



Brussels, 6.4.2022  
C(2022) 1931 final

ANNEX 4

**ANNEX**

*to the*

**Commission Delegated Regulation (EU) .../...**

**supplementing Regulation (EU) 2019/2088 of the European Parliament and of the Council with regard to regulatory technical standards specifying the details of the content and presentation of the information in relation to the principle of ‘do no significant harm’, specifying the content, methodologies and presentation of information in relation to sustainability indicators and adverse sustainability impacts, and the content and presentation of the information in relation to the promotion of environmental or social characteristics and sustainable investment objectives in pre-contractual documents, on websites and in periodic reports**

ANNEX IV

Template periodic disclosure for the financial products referred to in Article 8, paragraphs 1, 2 and 2a, of Regulation (EU) 2019/2088 and Article 6, first paragraph, of Regulation (EU) 2020/852

**Product name:** Brown Advisory Funds plc – Brown Advisory Global Leaders Sustainable Fund  
**Legal entity identifier:** 635400P3DLZQRU6FSW86

## Environmental and/or social characteristics

### Did this financial product have a sustainable investment objective?

<input checked="" type="radio"/> <input type="radio"/> <b>Yes</b>	<input type="radio"/> <input checked="" type="radio"/> <input checked="" type="checkbox"/> <b>No</b>
<input type="checkbox"/> It made <b>sustainable investments with an environmental objective:</b> ___% <ul style="list-style-type: none"> <li><input type="checkbox"/> in economic activities that qualify as environmentally sustainable under the EU Taxonomy</li> <li><input type="checkbox"/> in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy</li> </ul> <input type="checkbox"/> It made <b>sustainable investments with a social objective:</b> ___%	<input checked="" type="checkbox"/> It <b>promoted Environmental/Social (E/S) characteristics</b> and while it did not have as its objective a sustainable investment, it had a proportion of <b>91.50%</b> of sustainable investments <ul style="list-style-type: none"> <li><input type="checkbox"/> with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy</li> <li><input checked="" type="checkbox"/> with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy</li> <li><input checked="" type="checkbox"/> with a social objective</li> </ul> <input type="checkbox"/> It promoted E/S characteristics, but <b>did not make any sustainable investments</b>

**Sustainable investment** means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

The **EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/852, establishing a list of **environmentally sustainable economic activities**. That Regulation does not lay down a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.



### To what extent were the environmental and/or social characteristics promoted by this financial product met?

Brown Advisory Limited (the “Sub-Investment Manager”) systematically integrated ESG research into its fundamental company research. Environmental and social characteristics were promoted by the Fund’s emphasis on what it believes are leading companies with strong ESG practices. When assessing the sustainability profile of a company, the Sub-Investment Manager sought companies with sustainable opportunities, defined as companies that use sustainability to improve their financial position. One way that companies may improve their financial position is

**Sustainability indicators** measure how the environmental or social characteristics promoted by the financial product are attained.

through what the Sub-Investment Manager deems to be internal sustainability strategies that lead to one or more Sustainable Business Advantages or SBAs.

The companies held in the Fund that had a demonstratable SBA had a positive impact on a variety of environmental and social outcomes including, though not limited to, the promotion of the following:

- Diversity, Inclusion, & Equality
- Economic Mobility & Community Development
- Efficient Production & Conservation
- Health & Wellness
- Sustainable Agriculture & Natural Resource Management
- Sustainable Technology Innovation

● ***How did the sustainability indicators perform?***

The Fund considers principal adverse impacts of its investment decisions on sustainability factors as part of its investment due diligence process and procedures as set out in the Manager's Principal Adverse Impact Due Diligence Policy found [https://www.brownadvisory.com/sites/default/files/Principal\\_Adverse\\_Impact\\_Due\\_Diligence\\_Policy\\_Brown\\_Advisory\\_Ireland\\_Limited.pdf](https://www.brownadvisory.com/sites/default/files/Principal_Adverse_Impact_Due_Diligence_Policy_Brown_Advisory_Ireland_Limited.pdf).

To the extent data was available and reliable, relevant ESG characteristics were reviewed and analysed for all companies in the Fund. The investment approach for the strategy is based on the bottom-up analysis of multiple ESG characteristics, and no specific quantitative performance thresholds are set. Overall, the ESG analysis performed indicated that the companies had, in the view of the Fund Manager, adequate ESG risk management practices and many also possessed a Sustainable Business Advantage.

● ***...and compared to previous periods?***

NA

● ***What were the objectives of the sustainable investments that the financial product partially made and how did the sustainable investment contribute to such objectives?***

The sustainable investments that the Fund made are those that demonstrate at least one of the following:

1. a primary product/service or range of products/services that solve for environmental or social challenges, and/or
2. operations, capital discipline, policies or programs that drive improved efficiency and/or conserve resources resulting in positive environmental or social outcomes, and/or
3. a franchise whose value is clearly enhanced by its positive environmental or social characteristics

***How did the sustainable investments that the financial product partially made not cause significant harm to any environmental or social sustainable investment objective?***

All sustainable investments have been determined to, in the view of the Sub-Investment Manager, avoid severe negative impacts on society or the environment. Additionally, continued compliance monitoring confirmed that all companies in the Fund abided by the Fund's exclusionary screen.

***How were the indicators for adverse impacts on sustainability factors taken into account?***

The Fund considers principal adverse impacts of its investment decisions on sustainability factors as part of its investment due diligence process and procedures as set out in the Manager's Principal Adverse Impact Due Diligence Policy found [https://www.brownadvisory.com/sites/default/files/Principal\\_Adverse\\_Impact\\_Due\\_Diligence\\_Policy\\_Brown\\_Advisory\\_Ireland\\_Limited.pdf](https://www.brownadvisory.com/sites/default/files/Principal_Adverse_Impact_Due_Diligence_Policy_Brown_Advisory_Ireland_Limited.pdf).

During the reference period, the Fund did not have access to a reliable data source that would allow for the systematic assessment of all of the Principal Adverse Indicators (PAI) outlined in Annex 1 of SFDR. Beginning in 2023, certain of these PAI metrics will be considered in the investment approach and used to contribute to the overall assessment of how sustainability factors may be negatively impacted.

***Were sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights? Details:***

During the reference period, the Fund did not systematically assess alignment with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights. Beginning in 2023, an assessment of alignment with these principles will be systematically integrated into the ESG analysis.

*The EU Taxonomy sets out a "do not significant harm" principle by which Taxonomy-aligned investments should not significantly harm EU Taxonomy objectives and is accompanied by specific Union criteria.*

The "do no significant harm" principle applies only to those investments underlying the financial product that take into account the Union criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of this financial product do not take into account the Union criteria for environmentally sustainable economic activities.

*Any other sustainable investments must also not significantly harm any environmental or social objectives.*

**Principal adverse impacts** are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.



## How did this financial product consider principal adverse impacts on sustainability factors?

The Fund considers principal adverse impacts of its investment decisions on sustainability factors as part of its investment due diligence process and procedures as set out in the Manager's Principal Adverse Impact Due Diligence Policy found [https://www.brownadvisory.com/sites/default/files/Principal\\_Adverse\\_Impact\\_Due\\_Diligence\\_Policy\\_Brown\\_Advisory\\_Ireland\\_Limited.pdf](https://www.brownadvisory.com/sites/default/files/Principal_Adverse_Impact_Due_Diligence_Policy_Brown_Advisory_Ireland_Limited.pdf).

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## What were the top investments of this financial product?

The list includes the investments constituting the **greatest proportion of investments** of the financial product during the reference period which is: The financial year end of the company, October 31<sup>st</sup> 2022

Largest investments	Sector	% Assets	Country
Microsoft Corp	Information Technology	7.78	US
Visa Inc Class A	Information Technology	5.40	US
Mastercard Inc Class A	Information Technology	4.71	US
Alphabet Inc Class C	Communication	4.67	US
Unilever PLC	Consumer Staples	4.64	UK
Deutsche Boerse AG	Financials	4.28	DE
Charles Schwab Corp	Financials	4.19	US
Roche Holding AG	Health Care	3.76	CH
Wolters Kluwer NV	Industrials	3.69	NE
HDFC Bank Ltd	Financials	3.62	IN
TJX Companies Inc	Consumer	3.55	US
Intuit Inc	Information	3.31	US
Bank Rakyat Indonesia Persero Tbk	Financials	3.28	ID
Moody's Corp	Financials	2.82	US
B3 SA - Brasil Bolsa Balcao	Financials	2.81	BR




## What was the proportion of sustainability-related investments?

91.5% of the Fund's investments were in Sustainable Investments.

**Asset allocation** describes the share of investments in specific assets.

**Enabling activities** directly enable other activities to make a substantial contribution to an environmental objective.

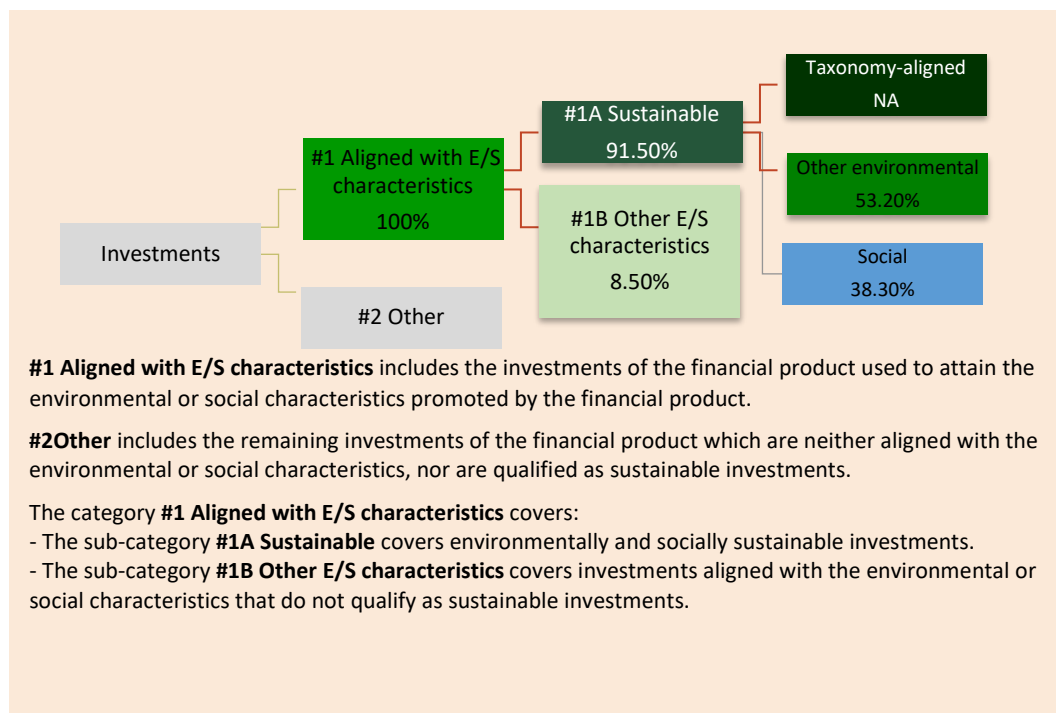
**Transitional activities** are activities for which low-carbon alternatives are not yet available and among others have greenhouse gas emission levels corresponding to the best performance.

 are sustainable investments with an environmental objective that **do not take into account the criteria** for environmentally sustainable economic activities under Regulation (EU) 2020/852.

Taxonomy-aligned activities are expressed as a share of:

- **turnover** reflects the “greenness” of investee companies today.
- **capital expenditure** (CapEx) shows the green investments made by investee companies, relevant for a transition to a green economy.
- **operational expenditure** (OpEx) reflects the green operational activities of investee companies.

● **What was the asset allocation?**



● **In which economic sectors were the investments made?**

Sector	% Assets
Communication Services	7.90
Consumer Discretionary	5.20
Consumer Staples	6.72
Financials	23.55
Health Care	7.66
Industrials	10.05
Information Technology	33.20
Materials	2.51



**To what extent were the sustainable investments with an environmental objective aligned with the EU Taxonomy?**

NA

● **What was the share of investments made in transitional and enabling activities?**

NA

● **How did the percentage of investments that were aligned with the EU Taxonomy compare with previous reference periods?**

NA



### What was the share of sustainable investments with an environmental objective not aligned with the EU Taxonomy?

53.20% of the Fund’s investments were Sustainable Investments with a primary non-financial outcome associated with an “environmental” theme, as determined by the Sub-Investment Manager.



### What was the share of socially sustainable investments?

38.30% of the Fund’s investments were Sustainable Investments with a primary non-financial outcome associated with a “social” theme, as determined by the Sub-Investment Manager.



### What investments were included under “other”, what was their purpose and were there any minimum environmental or social safeguards?

No investments were actively allocated to the “other” category. However, please note that the Fund did hold cash which was used for liquidity purposes.



### What actions have been taken to meet the environmental and/or social characteristics during the reference period?

Throughout the reference period, the Fund integrated ESG research into its investment due diligence and decision-making process. The ESG analysis conducted included an assessment of sustainable opportunities, ESG risks and good governance.

During the period, periodic screening was completed to confirm that the companies in the Fund abided by the Fund’s stated exclusions that are designed to avoid certain harmful and/or controversial business activities. The Fund also engaged with many companies in the Fund, conducting direct engagements with companies in addition to engagements with other experts. Furthermore, the Fund participated in a number of collaborative engagement initiatives throughout the period and remains committed to collaborating with the industry to promote positive and material environmental and social outcomes.



### How did this financial product perform compared to the reference benchmark?

The Fund does not use a reference benchmark to determine whether the financial product is aligned with the environmental and/or social characteristics that it promotes.

- **How does the reference benchmark differ from a broad market index?**  
NA
- **How did this financial product perform with regard to the sustainability indicators to determine the alignment of the reference benchmark with the environmental or social characteristics promoted?**

**Reference benchmarks** are indexes to measure whether the financial product attains the environmental or social characteristics that they promote.

NA

- ***How did this financial product perform compared with the reference benchmark?***

NA

- ***How did this financial product perform compared with the broad market index?***

NA