BROWN ADVISORY

INSTITUTIONAL SUSTAINABLE INVESTING CORPORATE ENGAGEMENT POLICY

Engagement is a foundational part of investment research and monitoring for Brown Advisory's sustainable investment strategies.

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Engagement is a foundational part of investment research and monitoring for all Brown Advisory strategies. As an active manager, primary discussions with a company's management team, its customers, its critics, and experts on material issues that inform our investment conviction are critical to delivering performance for clients. This document describes the approach Brown Advisory's sustainable investment strategies take when engaging with corporate issuers on sustainability-related risks and opportunities that may impact an investment's performance.

The investment team's engagement approach mirrors its investment approach: performance driven, long-term in nature, and collaborative. All of Brown Advisory's engagement work seeks to inform investment decisions that promote long-term financial performance. Investment research aims to identify "sustainable drivers," which are defined as sustainability-related activities such as, responsibly managing natural resources, facilitating the transition to a low carbon economy, and contributing to equitable and inclusive societies, in a manner that drives improved financial outcomes or a competitive advantage for the investment. This is all aligned with our fiduciary duty of delivering investment performance to clients and reflected in engagement execution, where research analysts and portfolio managers seek to:

1. Prioritize understanding the improved financial outcomes or competitive advantages of sustainable drivers;
2. Address pecuniary factors in the context of our investment time horizon;
3. Work alongside stakeholders with specific expertise and perspectives to improve our investment decision making.

Engagement is often discussed in tandem with outcomes. Long-term financial performance is the most credible and appropriate outcome to which the research team's engagement work seeks to contribute. More specifically, the research team's engagement efforts focus on stress testing the underlying investment thesis to understand if the thesis remains intact or is evolving. From time to time, engagement may include encouraging a specific action or change within a company, with the purpose of improving performance and creating an environment in which an investment thesis materializes.

Outcomes

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

There are four outcomes and associated investment actions that may occur as result of engagement. The decision on which action to take rests solely with a strategy's portfolio manager, who will determine the best step that they believe will align with the achievement of the investment performance objective of the strategy. Outcomes and associated actions include:

1. The thesis is **maintained**.
    - Possible actions:
        - The engagement strategy stays in place.
        - The investment position size may be increased in the portfolio.
2. The thesis is **weakened**.
    - Possible actions:
        - The engagement strategy may escalate.
        - Escalation may include widening the scope of stakeholders interviewed and consulted, engaging with strategic decision makers within the company, increasing research touch points, and voting proxies promoting change that we believe will create long-term value for shareholders.
        - The investment position size may be reduced in the portfolio.
3. The thesis is **broken**.
    - Possible actions:
        - The investment position will be exited.
        - If applicable, the investment is no longer considered to exhibit a "sustainable driver" but continues to be held if a company's risk mitigation efforts are determined to be sufficient, provided no other aspects of the investment policy have been breached.
4. The thesis is **strengthened**.
    - Possible actions:
        - Escalation that may include widening the scope of stakeholders interviewed and consulted, engaging with strategic decision makers within the company, increasing research touch points, and voting proxies aimed at reinforcing the conditions for the company to out-perform.
        - The investment may be initiated or the position size may be increased.

Approach

When conducting engagement, the research analysts use three different approaches:

- **General due diligence:** Using engagement, the investment team seeks to learn from any primary source of information that can inform and test the investment thesis. This type of engagement may take place throughout the investment process, from before initiation to after exit.
- **Tailored engagement:** Some companies require a more tailored engagement approach based on the risk or opportunity profile. These engagements are further guided by Key Performance Indicators (KPIs) determined by the portfolio manager and research analyst to help assess the strength of the investment thesis and the company's progress toward it.
- **Engagement on sector themes and macro risks:** Unlike general due diligence, engagement on strategic areas of focus such as climate change and general disclosure can be approached from a top-down view and applied to the investment analysis. Research analysts with domain expertise on recurring issues improve broad understanding of these issues as related to specific companies and enable Brown

Advisory to collaborate with the company as it seeks to address such issues and opportunities. The selection of these issues is based on the make-up of the institutional platform's investment universe and, as such, the issues the team focuses on may change over time. Nevertheless, the team seeks to engage broadly within industries and across the sustainable investment industry to remain abreast of evolving issues and deepen understanding of issues faced by our companies today.

Engagement Tactics

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

- **Direct Dialogue:** This tactic includes conversations that take place between the investment team and representatives from the company or its stakeholders. These conversations may take place, for example, in person, through a virtual meeting, phone call, or via email.
- **Letter Writing:** This tactic includes sending formal letters to companies requesting certain action or elevating specific concerns. It can be completed in collaboration with other investors or through direct dialogue.
- **Proxy Voting:** The firm casts all of its proxy votes in line with what the portfolio manager believes is most appropriate for a company's long-term financial interests. A portfolio manager may vote against management to indicate support for, or concern with, a specific issue. In most cases, the investment team seeks to have dialogue with the company before votes are cast against management. For further information about Brown Advisory's approach to proxy voting, please see the Brown Advisory Proxy Voting Policy.
- **Collaboration:** The firm, institutional business, and/or our investment team members may join initiatives that seek to bring together investors around specific investment issues where we believe collaboration will benefit the efficacy of our evaluation and monitoring of an investment thesis. Collaborative initiatives often help to enhance due diligence by providing access to experts, working groups, or other resources on topics with potential material relevance to investments. They can also act as a mechanism to raise topics that the investment team believes may materially impact long-term performance more successfully with company management. Collaborative initiatives also bring together leading investors to develop frameworks for how companies can effectively manage specific sustainability-risk or take advantage of opportunities. Companies may use these frameworks to drive more effective business and shareholder outcomes.
- **Investment actions:** The investment team prefers to engage with companies over the long-term appreciating that trust and rapport is established over time with management teams and that actions may take some time to materialize into results. However, should material risks be identified that indicate the investment thesis has been damaged or broken, a portfolio manager may consider more immediate action, such as reducing or eliminating their position.

Engagement in other asset classes

For further information on Brown Advisory's approach to engagement in non-corporate fixed income asset classes, please see the Institutional Sustainable Fixed Income Policy.

Disclosures

The views expressed are those of the author and Brown Advisory as of the date referenced and are subject to change at any time based on market or other conditions. These views are not intended to be and should not be relied upon as investment advice and are not intended to be a forecast of future events or a guarantee of future results. Past performance is not a guarantee of future performance and you may not get back the amount invested.

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. The information contained herein has been prepared from sources believed reliable but is not guaranteed by us as to its timeliness or accuracy, and is not a complete summary or statement of all available data. This piece is intended solely for our clients and prospective clients, is for informational purposes only, and is not individually tailored for or directed to any particular client or prospective client.

Sustainable investment considerations are one of multiple informational inputs into the investment process, alongside data on traditional financial factors, and so are not the sole driver of decision-making. Sustainable investment analysis may not be performed for every holding in every strategy. Sustainable investment considerations that are material will vary by investment style, sector/industry, market trends and client objectives.

Certain strategies seek to identify companies that we believe may be desirable based on our analysis of sustainable investment related risks and opportunities, but investors may differ in their views. As a result, these strategies may invest in companies that do not reflect the beliefs and values of any particular investor. Certain strategies may also invest in companies that would otherwise be excluded from other funds that focus on sustainable investment risks. Security selection will be impacted by the combined focus on sustainable investment research assessments and fundamental research assessments including the return forecasts. These strategies incorporate data from third parties in their research process but do not make investment decisions based on third-party data alone.

Brown Advisory relies on third parties to provide data and screening tools. There is no assurance that this information will be accurate or complete or that it will properly exclude all applicable securities. Investments selected using these tools may perform differently than as forecasted due to the factors incorporated into the screening process, changes from historical trends, and issues in the construction and implementation of the screens (including, but not limited to, software issues and other technological issues). There is no guarantee that Brown Advisory's use of these tools will result in effective investment decisions.

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

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