

# PROXY VOTING AT BROWN ADVISORY: **PHILOSOPHY AND PROCESS**

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*Discussion of Brown Advisory's proxy voting policies and procedures, including specific approaches for integrating ESG principles into our voting decisions for sustainable investment strategies*

*Proxy voting is the process by which equity shareholders of a company vote, typically on an annual basis, on various matters pertaining to the governance of that company. Most proposals are submitted by management, and votes on management proposals are binding—the equivalent of a binding referendum vote on a ballot question in a statewide election. Additionally, a growing number of shareholder proposals are submitted each year for consideration at annual general meetings, many of which seek to address various environmental, social and governance issues. These votes are nonbinding, but the vote totals on these proposals can nonetheless influence corporate behavior.*

*As a fiduciary and as a sustainable investor, we consider proxy voting to be an important responsibility and an important mechanism for voicing our preferences as owners and stakeholders in the companies we hold in our strategies. This overview document seeks to provide background for the principles and processes reflected in our full Proxy Voting Policy, developed in consultation with Institutional Shareholder Services Inc. (ISS).*

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## Principles

- **Proxy voting is an important shareholder right.** Proxy voting is a democratic process that can offer shareholders, almost regardless of size, the opportunity to have their voice heard and express their sentiment as owners. For this reason, we believe that the rights of shareholders with regard to these resolutions should be protected by regulators to ensure that investors' perspectives can always be heard in a public forum. We generally choose to participate in industry-wide activities that express support for these rights, such as sign-on letters and other initiatives to communicate views to the SEC, FINRA and other regulatory bodies.
- **Proxy voting is part of our fiduciary duty.** We hold ourselves responsible for aligning our investment decision making process and our proxy voting, in an effort to be consistent about what we seek and expect from companies we hold in our portfolios. We seek investments that are building and protecting long-term shareholder value, and we believe this is reflected in all of our proxy voting decisions. Responsible management of ESG issues can be one input to achieving said value, and as such, we are likely to support those shareholder proposals that encourage company action on material ESG risks or opportunities.
- **Transparency is essential:** Brown Advisory is committed to providing bespoke proxy reporting and standardized disclosure of our voting history, as well as publishing N-PX filings for our mutual funds as required by law. Transparency is an important step in helping our clients evaluate whether we uphold our stated principles within our Sustainable and ESG strategies (for more on how we categorize our strategies, please see our [Sustainable Investing Policy](#)).
- **Bottom-up due diligence should heavily inform voting decisions:** We seek to meticulously review each proposal that comes up for vote (we think that we are better able to do this because we generally manage concentrated portfolios, which reduces the number of companies that we hold at any given time). Our analysts seek to dive below the surface in an effort to fully understand the implications of each proposal. We consider the recommendations of ISS but they do not determine our final decisions.
- **Collaboration with other shareholders can inform our voting choice and amplify the signal of our vote:** We seek to collaborate extensively on voting research, through dialogue between our analysts and portfolio managers, company management, ISS, issue experts, ESG research networks and other stakeholders. We believe that this collaboration leads to better-informed decisions, and in certain instances, collaboration can help to send a stronger message to a company about how the investment community views a given issue.

- **Two potentially conflicting factors—broad saliency of issues, and proposal specifics—must be weighed together when casting votes:** Voting decisions sometimes require nuanced thinking. On one hand, we seek to review each proposal on its own merits; the details in each proposal related to deadlines, extent of action requested, cost/feasibility and other matters may lead us to support or vote against a proposal. On the other hand, proposals may touch on what we view as salient issues for a company, and thus we may vote for a proposal as a signal to the company, even if we disagree with some of the proposal specifics. This is one of several reasons why we believe that each situation and proposal merits case-by-case consideration.
- **Proxy voting can be a part of a larger program to encourage positive changes:** Proxy voting is just one way to communicate with companies on risks and opportunities. To complement our proxy voting process, and sometimes as result of it, our investment team might choose to pursue an extended engagement with a company as it relates to any information found during the due-diligence process for determining the vote.

### Institutional Proxy Voting Process

- Proxy voting for our institutional investment strategies is overseen by a Proxy Voting Committee made up of equity research analysts, ESG research analysts, trading operations team members, the Head of Sustainable Investing, our Director of Equity Research and our General Counsel (among others).
- The Committee is responsible for overseeing the proxy voting process. Responsibility for casting votes, however, rests with our investment and ESG research teams and, ultimately, with the portfolio managers for each Brown Advisory equity investment strategy. While we use the recommendations of ISS as a baseline for our voting, especially for routine management proposals, we vote each proposal after consideration on a case-by-case basis.
- Our customized Proxy Voting Policy, developed in consultation with ISS, is reviewed each year and aims to reflect our fundamental and ESG thinking, so as to achieve as much alignment between recommendations and execution as possible, while still enabling our case-by-case approach.
- A 30-day outlook of upcoming proposals is circulated to our full equity investment research team each week. Fundamental analysts guide vote recommendations on management proposals, and ESG analysts guide vote recommendations on shareholder proposals, with both groups working together to think through the relevant issues.
- Proposals often require extensive due diligence and benefit from collaborative investigation. Our analysts seek to conduct deep research on each proposal, based on public filings, policy recommendations, management conversations and other factors. To enhance our analysis, we collaborate extensively with our internal and external networks, the resolution filer and/or associated coalition, ISS analysts about their recommendation, the company itself and relevant industry experts.
- **The majority of voting recommendations are in line with our Proxy Voting Policy**, and typically in these cases the vote is automatically cast accordingly.
- **When our recommendation diverges from the Policy**, the responsible analyst will contact the portfolio managers who own the name and who have final decision-making power. In most cases, the portfolio managers agree with the analyst's recommendation, in rare cases they may overrule. In either case, the final recommendation is provided to Brown Advisory's operations team, which documents the rationale for the vote and ensures vote execution. All votes cast against policy require approval from the firm's General Counsel.
- In the event that portfolio managers of different strategies disagree on the vote recommendation for a name they all own, a split vote may be conducted. In general, such disagreements are due to portfolio managers having unique views on an issue. A split vote divides all of the company's shares held by Brown Advisory and splits the vote in accordance with the strategy's share ownership to reflect the individual preferences of each strategy's portfolio manager(s). Split votes trigger a review from the Proxy Voting Committee, and such votes must be approved by the firm's General Counsel.

## Proxy Voting Positions

While we approach each vote proposal on a case-by-case basis, we have a baseline set of “for” and “against” positions that serve as a starting point for our consideration of both management and shareholder proposals. These positions are outlined in detail in our full Proxy Voting Policy.

We consider this baseline framework to be especially important in the realm of ESG-related shareholder proposals. There are a variety of ESG principles and ESG-related actions that we believe, by default, can lead to better investment performance and positive impact on society, and we generally encourage and support proposals that encourage these principles and actions. As noted above, there are often tradeoffs we need to consider when voting—for example, our desire for management to pay attention broadly to a salient issue, vs. specific details in a proposal that we may not support—to help ensure that our voting decisions are thoughtful and reflect the interests of all relevant stakeholders.

We broadly support environmental proposals that encourage	We broadly support social proposals that encourage	We broadly support governance proposals that encourage
<ul style="list-style-type: none"><li>▪ Climate change and emissions reporting, goal setting, and action</li><li>▪ Water quality, accessibility, and management</li><li>▪ Responsible and effective waste management</li><li>▪ Energy efficiency and renewable, lower-carbon energy sourcing</li></ul>	<ul style="list-style-type: none"><li>▪ Social justice</li><li>▪ Human rights and responsible labor management</li><li>▪ Data privacy and AI ethics</li></ul>	<ul style="list-style-type: none"><li>▪ Executive compensation measures that are linked to ESG metrics</li><li>▪ Diverse and inclusive board composition</li><li>▪ Transparency with regard to political spending</li></ul>

## Reporting and Transparency

Brown Advisory publishes its proxy voting activity annually on its website at a firmwide level, and for each of our mutual funds.

The views expressed are those of the author and Brown Advisory as of the date referenced and are subject to change at any time based on market or other conditions. These views are not intended to be and should not be relied upon as investment advice and are not intended to be a forecast of future events or a guarantee of future results. Past performance is not a guarantee of future performance and you may not get back the amount invested.

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. The information contained herein has been prepared from sources believed reliable but is not guaranteed by us as to its timeliness or accuracy, and is not a complete summary or statement of all available data. This piece is intended solely for our clients and prospective clients, is for informational purposes only, and is not individually tailored for or directed to any particular client or prospective client.

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.

The strategies intend to invest in companies with measurable ESG outcomes, as determined by Brown Advisory, and seeks 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.