Thoughtful Investing.

GLOBAL SUSTAINABLE TOTAL RETURN BOND STRATEGY

Reporting on the impact of our investment decisions

2022

LETTER OF INTRODUCTION FROM THE PORTFOLIO MANAGERS

Our 2022 impact report builds on our commitment to measuring, documenting and communicating the outcomes that our strategy produces for our clients. We firmly believe that there does not have to be a trade-off between strong performance and smart investments that help address global sustainability challenges.

The report includes a review of how we conduct and use ESG research to drive returns, and how we think the investments in our portfolio are helping to create positive environmental and social outcomes. We also discuss how we engage with issuers—sometimes for ESG due diligence, sometimes for impact and other times in an advisory capacity with issuers seeking guidance or feedback on structuring labeled bond offerings. Further, we discuss our participation in the broader sustainable investing community; collaboration helps us enhance our knowledge, and provides us the opportunity to help maintain positive and credible momentum in this space alongside many other stakeholders.

While the availability of ESG data across various asset types in fixed income is improving over time, the quality and standardisation of data continues to be a challenge. Despite this, since the inception of this strategy in 2022, we have been dedicated to assessing material ESG risks and sustainable opportunities within every investment we consider. To help our clients better understand how we integrate ESG and how that manifests itself across all fixed income sectors, this year, we published a focused, fixed income supplement to our firm's institutional sustainable investment policy.

This year, we also added additional sector expertise to our ESG and fundamental research teams, to support our growing global sustainable fixed income platform. As always, we thank our teammates for their continued collaboration and tireless efforts to ensure that our investment decisions are informed by trustworthy data and analysis.

It has been incredibly rewarding to see the evolution in sustainable fixed income, and much has changed in this space since Brown Advisory launched our first strategies nearly a decade ago. We have seen firsthand how global crises have shone a bright spotlight on sustainable investing, revealing both positives and negatives about how it is broadly practiced. Despite regional differences in its implementation and regulatory scrutiny that has accompanied the recent rise of sustainable investing, the demand for investments that are augmented with ESG research continues to grow. We think this is at least in part due to growing awareness that public-market capital needs to be aligned to address the massive sustainability challenges the world faces today.

Despite the rapid changes occurring within this space, we have not altered our investment process, and we remain committed to our focus on both performance and impact. We hope you find this report informative and we welcome a conversation with you about the work we are doing.

Sincerely,

Chris Diaz, CFA
Portfolio Manager

Ryan Myerberg
Portfolio Manager

Colby Stilson
Portfolio Manager

THE GLOBAL SUSTAINABLE FIXED INCOME TEAM

Chris Diaz, CFA
Portfolio Manager

Ryan Myerberg
Portfolio Manager

Colby Stilson
Portfolio Manager

This strategy is supported by a collaborative team of experience fixed income and equity portfolio managers and research analysts.

Brown Advisory's ESG research team is embedded within the fixed income and equity research team focused on ESG risks, sustainable opportunities and use of proceeds.

TABLE OF CONTENTS

EVOLUTION OF BROWN ADVISORY'S SUSTAINABLE INVESTING (SI) PLATFORM OVER TIME

2009

INTEGRATION OF ESG AND FUNDAMENTAL RESEARCH

- Winslow Management Company joined Brown Advisory, bringing 25+ years expertise in ESG investing
- Inception of Brown Advisory's sustainable investing platform, utilizing ESG research as a value-added component of individual security analysis, integrated with fundamental analysis

2010

INCEPTION OF SI EQUITY PLATFORM

- Launch of first U.S. sustainable equity strategy: U.S. Large-Cap Sustainable Growth (launched on 12/31/2009)
- Expansion of platform with subsequent strategy launches: U.S. Sustainable Small-Cap Core (2017) and U.S. Sustainable Income (2021)

2014

INCEPTION OF SI FIXED INCOME PLATFORM

- Launch of first U.S. sustainable fixed income strategies: U.S. Sustainable Core Fixed Income and U.S. Tax-Exempt Sustainable Fixed Income
- Expansion of platform with launch of U.S. Sustainable Short Duration strategy (2017)

Through Present Day

PLATFORM EXPANSION: GLOBAL REACH, NEW STRATEGIES

- 2015: Launch of Global Leaders, the firm's first global sustainable equity strategy
- 2021: Launch of Sustainable International Leaders equity strategy
- 2022: Expansion into global fixed income highlighted by launch of Global Sustainable Total Return Bond strategy
- 2022: Launch of U.S. Large-Cap Sustainable Value strategy

BROWN ADVISORY SUSTAINABLE INVESTMENT STRATEGIES

	Investment Universe	Inception Month	Portfolio Manager(s)
EQUITIES			
Global Leaders*	Global Equity	May 2015	Mick Dillon, Bertie Thomson
Global Focus	Global Equity	Sep. 2017	Mick Dillon, Bertie Thomson
Sustainable International Leaders	Global ex-U.S.	Sep. 2021	Priyanka Agnihotri
U.S. Sustainable Income	U.S. Large-Cap	Sep. 2021	Emily Dwyer, Brian Graney
U.S. Large-Cap Sustainable Growth	U.S. Large-Cap	Dec. 2009	Karina Funk, David Powell
U.S. Core ESG	U.S. Large-Cap	Mar. 2019	Emily Dwyer, Ken Coe, Tim Hathaway
U.S. Sustainable Small-Cap Core	U.S. Small-Cap	Jun. 2017	Emily Dwyer, Tim Hathaway
U.S. Large-Cap Sustainable Value	U.S. Large-Cap	Sep. 2022	Michael Poggi
FIXED INCOME			
Global Sustainable Total Return Bond	Global Multisector	Feb. 2022	Chris Diaz, Ryan Myerberg, Colby Stilson
U.S. Sustainable Core	U.S. Multisector	Sep. 2014	Chris Diaz, Amy Hauter, Colby Stilson
U.S. Sustainable Short Duration	U.S. Short-Duration	Jan. 2017	Amy Hauter, Jason Vlosich
U.S. Tax-Exempt Sustainable	U.S. Municipal	Sep. 2014	Amy Hauter, Stephen Shutz

*Global Leaders Sustainable available as a UCITS Fund.

INVESTMENT PHILOSOPHY & RESEARCH APPROACH

We find that a sustainable mindset is especially well-suited for fixed income investing. From a performance standpoint, we believe that we can build attractive, well-diversified portfolios with a combination of bonds funding impactful projects, and bonds from companies, countries or government agencies that are managing ESG risks well.

From an impact standpoint, bond issuers often can offer investors a high degree of clarity regarding use of proceeds, so those investors can essentially lend money to an issuer and see with reasonable transparency how that money is being spent. Standards such as those created by the International Capital Markets Association (ICMA), including the Green Bond Principles, have further enhanced this transparency regarding use of proceeds. Recently, we have also seen the European Union enter the final stages of approving the European Green Bond Standard, which will be the world's first labeled bond regulatory framework.

We seek to conduct fundamental and ESG research within a single, unified due diligence process, which helps ensure that impact and ESG considerations are a core part of our investment thesis. The diagrams on page 6 depict how ESG factors, generally, are woven into our fundamental research process, and how that research, in our belief, leads us to compelling and impactful investment opportunities. (Note that we adapt our research approach to fit specific fixed income asset classes; the illustration at the top of page 6 is most representative of corporate/sovereign bonds, whereas research in other asset classes might extend into other, more relevant categories.)

While the primary goal of our fundamental and ESG research is to drive investment performance, we have found that our process also leads us consistently to bond issuers that are having, in our view, a positive impact on the world.

OBJECTIVES & INVESTMENT PROCESS

We seek to build a global fixed income portfolio that can generate attractive risk-adjusted returns through the economic cycle while producing positive social and environmental impacts through the specific uses of bond proceeds and/or the general activities of the issuer. Conventional wisdom has long held that performance and impact goals are at odds with each other, but we have found our approach to sustainable investing can enhance our returns by steering us to responsible and forward-thinking issuers. Furthermore, we believe that many ESG factors are becoming increasingly economic. For example, physical and transition risk stemming from climate change are likely to increase, and opportunities to invest in issuers developing technologies that provide climate mitigation or adaptation solutions will increase too.

Our ESG research approach involves both quantitative and qualitative analysis, and is supported by a proprietary ESG rating framework we use to stratify issuer risk. (For more information on Brown Advisory's ESG research approach, please review our firm's Institutional Sustainable Investing Policy and the fixed income supplement to that policy, both of which can be found on our website.) When possible, our ESG research team incorporates third-party data into the analysis, though this remains just one component of the process. Historically, availability of ESG data within fixed income was fairly limited, particularly in non-corporate sectors. However, the industry is making continued progress on this front and we now have more research tools at our disposal, such as new geospatial ESG datasets from third-party providers that are greatly improving our ability to assess ESG issues in the sovereign and mortgage spaces.

We have also found that this integrated approach has a positive influence on our investment decision-making. Our process gives us a better understanding of an issuer's ESG profile and its intended use of proceeds, and we believe this knowledge helps us allocate capital to bonds with a higher likelihood of producing desirable returns.

We believe that the asymmetric nature of fixed income and the increasing economic convergence of ESG and fundamental factors lead to better risk-adjusted returns.

A FULLY INTEGRATED SUSTAINABLE INVESTMENT APPROACH

As part of our comprehensive investment process, both fundamental and ESG factors are given equal consideration in our research, influencing investment decisions as well as sell decisions. We believe in a holistic approach that recognizes the significance of both these aspects in achieving our investment goals.

RESEARCH AND ANALYSIS

Different asset classes (corporates, municipals, sovereigns, mortgages, etc.) require consideration of different factors; the illustration below, for example, shows how considerations may differ when analyzing corporate credit versus sovereign bonds.

	CORPORATE CREDIT		SOVEREIGN BONDS
FUNDAMENTALS	▪ Ability to generate free cash flow and meet debt obligations	**Financial indicators**	▪ Ability and willingness to meet debt obligations ▪ Economic growth and fiscal policy
FUNDAMENTALS	▪ Management team, skills and intentions	**Non-financial indicators**	▪ Central bank independence, domestic and geopolitical landscape
FUNDAMENTALS	▪ Analyse issuer and issue ▪ Covenants and legal framework	**Bond Analysis**	▪ Analyse issuer and issue FX, rates and yield opportunities ▪ Institutional effectiveness and political risks
ESG RESEARCH	▪ Employee health and safety ▪ Training and development ▪ Diversity, equity and inclusion	**Social**	▪ Health and education outcomes ▪ Employment and economic opportunity ▪ Inequality
ESG RESEARCH	▪ Climate transition plans ▪ Resource intensity ▪ Physical climate risk vulnerability ▪ Supply chain resiliency	**Environment**	▪ Climate transition plans ▪ Resource intensity ▪ Physical climate risk vulnerability ▪ Economic resiliency
ESG RESEARCH	▪ Business ethics ▪ Management team quality and incentives ▪ Board composition and oversight	**Governance**	▪ Control of corruption ▪ Government effectiveness ▪ Voice and accountability

INVESTMENT DECISIONS

Our investment decisions involve a complex balance of factors, as depicted below. We believe that our approach, which combines top-down dynamic asset allocation with bottom-up research, helps us in our efforts to drive returns, preserve capital and unlock opportunities for positive impact.

Top-Down Dynamic Asset Allocation

GLOBAL MACRO ASSESSMENT

- *Fundamentals*
- *Valuation*
- *Positioning*
- *Technicals*
- *Duration*

TOP-DOWN ESG RESEARCH

- *Geopolitics*
- *Demographics*
- *Equality*
- *Regulation*
- *Climate Change*

FUNDAMENTAL RESEARCH

- *Valutation*
- *Industry Analysis*
- *Financial Modeling*
- *Liquidity*
- *Capital Structure*
- *Security Analysis*

BOTTOM-UP ESG RESEARCH

- *Carbon Utilization*
- *Exec. Compensation*
- *Environmental Liabilities*
- *Human Capital*

Bottom-Up Research

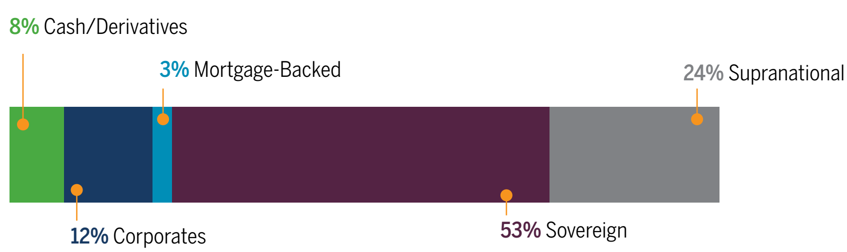
Source: Brown Advisory. The information provided in this material is not intended to be and should not be considered to be a recommendation or suggestion to engage in or refrain from a particular course of action or to make or hold a particular investment or pursue a particular investment strategy, including whether or not to buy, sell, or hold any of the securities mentioned. It should not be assumed that investments in such securities have been or will be profitable. Please see the end of this report for important disclosures.

DIVERSIFICATION BY FIXED INCOME SECTOR

A primary goal of the strategy is to provide a portfolio of sustainable investment that produce positive impact across diverse social and environmental arenas. As shown below, the portfolio covered a range of traditional fixed income sectors as of the end of 2022—this allows us to avoid concentration risk and helps us allocate capital strategically and tactically using a dynamic approach to asset allocation based on our ongoing assessment of fixed income markets.

While our approach to sector allocation is based on financial considerations, it is also a source of impact diversity for the portfolio. Many mortgage bonds we consider support affordable housing, and we continue to see a number of mortgage pools focused on environmental efficiencies. Asset-backed securities let us look at specific collateral across multiple themes, such as agricultural equipment leases that help farmers improve yields, or consumer loan pools focused on lower- and middle-income borrowers. Corporate bonds can help companies meet climate transition targets; supranational entities often provide aid to address critical global sustainability challenges. In short, we find that our approach to diversification naturally expands the range of issuers we evaluate and the social or environmental issues reflected in the portfolio.

Corporate:	Companies that have embedded sustainability into core operations or offerings
Mortgage-Backed Securities:	MBS and CMBS focused on low-income homeowners, affordable multifamily units, sustainable commercial buildings or environmental improvement projects
Asset-Backed Securities:	Securities backed by collateral that provide environmental or social impact
Supranational:	Funding an assortment of socially and environmentally impactful projects
Sovereigns:	Countries addressing a variety of environmental and social challenges through government actions



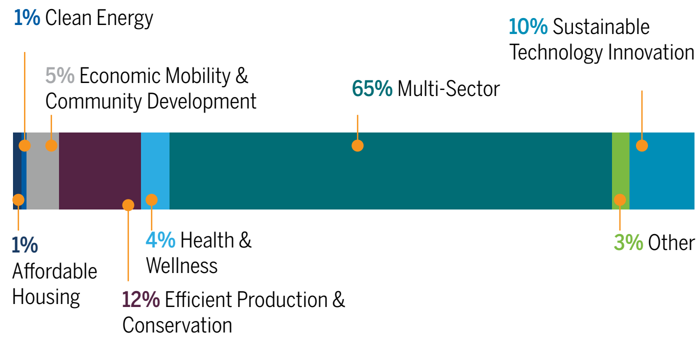
Source: Brown Advisory analysis. Numbers may not total to 100% due to rounding. Portfolio information is based on a Brown Advisory Global Sustainable Total Return Bond representative account as of December 31, 2022 and includes sovereign, cash and derivatives. To access the full holdings and their sustainable drivers profile, please click here.

CORPORATE, SECURITISED AND SUPRANATIONAL IMPACT CATEGORIZATION

For our corporate, securitised and supranational holdings we have a fairly straightforward segmentation into three main categories—environment and climate, health and well-being, and economic development/social inclusion—each with several subcategories. We also hold a number of bonds from supranational and financial institutions that are financing a variety of environmental and social projects and are classified as Multi-sector. We do not target any particular impact mix, and we have found ample opportunity to invest in 'issuers' and 'securities' that address a wide range of social and environmental issues. These themes align well with the U.N. Sustainable Development Goals (SDGs), as noted below.

DIVERSIFICATION BY IMPACT THEME

Breaking the portfolio out by impact themes illustrates the different societal challenges that our holdings are aiming to address through their utilization of proceeds, general operations or product and service offerings. Categorizing each security's impact is not an exact science—our research is based on both objective data and subjective analysis, and many securities produce impact on multiple fronts.



Source: Brown Advisory Analysis. Numbers may not total to 100% due to rounding. Sector allocation and diversification information is based on a Brown Advisory Global Sustainable Total Return Bond representative account as of Dec. 31, 2022 and excludes sovereign, cash and derivatives.

DIVERSIFICATION BY IMPACT SOURCE

We also seek to diversify the strategy by "impact source"—by this, we mean the manner in which a given bond generates impact, whether from the projects funded by the bond's proceeds, the general activities of the issuer or a combination of both (see chart below).

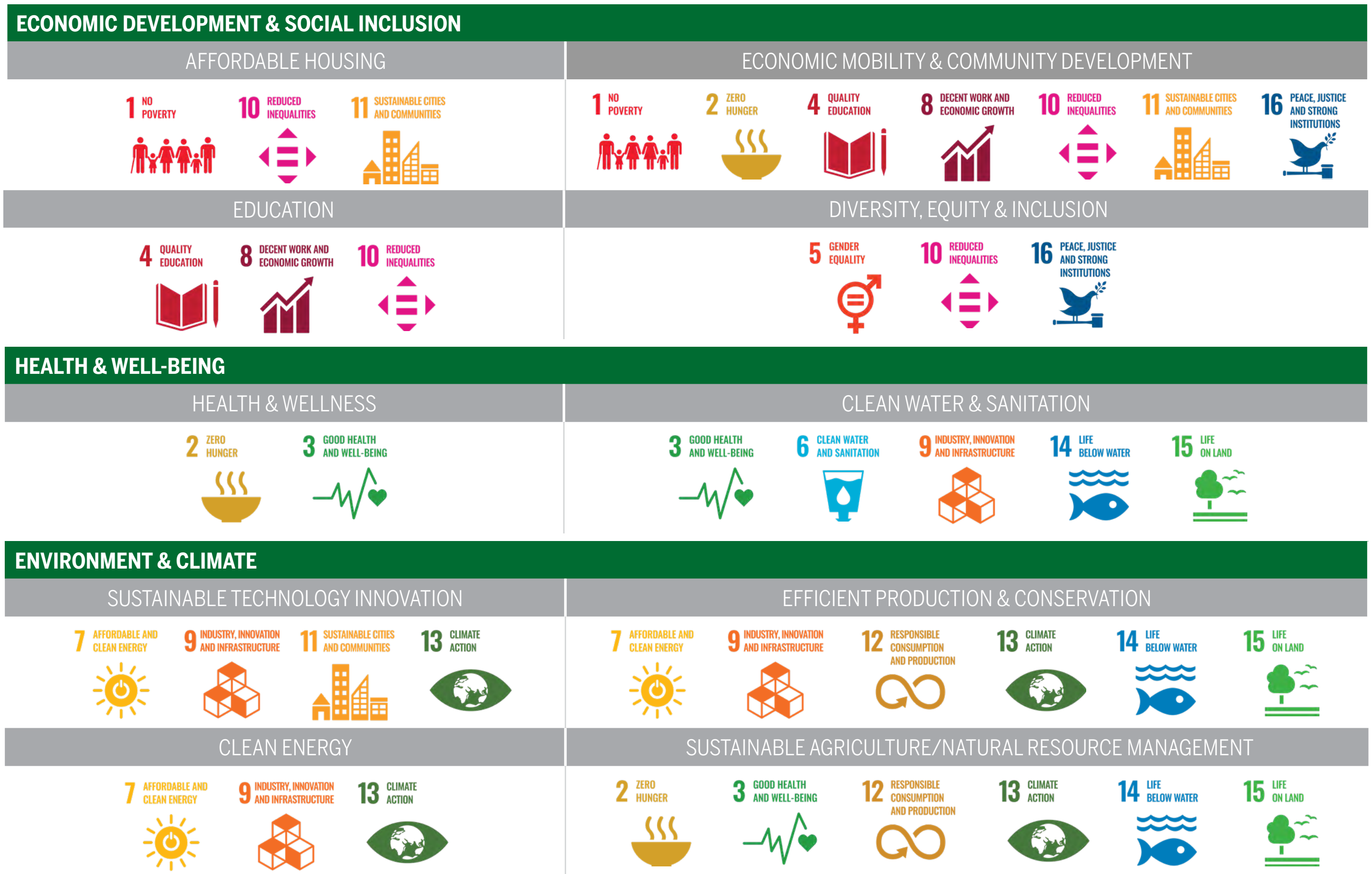
As we've discussed in this report, many of our bonds seek to generate impact by deploying proceeds on specific social and environmental initiatives. A growing number of these bonds are being issued as "labelled" green, social or sustainability bonds, and we seek out bonds that, in our view, adhere to the voluntary labelling guidelines created by the ICMA. As of Dec. 31, 2022, 18 % of the portfolio was invested in labelled bonds where proceeds were being deployed on projects and initiatives that produce positive environmental or social impacts.

Through our research we sometimes also find bonds that aren't fully aligned with the ICMA Principles, but nonetheless deploy their proceeds in a positive, impactful manner. We refer to these unlabelled bonds as "targeted use of proceeds" bonds. While the strategy did not have any bonds in the is category as of Dec. 31, 2022, it remains an area the team looks for opportunities.

Issuers in our portfolio seek to generate impact in several different ways. Some create impact via the projects funded by labeled or unlabeled bonds, while others do so via their general activities and operations.

- **Labeled green, social or sustainability bonds** fund and report on impact initiatives in adherence with the ICMA Principles.
- **Targeted use of proceeds bonds** are not labeled but nonetheless fund environmentally or socially impactful activity.
- **Impactful issuers** are, in our assessment, generating positive impact with their products, services or operations. The bonds we hold from these issuers generally do not offer specific pledges regarding the use of proceeds on impactful projects.

Source for both charts: Brown Advisory analysis. Sectors are based on Bloomberg's classification system. Numbers may not total to 100% due to rounding. Sector allocation and diversification information is based on a Brown Advisory Global Sustainable Total Return Bond representative account as of Dec. 31, 2022 and excluding sovereigns, cash and derivatives.



Source: United Nations, Brown Advisory analysis.

APPROACH TO IMPACT FOR SOVEREIGN DEBT

Using our sovereign ESG research approach, we identify sovereign issuers that we believe are demonstrably accelerating the carbon transition, investing in human capital, and promoting economic development. However, investing in sovereign debt can be a balancing act from an impact standpoint as countries can have a wide range of impact, both positive and negative, on the world around them and within their own borders. We look for sovereign issuers that, in our view, are broadly producing a net positive impact on society, and are also driving progress on one or more of our impact themes.

With this context in mind, we believe it is too simplistic to map a sovereign to one specific impact theme as we have traditionally done in other asset classes. Instead, we have mapped the key ESG factors from our sovereign ESG framework to the United Nations Sustainable Development Goals (SDGs) to provide a balanced view of how a sovereign is performing across environmental, social and governance issues. For each sovereign held in the strategy we assess the direction of the country's momentum on the issue (i.e. improving, neutral and deteriorating) and the quartile in which the country performs. Below we provide a summary of all the key ESG factors we look at, and report how our quantitative analysis indicates all countries whose debt was held as of year-end to have performed.

However, it is important to note that quantitative data alone does not tell the full story either because it is lagging, incomplete, or fails to provide the full contextual understanding of a country. This is why qualitative analysis and peer group comparison is also an important component to our process.

ENVIRONMENT

CARBON TRANSITION

How a country is managing the transition to a low-carbon economy through greenhouse gas emissions reductions, renewable energy investments, and supportive economic activity.

NATURAL RESOURCE MANAGEMENT & CLIMATE CHANGE

How a country is managing their natural capital and the physical risks of climate change such that they will be more resilient over the long-term.

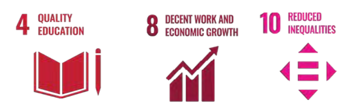
SOCIAL

ECONOMIC OPPORTUNITY

How a country is creating economic opportunity and promoting equality for its citizens to support sustainable economic growth.

EDUCATION

How a country is investing in education and R&D to strengthen its human capital, promote greater innovation and economic competitiveness.



HEALTH

How a country is investing in and promoting the health and well-being of its citizens.

GOVERNANCE

CIVIL LIBERTIES & SECURITY

How a country is held accountable by its citizens and protecting their safety and security in order to preserve political stability and avoid civil unrest.

CORRUPTION & TRANSPARENCY

How a country is allocating its budget in a transparent and efficient manner in order to serve the best interest of its stakeholders.

INSTITUTIONAL STRENGTH & REGULATORY ENVIRONMENT

How a country's institutions are set up to provide stability in governance and a reliable business environment for the private sector.

SUSTAINABILITY PROFILES FOR SOVEREIGN HOLDINGS

	Carbon Transition	Natural Resource Management & Climate Change	Economic Opportunity	Education	Health	Civil Liberties & Securities	Corruption & Transparency	Institutional Strength & Regulatory Environment
Australia	● 4	● 1	▲ 1	● 1	● 1	▼ 1	● 1	● 1
Canada	● 3	● 1	● 1	● 1	● 1	● 1	▼ 1	● 1
Japan	● 3	▲ 1	▲ 1	● 1	● 1	● 1	▼ 1	● 1
Mexico	● 3	● 2	▼ 4	▼ 2	● 2	● 4	● 2	▼ 1
New Zealand	● 2	● 1	▲ 1	● 1	▲ 1	● 1	● 1	● 1
Portugal	● 2	● 1	▲ 1	● 1	● 1	● 1	● 1	● 1
Spain	● 2	● 1	▼ 2	● 1	● 1	▼ 1	● 1	▼ 1
United States	● 3	● 1	● 2	● 1	● 1	▼ 2	▼ 1	▼ 1

Strongest - - - - - - - - - Weakest

LEGEND		
	Quartile across universe	1 2 3 4
	10yr momentum direction	▲ IMPROVING ● NEUTRAL ▼ DETERIORATING

To to access the full document please click here.
Source: Internal Brown Advisory analysis, we may use a variety of data sources such as official statements (e.g. Moody's), public/private databases (e.g. World Bank) and news aggregators (e.g. GeoQuant). The conclusions provided are based on research of Brown Advisory's ESG team.

IMPACT METRICS AT A GLANCE

The immense challenge of decarbonising our atmosphere is projected to require trillions of U.S.dollars of annual investment over the next several decades, and we believe the fixed income markets are poised to play an essential role in financing that massive effort.

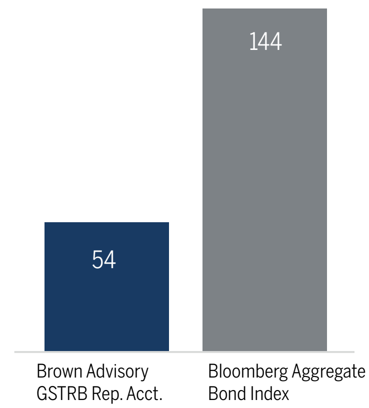
We seek to address climate change and decarbonisation in several ways. We consider an issuer's overall carbon footprint as a part of our investment thesis, and we encourage issuers to make progress with setting and pursuing emission reduction targets. Further, we have worked for years alongside ICMA, CDP and other industry partners to establish emissions reporting standards for all fixed income sectors, and to determine the best ways forward in terms of seeking and monitoring net-zero commitments from the issuers represented in our portfolios.

Currently, we believe we have sufficient information to report emissions and emission reduction goal data for two asset classes: corporates and sovereigns. We are working with CDP and other investor coalitions on several multiyear initiatives aimed at creating reliable datasets for other fixed income asset classes such as municipals and securitised bonds, and we are hopeful that this work will bear fruit in coming years.

PARTIAL CARBON EMISSIONS DATA: PORTFOLIO VS. BENCHMARK

CORPORATE BOND ALLOCATION ONLY, as of Dec. 31. 2022

Carbon emissions information is available from the corporate issuers in the portfolio (representing about 12% of the portfolio, as noted on page 7). The information is illustrative of the corporate bond portion of our portfolio, but is not a full representation of the portfolio.



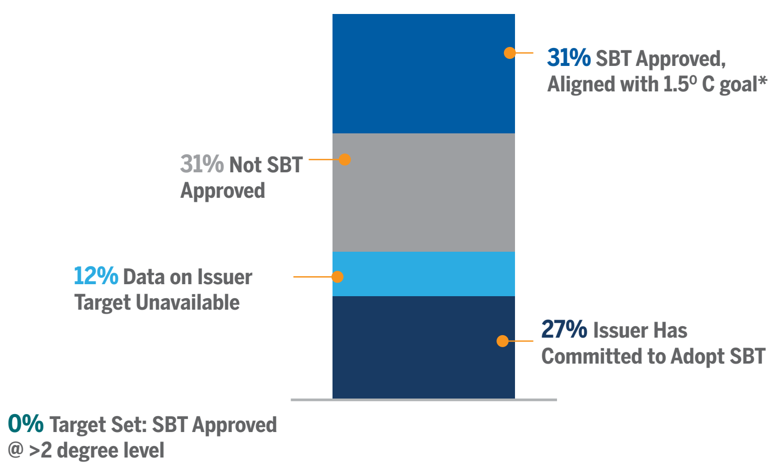
Source: Brown Advisory Global Sustainable Total Return Bond Strategy and Bloomberg Aggregate Bond Index as of 12/31/2022. Weighted Average Carbon Intensity (Tons CO_2e/$M revenue of corporate sector portfolio holdings, adjusted based on relative weighting of each holding)

SCIENCE-BASED TARGETS (SBTs)

CORPORATE BOND ALLOCATION ONLY, as of Dec. 31, 2022

The setting of SBTs is a practice that companies may adopt in an effort to improve corporate carbon strategies by emphasizing actual reductions vs. offsets, and by aligning corporate targets with the broader global Paris Agreement goals. The Science-Based Targets Initiative (SBTi) is the most widely used verifier of emissions reduction targets. Though we do not have preference for SBTi specifically, we do prefer companies seek to have their targets verified by a third-party. This chart only measures the progress of our portfolio's corporate issuers toward setting SBTs—it is not representative of the entire portfolio.

Regardless of whether issuers set public targets or submit them for SBTi approval, we seek to engage with them to understand their decarbonization strategies and to seek improved transparency and disclosure.



Source: MSCI ESG Manager and Brown Advisory analysis. *SBTi approves targets that it believes are in line with meeting the goals of the Paris Agreement: limiting global warming to well-below 2°C above pre-industrial levels, and pursuing efforts to limit warming to 1.5°C. Data reflects portfolio holdings as of Dec. 31, 2022. We do not engage with every issuer or company, we engage only when we believe it will be material to our investment decisions. Portfolio information is based on a Brown Advisory Global Sustainable Total Return Bond representative account as of Dec. 31, 2022.

SOVEREIGN CARBON

SOVEREIGN BOND ALLOCATION ONLY, as of Dec. 31. 2022

The standardisation of emissions data and emission reduction targets for sovereign issuers is still a work in process, and as such we seek to take as holistic a view as possible when assessing and reporting this data. For example, when reviewing emissions data, we believe that it can be illuminating to look at both emissions per capita and emissions per nominal GDP. For example, in the table below Mexico has the highest emissions intensity when measured per nominal GDP leading it to appear to be a laggard; however when emissions are looked at in the context of population size they are one of the top performers. While disclosures are increasing, we intend to continue to engage with sovereign issuers and with the industry more broadly to seek increased more standardized disclosure in this asset class.

As we continue to explore opportunities for greater standardization, we do not provide a comparison to a benchmark. However, we believe it is important to start somewhere as you can't manage what you cannot measure.

Country	Emissions Goal	Location of Emissions Goal Disclosure	Tons of GHG Emissions	
			Per capita	Per USD million GDP (nominal)
Australia	Net zero	In policy document	21.1	416.4
Canada	Net zero	In law	18.8	426.1
Japan	Net zero	In law	9.4	281.8
Mexico	Carbon neutral(ity)	Proposed / in discussion	5.6	672.4
New Zealand	Emissions reduction target	In law	15.9	384.8
Portugal	Carbon neutral	In law	5.5	266.9
Spain	Climate neutral	In law	6.5	254.6
United States	Net zero	In policy document	17.7	302.6

Source: The Net Zero Tracker and MSCI. The terminology used in the column titled "Emissions Goals" is based on how the respective countries self-labels their commitment in the location described in the column titled "Location of Emissions Goal Disclosure"

Takeda Pharmaceuticals

IMPACT SOURCE:
Impactful Issuer

IMPACT THEME:
Health & Well-Being

SDG THEMES:

2 ZERO HUNGER

3 GOOD HEALTH AND WELL-BEING

ISSUER SUMMARY

Takeda produces innovative medicines, providing life-saving and affordable treatments to patients with rare diseases and to populations with limited access to healthcare. In our view, the company achieves unique impact by treating diseases that afflict extremely small populations and by supporting emerging market populations by building health systems and expanding access to care. Patients with rare diseases are often overlooked due to their relatively small market size, but Takeda's specialisation in this rare disease treatment helps it to provide crucial care. Further supporting accessibility, it also ensures its treatments are affordable through a tiered pricing system and its Patient Assistance Programs, which shares the cost of treatment between the patient, the company, governments and NGOs so that the patient is only responsible for paying what they can afford.

As one of the largest global pharmaceutical companies, Takeda is leveraging its scale to expand global access to life-saving medications and strengthen health systems is areas with the highest unmet medical need. Since 2016, the company has treated and immunised 4.2 million children against preventable diseases, constructed 132 health facilities in remote areas, and trained nearly 45,000 health workers. Its efforts are concentrated in emerging markets, where access to life-saving services is often limited. We believe Takeda's work in emerging markets is not only highly impactful, but that it also positions the company to capitalise on strong growth opportunities going forward.

Orsted

IMPACT SOURCE:
Impactful Issuer, Labeled Bond

IMPACT THEME:
Clean Energy

SDG THEMES:

7 AFFORDABLE AND CLEAN ENERGY

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

13 CLIMATE ACTION

ISSUER SUMMARY

Orsted is a leader in offshore wind energy, and we expect it to play a key role in the energy transition. We view Orsted's climate action as best-in-class within the energy industry: its heavy investment in wind generation is replacing natural gas in its business portfolio. This shift will support the company's pledge to halve its scope 3 emissions by 2032 and to reach net zero across all emissions scopes by 2040. Orsted is currently in the final stages of phasing out its natural gas business in favor of renewable energy, which will support progress towards a 98% reduction in its GHG intensity by 2025. Orsted has also set a target to deliver net-positive biodiversity impact from all new renewable energy projects by 2030, with pilot projects like the deployment of 3D-printed reef to support marine life in Denmark and the restoration of the Humber Estuary in the UK already in place.

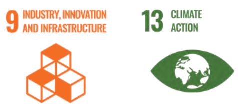
We also believe that Orsted is making a measurable positive impact for its workers and the communities it serves. It owns and operates the first offshore wind project in the United States, Block Island Wind Farm, which replaced diesel generation and which now powers 17,000 homes. It is also investing heavily in workers: in 2022, the company recruited and trained 40 workers from traditionally disadvantaged communities in New England. Along with its work in community engagement, we believe these efforts will make Orsted a leader in the just transition to clean energy.

NatWest Group

IMPACT SOURCE:
Impactful Issuer

IMPACT THEME:
Multi-Sector

SDG THEMES:



ISSUER SUMMARY

NatWest's position as a primarily UK-focused bank, almost c.40% owned by the UK government, servicing corporates, SMEs and individuals makes it uniquely positioned to support its customers to address the climate challenge. NatWest's climate and sustainable funding and financing target aims to provide £100 billion of sustainable financing by end of 2025. As a result, its green finance ratio – annualised green finance targets relative to fossil fuel financing – is seven. This indicates that its current sustainability targets are seven times greater than its current carbon-intensive exposure.

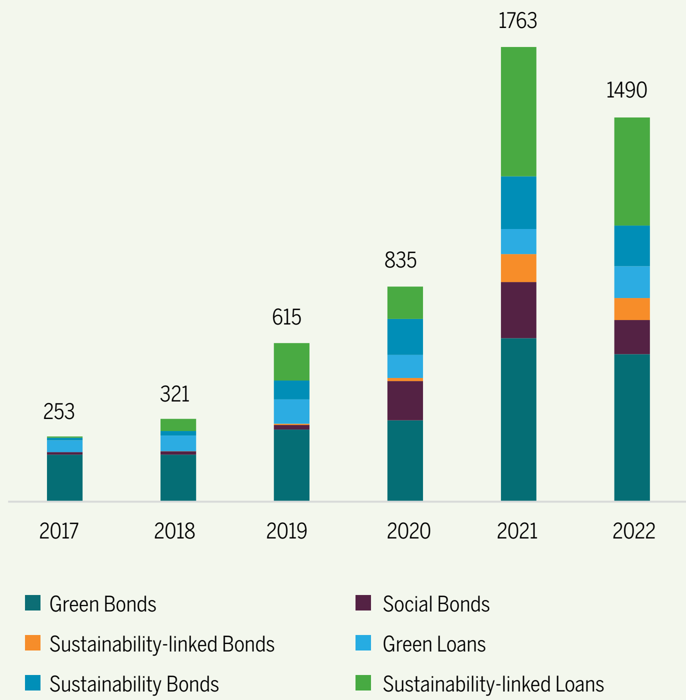
In addition to funding sustainable businesses and projects, NatWest has an interim net-zero target of reducing portfolio emissions by 50% by 2030. It shows significant intentionality behind its GHG strategy by developing deep value-chain work streams in areas like food production, retailing and housing. NatWest was the first UK bank, and one of the largest globally, to have science-based targets validated by the Science-Based Target Initiative (SBTi). It has also created industry emissions baselines for nine sectors, a key step in delivering reductions at the portfolio level. Finally, the CEO's pay is linked directly to the bank's performance on climate.

Source: Brown Advisory research, NatWest Group. The information provided in this material is not intended to be and should not be considered to be a recommendation or suggestion to engage in or refrain from a particular course of action or to make or hold a particular investment or pursue a particular investment strategy, including whether or not to buy, sell, or hold any of the securities mentioned. It should not be assumed that investments in such securities have been or will be profitable. To the extent specific securities are mentioned, they have been selected by the author on an objective basis to illustrate views expressed in the commentary and do not represent all of the securities purchased, sold or recommended for advisory clients. Portfolio information is based on a Brown Advisory Global Sustainable Total Return Bond representative account.

LABELED BOND MARKET:
2022 UPDATE

Annual issuance declined somewhat in this space in 2022, a first for the labeled debt market. Cumulative outstanding issuance exceeded ***$5.5 trillion*** at the end of 2022.

Labeled Debt Issuance, 2017-2022



Source: Bloomberg New Energy Finance

Total issuance in the labeled debt space fell 15% in 2022 to $1.49 trillion. The decline was the first for this nascent segment of the bond market since its inception in 2007, after several years of eye-popping growth. Issuance declined in every category except for green loans.

Several headwinds likely contributed to this result, such as higher borrowing costs, confusion on regulations and reporting requirements, reduced relief spending to address COVID-19, and heightened skepticism from investors about newer labeled-bond concepts (especially sustainability-linked bonds).

While EMEA continues to driver the largest issuance, APAC was the only region to see year over year growth driven by issuance from China, Japan, South Korea and Australia. China also became the largest green bond issuer as regulators included green finance activity as a metric in bank performance evaluations catalysing banks to issue more.

We seek to regularly engage with the issuers in our sustainable bond portfolios, and with other stakeholders. Sometimes the goal in these engagements is to inform our investment thesis, and other times the goal is to raise a specific idea, suggestion or perceive risk to an idea, suggestion, or perceived risk.

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 issuers in which they invest. We do not engage with every issuer or company, but do so when we believe engagement will be material to our investment decisions.

With respect to sustainable investing, we also believe that engagement is generally more impactful than avoidance or screening approaches that do not try to improve an issuer's practices. We believe the bond market offers unique opportunities for ESG engagement. The fixed income universe comprises many different types of issuers and structures that can impact critical investment risks such as climate change from multiple angles. We prioritize and tailor our engagements to try and maximize our own opportunities; for example, we tend to prioritize smaller or private companies, or non-corporate issuers, where we might have greater influence, while working with our counterparts in ESG equity research and with industry partners to engage with larger corporate issuers. Further, many debt issuers regularly return to the market to issue new debt, so they may have an incentive to engage with investors and build trust over time; the inherent turnover from bond issuance and maturity lets us be nimble in our engagement work, as each new issuance creates a fresh opportunity to engage.

Our ESG research team plays a critical role in formalizing our ESG engagement approach with issuers and stakeholders. We provide a closer look at this approach in our Engagement Policy Statement, available on our website. Here, we discuss some of the issues we have prioritized in recent years and offer a few examples of recent engagements.

DIFFERENT TYPES OF ENGAGEMENTS

ESG Due Diligence: We seek to conduct discussions with issuers and relevant stakeholders to inform our investment research. These conversations are a component of our ESG research and contribute to our portfolio decisions.

Impact: We seek to collaborate with bond issuers and industry groups to advocate for improved ESG practices, and continued implementation of existing ESG-related initiatives.

Advisory: We are asked by both issuers and underwriters for feedback on how to approach labeled bond issuance, impact reporting and a variety of other ESG- and impact-related matters. We hope that by sharing our thoughts, we can encourage more labeled issuance and a wider inventory of options for investors at any given moment. To be clear, we do not act formally as an advisor or consultant on these matters, we simply act as a sounding board.

Collaboration: We seek to partner with investor groups and nonprofits to help advance material financial risks issues. In 2022, our long-term partnership with CDP continued, through a variety of ongoing and new initiatives related to improving disclosure of emissions data, and with ICMA in its mission of social innovation within the fixed income market. The team's involvement with PRI has also deepened, with Amy Hauter joining UN PRI's credit risk and ratings initiative.

ISSUE PRIORITIES

Our engagements generally flow from our overall "bottom-up" orientation to investing—we seek to engage with each issuer on the specific risks and opportunities that we consider to be most relevant and material in each situation. However, Brown Advisory also strives to engage strategically on a common set of high-priority ESG topics that have wide-ranging relevance for many issuers.

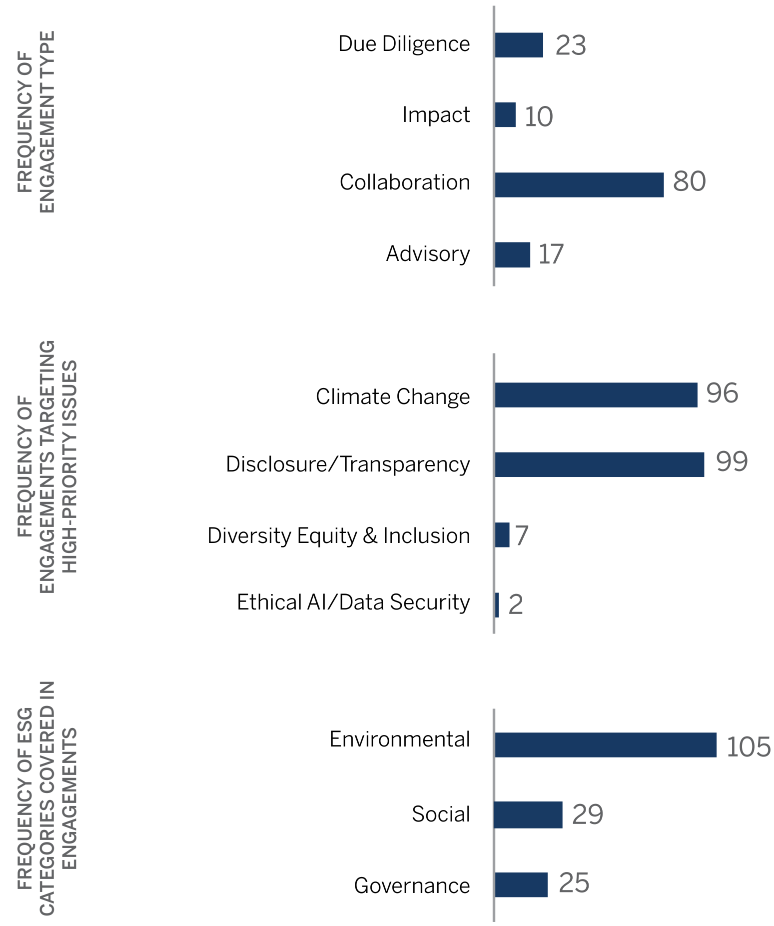
Our ESG research team aims to prioritize these based on several factors, including saliency (does the issue transcend materiality, with sweeping implications for all stakeholders), exposure (does the issue pose an outsized risk to our portfolio) as well as our belief in our ability to achieve progress on the issue.

In 2022, the firm's four high-priority ESG engagement topics were **climate change, disclosure/transparency, diversity, equity & inclusion**, and **ethical AI/data security.**

Additionally, we note that in 2022, we heavily oriented our engagement activity toward collaborative initiatives (80 out of a total 117 engagements in 2022), because the benefits of working collaboratively at scale can provide in increasing disclosure and transparency within certain asset classes. Within the corporate market, as highlighted in some of the case studies that follow, we worked with a variety of issuers and underwriters about ESG matters in some of the harder-to-abate sectors (e.g., aviation) or complex sectors (e.g., banks).

We do not engage with every company or issuer. We engage only when we believe engagement will be material to our investment decision making.

2022 ENGAGEMENT ACTIVITY BY THE NUMBERS



117 engagements in 2022 with issuers of bonds held in our Sustainable Core, Tax-Exempt Sustainable, Global Sustainable Total Return Bond and Sustainable Short Duration strategies (and relevant stakeholders)

ENGAGEMENT TARGET:
Major Government-Sponsored Enterprise (GSE)

ENGAGEMENT GOAL:
Discuss and offer recommendations on GSE's labeled bond program

TYPE:	PRIORITY ISSUE:
Due Diligence	**Climate Change**
Impact	**Disclosure/Transparency**
Collaboration	DEI
Advisory	Ethical AI/Data Security

Through a robust, ongoing relationship with this U.S.-based organization, we connect several times per year for general discussion about its labeled bond program and how it might evolve. In 2022, the GSE asked for our perspectives on some proposed changes in its disclosure approach, all aimed at conveying ESG information more transparently to investors.

We provided our thoughts on the GSE's current approach, including the data and features of its disclosures that we consider most valuable. We then offered suggestions on how to make information more accessible and understandable for a broad range of investors. Through engagements like this, we believe Brown Advisory and other managers are playing an important role in shaping the labeled bond market over time.

Engagement activity information is based on engagements related to the Brown Advisory Global Sustainable Total Return Bond strategy during 2022. One engagement may incorporate a number of different topics or approaches; as a result, engagements may be counted toward more than one type, priority or category. We do not engage with every issuer. We engage only when we believe engagement will be material to our investment decision making. Portfolio information is based on a Brown Advisory Global Sustainable Total Return Bond representative account as of Dec.31, 2022. Please see the end of this report for important disclosures.

ENGAGEMENT TARGET:
Sectors with Meaningful Decarbonization Challenges

ENGAGEMENT GOAL:
Work with these companies to encourage integration of ESG into their bond structures

TYPE:	PRIORITY ISSUE:
Due Diligence	**Climate Change**
Impact	**Disclosure/Transparency**
Collaboration	DEI
Advisory	Ethical AI/Data Security

We believe sustainably focused investors can play a meaningful role in financing decarbonization efforts within "hard-to-decarbonize" sectors (which range from energy to aviation to banking). We met with a variety of issuers and other investors in 2022, to discuss preferred options for financing climate transitions, and how ESG can be integrated into credit rating assessments for these sectors. Examples:

- Through PRI's Credit Risk and Ratings initiative, we joined leading banks, ratings agencies and investment firms to discuss how credit ratings can and should evolve to reflect ESG risks. This conversation was specifically focused on the banking sector. While this discussion was mostly informational, it helped us enhance some of our own approaches to evaluating banks and other financial firms.
- A major global lender asked for our view on green bonds issued by oil and gas companies to finance renewable energy projects. Our stance, which we communicated, is that such bonds are of interest in theory, but they would have to be a part of an issuer's broader plan to fully decarbonize their business. This lender has sought our perspectives on sustainable fixed income on an ongoing basis, and we feel strongly that this kind of pragmatic communication is key for encouraging further adoption of ESG principles across fixed income markets.

ENGAGEMENT WITH SOVEREIGN ISSUES:

The concept of sovereign ESG engagement is still relatively nascent. Historically, investors have engaged with debt management offices and central banks to better understand monetary and fiscal policy. We believe that the long history of these conversations combined greater appreciation of the economic impact of ESG factors, will provide the opportunity for an increasing number of ESG-focussed engagement opportunities with sovereign issuers. We believe that these conversations will often provide excellent opportunities to enhance our due diligence on the wide variety of ESG issues that sovereign issuers can impact through their activities. Below we highlight a few of the key areas where we believe sovereign engagement can be most effective:

Labelled Bonds (Advisory): As sovereign issuers are incrementally moving to the labelled bond market to issue new debt, we find that they are interested to engage with investors and are eager to hear our opinions on ESG issues, especially as it relates to how they can structure new green, social, sustainability, and sustainability-linked bonds. We expect the number of countries issuing labelled bonds to increase in the coming years and therefore opportunities for these conversations are likely to increase.

Collaborative engagement: We believe that collaborative engagement is a particularly important tool when engaging with sovereign issuers. At the end of the day, the most important stakeholders for sovereign issuers are their citizens. By collaborating with other investors, NGOs, and industry stakeholders, we can better address the key ESG issues that are important to us as investors while making sure that we are being thoughtful and holistic in our understanding of the issues at stake and a sovereign issuer's ability to drive progress. Two partnerships have been particularly beneficial to us over the last year:

> **EMIA:** We are members of the Emerging Markets Investor Alliance (EMIA) and members of our team take part in a number of sovereign-focussed working groups, including one that focuses on debt and fiscal governance and another on decarbonization. These are important avenues for us to gain a better understanding of the ESG issues at hand to strengthen our due diligence of a country and to develop country-specific advocacy campaigns to drive progress on these issues. For instance, through the sovereign decarbonisation working group we have identified a number of priority countries to engage with in regards to their decarbonisation pathways – These are multiyear engagements that require communicating and working with not just the governments themselves, but members of civil society, NGOs, and other industry stakeholders.
>
> **CrossBoundary:** Brown Advisory has a partnership with The CrossBoundary Group – an advisory and investment platform that seeks to unlock private capital to drive positive change. CrossBoundary has offices in 16 countries spanning the Americas, Europe, Middle East, Africa and Asia-Pacific. Our partnership with CrossBoundary has been hugely additive to us as we have sought to develop a framework for engaging with sovereign issuers from different parts of the world. We have been able to leverage their on-the-ground expertise to gain insights into countries that we may invest in. Additionally, through their advisory group, CrossBoundary works directly with governments and we have been able to join some of these meetings to provide our investor perspective to the conversation.

Portfolio information is based on a Brown Advisory Global Sustainable Total Return Bond representative account as of Dec. 31, 2022. We do not engage with every issuer or company, we engage only when we believe it will be material to our investment decisions.

2021 PRI ASSESSMENT RECAP

Brown Advisory has been a signatory to the PRI (Principles for Responsible Investment) since 2014. Each year, we complete a rigorous disclosure of our sustainable investing practices as part of our obligation as a signatory, and PRI in turn provides an evaluation of our practices and rates us relative to our peers in a variety of categories.

We are pleased to share the PRI's 2021 assessment of Brown Advisory's sustainable investing practices; our scorecard is provided below.

Key takeaways:

- After a long delay (results from the 2021 reporting cycle were just released in September 2022), PRI has overhauled its scoring system to help address the "grade inflation" that had occurred in the program over the years. As noted below, scores are now provided in a bell-curve driven "star" system rather than with letter grades. Notably, numerical scoring results for each advisor, versus the industry as a whole, provide a more helpful view of an asset manager's relative strength versus peers.
- Broadly, we feel that our scores reflect our firm's broad-based efforts to adopt sustainable investing principles across all aspects of our business. While we hope to earn more 5-star ratings over time, we expect to have fewer of them currently, in large part due to the fact that Brown Advisory has a broad mix of clients, some of whom do not currently pursue sustainable investing. Also, since this disclosure was filed in early 2021, we have done meaningful work in areas such as proxy voting, climate strategy and fixed income ESG research, which we believe may bolster our ratings going forward in a variety of categories.

Module Name	Brown Advisory 2021 Score	Brown Advisory Percentile Score	Industry Average
Investment & Stewardship Policy	★★★★	68	60
Indirect – Manager Selecting, Appointing & Monitoring			
Listed Equity - Passive	★★★★	81	57
Listed Equity – Active	★★★★	82	67
Fixed Income – Passive	★★★★	79	43
Fixed Income – Active	★★★★	80	57
Private Equity	★★★★	76	63
Real Estate	★★★★	76	62
Infrastructure	★★★★	75	71
Hedge Funds	★★★★★	92	34
Direct & Active Ownership Modules			
Listed Equity – Active Fundamental - Incorporation	★★★★	79	71
Listed Equity – Active Fundamental - Voting	★★★★	70	54
Listed Equity – Investment Trusts - Voting	★★★★	70	60
Listed Equity – Passive Voting	★★★	57	57
Fixed Income – SSA (Government Issued)	★★★★	85	50
Fixed Income – Corporate	★★★★	84	62
Fixed Income – Securitized	★★★★	86	55

Source: UNPRI. Signatories report on their responsible investment activities by responding to asset-specific modules in the Reporting Framework. Each module houses a variety of indicators that address specific topics of responsible investment. Signatories' answers are then assessed and results are compiled into an Assessment Report. Please see the end of this presentation for important disclosures.