



MIFIDPRU Disclosure

BROWN ADVISORY LIMITED

FINANCIAL YEAR ENDING DECEMBER 31, 2022



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Introduction

The Financial Conduct Authority (**FCA**) in the Prudential sourcebook for MiFID Investment Firms in the FCA Handbook (**MIFIDPRU**) sets out the detailed prudential requirements that apply to Brown Advisory Limited (the **Firm**). Further to those prudential requirements, Chapter 8 of MIFIDPRU (**MIFIDPRU 8**) sets out public disclosure rules and guidance with which the Firm must comply.

The Firm is classified under MIFIDPRU as a non-small and non-interconnected MIFIDPRU investment firm (**Non-SNI MIFIDPRU Investment Firm**). As such, the Firm is required by MIFIDPRU 8 to disclose information on the following areas:

- Risk management objectives and policies;
- Governance arrangements;
- Own funds;
- Own funds requirements; and
- Remuneration policy and practices.

The purpose of this document is to give stakeholders and market participants an insight into the Firm's culture and data on the Firm's regulatory capital position.

This document has been prepared by the Firm in accordance with the requirements of MIFIDPRU 8 using data as at the end of the Firm's last financial year, December 31, 2022.

Background to the Firm

The antecedents of the Brown Advisory business can be traced to the 1993 establishment in the US of an investment management affiliate of Alex. Brown & Sons. Alex. Brown & Sons was a Baltimore-based investment bank founded in 1800. In 1998, Brown Advisory became independently owned through an employee-led buyout. Brown Advisory Limited was established in 2007 and operational from 2008¹ with the opening of our London office to support Brown Advisory's growing global client base.

Brown Advisory Limited is wholly owned by its US parent, Brown Advisory Group Holdings.

Proportionality

In complying with the rules, a MIFIDPRU investment firm must provide a level of detail in its qualitative disclosures that is appropriate to its size and internal organisation, and to the nature, scope, and complexity of its activities. Whilst most of this Disclosure relates specifically to Brown Advisory Limited, some aspects, for example, in relation to remuneration policies and practices relate more generally to the Brown Advisory Group.

¹ Brown Advisory Limited was incorporated in September 2007 (under registration number 06363486) and authorised by the FCA in March 2008 (under Firm Reference Number 475370).



Risk Management Objectives and Policies

This section describes the Firm's risk management objectives and policies for the categories of risk addressed by the requirements of the Firm in the following areas:

- Own funds.
- Concentration risk.
- Liquidity.

A summary of the Firm's business model and general approach to risk management is provided.

Business Model

The Firm has a straightforward business model and its activities include

- (i) the marketing of Brown Advisory investment strategies through Brown Advisory's UCITS funds - Brown Advisory Funds plc (the **Funds**) - and separate account mandates (**Institutional Marketing**);
- (ii) the provision of discretionary investment management solutions to individuals, families, trusts, charities and endowments (**Private Client Business**);
- (iii) sub-advising institutional investment strategies relating to Global Equity and Global Sustainable Fixed Income and managing separately managed accounts for institutional investors in those strategies (**Institutional Investment Management**); and
- (iv) client servicing for international clients of the Brown Advisory Group.

During the period covered by this disclosure, the Firm conducted activities in or from the UK. The Firm primarily seeks to grow its revenues by growing its underlying asset base on which it charges a management fee. This is achieved through the prudent growth of client's assets and through seeking additional asset inflows from prospective customers.

Costs are controlled to ensure long-term profitability. The business seeks to make strategic investments to expand its business and product lines, and to continuously improve its controls environment. During 2022, the business established a new institutional strategy – Global Sustainable Fixed Income – which represents a strategic investment designed to deliver growth and revenue over the medium to long term (5 years +).

Governance

The Firm's senior management are responsible for determining business strategy and risk appetite along with designing and implementing a risk management framework that recognises the risks that the business faces, determine how those risks may be mitigated and assesses the ongoing management of those risks. The senior management team comprises the Board of Directors, supported by chartered Committees. Both the Board and the Committees will meet on a regular basis and discuss the projections for profitability and capital management, business planning and risk management for the business.



Risk Management

Due to the nature, size and complexity of the Firm, it does not maintain an independent risk management function. The governing body is responsible for the management of risk within the Firm and their individual responsibilities are clearly defined. Senior management report to the Firm's governing body on a frequent basis regarding the Firm's risks. The Firm has clearly documented policies and procedures (these are contained in the Firm's Compliance Policies and Procedures Manuals), which are designed to minimise risks to the Firm and all staff are required to confirm that they have read and understood them.

The Firm has established a Risk and Compliance Committee which convenes quarterly and reports to the Board in respect of the risk management reports it receives. The Committee is chaired by a non-executive director and has representation from the Board, the Legal and Compliance function, Accounting and Finance and is attended by external advisors and other representatives from the business, as appropriate. Reports are prepared covering business and operational risk across all business areas and support functions.

The Firm maintains a detailed **Risk Matrix** which:

- records all potential risks which we believe could affect the Firm;
- assesses these risks in terms of probability and impact;
- considers how existing controls support us to prevent or mitigate them; and
- any additional resources (capital or cash) required to be set aside to cover these risks.

The Risk Matrix is updated on an ongoing basis and is considered by the Risk and Compliance Committee each quarter. Risks are scored according to a methodology which is designed to allow for relatively subtle changes to risk profile to be observed. The risk score will take account of any unusual or temporary factors that can impact on the risk profile of the Firm. Such factors might include macro-economic or environmental factors – the COVID pandemic would be a good example of an environmental factor which impacted across a number of risk categories.

Risk Appetite and Risk Tolerance

The Firm's governing body has adopted a conservative risk appetite to maintain a strong capital position and balance sheet throughout all market cycles with strong liquidity and a robust capital structure. The Firm is committed to ensuring all business activities are conducted with a clear understanding of the risks, to maintaining a robust risk management framework, ensuring transparent disclosure and treating its clients fairly, and to meet the expectations of major stakeholders, including clients, employees and regulators.

The Firm manages its business in a risk averse manner and maintains capital well in excess of its regulatory capital requirement, which is indicative of the fact that the Firm wishes to take little or no risk that it might be unable to meet its liabilities as they fall due. Risks are mitigated wherever possible and, in all instances, fall within the Firm's risk appetite.



The Firm's risk appetite – which aligns with the Brown Advisory group – is risk averse. Capital is only invested for strategic purposes and the Firm's balance sheet is significantly protected from external shocks. In the context of individual risks, risk appetite thresholds have been set against each risk with reference to the inherent risk score. The risk appetite is essentially the tolerable margin between the inherent score and the point that the relevant controls are no longer deemed to provide sufficient mitigation. For mitigation and controls to be effective, the residual score must be below the appetite threshold. In the event that a risk was to exceed the Firm's appetite, then the relevant aspect of the business would be discontinued if all other avenues of risk mitigation had been exhausted.

Assessment of Potential Harms

Under the FCA's Investment Firms Prudential Regime, the Firm completes an Internal Capital and Risk Assessment Process (**ICARA**) which is designed to capture all the material risks to which the Firm is exposed which could give rise to a need to make additional financial resources available. As part of this process an 'Assessment of Potential harms' has been prepared which, aligning with the Risk Matrix, provides a thematic assessment of the risks applicable to the Firm and assesses them in terms of the potential damage, likelihood of occurrence and controls/mitigation in place. Based on this assessment, an additional capital amount may be specified, with reference to the relevant risk category.

Own Funds Requirement

The Firm is required to maintain Own Funds that are at least equal to the Firm's Own Funds Requirement, which is the higher of the Firm's:

- Own funds required to mitigate risk of harm arising from the firm's ongoing operations;
- Own funds requirement to mitigate risk of disorderly wind-down; and
- The Firm's Permanent Minimum Requirement (**PMR**) - £75,000.

Risks Associated with Ongoing Operations

The starting point for assessing the funding requirements for ongoing operations will be the Fixed Overhead Requirement (**FOR**). This represents three month's fixed expenses and is based on fixed costs incurred during the year ended December 31, 2022. In addition, the Firm is required to perform a 'K-Factor' assessment which is specific to the regulatory activities undertaken. In the case of Brown Advisory Limited, there is one relevant K-Factor. This is termed '**K-AUM**' and is applicable to firms that manage or advise on investments.

K-AUM aims to capture the scale of potential harm an investment firm may cause clients from incorrectly managing client portfolios, including poor execution. It aims to address the amount of capital that an investment firm can use to absorb losses from operational events, including the cost of putting things right for clients, and so helps to provide some continuity of service where the Firm comes under stress. The K-AUM calculation applies a co-efficient of 0.02% to the average AUM over the preceding 12-month period.

The Firm is also required to consider whether additional capital should be allocated based on the risks faced by the business through its ongoing operations. This consideration is based on the 'Assessment



of Potential Harms'. As explained above, the Firm has conducted an Assessment of Potential Harms which, on a thematic basis, considers the risks to the business, the likelihood and impact of their occurrence, and the mitigation in place. These risks are then scored and an amount of capital identified against the relevant risk where other mitigating factors are deemed insufficient.

The FOR is the higher of the three criteria given above in relation to assessing the risks of ongoing operations and is therefore the Firm's Own Funds Requirement in respect of ongoing operations.

Risks Associated with a Disorderly Wind-down

As part of the ICARA process, the Firm has conducted a detailed wind-down assessment and plan. The costs associated with an orderly wind-down do not exceed the FOR, which remains the highest of the metrics used to determine the Own Funds Requirement.

Assessment of Risks Addressed by Own Funds

Taking account of the Firm's business model, the stability of the investor base, the relationship with Brown Advisory group and the relatively stable and consistent growth of the business, the Firm considers that the potential for harm associated with its ongoing operations is adequately covered by the Own Funds Requirement (as assessed in the context of the FOR). The Firm maintains a meaningful surplus of Own Funds above the required threshold.

In the event that the Firm's Own Funds drop to an amount equal to 110% of the Firm's Own Funds Requirement, the Firm will immediately notify its governing body, as well as the regulator. The Governing Body will consider the necessary steps required in order to increase the own funds buffer; this may include injecting more capital into the Firm.

Concentration Risk

The Firm monitors and controls its concentration risk using sound administrative and accounting procedures and robust internal control mechanisms. The Firm considers that, taking account of its business model, its exposure to concentration is comparatively limited. Risk exposure in respect of receivables is considered low given the diversity of the Firm's client base and that the Firm's primary counterparty is its US affiliate (the Brown Advisory Group remains well financed), that institutional investors are well established financial institutions and the Firm has the ability to deduct fees directly on private client accounts.

The Firm deposits its cash with well-established multinational institutions with appropriately high credit scores and/or utilises money market funds with institutions that have been subject to assessment and due diligence by the Accounting and Finance team.

Liquidity

Liquid Assets Requirement

The Liquid Assets Threshold Requirement requires the Firm to hold the sum of the basic liquid assets requirement (one third of the Fixed Overhead Requirement) and the higher of: (a) the amount of liquid assets that the firm requires to fund its ongoing business operations, taking into account potential periods of financial stress during the economic cycle; or (b) the additional amount of liquid assets that



a firm would need to hold when commencing its wind down process to ensure that the Firm could be wound down in an orderly manner.

The Firm has considered the liquid assets that are required to fund the Firm's ongoing business operations, taking account of the following factors:

- (a) the ordinary level of liquid assets that would typically be required to operate the Firm's underlying business;
- (b) any material harms that may realistically occur during the next 12 months and their potential impact on the Firm's liquidity position;
- (c) any estimated gaps in funding, including during periods of severe but plausible stress.

The Firm has not identified any material harms that would realistically occur in the next 12 months that would have an impact on the Firm's liquidity position. The Firm has not identified any gaps in funding that would require additional liquid assets in respect of its ongoing operations. However, in assessing the net cost of winding down the business, it has been determined that additional liquid assets should be made available.

Liquidity Controls

The Firm has developed systems and controls to manage the risk that the Firm cannot meet its liabilities as they fall due. The board has allocated responsibilities to certain individuals to ensure the effective ongoing monitoring and management of liquidity risk. The Accounting and Finance function (reporting to the Chief Financial Officer) has been allocated overall responsibility for the management of liquidity risk and a report to the Board on the financial position of the Firm is made on a quarterly basis. Liquidity risk is subject to continuous monitoring to ensure that the Firm maintains liquidity resources which are adequate, in terms of both the amount and quality, to ensure that all liabilities will be met as they fall due. The Board understands that changes in the business might trigger the liquidity assessment to be revised and updated.

The Firm is required to maintain sufficient liquidity to ensure that there is no significant risk that its liabilities cannot be met as they fall due and to ensure that it has appropriate (liquid) resources in the event of a stress scenario.

Taking account of the Firm's business model, the stability, quality and characteristics of the investor base, the relationship with Brown Advisory group and the relatively stable and consistent growth of the business, the Firm considers that robust strategies, policies, processes and systems have been implemented to enable the Firm to identify measure, manage and monitor liquidity risk.

As at the reporting date, the Firm maintained a meaningful surplus of liquid assets above the Liquid Asset Threshold Requirement.



Governance Arrangements

Overview

The Firm believes that effective governance arrangements help the Firm to achieve its strategic objectives while also ensuring that the risks to the Firm, its stakeholders, and the wider market are identified, managed, and mitigated.

The Governing Body – the Board of Directors - has overall responsibility for the Firm and is responsible for defining and overseeing the governance arrangements at the Firm. The Board meets quarterly and, amongst other matters, approves and oversees the implementation of the Firm's strategic objectives and risk appetite, ensures the integrity of the Firm's accounting and financial reporting systems, including financial and operational controls, ensures compliance with the requirements of the regulatory system, assesses the adequacy of policies relating to the provision of services to clients, and provides oversight of the Firm's senior management.

Board of Directors

EDWARD CHADWYCK-HEALEY

Director

Edward is a partner of Brown Advisory and Head of the London Office. He has over 25 years' experience in the investment management industry, having started his career at James Capel (now part of HSBC) in 1995. Edward has also held senior management roles and looked after clients at both Barclays and UBS in London. Prior to joining Brown Advisory in 2015, he was with Broadwick Partners, an independent strategy consultancy that he founded in 2011.

DAVID CHURCHILL

Director, Chief Financial Officer; Chief Operating Officer

Dave is a partner, a member of the Executive Team and serves as chief financial officer and chief operating officer. With a focus on building world-class teams and a strong organizational culture, Dave's leadership extends into the community, where he serves on several nonprofit boards. Serving in various financial and operations leadership roles throughout his career, he thrives in growing entrepreneurial enterprises. His experience in finance, management and operations comes together at Brown Advisory where he oversees all non-investment areas. He joined Brown Advisory in 1997 and co-led the management buyout transaction of Brown Advisory from Bankers Trust.

LOGIE FITZWILLIAMS

Director

Logie is a partner, a member of the Executive Team and serves as head of the firm's international business and global head of sales. He began his career at the firm in 2003 as an equity research analyst supporting the firm's U.S. equity strategies. Logie set up the firm's Dublin-based UCITS umbrella and moved to London in 2008 to lead the firm's international development.



MICHAEL HANKIN

Chief Executive Officer

Mike is a Partner and the President and CEO of Brown Advisory, a position he has held since 1998. He has spent his professional career assisting a wide range of individuals and institutions with their investment and financial matters. Mike is passionate about the responsibility of business leaders to be visible and constructive in their communities. Mike gave a TEDx talk in 2017 titled, “Speak Up. Where It Counts. Loudly.” In it, he shares his journey to finding his voice as a business leader and his hope that others will join him in catalyzing positive change by speaking up. His community commitment extends to his roles as Chairman of the Baltimore Healthy Harbor Project, Trustee of Johns Hopkins University, Trustee and Vice- Chair of Johns Hopkins Medicine, and member of the Principal Professional Staff and former Chair of the Board of Managers of the Johns Hopkins Applied Physics Lab. He is also a member of the boards of directors of Greater Baltimore Committee, Business Executives for National Security, Nature Sacred and National Park Foundation. Mike also serves on the board of directors of Stanley Black & Decker, Inc. (SWK) and on the boards of directors of three private companies, Tate Engineering Services, Inc., The Wills Group, Inc. and 1251 Capital Group, Inc. In 2021, Mike assumed the role of Co-Chair of UpSurge, an effort to propel Baltimore into the top tier of innovative cities by building an engine to launch, support, scale and celebrate high-impact startups with an “Equitech” lens.

PETER MALLINSON

Non-Executive Director

Peter is vice chairman of Brown Advisory Limited and a member of the Brown Advisory International Advisory Board. He joined CDK|Brown Advisory, a predecessor firm focused on hedge fund advisory solutions, as a partner and Head of the London office, and today is a Senior Advisor with the Brown Advisory Investment Solutions Group. Prior to this, he spent more than 20 years at Goldman Sachs International, where he was partner and managing director from 1994-2002. He spent his entire Goldman Sachs career in the Equities Division in London, Hong Kong and New York including positions as co-head of Equity Capital Markets in Europe, head of the Equities Division in Asia (ex-Japan), and head of European Equities. He also served on the Equities Division Operating Committee and the firm-wide Compensation Committee. Peter attended the University of North Carolina at Chapel Hill as a Morehead Scholar and received his BSc (Econ.) and MBA there. Peter is a former Chairman of The Queen’s Club and the Tennis and Rackets Association and is currently Chairman of the Governors of Wellington College. He is also a vice president of Save the Children UK and a trustee of Worldreader UK.

SIMON PECK

Non-Executive Director

Simon is a member of the Brown Advisory Limited Board. He has over thirty years of investment industry experience and joined Brown Advisory in December 2012 to help setup the international private client business. He was a partner and senior advisor at the firm when he retired in 2019.



Previously, Simon spent 8 years at the multifamily office Fleming Family & Partners and was CEO of the firm's London asset management business from March 2010 until November 2012. Prior to that, he worked at Deutsche Asset Management (formerly Morgan Grenfell Asset Management) which he joined in 1986. During his career, he has managed money for both private and institutional clients and has worked extensively with charities.

RICHARD THOMASON

Director

Richard is a partner who is responsible for regulatory compliance for Brown Advisory's international business. He joined Brown Advisory in March 2015 and has been working in financial regulation for 25 years. Prior to joining the firm, Richard was a director in the legal and compliance function at BlackRock, head of compliance for MGPA (prior to its acquisition by BlackRock), compliance officer at the Ingenious Group, senior manager at Deloitte and a regulator at the Financial Services Authority.

External Appointments

None of the Board members hold executive board appointments outside of Brown Advisory. Non-executive board appointments are held by the following directors: Mr. Hankin holds four non-executive appointments; Mr. Churchill is Chairman of Brown Advisory Funds Plc and holds one other non-executive appointment; Dr. Peck holds one external non-executive appointment; and Mr. Mallinson holds three external non-executive appointments.

In assessing that Directors and senior personnel commit sufficient time to perform their functions, the Firm takes into account that Directors and employees do not hold more directorships than is appropriate, noting the circumstances of the individual in question and the nature, scale and complexity of the Firm's activities.

Competence and Capability

The Firm ensures that members of the Governing Body of the Firm:

- Are of sufficiently good repute;
- Possess sufficient knowledge, skills and experience to perform their duties;
- Possess adequate collective knowledge, skills and experience to understand the Firm's activities, including the main risks;
- Reflect an adequately broad range of experiences;
- Commit sufficient time to perform their function in the Firm; and
- Act with honesty, integrity and independence of mind to effectively assess and challenge the decisions of senior management where necessary and to effectively oversee and monitor management decision-making.

When considering these points, the Firm assesses both the individual and the Governing Body as a whole. It will review the broad set of qualities and competences required and also seek to promote a policy of diversity in the Governing Body and broader leadership team to an extent that is possible and appropriate (to the size and scale of the business).



Whilst, at the present time, the Firm does not seek to apply specific diversity targets to the Governing Body. Diversity within Brown Advisory is a key aspect of our culture, as described below.

Diversity of the Firm and its Leadership

In addition to the Board of Directors, the Firm benefits from the expertise of the International Advisory Board, a diverse committee of leading experts and industry practitioners, and the executive team of the Brown Advisory Group.

Brown Advisory's approach to Diversity, Equity and Inclusion (DEI) at all levels in the business is set out in the following statement:

"We cannot be an innovative firm without a pronounced dedication to and investment in diversity, equity and inclusion."

- *The Principal and Partner promotion process considers a candidate's leadership in DEI.*
- *All of our business areas incorporate DEI commitments into their strategic plans.*
- *Our group heads' annual goals include DEI objectives, to which their compensation is tied.*
- *With term limits and a focus on recruiting women and people of color, we are intentional about the diversity of Brown Advisory's board of directors.*
- *For the third year in a row, we earned a perfect score of 100 on the Human Rights Campaign's Corporate Equality Index, the U.S. benchmark for corporate policies and practices to support LGBTQ+ colleagues.*
- *We allocate a portion of our charitable giving to organizations that address social injustice and racial inequity. These organizations provide support and services to underrepresented and economically disadvantaged groups, work to dismantle systemic barriers to racial equity, and build deliberate systems to achieve and sustain racial equity."*

For further information, please refer to our website:

<https://www.brownadvisory.com/intl/diversity-equity-and-inclusion>

Risk Committee

Due to the nature, size, and complexity of the Firm, Brown Advisory Limited does not have an independent risk management function. The Governing Body is responsible for the management of risk within the Firm.

The Firm has a clear organisational structure with well defined, transparent, and consistent lines of responsibility; effective processes to identify, manage, monitor and report the risks the firm is or might be exposed to, or the firm poses or might pose to others; and adequate internal control mechanisms, including sound administration and accounting procedures.



Whilst the Firm is not required to establish a separate risk committee, the Board has chartered a Risk and Compliance Committee to provide oversight and challenge in respect of governance, risk and regulation. The Firm's governing body nevertheless has overall responsibility for the Firm's risk strategies and policies.



Own Funds

As at December 31, 2022, the Firm maintained own funds of £23,227,531. The below regulator-prescribed tables provide a breakdown of the Firm's own funds:

Composition of Regulatory Own Funds

	Item	Amount (GBP Thousands)	Source based on reference numbers/letters of the balance sheet in the audited financial statements
1	OWN FUNDS	23,228	
2	TIER 1 CAPITAL	23,228	
3	COMMON EQUITY TIER 1 CAPITAL		
4	Fully paid up capital instruments	32,808	Page 23
5	Share premium		
6	Retained earnings	(7,812)	Page 23
7	Accumulated other comprehensive income		
8	Other reserves		
9	Accumulated other comprehensive income		
10	Accumulated other comprehensive income		
11	(-) TOTAL DEDUCTIONS FROM COMMON EQUITY TIER 1		
19	CET1: Other capital elements, deductions and adjustments	(1,768)	Page 21
20	ADDITIONAL TIER 1 CAPITAL		
21	Fully paid up, directly issued capital instruments		
22	Share premium		
23	(-) TOTAL DEDUCTIONS FROM ADDITIONAL TIER 1		
24	Additional Tier 1: Other capital elements, deductions and adjustments		
25	TIER 2 CAPITAL		
26	Fully paid up, directly issued capital instruments		
27	Share premium		
28	(-) TOTAL DEDUCTIONS FROM TIER 2		
29	Tier 2: Other capital elements, deductions and adjustments		



Own Funds: Reconciliation of Regulatory Own Funds to Balance Sheet in the Audited Financial Statements - as at December 31, 2022

		Balance Sheet as in Published/Audited Financial Statements	Cross Reference to Own Funds (above)
Assets - Breakdown by Asset Classes According to the Balance Sheet in the Audited Financial Statements (in £'000)			
1	Fixed Assets	4,388	
2	Debtors	18,498	19 (Deferred tax asset)
3	Cash at Bank	12,681	
	Total Assets	35,567	
Liabilities - Breakdown by Liability Classes According to the Balance Sheet in the Audited Financial Statements (in £'000)			
1	Creditors – Due within one year	7,868	
2	Creditors – Due after one year	2,703	
	Total Liabilities	10,571	
Shareholders' Equity (in £'000)			
1	Called Up Share Capital	32,808	4
2	Profit and Loss Account	(7,812)	6
	Total Shareholders' Equity	24,996	

Own Funds: Main Features of Own Funds Instruments Issued by the Firm

The Firm's CET1 capital is wholly comprised of fully called up Share Capital and Retained Earnings. The deduction from the CET1 is made up of a deferred tax asset.



Own Funds Requirements

The Firm is required to maintain, at all times, own funds that are at least equal to the Firm's Own Funds Requirement which, as described above, will usually be the higher of the Permanent Minimum Capital Requirement or the Fixed Overhead Requirement.

The table below illustrates the core components of the Firm's Own Funds Requirement:

Requirement	£'000
(A) Permanent Minimum Capital Requirement (PMR)	75
(B) Fixed Overhead Requirement (FOR)	6,261
(C) K-Factor Requirements (KFR)	1,310
- K-AUM – <i>Risk arising from managing and advising on investments</i>	1,310
(D) Own Funds Requirement (Max. [A, B, C])	6,261

The Firm is also required to comply with the Overall Financial Adequacy Rule (**OFAR**). This is an obligation to hold own funds and liquid assets which are adequate, both as to their amount and quality, to ensure that:

- The Firm is able to remain financially viable throughout the economic cycle, with the ability to address any material potential harm that may result from its ongoing activities; and
- The Firm's business can be wound down in an orderly manner, minimising harm to consumers or to other market participants.

Where the Firm determines that the FOR is insufficient to mitigate the risk of a disorderly wind-down, the Firm must maintain 'additional own funds required for winding down', above the FOR, in order to mitigate the risks of a disorderly wind-down. Similarly, where the Firm determines that the KFR is insufficient to mitigate the risk of harm from ongoing operations, the Firm must maintain an amount of 'own funds required for ongoing operations', above the KFR, that is deemed sufficient to ensure the viability of the Firm throughout economic cycles. The additional sums identified would be added to the Own Funds Requirement to produce the Own Funds Threshold Requirement.

The Firm's Own Funds Threshold Requirement is the higher of:

- The Firm's PMR;
- The sum of the Firm's FOR and its additional own funds required for winding down; and
- The sum of the Firm's KFR and its additional own funds required for ongoing operations.

This is the amount of own funds that the Firm is required to maintain at any given time to comply with the OFAR.



To determine the Own Funds Threshold Requirement, the Firm identifies and measures the risk of harm faced by the Firm and considers these risks in light of its ongoing operations and also from a wind-down planning perspective. The Firm then determines the degree to which systems and controls alone mitigate the risk of harm and the risk of a disorderly wind-down, and thereby deduces the appropriate amount of additional own funds required to cover the residual risk.

This process – the Internal Capital Adequacy and Risk Assessment (**ICARA**) process - is documented and presented to, and ratified by, the Governing Body on at least an annual basis.



Remuneration Policies and Practices

Overview

As a Non-SNI MIFIDPRU Investment Firm, Brown Advisory Limited is subject to the basic and standard requirements of the MIFIDPRU Remuneration Code (as laid down in Chapter 19G of the Senior management arrangements, Systems and Controls sourcebook in the FCA Handbook). The purpose of the remuneration requirements is to:

- Promote effective risk management in the long-term interests of the Firm and its clients;
- Ensure alignment between risk and individual reward;
- Support positive behaviours and healthy firm cultures; and
- Discourage behaviours that can lead to misconduct and poor customer outcomes.

The objective of the Firm's remuneration policies and practices is to establish, implement and maintain a culture that is consistent with, and promotes, sound and effective risk management and does not encourage risk-taking which is inconsistent with the risk profile of the Firm and the services that it provides to its clients.

In addition, the Firm recognises that remuneration is a key component in how the Firm attracts, motivates, and retains quality staff and sustains consistently high levels of performance, productivity, and results. As such, the Firm's remuneration philosophy is also grounded in the belief that its people are the most important asset and provide its greatest competitive advantage.

The Firm is committed to excellence, teamwork, ethical behaviour, and the pursuit of exceptional outcomes for its clients. From a remuneration perspective, this means that performance is determined through the assessment of various factors that relate to these values, and by making considered and informed decisions that reward effort, attitude, and results.

Characteristics of the Firm's Remuneration Policy and Practices

Remuneration is made up of fixed and variable components. The fixed component (base salary) is set in line with market competitiveness at a level to attract and retain skilled staff. Variable remuneration is paid annually on a discretionary basis and takes into consideration the Firm's financial performance as well as the financial performance of each business unit, and the financial and non-financial performance of the individual in contributing to the Firm's success. All staff members are eligible to receive variable remuneration, which will typically include a cash element and an equity award.

Equity awards relate to shares in the Brown Advisory Group holding company and may be in the form of options or direct equity. Direct equity awards are made against a forgivable loan with which to effect the purchase. The vesting period for options is five years. Loan forgiveness will typically be over a five to ten year period.

Our remuneration philosophy, and in particular the award of firm equity, aims to align colleagues closely with all clients and to foster a collaborative culture. In determining remuneration for our



investment professionals, we take into consideration investment performance, teamwork, and the overall profitability of the firm. In addition, the following, non-financial factors will be taken into consideration:

- Tenure
- Leadership
- Expertise
- Business Development
- Contribution to Company Culture
- Career Path

The Firm's policy includes a framework for assessing the level of remuneration to be paid. Remuneration decisions are made annually taking account of the current and future risks of the Firm and making adjustments accordingly. Ex-post adjustments may be made to individual variable remuneration awards in the event of misconduct.

The Firm does not typically make guaranteed variable remuneration awards and would do so only in the context of hiring new employees and only with a view for compensating those new hires for lost compensation in the prior role.

The Firm seeks to ensure that the remuneration components are appropriately balanced and that the fixed component represents a sufficiently high proportion of the total remuneration to enable the operation of a fully flexible policy on variable remuneration. This allows for the possibility of paying no variable remuneration where the risks faced by the Firm justify such a decision, for example where the Firm's profitability is particularly constrained, or where there is a risk that the Firm may not be able to meet its regulatory capital or liquidity requirements.

Governance and Oversight

Whilst the Firm is not required, under the FCA rules, to maintain a remuneration Committee, the responsibility for oversight of remuneration decisions resides with the Senior Management (specifically the executive members of the Governing Body), supported by the Brown Advisory Group's Human Resources function. In order to appropriately fulfil their responsibilities, the Senior Managers who exercise decision-making authority:

- Are appropriately informed to enable it to exercise competent and independent judgment on remuneration policies and practices and the incentives created for managing risk, capital, and liquidity.
- Ensure that the Firm's remuneration policy and practices take into account the public interest and the long-term interests of shareholders, investors, and other stakeholders in the Firm.
- Ensure that the overall remuneration policy is consistent with the business strategy, objectives, values, and interests of the Firm and of its clients.



Material Risk Takers

The Firm is required to identify its 'material risk takers' - those members of staff whose professional activities have a material impact on the risk profile of the Firm (and of the assets that the Firm manages). The identification of material risk takers is closely aligned with the Senior Managers and Certification Regime and includes senior management (i.e. Board Directors) and those whose role could have a material impact on the risk profile of the Firm. The latter category includes institutional portfolio managers and those responsible for trading activities.

Quantitative Remuneration Disclosure

The Firm is required to make certain quantitative remuneration disclosures on an annual basis. This information is set out in the table below which covers the financial year ending December 31, 2022. The term 'other staff' refers to all permanent employees during the period who were not material risk takers or senior management. 'Senior Management' refers to those Directors who are employed by the Firm.

Period: 01/01/2022 - 31/12/2022				
		Senior Management	Other Material Risk Takers	Other Staff
Total No. of Material Risk Takers/Staff		3	5	79
Remuneration Awarded	Fixed (£)	700,840	1,280,250	5,924,092
	Variable (£)	3,239,632	3,894,240	6,841,967
	Total (£)	3,940,473	5,174,490	12,766,059