Brown ADVISORY
Thoughtful Investing.

Large-Cap Sustainable Growth Strategy

REPORTING ON SUSTAINABILITY OUTCOMES

This report reflects our investment philosophy and our commitment to report on the sustainability outcomes of our strategies.

brownadvisory.com

LETTER OF INTRODUCTION FROM THE PORTFOLIO MANAGERS

Karina Funk, CFA
Portfolio Manager

David Powell, CFA
Portfolio Manager

Dear Fellow Investors,

As stewards of our clients' assets, we believe it is our obligation to consider the investment implications of sustainability-related risks and opportunities throughout our investment due diligence and decision-making process. We also believe it is incumbent on us as fiduciaries to engage with the companies we own on relevant sustainability-related issues to fulfill our duty to protect and enhance shareholder value. In service of these responsibilities, we take great effort to answer an expanded set of questions about companies to understand if a business is getting stronger, if it has high barriers to entry, if it can attract and retain the right talent, if it has a high-quality management team, if it is doing more with less, and if it is prepared for a world with greater challenges and fewer resources. Some may call these fundamental questions, others may call this sustainability analysis, and one could also argue these are characteristics that signal existential risks.

Regardless of terminology, these kinds of business risks can be managed or mismanaged. Companies can lean into opportunities or miss out on them. As long-term investors, we make every effort to understand the challenges and opportunities that may impact businesses in the decades to come. Insofar as businesses and hence investment returns depend on natural resources, a stable climate and stable societies, the long-term sustainability of these elements should be a key consideration in capital allocation.

We deliberately discuss this approach without using prevalent industry shorthand terms and acronyms that monolithically categorize an investment process. We hope this can re-set any expectation that there are shortcuts to making use of sustainability data (such as what is included in this report, and other information that eludes standard financial or voluntary disclosures). Every active, fundamental, and high-conviction investor knows that every company and every situation is unique, and investing requires intense and creative research to parse a wide swath of information, and hopefully make winning decisions more often than not.

If it were easy to do this, though, it would be automatic by now. Exploring a giant swath of data points, tactics, strategies, and heterogeneous information is not a simple undertaking. It also compels a good deal of humility, an acknowledgement of luck, and a desire to always learn more and to turn over more rocks, and to look at more information in order to arrive at investment insights.

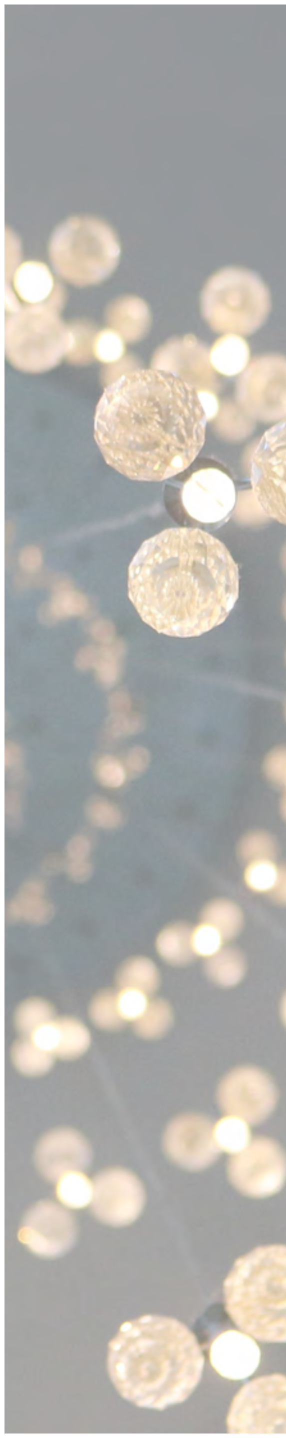
The challenge we all face as investors is the same one we've faced since the Amsterdam Bourse opened in the 1600s—separating the signals from the noise—and the sustainable investing universe has grown exceedingly noisy in recent years.

Our solution to this dilemma is not especially innovative. It's just a simple resolution to do the boring, roll-up-your-sleeves hard work. Investing is a process of continuous improvement, and there are no shortcuts or marketing materials or algorithms that can replace the diligence and discipline to tune out distractions and focus on what really matters.

We appreciate our clients' trust in our authentic ambition to find exceptional companies at the intersection of strong fundamentals, sustainable business advantages (SBAs), and attractive valuations. We hope that this report helps to communicate an important part of what we consider in our investment due diligence and stewardship in a way that resonates with our clients.

Sincerely,

Karina and David



SUSTAINABLE INVESTING AT BROWN ADVISORY

As active investors, our portfolio managers have the autonomy to apply their own experience, point of view and expertise to generate long-term performance for clients.

While each strategy is distinctive, across all our strategies financial performance is the core objective. Deep research and analysis is undertaken to provide a holistic understanding of the risks and opportunities associated with any given investment. By combining fundamental and sustainable investment research, we aim to uncover, assess and identify sustainable drivers that have a meaningful influence on financial performance.

In this context, the term sustainable reflects two things—firstly the durability of an investment and secondly, sustainability more broadly. After all, "durability" requires long-term thinking and "long term" requires a view on the evolving risks and opportunities related to climate change and other impacts on our environment, society and the economy. It is with that reflection that our investment professionals look for sustainable drivers in every investment, those that improve financial outcomes, or competitive advantages through sustainability-related activities. These might include responsibly managing natural resources, facilitating the transition to a low-carbon economy, or contributing to equitable and inclusive societies.

Investment philosophy

We believe that performance and sustainability can go hand in hand. Businesses and hence investment returns depend on natural resources, a stable climate and stable societies. We have found that companies that think comprehensively about risks and opportunities such as climate change, labor issues and resources—at all stages of their value chain—are often the companies that are thinking most effectively about their broader businesses as well.

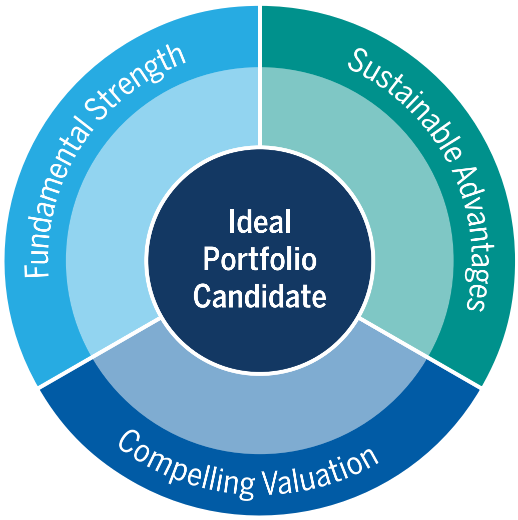
Our analysis of a company's focus on sustainability is centered around their financial impact measured by their revenue growth, cost savings or enhanced franchise value. We call these Sustainable Business Advantages, or 'SBAs'. In our view, some of the most attractive, durable business models available in the large-cap equity universe, are those with SBAs at their core.

For example, clean energy, health and wellness can be sources of revenue growth for many companies. Efficient operations that reduce the use of energy, water and other resources can lead to considerable cost savings. Companies that help customers solve meaningful environmental or health challenges are often able to greatly increase customer loyalty, elevate their brand, and enhance their franchise value.

Many of the companies in the large-cap equity universe are collectively responsible for a large proportion of the world's economic activity, both positive and negative. Our experience, and our research help to uncover the differences between companies that are trying to build a sustainable future (and thrive in one) and those that are not. We believe that by investing in the former, we can build a portfolio that drives attractive returns and positively contributes to society as an outcome.

Investment process

Our investment process is focused on finding companies with three key characteristics: durable fundamental strengths, sustainable business advantages and compelling valuations. Our aim is to generate competitive, risk-adjusted returns over a full market cycle through a concentrated portfolio of 30–40 companies.



Source Brown Advisory as of Dec 31, 2023.

- **Fundamental Strengths:** We look for companies with durable business models, quality management teams, strong operating fundamentals, unique value propositions, and compelling long-term growth drivers.
- **Sustainable Business Advantages:** We seek companies with sustainable attributes or business strategies that give them a competitive advantage tied to revenue growth, cost improvement, and/or enhanced franchise value.
- **Compelling Valuations:** We analyze businesses on both their risks and opportunities and build bottom-up financial models to establish upside and downside scenarios.

Only when each of these three criteria are met will we invest.

Sustainable Business Advantage (SBA)

A growing number of fundamentally strong companies are using sustainability drivers to add value for shareholders. We look at a wide variety of quantitative and qualitative information to evaluate these drivers and upon careful analysis, we seek to understand their potential to stimulate tangible, long-term business results.

A company is considered to have SBA if its sustainability attributes have the potential to drive the following:

Revenue Growth:
Companies that are offering a product or service that is solving for a sustainability challenge. For example, helping to drive productivity and efficiency for their customers by reducing energy use, water or raw materials.

Cost Improvement:
Companies working to reduce their own energy and resource usage. By boosting their own operational efficiencies, companies can reduce costs and improve margins.

Enhanced Franchise Value:
Improving the overall value of the business franchise through increasing customer loyalty, elevating brand reputation, and improving employee engagement, retention and recruitment. This is generally achieved by companies building sustainable product lines (e.g. ethical, healthy or organic) or are leaders in sustainability within their industry.

SBAs in action

VERALTO

SUSTAINABLE BUSINESS ADVANTAGE:
Revenue Growth

SUSTAINABILITY THEME:
Primary Category: Community & Human Capital
Subcategory: Clean Water & Sanitation

BUSINESS SCENARIO:
Veralto is a global leader in essential water and product quality solutions. Veralto separated from its former parent Danaher, a life sciences and diagnostics leader, in late 2023.

Within its Water Quality business (c.60% of 2023 sales[1]), Veralto provides advanced water treatment technologies to protect key resources and provide safe drinking water for roughly 40% of the world's population.[2] We believe the company is positioned well to meet the increasing demand for clean water solutions, leading to revenue growth as it secures contracts with municipalities and industrial clients. Trojan is especially compelling as it can treat water with UV as opposed to chlorine, which is traditionally explosive, polluting, and non-ideal for human health.

Veralto's Product Quality and Innovation business (c.40% of 2023 sales[1]) uses advanced technologies such as high-precision marking and tracking systems across the consumer-packaged goods and pharmaceutical industries, crucial for maintaining supply chain integrity and consumer safety. By increasing product authenticity, Veralto helps to protect consumers while enhancing its clients' brand trust and loyalty, ultimately increasing its own franchise value. Veralto also offers software solutions like design and pallet optimization, which enable clients to significantly reduce their packaging consumption and energy use – both combining to reduce costs. This makes Veralto a valuable partner as it continues to help its clients enhance their operational efficiencies and meet their respective sustainability targets.

1 *2024-02-06 Veralto Reports Fourth Quarter and Full Year 2023 Results.*

2 *Veralto's 2023 Sustainability Report.*

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 the sustainable investment philosophy of the strategy and do not represent all of the securities purchased, sold or recommended for advisory clients. Portfolio information is based on a Brown Advisory Large-Cap Sustainable Growth representative account. Please see the end of this report for important disclosures.

SBAs in action

DATA CENTER SUSTAINABILITY

SUSTAINABLE BUSINESS ADVANTAGE:
Revenue Growth, Cost Improvement

SUSTAINABILITY THEME:
Primary Category: Climate & Natural Capital
Subcategory: Sustainable Technology Innovation

BUSINESS SCENARIO:
Data centers serve as the bedrock of our interconnected digital world, providing space, power, and cooling for network infrastructure and servers essential to handle vast amounts of data. Data center sustainability has been a critical component of the investment thesis for several companies in the LCSG portfolio, including market-leading "hyperscalers" Amazon, Microsoft and Alphabet. Over the past decade, hyperscalers energy efficiency efforts have played a pivotal role in managing the surge in data center power consumption during the "cloud transition." Enterprises shifting from legacy, on-premises data storage to cloud and hyperscale data centers benefit from inherent efficiency gains.

The digital landscape is expanding at an unprecedented pace. The International Energy Agency (IEA) forecasts that the AI industry alone could consume 10 times as much electricity in 2026 as it did last year. This underscores the urgent need for companies like Amazon, Microsoft, and Google to continue their innovative developments in data center efficiency, as their power consumption and water use needs grow rapidly.

CORPORATE NET-ZERO EMISSIONS GOALS

- Amazon set a goal to reach net-zero carbon emissions by 2040, and is on a path to match all of the company's global electricity use with 100% renewable energy by 2025.[1]
- Microsoft made an ambitious goal to be carbon negative by 2030, while by 2050 the company says it will have removed its historical emissions since its founding in 1975.[2]
- Google aims to achieve net zero emissions across all of its operations and value chain by 2030, supported by an ambitious clean energy goal to run all its offices and data centers on 24/7 carbon-free energy.[3]

To progress toward their decarbonization goals, hyperscalers are leading in operational efficiencies and other mechanisms, such as corporate renewable power purchase agreements (PPA), under which a third-party developer installs, owns, and operates an energy system on a customer's property.

While headlines often paint data centers as detrimental to the energy transition, the data center industry has the potential to catalyze power grid transformation and scale renewable technologies at a faster rate. We refrain from making predictions about the exact timing of this transformation, but we are committed to monitoring developments and understanding how companies in the portfolio are contributing to this change over time.

[1] *The Climate Pledge, Amazon 2024.*

[2] *Net-Zero Carbon, Google Sustainability 2024.*

[3] *Our Microsoft Sustainability Journey, 2024.*

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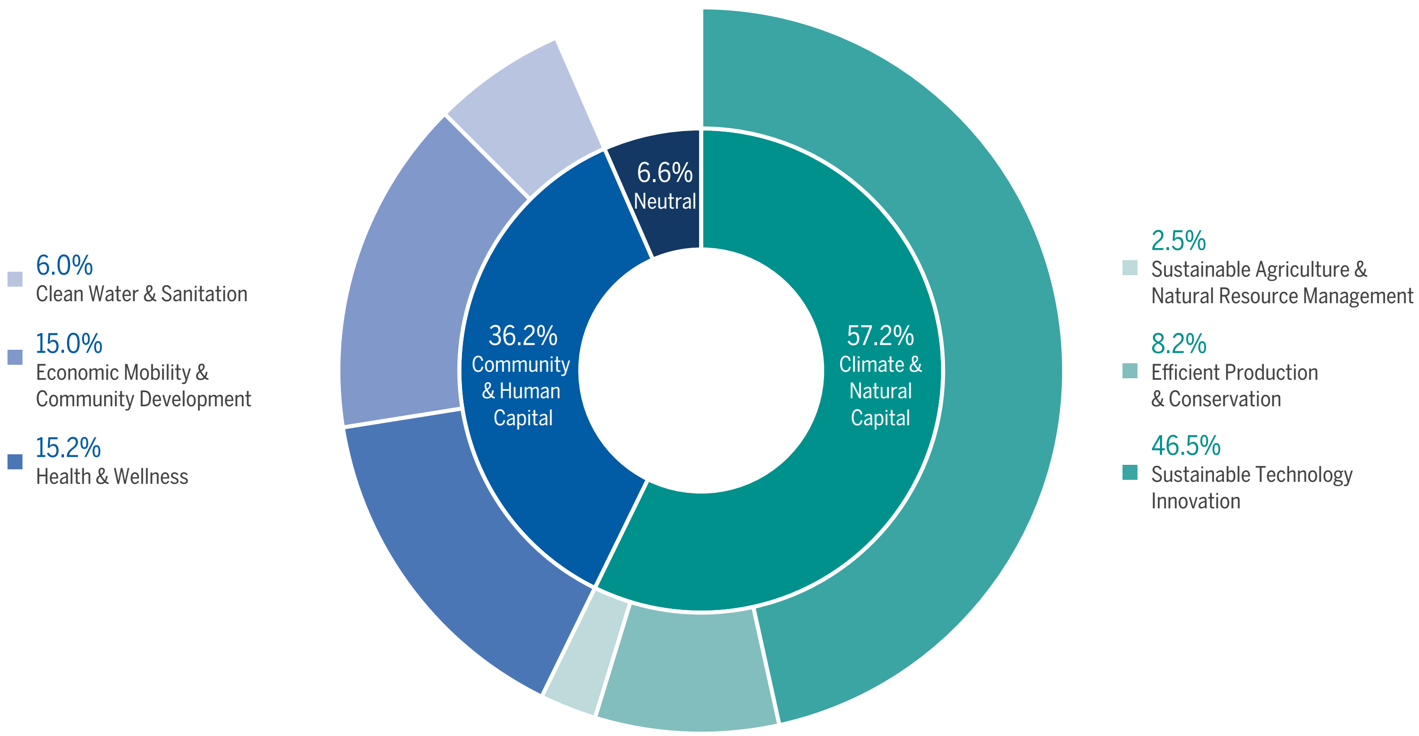
SUSTAINABILITY THEMES

Our investment approach is rooted in deep, bottom-up research that seeks to identify high quality companies with sustainable business advantages at compelling valuations. This investment approach has led to what we believe is a portfolio of companies with attractive potential returns that may also create positive environmental or social outcomes. While we invest solely to drive performance, our strategy continues to be associated with a range of positive outcomes generated by our companies.

Historically, it has also led to the portfolio having low exposure to many practices and business activities that are commonly viewed to be controversial. The portfolio has also generally had lower carbon emissions over time relative to its benchmark (Russell 1000 Growth Index).

Diversification by themes

We do not target any particular theme or combination of themes as part of our investment thesis. That said, for the purposes of and to recognize the positive outcomes associated with the activities of companies in which we invest, we have a straightforward, internally created framework (see below) to illustrate the variety of challenges and opportunities our portfolios address.



Source: Brown Advisory analysis. Neutral represents holdings that are not categorised within the framework and cash. Numbers may not total to 100% due to rounding. Theme information excludes cash and is based on a Brown Advisory Large-Cap Sustainable Growth representative account as of Dec. 31, 2023.

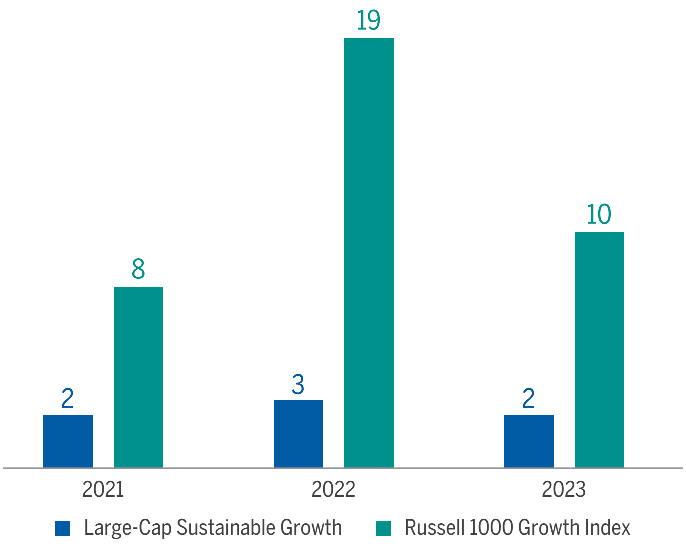
A CLIENT-FOCUSED THEMATIC FRAMEWORK

The themes presented in the Brown Advisory framework above, Climate & Natural Capital and Community & Human Capital, have been developed with the sole purpose of explaining the potential sustainability outcomes of our investments. We work closely with our clients to help them translate our themes against their own tools or other internationally recognized frameworks, such as the U.N. Sustainable Development Goals (SDGs). Whilst we do not invest to achieve these goals, some clients have found it useful to show how our themes map against the SDGs to understand a strategy's investment outcomes.

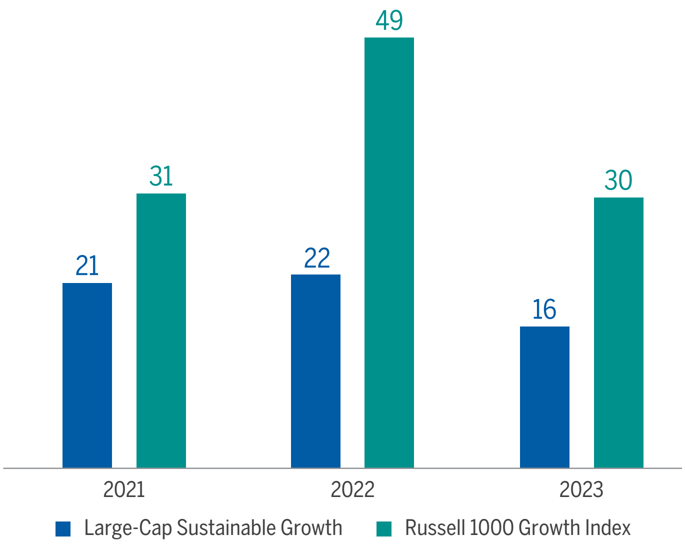
Carbon emissions data

We believe our investments generate a wide variety of positive outcomes. Some of these can be measured in the aggregate, for example, the portfolio's overall carbon emissions profile, which has historically been lower than the benchmark.

CARBON EMISSIONS PER $1M



WEIGHTED AVERAGE CARBON INTENSITY[1]

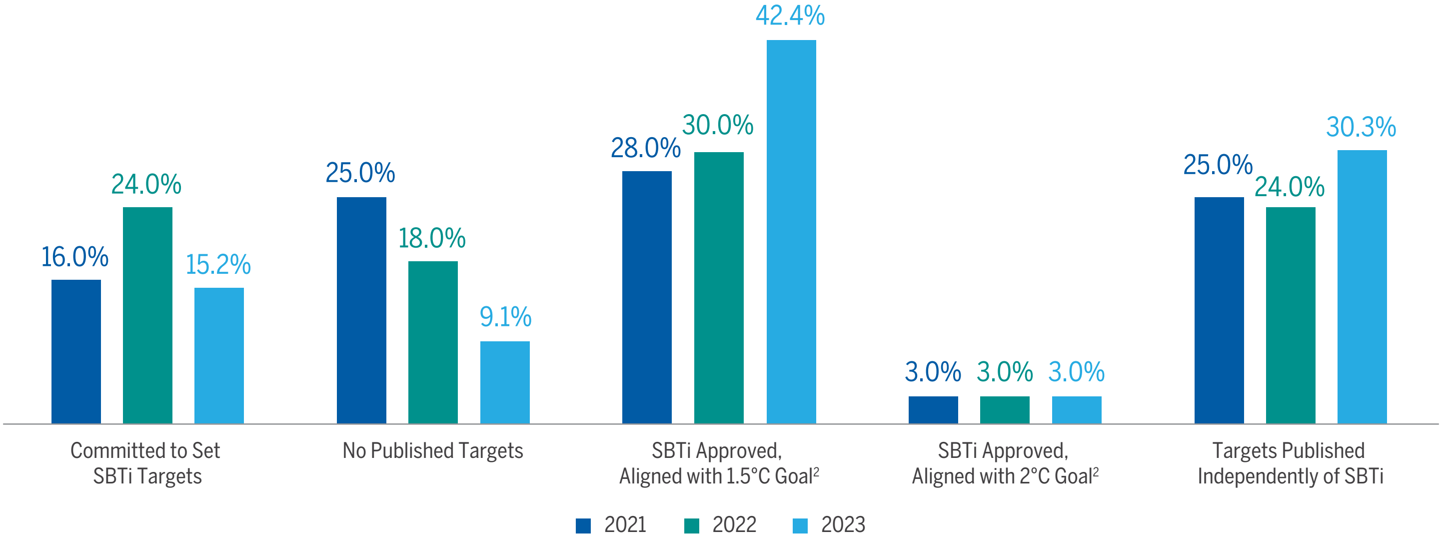


[1] Tons CO e/$M revenue of portfolio holdings, adjusted based on relative weighting of each holding.

Source: MSCI ESG Manager. Portfolio information is based on a Brown Advisory Large-Cap Sustainable Growth representative account as of Dec. 31, 2023. Please see the end of this report for important disclosures and a complete list of terms and index definitions.

Science-based targets progress

To ensure climate risks are managed over time, we are focused on the adoption of science-based targets (SBTs) across our investments. Many of our investments publish targets in line with recommendations from the Science-Based Target Initiative (SBTi) although some independently set targets. We do not require that SBTs be validated by the SBTi specifically, but we do encourage some form of third-party verification and annual reporting of progress toward targets.



[2] Note that the SBTi itself is evolving alongside the climate change crisis; as time passes it is asking companies to consider more aggressive reductions in the hope of further restraining long-term global warming. Companies in this portfolio that have not set carbon targets are largely low-emission businesses by their nature, but we nonetheless seek to engage with all companies to understand their decarbonization strategies and to seek improved transparency and disclosure.

Source: MSCI ESG Manager. Data reflects portfolio holdings as of Dec. 31, 2023. Portfolio information is based on a Brown Advisory Large-Cap Sustainable Growth representative account. Please see the end of this report for important disclosures.

ENGAGEMENT

Engagement is a foundational part of our investment research and ongoing monitoring of the companies in our portfolio. As active investors, we frequently engage with company management teams and other key stakeholders on sustainability-related risks and opportunities that could impact the business. These insights help to challenge our thinking and refine our conviction, which we believe is critical to delivering performance for clients.

Our engagement activity by the numbers

As long-term investors, we prefer to collaborate with the companies we hold to encourage positive change over time. We believe this constructive approach is more likely to yield progress. That said, if we feel management is unable or unwilling to improve on issues we deem to be significant, or if we feel our investment thesis has been violated, we may eliminate our position in order to protect long-term value for our clients.

31
Overall portfolio engagements

FREQUENCY BY ENGAGEMENT PRIORITY WITH ISSUERS IN THE PORTFOLIO

19
Climate change

Encouraging the reporting and management of physical and transition climate risks.

19
Disclosure and transparency

Supporting more structured reporting frameworks and increased transparency.

7
Diversity, equity and inclusion

Pressing companies on issues such as ensuring accessible housing options, school districts, transportation and clean water in municipalities; aligning hiring and compensation with diversity measures, developing responsible arbitration policies and reporting on pay parity.

9
Ethical AI/ data security

Expecting data privacy and AI to be embedded into product development; publishing annual progress reports on Ethics and Data Security.

Source: Brown Advisory. Portfolio information based on a Brown Advisory Large-Cap Sustainable Growth representative account. We do not engage with every company or issuer. We only engage when we believe engagement will be material to our investment decision-making. 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.

Notable engagements in 2023

MULTINATIONAL TRANSPORTATION COMPANY

PRIORITY:
Customer Safety and Satisfaction

ACTIVITY:
The strategy has an investment in a multinational transportation company that has helped democratize transportation by creating a more affordable and inclusive ridesharing service that promotes safety, economic mobility and access that was previously fragmented. The company has built a brand people trust due to their significant investments in safety, inclusion, and accessibility. We believe a critical risk for the company is the reputational damage that may occur due to a rise in safety incidents. We have engaged the company on the topic of safety as we believe safety is critical for the company to attract and retain riders and drivers.

OUTCOME:
We are pleased by the clear priority the company is giving to ensuring the safety of its platform. Through an in-depth engagement with the their sustainability team, we gained further confidence in their ability to manage these risks. The company has taken actions demonstrating that it takes these risks seriously and can point to a track record of progress over time. Additionally, the company ties executive compensation to safety, which indicates to us how much of a priority safety is for the company. We are also encouraged that the company is using the results of a Civil Rights Audit it conducted to improve its management of risks and implement several new initiatives that will help drive value for the platform going forward. The company's deployment of safety innovations such as real-time driver monitoring and data-driven coaching has also helped to lower its insurance costs, illustrating how its focus on risk mitigation continues to affect business fundamentals positively.

Please note, for the purpose of our public reporting, and in keeping with the spirit of trust and collaborative dialogue with our holding companies, we feel that it is important to anonymize the companies with which we engage on key sustainability issues.

U.S. ALTERNATIVE ASSET MANAGER

PRIORITY:
Sustainability Strategy Execution

ACTIVITY:
In our experience, financials tends to be a challenging sector in which to find companies with a Sustainable Business Advantage (SBA), with many companies tending to be neutral or not focused on sustainability. We have found that governance research is key to identifying SBA, especially given how incentives related to environmental or social factors are structured. As such, we find engagement to be a crucial tool, as spending time with the management team and the employees responsible for executing the company's sustainability strategy helps us monitor and understand progress and incentive structures. As an example, the investment team has engaged with a large U.S. alternative asset manager to better understand the company's sustainability work. The first of these engagements took place before investment and focused on understanding whether the company's work around sustainability was driving a competitive advantage.

OUTCOME:
The engagement provided the opportunity for us to hear the company's narrative related to sustainability, which we found to be compelling and consistent. The company provided examples to back up their statements, including the hiring of experienced sustainability professionals in key areas of the firm which they believe help them win deals because of the growing demand from their portfolio companies in measuring, managing, and reducing emissions. This engagement contributed to the investment team's conviction in the company and decision to invest. Over the holding period, the investment team has continued to engage with the company to monitor the thesis that its sustainability expertise drives a competitive advantage, especially in the context of many financial firms pulling back on sustainability matters due to political pressures. Through these engagements, we maintained our conviction. We noted that the company appeared to be adjusting its strategic allocation of resources by moving key sustainability expertise to its infrastructure group—the part of the business where sustainability work is most material. This strategic shift of resources helped validate our thesis that the company is appropriately leveraging its unique capabilities and focused on using sustainability as a competitive advantage to win deals.

Engagement case studies are based on engagements related to the Brown Advisory Large-Cap Sustainable Growth strategy during 2023. We do not engage with every issuer. We only engage when we believe engagement will be material to our investment decision-making. Sectors identified for each company are based on the GICS sector classification system. 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 the sustainable investment philosophy of the strategy, and do not represent all of the securities purchased, sold or recommended for advisory clients. Portfolio information is based on a Brown Advisory Large-Cap Sustainable Growth representative account. Please see the end of this report for important disclosures.

PROXY VOTING

We believe that Proxy voting is an important part of executing our responsibilities to our clients. It is a nuanced exercise often requiring deep due diligence and as such we employ a case-by-case approach, guided by our Proxy Voting policy. This approach often results in our support for proposals that our evaluation shows will likely have a positive financial effect on shareholder value and those that encourage company action on what we believe are material risks or opportunities. When possible, we also seek to leverage our proxy voting choices as a way to reinforce our engagement activities with companies.

Proxy Voting 2023

In 2023, there were 33 instructed meetings which included a total of 467 votable proposals.

VOTES WITH

Proposals from Management

392

Proposals from Shareholders

43

VOTES AGAINST

Proposals from Management

12

Proposals from Shareholders

20

NOTABLE PROXY VOTES IN 2023

Company Name	Alphabet Inc.	Amazon.com Inc.	Chipotle Mexican Grill
Date of vote	June 2, 2023	May 24, 2023	May 25, 2023
Proponent	Shareholder	Shareholder	Shareholder
Proposal theme	Shareholder Rights	Labor Conditions	Freedom of Association
Proposal objective	Approve Recapitalization Plan for all Stock to Have One-vote per Share	Commission a Third Party Audit on Working Conditions	Adopt Policy to Not Interfere with Freedom of Association Rights
Vote instruction	For	For	Against
Rationale	We voted FOR this proposal because we believe that aligned levels of economic ownership and voting power would enable shareholders to more effectively voice preferences to management and, if necessary, hold management accountable.	We vote FOR this proposal as we believe shareholders will benefit from increased disclosure on warehouse working conditions. This disclosure will enable investors to better evaluate the company's approach to labor management, which we view as a key risk.	We have engaged with Chipotle both on labor practices generally and on this specific proposal. In our view, the nature of this proposal was too prescriptive in certain aspects and we believe that Chipotle has demonstrated a good track record of addressing worker issues. We therefore elected to vote AGAINST this proposal.

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