



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 Sustainable Total Return Bond Fund (USD)  
**Legal entity identifier:** 635400MHHNAARCKFHR60

## 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>91.10%</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?

The Fund promoted environmental and social characteristics by investing primarily in bonds, the companies of which all followed Good Governance principals, and generated impact in one of three ways: “Labelled Bond”, “Targeted Use of Proceeds” and “Impactful Issuer”. Through the issuer’s identified sustainable opportunities, the issuers held in the Fund had a positive impact on a variety of environmental and social outcomes including, though not necessarily limited to, the promotion of the following:

- Clean Energy

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

- Economic Mobility & Community Development
- Efficient Production & Conservation
- Health & Wellness
- Sustainable Technology Innovation

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

To the extent data was available and reliable, relevant ESG characteristics were reviewed and analysed for all holdings of the Fund for which sufficient data was available to conduct analysis (i.e. all holdings except for cash). The investment approach for the Fund is based on thorough analysis of multiple ESG characteristics, and no specific quantitative performance thresholds are set. Overall, the ESG analysis performed indicated that the Fund primarily consisted of issuers that, in the view of the Fund Manager, had adequate ESG risk management practices and assessed to either be a “Labelled Bond”, “Targeted Use of Proceeds” and “Impactful Issuer”.

● ***...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 were 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 Investment Manager and Sub-Investment Manager, avoid severe negative impacts on society or the environment. Additionally, continued compliance monitoring confirmed that all corporate bonds 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 the 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).

During the reference period the Fund did not have access to a reliable data source that would allow for the systematic assessment of the 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.



## 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
UNITED STATES TREASURY BILL ZCP	Governments	8.15	United States
JAPAN (10 YEAR ISSUE) /JPY/ REGD SER 333	Governments	5.75	Japan
JAPAN (2 YEAR ISSUE) /JPY/ REGD SER 433	Governments	5.51	Japan
BONOS Y OBLIG DEL ESTADO /EUR/ REGD	Governments	5.06	Spain
JAPAN (2 YEAR ISSUE) /JPY/ REGD SER 434	Governments	4.94	Japan
INTERNATIONAL BANK FOR RECONSTRUCTION & DEVELOPMENT	Governments	4.78	Supranational
EUROPEAN INVESTMENT BANK REGD	Governments	4.24	Supranational
INTER-AMERICAN DEVEL BK REGD	Governments	4.39	Supranational
JAPAN (10 YEAR ISSUE) /JPY/ REGD SER 331	Governments	4.28	Japan
EUROPEAN INVESTMENT BANK /EUR/ REGD EMTN SER EARN	Governments	4.24	Supranational
KFW REGD REG S MTN SER GMTN	Financials	4.01	Germany
MEX BONOS DESARR FIX RT /MXN/ REGD SER	Governments	3.46	Mexico
NEW ZEALAND GOVERNMENT /NZD/ REGD	Governments	3.31	New Zealand
NEW ZEALAND GOVERNMENT /NZD/ REGD SER 0532	Governments	2.97	New Zealand
JAPAN (2 YEAR ISSUE) /JPY/ REGD SER 432	Governments	2.60	Japan

**Bloomberg Industry Sector.**

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



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

91.10% of the Fund's investments were in Sustainable Investments.

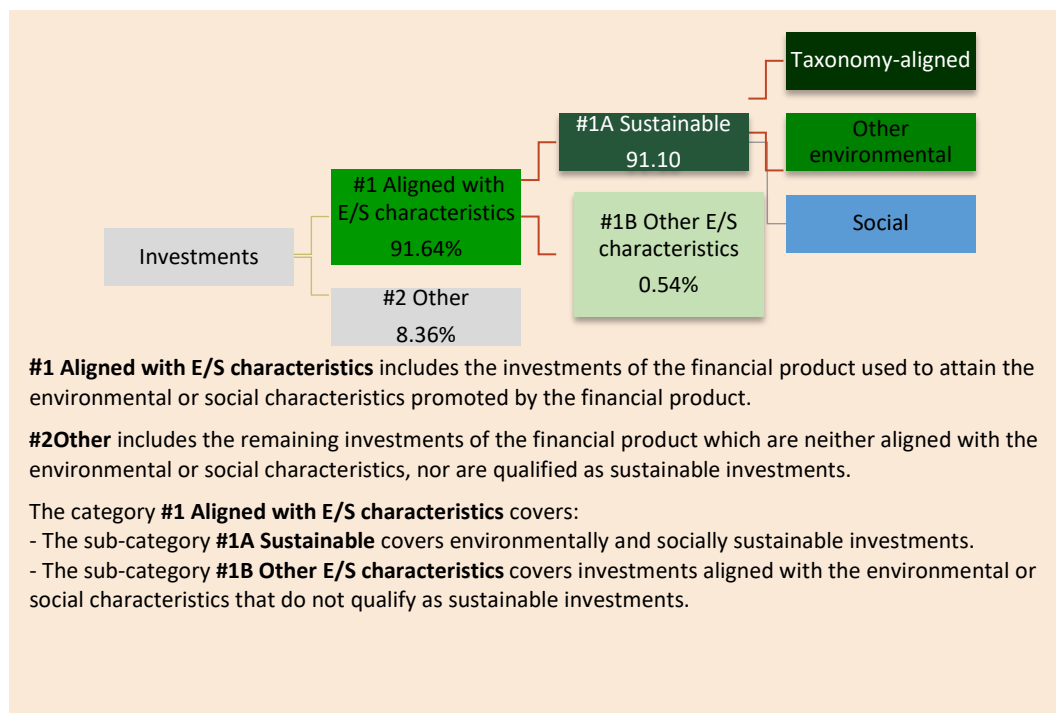
**Enabling activities** directly enable other activities to make a substantial contribution to an environmental objective.

**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.

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?**



8.10% of the investments were Sustainable Investments with a primary non-financial outcome associated with an “environmental” theme. 3.74% of the investments were Sustainable Investments with a primary non-financial outcome associated with a “social” theme. 79.25% of the investments were Sustainable Investments with non-financial outcomes associated with a both environmental and social themes.

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

Sector	% Assets
Communication Services	2.08
Consumer Discretionary	0.53
Consumer Staples	2.28
Financials	5.26
Government	75.02
Industrials	0.25
Mortgage Securites	3.84
Information Technology	1.23
Utilities	0.32

**Bloomberg Industry Sector.**



**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?**

8.10% of the Fund's investments were Sustainable Investments with a primary non-financial outcome associated with an "environmental" theme, as determined by the Investment Manager and Sub-Investment Manager. Additionally, 79.25% of the investments were Sustainable Investments with non-financial outcomes associated with a both environmental and social themes, as determined by the Investment Manager and Sub-Investment Manager.

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

3.74% of the Fund's investments were Sustainable Investments with a primary non-financial outcome associated with a "social" theme, as determined by the Investment Manager and Sub-Investment Manager. Additionally, 79.25% of the investments were Sustainable Investments with non-financial outcomes associated with a both environmental and social themes, as determined by the Investment Manager and Sub-Investment Manager.



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

Cash securities that were not actively allocated. In these cases, the currency was determined by the investor investing in the Fund and therefore no analysis was undertaken to determine what currency the position was in.



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

Throughout the reference period, the Fund continued integrated ESG research into its investment due diligence and decision-making process. The Investment Manager and Sub-Investment Manager conducted ESG analysis at the sector, company or security level for every in-scope ESG investment made in the Fund, including an ESG Risk Assessment, Sustainable Opportunity Assessment, Use of Proceeds Assessment and Good Governance Assessment.

During the period, periodic screening was completed to confirm that the corporate issuers 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 certain issuers in the Fund, conducting direct engagements with Fund holdings in addition to engagements with other stakeholders. 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.



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.



## 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?***

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

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