TAX-EXEMPT SUSTAINABLE FIXED INCOME STRATEGY

Reporting on the impact of our investment decisions

2022

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
- 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. Sustainable Tax-Exempt 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	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

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 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 availability of ESG data across various asset types in fixed income is improving over time, quality and standardization of data continues to be a challenge. Despite this, since the inception of this strategy in 2014, 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, we published a focused fixed income supplement to our firm's institutional sustainable investment policy last year.

We have 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 a lot has changed in this space since we 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 the political polarization and regulatory scrutiny that has accompanied SI's recent rise, the demand for investments that are augmented with ESG and impact 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,

Amy Hauter

Amy Hauter, CFA
Portfolio Manager

Steve Shutz

Stephen Shutz, CFA
Portfolio Manager

INVESTMENT PHILOSOPHY & RESEARCH PROCESS

At Brown Advisory, we believe we can play a valuable role in delivering a sustainable portfolio that can address our clients' impact priorities. The Tax-Exempt Sustainable Bond strategy is governed by the philosophy that by systematically integrating environmental, social and governance (ESG) research, fundamental credit research and careful examination of how bonds' proceeds will be used, we can help our clients simultaneously pursue their long-term investment goals and their goals for driving meaningful changes in society.

We find that a sustainable-oriented mindset is especially well-suited for fixed income investing, and we believe that we can build attractive, fully diversified portfolios with a combination of bonds funding impactful projects and bonds from municipal entities that are managing ESG risks well.

From an impact standpoint, municipal issuers must fund projects that benefit the public and provide essential services by their very nature, in order to maintain tax-exempt status. Moreover, bonds in general tend to offer investors a high degree of clarity regarding their use of proceeds. Standards such as those created by the International Capital Markets Association (ICMA), including the Green Bond Principles (GBP), have enhanced this transparency regarding use of proceeds. Furthermore, we tend to favor revenue bonds over general obligation bonds, as they offer greater clarity on both the use of proceeds and the revenue streams from which we expect to be repaid.

From a performance standpoint, we believe that ESG research naturally supplements bond investing because it tends to focus on understanding downside risk. We also note that the returns of a bond portfolio that incorporates ESG factors can parallel those of a traditional portfolio; bonds with similar durations and credit ratings tend to have a high return correlation, so if all else is equal, a labeled green bond, a labeled sustainability bond and a bond with no specific target for impact should produce the same financial results.

OBJECTIVES & INVESTMENT PROCESS

The strategy's return objective is to outperform the Bloomberg Municipal Bond 1-10 Year Blend Index on a risk-adjusted basis. Our impact objective is not as easily measured by a single metric, but it is nonetheless equally clear to us. **We seek to deliver attractive after-tax returns by incorporating ESG analysis that strengthens bottom-up, credit-focused research while also building a portfolio that produces positive environmental and/or social impacts.**

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 help our returns by steering us toward responsible and forward-thinking issuers.

We conduct credit and ESG research within a single, unified due diligence process (see diagram on page 5), which ensures that impact and ESG considerations are a core part of our investment thesis. Our ESG assessments in the municipal space are guided by proprietary sector frameworks to understand key fundamental and ESG risks and sustainable opportunities for each primary municipal sector. Our ESG research is itself an integrated effort that pulls together sector and thematic research, ESG assessment of specific securities and engagement. That research is also supported by our proprietary ESG rating framework. (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.) When possible, we incorporate third-party data into the analysis, but given that we invest in municipal issuers that are often not covered by ESG data providers, we rely heavily on the due diligence of our dedicated ESG research team.

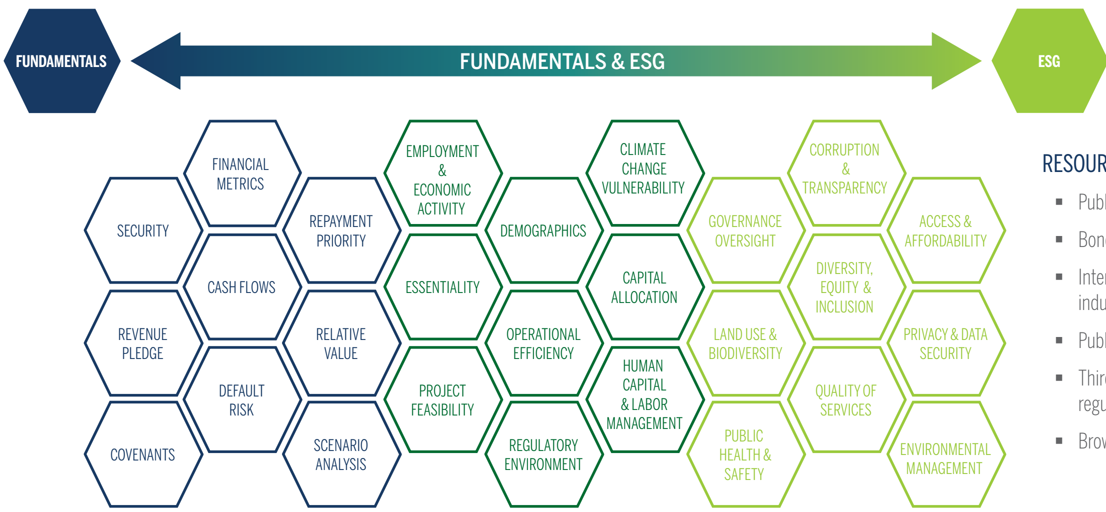
This process helps us identify bond issuers that capitalize on opportunities to become more sustainable, avoid major ESG risks, and manage those risks they do face with a high degree of success. We have also found that this integrated approach has a positive influence on our investment decision making. With a better understanding of an issuer's ESG profile and its intended use of proceeds, we are better informed, better able to assess that issuer's ability to pay, and more confident in allocating capital to a bond that we believe will produce desirable returns.

A FULLY INTEGRATED SUSTAINABLE INVESTMENT APPROACH

In our securities research, investment decision making and even our sell decisions, fundamental and ESG factors are weighed equally as part of a holistic investment process.

RESEARCH AND ANALYSIS

From the bottom up, we build a mosaic of information to evaluate candidates for inclusion in our sustainable bond portfolios. The illustration below focuses on a selection of different factors relevant to municipal credit analysis.

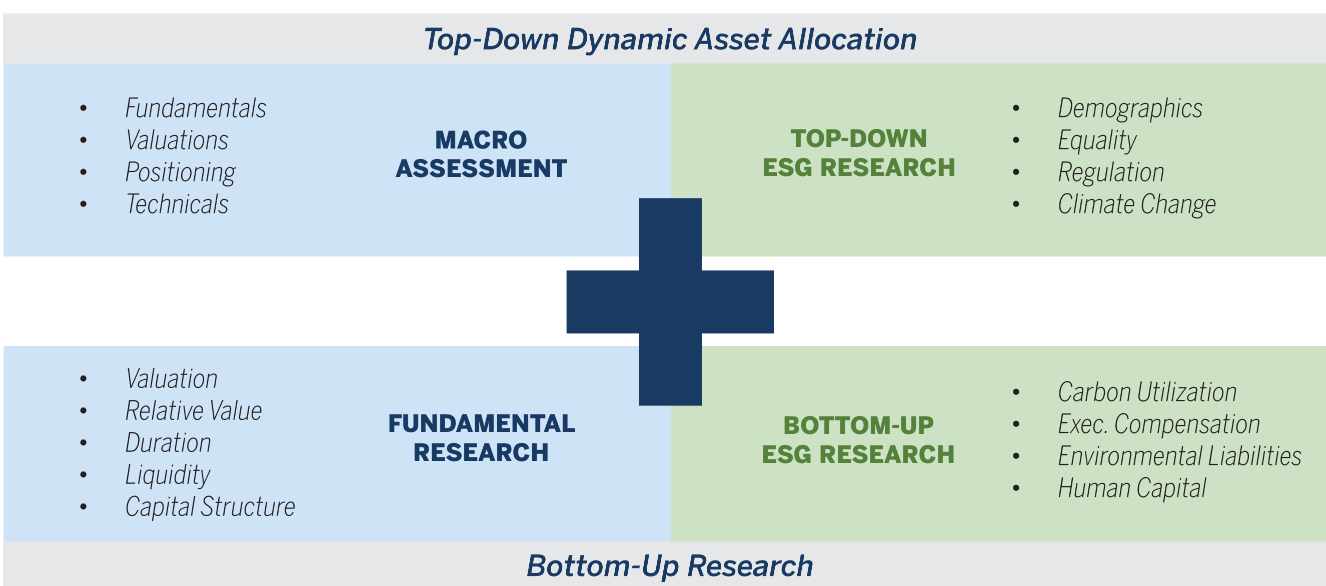


RESOURCES

- Public filings and reports
- Bond indentures and credit agreements
- Interviews with management, government officials, industry experts and other stakeholders
- Public/private databases
- Third-party research (e.g. sell side, ratings agencies, regulators, consultants)
- Brown Advisory's network

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.



PORTFOLIO-LEVEL IMPACT ANALYSIS: DIVERSIFICATION BY THEME, SOURCE AND SECTOR

A primary goal of the strategy is to provide a *diversified portfolio of sustainable investments that produces positive impact.* We believe that this approach helps our portfolio drive progress in many different social and environmental arenas.

DIVERSIFICATION BY IMPACT THEME

Breaking the portfolio out by impact themes illustrates the variety of societal challenges our holdings are seeking to address through their use of proceeds and/or general operations or offerings. As illustrated on page 7, we look at impact using a fairly straightforward segmentation into three main categories—environment and climate, health and well-being, and economic development and social inclusion—each with several subcategories. (We also are invested in bonds that fund projects spanning many impact categories; we refer to this impact as "multisector.")

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.

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 on page 8).

As we've discussed in this report, the issuers of 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 "labeled" green, social or sustainability bonds, and we examine how well these bonds align and adhere to the voluntary guidelines issued by ICMA.

We also find through our research many bonds that aren't issued under the ICMA Principles but nonetheless deploy their proceeds in a positive, impactful manner. We refer to these unlabeled bonds as "targeted use of proceeds" bonds.

As of Dec. 31, 2022, 51% of the portfolio was invested in labeled and unlabeled bonds whose proceeds are being deployed on projects and initiatives that produce positive environmental or social impacts.

The rest of the portfolio is primarily invested in bonds from "impactful issuers," or issuers that we believe are generating environmental or social impacts within their general operations or offerings.

DIVERSIFICATION BY MUNICIPAL SECTOR

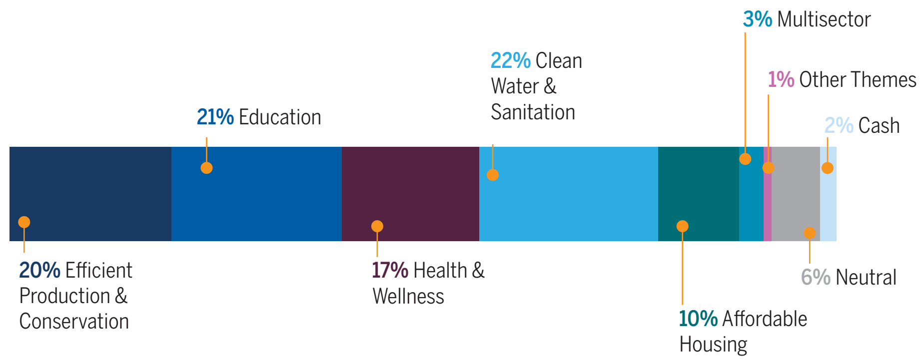
Finally, we seek to diversify the portfolio from a fundamental as well as an impact standpoint. As shown on page 9, we invest in a range of municipal sectors—this allows us to avoid concentration risk (i.e., avoid putting all of our eggs in one basket) and helps us allocate capital strategically and tactically (i.e., rebalancing assets into and out of sectors based on relative value and other factors).

While our sector allocation is based on financial considerations, it is also a source of impact diversity for the portfolio. For instance, our investments in hospitals, public school systems, water utilities and mass transit systems enable positive impact by increasing access to and quality of those services, and we have historically invested in municipal projects that ensure clean delivery of energy and water. In short, we find that our focus on general portfolio diversification naturally increases the range of issues and causes that the strategy addresses from an impact perspective.

Portfolio information is based on a Brown Advisory Tax-Exempt Sustainable Fixed Income representative account as of December 31, 2022.

DIVERSIFICATION BY IMPACT THEME

We categorize our holdings according to a series of impact themes to illustrate the variety of challenges and opportunities that our portfolio addresses. We do not target any particular impact mix, and we have found ample opportunities to invest in municipalities that address a wide range of social and environmental issues. (These themes align well with the U.N. Sustainable Development Goals, as noted below.)



Source: Brown Advisory analysis. Numbers may not total to 100% due to rounding. Impact themes with de minimis weightings are grouped together in the "other" category. Portfolio information is based on a Brown Advisory Tax-Exempt Sustainable Fixed Income representative account as of December 31, 2022, and includes cash.

IMPACT THEME ALIGNMENT WITH THE U.N. SUSTAINABLE DEVELOPMENT GOALS (SDGs)

The SDGs, as they are known, have become a common framework for categorizing projects and investments that seek to generate positive societal impact. Our impact themes are broadly aligned with the U.N. Sustainable Development Goals, as noted in the diagram below.

ECONOMIC DEVELOPMENT & SOCIAL INCLUSION

AFFORDABLE HOUSING
- 1 NO POVERTY
- 10 REDUCED INEQUALITIES
- 11 SUSTAINABLE CITIES AND COMMUNITIES

ECONOMIC MOBILITY & COMMUNITY DEVELOPMENT
- 1 NO POVERTY
- 2 ZERO HUNGER
- 4 QUALITY EDUCATION
- 8 DECENT WORK AND ECONOMIC GROWTH
- 10 REDUCED INEQUALITIES
- 11 SUSTAINABLE CITIES AND COMMUNITIES
- 16 PEACE, JUSTICE AND STRONG INSTITUTIONS

EDUCATION
- 4 QUALITY EDUCATION
- 8 DECENT WORK AND ECONOMIC GROWTH
- 10 REDUCED INEQUALITIES

DIVERSITY, EQUITY AND INCLUSION
- 5 GENDER EQUALITY
- 10 REDUCED INEQUALITIES
- 16 PEACE, JUSTICE AND STRONG INSTITUTIONS

HEALTH & WELL-BEING

HEALTH & WELLNESS
- 2 ZERO HUNGER
- 3 GOOD HEALTH AND WELL-BEING

CLEAN WATER & SANITATION
- 3 GOOD HEALTH AND WELL-BEING
- 6 CLEAN WATER AND SANITATION
- 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
- 14 LIFE BELOW WATER
- 15 LIFE ON LAND

ENVIRONMENT & CLIMATE

SUSTAINABLE TECHNOLOGY INNOVATION
- 7 AFFORDABLE AND CLEAN ENERGY
- 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
- 11 SUSTAINABLE CITIES AND COMMUNITIES
- 13 CLIMATE ACTION

EFFICIENT PRODUCTION & CONSERVATION
- 7 AFFORDABLE AND CLEAN ENERGY
- 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
- 12 RESPONSIBLE CONSUMPTION AND PRODUCTION
- 13 CLIMATE ACTION
- 14 LIFE BELOW WATER
- 15 LIFE ON LAND

CLEAN ENERGY
- 7 AFFORDABLE AND CLEAN ENERGY
- 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
- 13 CLIMATE ACTION

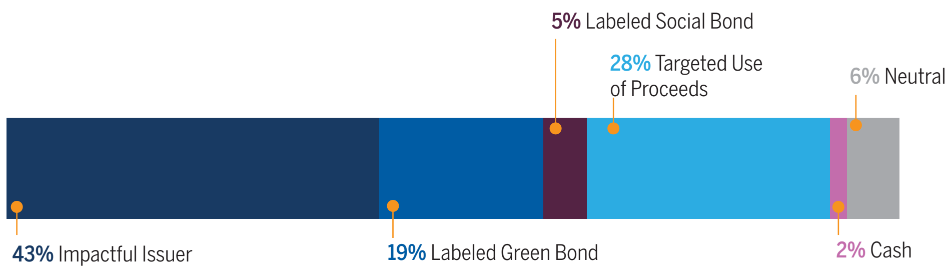
SUSTAINABLE AGRICULTURE/NATURAL RESOURCE MANAGEMENT
- 2 ZERO HUNGER
- 3 GOOD HEALTH AND WELL-BEING
- 12 RESPONSIBLE CONSUMPTION AND PRODUCTION
- 13 CLIMATE ACTION
- 14 LIFE BELOW WATER
- 15 LIFE ON LAND

Source: United Nations.

DIVERSIFICATION BY IMPACT SOURCE

The issuers represented in our portfolio seek to generate impact in several different ways. Some create impact via the projects funded by those bonds, while others do so via the general activities of the issuer. We also allocate a portion of the portfolio to cash and other securities for liquidity and duration management purposes.

- **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: Brown Advisory analysis. Numbers may not total to 100% due to rounding. Portfolio information is based on a Brown Advisory Tax-Exempt Sustainable Fixed Income representative account as of December 31, 2022, and includes cash.

Climate Change and Carbon Emissions

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

We seek to address climate change and decarbonization in several ways. We consider an issuer's overall carbon footprint as a part of our investment calculus, and we encourage issuers to make progress with setting and pursuing emission reduction targets. The municipal sector is considerably behind the corporate sector in terms of climate reporting, but a growing segment of issuers are becoming far more serious about climate resiliency planning. Alongside partners like ICMA, CDP and other industry organizations, we are working with issuers to encourage stronger disclosure, reporting standardization and other improvements.

We work with CDP and other investor coalitions on several multiyear initiatives aimed at creating reliable datasets for fixed income asset classes, such as municipals, and we are hopeful that this work will bear fruit in coming years.

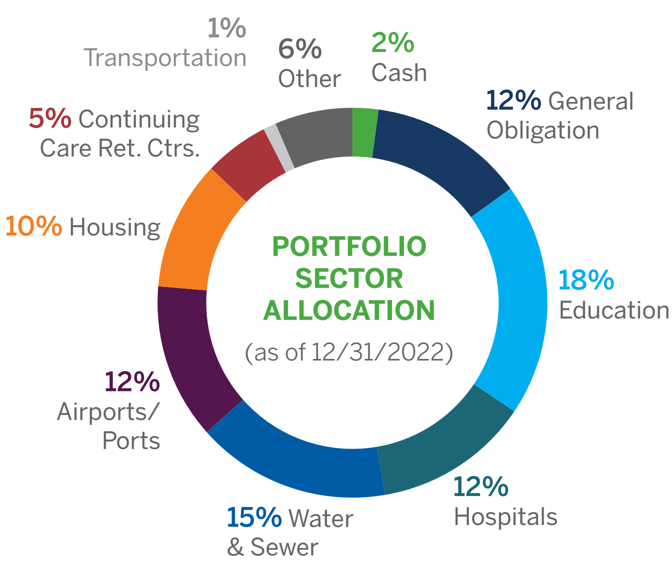
For more on our research and engagement activity related to government bonds (both municipal and sovereign) with respect to climate change, please review some of our recent publications:

- Sustainable Sovereigns
- Global Cooldown
- Income and Impact: Peeling Back the Labels

DIVERSIFICATION BY MUNICIPAL SECTOR

We try to maintain a fundamentally diverse portfolio that spans the full range of municipal bond sectors. We believe this approach makes good investment sense and naturally increases the range of issues that the portfolio can positively impact.

Revenue bonds are a generally attractive structure for sustainable investing, as they typically fund specific projects with measurable results. However, we also invest in general obligation bonds if they finance school districts or specific environmental or social projects. Alongside the chart below, we have provided additional color on the ways we can pursue impact in each major municipal sector.



Source: Brown Advisory analysis. Sectors with de minimis weightings are grouped together in the "other" category. Numbers may not total to 100% due to rounding. Sectors are based on Bloomberg's classification system and include cash. Portfolio information is based on a Brown Advisory Tax-Exempt Sustainable Fixed Income representative account as of December 31, 2022.

OPPORTUNITIES FOR IMPACT BY SECTOR:

Airports/Port Authorities: Improving the environmental footprint of the air travel and commercial transportation industries.

Continuing Care Retirement Communities (CCRCs): Delivering high quality healthcare and patient satisfaction.

Education: Expanding access to high-quality education across the socioeconomic spectrum.

Electric Utilities: Building out renewable capacity and accelerating the energy transition.

General Obligation: Funding local school districts and other more targeted environmental and social projects.

Hospitals: Providing access and increasing affordability of high-quality healthcare across the socioeconomic spectrum.

Housing: Increasing access to affordable housing options for low- and middle-income families and individuals.

Industrial Development: Creating environmental solutions to mitigate or counter the negative impacts of industrial processes.

Special Districts: Funding of locally targeted environmental/ social projects.

Transportation: Reducing carbon footprint and improving mobility within communities.

Water & Sewer Utilities: Delivering a clean, safe and resilient water supply to constituents across the socioeconomic spectrum.

New York Power Authority

IMPACT SOURCE:
Labeled Bond

IMPACT THEME:
Clean Energy

SDG ALIGNMENT:

7 AFFORDABLE AND CLEAN ENERGY
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
13 CLIMATE ACTION

ISSUER SUMMARY

The New York Power Authority (NYPA) is America's largest state power organization, with 16 generating facilities and more than 1,400 circuit-miles of transmission lines. One of its missions is to lead the transition to a carbon-free New York. To achieve 100% carbon-free electricity by 2035, NYPA is focused on modernizing its generation and transmission assets and expanding the use of renewable energy sources.

GREEN BOND TERMS

To support the state's clean energy transition, NYPA has issued Green Bonds to help finance capital (transmission) projects that will directly assist in meeting the objectives of the New York State Climate Leadership and Community Protection Act. The Act calls for the reduction of statewide GHG emissions by 40% (vs. 1990 levels) by 2030 and by 85% by 2050. These projects are expected to accelerate progress towards the state's clean energy and climate goals, including the mandate to obtain 70% of the state's electricity from renewable sources. These projects consist of building new transmission lines to relieve congestion and rebuilding existing transmission lines to increase resiliency. These will be key to accommodating additional proposed renewable energy projects in Northern New York, a region that has already attracted project proposals for meaningful renewable generation construction.

Commonwealth of Massachusetts COVID-19 Recovery Assessment

IMPACT SOURCE:
Labeled Bond

IMPACT THEME:
Economic Mobility & Community Development

SDG ALIGNMENT:

1 NO POVERTY
8 DECENT WORK AND ECONOMIC GROWTH
10 REDUCED INEQUALITIES

ISSUER SUMMARY

The Commonwealth of Massachusetts is the 15th most populous state with approximately seven million residents, per the 2022 census. The Commonwealth created a new credit to repay federal advances related to the Commonwealth's Unemployment Insurance Trust Fund (UITF), replenishing unemployment benefits for eligible Massachusetts recipients who were affected by the COVID-19 pandemic. The bonds are backed by a COVID-19 Recovery Assessment charged to private employers in the Commonwealth.

SOCIAL BOND TERMS

The Series 2022 Social Bonds are intended to fund a deposit to the Massachusetts Unemployment Insurance Program, an economic stabilization program designed to provide a safety net for individuals that lose their jobs due to no fault of their own.

Source: Brown Advisory research, New York Power Authority and Commonwealth of Mass. 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 Tax-Exempt Sustainable Fixed Income representative account as of December 31, 2022.

LAX Airport

IMPACT SOURCE:

Labeled Bond

IMPACT THEME:

Efficient Production & Conservation

SDG ALIGNMENT:

ISSUER SUMMARY

LAX is the world's third busiest airport and acts as a major international gateway to the U.S. While airports do not have direct control over operators' emissions, LAX is a great example of how airports can act to reduce their environmental footprint. For example, LAX has set a target to achieve carbon neutrality by 2045 and is currently implementing plans to address Scope 3 emissions by promoting SAF for airlines. Additionally, it earned Level 3 recognition by Airport Carbon Accreditation, a certification standard and level designated to airports going above and beyond in terms of their emissions management efforts.

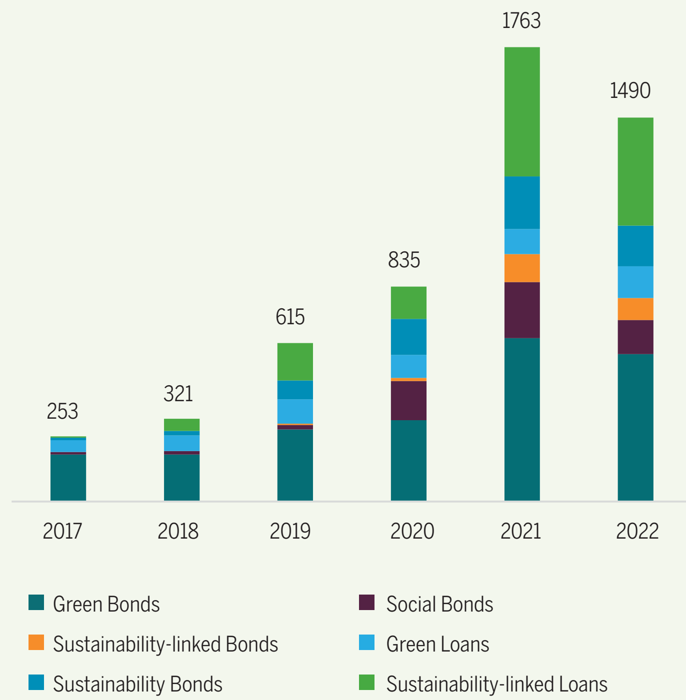
GREEN BOND TERMS

The green bond proceeds are allocated to two projects. The first project entails terminal renovations to achieve LEED Silver (at minimum) certification, and the second describes a fully electrified train system that connects the regional public transit system, the rental car facility and the central terminal area.

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 reduced issance, such as higher borrowing costs, confusion on regulations and reporting requirements, reduced COVID-19 relief spending, and heightened skepticism from investors about newer labeled-bond concepts (especially sustainability-linked bonds).

We seek to regularly engage with the issuers in our sustainable bond portfolios and with other stakeholders. The goal in these engagements may be to inform our investment thesis or to elicit a specific stakeholder response 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 issuers in which they invest.

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 issues like climate change from multiple angles. We seek to maximize our impact by prioritizing and tailoring our engagement activity; 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 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.

In the chart on page 13, we provide a summary of our 2022 engagement activity across our various sustainable bond portfolios.

DIFFERENT TYPES OF ENGAGEMENTS

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

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

Advisory: We are periodically 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 NGOs to help advance salient issues, In 2022, we continued our long-term partnership with CDP, through a variety of ongoing and new initiatives related to improving disclosure of environmental 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 PRI's working group for its credit risk and ratings initiative. Additionally, in 2022, two of our analysts participated in a working group that prepared a response to a request from the Municipal Securities Rulemaking Board (MSRB) for information on ESG practices within the municipal bond sector.

ISSUE PRIORITIES

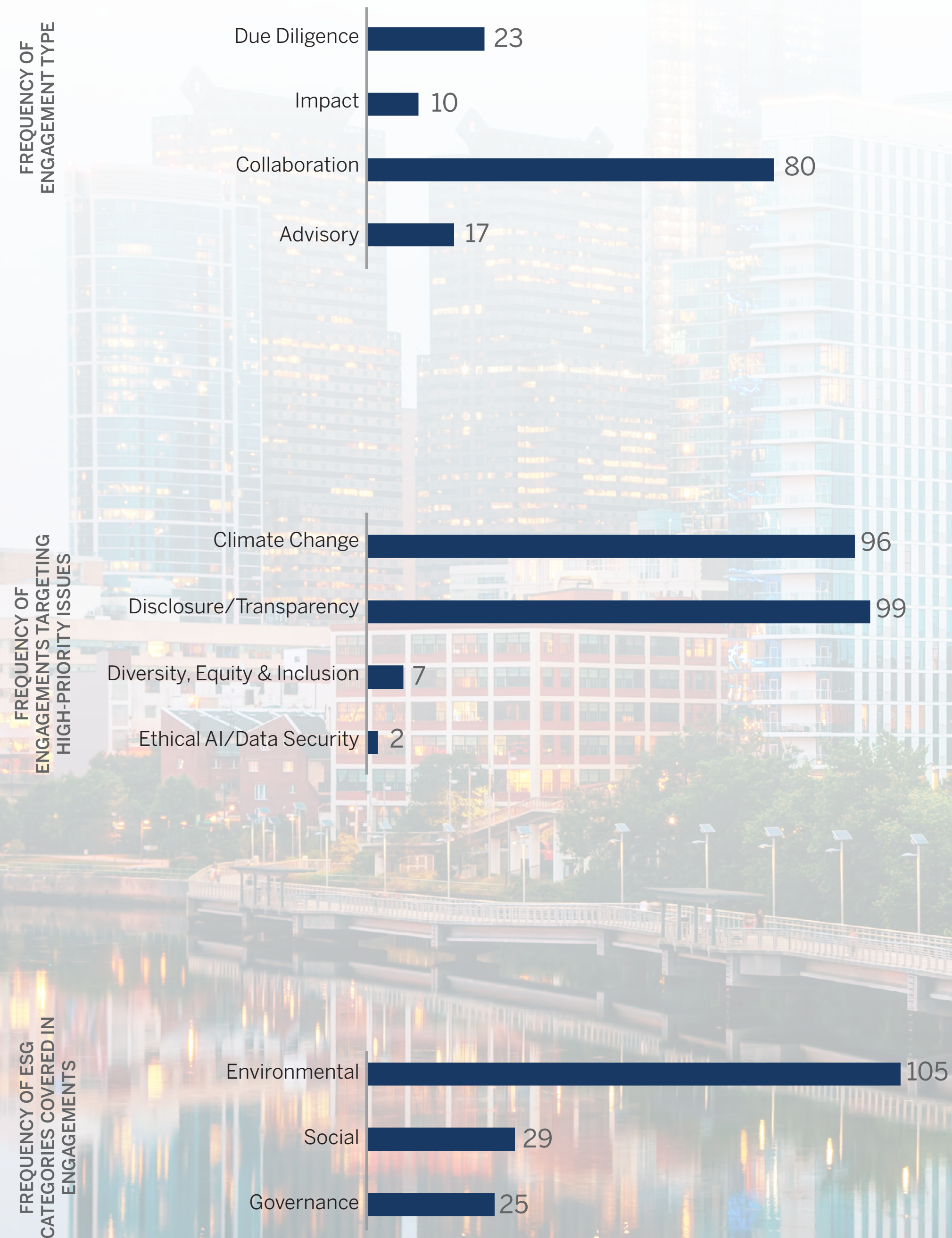
Our engagements generally flow from our overall "bottom-up" orientation to investing—we seek to engage with each issuer on the specific risks and opportunities that we consider to be most relevant and material in each situation. However, Brown Advisory also strives to engage strategically on a common 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) and client interest/demand, as well as our confidence that we can achieve tangible progress.

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

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 activity information is based on engagements related to the Brown Advisory Tax-Exempt Sustainable Fixed Income, Brown Advisory Sustainable Core Fixed Income, Brown Advisory Global Sustainable Return Bond and Brown Advisory Sustainable Short Duration Fixed Income strategies during 2022. We do not engage with every company or issuer. We engage only when we believe engagement will be material to our investment decision making.

MUNICIPAL ENGAGEMENT IN 2022

BROAD ENGAGEMENT GOAL:
Pursue multiple avenues to encourage increased and improved ESG disclosure in the municipal bond market

ENGAGEMENT TYPE:
- Due Diligence
- Impact
- **Collaboration**
- **Advisory**

PRIORITY ENGAGEMENT ISSUE:
- Climate Change
- **Disclosure/Transparency**
- DEI
- Ethical AI/Data Security

The disclosure of ESG-related information in the municipal bond market has lagged other fixed income asset classes. Members of our team have been glad to participate in a number of working groups and engagements this year to encourage both municipal issuers to increase their disclosure and also to encourage industry rule-making bodies to establish frameworks.

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

One of our analysts represented the investor perspective on a panel with a California utility CFO and a public power investment banker. The panel sought to answer this question: How can we gain a better understanding of the process of ESG disclosure from the issuer to the investor? We explained Brown's sustainable investing approach, key ESG opportunities and risks that we look for in our public power investments and specific metrics we want to see in utilities' disclosures to support the identified opportunities and risks (e.g., Scope 1, 2 and 3 emissions, energy intensity, non-compliance with physical or cybersecurity standards, system interruptions, electric rates, disconnections for non-payments, total recordable incident rate/fatality rate/near-miss frequency rate, etc.). The audience consisted of ~100 public power issuers and other investors.

Brown Advisory's ESG research team seeks to contribute to working groups throughout the year in an effort to play our part in shaping and advancing the sustainable investing industry. During 2022, two of the members of our fixed income team participated in a working group that prepared a response to a request for information from the Municipal Securities Rulemaking Board (MSRB) on "Environmental, Social, and Governance Practices in the Municipal Securities Market." Increased and consistent disclosure from municipal issuers would enhance the ability of sustainable-focused investors to assess the ESG merits of an investment, and we are pleased to be able to play a role in shaping what such disclosure may look like in the future.

Engagement case studies are based on engagements related to the Tax-Exempt Sustainable Fixed Income strategy during 2022. We do not engage with every company or issuer. We engage only when we believe engagement will be material to our investment decision making.