

Global Leaders

SUSTAINABLE BUSINESS ADVANTAGE (SBA) PROFILE MATRIX

Fourth Quarter 2021

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 12/31/2021)

COMPANY	IMPACT THEME	SBA DRIVERS
Adobe	Sustainable Technology Innovation	An unparalleled leader in digital content creation with a long history of helping companies move to more efficient digital experiences and processes that consume fewer physical resources and are more sustainable. For example, Adobe Sign creates 95% less environmental impact than a paper workflow and Adobe estimates that they produce \$7.2 million in cost savings with every 1 million transactions completed with Adobe Sign.
AIA Group	Economic Mobility & Community Development	Leading pan-Asian life insurance group that leads global peers in automation and digitalization, which provides greater flexibility in its business model and drives an enhanced, streamlined customer experience. AIA’s products are often its customers introductory financial products, which frequently lead them to access banking products for the first time, resulting in greater economic opportunities.
Alphabet	Sustainable Technology Innovation	Alphabet is a trailblazer with regards to corporate sustainability - striving to build sustainability into everything they do including many of their products. For example, Alphabet’s custom-designed data centers are meaningfully more energy-efficient than the industry average (a notable advantage as energy costs have become an ever-larger percentage of data center budgets). Alphabet operated carbon neutral since 2007 and neutralized their legacy carbon footprint in 2020.
Atlas Copco	Sustainable Technology Innovation	Atlas Copco has a technology leadership position in the development of energy efficiency air compressors and vacuum pumps and 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 company, 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.
B3	Economic Mobility & Community development	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. We seek more transparency on ESG specific revenue data to better understand the current materiality and its growth path.
Booking Holdings	Emerging ESG profile	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.
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. We continue to look for the company to accelerate its sustainable investing practices and offerings.

COMPANY	IMPACT THEME	SBA DRIVERS
CTS Eventim	Emerging ESG profile	CTS Eventim is a provider of event ticketing and live entertainment. Waste is one of the biggest problems facing modern music festivals, which generate roughly 100 tons of solid waste each day. CTS has some efforts in place to improve the environmental footprint of its event operations. As events resume post-pandemic, we will continue to seek to understand how the company intends to further its ESG strategy.
Deutsche Boerse	Sustainable Technology Innovation	Deutsche Boerse is a leading European capital markets infrastructure provider. Its STOXX index business has been a signatory to the PRI since 2012. The company offers sustainable index products and also has an informational portal with sustainability data. Its EEX commodities segment runs a regulated marketplace for emissions trading certificates enabling market participants to meet obligations to reduce greenhouse gas emissions.
Ecolab	Sustainable Technology Innovation	Ecolab provides water management systems, cleaning, food safety, and health protection products for the food, energy, healthcare, industrial, and hospitality markets. The company helps its customers responsibly manage water usage, improve efficiency, and cut energy, water, and materials costs. In 2020, Ecolab helped companies conserve over 206B gallons of water, avoid 3.5M metric tons of greenhouse gas emissions, provide safe food to 1.3B people, and clean 55M hands
Edwards Lifesciences	Health & Wellness	As a developer and manufacturer of technologies that treat structural heart disease the company's transcatheter aortic valve replacement is less invasive than traditional open-heart surgery and is 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.
Electronic Arts	Diversity, Inclusion & Equality	Electronic Arts (EA) engages in the provision of digital interactive entertainment. This is a unique case where we believe that the company's focus on diversity provides a meaningful sustainable opportunity, which also enhances the social connectedness element of gaming by expanding the addressable market of players. A "secondary" SBA driver is EA's products becoming increasingly digital in line with the industry trending away from purchasing physical discs.
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.
HDFC Bank	Economic Mobility & Community Development	HDFC provides housing finance to individuals and corporate customers in India. One of the bank's core growth drivers is focusing on underserved communities, with over half of the bank's branches located in rural and semi-urban areas. Within its own operations, HDFC aims to reduce its carbon footprint through eliminating paperwork, implementing solar powered ATMs, and by adopting other office efficiency initiatives.
Intuit	Economic Mobility & Community Development	Intuit helps consumers, small businesses, and the self-employed prosper through financial management and compliance solutions. Intuit's 2025 goals 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.
Marvell Technology	Sustainable Technology Innovation	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	The company enables secure financial transactions, which can help individuals and small businesses to gain access to savings, credit and payment capabilities. Importantly, their electronic transaction network gives emerging market populations access to financial services via mobile phone that would otherwise be unavailable.
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 their 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 will remove all the carbon the company has emitted either directly or by electrical consumption since its founding by 2050.

COMPANY	IMPACT THEME	SBA DRIVERS
PT Bank Rakyat	Economic Mobility & Community Development	Bank Rakyat is the market leader in providing access to finance for micro, small and medium enterprises in Indonesia. In 2021, it made two key acquisitions to create a microlending ecosystem designed to raise underserved people out of poverty. Bank Rakyat also developed a roadmap to green banking and, in March 2019, issued a \$500M sustainability bond (the first of its kind by a state-owned lender or financial institution in Indonesia).
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.
Safran	Sustainable Technology Innovation	Safran is a leading supplier of engines and technology components to the aerospace market and has contributed fuel efficient engines to the industry. The new LEAP-X engine reduces fuel consumption by 16%. Furthermore, 70% of Research and Development (R&D) resources are spent specifically to improve environmental efficiency of Safran's products.
Schindler	Sustainable Technology Innovation	As a company within the building industry, a sector with meaningful contribution to global energy consumption, Schindler has progressively increased the energy efficiency of its elevators and escalators. Schindler is also building strategic partnerships to maximize its opportunities in the smart building market and the Internet of Things, which both have the opportunity to generate meaningful energy savings.
Sherwin Williams	Efficient Production and Conservation	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.
Taiwan Semiconductor	Efficient Production and 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.
Tencent	Sustainable Technology Innovation	Tencent, one of the world's largest social media and communications platforms, enables social connectedness as part of the digital transformation. In addition to the social inclusion benefits afforded by its platform, Tencent's cloud products and efficient data centers offer environmental sustainability benefits. We continue to seek additional disclosures from the company to help us better understand the sustainability performance of its data center infrastructure.
TJX Companies	Efficient Production and 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 and Natural Resource Management	This multinational consumer goods company's Sustainable Living Brands have delivered top-line results that are growing faster than the rest of the business and account for over half of the company's growth. It has been successful in embedding sustainability into its supply chain practices and company culture, improving efficiency, responsibly managing water use and reducing supply chain risks.
Visa	Economic Mobility and Community Development	Visa enables secure financial transactions, which can help individuals and small businesses to gain access to savings, credit, and payment capabilities. Importantly, their electronic transaction network gives emerging market populations access to financial services via mobile phone that would otherwise be unavailable. New technologies like Visa Direct help provide on-demand, gig economy workers with immediate and safe pay for their services, and can also help employees to access wages early, when they need funds.
Wolters Kluwer	Sustainable Technology Innovation	Wolters Kluwer develops professional software solutions. 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 brings meaningful value to customers and improves overall resource efficiency.

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 education barriers 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.
Sust. Agriculture and Natural Resource Mgmt.	Responsibly managing natural resources, minimizing or reversing land degradation, and protecting biodiversity.

Our impact theme framework is intended to be equally applicable across equity and fixed income securities. We also worked to align our themes closely with those outlined in the U.N. Sustainable Development Goals (SDGs). We believe our framework aligns with the spirit of the SDGs while also reflecting the concepts that impact our investment decisions and guide our proprietary ESG research efforts.

The Global Leaders strategy invests in companies across these various themes, as well as companies that, in the managers' view, exhibit improving ESG profiles and a demonstrated commitment to develop more sustainable approaches to doing business.



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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.