

# BROWN ADVISORY

# **PROXY VOTING POLICY**

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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, Brown Advisory considers proxy voting to be an important responsibility. It is an important mechanism for voicing our preferences as owners and stakeholders in the companies we hold in our strategies. This document contains an overview of the principles and processes that guide our proxy voting on securities—including differences between our process for institutional strategies and for advisory clients—followed by our full Proxy Voting Policy, developed in consultation with Institutional Shareholder Services Inc. (ISS).*

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## **Proxy Voting Principles for Securities Held within our Institutional Strategies**

The following principles serve as a foundation of our approach to proxy voting for securities held within our institutional strategies. For these securities, Brown Advisory's equity research team has researched the company and generally is well-informed of any issues material to the company's business model and practices. As such, we believe we are in a position to engage with companies on these issues both through proxy voting and other engagement practices. Proxy voting is a democratic process that offers shareholders 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 seek 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 our fiduciary duty.** We hold ourselves responsible for aligning our investment decision-making process and our proxy voting, in order to be consistent about what we seek from companies we hold in our institutional 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 is one input to achieving long-term shareholder value, and as such, we are likely to support those shareholder proposals that encourage company action on what we believe are material ESG risks or opportunities.
- **Transparency is essential.** Brown Advisory is committed to providing 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.
- **Bottom-up due diligence should inform voting decisions.** We review each proposal that comes up for vote. Our analysts seek to dive below the surface and fully understand the implications of especially complex and material proposals. The recommendations of our proxy voting partner, ISS, are taken into consideration but do not determine our final decisions.
- **Collaboration with other stakeholders can inform our voting choice and amplify the signal of our vote.** We collaborate on voting research, through dialogue between our analysts and portfolio managers. Where additive and practicable, we also collaborate with external stakeholders including company management, ISS, issue experts, ESG research networks and other stakeholders. We believe 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.
- **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 determining how a vote is cast, 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.
- **For more detail on our Institutional Proxy Voting process, please see pp. 5-6 of this document.**

## Advisory Client Proxy Voting Process

- Proxy voting for our Advisory clients (meaning clients for whom we manage customized accounts in a discretionary relationship according to their goals). is facilitated and monitored by our Proxy Voting Operations team. The team is responsible for arrangements with all custodial partners to have accounts set to electronic omnibus ballot distribution to our proxy voting agency, ISS. When omnibus ballot distribution is not supported, individualized account set up and distribution will be arranged.
- Unless otherwise agreed with a client, Brown Advisory's Proxy Voting Policy is assigned by default to our Advisory client accounts.
- **For more detail on our Advisory Client Proxy Voting process, please see pp. 6-7 of this document.**

## General Proxy Voting Positions

Below is a summary of the general positions that guide our voting for clients and accounts where we have discretion to cast proxy votes. 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. **For more detail on these positions, please see pp. 8-11 of this document.**

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.

<b>We broadly support environmental proposals that encourage</b>	<b>We broadly support social proposals that encourage</b>	<b>We broadly support governance proposals that encourage</b>
<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.

# BROWN ADVISORY PROXY VOTING POLICY ON SECURITIES

The firm receives proxy ballots on behalf of clients and shall vote such proxies consistent with this Policy, which sets forth the firm's standard approach to voting on common proxy questions. In general, this Policy is designed to ensure that the firm votes proxies in the best interest of clients, so as to promote the long-term economic value of the underlying securities. These votes are informed by both financial and extra-financial data, including material ESG factors.

Clients may, at any time, opt to change their proxy voting authorization. Upon notice that a client has revoked the firm's authority to vote proxies, the firm will have the client account removed from omnibus voting and have the proxy setting updated accordingly. This update at the custodian routes all ballots and annual reports to the legal address on record of the account holder.

To facilitate the proxy voting process, the firm has engaged Institutional Shareholder Services Inc. ("ISS"), an unaffiliated, third-party proxy voting service, to provide proxy research and voting recommendations. In addition, the firm subscribes to ISS's proxy vote management system, which provides a means to receive and vote proxies, as well as services for record-keeping, auditing, reporting and disclosure regarding votes. However, securities held within institutional equity strategies are voted on a case-by-case basis, meaning, we do not rely exclusively on the proxy policy, and complement our proxy provider's research with our own proprietary research to arrive at independent decisions, when needed. The firm will regularly review our relationship with ISS in order to assess its capacity and competency to provide services to the firm and to review certain of its significant policies and procedures, including those governing conflicts of interests, error identification and correction and processes to evaluate additional information received during the proxy process.

On a regular basis, a list of upcoming proxies issued for companies held within the institutional strategies are provided to the institutional portfolio managers. Except in situations identified as presenting material conflicts of interest, the institutional portfolio manager responsible for the institutional strategy that holds the security may make the final voting decision based on a variety of considerations. In circumstances where the securities are not held within an institutional strategy, proxies will be voted according to Brown Advisory's policy, unless the client-specific guidelines provided by Brown Advisory to ISS specify otherwise. Generally, Brown Advisory's proxy voting philosophy is aligned with ISS recommendations.

In keeping with its fiduciary obligations to clients, the firm considers each proxy voting proposal related to holdings in the firm's institutional strategies on its own merits and an independent determination is made based on the relevant facts and circumstances, including both fundamental and ESG factors. Proxy proposals include a wide range of routine and non-routine matters. The firm generally votes with management on routine matters and takes a more case-by-case approach regarding non-routine matters.

Voting preferences of clients may differ based on their values. The firm seeks to provide clients with the opportunity to have proxies voted in line with these values. From time to time, clients may prefer to select alternative voting guidelines that better align with their values. In these cases, the firm will work with ISS to identify an appropriate alternative policy. Where no appropriate alternative policy is available, the firm will endeavor to work with the client to set up appropriate guidelines and procedures to vote case-by-case.

## Proxy Voting Principles for Securities Held within our Institutional Strategies

- The following principles serve as a foundation of our approach to proxy voting for securities held within our institutional strategies. For these securities, Brown Advisory's equity research team has researched the company and generally is well-informed of any issues material to the company's business model and practices. As such, we believe we are in a position to engage with companies on these issues both through proxy voting and other engagement practices. Proxy voting is a democratic process that offers shareholders 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 seek 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 our fiduciary duty.** We hold ourselves responsible for aligning our investment decision-making process and our proxy voting, in order to be consistent about what we seek from companies we hold in our institutional 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 is one input to achieving long-term shareholder value, and as such, we are likely to support those shareholder proposals that encourage company action on what we believe are material ESG risks or opportunities.
- **Transparency is essential.** Brown Advisory is committed to providing 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.
- **Bottom-up due diligence should inform voting decisions.** We review each proposal that comes up for vote. Our analysts seek to dive below the surface and fully understand the implications of especially complex and material proposals. The recommendations of our proxy voting partner, ISS, are taken into consideration but do not determine our final decisions.
- **Collaboration with other stakeholders can inform our voting choice and amplify the signal of our vote.** We collaborate on voting research, through dialogue between our analysts and portfolio managers. Where additive and practicable, we also collaborate with external stakeholders including company management, ISS, issue experts, ESG research networks and other stakeholders. We believe 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.
- **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 determining how a vote is cast, 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 may require additional due diligence and benefit from collaborative investigation, and this is determined on a case-by-case basis. Where necessary, our analysts will conduct research on each proposal, which may include information contained in public filings, policy recommendations and management conversations. When additional proxy materials become available after a voting determination is made, we will seek to consider such filings when they are made sufficiently in advance and where we believe such information would reasonably be expected to affect our voting determination. To enhance our analysis, we may collaborate 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. If our additional

due diligence uncovers factual errors, incompleteness or inaccuracies in the analysis or recommendation underpinning our vote, the firm will bring this to the attention of ISS.

- **The majority of voting recommendations are in line with our Proxy Voting Policy**, and 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, this disagreement is 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.

## Advisory Client Voting Process

- Proxy voting for our Advisory clients is facilitated and monitored by our Proxy Voting Operations team. The team is responsible for arrangements with all custodial partners to have accounts set to electronic omnibus ballot distribution to our proxy voting agency, ISS. When omnibus ballot distribution is not supported, individualized account set up and distribution will be arranged.
- Unless otherwise agreed with a client, Brown Advisory's Proxy Voting Policy is assigned by default to our Advisory client accounts.
- The following exceptions can apply to standard voting for Advisory clients:
  - **Client Directed:** A client will always retain her or his authority to request verbally and confirm in writing their request to:
    - Attend a meeting and vote
    - Vote in line with account owner request
    - Request a take no action or abstention
  - **No Voting:** A client, during on-boarding, will have the ability to request accounts to be set to have voting ballots mailed directly to the account owner's address.
  - **Holdings in Mutual Funds:** All holdings owned by our Advisory client base also held in our mutual fund complexes may be overseen and governed by the voting practices detailed in the Institutional section.
  - **Client-specific Guidelines:** Whereas we have a standard policy default, we have the capability to provide our Advisory clients with the option to customize their voting preferences. Should a client desire a customized approach, the Brown Advisory client team will work directly with the client, Brown Advisory Operations, and ISS to establish and implement client-specific guidelines.
- The following voting practices are applied to separately managed portfolios:
  - **Brown Advisory institutional strategies held in a separately managed account (SMA):** Holdings within Brown Advisory SMAs are overseen and governed by the Proxy Voting Committee and follow all protocols detailed in the Institutional section.
  - **Externally managed strategies held in a SMA:** Holdings within an externally managed strategy held as a SMA are set up with the delegated and/or appointed manager for voting. In other terms, Brown Advisory yields voting authority to the appointed manager.
- Please note the following voting practices are applied to corporate action events whereby the voting matter has a direct financial impact on the Advisory client account holder:
  - Such corporate action events with a direct financial impact on the Advisory client account holder will default to a case-by-case determination within our voting platform at ISS.
  - Customized reporting and service alerts will be distributed to our Proxy Voting Operations team.

- The Proxy Voting Operations team will identify the account holders and Portfolio Management teams to take action on the event. A request with supporting detail and documentation will be sent to the Portfolio Management team to review and provide the voting recommendation.
- When appropriate, our Portfolio Management team may engage the client on specific events, to discuss a proposed action.

## GENERAL POSITIONS

Below is a summary of Brown Advisory's general positions for voting on common proxy questions when Brown Advisory is authorized to vote shares at its discretion rather than by a client's specific guidelines. Given the dynamic and wide-ranging nature of corporate governance issues that may arise, this summary is not intended to be exhaustive.

### Management Recommendations

Since the quality and depth of management is a primary factor considered when investing in an issuer, the recommendation of the issuer's management on any issue will be given substantial weight. Furthermore, Brown Advisory runs concentrated equity portfolios which we believe generally results in holding high quality companies that have strong and trustworthy management teams. This quality bias results in our portfolio managers generally supporting management proposals. Although proxies with respect to most issues are voted in line with the recommendation of the issuer's management, the firm will not blindly vote in favor of management. The firm will not support proxy proposals or positions that it believes compromise clients' best interests or that the firm determines may be detrimental to the underlying value of client positions.

### Election of Directors

Although proxies will typically be voted for a management-proposed slate of directors, the firm may vote against (or withhold votes for) such directors if there are compelling corporate governance reasons for doing so. Some of these reasons may include where a director: attends less than 75% of board and relevant committee meetings; is the CEO of a company where a serious restatement occurred after the CEO certified the financial statements; served at a time when a poison pill was adopted without shareholder approval within the prior year; is the CFO of the company; has an interlocking directorship; has a perceived conflict of interest (or the director's immediate family member has a perceived conflict of interest); or serves on an excessive number of boards.

The firm seeks to support independent boards of directors comprised of members with diverse backgrounds (including gender and race), a breadth and depth of relevant experience (including sustainability), and a track record of positive, long-term performance. The firm may vote against any boards that do not have the following levels of diversity (i.e. directors who are women or other underrepresented groups):

- For boards consisting of six or fewer directors, the firm may vote against the Nominating Committee Chair where the board does not have one diverse director by 2022, and two diverse directors by 2024.
- For boards consisting of more than six directors, the firm may vote against the Nominating Committee Chair where the board does not have 20% diverse board members by 2022, and 30% diverse directors by 2024.
- In cases where the Nominating Committee Chair is not up for re-election, the firm may vote against other board members including the Chair of the board

Separation of the roles of Chairman and CEO is generally supported, but the firm will not typically vote against a CEO who serves as chairman or director. In the absence of an independent chairman, however, the firm generally supports the appointment of a lead director with authority to conduct sessions outside the presence of the insider chairman.

The firm will typically vote against any inside director seeking appointment to a key committee (audit, compensation, nominating or governance), since the firm believes that the service of independent directors on such committees best protects and enhances the interests of shareholders. Where insufficient information is provided regarding performance metrics, or where pay is not tied to performance (e.g., where management has excessive discretion to alter performance terms or previously defined targets), the firm will typically vote against the chair of the compensation committee.

## **Appointment and Rotation of Auditors**

Management recommendations regarding selection of an auditor shall generally be supported, but the firm will not support the ratification of an auditor when there appears to be a hindrance on auditor independence, intentional accounting irregularity or negligence by the auditor. Some examples include: when an auditing firm has other relationships with the company that may suggest a conflict of interest; when the auditor bears some responsibility for a restatement by the company; when a company has aggressive accounting policies or lack of transparency in financial statements; and when a company changes auditors as a result of disagreement between the company and the auditor regarding accounting principles or disclosure issues. The firm will generally support proposals for voluntary auditor rotation with reasonable frequency and/or rationale.

## **Changes in State of Incorporation or Capital Structure**

Management recommendations about reincorporation are generally supported unless the new jurisdiction in which the issuer is reincorporating has laws that would dilute the rights of shareholders of the issuer. The firm will generally vote against reincorporation where it believes the financial benefits are minimal and there is a decrease in shareholder rights. Shareholder proposals to change the company's place of incorporation generally will only be supported in exceptional circumstances.

Proposals to increase the number of authorized shares will be evaluated on a case-by-case basis. Because adequate capital stock is important to the operation of a company, the firm will generally support the authorization of additional shares, unless the issuer has not disclosed a detailed plan for use of the shares, or where the number of shares far exceeds those needed to accomplish a detailed plan. Additionally, if the issuance of new shares will limit shareholder rights or could excessively dilute the value of outstanding shares, then such proposals will be supported only if they are in the best interest of the client.

## **Corporate Restructurings, Mergers and Acquisitions**

These proposals should be examined on a case-by-case basis, as they are an extension of an investment decision.

## **Proposals Affecting Shareholder Rights**

The firm generally favors proposals that are likely to promote shareholder rights and/or increase shareholder value. Proposals that seek to limit shareholder rights, such as the creation of dual classes of stock, generally will not be supported.

## **Anti-takeover Issues**

Measures that impede takeovers or entrench management will be evaluated on a case-by-case basis, taking into account the rights of shareholders, since the financial interest of shareholders regarding buyout offers is so substantial.

Although the firm generally opposes anti-takeover measures because they tend to diminish shareholder rights and reduce management accountability, the firm generally supports proposals that allow shareholders to vote on whether to implement a "poison pill" plan (shareholder rights plan). In certain circumstances, the firm may support a limited poison pill to accomplish a particular objective, such as the closing of an important merger, or a pill that contains a reasonable 'qualifying offer' provision. The firm generally supports anti-greenmail proposals, which prevent companies from buying back company stock at significant premiums from a large shareholder.

## **Shareholder Action**

The firm generally supports proposals that allow shareholders to call special meetings, with a minimum threshold of shareholders requesting such a meeting. The firm believes that best practice for a minimum threshold of shareholders required to call a special meeting is generally considered to be between 20-25%, however the firm assesses this on a company-by-company basis. Proposals that allow shareholders to act by written consent are also generally supported, if there is a threshold of the minimum number of votes that would be necessary to authorize the action at a meeting at which all shareholders entitled to vote were present and voting. The firm believes that best practice for a minimum threshold of shareholders required to act by written consent is generally considered to be between 20-25%, however the firm assesses this on a company-by-company basis. In order to assess the appropriateness of special meeting and written consent provisions the firm would, for example, consider the make-up of the existing investor base/ownership, to determine whether a small number of investors could easily achieve the required threshold, as well as what other mechanisms or governance provisions already exist for shareholders to access management.



## Proxy Access

The firm believes that shareholders should, under reasonable conditions, have the right to nominate directors of a company. The firm believes that it is generally in the best interest of shareholders for companies to provide shareholders with reasonable opportunity to exercise this right, while also ensuring that short-term investors or investors without substantial investment in the company cannot abuse this right. In general, we believe that the appropriate threshold for proxy access should permit up to 20 shareholders that collectively own 3% or more of the company's outstanding shares for 3 or more years to nominate the greater of 2 directors or 20% of the board's directors, however the firm assesses this on a case-by-case basis.

## Executive Compensation

Although management recommendations should be given substantial weight, proposals relating to executive compensation plans, including stock option plans and other equity-based compensation, should be examined on a case-by-case basis to ensure that the long-term interests of management and shareholders are properly aligned. This alignment includes assessing whether compensation is tied to both ESG and financial KPIs. Share count and voting power dilution should be limited.

The firm generally favors the grant of restricted stock units (RSUs) to executives, since RSUs are an important component of compensation packages that link executives' compensation with their performance and that of the company. The firm typically opposes caps on executive stock RSUs, since tying an executive's compensation to the performance of the company provides incentive to maximize share value. The firm also supports equity grants to directors, which help align the interests of outside directors with those of shareholders, although such awards should not be performance-based, so that directors are not incentivized in the same manner as executives.

Proposals to reprice or exchange RSUs are reviewed on a case-by-case basis, but are generally opposed. The firm generally will support a repricing only in limited circumstances, such as if the stock decline mirrors the market or industry price decline in terms of timing and magnitude and the exchange is not value destructive to shareholders.

Although matters of executive compensation should generally be left to the board's compensation committee, proposals to limit executive compensation will be evaluated on a case-by-case basis.

The firm generally supports shareholder proposals to allow shareholders an advisory vote on compensation. Absent a compelling reason, companies should submit say-on-pay votes to shareholders every year, since such votes promote valuable communication between the board and shareholders regarding compensation. Where there is an issue involving egregious or excessive bonuses, equity awards or severance payments (including golden parachutes), the firm will generally vote against a say-on-pay proposal. The firm may oppose the election of compensation committee members at companies that do not satisfactorily align executive compensation with the interests of shareholders.

## Environmental, Social and Governance Issues

Shareholder proposals regarding environmental, social and governance issues, in general, are supported, especially when they would have a clear and direct positive financial effect on shareholder value and would not be burdensome or impose unnecessary or excessive costs on the issuer. The environmental, social and governance proposals we generally support often result in increased reporting and disclosure, which deepens our understanding of the risks and opportunities pertaining to a specific company. Although policy decisions are typically better left to management and the board, in cases where the firm believes a company has not adequately mitigated significant ESG risks, the firm may vote against directors.

Brown Advisory broadly supports proposals that encourage the following considerations that we believe are in the best long-term economic interest of our clients:

### ***Environment***

- Climate change and emissions reporting, goal setting, and action
- Water quality, accessibility, and management
- Responsible and effective waste management
- Energy efficiency and renewable, lower-carbon energy sourcing

## **Social**

- Social justice
- Human rights and responsible labor management
- Data privacy and AI ethics

## **Governance**

- Executive compensation measures that are linked to ESG metrics
- Diverse and inclusive board composition
- Transparency with regard to political spending

## **Non-U.S. Proxy Proposals**

For actively recommended issuers domiciled outside the United States, the firm may follow ISS's international proxy voting guidelines, including, in certain circumstances, country-specific guidelines.

## **Conflicts of Interest**

A "conflict of interest" means any circumstance when the firm or one of its affiliates (including officers, directors and employees), or in the case where the firm serves as investment adviser to a Brown Advisory Fund, when the Fund or the principal underwriter, or one or more of their affiliates (including officers, directors and employees), knowingly does a material amount of business with, receives material compensation from, or sits on the board of, a particular issuer or closely affiliated entity and, therefore, may appear to have a conflict of interest between its own interests and the interests of clients or Fund shareholders in how proxies of that issuer are voted. For example, a perceived conflict of interest may exist if an employee of the firm serves as a director of an actively recommended issuer, or if the firm is aware that a client serves as an officer or director of an actively recommended issuer. Conflicts of interest will be resolved in a manner the firm believes is in the best interest of the client.

The firm should vote proxies relating to such issuers in accordance with the following procedures:

*Routine Matters and Immaterial Conflicts:* The firm may vote proxies for routine matters, and for non-routine matters that are considered immaterial conflicts of interest, consistent with this Policy. A conflict of interest will be considered material to the extent that it is determined that such conflict has the potential to influence the firm's decision-making in voting a proxy. Materiality determinations will be made by the Chief Compliance Officer or designee based upon an assessment of the particular facts and circumstances.

*Material Conflicts and Non-Routine Matters:* If the firm believes that (a) it has a material conflict and (b) that the issue to be voted upon is non-routine or is not covered by this Policy, then to avoid any potential conflict of interest:

- In the case of a Fund, the firm shall contact the Fund board for a review and determination.
- In the case of all other conflicts or potential conflicts, the firm may "echo vote" such shares, if possible, which means the firm will vote the shares in the same proportion as the vote of all other holders of the issuer's shares; OR in cases when echo voting is not possible, the firm may defer to ISS recommendations, abstain or vote in a manner that the firm, in consultation with the General Counsel, believes to be in the best interest of the client.
- If the aforementioned options would not address or ameliorate the conflict or potential conflict, then the firm may abstain from voting, as described below.

## **Abstention**

In recognition of its fiduciary obligations, the firm generally endeavors to vote the proxies it receives. However, the firm may abstain from voting proxies in certain circumstances. For example, the firm may determine that abstaining from voting is appropriate if voting is not in the best interest of the client. In addition to abstentions due to material conflicts of interest, situations in which we would not vote proxies might include:

- Circumstances where the cost of voting the proxy exceeds the expected benefits to the client
- Circumstances where there are significant impediments to an efficient voting process, including with respect to non-US issuers where the vote requires translations or other burdensome conditions
- Circumstances where the vote would not reasonably be expected to have a material effect on the value of the client's investment.

## Client-Specific Guidelines

From time to time, clients may prefer to elect alternative voting guidelines in cases where the guidelines previously outlined in this document do not align with the client's investment or value objectives. The firm seeks to provide clients with the opportunity to have proxies voted in line with their values and objectives. Where a client desires to elect alternative voting guidelines, the firm will work with the client and ISS to identify appropriate alternative voting guidelines. Where no appropriate pre-defined alternative guidelines are available, the firm will endeavor to work with the client to define and set up guidelines to vote proxies on a case-by-case basis. If the firm has not previously implemented the alternative guidelines, members of the firm's proxy voting committee will review the policy to ensure alignment with our fiduciary duty. The firm may recommend a departure from specific aspects of the selected policy's guidelines when it deems such a departure to be in the client's best interest.

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.