Brown ADVISORY
Thoughtful Investing.

Brown Advisory Limited

Pillar 3 Disclosure & Remuneration Code Disclosures

Year Ended December 31, 2017

Pillar 3 Disclosure Statement

The Capital Requirements Directive (the ***Directive***) of the European Union establishes a revised regulatory capital framework across Europe governing the amount and nature of capital credit institutions and investment firms must maintain. In the United Kingdom, the Directive has been implemented by the Financial Conduct Authority (***FCA***) in its regulations through the General Prudential Sourcebook (***GENPRU***) and the Prudential Sourcebook for Banks, Building Societies and Investment Firms (***BIPRU***).

The FCA framework consists of three 'Pillars':

- Pillar 1 sets out the minimum capital amount that meets the firm's credit, market and operational risk;
- Pillar 2 requires the firm to assess whether its Pillar 1 capital is adequate to meet its risks and is subject to annual review by the FCA; and
- Pillar 3 requires disclosure of specified information about the underlying risk management controls and capital position.

The rules in BIPRU 11 set out the provision for Pillar 3 disclosure. This document is designed to meet our Pillar 3 obligations.

We are permitted to omit required disclosures if we believe that the information is immaterial such that omission would be unlikely to change or influence the decision of a reader relying on that information.

In addition, we may omit required disclosures where we believe that the information is regarded as proprietary or confidential. In our view, proprietary information is that which, if it were shared, would undermine our competitive position. Information is considered to be confidential where there are obligations binding us to confidentiality with our customers, suppliers and counterparties.

We have made no omissions on the grounds that it is immaterial, proprietary or confidential.

Scope and Application of the Requirements

Brown Advisory Limited (the ***Firm***) is authorised and regulated by the Financial Conduct Authority and as such is subject to minimum regulatory capital requirements. The Firm is a MiFID limited licence BIPRU firm and has a base capital requirement of €50,000. The Firm's activities include the provision of discretionary investment management services to individuals, families, charities and trusts. This is delivered using a 3-bucket framework creating an Investment Policy which addresses: (i) liquidity and cash needs; (ii) core long-term equity and fixed income portfolios, including income generation; and (iii) opportunistic investments to allow for timely tactical and/or higher risk investments, and as such has no trading book exposures.

From the FCA's perspective, the Firm is not a member of a consolidated group and so is not required to prepare consolidated reporting for prudential purposes.

Risk Management

The Firm is governed by its Board of Directors (the ***Board***) which determines its business strategy and risk appetite. The Board is also responsible for establishing and maintaining the Firm's governance arrangements along with designing and implementing a risk management framework that recognises the risks that the business faces. The day-to-day monitoring of these risks is undertaken by senior managers with the Firm and the Firm's Committees which report to the Board.

The Firm's senior management also determine how the risks our business faces may be mitigated and assess on an ongoing basis the arrangements to manage those risks. The Firm's Board and members of senior management meet on a regular basis and discuss current projections for profitability, cash flow, regulatory capital management, and business planning and risk management. The Firm's senior management manage the Firm's risks through a framework of policy and procedures having regard to relevant laws, standards, principles and rules (including FCA Principles and Rules) with the aim to operate a defined and transparent risk management framework. These policies and procedures are updated as required.

The Firm's senior management have identified that business, operational, market and credit risks are the main areas of risk to which the Firm is exposed. Annually, the Firm's senior management formally review the risks, controls and other risk mitigation arrangements and assess the effectiveness of these controls and mitigants. Where the Firm's senior management identify material risks they consider the financial impact of these risks as part of our business planning and capital management and conclude whether the amount of regulatory capital is adequate.

Regulatory Capital

The Firm is a limited licence firm and its capital arrangements are established in its Articles of Association.

The main features of the Firm's capital resources for regulatory purposes are as follows:

Capital item	**£'000**
Tier 1 capital less innovative tier 1 capital	3,209
Total tier 2, innovative tier 1 and tier 3 capital	-
Deductions from tier 1 and tier 2 capital	-
Total capital resources, net of deductions	3,209

The Firm is small with a simple operational infrastructure. Its market risk is limited to foreign exchange risk on its accounts receivable and bank deposits in foreign currency, and credit risk from both commission receivable from clients and bank deposits. The Firm follows the standardised approach to market risk and the simplified standard approach to credit risk. The Firm is subject to the Fixed Overhead Requirement and is not required to calculate an operational risk capital charge though it considers this as part of its process to identify the level of risk based capital required.

As discussed above, the Firm is a limited licence firm and as such its capital requirements are the greater of:

- Its base capital requirement of €50,000; or
- The sum of its market and credit risk requirements; or
- Its Fixed Overhead Requirement.

The sum of the Firm's market and credit risk requirement currently sits well below its Fixed Overhead Requirement. It is therefore the Firm's experience that the Fixed Overhead Requirement establishes its capital requirements.

Remuneration Code Disclosure Statement

Brown Advisory Limited (the ***Firm***) is authorised and regulated by the Financial Conduct Authority as a limited licence BIPRU Firm and so, it is subject to FCA Rules on remuneration. These are contained in the FCA's Remuneration Code located in the SYSC Sourcebook of the FCA's Handbook. The Remuneration Code (the ***RemCode***) covers an individual's total remuneration, fixed and variable. The Firm incentivises staff through a combination of the two.

Our policy is designed to ensure that we comply with the RemCode and our compensation arrangements:

1. are consistent with and promote sound and effective risk management;
2. do not encourage excessive risk taking;
3. include measures to avoid conflicts of interest; and
4. are in line with the Firm's business strategy, objectives, values and long-term interests.

Proportionality

Enshrined in the European remuneration provisions is the principle of proportionality. The FCA has sought to apply proportionality in the first instance by categorising firms into 3 remuneration levels. The Firm falls within the FCA's third proportionality level and as such this disclosure is made in line with the requirements for a Level 3 Firm.

Application of the requirements

We are required to disclose certain information on at least an annual basis regarding our remuneration policy and practices for those staff whose professional activities have a material impact on the risk profile of the Firm. Our disclosure is made in accordance with our size, internal organisation and the nature, scope and complexity of our activities.

1. Summary of information on the decision-making process used for determining the Firm's remuneration policy including use of external benchmarking consultants where relevant.

    - The Firm's policy has been agreed by the Senior Management in line with the RemCode principles laid down by the FCA.
    - Due to the size, nature and complexity of the Firm, we are not required to appoint an independent remuneration committee.
    - The Firm's policy will be reviewed as part of the annual process and procedures, or following a significant change to the business requiring an update to its internal capital adequacy assessment.
    - The Firm's ability to pay bonuses is based on the performance of the Firm overall and derived after commissions and profits have been calculated.

2. Summary of how the Firm links pay and performance.

   - Individuals are rewarded based on their contribution to the overall strategy of the business.

   - Other factors such as performance, reliability, effectiveness of controls, business development and contribution to the business are taken into account when assessing the performance of the senior staff responsible for the infrastructure of the firm.

3. Aggregate quantitative information on remuneration

   We may omit required disclosures where we believe that the information could be regarded as prejudicial to the UK transposition of Directive 95/46/EC of the European Parliament and of the Council of October 24, 1995 on the protection of individuals with regard to the processing of personal data and on the free movement of such data.

   Having considered the nature of the aggregate quantitative information on remuneration both in the context of significant business division and in the context of Code Staff whose actions impact on the risk profile of the firm, we are of the view that, given the size and nature of the Firm, disclosing such information for the year ended December 31, 2017, would not be consistent with our obligation to protect the personal data of our employees.

   Should further information be required on this point, the Firm's Compliance Department should be contacted on: LondonCompliance@brownadvisory.com.