustainable Growth

2014

- Launched first U.S. sustainable fixed income strategies: U.S. Sustainable Core Fixed Income and U.S. Sustainable Tax-Exempt Fixed Income
- Added sustainable investment managers to our external manager platform

2015

- Launched first global sustainable equity strategy: Global Leaders

2017

- Launched U.S. Sustainable Small-Cap Core strategy

2019

- Launched ARIS, our tool for reporting on alignment risk, impact and sustainability personalised for each client's interests
- Launched CIO sustainable investment portfolio

2021

- Experienced team of three portfolio managers joined Brown Advisory to lead global expansion of sustainable fixed income platform
- Launched Sustainable International Leaders strategy
- Invested in CrossBoundary to understand and offer clients opportunities to invest in underserved markets

2022

- Launched Large-Cap Sustainable Value strategy to provide clients a high-quality solution in this asset class
- Launched Global Sustainable Total Return Bond strategy
- Became signatories to the U.K. Stewardship Code

INSTITUTIONAL SUSTAINABLE INVESTING PRINCIPLES

These principles apply to our U.S. and global public equity and fixed income strategies. Brown Advisory strives to promote and uphold a number of principles through our sustainable investing activities and platform:

Performance first: Sustainable investing at Brown Advisory seeks, first and foremost, to contribute positively to the performance of our strategies. Our research efforts aim to uncover risks that may hinder the return from an investment, as well as opportunities in order to add value to the due diligence process and we believe help portfolio managers make better decisions.

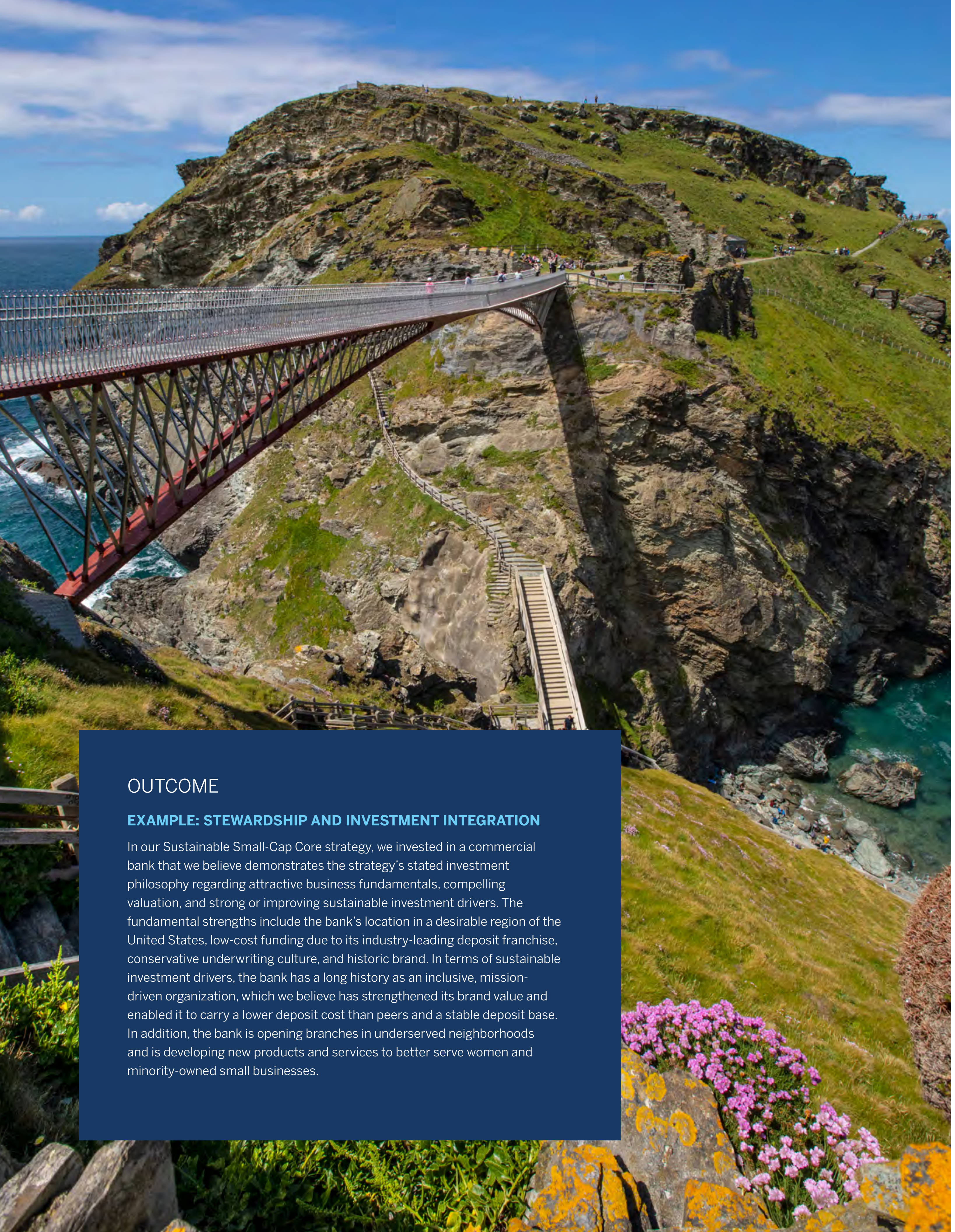
Diligence in primary research: We believe it is our duty as investors to conduct primary research and to pursue in-house research coverage across our sustainable investment strategies. Our research team leverages third-party data in some instances, but generally only as a supplement to primary research. We believe that while third-party research can be a helpful input in assessing risks, primary research is needed to identify opportunities. We believe this approach helps us understand the investment opportunities we consider and helps ensure that our strategies can meet and exceed the expectations of our clients.

Independent thinking from portfolio managers: We believe that our results are improved when our portfolio managers are given freedom to express their investment philosophies. This extends to sustainable investing; our portfolio managers can integrate analysis of risks and opportunities that arise from the effects of human capital, natural resources, climate and governance practices to varying degrees, and we do not enforce a standard approach to this integration across our investment platform. However, we have a policy for what constitutes a "sustainable" strategy. On our platform, sustainable investment strategies apply an active and documented investment decision-making framework that emphasizes the materiality of the risks and/or opportunities that arise from natural resource, social and economic, climate, and/or governance issues in their underwriting of an investment. As active investors, each portfolio manager has the independence to apply their own experience, point of view and expertise to generate long-term performance for clients.

Collaboration, not isolation: Research analysts work collaboratively across asset classes and industry sectors, and with portfolio managers across our various sustainable investing strategies, in a research process that seeks to examine individual sectors, issuers and securities, where applicable, to determine their suitability for our various strategies. Similarly, we support the cooperative spirit that has guided the broad sustainable investing community for many years, and we often seek to participate in research and advocacy partnerships that aim to advance research methodologies, establish data and measurement standards, and expand our toolkit for integrating material sustainable investment considerations into our investment decision-making process. Although we promote collaboration, we act independently in our investment decision-making.

Transparency: We are committed to clear disclosure about the investment criteria that guide any of our strategies.

Continual improvement: We look for ways to improve our research techniques, data sets and decision-making processes. We actively listen to colleagues, clients, board members, competitors, industry partners and other key stakeholders in an effort to evolve our skill sets and capabilities. We also offer internal training to all colleagues so they can better understand our sustainable investing solutions and better serve our clients.



OUTCOME

EXAMPLE: STEWARDSHIP AND INVESTMENT INTEGRATION

In our Sustainable Small-Cap Core strategy, we invested in a commercial bank that we believe demonstrates the strategy's stated investment philosophy regarding attractive business fundamentals, compelling valuation, and strong or improving sustainable investment drivers. The fundamental strengths include the bank's location in a desirable region of the United States, low-cost funding due to its industry-leading deposit franchise, conservative underwriting culture, and historic brand. In terms of sustainable investment drivers, the bank has a long history as an inclusive, mission-driven organization, which we believe has strengthened its brand value and enabled it to carry a lower deposit cost than peers and a stable deposit base. In addition, the bank is opening branches in underserved neighborhoods and is developing new products and services to better serve women and minority-owned small businesses.

RATINGS

Our sustainable investment research is largely qualitative in nature, but we assign two quantitative ratings, a Risk Management rating and an Opportunities rating, to our assessments for certain asset classes for communication purposes with the portfolio managers to express sentiment. Our ratings use a simple 1–5 system, with a "1" signifying the most favourable assessment in terms of sustainable investment-related risks and opportunities, and a "5" signifying the most unfavourable. Where applicable, the analysts include a "plus" or "minus" (e.g. a "2+" rating) to indicate if a company or other bond issuer is materially progressing or regressing.

The ratings discussed below are used in our global and U.S. public equity and fixed income strategies.

The tools that enable this research are defined and discussed in Principle 2.

OUTCOME

BROWN ADVISORY SUSTAINABLE INVESTMENT RATINGS FRAMEWORK

The act of assigning ratings inherently runs the risk of implying an unwarranted level of precision regarding data. Available sustainability data is imperfect, and the interpretation of this data, as with much financial data, necessitates a degree of subjectivity. For this reason, we use a simple 1–5 rating system and develop more refined views of specific companies and other issuers with qualitative research. Further, we assign separate ratings for risk and opportunity, as opposed to a singular rating for a company or bond issuer. We believe that this dual-rating approach helps us differentiate between investments characterised by good risk management versus investments that are helping to solve major environmental and social challenges.

To be clear, these ratings do not drive portfolio activity but are used as a communication tool that helps foster greater discussion with portfolio managers, the broader investment team, and our sustainable investment oversight and risk management teams.

	Risk Management Score		*Opportunity Score*
1	**NET POSITIVE** Entity effectively manages all material sustainability factors, going beyond best practices and potentially leading to a competitive advantage. Generally does not have major controversies.	1	**NET POSITIVE** The primary **product/service** offering solves for a critical environmental and/or social challenge. **Operations** are helping to drive potential business advantages and efficiencies and significantly reducing or mitigating any negative environmental and social impacts.
2	**SLIGHTLY POSITIVE** Entity has adequate risk management systems, such that material environmental or social factors are unlikely to pose a material threat. May have a small number of minor controversies.	2	**SLIGHTLY POSITIVE** Some **products/services** solve for environmental and social challenges, and some efforts to reduce negative impact of **operations**; relatively limited when compared to an "1"-rated entity, in terms of the share of overall revenue, or the extent of impact.
3	**NEUTRAL** Entity has basic risk management systems, but there is not enough information to evaluate effectiveness. May have a moderate number of material controversies.	3	**NEUTRAL** Little to no material exposure to **products/services** that solve an environmental or social challenge. Minimal efforts to reduce negative impacts of **operations** or create operational advantages.
4	**SLIGHTLY NEGATIVE** Minimal risk management means that environmental or social risks may pose a material threat to entity. May have moderate to severe controversies.	4	**SLIGHTLY NEGATIVE** Some **product/service** offerings may cause environmental and/or social harm. **Operations** may cause environmental and/or social harm.
5	**NET NEGATIVE** Little or no risk management. Risks are likely to pose a material threat to entity. May have severe controversies.	5	**NET NEGATIVE** Primary **product/service** offerings may cause meaningful environmental and/or social harm. **Operations** may also cause meaningful environmental and/or social harm.

SUSTAINABLE INVESTING SOLUTIONS

The following description applies globally to the equity and fixed income strategies that are listed below.

For Institutions

The following strategies integrate sustainable investment research, including assessment of risks and opportunities, in the sustainable investment processes described in this report:

Equity Strategies:

- U.S. Large-Cap Sustainable Growth
- Global Leaders
- U.S. Sustainable Small-Cap Core
- Sustainable International Leaders
- U.S. Large-Cap Sustainable Value

Fixed Income Strategies:

- U.S. Sustainable Core Fixed Income
- U.S. Tax-Exempt Sustainable Fixed Income
- U.S. Sustainable Short Duration Fixed Income
- Global Sustainable Total Return Bond

Sustainable Investment Research and Engagement Platform

- Multi-disciplinary research team, including research analysts with expertise in sustainable investment research across our equity and fixed income teams
- Sustainable investment research methodology and internal rating system used to help assess potential investments
- Deep investigation into the use of proceeds raised by the bonds we hold in fixed income portfolios and the impact produced by those proceeds—for both labelled and unlabelled bonds
- Pursuit of active, investment-driven engagement with management teams, bond issuers, industry and issue experts, NGOs, and other stakeholders
- Comprehensive, investment-driven approach to proxy voting
- Capabilities to provide customised screening to clients (applied independently from our investment process)

For Individuals and Families

The following description applies globally across our private client, charities, endowments and foundations business, which invests across asset classes, with some assets managed by Brown Advisory and others managed by external investment managers.

- Disciplined construction of portfolios, through an established and documented process for translating client goals and priorities into bespoke asset allocation and manager recommendations
- Robust, open-architecture platform of sustainable managers, each vetted through due diligence covering their sustainability-related risks and opportunities. Our platform covers a wide range of public and private asset classes, with attention to offering manager diversity
- Structured engagement approach whereby a significant part of our manager evaluation process is the way they engage with businesses they own to improve outcomes operationally–both financially for their shareholders, but also for stakeholders, including employees, customers and the communities in which they do business
- Multiasset platform of internal and external sustainable managers to actively manage a Sustainable Model Portfolio, which provides a core portfolio allocation across asset classes for our private clients who are interested in constructing their portfolios through a sustainable investment lens in the United States
- ARIS Analytics, our in-house tool for reporting on alignment risk, impact and sustainability personalised for each client's interests, which allows us to provide look-through data on balanced portfolios, down to the individual security level. We leverage this system to help assess legacy portfolios of new clients, recommend new target portfolios and monitor progress toward each client's goals over time
- Active efforts to help amplify our clients' voices, through proactive engagement with companies and bond issuers, a thoughtful approach to proxy voting, and our own actions and commitments as a firm on key sustainability-related topics
- Strategic advice regarding broader goals, such as aligning impact and philanthropic goals with portfolio strategy, development of appropriate trusts and other legal structures to help achieve legacy or multigenerational objectives, and next-generation education
- High-touch client service solutions, covering comprehensive reporting, grant administration, educational support and other needs
- Capabilities to provide customised screening to clients (applied independently from our investment process)

For Charities, Endowments and Foundations

For some of our clients, particularly nonprofits, charities and families, we construct multi-asset, mission-aligned portfolios that seek to deploy capital to achieve both financial objectives and the positive impact that the client seeks to make in the world, including investment solutions that integrate performance-driven research on sustainability issues such as climate, diversity or economic development. For these clients, we:

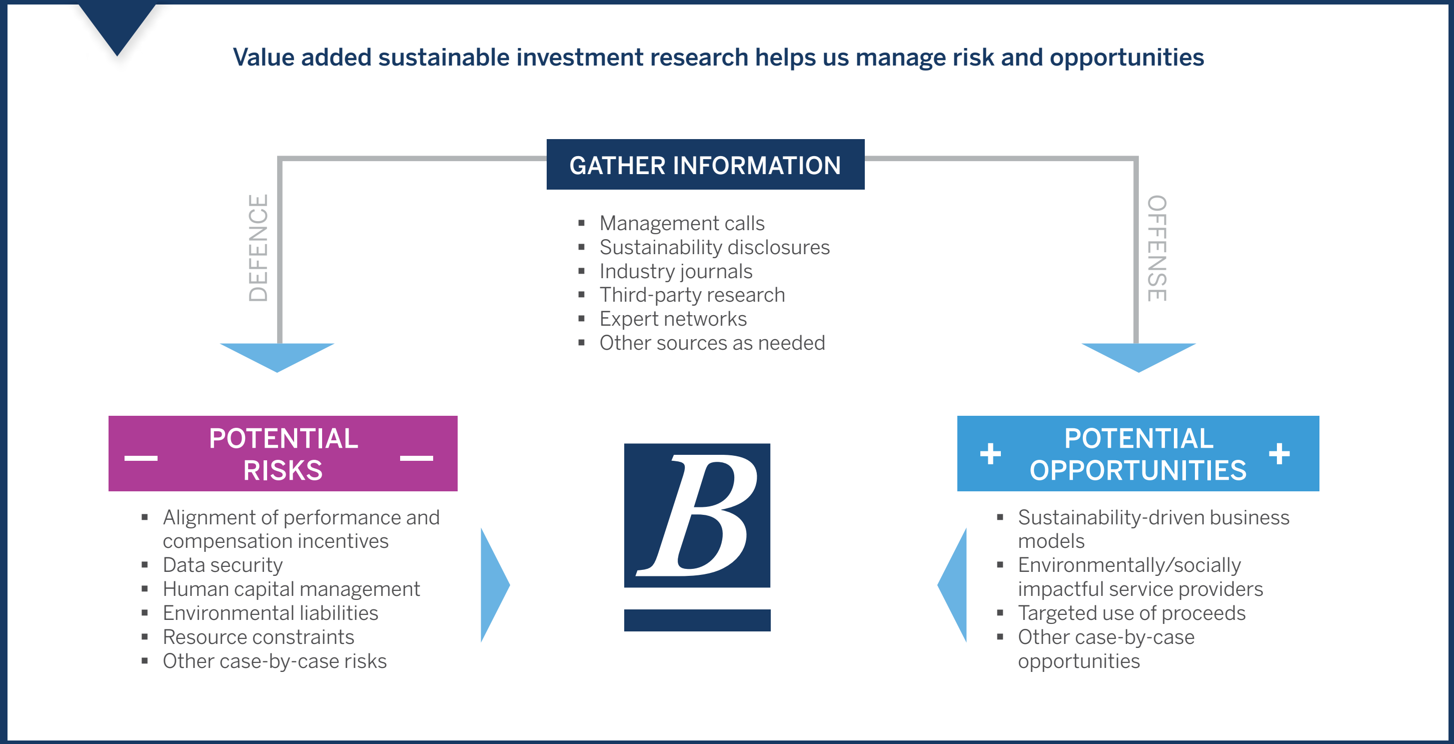
- Address the scope of mission alignment—we can act across the entirety of the client's investment assets or focus on a "carve out" pool of capital for mission alignment
- Determine the pace of mission alignment— we can seek to align 100% of assets at inception, or begin with a smaller percentage of assets, and set targets for increasing that percentage over time
- Develop or refine investment policies—as we work with clients to better understand their goals and priorities, we can codify those priorities in an investment policy that effectively translates intention into reality. Depending on the client, these policies may include defined screens that prohibit or require investment in certain sectors, set priorities for factors such as DEI that guide manager selection, or goals for impact on key issues related to the client's mission
- Work with the full range of stakeholders—we act as more than portfolio managers for many of our clients, and serve also as advisors and partners in an effort to help clients navigate decisions to support mission alignment. In particular, many of our clients have different stakeholder groups who may not always see eye to eye on certain issues, and we have experience helping to bridge these divides and bring stakeholders together to support a strategy

OUTCOME

INSTITUTIONAL SUSTAINABLE INVESTMENT INTEGRATION

The firm's equity and fixed income research teams include colleagues with expertise in sustainable investment. Our sustainable investment research analysts work together across asset classes to develop overarching research tools and provide research coverage of overlapping portfolio names that are held or are being considered for both equity and fixed income portfolios. At the same time, the analysts are integrated members of the research teams for their respective asset classes, working closely with other research analysts and portfolio managers to guide portfolio decisions for our sustainable investment strategies.

We believe this approach helps us to maintain consistent standards across asset classes and minimises duplicative work on companies or bond issuers held in multiple portfolios whilst also seeking to embed sustainable investment research deeply within the decision-making process.



CROSSBOUNDARY

Our Frontier Markets Partner

We invested in CrossBoundary to help us understand the opportunities for private investment capital in historically underserved markets. Today, CrossBoundary—with 23 offices on five continents—co-locates in our London office, which has allowed us to find new ways to collaborate and increase our mutual understanding of global investment opportunities—from sovereign bonds to nature-based finance to solar-powered mini grids.

CrossBoundary provided support for Norrsken2—an Africa-focused technology growth fund—for its investment in Autochek, a used-car platform that is building digital infrastructure for Africa's automotive industry. The investment will help scale long-term economic growth by enabling Autochek to increase the number of used cars sold through its platform, increase access to financing solutions to facilitate affordability and enhance its suite of value-added services.

PRINCIPLE 8

MONITORING MANAGERS AND SERVICE PROVIDERS

Brown Advisory works in partnership with a select group of service providers as well as internal and external investment managers. In Principle 8, we outline the nature of our monitoring activity and explain how this is used to ensure the best stewardship and investment outcomes are achieved on behalf of our clients.

The majority of our investment management and stewardship activity is conducted within Brown Advisory by our own dedicated teams of research analysts and portfolio managers. For certain activities, where we deem it appropriate to engage with external providers (for example, data provision), we carefully select partners and continuously monitor their services to ensure they are delivered to meet our needs. Please see next page for further detail.

DATA PROVIDERS

Brown Advisory conducts thorough due diligence when selecting data providers, seeking RFPs and/or demonstrations from multiple providers before taking part in trials to test the appropriateness of the solution for our need. The thoroughness of the due diligence process is particularly important for sustainable investing, as the reliability and availability of applicable data varies depending on the characteristic in question or the asset class. Understanding how data providers source and/or estimate data is very important in order to ensure data is used in an appropriate way in the investment decision-making process.

Please note that although we have access to third-party rating systems, we do not lean on external ratings to determine whether a company is an appropriate fit for our strategies. As our research team has long believed, no raw rating can tell an investor whether a company is a sound investment. We believe that primary research is the only way to consistently arrive at well-informed investment decisions. Examples of service providers include:

MSCI

MSCI is one of Brown Advisory's primary sustainable investment research vendors, providing the team with a variety of resources such as climate data, controversy monitoring, issuer level research reports and tools for implementing exclusionary screens. We are in regular communication with MSCI, learning more about the expanding nature of its product offerings and seeking assistance with challenges we encounter. Brown Advisory also leverages MSCI for our negative screening activity, ensuring alignment with client values as appropriate. We generally do not use screening as a tool in our investment process, although we do implement it as appropriate to meet certain client or investment policy restrictions on sector exposures or other issues.

GeoQuant

GeoQuant is a data provider that provides real-time insights on country-level political risks and underlying environmental, social, and governance factors that help us continuously monitor our sovereign bond holdings, the broader geopolitical landscape and the associated implications across other asset classes (e.g. Corporates). By aggregating news sources from around the world (including local news sources) and through its proprietary analytical models, we are able to have a better understanding of current events and how they may compound to increase/decrease risk in a particular country over time. This has become an essential component to our sovereign research framework given that much of the country-level sustainability data available is static, often lagging and lacking qualitative context of the reality on the ground.

Other Third-Party Providers

In recent years, our research team undertook a review of our our data providers and assessed many other providers in the market. We assessed the capabilities of the various providers and the alignment of those capabilities to our research needs, and evaluated these against peers and other research sources available to the market. Brown Advisory expects to conduct such a review periodically.

INVESTMENT MANAGERS

Brown Advisory's Investment Solutions Group (ISG) helps our colleagues serve the clients of the firm by conducting asset allocation and manager research and producing the Brown Advisory Approved Manager List and Model Portfolio. ISG's manager due diligence often takes months or even years prior to the approval of a fund. Key steps in the process include:

Sourcing: The team sources managers through relationships, conferences, capital introductions, screens and referrals.

Quantitative Analysis: The team performs rigorous statistical analysis to evaluate the quality of returns. This process also includes comparing prospective managers against peers and often includes the creation of custom benchmarks to attempt to explain outperformance.

Meetings: The team typically meets with a manager several times prior to investment, with many members of the ISG team meeting with a manager. The meetings ultimately culminate in an onsite meeting at the manager's office, where we meet the Portfolio Manager and many members of the analyst team.

Engagement: We prefer to see managers who have allocated specific resources that are dedicated to engagement as opposed to simply leveraging fundamental analysts, where we are able to hold them accountable. We have found that dedicating resources to engagement allows firms to be more directed in their engagement, to better prioritise issues for focus and to ultimately demonstrate more impact.

Operational Due Diligence: The ODD team performs analysis on the operational controls of a given organisation and performs background checks on all key individuals. The ODD team has ultimate veto power of an investment.

Portfolio Impact Analysis: The team performs in-depth analysis on the exposures of a fund to determine how it should fit into a portfolio and how it will perform in different situations compared to the other managers on the platform.

ISG performs a formal review of each manager on a quarterly basis to ensure that they are meeting expectations both from a process and performance perspective. This process includes a meeting or call with the manager, an updated research report, and discussion of the manager at a two-day offsite. In addition to these formal reviews, the team constantly tracks managers and provides updated talking points to the entire firm on a monthly basis. These quarterly reviews are also conducted on Brown Advisory's internally managed strategies.

OTHER SERVICE PROVIDERS

We are in daily contact with our outsourced service providers through the normal course of business and have quarterly service review calls in place to ensure our service-level agreements are being upheld.

In addition, we undertake periodic reviews of the alternative providers in the relevant market to revalidate that our existing partnerships deliver the best outcomes for our clients.

Should an incident or error occur with one of providers where they did not meet our requirements, the provider would follow its internal incident reporting process, a summary of which is shared with our operational teams for approval or continued discussion.

ISG team members

PRINCIPLE 9

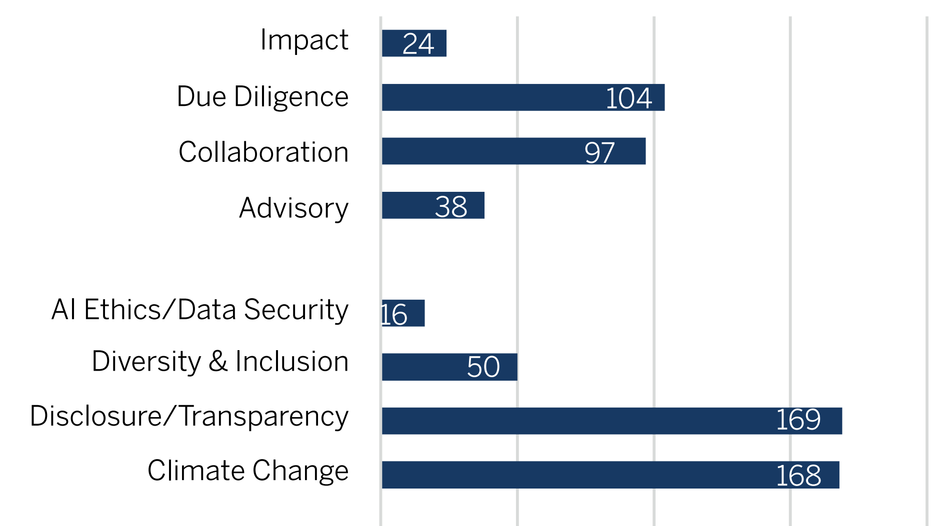
ISSUER ENGAGEMENT

Engagement activity is critical to our stewardship and investment processes. We believe that good fiduciaries and stewards of client capital have a responsibility to maintain consistent dialogue with the companies and bond issuers in which they invest. In Principle 9, we discuss our approach to engaging with the issuers of securities in which we invest and provide examples of engagement at both a firmwide and strategy level.

OUTCOME

2022 STAKEHOLDER ENGAGEMENT

Engagement with management teams is an essential part of our fundamental due diligence. As fiduciaries and stewards of client capital, we have a responsibility to maintain consistent dialogue with the companies and issuers in which we invest. Engaging at a strategic level with management teams enables us to advocate on specific impact topics.



ENGAGEMENT GUIDING PRINCIPLES

Performance first: Sustainable investing at Brown Advisory seeks, first and foremost, to contribute positively to the performance of our strategies. Our engagement efforts aim to uncover sustainability-related investment risks and opportunities that may influence the return from an investment and to encourage positive steps from companies, bond issuers and other stakeholders that may lead to better returns. In particular, engagement is an essential tool for ongoing monitoring and oversight of our holdings and to hold companies and bond issuers accountable to factors that drive long-term performance. An inevitable output of this process is a series of engagements encouraging actions by companies and bond issuers that can potentially benefit society in addition to enhancing investment returns.

1. **A collaborative, constructive approach:** Collaboration and investment go hand in hand: We believe that a collaborative approach, as opposed to a combative one, is the most effective way for us to engage.
    - In our equity strategies, our preferred style of investing is to build concentrated portfolios of sizable, long-term holdings, and as such we seek to build and maintain productive relationships with the management teams of these companies over time. We seek to avoid investing in companies that, in our view, need to materially change their practices to be a suitable investment, so our engagement dialogue with management teams is often pragmatic and covers issues where all parties acknowledge common interest. We often will use time-bound KPIs to assess a company's progress on a risk or opportunity, which may impact our capital allocation.
    - In the fixed income space, we follow a similar approach to collaborative engagement as in our equity strategies with a few notable differences. We tend to prioritise engagement with smaller or private corporate issuers and non-corporate asset classes (securitised, municipal, sovereign) where disclosures may be more limited and where our engagement can be the most meaningful. We also seek to work with industry partners to develop and strengthen the principles that guide issuance of many green bond and other labelled bonds across asset classes, and we believe we can be most productive when encouraging issuers and other market participants to adopt these principles. Many of our investments, including but not limited to labelled bonds, seek to enable companies and issuers to transition to more sustainable practices, and engagement serves as a useful tool to track progress and ensure accountability.
    - In addition, we acknowledge that one investor's voice is rarely enough to spur meaningful actions by companies or bond issuers—consistent and collaborative work by many investors is often needed. In certain instances, we partner with a variety of groups to help with engagement activity, such as Ceres, PRI, International Capital Market Association (ICMA), CDP and the Emerging Market Investors Association (EMIA).
2. **Commitment to principles:** There are certain key ideals that permeate all of our sustainable investment portfolios. These are outlined in the policies related to our firm's sustainable investment practices, and they guide us directionally with regards to engagement activity as well as investment decision-making. Furthermore, within our institutional sustainable investment strategies, we choose priority issues (see the section to the right on this topic) for our engagement activity that we believe merit strategic focus because of their importance, timeliness and broad applicability to the preponderance of publicly-traded securities. We revisit our choices regarding strategic priorities on a periodic basis.

Engagement Approach

We have regular interaction, or "engagement," with various stakeholders who have an interest in the equity and fixed income securities we hold, including the companies and issuers themselves. Sometimes, our goal in these engagements is to inform and monitor our investment thesis. Engagement has always played an important role in our fundamental due diligence. We believe that good fiduciaries and stewards of client capital have a responsibility to maintain consistent dialogue with the companies and bond issuers in which they invest.

Sustainable Investment Due Diligence
We conduct ongoing discussions with companies/issuers to inform our investment research and decision-making.

Impact
We engage with companies/issuers and industry groups to advocate for improved sustainability practices that we believe will ultimately drive performance.

Advisory
We advise companies/issuers on best practices, such as developing robust sustainability programmes and structuring impact-oriented bond deals.

Collaboration
We partner with investor groups and NGOs to advance issues and tools that will benefit the larger investment community.

Engagement Approaches consistent with 2021

Much of our engagement activity stems from our overall "bottom-up" orientation to investing—we seek to review companies and issuers on a case-by-case basis, and we base our engagement discussions on the specific risks and opportunities that we consider to be most relevant and material in each situation. From this activity, we have gleaned common themes that tend to transcend idiosyncratic risk and broadly impact our investable universe. As such, at any given time, we are working on a refined set of high-priority engagement topics that inform our goals broadly across our portfolios.

In setting engagement priorities, we consider the following factors:

- Financial Impact: To what extent does the potential outcome improve fundamentals?
- Exposure: Is it a risk or opportunity to which Brown Advisory's strategies are exposed, especially in sustainable strategies? Have we seen one or more companies or issuers demonstrate weakened management of the issue?
- Saliency: Is it an issue that transcends materiality, with broad-sweeping implications for all stakeholders?
- Demand: Do our clients care about the issue?
- Outcome achievability: Does Brown Advisory have the resources and/or influence to drive progress? Do we have the internal expertise needed to engage thoughtfully on the issue?
- Proactive outreach: Have companies, bond issuers or other key stakeholders sought out our participation or advice?

OUTCOME

2022 ENGAGEMENT PRIORITIES

- **General Disclosure**—e.g. reporting transparency, supporting more structured reporting frameworks
- **Climate Change**—e.g. reporting on and managing physical and transition climate risks
- **Diversity and Inclusion**—e.g. ensuring accessible housing options, school districts, transportation and clean water in municipalities; pressing companies to align hiring and compensation with diversity measures, develop responsible arbitration policies, report on pay parity
- **AI Ethics and Data Privacy**—e.g. hire personnel with AI/data privacy expertise and embed these ethics professionals into product development; issue annual progress reports on Ethics and Data Security

OUTCOME

2022 ENGAGEMENT CASE STUDIES

Science-Based Emission Targets

Engagement Priority: Climate Change; Disclosure

The Global Leaders team is undertaking a multiyear focus on engaging with companies on the topic of setting Science-Based Targets (SBTs) for emissions reduction. The team believes that setting and achieving verified SBTs would reduce long-term risk of companies and position them well to succeed in a lower carbon future. We seek to engage on this subject both through direct engagement with companies, but also through joining collaborative initiatives such as CDP's Science-Based Targets Campaign, which Brown Advisory has supported since 2020. When engaging on the topic of science-based targets, we believe that the topic must be raised thoughtfully—companies in different regions and industries face different challenges in setting these targets, and these must be kept in mind. During 2022, our team engaged with five companies in the Global Leaders portfolio spanning multiple sectors, including technology, health care and financials. We look forward to continuing these efforts into 2023 and reporting on progress.

Increase Disclosure in the Municipal Bond Market

Engagement Priority: Disclosure and Transparency

Sustainability disclosure in the municipal sector has lagged that of other bond sectors. Through several different working groups and engagements this year, we sought to encourage better disclosures by issuers and to encourage better regulatory frameworks and guidelines. Examples of engagements during 2022:

- We collaborated with CDP in various ways to encourage municipal issuers to begin disclosing climate risks to CDP (through, for example, CDP's 2022 Municipal Non-Disclosure Campaign) and to hopefully educate said issuers on labelled bond issuance. (Fifty-five municipal issuers within Brown Advisory's fixed income holdings disclosed to CDP during the 2022 reporting cycle.)
- We joined a California utility CFO and a public utility investment banker on a conference panel to broadly discuss the process of issuers disclosing sustainability risks to investors. We explained what we look for as investors and suggested specific metrics (e.g. scope-specific emissions reporting, incident and fatality rate reporting, disclosure of regulatory noncompliance) we consider important.
- We participated in a working group that responded to the Municipal Securities Rulemaking Board (MSRB) when it requested information on "Environmental, Social, and Governance Practices in the Municipal Securities Market," offering similar perspectives to those mentioned above. We are eager for any opportunity like this to help shape how disclosure may evolve in our industry.

Sustainable Opportunities

Engagement Priority: Climate Change; Disclosure

We engaged with a global payments company following the release of their latest sustainability report and hoped to further our due diligence of the company's sustainable opportunities. We noted that this new report was significantly improved from prior years, and the report indicated that the company's focus on the electric vehicle (EV) transition was perhaps a greater opportunity for the company than we had anticipated. On the call, we were able to further understand the company's strategy behind their products that should enable fleet managers to incorporate EVs into their fleet. We gained conviction that the company is investing extensively in this capability and, being early in the development of the services, we believe the solution could contribute to revenue growth in the coming years. As an outcome of what was learned on this call, we upgraded our internal sustainable opportunity rating of the company.

OUTCOME

2022 EXTERNAL MANAGER ENGAGEMENT CASE STUDIES

Digital Inclusion

- Boston Common's engagement priorities are digital inclusion, zeroing in on the ethical use and adoption of AI by technology companies to support digital human rights globally.
- Boston Common is engaging 40 companies on adopting ethical AI policies as part of the World Benchmarking Alliance Digital Inclusion Collective Impact Coalition (CIC). The coalition, with Boston Common acting as the lead investor alongside Fidelity International, brings together stakeholders across sectors to collaborate and coordinate action to drive positive change and ensure corporate responsibility.
- There has been notable progress since the Digital Inclusion CIC was formed in 2022. An additional 14 companies adopted ethical AI policies in 2023, bringing the total to 44 companies as of Q1 2023.

Sustainable Workplace

- Parnassus, along with a coalition of investors, jointly announced that a withdrawal agreement had been reached with Apple regarding a 2022 shareholder proposal. Pursuant to this agreement, Apple agreed to conduct a third-party assessment overseen by its board of the company's adherence to its Human (Labor) Rights Policy, with a focus on the rights of workers to organise and bargain collectively. Parnassus expects this report to be published later in 2023.
- Parnassus also initiated engagements with rail companies Union Pacific Corporation and Canadian Pacific on hazardous material handling and safety, disaster response, labor management, governance and environmental justice following Norfolk Southern's high-profile train derailment in East Palestine, Ohio.

"Stop the Leaks"

- Calvert has been working with Signal Climate Analytics and Geofinancial Analytics for several months to build a data-driven analysis of leaks from methane venting. They are sponsoring research with Signal regarding companies in high carbon-emitting sectors and their readiness for a post-carbon economy. Geofinancial uses the latest satellite data and geomapping of fossil fuel infrastructure to understand how much is leaking and from which wells, mines and infrastructure.
- We believe that stopping methane leaks represents the single best action we can take in the near term to avert catastrophic climate change. As long-term investors, Calvert seeks to engage with methane-leaking companies to help speed this process.

Greenhouse Gas (GHG) Emissions

- Generation addressed the reported increase in GHG emissions of some companies in the portfolio. Displaced emissions accounted for some of these increases. Companies such as Amazon and Zalando grew rapidly between 2018-2020, leading to increased emissions. However, this trend is positive for the fight against climate change, as the emissions of e-commerce displace higher emissions than traditional brick-and-mortar retail.
- A second factor was acquisitions. For example, Swiss specialty chemical company, Sika, saw increased absolute emissions between 2018-2020, but the company acquired 10 businesses over those three years.
- Finally, changes in the business model accounted for increases in emissions intensity. Microsoft, for example, saw increased intensity due to the growth of their cloud-computing business, which is energy intensive, but still up to 93% more energy-efficient than on-premises solutions.

PRINCIPLE 10

COLLABORATIVE ENGAGEMENT TO INFLUENCE ISSUERS

Collaboration is one of three key guiding principles in our approach to engagement. In Principle 10, we provide detail on a number of cross-industry initiatives and partnerships in which Brown Advisory participates. We believe these affiliations benefit our comprehensive research processes and provide us with a platform to demonstrate our values, drive performance and promote stewardship for our clients, colleagues and communities.

As discussed in several of the principles, collaboration is a key belief in our approach to stewardship. We are a member or participant in a number of cross-industry initiatives and partnerships.

We believe these affiliations benefit our comprehensive research processes and provide us with a platform to demonstrate our values, influence outcomes and drive stewardship for our clients, colleagues and communities.

Brown Advisory is an active member and/or participant of the following organisations:

COLLABORATIVE ENGAGEMENT

Brown Advisory participates in certain collaborative engagement initiatives that align with our fiduciary duty to our clients. In general, we aim to join collaborative initiatives that are seeking to address issues that we deem to be material to the long-term performance of one or more issuers in our investment portfolios. We also benefit from the opportunity to learn from other investors and subject matter experts through these collaborations while seeking to always act independently. For example:

The CDP Non-Disclosure Campaigns:
Brown Advisory has participated in CDP's Non-Disclosure Campaigns for a number of years. This involves joining with other investors to request that corporate or municipal issuers disclose certain climate and environmental data using the CDP framework. Independent of this specific initiative, we often encourage companies to use this framework to make their disclosures, as it is comprehensive and provides the right balance between flexibility and standardization. We also believe that the way this framework is set up prioritises material issues. We are pleased that many of the companies in our portfolios whom we have engaged with through this campaign have subsequently submitted their responses to CDP.

Following are outcomes from the corporate and municipal campaigns in which we participated.

OUTCOME

CDP MUNICIPAL CAMPAIGN

CDP has increased its focus on encouraging municipal bond issuers to disclose their climate-related risks and opportunities so that investors can integrate these considerations into due diligence. We have been glad to collaborate with CDP in various ways over the last year in an effort to encourage municipal issuers to begin disclosing to CDP and also to provide education to municipal issuers on best practices for issuing labelled bonds. In particular, we participated in CDP's 2022 Municipal Non-Disclosure Campaign, where we encouraged a number of different municipal issuers to report on their climate risks and opportunities through the CDP platform. Encouragingly, over 55 municipal issuers within Brown Advisory's fixed income holdings disclosed to CDP during the 2022 reporting cycle.

OUTCOME

CDP CORPORATE CAMPAIGN

CDP organises a broad outreach campaign every year to encourage the world's largest companies to improve reporting on their carbon emissions. We have long supported CDP's efforts where they overlap with holdings in our strategies, and we believe that the company's disclosure will enhance our ability to assess climate risks and opportunities associated with the issuer. In 2022, our Large-Cap Sustainable Growth strategy partnered with CDP to encourage two companies that had not previously disclosed to CDP to consider doing so. In both cases, our direct engagement resulted in the companies reporting to CDP for the first time, and aspects of the disclosure were a useful input into our ongoing due diligence the companies. We note that neither company's report was rated highly by CDP, but that is quite common for companies submitting for the first time. We view the initial reports as a positive foundation for future discussions, and hope to have the opportunity to help both companies think through how they want to evolve their disclosures and eventually, their climate strategies.

Emerging Market Investors Alliance: In 2022, our exposure to emerging market issuers grew in our investment strategies owing to the launch of the Sustainable International Leaders and Global Sustainable Total Return Bond strategies. Members of our team have had the opportunity to join various working groups in as part of EMIA, which have included both the opportunity to develop our knowledge and understanding and also the opportunity to engage directly with emerging market corporate and sovereign issuers.

PRINCIPLE 11

ESCALATION TO INFLUENCE ISSUERS

Any activity we may undertake to influence a company, bond issuer or other portfolio stakeholder is aligned with an objective to positively contribute to performance or reduce risk. In Principle 11, we discuss the opportunities for escalation that we may consider to accelerate progress should we not achieve the results we hope to via our usual engagement approach.

Long-Term Partnership

We believe that any successful engagement requires persistence over a long period of time. With respect to the issues raised in engagements, companies and issuers are often willing to commit to incremental changes at first, but it takes work to track and ensure that they implement those changes, and even more work to encourage them to ratchet up their commitments as part of a gradual evolution over time. We are committed to this ongoing process, and we revisit and monitor the progress being made by the companies and issuers represented in our portfolios.

ESCALATION

Our approach to escalation, as detailed below, is global and applies to our public equity and fixed income strategies, as applicable.

Engaging with companies is a meaningful part of our ongoing investment management process. We pursue private dialogue with management teams to inform our research and to share our perspective.

Engagement helps our investment team identify and manage risks and understand opportunity. Our fundamental approach to engagement is collaborative, not confrontational. We are ultimately on the same team as our portfolio companies—we invest in them because we think they manage risks well and add value via sustainability-related business activities.

We believe that sustainability issues can affect financial outcomes, and so our focus on performance and risk reduction also lead us to engage on issues that have positive environmental or social outcomes. We seek to pursue dialogue with issuers and their stakeholders with the intention of discovering information that informs our thesis and/or to advocate for action that may improve the issuer.

The foundation of our engagement, which we divide into four approaches, is due diligence. We seek to listen to management teams and their stakeholders to understand their perspective. From there, we may choose to deepen or escalate our engagement by utilising one of our other three approaches (collaboration, impact or advisory). Importantly, we strive to lead with an offer for partnership, and we do see companies and other issuers reach out to our research team for assistance proactively.

In instances where our engagement approach is not achieving the results we desire, we may use escalation methods, including but not limited to:

- Collaboration with other investors to engage a company on a specific topic
- Letter writing to bring specific issues to companies' attention, particularly those companies where direct access to engage in dialogue with the company can be difficult to achieve
- Proxy voting against management recommendations on specific proposals

1. Collaboration

Collaborating with other investors is, in our view, part of good engagement practice, as one investor's voice is rarely enough to spur meaningful action by issuers. However, in some cases, our choice to join in a collaborative engagement may be part of an escalation strategy.

2. Letter writing

An additional approach to escalation that our team has used is sending formal letters to companies requesting actions on certain topics that we believe are significant risks to the issuer's long-term performance. In these letters, we make specific requests to the company, often including requests for calls with specific employees that the company adopt certain best practices or that the company disclose certain information to improve investors' ability to assess risk and opportunities.

3. Proxy Voting

Another approach to escalation that our equity funds take is through voting proxies. Again, we only cast our proxy votes in line with what we believe is in the best long-term financial interest of the company. In most cases, we seek to engage directly with a company before casting a vote against management, but we believe a vote against management can send a strong signal to a company with respect to our view on business risks.

In our equity strategies, our preferred style of investing is to build concentrated portfolios of sizable, long-term holdings. As such, we seek to build and maintain productive relationships with the management teams of these companies over time. We seek to avoid investing in companies that, in our view, need to materially change their practices to be a suitable investment, so our engagement dialogue with management teams is often pragmatic and covers issues where all parties acknowledge common interest. Whilst we recognise the value of shareholder proposals and proxy voting as a mechanism for encouraging change, we have not needed to file such proposals ourselves in order to open up productive dialogue.

2022 Example

From time to time, our investment team may identify companies that they believe to be compelling from a fundamental perspective, but extra work is required to determine the suitability for one of our sustainable investment strategies. That is, does the investment possess opportunities that arise from the effects of natural resources, climate, human capital or governance practices that we believe are compounding a competitive advantage? In these situations, we often find that it is helpful to escalate our due diligence approach and use engagement as a means of seeking to understand whether the investment is a good fit for our strategies.

A recent example of this is the due diligence performed on a U.S.-based media company. Based on an initial review of the company's sustainability disclosure, we could not conclude whether the company's approach to sustainability was strengthening the business. Over the course of several engagements with the company, we discussed many sustainability related topics. We escalated the engagement via a call with the company's President and Chief Operating Officer and Chief Financial Officer. In addition to seeking certain indicators, we find these targeted conversations to be helpful as we can go beyond high-level talking points to understand the degree to which sustainability is integrated into the company's practices and strategy.

Ultimately, these conversations did not provide us with enough clarity to confirm that the company is using sustainability in a manner that compounds a competitive advantage. As an outcome, we downgraded our Sustainable Opportunity rating for this company.

PRINCIPLE 12

EXERCISING RIGHTS AND RESPONSIBILITIES

As a fiduciary, we consider proxy voting to be an important responsibility and mechanism for voicing our preferences as owners and stakeholders in the companies we hold in our strategies. In Principle 12, we provide a summary of our proxy voting activity for listed equities over the course of 2022 and share examples related to our engagement priorities that were outlined in Principle 9. We also describe how we exercise our rights and responsibilities for fixed income assets.

Proxy voting is our fiduciary duty. We hold ourselves responsible for aligning our investment decision-making process and our proxy voting in order to be consistent about what we seek from companies that we hold in our institutional portfolios. We seek investments that are building and protecting long-term shareholder value, and we seek to align all proxy voting activity with this goal. We seek to consider relevant material information when making our proxy voting decisions, including the effect of natural resources, climate, human capital and governance practices. We seek to vote every proposal in line with long-term financial performance.

OUTCOME

2022 PROXY VOTING ACTIVITY*

In 2022, we voted 99% of meetings and 98% of all management and shareholder proposals.

An overview of the number of votes made in 2022 is shown below. Visit this link to view our voting record. On occasion, Brown Advisory makes a conscious decision to refrain from voting. Further, we vote proxies for our funds and strategies as well as for those clients who entrust us to do so. Some clients choose to vote their own or choose to instruct us to vote according to their own policy or philosophy.

Voting With/Against Brown Advisory Policy

	Number	Percentage
With Policy	30,642	88%
Against Policy	4,235	12%
Total	34,877	100%

Voting With/Against Management

	Number	Percentage
With Management	27,977	80%
Against Management	6,900	20%
Total	34,877	100%

*This reporting covers votes cast for those clients who have elected to have voting executed in line with Brown Advisory's Proxy Voting Policy. This reporting shows voting instruction for those ballots where voting was executed. There are certain circumstances where Brown Advisory may elect not to cast a vote on behalf of our clients. These reasons include:

- Circumstances where the cost of voting the proxy exceeds the expected benefits to the client.
- Circumstances where there are significant impediments to an efficient voting process, including with respect to non-U.S. issuers where the vote requires translations or other burdensome conditions.
- Circumstances where the vote would not reasonably be expected to have a material effect on the value of the client's investment.

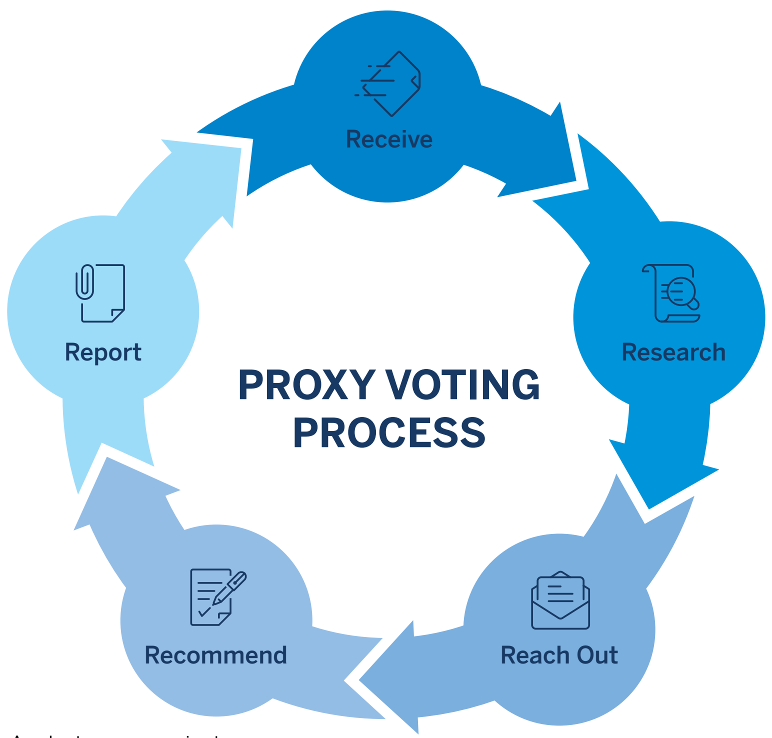
Proxy Voting Committee

As described in the firm's Proxy Voting Policy and outlined in Principles 2 and 6, voting for our institutional investment strategies is overseen by a Proxy Voting Committee made up of members of our equity research, sustainable investing, investment risk, compliance, operations, and sales and service teams.

Whilst we use the recommendations of ISS as a baseline for our voting, especially for routine management proposals, we vote each proposal after consideration on a case-by-case basis. Our customised Proxy Voting Policy, developed in consultation with ISS, is reviewed each year.

Institutional Proxy Voting Process

Research analysts receive notification of upcoming votes for companies in their coverage.



Analysts will conduct deep due diligence based on public filings, ISS recommendations and management positioning, to name a few.

Proposals often require deep due diligence. To enhance our analysis, we work with our internal and external networks.

Analysts communicate recommendations to the relevant portfolio manager(s), who have final decision-making power.

Brown Advisory's fund voting is publicly available.

We do not engage in stock lending, which could impact our ability to vote.

Proxy Voting on Sustainability Issues

Brown Advisory seeks to cast all votes prudently and in line with long-term shareholder value, regardless of the topic on which a particular proposal focuses. Shareholder proposals regarding sustainability issues are evaluated in the same manner as all other proposals. We seek to support those proposals that our evaluation shows will likely have a clear and direct positive financial effect on shareholder value and would not impose unnecessary or excessive costs on the issuer. The proposals we support often result in increased reporting and disclosure, which we believe will benefit investors' ability to correctly evaluate the risks and opportunities at a company and ultimately more accurately assess the risk/return of an investment.

Below are some examples of topics that analysis may show to be material to a company's long-term performance. These issues will be considered on a case-by-case basis, bearing in mind that companies in different sectors or with different business models will be exposed differently to these risks or opportunities:

- Climate change and emissions disclosure
- Water quality, accessibility and management
- Responsible and effective waste management
- Energy efficiency
- Diversity, equity and inclusion
- Human rights and responsible labor management
- Data privacy and ethical AI
- Executive compensation tied to sustainability objectives that reduce investment risk or embrace opportunities to drive business success
- Board composition

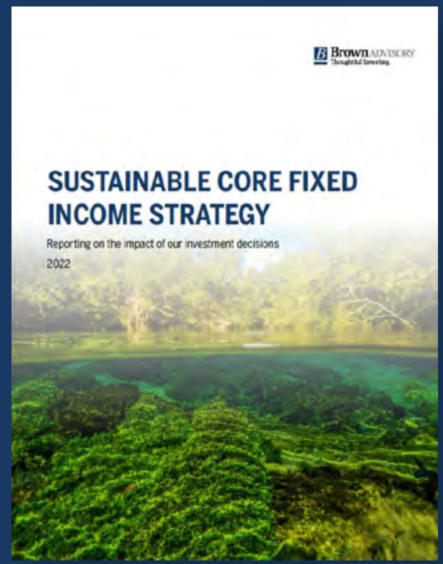
Consideration for Fixed Income Assets

When underwriting credit exposure to the portfolio and managing credit risk on an ongoing basis, our integrated fundamental credit and sustainable investment research process includes the review and assessment of relevant legal documentation, such as bond indentures, loan agreements, commercial contracts, prospectuses and transaction documents. Especially in the case of labelled bonds (green, social and sustainability bonds), we frequently engage with issuers, underwriters and other industry groups regarding investor expectations surrounding the structure of the bonds, allocation of proceeds and impact reporting requirements. We are involved in several fixed income-focused working groups through ICMA, U.N. PRI and EMIA, as discussed in further detail in Principles 9 and 10.

OUTCOME

ENGAGEMENT: SECTORS WITH MEANINGFUL DECARBONISATION CHALLENGES

A major global lender asked for our view on green bonds issued by oil and gas companies to finance renewable energy projects. Our stance, which we communicated, is that such bonds are of interest in theory, but they would have to be a part of an issuer's broader plan to fully decarbonise their business. This lender has sought our perspectives on sustainable fixed income on an ongoing basis, and we feel strongly that this kind of pragmatic communication is key for encouraging further adoption of sustainable investment principles across fixed income markets.



2022 PROXY VOTING CASE STUDIES

The following examples provide insight into how we use proxy voting to exercise our rights and responsibilities as stewards of our clients' capital. We vote on thousands of proposals every year from hundreds of public companies; these examples were selected to convey specific scenarios that often come up in conversation with our clients, such as whether we ever vote against management or our own policy.

Alphabet

Vote on Engagement Priority

Brown Advisory has set four engagement priorities, as described in Principle 9. Occasionally, shareholder proposals are brought that align with these priorities and, in general, we seek to vote in favour of these proposals provided the request made is in line with what our research has shown to be best practice on these issues. Below, we provide an example related to both our "enhanced disclosure" and "diversity, equity and inclusion" engagement priorities.

Company	Alphabet
Proposal	Disclose More Quantitative and Qualitative Information on Algorithmic Systems
Proponent	Shareholder
Management Recommendation	Against
Policy Recommendation	For
Vote Cast	For
Vote Rationale	The proponent is requesting that Alphabet increase its disclosure on its algorithmic systems at management's discretion. In our view, such action would be beneficial as the company has faced scrutiny over biases in its algorithmic systems, and increased reporting would assist shareholders in assessing progress and management of related risks. This vote aligns with our pre-existing stance on the company's risk management.
Outcome	Fail
Next Steps	We intend to continue to focus on the ethical implementation of AI in our engagement efforts with Alphabet, including submitting questions on the topic to their periodic "ESG Investor Calls".

Vote Against a Shareholder Proposal

Brown Advisory approaches shareholder proposals on an issue-by-issue basis. In general, we are likely to support those shareholder proposals that encourage company action on what we believe are material investment risks or opportunities. We tend to vote against proposals that we believe are overly prescriptive or would inhibit management's ability to effectively govern the company over the long term.

Company	Mastercard
Proposal	Provide Right to Call a Special Meeting at a 10 Percent Ownership Threshold
Proponent	Shareholder
Management Recommendation	Against
Policy Recommendation	Against
Vote Cast	Against
Vote rationale	After weighting the costs and benefits of this proposal, we believe that its suggested ownership threshold is too low. Shareholder rights are important, but we believe these should not be granted in a manner that unnecessarily disrupts company management. Management has a proven record of shareholder accessibility, and its quality gives us comfort to vote with them.
Outcome	Fail
Next Steps	The outcome of this proposal was aligned with our voting instruction, and no further action is warranted.

amazon

Vote Against Management

Brown Advisory tends to vote in line with management a high proportion of the time, particularly on routine matters. Our tendency to support management stems from the fact that we tend to run concentrated strategies on our institutional platform, meaning we have a strong preference for companies with high-quality management teams that are managing their companies in a way that we strongly support from the start. However, in certain circumstances, particularly on non-routine matters, we may vote against management.

Company	Amazon
Proposal	Commission a Third-Party Audit on Working Conditions
Proponent	Shareholder
Management Recommendation	Against
Policy Recommendation	For
Vote Cast	For
Vote Rationale	We view human labor management as Amazon's key risk and have engaged with the Company on it over the years. While we are pleased with its progress, the risk is ongoing. We believe that our ability to assess this risk would be enhanced by further disclosure on the topic, and expect that such a report will also provide helpful findings for the company to address and continue to improve conditions for their workers.
Outcome	Fail
Next Steps	We intend to continue to engage with Amazon on labor risks, and also to engage with labor experts to understand these risks from many perspectives. We will continue to support further disclosure that will enhance our understanding of the company's risk management.

zurn WATER SOLUTIONS

Vote Against Our Policy

Brown Advisory votes in line with our proxy voting policy a strong majority of the time. However, for our institutional assets, we believe that each proposal should be evaluated on a case-by-case basis that takes into consideration the unique characteristics of the company in question.

Company	Zurn Water Solutions Corporation
Proposal	Advisory Vote to Ratify Named Executive Officers' Compensation
Proponent	Management
Management Recommendation	For
Policy Recommendation	Against
Vote Cast	For
Vote Rationale	Our policy recommended a vote against this proposal due to concerns around the board's use of discretion to increase the annual incentive payout for CEO Adams above his maximum payout cap and discretion utilised to accelerate performance shares in connection with the spin-off and merger transaction. Upon independent analysis, our research analyst and portfolio managers reached the conclusion that the transaction in question was transformational for the company and has created tremendous value for shareholders both on an absolute and relative basis. We believe that the value created justifies the use of discretion in the CEO's compensation this year.
Outcome	Fail
Next Steps	We intend to engage further with the company to understand how they intend to approach executive compensation in coming years given this proposal did not pass.