**Article 10 Transparency Statement in respect of**

**Brown Advisory US Smaller Companies Fund (the “Fund”)**

**LEI code:**  **[ ]**

**a sub-fund of Brown Advisory Funds plc (the “Company”)**

**Prepared by Brown Advisory (Ireland) Limited (the “Manager”)**

**Brown Advisory LLC (the “Investment Manager”)**

**8 May 2023**

Words and expressions defined in the supplement to the prospectus of Company relating to the Fund (the “**Supplement**”) shall, unless the context otherwise requires, have the same meaning when used in this Article 10 Transparency Statement.

1. **Summary**

The investment objective of the Fund is to achieve capital appreciation by investing equity securities of small U.S. companies. The Fund aims to achieve its investment objective by investing primarily in small companies with above average growth prospects and which are listed or traded on the U.S. markets and exchanges. Small companies are companies whose market capitalisations are equal to or less than $6 billion at the time the Fund purchases the issuer’s securities (“Market Capitalisation Range”). The Fund may also invest in U.S. Rule 144A Securities, American and Global Depositary Receipts, U.S. treasury bills, fixed and/or floating rate U.S. government securities and ancillary liquid assets subject to the limits set out in the Prospectus. There can be no assurance that the Fund will achieve its investment objective.

The Fund promotes environmental and social characteristics, but does not have as its objective sustainable investment.

The Investment Manager expects that the Fund will allocate 80% of its Net Asset Value to investments aligned with environmental and social characteristics. The Fund has not committed to making a minimum proportion of Sustainable Investments.

As a percentage of the Fund’s portfolio, the Manager (in conjunction with the Investment Manager) has determined that the Fund will have 0% exposure to investments in economic activities that qualify as environmentally sustainable economic activities under the Taxonomy Regulation (Taxonomy-Aligned Investments).

The Fund seeks to promote ESG characteristics through its investment selection process that integrates ESG research into the fundamental research process. ESG and fundamental analyses are considered holistically when making investment decisions. The ESG analysis focuses on the material ESG risks of a company. Characteristics that are considered in the promotion of ESG characteristics include:

* **Environmental**: The Fund prefers companies that responsibly manage natural resources and have sufficient governance structures and expertise in place to help to mitigate environmental risks.
* **Social**: The Fund prefers companies showcasing leadership in human capital management, and/or have strategic oversight of supply chains and the labour force as to limit controversies and potentially benefit fundamental performance. Indicators that are considered in this analysis include, though are not limited to, any one or more of the following: an assessment of supply chain policies and audit practices; board, management and employee diversity; and compliance with global standards (*e.g.*, UN Global Compact). This investment selection process may lead to the exclusion of investee companies with poor working conditions and/or high employee turnover.
* **Governance**: The Fund prefers quality and established management teams that have formalised governance structures. Indicators that are considered in this analysis include, though are not limited to, any one or more of the following: board composition and structure in terms of expertise and diversity; shareholder rights provisions; and compensation packages. The Fund will engage, through proxy voting and other mechanisms, to vocalise the importance of appropriate incentives (*e.g.*, compensation) to enable long-term performance. This investment selection process may lead to the exclusion of investee companies where the Investment Manager determines that governance structures are inappropriate, such as a lack of alignment with long-term shareholders.

The Fund’s investment process will generally result in low to no exposure to companies that the Investment Manager deems to be laggards on certain environmental, social or governance characteristics. Where a company may be deemed to be a current laggard on certain environmental or social characteristics, the Investment Manager will seek to identify a positive ESG trajectory. Should a company have significant exposure to any businesses or practices deemed to be environmental, social or governance laggards, the Investment Manager will seek to engage with the company to understand what plans the company may have to reduce exposure. If the Investment Manager determines that the company has no plans to reduce exposure within the investment horizon, the position will be exited in a manner that the Investment Manager believes to be in the best interests of the Fund. In determining whether or not to invest based upon these principles, the Investment Manager may use third-party ESG data to assess relevant exposures. The Investment Manager is permitted to invest in a security if it determines the security has an acceptable ESG risk profile notwithstanding contrary third-party data or third-party recommendations.

In addition, although the Fund does not have a specific sustainable investment objective, the Fund has adopted the following binding restrictions and will not invest in companies that:

* manufacture whole controversial weapons systems, including cluster munitions, land mines, biological weapons, and/or chemical weapons;
* are identified as failing to comply with the United Nations Global Compact;
* derive more than 5% consolidated revenue from tobacco production.

The Fund will seek to exclude holdings the Investment Manager deems inconsistent with applicable binding restrictions described above. As a result, the universe of investments available to the Fund will be more limited than other funds that do not apply such characteristics. However, the Fund may have exposures to certain companies which some investors consider contrary to ESG principles, such as defence and conventional weapons. The application of the binding restrictions could result in performance that is better or worse than the performance of a similar fund, depending on the performance of the excluded investments and the investments included in place of such excluded investments. The Fund’s binding restrictions may effectively accommodate the requirements of certain Fund investors but not others, and may be more or less restrictive than a particular fund an investor might otherwise prefer.

A reference benchmark has not been designated for the purpose of attaining the environmental or social characteristics promoted by the Fund.

1. **No Sustainable Investment Objective**

The Fund promotes environmental and social characteristics, but does not have as its objective sustainable investment.

In assessing harm, the Investment Manager may consider available ‘*Principal Adverse Indicators*’ (“**PAI**”) (as defined in Annex 1 of SFDR).

As the investments underlying the Fund do not take into account the EU criteria for environmentally sustainable economic activities contained in the Taxonomy Regulation, the “*do no significant harm*” principle does not apply to the investments underlying the Fund.

Although the Fund promotes environmental characteristics, the Fund does not promote the environmental objectives contained in the Taxonomy Regulation. Accordingly, as a percentage of the Fund’s portfolio, the Manager (in conjunction with the Investment Manager) has determined that the Fund will have 0% exposure to investments in economic activities that qualify as environmentally sustainable economic activities under the Taxonomy Regulation (Taxonomy-Aligned Investments).

1. **Environmental or Social Characteristics of the Fund**

The Fund seeks to promote ESG characteristics through its investment selection process. Characteristics that are considered in the promotion of ESG characteristics include the following:

* **Environmental**: The Fund prefers companies that responsibly manage natural resources and have sufficient governance structures and expertise in place to help to mitigate environmental risks.
* **Social**: The Fund prefers companies showcasing leadership in human capital management, and/or have strategic oversight of supply chains and the labour force as to limit controversies and potentially benefit fundamental performance. Indicators that are considered in this analysis include, though are not limited to, any one or more of the following: an assessment of supply chain policies and audit practices; board, management and employee diversity; and compliance with global standards (*e.g.*, UN Global Compact). This investment selection process may lead to the exclusion of investee companies with poor working conditions and/or high employee turnover.
* **Governance**: The Fund prefers quality and established management teams that have formalised governance structures. Indicators that are considered in this analysis include, though are not limited to, any one or more of the following: board composition and structure in terms of expertise and diversity; shareholder rights provisions; and compensation packages. The Fund will engage, through proxy voting and other mechanisms, to vocalise the importance of appropriate incentives (*e.g.*, compensation) to enable long-term performance. This investment selection process may lead to the exclusion of investee companies where the Investment Manager determines that governance structures are inappropriate, such as a lack of alignment with long-term shareholders.

1. **Investment Strategy**

The investment objective of the Fund is to achieve capital appreciation by investing primarily in U.S. equities. The Fund aims to achieve its investment objective by investing in small companies that have above average growth prospects and which are listed or traded on the U.S. markets and exchanges. The Fund may also invest in U.S. Rule 144A Securities, American and Global Depositary Receipts, U.S. treasury bills, fixed and/or floating rate U.S. government securities and ancillary liquid assets subject to the limits set out in the Prospectus. There can be no assurance that the Fund will achieve its investment objective.

The Fund invests at least 80% of its net assets in equity securities of small U.S. companies. Small companies are companies whose market capitalisations are equal to or more than $6 billion at the time the Fund purchases the issuer’s securities (“**Market Capitalisation Range**”).

The Investment Manager begins by identifying a universe of small cap growth companies within the Market Capitalisation Range. From these companies, the Investment Manager uses in-house research and other third party sources of information to select those companies it believes have the potential to grow earnings at an above average rate annually. The Investment Manager then performs an in-depth analysis of the companies’ fundamentals to identify those that have:

* substantial business opportunities relative to their operating history and size. These opportunities may arise from addressing large and fragmented markets or markets that are growing at rapid rates. In addition, the company’s ability to innovate may help create new markets for its products or services;
* proprietary products, services or distribution systems that provide the company with a competitive edge;
* management that demonstrates a “growth mentality” and a plan that the Investment Manager can clearly understand, monitor and evaluate; and
* attractively priced securities compared to their growth potential.

The Fund’s investment strategy to promote enviromental and social characteristics is the Investment Manager’s bottom-up research which is comprised of integrated fundamental and ESG research, as further detailed under ESG Promotion and Integration of Sustainability Risks in the Supplement.The Fund seeks to leverage ESG research in the investment process in an effort to help to identify Sustainability Risks associated with particular companies that may impact the company’s financial performance.

ESG research is provided through in-house ESG research or from third-party ESG research providers. In-house ESG research is produced by ESG research analysts who work alongside fundamental analysts across asset classes and industry sectors. The portfolio manager of the Fund oversees the research process that seeks to examine individual securities to drive performance, and includes an assessment of Sustainability Risks. In-house or third-party ESG analysis is provided for every company in the fund. At the Investment Manager’s discretion, the Fund is permitted to make an investment without a written ESG assessment on file at the time of purchase, as long as the Investment Manager believes the relevant security meets the Fund’s sustainability criteria.

Although the Fund does not have a specific sustainable investment objective, the Fund has adopted the following binding restrictions and will not invest in companies that:

* manufacture whole controversial weapons systems, including cluster munitions, land mines, biological weapons, and/or chemical weapons;
* are identified as failing to comply with the United Nations Global Compact; and/or
* derive more than 5% consolidated revenue from tobacco production.

The Fund will seek to exclude holdings the Investment Manager deems inconsistent with applicable ESG characteristics described above. The application of the ESG characteristics could result in performance that is better or worse than the performance of a similar fund, depending on the performance of the excluded investments and the investments included in place of such excluded investments. The Fund’s ESG characteristics may effectively accommodate the requirements of certain Fund investors but not others, and may be more or less restrictive than a particular fund an investor might otherwise prefer.

1. **Proportion of Investments**

The Investment Manager expects that the Fund will allocate 80% of its Net Asset Value to investments aligned with environmental and social characteristics, and has not committed to making any Sustainable Investments. Investments in the other 20% may include other investments that have not been determined to be aligned with the environmental and/or social characteristics of the Fund. For such investments, the Investment Manager will still apply the exclusions set out in the Supplement and the binding elements described above. Cash that has not yet been allocated to an investment or that is used for liquidity or hedging purposes will also be included in the other 20%.

1. **Monitoring of Environmental or Social Characteristics**

The Investment Manager employs screening to confirm that an investment meets minimum environmental and/or social guidelines prior to purchase. This screening is then conducted on portfolio holdings periodically after investment in order to monitor ongoing compliance with these minimum criteria.

Quarterly reports on Fund holdings are created by the Investment Manger’s Reporting and Business Intelligence team with data sourced from the proprietary research assessments which is reviewed by the Portfolio Managers. These reports document the proprietary ESG ratings assigned to a holding together with available third party data.

1. **Methodologies**

Although the Fund does not have a specific sustainable investment objective, the Fund has adopted the following binding restrictions and will not invest in companies that:

* manufacture whole controversial weapons systems, including cluster munitions, land mines, biological weapons, and/or chemical weapons;
* are identified as failing to comply with the United Nations Global Compact; and/or
* derive more than 5% consolidated revenue from tobacco production.

The Investment Manager will exclude companies based on information from credible and independent research on issuers represented in the Fund. A number of sources are used in this research and may comprise information obtained from official sources, organisations or from the companies themselves.

The Investment Manager may use specific ESG research from independent research providers in respect of the Fund.

1. **Data Sources and Processing**

The Investment Manager relies on a number of data sources when conducting ESG due diligence. These sources include publicly available data, third party data providers, information gathered from engagement activity if applicable and the Investment Manager’s research team’s analysis. Third party data is one input in Fund’s approach to ESG analysis but is not the primary factor in the ESG assessment. The ESG research team is responsible for monitoring the data used in its ESG assessments.

1. **Limitations to Methodologies and Data**

Investing on the basis of ESG criteria is qualitative and subjective by nature, and there can be no assurance that the data received from the Investment Manager’s vendors or any judgment exercised by the Investment Manager will reflect the beliefs or values of any particular investor. Data and qualitative information are inherently subject to interpretation, restatement, delay and omission outside the Investment Manager’s control.

1. **Due Diligence**

The Investment Manager’s ESG research team monitors the companies in the Fund on an on-going basis, and additional monitoring is also undertaken through a quarterly review of certain ESG characteristics of the Fund. In addition to the proprietary and qualitative ESG analysis, the Investment Manager has access to ESG-related data from third-party providers.

1. **Engagement Policies**

The Investment Manager seeks to conduct ongoing discussions with companies to inform its investment research and decision-making. When possible and material to an investment decision, these conversations are a standard component of the Investment Manager’s ESG research process and take place as part of the Investment Manager’s initial vetting of holdings, and periodically thereafter as part of the monitoring process for existing holdings in the Investment Manager’s portfolios, such as the Fund.

From time to time, the Investment Manager’s investment team collaborates with certain companies/issuers and industry groups to advocate for improved ESG practices, and/or continued implementation of existing ESG-related initiatives as part of its ongoing interest in a portfolio holding. Similarly, the Investment Manager is asked by companies for feedback and informal advice on the development, improvement and/or communication of the company’s ESG efforts from time to time. The Investment Manager does not act in any formal capacity as an advisor or consultant on these matters, but rather as a sounding board. Finally, the Investment Manager partners with investor groups and non-profits to help advance certain ESG issues as relevant and important to its investments.

1. **Designated Reference Benchmark**

A reference benchmark has not been designated for the purpose of attaining the environmental or social characteristics promoted by the Fund.

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