

Global Leaders Sustainable

SUSTAINABLE BUSINESS ADVANTAGE (SBA) PROFILE MATRIX

Second Quarter 2023

The Global Leaders strategy seeks to invest in companies that positively embrace ESG factors and effectively manage ESG risks as a key driver of value creation. We look for companies that exhibit Sustainable Business Advantages (“SBAs”), which we define as business drivers derived from a company’s sustainability strategies, with the potential to generate 1) revenue growth, 2) cost improvement and/or 3) enhanced franchise value. Here we offer a description of the SBA drivers we have identified across the Global Leaders portfolio.

The portfolio managers also incorporate ESG risk management into their investment decisions by consulting the formal assessments produced by our ESG research analysts. The strategy does not invest in companies that have been found to exhibit severe ESG risk.

SBA DRIVERS FOR PORTFOLIO HOLDINGS (AS OF 06/30/2023)

COMPANY	IMPACT THEME	SBA PROFILE
Adobe	Sustainable Technology Innovation	Adobe is a leader in digital transformation that enables customers to be more sustainable through their use of Adobe’s products. For example, for every one million transactions using Adobe Sign, instead of traditional print, sign, or fax, over 27 million gallons of water, 1.5 million pounds of waste, and 23.4 million pounds of CO2e is avoided. Further, Adobe Document, Creative, and Experience Clouds all help customers eliminate physical workflows and reduce resource consumption.
AIA Group	Economic Mobility & Community Development	AIA Group is a top pan-Asian life insurance company. The group’s integrated Health Strategy aims to reduce the burden of medical expenses and expand access to quality care, while championing financial inclusion in communities across Asia. AIA additionally integrates ESG into its investment portfolio through engagement with management and investee companies to encourage sustainable business practices.
Allegion Public Ltd	Neutral	Allegion PLC provides security solutions to improve the safety of its consumers. The company incorporates recycled materials into manufacturing some of its products, to support customers in acquiring LEED certification. Meanwhile, particular products have inherent energy efficiency capabilities, such as doors and automatic locks, that can improve the energy usage of properties.
Alphabet	Sustainable Technology Innovation	Alphabet is a trailblazer striving to build sustainability into everything they do. Many of Alphabet’s products and services directly help users avoid Scope 2 GHG emissions since on average a Google data center is twice as energy efficient as a typical enterprise data center. This includes advancing carbon-free energy, creating sustainable workplaces, building better devices and services, empowering users with technology, and enabling a responsible supply chain. Since 2007, Alphabet has been carbon neutral and in 2020 became the first major company to neutralize their legacy carbon footprint since their founding. Looking forward, Alphabet set an ambitious goal to operate on carbon-free energy on a 24/7 basis by 2030.
ASML Holding	Sustainable Technology Innovation	ASML provides photolithography equipment for semiconductor manufacturers. Lithography is the driving force in increasing transistor density which in turn helps manufacturers create more powerful and energy efficient chips. These microchips enable the development of digital technologies that address global challenges, such as tackling climate change by reducing energy consumption and GHG emissions.
Atlas Copco	Sustainable Technology Innovation	Atlas Copco engages in the provision of sustainable productivity solutions, spanning across the manufacturing, energy, construction, pharmaceutical, automotive, and electronics industries. Specifically, the company has a technology leadership position in the development of energy efficient air compressors and vacuum pumps. Atlas Copco has set a goal for all new and redesigned products to have a clear target set for reduced environmental impact.
Autodesk	Sustainable Technology Innovation	One of the world’s largest design software companies, Autodesk helps customers to design, visualize and simulate buildings and products in a more energy- and resource-efficient manner. Autodesk’s Building Information Modeling solutions help design sustainable buildings and infrastructure by more accurately predicting performance, reducing waste, and improving productivity. Additionally, Autodesk’s innovative technologies include Construction IQ which helps make construction sites safer and healthier for workers.

COMPANY	IMPACT THEME	SBA PROFILE
Booking Holdings	Efficient Production & Conservation	Through its various platforms, Booking Holdings has the potential to help amplify green travel and sustainable food. Booking has begun to consider various business strategies that would enable it to act on and track its positive contributions.
B3 SA	Neutral	B3 is Brazil's leading exchange and is an emerging market leader in many sustainability initiatives, such as being the first exchange in the world to adhere to the Global Compact and the first exchange in emerging markets to adhere to the UN Principles for Responsible Investment. The company offers a range of ESG products and services that create an investment environment compatible with the demands for sustainable development and encourage companies to adopt best ESG practices in the Brazilian market.
Charles Schwab	Economic Mobility & Community Development	Charles Schwab, a leader in the US wealth management industry, developed a competitive advantage with its focus on making investing more accessible and affordable for main street investors. In 2019, it added to its reputation through its industry leading decision to move to a zero-commission fee model for its trading. We continue to look for the company to accelerate its sustainable investing practices and offerings.
Coloplast	Health & Wellness	Coloplast is a global market leader in developing products and services that make life easier for people with intimate medical conditions in ostomy, continence care, urology and wound care. The company integrates reimbursement and pricing frameworks into the product development process, focusing on unmet needs of payers. By offering products that strive to improve clinical outcomes, increase patient satisfaction and simplify care, we believe that Coloplast can leverage meaningful long-term growth.
CTS Eventim	Neutral	CTS Eventim is a provider of event ticketing and live entertainment. With waste being one of the biggest problems facing modern music festivals, CTS has an opportunity to drive positive change within the industry. The company has some efforts in places to improve the environmental footprint of events, but as consumers increasingly shift consumption patterns, we would like to see this becoming more material to the business. CTS additionally drive digitization within the ticketing industry.
Deutsche Boerse	Sustainable Technology Innovation	Deutsche Boerse is a leading European capital markets infrastructure provider. The trend toward sustainable investing constitutes a structural growth opportunity for the group, aiming to support market participants with high-quality ESG data, specialized ESG indices and the corresponding trading and hedging options. In particular, the company has strengthened its position with the acquisition of ISS, the global leader in corporate governance.
Edwards Lifesciences	Health & Wellness	As a developer and manufacturer of technologies that treat structural heart disease, the company's transcatheter aortic valve replacement is typically less invasive than traditional open-heart surgery and may be approved for patients deemed too high risk for traditional surgery. This minimally invasive surgery technology effectively increases the probability of survival, reduces the length of hospital stays and readmission rates, and can provide patients with a significantly higher quality of life post-surgery.
Estee Lauder	Diversity, Inclusion & Equality	Estee Lauder is a leading manufacturer and marketer of prestige skin care, makeup, fragrance and hair care products. The company has worked to incorporate ESG practices across its business operations (responsible sourcing, 100% renewable energy, and sustainable packaging), and states that nearly three quarters of its brands are purpose-driven. In particular, we believe Estee Lauder's sustainable business advantage lies in the company's longstanding focus on product inclusivity across several major brands, such as MAC, Bobbi Brown and Estee Lauder. This focus on product inclusivity has allowed Estee Lauder to continue to gain market share over peers.
Ferguson	Sustainable Technology Innovation	Ferguson distributes energy efficient HVAC systems throughout North America, directly contributing to lowering the emissions generated from buildings. It also specializes in large, planned water infrastructure projects for residential, commercial and municipal customers through its Waterworks team. Ferguson reports that over \$3 billion of its FY 2022 revenue was attributed to sustainable products with third party certifications. This represents a 20% increase from FY 2021.
General Electric Company	Sustainable Technology Innovation	General Electric (GE) has a compelling sustainable opportunity, driven by both the aerospace business and the power business. Specifically, GE Aerospace's revenue growth is strongly tied to the company's ability to drive more efficient outcomes for its customers in terms of fuel efficiency, emission reduction and improved environmental performance of its aircraft engines and systems. GE is investing heavily in supporting Sustainable Aviation Fuels (SAFs), hydrogen propulsion and the development of hybrid electric engine systems, striving to decarbonize the aviation industry.

Source: Underlying portfolio companies. The conclusions provided are based on fundamental research of Brown Advisory's ESG team. Please see the end of this presentation for important disclosures.

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HDFC Bank	Economic Mobility & Community Development	HDFC Bank provides financing to individuals and corporate customers in India. One of the core growth drivers is focusing on underserved communities, with over half of the bank's branches located in rural and semi-urban areas. The bank's commitment to become carbon neutral has placed increasing focus on its sustainable lending portfolio, offering loans for electric vehicles and green buildings, while also reducing the carbon footprint of internal operations.
Intuit	Economic Mobility & Community Development	Intuit helps consumers, small businesses, and the self-employed prosper through financial management and compliance solutions. Intuit's 2025 goal is to double the household savings rate and improve small and midsize business' success rate > 10 pts vs. the industry, clearly exhibit how the company's social impact and business goals are closely intertwined. This is also demonstrated through Intuit's Prosperity Hubs program which helps create new jobs in underserved communities, trains workers for jobs of the future and equips entrepreneurs to start and build successful businesses.
London Stock Exchange Group	Economic Mobility & Community Development	London Stock Exchange Group (LSEG) is a leading financial markets infrastructure and data provider that we believe is well positioned to drive sustainable economic growth through their focus on ESG data, analytics and indices. LSEG works across the market to help drive transparency and support the shift to a net-zero economy, which we think is a competitive advantage given the increase in ESG market demand for sustainability solutions. Furthermore, LSEG has a history of allocating capital towards expanding ESG data and capabilities with a strong execution track record, driving their sustainable opportunity.
Marvell Technology	Sustainable Technology Innovation	Marvell is a leading fabless semiconductor provider of high-performance, application-specific products in storage, networking and connectivity. The company is a pioneer in designing low-power, low-cost Ethernet transceivers and storage controllers, and has been an early adopter of energy efficient ARM-based systems.
Mastercard	Economic Mobility & Community Development	Mastercard has drawn on its role in the payments ecosystem to enable financial inclusion, inclusive growth and data responsibility. This includes advancing efforts of bringing 1 billion people around the globe into the digital economy. Mastercard has several initiatives which drive the company's business goals, while educating and enabling access to financial tools for small businesses in marginalized communities and underdeveloped regions.
Microsoft	Sustainable Technology Innovation	Microsoft offers a compelling customer value proposition through its efficient Azure cloud computing and infrastructure. When customers move to Azure, many reduce per-user carbon footprint by up to 98%. The company provides innovative ways to support customers' sustainability goals—for example, Azure customers can access a carbon calculator that tracks emissions generated on the cloud. Microsoft has operated as a carbon-neutral company since 2012, commits to being carbon negative by 2030, and intends to remove all the carbon the company has emitted either directly or by electrical consumption since its founding by 2050.
Moody's Corporation	Economic Mobility & Community Development	Moody's Corporation utilizes its credit ratings, research, and data analytics tools to help organizations and the investor community better understand the links between sustainability considerations and the global markets. The company is continuing to invest in their ESG and sustainable finance offerings, which is a strategic focus and is demonstrated by the expected growth of Moody's ESG Solutions, which serves to meet the rapidly growing global demand for ESG capabilities and data.
Otis Worldwide Corp.	Sustainable Technology Innovation	Otis Worldwide Corporation produces elevators, escalators, moving walkways, and related equipment. Its newest elevator system is significantly more energy-efficient than conventional systems. In addition, Otis has introduced remote technology that has increased efficiency, lowered emissions, and cut costs by reducing both the number and length of elevator trips.
PT Bank Rakyat	Economic Mobility & Community Development	Bank Rakyat (BRI) is the market leader in providing access to finance micro, small and medium enterprises in Indonesia. Through its acquisitions of PNM and Pegadaian in 2021, BRI expanded its microlending ecosystem designed to raise underserved people out of poverty. Bank Rakyat has also developed a roadmap to green banking with increasing funding to environmentally sustainable business activities and, in 2022, the bank launched its second green bond.
Roche	Health & Wellness	Through its Pharma segment, Roche is committed to drug therapy innovation driving more efficient treatment, solving unmet medical challenges and ultimately saving lives through focusing on effective treatment options. The company's Diagnostics division enables clinicians to make faster treatment decisions in many time-sensitive cases. Roche has long been a pioneer in the differential pricing system, enabling more affordable access to their drugs in emerging markets.

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Purposes*

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Sherwin Williams	Sustainable Technology Innovation	As the inventor of water-based latex paints in the 1940s, Sherwin has been known to develop products that stay well ahead of environmental regulatory requirements and meet growing customer demand for environmentally friendly products. As of 2020, the company estimates that 30% of its revenue is generated from sustainably advantaged products. To further capitalize on the success of its eco-friendly offering, in 2021 Sherwin implemented its Sustainability by Design program with a focus on aiding the growth of its “sustainably advantaged products” portfolio.
Taiwan Semiconductor	Efficient Production & Conservation	Taiwan Semiconductor implements industry-leading water management measures, and has adopted a policy of achieving a minimum process water recycling rate of 85% and recycling more than 90% of water use at its newest facilities. The company has managed to continuously increase its already industry-leading recycling rate through process improvements such as retrofitting cooling towers, collecting rainwater, and reclaiming waste water into ultrapure water.
TJX Companies	Efficient Production & Conservation	This leading off-price retailer of apparel and home products has consistently implemented industry-leading energy reduction and waste minimization practices at its facilities. TJX has also shifted to using fuel-efficient intermodal transport, and through its logistics efficiency efforts, has been able to significantly reduce the amount of total shipments.
Unilever	Sustainable Agriculture & Natural Resource Management	Unilever is a leader in sustainability. With such a large global footprint, Unilever has successfully embedded sustainable business practices into its supply chain, while also driving sustainable innovation in new products, thereby improving efficiency and reducing waste. Unilever maintains a portfolio of purpose-led brands that seek to improve the health of the planet, improve people's health and wellbeing, or contribute to a more socially inclusive world. The franchise value and positive reception amongst its customers has continued to drive attractive performance.
Visa	Economic Mobility & Community Development	Visa leverages its extensive network to enable financial inclusion in underserved communities and to empower small and micro businesses. As part of their efforts to advance digital equity, Visa set a goal to digitally-enable 50 million SMBs worldwide by 2023, after achieving its 2020 goal to provide 500 million unbanked individuals access to digital payments. Visa's financial inclusion priorities coincide with its business strategy through products such as Visa Direct, Visa Acceptance Card, and Scan to Pay helping underserved communities access the digital economy.
Wolters Kluwer	Sustainable Technology Innovation	Wolters Kluwer develops professional software solutions that help customers optimize business processes to enable better healthcare, solve complex problems, and build better judicial and regulatory systems. The company has established product impact criteria, looking individually at the ESG benefits of their products. The company's transformation from paper to digital also helps bring meaningful value to customers and improves overall resource efficiency.

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DESCRIPTIONS OF IMPACT THEMES

Economic Development and Social Inclusion

Affordable Housing	Offering housing options to low- and moderate-income families.
Economic Mobility and Community Development	Increasing employment opportunities and financial inclusion for underserved communities.
Education	Reducing barriers to education for underserved groups.
Diversity, Inclusion, Equality	Supporting race and gender equity; empowering marginalized populations.

Health and Well-Being

Health and Wellness	Promoting health and well-being, and improving access to and quality of health care.
Clean Water and Sanitation	Improving access to clean drinking water and sanitation services; solving infrastructure challenges; managing freshwater ecosystems.

Environment

Sustainable Technology Innovation	Innovating products and services that deliver sustainability results (e.g., energy-efficient products, sustainable transportation).
Efficient Production and Conservation	Reducing use of energy or raw materials, increasing use of renewables, etc., through internal operations.
Clean Energy	Developing, operating or delivering clean energy from wind, solar and other renewable sources.
Sustainable Agriculture and Natural Resource Management	Responsibly managing natural resources, minimizing or reversing land degradation, and protecting biodiversity.

We at Brown Advisory worked to build unified themes for our sustainable and impact portfolios that were applicable across equity and fixed income securities alike. In our pursuit, we worked closely to align our goals with the goals of the U.N. Sustainable Development Goals (SDGs). We believe that our framework aligns with the goals and spirit of the SDGs but also relies on our proprietary ESG research capabilities that impact our investment decisions.



Source: UN Department of Economic and Social Affairs.

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ESG 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. ESG analysis may not be performed for every holding in the strategy.

ESG considerations that are material will vary by investment style, sector/industry, market trends and client objectives. ESG strategies seek to identify companies that they believe may have desirable ESG outcomes, but investors may differ in their views of what constitutes positive or negative ESG outcomes. As a result, the strategies may invest in companies that do not reflect the beliefs and values of any particular investor. The strategies may also invest in companies that would otherwise be screened out of other ESG oriented funds. Security selection will be impacted by the combined focus on ESG assessments and forecasts of return and risk.

ESG strategies intend to invest in companies with measurable ESG outcomes, as determined by Brown Advisory, and seek to screen out particular companies and industries. 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.