

Brown Advisory

Reflections on Stewardship

2023

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. In all of our investment strategies, we will assess any consideration that may help us gain a deeper understanding of a company or issuer’s risks and opportunities. In our sustainable investment strategies, these considerations include an emphasis on the risks and opportunities that arise from the natural resource, climate, human capital and governance effects on the securities in which we invest, and hence on their investment returns.

As advisors, we help clients articulate what matters most to them in order to best incorporate their objectives for philanthropy, community engagement, sustainability and impact within their portfolios. As a business, we partner with for-profit and charitable purpose-driven organisations. As a firm, we make strategic contributions to certain charities and offset our emissions to achieve carbon neutrality. As a collection of colleagues, we bring our authentic selves to work every day in service to our clients, and we donate our time and capital 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. We are deeply humbled to even consider 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. We are proud of the work we are doing for 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

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PRINCIPLE

OUR PURPOSE, STRATEGY
AND CULTURE

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Brown Advisory was founded on a simple vision: to build a client-first investment and strategic advisory firm. Today, over 900 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 philanthropic, 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 towards reducing our emissions and, as a last resort, purchase credible carbon offsets and disclose how we use them to achieve carbon neutrality for our operations. 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 investing 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 or 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 as 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 a material position 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.

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.

Our 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 — it is what enables our business to thrive and allows our firm to dedicate resources to help our colleagues and communities thrive too. 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.

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 towards 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 or 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 investing 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 investing solutions. Through this work, we have developed a number of tools that can be used to integrate sustainability 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.

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 investing 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 has 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.

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 offence 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.

VALUES ALIGNMENT

For some of our clients, particularly nonprofits, charities and families, we construct multi-asset, values-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. Brown Advisory's success as a thoughtful investment partner is based on our ability to listen to our clients and help define their values and what "impact" means to them. We help clients incorporate these viewpoints into their portfolios and develop tailored options and source opportunities that align with their investment goals. For each client, Brown Advisory carefully constructs a team to design private and public markets investment portfolios that align with their values and impact priorities. While some clients seek to direct capital to investments that aim to produce positive change in the world, pursuit of this objective can take many forms. This includes varying degrees of intentionality towards generating positive social and environmental outcomes alongside financial returns.

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 can 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, and to sustainable investing 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 investing 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 deep experience in finding situations where sustainable investing strategies, products and services can materially and positively impact an issuer's financial position.

OUTCOME

Brown Advisory Limited publishes its first TCFD Report

Brown Advisory Limited published its first Task Force on Climate-Related Financial Disclosures (TCFD) report. This report outlines the firm's governance, strategy, risk management, metrics and targets related to climate-related financial disclosures. It details how Brown Advisory integrates climate considerations into its investment decision-making processes, manages climate-related risks, and sets relevant metrics and targets to track progress. The report also highlights the firm's commitment to sustainable investing and its efforts to manage its operational-related climate risks.



2023 Task Force on Climate-Related Financial Disclosures (TCFD) Entity Report

Brown Advisory Limited

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 2023 were approximately 4,750 metric tons of CO₂e. This number is attributed to about 1,150 mt CO₂e of Scope 2 emissions related to electricity in our offices and 3,600 mt CO₂e of Scope 3 from air travel to connect with clients, colleagues and companies in which we are investors. Consistent with prior years, we purchased Renewable Energy Certificates (RECs) to match electricity use for the year related to Scope 2 emissions and pursued 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.
- **The Dirt on Dirt:** This project empowers and incentivises thousands of farmers across the U.S. to transition to sustainable agriculture management practices. These climate-smart practices increase soil organic carbon storage and reduce net emissions of CO₂, CH₄ and N₂O while simultaneously improving soil health and crop yields. The project also has direct health benefits for local communities through cleaner air and water and more nutritional food as the regenerative agriculture practices reduce the need for synthetic inputs (such as fertiliser) in the farming process.

OUTCOME

CLIMATE: REDUCING RISKS AND SEIZING OPPORTUNITIES

When Brown Advisory acquires new office space or renovates existing facilities, we seek to implement several sustainability strategies to reduce environmental impact including, though not limited to:

- Use of natural daylighting via glass office fronts
- Highly efficient LED lighting
- Highly recycled materials, including carpet tiles, acoustic ceiling tiles and steel framing
- Reused/repurposed building materials and fixtures
- Use of rapidly renewable materials (bamboo counters, cork-backed flooring)

- Blackout shades to moderate seasonal temperatures
- Low-VOC paints and adhesives
- A significant percentage of construction debris diverted from landfills

An example of this is Brown Advisory recently relocated our Charlottesville office to a building that is a LEED Platinum high-performance building. The building was designed to consume 1/3 the amount of energy of a comparable building, interiors feature a palette of low-emissions materials, and the building ventilation system proves twice the fresh air exchange of a typical office.



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 2023, 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 Diversity, Equity and Inclusion, Recruiting and Learning and Development, we continued our focus on sourcing the best and brightest talent, interviewing at a number of top universities and colleges, including Historically Black Colleges and Universities. We also worked with community partners, such as Invest in Girls, Modern Guild, Association of Latino Professionals For America, 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

For a second consecutive year, in 2023, we conducted a firmwide colleague engagement survey administered by a third party. We have committed to survey colleagues at least three years in a row to create a baseline against which to measure ourselves — as we strive to remain accountable for colleagues' experiences amid the firm's growth and evolution. On the plus side, trust in senior leadership is high, colleagues believe they have compelling career opportunities and colleagues feel the firm cares for and takes care of them. A particularly noteworthy finding was that 73% of colleagues plan to stay at the firm for at least five years or until retirement — 22% above the industry benchmark.

On the other hand, we need to improve communication at all levels within the firm, provide additional job training for colleagues and ensure that teams are resourced appropriately. We look forward to reporting on our progress in these areas. The colleague engagement survey is part of our commitment to listening, transparency and inclusion. Our view is that an environment where colleagues genuinely care about each other, where we try to put ourselves in others' shoes and where each person feels they belong produces the best outcomes for clients. We believe this is both the right thing to do and the most effective way to serve our clients.



Rebecca Sugarman
Chief Human Resources Officer



Mia Contreras
Director of Diversity, Equity and Inclusion, Recruiting 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.

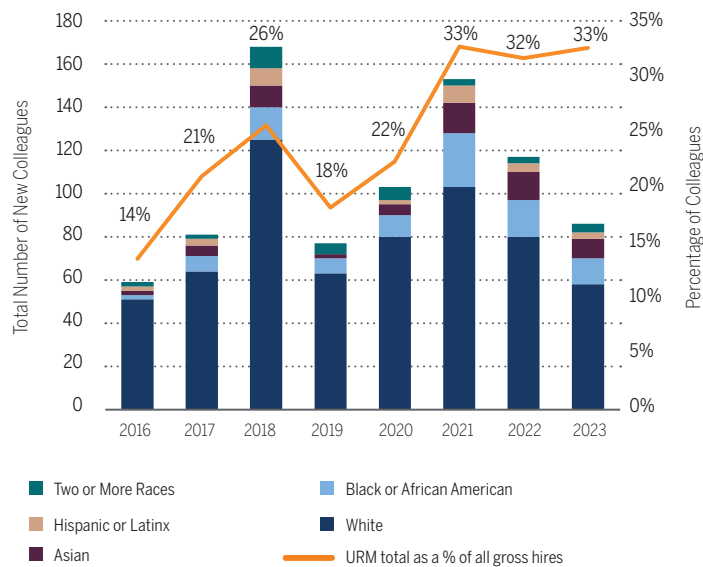
Recruiting World-Class Talent is Essential to Serving Our Clients New Hire Diversity

Colleague data is self-reported.

NEW HIRE DIVERSITY

Colleague data is self-reported.

Race and Ethnicity

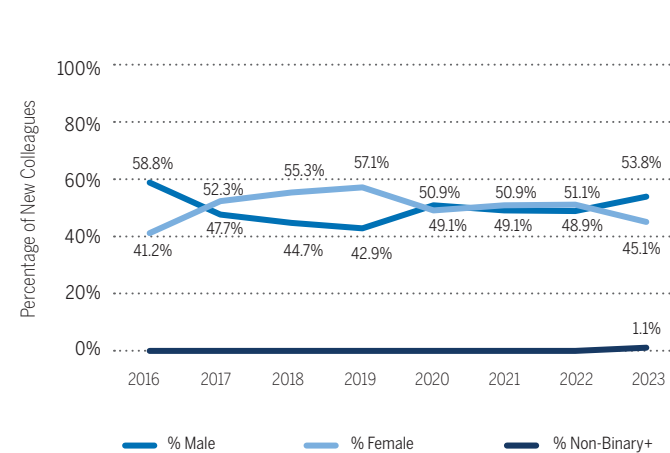


As of 31 December 2023

NEW HIRE DIVERSITY

Colleague data is self-reported.

Gender Expression



As of 31 December 2023

“Each and every one of us must consider what it feels like to be in other people’s shoes and ask: How can we make others comfortable working in the Brown Advisory environment? How can we make sure everyone is treated fairly and with respect?”

—Mike Hankin, President and CEO

CLIENT OUTCOME SPOTLIGHT STEWARDSHIP OF CAPITAL FOR CLIENTS MAKING A DIFFERENCE IN SOCIETY



As one of the premier educational institutions in the world, the University of Cambridge is a special place — not least because of its college system. The colleges are where students come to live, learn to think, make friends, play sports and build communities. The newest of these colleges, Robinson College, founded in 1977, provides a special living and learning environment for its students — a place purpose-built for thinking.

As Sir Richard Heaton, Warden of Robinson College, says: “We’re distinct among Cambridge colleges in being determinedly egalitarian from the start. At Robinson, students can enjoy our friendly and relaxed culture while partaking in the traditions of Cambridge and getting a world-class degree.”

Robinson’s beautiful park-like environment is also intentional; it’s meant to provide spaces for students to gather, learn, recreate and simply be outside in an environment designed for thinking.

Sir Richard emphasises: “We encourage our students to learn how not to work as well as to work. You’ve got to learn how to do sport or play music or debate and how to associate with others.”

Robinson developed Pegasus Scholars to ensure that students from a variety of backgrounds can be successful at Cambridge and beyond. Funded by donations, the Pegasus program pairs new students with mentors to navigate the academic and social aspects of college life.

“While our endowment doesn’t come close to that of St. John’s or Trinity Colleges (yet!),” observes Fiona Brockbank, the College’s Bursar, “we try to be very efficient with our funds so that we can support programs such as Pegasus.” Part of the College’s endowment is invested in Brown Advisory’s Global Focus fund, managed by Bertie Thomson — the result of an introduction by Brown Advisory’s Andrew Blair, a Robinson College alumnus.

As with all educational institutions, the leaders at Robinson College consider how AI will impact their work and their students. Sir Richard says: “First of all, the reality is that we don’t know. There’s no easy answer. Just like every other new technology, we will adapt and probably enter a more interesting, creative space where we learn how to deploy AI to assist our work. I can say with certainty that AI does not replace thinking. It’s a tool, but not a substitute, for thinking.”

For students, Sir Richard underscores that one of the benefits of the College is its community. “While it wasn’t designed as an antidote to the digital world, here we have a real-life, analog community where students can spend time thinking and being together by a real river and real gardens. The environment tends to generate a very strong community feeling among students — and I think that will continue to be essential.”

PRINCIPLE

GOVERNANCE, RESOURCES
AND INCENTIVES

2

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.

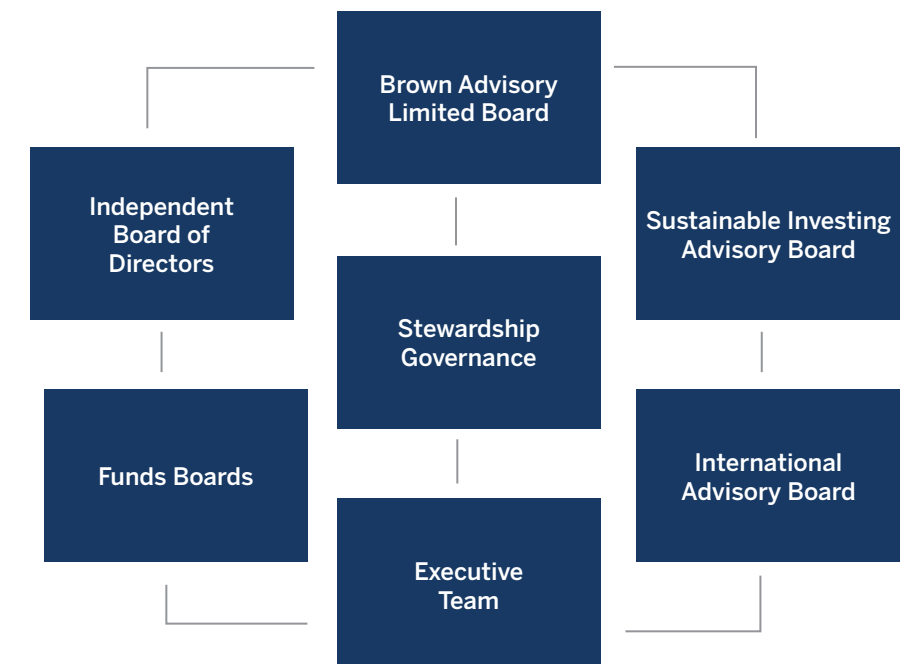
GOVERNANCE STRUCTURES

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 31 December 2023, 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
Vice Chair and Senior Advisor,
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 37-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 2023, 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	 Charlie Constable Head of Private Client, Endowment and Foundation Business	 Douglas Godine, CFA Head of Private Client Business Development	 Jacob Hodes CIO for Private Investments; Head of Baltimore Office	 Erika Pagel Portfolio Manager; Co-CIO for Private Client, Endowments and Foundations	 Craig Standish Co-Head of Strategic Advisory; Head of Boston Office
 Chris Bartlett Co-Head of Institutional Business	 Logie Fitzwilliams Head of International Business and Global Head of Sales	 Eric Gordon, CFA Portfolio Manager	 Quintin Ings-Chambers Head of International Private Clients and Charities	 Alice S. Paik Chief Strategic Advisory Officer	 Keith Stone Managing Director of Private Investments
 Carey Buxton Head of Sustainable Investing Business and COO of Institutional Business	 Karina Funk, CFA Portfolio Manager; Chair of Sustainable Investing	 Georgina Guy Head of International Strategic Advisory	 Katherine Kroll Director of Equity Research, Sustainable Investing	 Shannon Pierce, CPA Controller	 Rebecca Sugarman Chief Human Resources Officer
 Edward Chadwyck-Healey Head of London Office	 Richard Gamper Head of Messaging	 Michael D. Hankin President and CEO	 Sandra Moffet Co-Head of Strategic Advisory	 Brett Rogers General Counsel	 Dune Thorne, CTFA, CWS Chief Strategy Officer of U.S. Private Client, Endowment & Foundation Business
 Paul J. Chew, CFA Chief Investment Officer	 Tom Geddes Head of Family Office Solutions	 Timothy Hathaway, CFA CIO for Institutional Investments and Co-Head of Institutional Business	 Daniel Mooney, CFA Director of Equity Research	 Samir Shah, CFA Head of Investment Risk	 Charlie van Straubensee Head of European Institutional Sales
 Brian Cobb Chief Technology Officer	 Brett Gibson Chief Operating Officer of U.S. Private Client, Endowments and Foundations	 Amy Hauter, CFA Portfolio Manager, Director of Sustainable Fixed Income	 Nicole Nesbitt Head of Global Institutional Client Service and Head of Mutual Funds	 Stephen Shutz, CFA Portfolio Manager, Director of Tax-Exempt Fixed Income Business	 Brien White Chief Operating Officer

OUTCOME STEWARDSHIP OVERSIGHT

At Brown Advisory, the integration of sustainability-related risks and opportunities into investment decision-making and operations is a collaborative effort. The firm's CIOs, Directors of Research, and Head of Sustainable Investing Business lead the incorporation of these considerations into investment activities. Meanwhile, the assessment and management of sustainability within operational activities are jointly overseen by the CEO and the Head of Sustainable Investing Business.

Example Accredited Living Wage Employer

Brown Advisory is 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 our 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.

In 2023, we were successful in our re-application to become signatories of the U.K. Stewardship Code.

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.browoadvisory.com/intl/insights/reflections-stewardship>

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



Karina Funk, CFA
Portfolio Manager; Chair of
Sustainable Investing



Kate Gordon
CEO, California Forward; Former
Senior Advisor, U.S. Department of
Energy



Jon Hale, Ph.D., CFA
Former Head of Sustainability
Research, Morningstar



Michael D. Hankin
President and CEO,
Brown Advisory



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



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



Beth Richtman
Former Managing Investment
Director, Sustainable Investments
at CalPERS



Truman T. Semans
Partner and Senior Advisor,
Brown Advisory

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



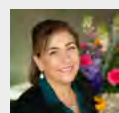
Jamie W.J. Ritblat
Founder and Chair, Delancey



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
Non-Executive Director,
Richemont; Non-Executive
Director, WPP

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 investing 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 AND IMPACT INVESTING LEADERSHIP

On this page, we share our sustainable and impact investing 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



Eliza Erikson
Head of Impact Investing
and Advice



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 and COO of
Institutional 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 aligned with our approach to responsible stewardship. Therefore, below we provide examples of the policies and procedures that govern the sustainable investing work we undertake on behalf of some of our clients.

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.

At Brown Advisory, as investors, we will consider any data, factor, business tactic or strategy, economic or market condition—whether quantitative or 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 emphasises 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.

Strategies that are part of our investing platform are those that consider sustainability risks and opportunities in their investment decision-making process and commit to investing most of the assets they manage on behalf of clients in investments with sustainable drivers. Investments with sustainable drivers are defined as those engaged in sustainability-related activities such as responsibly managing natural resources, facilitating the transition to a low carbon economy and contributing to equitable and inclusive societies in a manner that drives improved financial outcomes or a competitive advantage for the investment. Internally, we run reports to ensure that each sustainable strategy remains compliant with its sustainable investing-related commitments. Other strategies may integrate research but do not make commitments around the level of sustainable investments and/or risks.

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 works with the Head of Sustainable Investing Business, Chair of Sustainable Investing, 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 investing 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.

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.

Brown Advisory's Corporate Engagement Policy governs the firm's engagement with companies and bond issuers represented in our internally managed equity and fixed income sustainable investing 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 sustainability investing 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 we hold in our institutional portfolios. We seek investments that are building and protecting long-term shareholder value, and we align all proxy voting activity with this goal. Responsible management of sustainability issues may be one input to achieving long-term shareholder value, and as such, we may support those shareholder proposals that encourage company action on what we believe are material risks or opportunities. However, no goal—sustainability-related or otherwise—will supplant the goal of seeking long-term financial performance.

- **Transparency is essential.** Brown Advisory is committed to providing proxy reporting and standardised disclosure of our voting history, as well as publishing N-PX filings 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 seek to 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 guidelines are taken into consideration but do not determine our final decisions.
- **Proxy voting can be a part of a larger program to encourage better management risks and opportunities that may affect the investment return.** Proxy voting is one way to communicate with companies on risks and opportunities that may present a challenge or present an opportunity for a business and, in turn, its investment returns. 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 investing 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 investing 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 investing research deeply within the decision-making process, we have invested meaningfully in resources to develop an investing toolkit to support research, engagement and reporting.

Our sustainable investing 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 a view on a broad set of potential material sustainability-related risks associated with an investment, documents exposure to controversial activity and analyses the possible impact on investment performance. Examples of sustainability-related risks include those associated with climate change, natural resource constraints or human capital management. Analysis focuses on the absolute risks that may be present, as well as the investment's ability for, and track record of, managing those risks.
- b. **Opportunity Assessment:** This assessment aims to identify investments with sustainable drivers, defined as investments that are deriving improved financial outcomes or a competitive advantage through sustainable activities. This can include responsibly managing natural resources, facilitating the transition to a low carbon economy and contributing to equitable and inclusive societies.
- c. **Labelled Bond Assessment:** This assessment is specific to fixed income assets and seeks to examine and, where possible, quantify the positive or negative impacts connected to climate, natural capital, communities or human capital 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 Market Association (ICMA).
- d. **Thematic and Sector-Focused Research:** To supplement our bottom-up approach to investment research, the sustainable investing research team examines broader issues and themes that have the potential to reverberate across multiple sectors. For example, this could include technologies with wide-ranging impacts (e.g. Artificial Intelligence) or regulatory developments that may affect investments across industries. When such trends are identified, the team produces further analysis that may involve in-depth stakeholder interviews, systematic 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 help us discover their purpose and legacy they wish to leave. This enables us to uncover ways to express their goals through philanthropy, investments and other activities and develop an actionable plan to build an investment portfolio that not only aligns with these values but can potentially enhance them. In order to understand our clients' 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 proprietary 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 investment 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 investing 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. Brown Advisory views training as an integral part of every colleague's experience. Training is provided broadly across all functional areas of the firm to support education of colleagues serving within their specific role and for those who are interested in enriching their experience and sharpening their knowledge by becoming subject matter experts in other areas of the business, enabling them to better serve their clients and teams.

Specifically, in order to help our colleagues to understand our sustainable investing philosophy and to equip them to discuss our approach with clients, prospects and external stakeholders, we run an internal development programme called SISME Bootcamp (short for "Sustainable Investing Subject Matter Expert"), in which all colleagues are invited to participate. While all colleagues are encouraged to participate, the programme is primarily designed for those in client-facing or investment roles. The sustainable investing team collaborates with managers across the firm to identify colleagues for whom the training would be most beneficial and impactful for both investment performance and client service.

Our SISME programme is a three-day intensive, in-person training session that was developed to provide a deep dive on our sustainable investing approach, spanning asset allocation, investment research, manager selection and portfolio construction. This includes presentations by the firm's sustainable investing practitioners and peer discussions. Participants are asked to take what they learn and apply Brown Advisory's sustainable investing process to companies and issuers from a research perspective, and build client portfolios based on specific values-based parameters, culminating with presentations of their assessments. Prerequisites for participation include tenured colleagues within an investment- or client-facing track as well as colleagues who have pursued relevant investment certifications or education, underscoring the depth and complexity of the material being discussed.

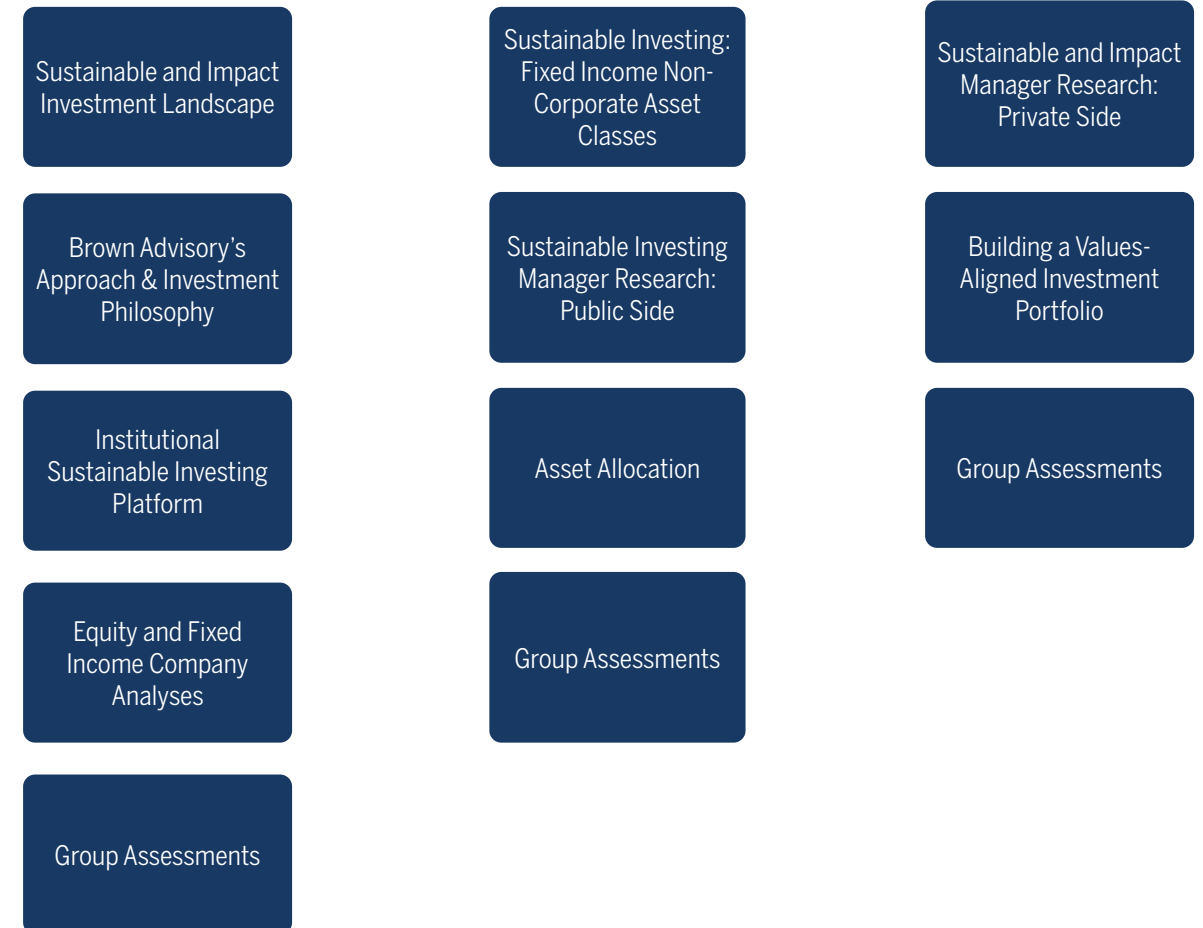
The programme currently takes colleagues through learning modules covering the sustainable and impact investing landscape and Brown Advisory's performance-first approach, including:



SISME

SUSTAINABLE INVESTING SUBJECT MATTER EXPERT

Day One Day Two Day Three



Beyond the SISME Bootcamp, Brown Advisory sustainable investing team members coordinate with colleagues in other investment training functions (Wall Street Prep, Investment Bootcamp 101) to ensure cohesive execution complements all areas of the business. To support other introductory courses, we also offer a SISME Foundations program for colleagues interested in learning more about sustainable investing but not fitting within the investment program track.

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

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, 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.

2023

Lisa Abraham | Ben Albone | Anne Bartlett | Ken Coe | Louisa Cottrell | Weyman Gong
Chris Hourihan | Phene Jean-Claude | Katherine Kroll | Katherine Lee | Chris McLean
Sarah Richardson | Caroline Sacks | Anne Tiffin | James Tussaud | Elisa Wagnitz





PRINCIPLE
CONFLICTS OF INTEREST

3

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, take 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
- 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 organisations. 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

PROMOTING WELL-FUNCTIONING MARKETS

4



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.

The firm is certified to the internationally recognised ISO 27001 security standard. We actively participate in the security community to stay abreast of the latest developments and share best practices as part of our commitment to keep our clients' and colleagues' data safe. As of May 2023, Brown Advisory is now a member of CIFAS in the U.K. With this membership, we are better able to respond to fraudulent activity that may be carried out against Brown Advisory and our clients.

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. Importantly, during 2023 this group convened to assess market risks that resulted from the banking crisis where Silicon Valley Bank, Signature Bank, and First Republic failed within days of each other.



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 pillars 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

Over the last year we added another investment risk analyst to our team and have introduced additional technology that will allow us to better manage investment risk.

Investment Risk Team



Samir Shah, CFA
Head of Investment Risk



Ashley Webb
Director of Investment Risk and Analytics



Abigail Quarm
Investment Risk Analyst



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 2023, the team monitored risks that included the following:

- Interest rates and global central bank policies
- Artificial intelligence
- Climate risk
- Gaza Conflict, Liquidity
- 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

The rise of generative artificial intelligence (GenAI) is driving rapid growth in data center development and electricity consumption. As GenAI workloads increase, the International Energy Agency (IEA) predicts that global electricity demand fueled by AI growth will double by 2026, threatening grid capacity. This raises critical questions for investors: How will hyperscale data centers overcome resource constraints? How will sustainability play a role? What investment opportunities arise from this power dynamic?

Answering questions like these is a driving force behind the intense collaboration we pursue across all our research teams.

To answer these questions, our team collects and assimilates disparate points of view from many different sources. In the case of data centers, this included Victoria Schlotterback (Equity Research Analyst, Sustainable Investing), Elizabeth Hiss (Equity Research Analyst, Fundamental) and Tiffany Ernest, Brown Advisory's Director of Infrastructure visiting Quality Technology Services, which delivers secure data center solutions in North America and Europe.



To read more about the research team's work on this topic, please read their article ["The Data Center Balancing Act: Powering Sustainable AI Growth"](#)

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

The table below provides an illustrative example of how we monitor positioning and limits or guidelines in place for the portfolios that we manage.

Category	Limit	Portfolio Weight
Prospectus Limits		
Non-Investment Grade	50%	2.7%
Emerging Market Bonds	50%	1.2%
Total ABS	40%	8.1%
Non-Agency ABS	10%	0.0%
CLO/CMO	10%	0.0%
CoCos	10%	1.0%
China Onshore	20%	0.0%
144A	30%	0.5%
144A w/No Registration	10%	0.5%
Total Non-Agency ABS, CoCos, CLO, CMO, 144A w/ No Reg	15%	1.5%

If any Tier 1 or Tier 2 ranges listed below are exceeded, our investment risk management and investment teams work together and follow a defined process to redress, as appropriate.

Factor	IPS Min	IPS Max	Tier 1 Range	Tier 2 Range	Port Output
Top Down					
VAR	0%	10%	7.5%	10.0%	3.32%
Duration	0	8	6	8	4.54
Active Currency (Net)	0%	30%	10%	20%	0%
Active Currency (Gross)	--	--	25%	40%	7%
Credit	0%	70%	50%	60%	18%
High Yield	0%	40%	20%	30%	3%
Leverage	--	--	350%	500%	224%
Leverage ex FX Hedging	--	--	300%	450%	181%
Regulatory Leverage	0%	400%	250%	350%	124%

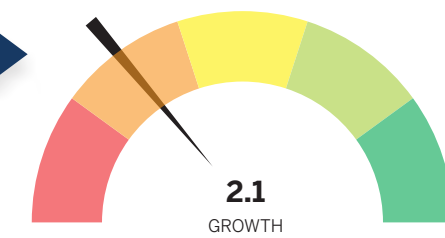
FIXED INCOME MONITORING

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

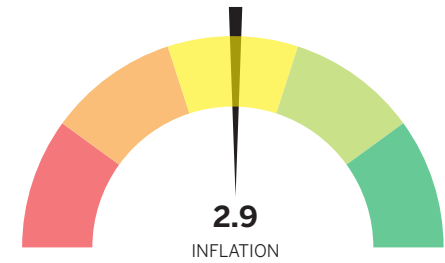
OUTCOME

FIXED INCOME ECONOMIC DRIVERS

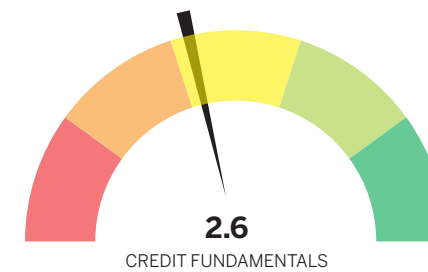
These charts are an example of how we reflect our views of the main drivers of the economic cycle. We forecast growth and inflation for the largest global economies and integrate market-based and broader sentiment indicators in order to assess both the current phase of the economic cycle and identify 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.



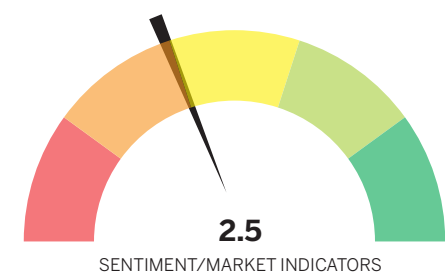
Trend Growth	2
Industrial Production	2
Global Manufacturing PMI	1
Global Services PMI	2
Consumer Sentiment	3
OECD Leading Indicator (Aggregate)	2
Global Housing	1
Lending Standards/Credit Growth	3
Third-Party Global Economic Surprise Index	3
TOTAL	2.1



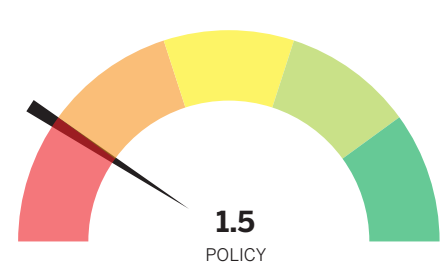
Realised Inflation to CB Target	2
Inflation Expectations	2
Output Gap	4
Productivity	3
Wage Growth	1
Oil	3
Commodities Ex-Oil	3
Shipping Rates (Land/Sea/Air)	4
Money Supply	5
Third-Party Global Economic Surprise Index	2
TOTAL	2.9



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



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
% Equities in Asset Allocation	3
TOTAL	2.5



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 our general disposition is to develop in-house approaches to our investment work, we have found value in the frameworks that industry groups provide to help guide best practices. For example, we have used various aspects of the Net Zero Investment Framework to guide the development of our net zero targets. We found this framework to be one that provided enough structure for us to develop a systematic approach to categorise applicable investments' progress towards 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. We have also made use of ICMA's guidance for evaluating labelled bonds to inform the Labelled Bond assessment that our Sustainable Fixed Income Research Analysts perform to ensure that there is sufficient transparency into the positive and negative impacts of any projects the labelled bond may be funding. Brown Advisory's colleagues have also contributed to the development of several frameworks. Most recently, our fixed income team provided feedback to ASCOR (Assessing Sovereign Climate-related Opportunities and Risks) as they developed their framework.
2. **Working Groups:** Within the last three 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 analysing 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 encouraged companies to complete CDP's questionnaire where we believed this disclosure would help us to better evaluate the company or issuer's long-term investment-related risks and opportunities. In particular, we participated in CDP's Municipal Non Disclosure Campaign in 2023. A number of 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 on topics that include:

- Consumer preference shifts
- Looming sovereign debt questions
- China's economic trajectory
- The U.S. presidential election
- The excitement around generative AI and GLP-1s
- Innovation and productivity
- Private markets

OUTCOME

ECONOMICS OF THE ENERGY TRANSITION: WHERE THE MACRO MEETS THE MICRO

Lisa Fillingame Abraham, Director of Fixed Income Research, Sustainable Investing spoke with Tim Gould, Chief Energy Economist at the International Energy Agency, and Ekkehard Ernst, Chief Macroeconomist at the International Labor Organisation, about the role of the energy transition and its impact on the global economy and labor markets.

Lisa reflected on the topic and her conversation:

I had the opportunity to attend the COP28 Climate Conference, held in Dubai at the end of 2023, which brought together global leaders, scientists, policymakers and financiers to address critical climate-related challenges. What really struck me about being on the ground was a renewed appreciation for just how complex the energy transition will be—it was powerful to have the opportunity to connect with so many public and private sector stakeholders across industries and geographies. A few months after the conference, I was fortunate to have a conversation with Tim Gould and Ekkehard Ernst, where we discussed the energy transition and the impact to the global economy.

The energy transition, once a distant consideration, has now emerged with an urgency that commands the immediate attention of policymakers and investors alike. Tim's assertion during our discussion encapsulates the gravity of the situation: "We are in a difficult, fractured international environment. So, the fact that countries were able to come together and agree with unanimity...was significant." This hard-won unanimity at COP28 represents not just a diplomatic achievement but an unequivocal declaration of global intent towards a sustainable future. However, it will not be without its challenges.

Successfully navigating the energy transition will require a massive economic transformation, larger than the industrial revolution. As fixed income investors, it is important that we understand how the energy transition flows through key macroeconomic indicators—from inflation to employment data—and then how that flows through to the companies that we invest in and their ability to capitalise on this economic transformation. The conversation sheds light on everything from energy costs, labor implications and the concentration of the critical minerals supply chain—all of which are important risks for us to evaluate in our underwriting. It also illuminates the multi-trillion dollar financing gap, an area of tremendous opportunity for us as fixed income investors.

You can listen to the conversation here: [The Economics of the Energy Transition: Where the Macro meets the Micro](#)



INCLUSIVE CAPITAL

Another risk that we consider is inequity of opportunity. We catalyse 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 catalyse 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)

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

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

The FCA's Consumer Duty rules were implemented to ensure that Brown Advisory Limited delivers good outcomes for retail clients across price and value, products and services, consumer understanding and consumer support. Deep dive analysis and monitoring has been performed against each pillar to determine whether our clients are receiving good outcomes. As a result of our monitoring and findings, our governance and processes have been revised and enhanced and we have drawn out evidence of good or poor outcomes to ensure we continue to drive effective stewardship going forward. A non-executive director acts as a dedicated Consumer Duty champion who is responsible for continually challenging senior management on how we are embedding the Duty, and a Consumer Duty dashboard of management information is maintained and reported to the International Operating Committee on a monthly basis and to the Brown Advisory Limited Board each quarter. The Consumer Duty is an ever-evolving responsibility that will continue to be placed as a top priority with further monitoring to analyse outcomes with revisions/enhancements being implemented where necessary. As we move forward, our processes will continue to evolve to support the Duty and promote effective stewardship.

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



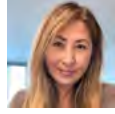
Ashley Mansfield
Internal Auditor



Joe Sallia
Internal Auditor



Uche Ogbuokiri
Audit Supervisor



Linda Tan
Head of Internal Audit

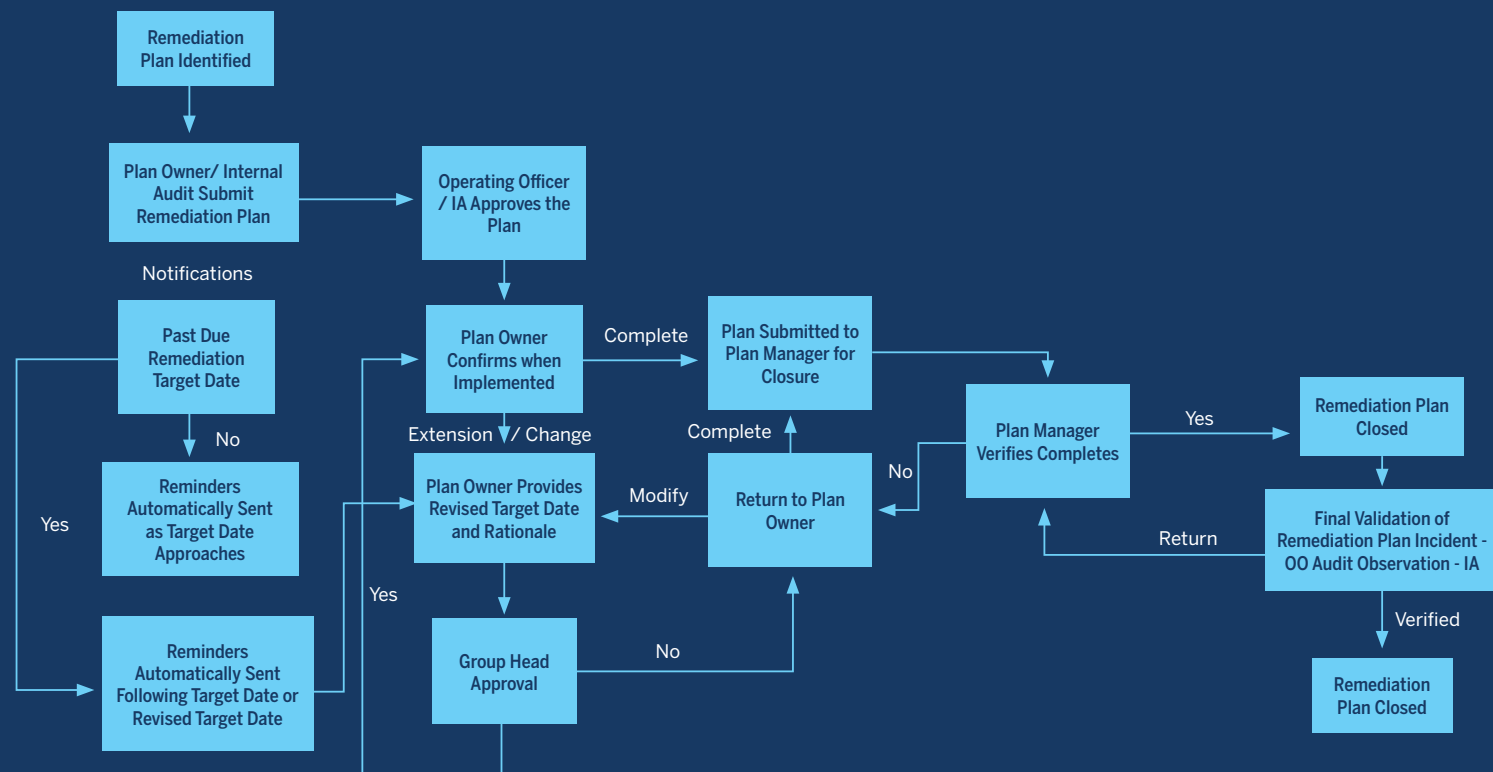


Sarah Penne
Audit Supervisor

OUTCOME

INTERNAL REMEDIATION PLAN TRACKING, VALIDATION, AND REPORTING

Remediation plans are identified as part of the incident reporting process by colleagues, and by management as part of action plans to Internal Audit observations. Colleagues are primarily responsible for logging remediation plans associated with an incident, tracking to completion, and validation for appropriateness prior to closure. Similarly, Internal Audit is responsible for logging remediation plans associated with audit observations and validation for appropriateness of remediation efforts prior to closure. In both cases, periodic reporting is provided to executive management and the Audit Committee of the Board detailing potential trends and status of outstanding/past due remediation plans. These processes are enabled by a software system –Archer –and currently overseen by the Internal Audit team.



OUTCOME

ARIS ANALYTICS

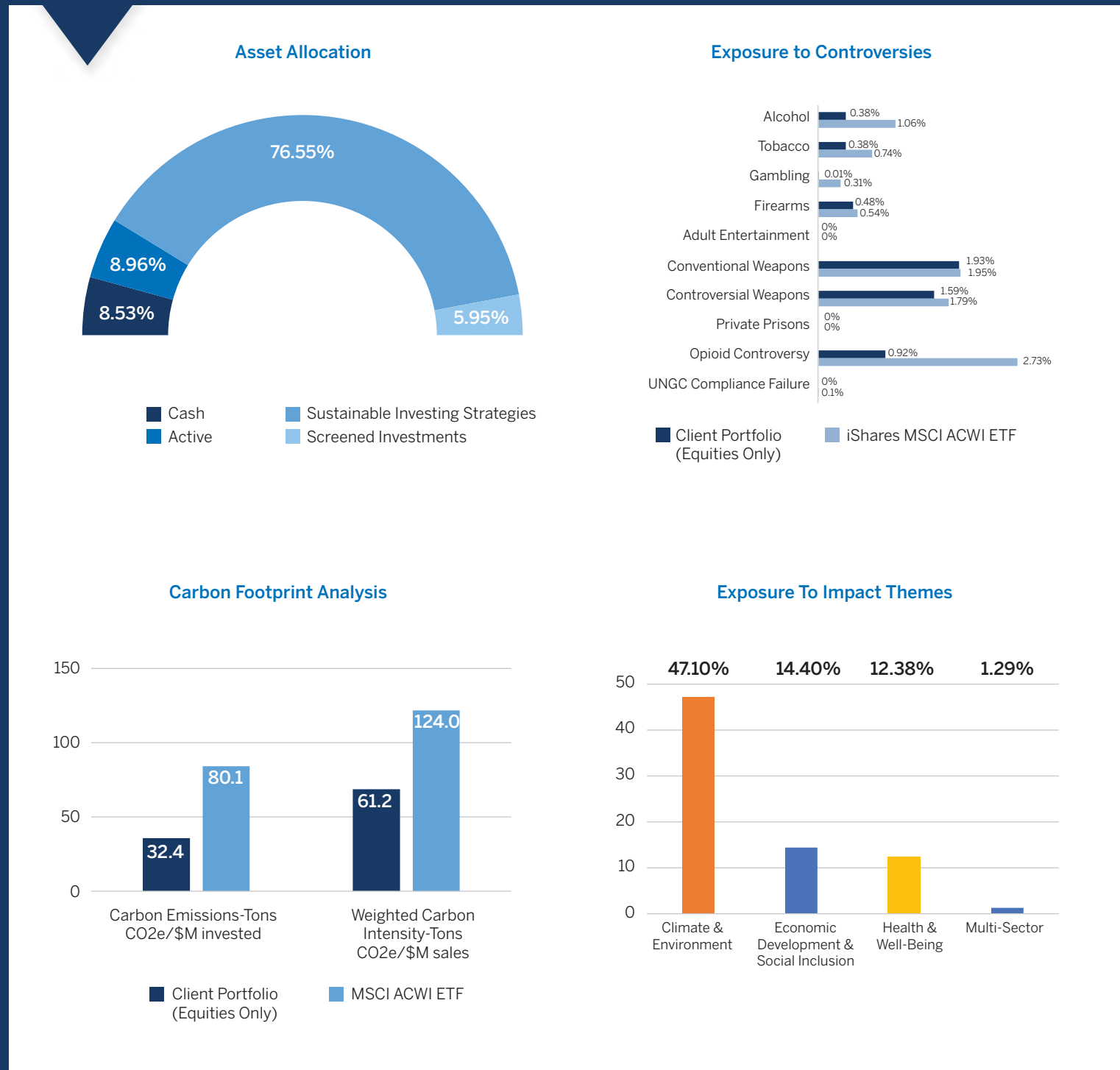
Analysis and reporting on alignment, risk, impact and sustainability personalised for each client's interests

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.



TRANSPARENCY IS KEY TO ENSURING ACCOUNTABILITY

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.

OUTCOME

REPORTING ON THE SUSTAINABILITY OUTCOMES 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
CLIENT AND BENEFICIARY NEEDS

6

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

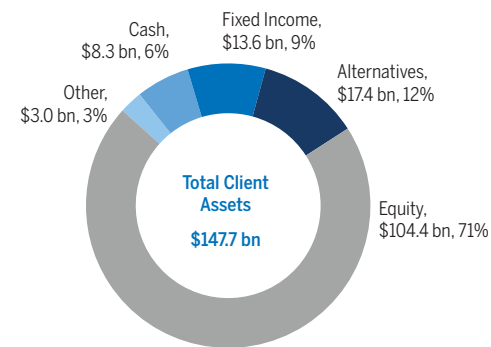
Throughout this report, we discuss our client-first approach and our continual effort to understand our clients' needs. For example, in Principle 1, we discuss our mission: to make a material and positive difference in the lives of our clients. In Principle 2, we discuss our new investment strategy, 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.

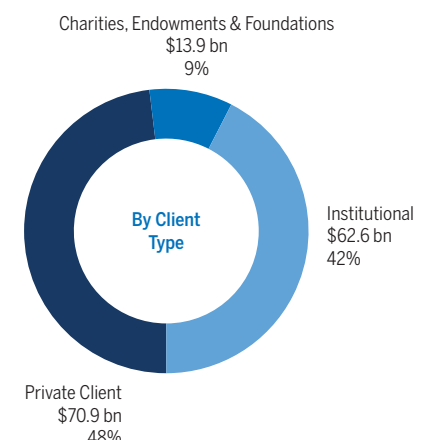
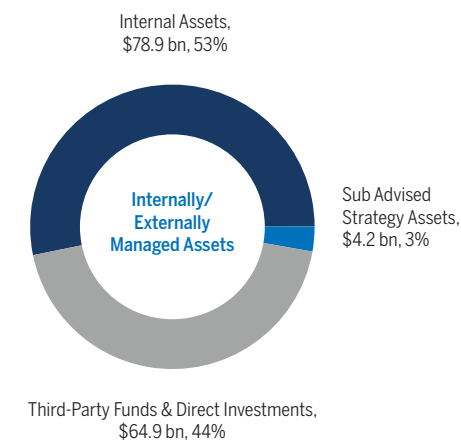
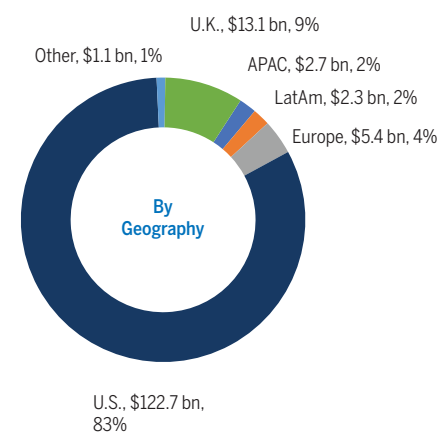
Our clients rely on us to realise their investment objectives. We believe that achieving compelling investment results starts and ends with an ability to weather the tough times (which are always shorter than they feel) so that capital can compound. This philosophy applies whether we are investing on 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, 2023, approximately 42% of our clients' assets are managed in funds and separate account mandates for institutions, family offices, wealth managers and global banks. The remaining 58% is typically invested on a multiasset basis on behalf of individuals, families, endowments, foundations and charities.

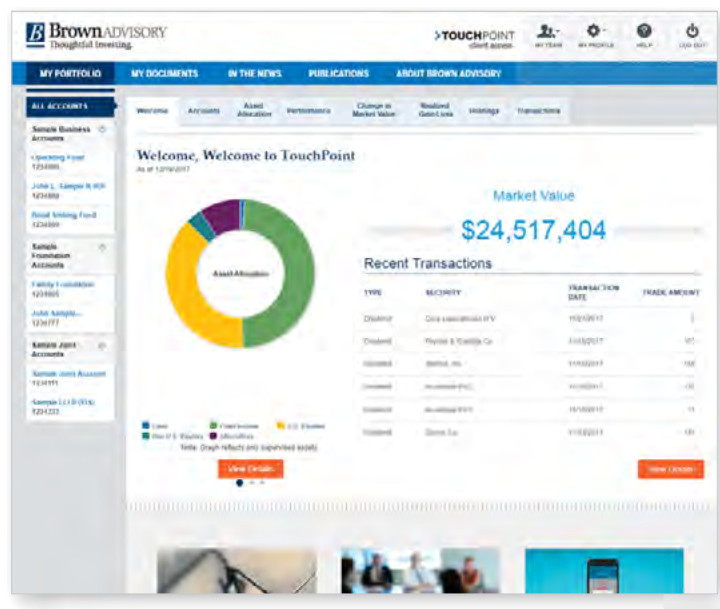


CLIENT OVERSIGHT AND COMMUNICATION

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 15-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 investing 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.

15,000+
clients received the annual report

*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, institutional business, compliance, operations and sales and service teams. The committee oversees the proxy voting process and policy; however, responsibility for casting votes rests with our investment teams and, ultimately, with the portfolio managers for Brown Advisory's equity investment strategies as outlined in the firm's Proxy Voting Policy .



OUTCOME

2023 EXAMPLE PROXY VOTING DATA

Global Leaders Holdings, 2023 Calendar Year

Votes With Management

Proposals from Management

466

Proposals from Shareholders

21

Votes Against Management

Proposals from Management

8

Proposals from Shareholders

3

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 predefined 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 predefined 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 onboarding 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 2023

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 2023.

Company Name	PT Bank Rakyat	Atlas Copco AB	Unilever PLC
Date of Vote	13 March 2023	27 April 2023	3 May 2023
Proponent	Management	Management	Management
Proposal theme	Board changes	Director election	Executive Compensation
Proposal objective	Ratify Changes in the Composition of the Board	Re-elect Peter Wallenberg Jr as Director	Advisory Vote to Ratify Named Executive Officers' Compensation
Vote instruction	Against	For	Against
Rationale	Voted against proposed change based on insufficient available information; we communicated our rationale to management ahead of our vote. Our rationale was rooted in the fact that we seek greater shareholder transparency around corporate governance changes.	A vote for this proposal was warranted as we felt that the presence of the Wallenberg Family or representatives of their investment vehicle, Investor AB, would be beneficial given their multigenerational ownership position and long-term investment horizon of the company. We have engaged with the company on multiple occasions and met with family representatives to corroborate their thinking on the company and organic investment into the business.	We identified that the incoming CEO's salary had been set higher than his predecessor's and at a significantly higher level than his salary at his prior company, Royal FrieslandCampina, and indeed above UK market peers. We did not feel the company had provided compelling justification for this remuneration package and consequently voted against this proposal and against the management recommendation.

OUR COMMUNITIES

Annual Report

The purpose of the annual report is to help our stakeholders understand how we work to serve our clients and who we aspire to be in as nuanced a way as possible. It starts where we must always start, with our clients and describing our mission: to make a positive and material difference for our clients. In Performance, we describe our investment activity and what “Thoughtful Investing” means to us. Impact focuses on our communities and, as industry best practice, serves as our de-facto Sustainability Report. DNA is about our ownership mindset and the “genetic markers” that animate our culture. Together, the Annual Report serves a yearly means to share with our clients, colleagues and communities what is on our minds and how we are investing for the future on their behalf. An important feature of each Annual Report is the introduction letter from Mike Hankin, President and CEO.

We recognise that we are accountable for the current and future health of our communities. Our responsibility takes numerous forms: climate stewardship, catalysing 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 organisations of their choice—all of which are encouraged and supported by the firm.



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.

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 £98,800 for the organisation, with contributions continuing to come in. All funds raised through our individual and team pursuits will go towards 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 £14,200 in support of the organisation.

OUTCOME

CHARITABLE GIVING

In 2023, Brown Advisory contributed more than \$2.5 million to a range of nonprofits and charities.

Our focus is supporting local organisations that are important to our clients and colleagues, in addition to our strategic giving areas: community impact, health care, education and the environment.

Likewise, Brown Advisory colleagues are thoughtful and passionate about making a difference for people and places in need. Our 900+ colleagues—in communities around the world, of all shapes and sizes—provide their time and financial support to hundreds of deserving organisations. Many serve on and lead boards. It’s no secret that the DNA that motivates colleagues to go above and beyond for their clients also motivates them to lead in their communities. These are the common actions of empathetic, humble and high-integrity people.

OUTCOME

PERSISTENCE, TEAMWORK AND COLLABORATION

Baltimore’s Healthy Harbor Initiative is an example of how persistence, teamwork and collaboration can create real results over time. After 15 years of work with businesses, nonprofits and government organisations, more than 150 people jumped into the Baltimore Inner Harbor on June 23, 2024, as part of the inaugural Harbor Splash.

Time was needed to make sure that the region’s infrastructure was improved to better handle stormwater and sewage. Time was needed to track and analyse an enormous amount of data, which directed resources and effort to the highest points of need. Time was needed to raise awareness, with a special thanks to Mr. Trash Wheel (www.mrtrashwheel.com) and his relatives for increasing the public’s attention on the Harbor.

We were proud to be a thinking partner from the beginning, and we are grateful for the leaders in our community who drove accountability and results.



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.



PRINCIPLE

STEWARDSHIP AND
INVESTMENT INTEGRATION

7

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 investing analysis into our overall research and investment processes for many of our investments.

As thoughtful investors, we will examine any consideration that may help us gain a deeper understanding of a company's or issuer's risks and opportunities—including risks and opportunities that arise from the effects of natural resources, climate, human capital and governance. Our goal remains to deliver the investment performance that our clients expect and deserve—which requires intensive, creative research; analysis of a wide swath of information and thoughtful, considered decision-making. To do anything else would not be fair to our clients. Just as we do not build portfolios based on models, we do not make assumptions about what sustainability means to a client. For clients, sustainability considerations 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:



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 investing 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 and an "integrated" strategy:

Sustainable Investing Strategies: Brown Advisory defines Sustainable Investing Strategies as those that consider sustainable investing risks and opportunities in their investment decision-making process where that research is considered to be material to long-term performance. In addition, sustainable investing strategies commit to investing most of the assets they manage on behalf of clients in investments with "sustainable drivers." Investments with sustainable drivers are defined as those engaged in sustainability-related activities such as responsibly managing natural resources, facilitating the transition to a low carbon economy and contributing to equitable and inclusive societies in a manner that drives improved financial outcomes or a competitive advantage for the investment.

Integrated Strategies: Brown Advisory defines Integrated Strategies as strategies that consider sustainable investing risks and/or opportunities in their investment decision-making process where that research is considered by the portfolio manager to be material to long-term performance. While these strategies may have exposure to investments with sustainable drivers, these features are not required for investment. However, integrated strategies do require risk management related to sustainability issues.

A team approach: Research analysts work collaboratively across asset classes and industry sectors, and with portfolio managers across our various strategies in a research process that seeks to examine individual sectors, issuers and securities, where applicable, to determine their suitability for our various strategies. While we always act independently in our investment decision-making, we support the cooperative spirit that has guided the broad sustainable investing community for many years, and we often seek to participate in research partnerships that aim to advance research methodologies, establish data and measurement standards and expand our toolkit for integrating material sustainability considerations into our investment decision-making process.

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

Veralto is a global leader in essential water and product quality solutions. Veralto separated from its former parent Danaher, a life sciences and diagnostics leader, in late 2023. Within its Water Quality business (c.60% of 2023 sales¹), Veralto provides advanced water treatment technologies to protect key resources and provide safe drinking water for roughly 40% of the world's population.² We believe the company is positioned well to meet the increasing demand for clean water solutions, leading to revenue growth as it secures contracts with municipalities and industrial clients. Trojan is especially compelling as it can treat water with UV as opposed to chlorine, which is traditionally explosive, polluting and non-ideal for human health. Veralto's Product Quality and Innovation business (c.40% of 2023 sales¹) uses advanced technologies such as high-precision marking and tracking systems across the consumer-packaged goods and pharmaceutical industries, crucial for maintaining supply chain integrity and consumer safety. By increasing product authenticity, Veralto helps to protect consumers while enhancing its clients' brand trust and loyalty, ultimately increasing its own franchise value. Veralto also offers software solutions like design and pallet optimisation, which enable clients to significantly reduce their packaging consumption and energy use—both combining to reduce costs. This makes Veralto a valuable partner as it continues to help its clients enhance their operational efficiencies and meet their respective sustainability targets.

¹ 2024-02-06 Veralto Reports Fourth Quarter and Full Year 2023 Results.

² Veralto's 2023 Sustainability Report.

RATINGS

Our sustainable investing research is largely qualitative, 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 investing-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 INVESTING RATINGS FRAMEWORK

The act of assigning ratings inherently runs the risk of implying an unwarranted level of precision. Available data is imperfect, and as with much financial data, its interpretation necessitates a degree of subjectivity. While a simple one-through-five rating system is used to communicate a high-level view of an investment's sustainable risks and opportunities, the research analysts use their assessments to provide more detailed analysis. This dual-rating approach differentiates between investments characterised with strong sustainability-related risk management versus those investments that also have sustainable drivers.

These ratings function as a communication tool. The ratings are designed to provide an indicator of the respective risks and opportunities associated with an investment and offer grounds for further discussion amongst our portfolio managers, the broader investment team, the investment risk management team and with senior leadership responsible for sustainable investing oversight.

Risk Management Score

1	NET POSITIVE Investment effectively manages all material sustainability-related risks, going beyond best practices and potentially leading to a competitive advantage. Generally does not have major controversies.
2	SLIGHTLY POSITIVE Investment has adequate sustainability-related risk management systems, such that performance is unlikely to be compromised. May have a small number of minor controversies.
3	NEUTRAL Investment has basic sustainability-related risk management systems, but there is not enough information to evaluate impact on performance. May have a moderate number of minor or moderate controversies.
4	SLIGHTLY NEGATIVE Minimal sustainability-related risk management means risks may detract from financial performance. May have moderate to severe controversies.
5	NET NEGATIVE Little or no sustainability-related risk management means risks may detract from financial performance. May have severe controversies.

Opportunity Score

1	NET POSITIVE Sustainable drivers are meaningful to the investment and demonstrably contribute to competitive advantage
2	SLIGHTLY POSITIVE Sustainable drivers are meaningful to the investment.
3	NEUTRAL Sustainable drivers are not meaningful to the investment.
4	SLIGHTLY NEGATIVE Lack of or compromised sustainable drivers may erode competitive advantages.
5	NET NEGATIVE Lack of or compromised sustainable drivers demonstrably erodes competitive advantages.

Brown Advisory's research approach is characterised by bottom-up, primary research. While each sustainable investing research analyst has sector and/or issue-specific expertise, the research team begins analysis of each investment from the bottom up, with a focus on understanding the specifics of a company or issuer's structure, fundamentals, and sustainability characteristics. While there are many sustainability-focused levers that can impact financial results, there are two broad categories that permeate all and transcend asset classes and sectors: Climate & Natural Capital and Community & Human Capital. Through a sustainable investing framework focused on these categories, and underpinned by governance, the research team identifies both bottom-up and top-down sustainability considerations that may impact an investment's performance.

Climate & Natural Capital: Our economy is highly influenced by climate change and the availability of natural resources, which pose risks and opportunities for companies, governments and other stakeholders. Through our sustainable investing research, we seek to identify the financial implications of transitioning to a lower carbon economy, managing losses associated with physical climate risk and biodiversity loss and operating in an increasingly resource-constrained environment.

Community & Human Capital: People are foundational to all aspects of our economy. Whether as employees, consumers or members of the wider community, people significantly influence the performance of an investment. Their impact can either substantially enhance or diminish the performance of an investment. As such, we seek to identify investments that are managing their human capital well, contributing to equitable and inclusive societies and upholding global human rights standards.

Brown Advisory's sustainable investing research is underpinned by a focus on sound governance. Careful assessment of how leadership, whether it be a company's management team or government organisation, serves the needs of its various stakeholders is important in assessing an investment's ability to deliver positive outcomes, including those related to Climate & Natural Capital and Community & Human Capital. Furthermore, we seek investments where appropriate transparency and accountability structures are in place, enabling durable operations and management. For example, our analysis seeks to identify strong board oversight, internal risk management, measurable targets to which compensation is appropriately tied and/or adherence to industry-wide frameworks and best practices for operating and reporting.

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 investing research, including assessment of risks and opportunities:

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 Investing Research

- Multidisciplinary research team, including research analysts with expertise in sustainable investing research across our equity and fixed income teams
- Sustainable investing research methodology and internal rating system used to help assess potential investments
- Deep investigation into the use of proceeds raised by many 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, integrating a wide range of strategies, advice and information to align with client values
- 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 investing 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, monitor progress towards each client's goals over time and report on outcomes, exposure and impact.
- 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 that help us learn about our clients' values and discover their purpose and legacy they wish to leave. This includes 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

CROSSBOUNDARY Our Frontier Markets Partner

Our investment in CrossBoundary, with its expertise in investing in underserved markets globally, is about gaining a deeper understanding of complex and often nascent frontier markets. CrossBoundary operates out of 24 offices on five continents with more than 200 professionals—who share offices with us in London and Washington, D.C.

Last year, CrossBoundary launched Dhow Ventures to provide capital to high-growth startups in emerging markets. These markets are often characterised by vibrant youth populations, rapid mobile device adoption and early digital transformation. One of Dhow Ventures’ portfolio companies that is capitalising on these trends is Colombia-based foodology. Now the subject of a Harvard Business School case study, the food tech startup was founded by Daniela Izquierdo and Juan Guillermo Azuero when they were classmates at HBS.

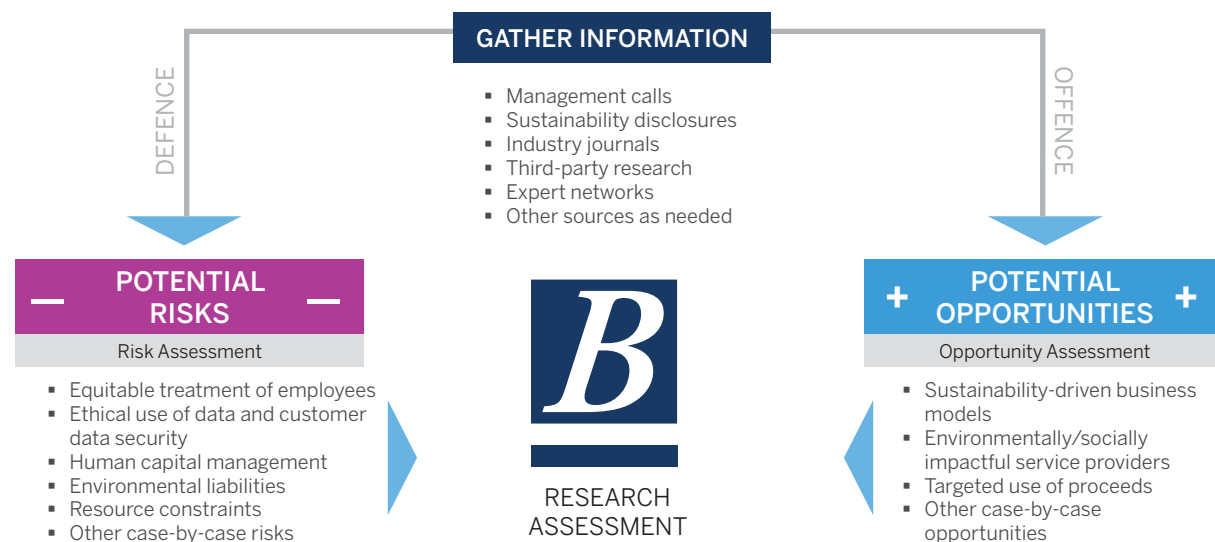


OUTCOME

INSTITUTIONAL SUSTAINABLE INVESTING INTEGRATION

Our research team conducts deep due diligence, predominantly leading with primary research, while also considering third-party data. The objective of due diligence is to understand the risks and opportunities associated with a given investment. This research is leveraged for portfolio decisions and engagement dialogue with companies, bond issuers and other stakeholders. The final assessment varies slightly from one asset class to another. For further information on the nuances of our assessments, please see our [Sustainable Fixed Income Investment Policy](#).

Value added sustainable investing research helps us manage risk and opportunities.





PRINCIPLE

MONITORING MANAGERS AND
SERVICE PROVIDERS

8

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 investing 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.

ICE Sustainable Finance

ICE Sustainable Finance provides geospatial data analysis that can help us identify sustainability-related risks and opportunities in mortgage-backed securities (MBS) and municipal bonds. When ICE was beginning the development of certain datasets within its municipal and MBS offerings, our team provided input, helping to share a perspective on how the datasets could be developed in a manner that would be decision-useful for investors. One area where we have found ICE tools to be especially helpful is to augment our process for evaluating the sustainable opportunities associated with non-labelled MBS bonds. ICE links anonymised borrower data provided by securities with publicly available datasets, helping to characterise the demographics of residents within each census tract by cross referencing location data with other community-specific details such as physical climate risk exposure, income levels, property values and social vulnerability. Characteristics are summarised into both a physical climate risk score and a social impact score. The social impact score is especially helpful for analysing and sourcing MBS outside of the growing, but still limited, labelled bond universe, allowing us to build a more diversified portfolio.

Other Third-Party Providers

In recent years, our research team undertook a review of 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 the 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
ISSUER ENGAGEMENT

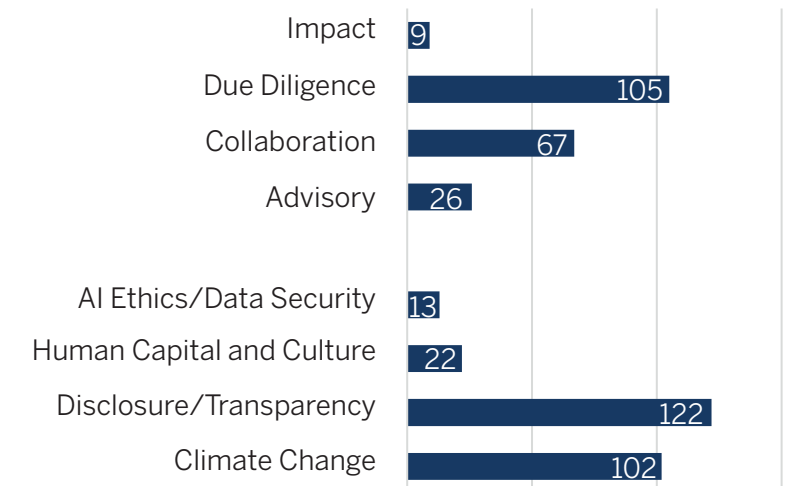
9

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

2023 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.

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.

Thesis outcome	Possible actions
Strengthened	<ul style="list-style-type: none"> Escalation that may include widening the scope of stakeholders interviewed and consulted, engaging with strategic decision makers within the company, increasing research touch points and voting proxies aimed at reinforcing the conditions for the company to outperform. The investment may be initiated or the position size may be increased
Maintained	<ul style="list-style-type: none"> The engagement strategy stays in place. The investment position size may be increased in the portfolio.
Weakened	<ul style="list-style-type: none"> The engagement strategy may escalate. Escalation may include widening the scope of stakeholders interviewed and consulted, engaging with strategic decision makers within the company, increasing research touch points and voting proxies promoting change that we believe will create long-term value for shareholders. The investment position size may be reduced in the portfolio.
Broken	<ul style="list-style-type: none"> The investment position will be exited. If applicable, the investment is no longer considered to exhibit a “sustainable driver” but continues to be held if a company’s risk mitigation efforts are determined to be sufficient, provided no other aspects of the investment policy have been breached.





OUTCOME

2022 ENGAGEMENT CASE STUDIES

Science-Based Emission Targets

Engagement Priority: Climate Change; Disclosure

We engaged with a large multilateral development bank to understand their sustainable finance framework. As part of the bank's newly developed Climate Action Plan, it has enhanced its approach to assessing the impact of climate-related factors in its lending and sustainable issuances as well as integrating social elements into climate financing. As part of the Plan, it commits to aligning all new financing operations with the objectives of the Paris Agreement, which started in 2023. The conversation also provided an insight into how the bank supports the climate agenda via innovations in capital markets. For example, in 2023, it issued an emission reduction-linked bond that provides investors with a return linked to the issuance of Verified Carbon Units that are expected to be produced by a project in a country in Southeast Asia. This is how innovative structure serves nascent carbon market development as well as sustainable in-country development. Lastly, our ability to assess the environmental and social outcomes associated with our investments is key, and the bank was able to provide further detail on their reporting. They report carbon emissions annually and allow investors to measure the impact of their bonds through detailed KPIs for each loan. Overall, this engagement strengthened our conviction in this investment and the overall role that multilateral development banks can play in climate finance and in our portfolios generally.

Increase Disclosure in the Municipal Bond Market

Engagement Priority: Disclosure and Transparency

The strategy has an investment in a multinational transportation company that has helped democratise transportation by creating a more affordable and inclusive ridesharing service that promotes safety, economic mobility and access that was previously fragmented. The company has built a brand people trust due to their significant investments in safety, inclusion and accessibility. We believe a critical risk for the company is the reputational damage that may occur due to a rise in safety incidents. We have engaged the company on the topic of safety as we believe safety is critical for the company to attract and retain riders and drivers. We are pleased by the clear priority the company is giving to ensuring the safety of its platform. Through an in-depth engagement with the their sustainability team, we gained further confidence in their ability to manage these risks. The company has taken actions demonstrating that it takes these risks seriously and can point to a track record of progress over time. Additionally, the company ties executive compensation to safety, which indicates to us how much of a priority safety is for the company. We are also encouraged that the company is using the results of a Civil Rights Audit it conducted to improve its management of risks and implement several new initiatives that will help drive value for the platform going forward. The company's deployment of safety innovations such as real-time driver monitoring and data-driven coaching has also helped to lower its insurance costs, illustrating how its focus on risk mitigation continues to affect business fundamentals positively.

Sustainable Opportunities

Engagement Priority: Climate Change; Disclosure

A U.S.-based Clinical Laboratory Company asked its investor base, including Brown Advisory, to respond to a materiality survey to inform the company's future sustainability strategy and disclosures. In our response, we offered recommendations for what type of activities and disclosures would be useful for performance-focused sustainable investors, emphasising financial materiality. More specifically, given that the company seeks to address the underserved localised community oncology market, we communicated the importance of greater transparency around patient accessibility and affordability and how that drives overarching business goals. We also engaged the company on issues of human capital, product safety, regulatory and environmental risk. Several months following the materiality survey, the company released its inaugural sustainability report, marking a significant improvement in its overall transparency to shareholders. In particular, we gained quantitative insights into the company's accessibility strategy and human capital management practices, two areas that were aligned with our feedback and that we believe are of critical importance to the company's future success.

OUTCOME

2023 EXTERNAL MANAGER ENGAGEMENT CASE STUDIES

Brown Advisory's Investment Solutions Group (ISG) conducts manager research and approves managers, such as those featured below, to be included on Brown Advisory's approved manager list and in model portfolios. Each manager has its own approach to investment and engagement, and this approach is monitored by the ISG team on a quarterly basis to ensure activity is aligned with the best interests of our clients.



EastGroup Properties - Q2 2024 Engagement Review

- Through our ongoing structured engagement, we are continuing dialogue around solar deployment with management, discussing project costs and potential returns at a more granular level, as well as the size of the capital deployment potential and opportunity costs to determine the financial materiality for EGP. We want EGP to consider pursuing regular auditing, mandatory training for employees and related third parties, abiding by industry standards/certifications such as the ISO 4001 and establishing health & safety targets (i.e. lost time, accident rate, injury rates, etc.) and to disclose their efforts. EGP "has elected in its bylaws not to be subject to the 'control share acquisition' provisions of the [MUTA] MGCL (sections 3-701 through 3-710). If the Company wants to be subject to these provisions, its bylaws would need to be amended. Such amendments would require (a) the affirmative vote of a majority of the votes entitled to be cast by the Company's stockholders, or (b) a vote of two-thirds of the Board of Directors, provided that such amendment is also approved by the affirmative vote of a majority of the votes cast on the matter by the Company's stockholders." By not opting out of this provision, EGP's board may unilaterally amend the bylaws, without consent of the shareholders, with only two-thirds of the Board's consent. Combined with the questions of true board independence raised above, we are encouraging that this threshold should be raised to 100% or the Board's unilateral right be rescinded.

Schroders

Keyence – Engaging on Climate Ambition & SBTi Disclosures

- "Keyence has historically been a rather secretive company given the nature of its inventive products, but under a new CEO, communications are starting to open up and investors can increasingly appreciate the sustainable nature of their culture through increased disclosure. One area where we can help instigate further change is on the setting, mapping and disclosure of climate ambitions, and so we set out to encourage the company to be bolder in this regard and make a virtue out of an existing strength. We learned that the company have not set a concrete target to become net zero but have started disclosing in accordance with TCFD recommendations (Scope 1+2). Additionally, the company has started disclosing Scope 3 on CDP and are thinking of disclosing them publicly in the near future. On SBTi, Keyence are yet to commit to become carbon neutral by 2050 but expressed their desire to add energy savings and utilise renewable energy whilst also considering the use of carbon credits. We will continue to try and keep communication open as time progresses."



PRINCIPLE
COLLABORATION

10

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.

At Brown Advisory, we assess any consideration that may help us gain a deeper understanding of a company or issuer's risks and opportunities. We believe that gaining access to a wide variety of information helps us to be better investors and serve our clients better. In sum, we join initiatives or membership groups because they enable us to execute our responsibilities to clients better, but they do not alter our mission, priorities or independence.

We are a member or participant in a number of cross-industry initiatives and partnerships. We thoughtfully select the organisations we choose to partner with, preferring those who aligned with our values as a firm and fiduciary duty we owe to our clients, provide access to information or people who can enhance our investment analysis or grow our network and allow Brown Advisory to retain its independence to ensure that we can continue to uphold our fiduciary duty to our clients.

Brown Advisory is an active member and/or participant of organisations such as:



INVESTMENT-FOCUSED ENGAGEMENT INITIATIVES

Brown Advisory participates in certain engagement initiatives that align with our fiduciary duty to our clients. In general, we aim to join 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 only join initiatives that allow Brown Advisory to retain its independence and do not require us to alter our investment approach. We also benefit from the opportunity to learn from other investors and subject matter experts through these initiatives 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 standardisation, allowing issuers to report in a way that makes sense for their organisation. 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.

OUTCOME

CDP MUNICIPAL CAMPAIGN

CDP remains focused on encouraging municipal bond issuers to disclose their climate-related risks and opportunities. We have been glad to continue our collaboration with CDP, through participating in their 2023 Municipal Disclosure campaign, where we encouraged a number of municipal issuers across various sectors to report their climate-related risks and opportunities through the CDP platform. Encouragingly, over 228 municipal issuers disclosed to CDP during the 2023 reporting cycle, and we expect to continue to see progress here.

OUTCOME

HDFC BANK LTD

We engaged with HDFC to discuss the bank's environmental strategy, with emphasis on financed emissions and the establishment of science-based targets. Through continued engagement with the bank's sustainability team (and through participation in the Emerging Markets Investor Alliance (EMIA) Financials Working Group), we maintained a persistent dialogue to encourage progress on HDFC's environmental performance, including sustainable lending practices. HDFC demonstrated an openness to our and other investors' feedback, and we believe they have been proactive in integrating advanced environmental practices and disclosures. The bank, known for its leadership in retail lending, now aims to increase its transition lending with a proportion (yet to be defined) of its current lending portfolio deemed sustainable. Although HDFC has committed to carbon neutrality by 2032, it is distinct from a net-zero pledge. However, they are progressing towards adopting science-based and scope 3 targets. We plan to continue monitoring HDFC's progress on these issues and engaging through our EMIA Working Group participation as well as our direct communications with the company.

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 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.

OUTCOME

SOVEREIGNS WITH MEANINGFUL CLIMATE-RELATED RISKS

Engagement with sovereigns on sustainability issues has moved beyond the simple understanding of monetary and fiscal policy—the range of risks and opportunities that each country faces can be extremely broad. Being the largest sector within the fixed income sphere and backed by the power of government, the ability and reach of sovereign issuers to navigate and address key environmental and social challenges goes well beyond the scope of a corporate issuer. As such, we believe that collaborative engagement is a particularly important tool when engaging with sovereign issuers to enhance our due diligence and promote progress on key issues. We take a thoughtful and holistic view of our understanding of the issues at stake and a sovereign issuer's ability to drive progress. In 2023, highlights of our sovereign engagement activity include joining two collaborative initiatives: Investor Policy Dialogue on Deforestation (IPDD), relevant to Brazil and Indonesia, and the PRI pilot sovereign engagement with Australia. We also had presence at COP28, the UN climate conference in Dubai, and had the opportunity to engage with various government stakeholders from several countries, including Brazil, Indonesia and the U.S. Lastly, we continue to be members of the Emerging Markets Investor Alliance (EMIA) and engage with our partners at the CrossBoundary Group. In each of these instances, climate change has been the predominant theme, but the specific implications vary by each country based on a number of factors, including: geography, natural resources, economic impact and GDP (proxy for ability to finance mitigation and adaptation measures). For instance, our conversations with Brazil have centered around responsible management of the Amazon rainforest, whereas with Australia, the focus has been more focused on topics such as the transition from mining coal to critical minerals. In all instances, we have found it is important to engage with many different types of stakeholders from a range of government ministries, authorities, and regulatory bodies as well as members of civil society and NGOs. This has included ministries of finance and debt management offices, central banks, as well as ministries of environment and climate change. All of these conversations help shape our view, as we believe climate change will pose a persistent risk that is likely to continue to evolve over time.





PRINCIPLE

11

ESCALATION

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.

Brown Advisory's engagement activities are intended to support each investment strategy's investment performance objectives. As a result, the investment team seeks outcomes aligned with improving or reinforcing an investment thesis that is congruent with the strategy's performance objective. Indirect outcomes that may occur as a result of our engagements include, for example, improved disclosure, more robust sustainability-related policies, adjustments in capital allocation or strategic priorities and improved corporate practices that benefit climate, natural capital, human capital, communities or governance practices.

The foundation of our engagement, which we divide into three 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 approaches (Tailored engagement or Engagement on sector themes or macro risks). 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.

The investment team has access to several tools that they may use to engage with a company or its stakeholders. These tactics can be used in different combinations to test an investment thesis and/or to escalate the importance of an issue over time. These tools are used at the discretion of the specific research analyst and/or portfolio manager. They include:

Direct Dialogue:

This tactic includes conversations that take place between the investment team and representatives from the company or its stakeholders. These conversations may take place, for example, in person, through a virtual meeting, phone call or via email.

Letter Writing:

This tactic includes sending formal letters to companies requesting certain action or elevating specific concerns. It can be completed in collaboration with other investors or through direct dialogue.

Proxy Voting:

The firm casts all of its proxy votes in line with what the portfolio manager believes is most appropriate for a company's long-term financial interests. A portfolio manager may vote against management to indicate support for, or concern with, a specific issue. In most cases, the investment team seeks to have dialogue with the company before votes are cast against management. For further information about Brown Advisory's approach to proxy voting, please see the Brown Advisory Proxy Voting Policy.

Collaboration:

The firm, institutional business and/or our investment team members may join initiatives that seek to bring together investors around specific investment issues where we believe collaboration will benefit the efficacy of our evaluation and monitoring of an investment thesis. Collaborative initiatives often help to enhance due diligence by providing access to experts, working groups or other resources on topics with potential material relevance to investments. They can also act as a mechanism to raise topics that the investment team believes may materially impact long-term performance more successfully with company management. Collaborative initiatives also bring together leading investors to develop frameworks for how companies can effectively manage specific sustainability-risk or take advantage of opportunities. Companies may use these frameworks to drive more effective business and shareholder outcomes.

Investment actions:

The investment team prefers to engage with companies over the long-term, appreciating that trust and rapport is established over time with management teams and that actions may take some time to materialise into results. However, should material risks be identified that indicate the investment thesis has been damaged or broken, a portfolio manager may consider more immediate action, such as reducing or eliminating their position.

2023 Example

We engaged with Financial Services Company over their approach to capital allocation, particularly concerning mergers and acquisitions (M&A) and return on invested capital (ROIC). Recognising the importance of these areas in the financial market infrastructure sector, our interactions intensified following Financial Services Company's announcement of the SimCorp acquisition. Our goal was to ensure a disciplined approach to M&A to prevent the erosion of ROIC and shareholder value—a trend often observed in the market. Through our dialogue, we sought for Financial Services Company's strategic decisions to reflect a more structured and transparent capital allocation policy. Our engagement efforts included multiple in-person and conference call meetings with various members of the leadership team in both the U.K. and Germany. We more formally communicated with Financial Services Company's leadership through letters and meetings with the CEO, CFO and Chairman, advocating for specific alterations in management compensation to align with our views and followed up with in-person discussions.

We were pleased to see much of our thoughts and advice reflected in their latest three-year strategy presented at their latest Capital Markets Day. The added focus on capital allocation and the various options available to management as part of their tool kit were very encouraging to hear and, in many parts, reflected the dialogue we had with the company. The company's improved communication on capital allocation strategies and the revised Compass 26 plan were particularly encouraging signs of progress. Additionally, we engaged with the Chairman on refining remuneration policies, emphasising the importance of ROIC and proposing a more targeted approach to sustainability in compensation. This engagement has reinforced Financial Services Company's governance and sustainability positioning in our view, and we anticipate further constructive discussions to monitor their ongoing commitment to prudent capital allocation and ROIC.



PRINCIPLE

EXERCISING RIGHTS AND RESPONSIBILITIES

12

As a fiduciary, we consider proxy voting to be an important responsibility and mechanism to communicate with companies on risks and opportunities that may present a challenge or an opportunity and, in turn, affect its investment returns. 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.. We seek to vote every proposal in line with long-term financial performance.

OUTCOME

2023 PROXY VOTING ACTIVITY*

In 2023, we voted 98.5% of meetings, as well as 98.5% of all management and shareholder proposals. This applies to those assets where our clients have entrusted Brown Advisory to exercise voting rights on their behalf in accordance with Brown Advisory's proxy voting policy.

An overview of the number of votes made in 2023 is shown below. Visit [this link](#) to view our voting record for our Fund products.

Voting With/Against Brown Advisory Policy

	Number	Percentage
With Policy	34,503	98.08%
Against Policy	677	1.92%
Total	35,180	100.00%

Voting With/Against Management

	Number	Percentage
With Management	30,559	86.86%
Against Management	4,536	12.89%
No Management Recommendation provided	85	0.24%
Total	35,180	100.00%

*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 reasonable be expected to have a material effect on the value of the client's investment.
- Circumstances where custodial procedural requirements are overly burdensome.

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, compliance, operations and sales and service teams. Whilst we use the recommendations generated base on the firm's proxy voting policy 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.

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 sustainability-related proposals we support often result in increased reporting and disclosure, which we believe will benefit investors' due diligence. In rare cases where the Firm believes a company has not adequately mitigated significant and material sustainability risks, the Firm may vote against directors.

Consideration for Fixed Income Assets

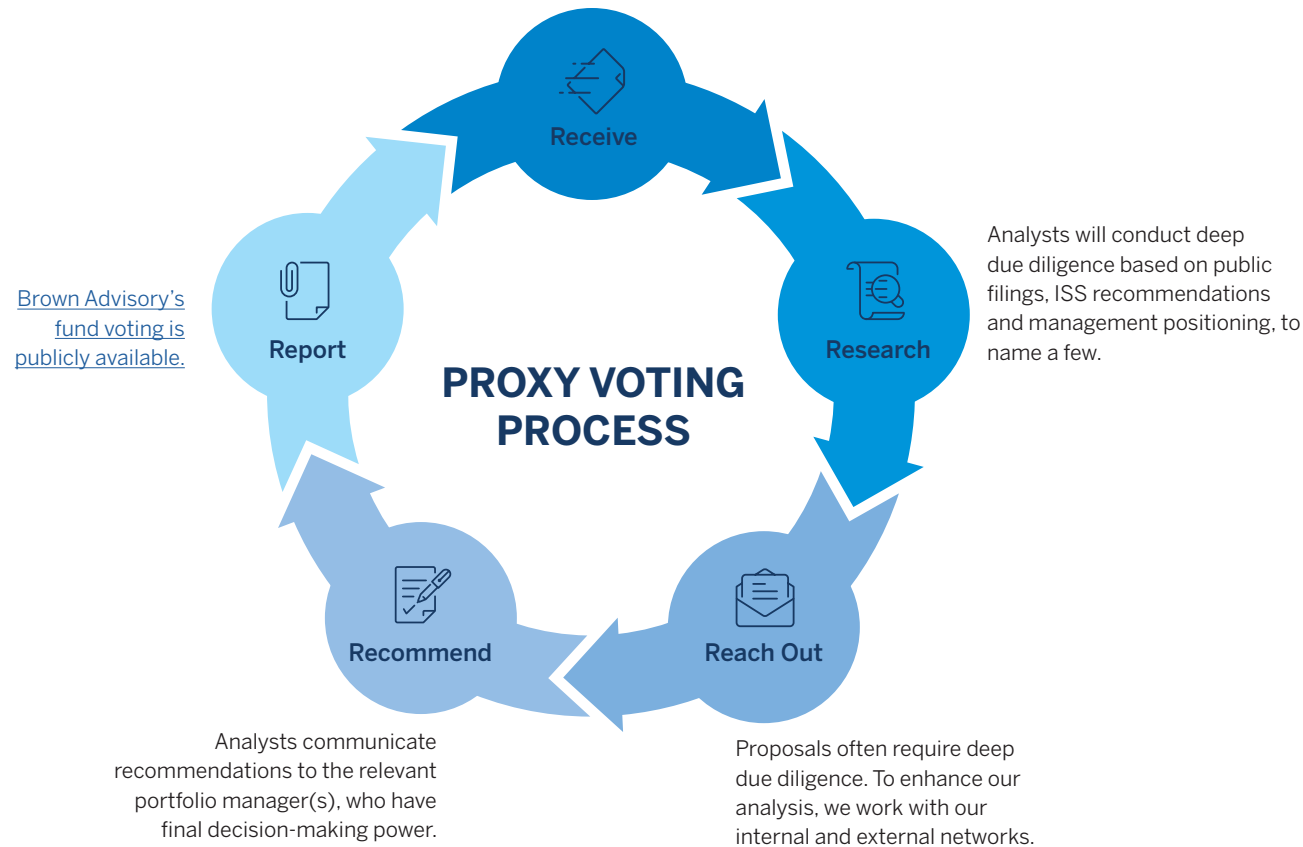
Creditors and bondholders play a key role in the capital structure of issuers. Therefore, as investors, we seek to use engagement when possible and material to an investment decision to communicate our thinking and to gather information that informs our investment decisions, and we find that many issuers are open to discussions with investors from whom they may seek additional debt funding in the future. Engaging with issuers in asset classes that tend to have lower levels of data and disclosure is particularly important for our due diligence, as it may help us to uncover lesser-known risks or opportunities.

When underwriting secondary (securities that have been issued and trade in secondary markets) credit exposure to the portfolio and managing risk on an ongoing basis, our integrated fundamental credit and sustainable investing research process includes the review and assessment of relevant legal documentation, such as bond indentures and credit. This legal due diligence is done by the sector coverage analyst and, particularly in the case of high yield securities, may include research collaboration with third party legal experts with whom we've contracted. This assessment complements our fundamental and sustainable research when thinking about valuation and risk of any given investment opportunity. As fixed income investors, we think there are three primary components of risk: credit, structure and liquidity risk. Although this exercise may generally inform our view of structure risk, it plays an important role in considering overall risk in the context of valuation.

When underwriting primary (new issue securities) credit exposure to the portfolio, we have an opportunity to engage with issuers and underwriters to understand and potentially shape the risk profile of an investment opportunity, particularly when thinking about structure risk. We engage with issuers and underwriters regarding investment opportunities surrounding the structure of bonds, allocation of proceeds and sustainability attributes. Management teams and underwriters are particularly interested in our views when it comes to the structuring and reporting requirements of labelled sustainable debt. We are also 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. Participating in these groups is particularly important when it comes to investment opportunities that may have more challenged engagement access such as sovereigns, and in providing guidance on the evolving sustainable debt landscape.

Institutional Proxy Voting Process

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



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

OUTCOME

ENGAGEMENT: SECTORS WITH MEANINGFUL DECARBONISATION CHALLENGES

This engagement took place before the issuance of a labelled green bond. Within the airports sector, we work to identify those that are proactive in managing their own environmental footprint in such a way that can improve efficiency and resiliency of their operations and mitigate potential negative impacts to the communities in which they are located. With this in mind, entering the engagement, we were uncertain about the environmental credentials of the project being funded, which is especially important to our process when evaluating labelled bonds. We were pleased to learn that the airport was aiming for LEED Gold certification and that it had implemented several initiatives, including the installation of solar panels, the use of green roofs and the transition to fully electric ground service equipment. Through this engagement, we also learned that the airport is playing a central role in facilitating the use of Sustainable Aviation Fuel by building relationships with airlines and pipeline providers, which is going to be important as the aviation sector continues to work to decarbonise. As a result of this engagement, the team gained confidence in the credentials of the issuance and overall strategy of the airport, and this contributed to the decision to invest.



OUTCOME

2023 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 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	Resolution failed to pass
Next Steps	We continue to focus on AI in our engagement efforts with Alphabet and other similar companies as they increase investment in this area. We have previously submitted question on this topic to Alphabets "ESG Investor Calls" and will continue to do so as appropriate in the future.



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	Chipotle Mexican Grill
Proposal	Adopt Policy to Not Interfere with Freedom of Association Rights
Proponent	Shareholder
Management Recommendation	Against
Policy Recommendation	For
Vote Cast	Against
Vote rationale	The proponent is asking the board to adopt and disclose a policy on its commitment to respect the rights and freedom of association and collective bargaining, including specific provisions the policy should include. Through our engagement with Chipotle on both labour practices generally and on this proposal specifically, it is our view that the nature of this proposal was too prescriptive in certain aspects, and we believe that Chipotle has demonstrated a good track record of addressing worker issues.
Outcome	Resolution failed to pass
Next Steps	We continue to focus on labour in our engagement with and monitoring of Chipotle. This is a focus both because of the risks that labour mismanagement can pose but also because we view Chipotle to be a leader amongst its peers in labour management, and we seek to continually understand how this affects the company's competitive advantage.



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	Unilever PLC
Proposal	Advisory Vote to Ratify Named Executive Officers' Compensation
Proponent	Management
Management Recommendation	For
Policy Recommendation	Against
Vote Cast	Against
Vote Rationale	Through our due diligence, we identified that the incoming CEO's salary had been set higher than his predecessor's and at a significantly higher level than his salary at his prior company, and indeed above UK market peers. In our view, the company did not provide compelling justification for this remuneration package and, consequently, voted against this proposal and against the management recommendation.
Outcome	Resolution failed to pass
Next Steps	We continue to monitor the performance of the new CEO over time and evaluate future compensation proposals based on progress and his ability to deliver on targets.



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	Nexstar Media Group, Inc.
Proposal	Require an Independent Board Chair
Proponent	Shareholder
Management Recommendation	Against
Policy Recommendation	For
Vote Cast	Against
Vote Rationale	A vote against this proposal was warranted. Perry Sook fills both the roles of CEO and Chair of the Board, and the proposal could not have been implemented before 2026, when his contract expires. While we ultimately prefer separation of these roles, we believe in Perry's ability to lead the organisation and his significant contributions to Nexstar's success. This proposal would have prevented him from remaining as Chair post-retirement, which we did not consider beneficial for shareholders.
Outcome	Resolution failed to pass
Next Steps	We continue to believe that it would be preferable for Nexstar to separate the CEO and Chair roles. We intend to continue to engage as part of our ongoing monitoring



Certain of the information contained in this report represents or is based upon forward-looking statements or information. Forward-looking statements are inherently uncertain, and changing factors, such as those affecting the markets generally, or those affecting particular industries or issuers, may cause events or results to differ from those discussed.

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