Brown ADVISORY
Thoughtful Investing.

INSTITUTIONAL SUSTAINABLE INVESTING POLICY STATEMENT

Governing the management of Brown Advisory's equity and fixed income investment strategies

Brown Advisory's mission is to make a material and positive impact in the lives of its clients. We are committed to delivering a combination of first-class performance, thoughtful strategic advice, and the highest level of service. For a large and growing group of our clients, we pursue this mission by seeking to provide a comprehensive set of sustainable investing solutions.

We define sustainable investing as an investment approach that intentionally incorporates environmental, social, and governance (ESG) research alongside fundamental research to drive performance, values alignment, positive impact, or a combination of those three outputs.

In this policy statement, we aim to clarify the principles, philosophy and processes that guide the sustainable investing work that supports the management of our equity and fixed income investment strategies.

Principles

- **Performance first:** Sustainable investing at Brown Advisory seeks, first and foremost, to contribute positively to the performance of our strategies. Our research efforts aim to uncover environmental, social and governance risks that may hinder the return from an investment, as well as sustainable opportunities that may lead to better returns. One output of our sustainable investing work is a roster of investments that we believe are poised to create positive impact on society, but our primary use of ESG research is to enhance our returns for clients.
- **Diligence in primary ESG research:** We believe it is our duty as sustainable investors to maintain a proprietary in-house ESG research effort and to pursue full coverage of ESG risks and opportunities across our sustainable investment portfolios. Our ESG research team leverages third-party data only as a supplement to its bottom-up research of individual securities. We believe this approach helps us fully understand the investment opportunities we consider, and to help ensure that our portfolios can meet and exceed the expectations of our clients.
- **Independent thinking from portfolio managers:** We believe that our results for clients are improved when our portfolio managers are given freedom to express their investment philosophies. This extends to sustainable investing; our portfolio managers can integrate sustainable investing principles to varying degrees, and we do not enforce a standard level of ESG integration across our investment platform. We try to communicate transparently about the differences between our Sustainable Strategies, ESG Strategies and Fundamental Strategies in a clear, three-category framework described later in this policy document.
- **Speak up, where it counts, loudly:** We view issues such as climate change, inequality, and poor corporate governance to be tangible risks in our investment portfolios, and as clear and present threats to society and the environment. As a sizable institutional investor, we can have an influential voice; we seek to use what influence we have to encourage actions by companies and bond issuers that benefit long-term value for stakeholders, increase resilience, and generate a positive impact on society (within the boundaries of a company's business or the structure and purpose of a bond issue). We seek to exercise our influence through active, constructive engagement, as well as casting proxy votes as equity shareholders.
- **Collaboration, not isolation:** Our ESG research analysts are fully integrated into the overall fundamental research effort that supports our equity and fixed income strategies. ESG research analysts work hand-in-hand with fundamental analysts across asset classes and industry sectors, and with portfolio managers across our various strategies, in a bottom-up, fundamental research process that seeks to deeply examine individual securities to determine their worth and suitability. Similarly, we strongly support the cooperative spirit that has guided the broad community of sustainable investment firms for many years, and we actively participate in many research and advocacy partnerships that aim to advance research methodologies, establish data and measurement standards and raise the bar for environmental and social responsibility.

- **Transparency:** We are committed to full and clear disclosure about the sustainable concepts and restrictions that guide any of our portfolios; this is true for our dedicated sustainable investment strategies, as well as any portfolio that we may customize to fit a specific client's values and beliefs.
- **Commitment to core ideals in our Sustainable and ESG strategies:** We recognize the nuances involved in managing portfolios in alignment with the differing missions and values of our clients. However, there are certain key ideals that permeate all of our Sustainable and ESG investment portfolios in terms of environmental, social, and governance considerations. These include:
  - Environment
    - *Climate change:* We seek to support a transition to a low carbon economy through our sustainable investments. Climate change is widely recognized as an existential threat to human civilization; the current and potential costs of extreme weather disasters, homelessness, health pandemics, environmental injustice, quality and availability of essential resources, biodiversity declines and other climate-related problems are all well-documented. Companies, municipalities and other bond issuers are major contributors to climate change and also directly exposed to potential losses from climate change. We believe all investors should therefore be strongly motivated to encourage transition to a low carbon economy, and to seek assurance that steps are being taken to mitigate the damage from climate change that we are already experiencing today.
    - *Responsible management of natural resources:* Water stress, food supply, soil quality and waste management all involve finite or threatened resources that our world and economy depend on to survive. We generally favor companies and bond issuers with proof of sustainable supply-chain management, a commitment to ethical waste diversion, and actions that make accessibility of these essential products more equitable.
  - Social
    - *Diversity, equity and inclusion:* Diversity is good for business, and equity and inclusion are required to help ensure a just and civil society, fair wages and job conditions, and equal access to essential services like clean water, healthy food, quality education, and public transportation. We generally favor investments that actively promote diversity, equity, and inclusion, and we aim to avoid investments that worsen injustice.
    - *Human rights:* We seek out investments with best practices in place for protecting workers and other stakeholders, such as safe, age-appropriate working conditions, and robust processes for both deterring and reporting human rights abuses. We also favor and encourage clear disclosures of human rights policies, procedures, and progress.
  - Governance
    - *Transparency and Disclosure:* Investors need rigorous disclosure from companies and bond issuers, so they can make informed, thoughtful decisions. Disclosure of ESG information is especially important, because it is generally outside the boundaries of regulatory requirements. We support companies and other bond issuers that disclose, at reasonable cost, non-proprietary information on management of material ESG risks and opportunities, and progress towards ESG-related goals and targets.
    - *Oversight and Accountability:* Accountability helps ensure that sustainability goals are actually pursued and achieved by companies and other bond issuers. We look for investments with accountability structures in place, including strong board oversight, relevant internal experience necessary to manage risks, measurable sustainability targets, compensation formulas that are connected to such targets, and adherence to industry-wide or easily comparable frameworks.
- **Continual improvement:** We are always looking for ways to improve our research techniques, data sets and decision-making processes. We actively listen to colleagues, clients, board members, competitors, industry partners and other key stakeholders, in an ongoing effort to evolve our skillsets and capabilities. We are also committed to spreading knowledge about sustainable investing to all of our colleagues, and we offer extensive internal training to all colleagues so they can better understand our sustainable investing solutions and better serve our clients.

Our Classification Framework for our Institutional Strategies

Every one of our portfolio managers has the option to leverage the firm's ESG research capabilities as part of their investment decision-making process. Because our different strategies seek to leverage and integrate these capabilities to varying degrees, we have developed a basic classification framework to provide clarity on what to expect from a given strategy. The framework identifies three categories: Fundamental Strategies, ESG Strategies, and Sustainable Strategies.

- **Fundamental** strategies aim to support portfolio decisions with robust financial research. All Brown Advisory strategies, across all of these categories, are supported by deep research and managed according to a rigorous investment process. Our Fundamental strategies may leverage the firm's ESG research, but they do not require holdings to meet specific ESG risk or opportunity standards.
- **ESG** strategies aim to support portfolio decisions with robust financial and ESG research. *In addition to meeting all criteria of a Fundamental strategy,* holdings in ESG strategies meet specific environmental, social and governance risk standards, and ESG research is systematically integrated into the investment processes.
- **Sustainable** strategies also aim to support portfolio decisions with robust financial and ESG research. *On top of all criteria met by Fundamental and ESG strategies*, a focus on sustainability is integral to the philosophy of our Sustainable strategies, and the sustainable traits of strategy holdings must have the potential to drive tangible improvement in financial performance and benefical impact on society.

	Fundamental Strategies	ESG Strategies	Sustainable Strategies
PRIMARY DECISION DRIVERS	▪Robust fundamental research, grounded in bottom-up analysis of companies, bond issuers and securities, and relevant business drivers, competitive factors, market dynamics, etc. ▪Rigorous investment process that governs buy, sell and hold decisions as well as position sizing within portfolios	**ESG strategies are governed by all factors considered in our fundamental strategies. Additionally:** ▪Securities are vetted for presence of ESG risk, ESG risk management and trajectory for improvement, as measured by our proprietary ESG Risk Assessment framework. Research seeks to ensure minimum ESG risk thresholds are exceeded by all holdings. ▪ESG is systematically integrated into the investment process	**Sustainable strategies are governed by all factors considered in our fundamental and ESG strategies. Additionally:** ▪A focus on sustainability is integral to the investment philosophy of these strategies ▪Strategies seek to invest only in holdings with sustainability characteristics that have potential to drive tangible positive outcomes, in terms of financial performance and/or environmental and social impact, as determined by Brown Advisory
RESEARCH TOOLS AND INTEGRATION	▪Thorough fundamental research focusing on bottom-up analysis of upside potential and downside risk of individual companies/issuers ▪Elements of ESG research may be used by portfolio managers, but is not consistently applied as a rule	**ESG strategies seek to integrate all of the research tools used by fundamental strategies. Additionally, they seek to employ:** ▪ESG Policy Document, reviewed annually ▪ESG Risk Assessment/Ratings Assignment ▪Selected thematic and investigative research across industries and issues ▪Selected engagement with companies/ issuers	**Sustainable strategies seek to integrate all of the research tools used by fundamental and ESG strategies. Additionally, they seek to employ:** ▪Sustainable Opportunity Assessment/ Ratings Assignment ▪Use-of-proceeds analysis for fixed income ▪Outcome-oriented engagement with companies/issuers
SCREENING	*Screening decisions are a function of how clients wish to reflect values and priorities in their portfolio, or how values are reflected in a standardized portfolio. We offer screening options to investors in any of our strategies, through customized implementation in separate accounts. We also offer several portfolio options with standardized screens that aim to meet the needs of a sizable group of clients.*		
REPORTING	▪No standardized ESG-related reporting (although reports can be provided when requested by clients)	▪Strategy-specific ESG Transparency Reports that discuss ESG risk factors as well as selected examples of impact and/or engagement	▪Quarterly updates to clients on sustainability thesis for key holdings ▪Strategy-specific Impact Reports that discuss ESG risk factors, engagement metrics and portfolio impact

ESG Research Integration

Brown Advisory's ESG equity research analysts and ESG fixed income research analysts are a core component of the firm's broader equity and fixed income investment research team. Our ESG research analysts work together across asset classes to develop overarching ESG research tools, and to provide research coverage of overlapping portfolio names that are held or are being considered for both equity and fixed income portfolios. At the same time, the equity and fixed income ESG analysts are fully integrated members of the research teams for their respective asset classes, working closely with fundamental analysts and portfolio managers to guide portfolio decisions.

SNAPSHOT OF ESG RESEARCH PROCESS

Our ESG research team conducts deep due diligence using a combination of primary research and third-party data sources, in an effort to fully understand the sustainable risks and opportunities associated with a given investment. The process culminates with formal assessments that are leveraged for portfolio decisions as well as engagement dialogue with companies, bond issuers and other stakeholders.

Gather Information

- Management calls
- Issuer filings
- Sustainability disclosures
- Industry journals
- Third-party research
- Expert networks
- Other sources as needed

– Potential Risks

- Executive compensation
- Data security
- Human capital management
- Environmental liabilities
- Resource constraints
- Other case-by-case risks

+ Potential Opportunities

- Sustainability-driven business models
- Environmentally/socially impactful service providers
- Targeted use of proceeds
- Other case-by-case opportunities

Value-added ESG research helps us manage risks and opportunities.

Proprietary ESG Assessment

Portfolio Decisions

Company/Issuer Engagement

We believe this approach helps us to maintain consistent standards across asset classes and minimizes duplicative work on companies or bond issuers held in multiple portfolios, while also seeking to embed ESG research deeply within the decision-making process for sustainable investments.

The portfolio managers of our equity and fixed income strategies have access to three core ESG services: ESG Research Tools, Engagement and Proxy Voting Tools, and Reporting Tools (described in more detail starting on the next page). As noted above, the way these tools are used differs across our various Sustainable, ESG and Fundamental investment strategies.

1. **ESG Research Tools**
    a. *ESG Risk Assessment:* This assessment seeks to produce a proprietary view on a broad set of potentially material ESG risks facing an investment, and documents what may be deemed as ESG controversies associated with the company or issuer. Analysis focuses on the absolute risks that may be present, as well as the company or issuer's ability and track record in managing those risks. When the assessment is complete, the ESG research team assigns an ESG risk management rating to the company/issuer.
    b. *Sustainable Opportunity Assessment:* This assessment aims to identify environmental, social or governance factors with the potential to enhance long-term returns or generate positive environmental or social benefits. Following a review of the issuer's product/service offerings and operations, the ESG research team assigns a Sustainable Opportunity Rating to the issuer.
    c. *Use of Proceeds Assessment:* This assessment is specific to the fixed income asset class, and seeks to examine and, where possible, quantify, the positive or negative impacts of any projects that the bond in question may be funding. The assessment includes a review of the documentation accompanying the issuance for accuracy and compliance with ICMA principles, as well as the issuer's prior track record with environmental or social commitments.
    d. *Thematic and Sector-Focused Investigative Research:* In addition to its extensive work on security-specific research, the ESG research team collaborates with other members of the institutional research team to examine broader issues and themes that have the potential to reverberate across multiple investments. When such trends are identified, the team develops specific investigative projects that may involve in-depth stakeholder interviews, close document review and other techniques.
2. **Engagement Tools**
    a. *Engagement as part of ESG due diligence:* Engagement is an important part of the investment process for both our equity and fixed income investment teams. Brown Advisory's ESG research analysts partner with fundamental analysts and portfolio managers in an effort to engage existing and prospective holdings in discussions on various ESG topics during the initial evaluation of a company or other bond issuer's investment prospects, and as part of ongoing monitoring of existing holdings. Asking the right questions can reveal important information about a company or other bond issuer that traditional fundamental research may not uncover.
    b. *Impact-oriented engagement:* We also prioritize certain engagement topics based on their scope and salience across our entire investment platform, and seek to engage a larger group of companies and other bond issuers on these issues in a concerted manner. Examples include climate change, diversity and inclusion, and ethical implementation of artificial intelligence. We believe that engagement can help signal to companies and other bond issuers the level of investor support for impact-related actions, and we often find that our conversations spur key decision makers to consider new thinking, and in some cases new initiatives. These engagements are conducted in a constructive manner, as we believe that we can be most effective in a positive, collaborative mode. Quite often, we conduct these broader engagement efforts in collaboration with industry initiatives involving many partners.
    c. *Informal advisor to sustainable economy stakeholders:* We offer our perspective to stakeholders (when asked) on how to enhance ESG risk management and reporting. Particularly, our fixed income team was an early participant in the nascent green bond market, which has since greatly expanded to encompass a wide array of labelled bonds that fund projects with positive environmental and social impact. Owing to our fixed income team's experience in this space, bond issuers and underwriters call on the team to provide advice on structuring options for impact-oriented bond deals to bond issuers and underwriters with regard to structuring options for impact-oriented bond deals. While we are not advisors in any official capacity in these situations, we are always grateful for the opportunity to offer our thoughts.

   d. *Proxy Voting:* Our equity strategies generally support ESG-related shareholder proposals that we consider likely to improve shareholder value over time. We actively consider each proposal's specific merits and the company's specific circumstances, and we may engage with a company in certain cases. Proxy voting for our institutional investment strategies is overseen by a Proxy Voting Committee, while the responsibility for casting votes rests with the investment and ESG research team and, ultimately, with the portfolio managers of each Brown Advisory equity investment strategy. For more information please see our proxy voting policy and report.

3. **Reporting Tools.** We report on ESG integration and impact outputs with regard to our dedicated sustainable and ESG strategies, and additionally offer customized reporting to clients upon request. Our primary means of communicating this information is through annual Impact Reports or ESG Transparency Reports for specific strategies. We also report on the impact on our institutional equity and fixed income investment platform; this reporting includes carbon footprint data and other ESG metrics, and can be found in Brown Advisory's annual firmwide Sustainability Report.

In addition to these research, engagement and reporting tools, Brown Advisory has worked to develop extensive screening capabilities for our portfolios. Our screening process leverages our third-party research data to apply a rules-based screening process which seeks to identify companies that may have controversial business involvements. Screening decisions help our clients reflect values and priorities in their portfolio. We offer screening options in any of our strategies, either through customized implementation in separate accounts, or in screened versions of several of our mutual fund offerings.

Additional Information on ESG Assessment and Ratings Processes

Assessments: A Brown Advisory ESG Assessment contains an ESG Risk Assessment and a Sustainable Opportunity Assessment. These twin evaluations are prepared by ESG research analysts, in collaboration with relevant fundamental analyst(s) and in some instances with an investigative analyst.

Our assessments are not static documents. We update them throughout an investment's lifecycle, and monitor conditions via engagement, investigative analysis, surveillance of risks, updates to our sustainability thesis for an investment, and collaboration with the rest of the investment team. This helps ensure that these assessments are living, breathing bodies of work that continually inform our portfolio decisions.

Ratings*:* Our ESG research is largely qualitative in nature, but we assign two quantitative ratings to our assessments for communication purposes, an ESG Risk Management rating and a Sustainable Opportunity rating. Our ratings use a simple one-through-five system, with a "1" signifying a green-light investment in terms of ESG risk or sustainable opportunity, and a "5" signifying meaningful and material risks, or the lack of any meaningful exposure to sustainable opportunities. A "+" or "-" may also be assigned to a rating (e.g., a "2+" rating) to indicate if a company or other bond issuer is materially progressing or regressing.

Brown Advisory ESG Ratings Framework

ESG Risk Management Score

Score	Criteria
1	NET POSITIVE Entity effectively manages all material ESG factors, going beyond best practices and potentially leading to a competitive advantage. Generally does not have ESG controversies.
2	SLIGHTLY POSITIVE Entity has adequate ESG risk management systems, such that material ESG factors are unlikely to pose a material threat. May have a small number of ESG controversies.
3	NEUTRAL Entity has basic ESG risk management systems, but there is not enough information to evaluate effectiveness. May have a moderate number of controversies.
4	SLIGHTLY NEGATIVE Minimal ESG risk management means that ESG risk may pose a material threat to entity. May have moderate to severe ESG controversies.
5	NET NEGATIVE Little or no ESG risk management, ESG risks are likely to pose a material threat to entity. May have severe ESG controversies.

Sustainable Opportunity Score

Score	Criteria
1	NET POSITIVE The primary **product/service** offering solves for a critical environmental and/or social challenge. Sustainable **operations** are helping to drive potential business advantages and efficiencies, and significantly reducing or mitigating any negative environmental and social impacts
2	SLIGHTLY POSITIVE Some **products/services** solve for environmental and social challenges, and some efforts to reduce negative impact of **operations**; relatively limited when compared to an "1"-rated entity, in terms of the share of overall revenue, or the extent of impact.
3	NEUTRAL Little to no *material* exposure to **products/services** that solve an environmental or social challenge. Minimal efforts to reduce negative impacts of **operations** or create operational advantages.
4	SLIGHTLY NEGATIVE Some **product/service** offerings may cause environmental and/or social harm. **Operations** may cause environmental and/or socail harm.
5	NET NEGATIVE Primary **product/service** offerings may cause meaningful environmental and/or social harm. **Operations** may also cause meaningful environmental and/or social harm.

The act of assigning ESG ratings inherently runs the risk of implying an unwarranted level of precision regarding ESG data. Available ESG data is imperfect, largely due to the fact that companies are not required to provide detailed and audited disclosure of ESG data and metrics. For this reason, we use a simple one-through-five rating system, and develop more refined views of specific companies with qualitative research. Further, we assign separate ratings for risk and opportunity, as opposed to a singular rating for a company or bond issuer; we believe that this dual-rating approach helps us differentiate between investments characterized by good risk management, vs. investments that are helping to solve major environmental and social challenges.

To be clear, these ratings do not drive portfolio activity, but are used as a communication tool that helps foster greater discussion with portfolio managers, fundamental analysts and the rest of the investment team.