Brown ADVISORY
Thoughtful Investing.

BROWN ADVISORY

INSTITUTIONAL SUSTAINABLE INVESTING POLICY

Policies and concepts that guide Brown Advisory's approach to sustainable investing across the firm's global institutional equity and fixed income platform.

August 2024

This document describes the philosophy and tools that guide Brown Advisory's approach to sustainable investing across the firm's global institutional equity and fixed income platform. We acknowledge that many jurisdictions in which Brown Advisory operates have adopted laws or regulations related to sustainable investing and we are committed to working with clients to help them understand our long-standing approach to Sustainable Investing in relation to an evolving regulatory landscape.

Investment Strategy

Every Brown Advisory investment strategy holds the fiduciary duty of delivering investment performance to clients as its highest obligation. We seek to deliver performance by integrating the evaluation of a wide variety of data and information – qualitative and quantitative – into investment decisions. Over the years, we have found that integrating sustainability-related considerations like climate change, natural capital, human capital, and community into our fundamental research is beneficial because it helps us to look at an investment's risks and opportunities from more angles and to identify those investments that are likely to thrive in the face of disruptions affecting the environment, society, and economy. As long-term investors, these considerations have become increasingly important.

Many strategies at Brown Advisory commit to explicitly integrate sustainable investment considerations within their investment approach. Each strategy at Brown Advisory is unique, and this is true for sustainable investing strategies as well. Each strategy's approach will reflect the portfolio manager's autonomy to invest in a manner they believe generates long-term performance for clients formalized through its investment philosophy and principal investment strategy. However, all strategies retain financial performance as their objective. Brown Advisory defines two categories that clarify the approaches the firm's institutional strategies take when integrating sustainable investment considerations[1]:

- **Sustainable Investing Strategies:** Brown Advisory defines Sustainable Investing Strategies as those that consider sustainable investment risks and opportunities in their investment decision-making process where that research is considered to be material to long-term performance. In addition, sustainable investing strategies commit to investing most of the assets they manage on behalf of clients in investments with "sustainable drivers". Investments with sustainable drivers are defined as those engaged in sustainability-related activities such as, responsibly managing natural resources, facilitating the transition to a low carbon economy, and contributing to equitable and inclusive societies, in a manner that drives improved financial outcomes or a competitive advantage for the investment.
- **Integrated Strategies:** Brown Advisory defines Integrated Strategies as strategies that consider sustainable investment risks and/or opportunities in their investment decision-making process where that research is considered by the portfolio manager to be material to long-term performance. While these strategies may have exposure to investments with sustainable drivers, these features are not

[1] Not all Brown Advisory strategies fit into one of these two categories. These categories only pertain to those strategies that have an established process about the incorporation of sustainability-related considerations.

required for investment. However, integrated strategies do require risk management related to sustainability issues.

Sustainable Investment Research Integration

Brown Advisory's global equity and fixed income research teams include sustainable investment research analysts with expertise in analyzing sustainability characteristics specific to each sector in the team's research universe. Sustainable investment research analysts are primarily responsible for understanding the sustainability-related risks and opportunities that may impact financial performance. In addition to being fully integrated members of the investment research teams, these analysts also collaborate with one another across sectors and asset classes to share insights and develop best practices.

Brown Advisory's research approach is characterized by bottom-up, primary research. While each sustainable investment research analyst has sector and/or issue-specific expertise, the research team begins analysis of each investment from the bottom up, with a focus on understanding the specifics of a company or issuer's structure, fundamental, and sustainability characteristics. While there are many sustainability-focused levers that can impact financial results, there are two broad categories that permeate all and transcend asset classes and sectors: Climate & Natural Capital and Community & Human Capital. Through a sustainable investing framework focused on these categories, and underpinned by governance, the research team identifies both bottom-up and top-down sustainability considerations that may impact an investment's performance.

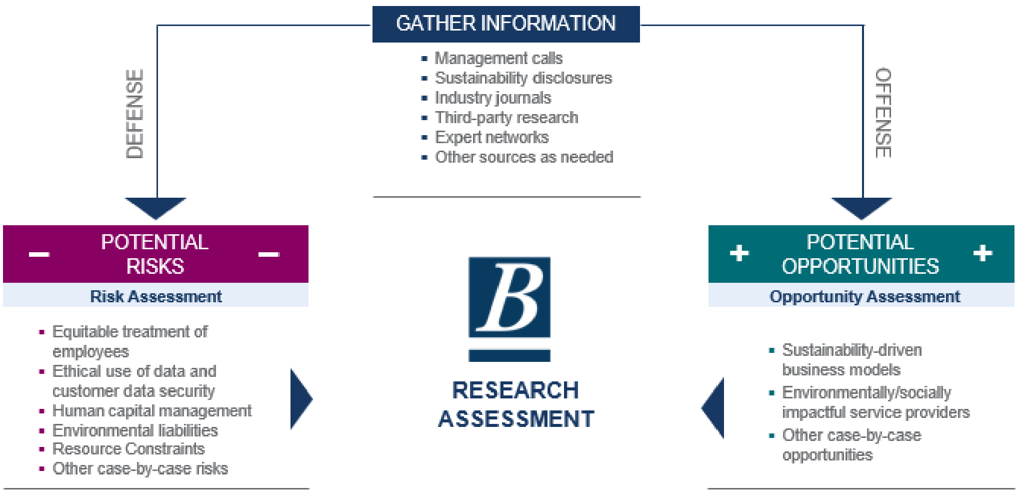
Climate & Natural Capital: Our economy is highly influenced by climate change and the availability of natural resources, which pose risks and opportunities for companies, governments, and other stakeholders. Through our sustainable investment research, we seek to identify the financial implications of transitioning to a lower carbon economy, managing losses associated with physical climate risk and biodiversity loss, and operating in an increasingly resource-constrained environment.

Community & Human Capital: People are foundational to all aspects of our economy. Whether as employees, consumers, or members of the wider community, people significantly influence the performance of an investment. Their impact can either substantially enhance or diminish the performance of an investment. As such, we seek to identify investments that are managing their human capital well, contributing to equitable and inclusive societies, and upholding global human rights standards.

Brown Advisory's sustainable investment research is underpinned by a focus on sound governance. Careful assessment of how leadership, whether it be a company's management team or government organization, serves the needs of its various stakeholders is important in assessing an investment's ability to deliver positive outcomes, including those related to Climate & Natural Capital and Community & Human Capital. Furthermore, we seek investments where appropriate transparency and accountability structures are in place enabling durable operations and management. For example, our analysis seeks to identify strong board oversight, internal risk management, measurable targets to which compensation is appropriately tied, and/or adherence to industry-wide frameworks and best practices for operating and reporting.

Sustainable investment research process for sustainable investing strategies

Our research team conducts deep due diligence, predominantly leading with primary research, while also considering third-party data. The objective of due diligence is to understand the risks and opportunities associated with a given investment. This research is leveraged for portfolio decisions and engagement dialogue with companies, bond issuers and other stakeholders. The final assessment varies slightly from one asset class to another. For further information on the nuances of our assessments, please see our [Sustainable Fixed Income Investment Policy.]



Sustainable Investment Research is available to portfolio managers in four primary formats:

Risk Assessment: This assessment seeks to produce a view on a broad set of potential material sustainability-related risks associated with an investment, and documents exposure to controversial activity and analyzes the possible impact on investment performance. Examples of sustainability-related risks include those associated with climate change, natural resource constraints, or human capital management. Analysis focuses on the absolute risks that may be present, as well as the investment's ability to, and track record of, managing those risks.

Opportunity Assessment: This assessment aims to identify investments with sustainable drivers, defined as investments that are deriving improved financial outcomes or a competitive advantage through sustainable activities. This can include responsibly managing natural resources, facilitating the transition to a low carbon economy, and contributing to equitable and inclusive societies.

Labeled Bond Assessment: This assessment is specific to fixed income assets and seeks to examine and, where possible, quantify, the positive or negative impacts connected to climate, natural capital, communities, or human capital of any projects that a labeled bond may be funding. The assessment seeks to ensure adherence to best practices, including voluntary guidelines produced by International Capital Market Association (ICMA).

Thematic and Sector-Focused Research: To supplement our bottom-up approach to investment research, the sustainable investment research team examines broader issues and themes that have the potential to reverberate across multiple sectors. For example, this could include technologies with wide-ranging impacts (e.g. Artificial Intelligence) or regulatory developments that may affect investments across industries. When such trends are identified, the team produces further analysis that may involve in-depth stakeholder interviews, systematic document review and other techniques.

Engagement

Maintaining active dialogue with investments and stakeholders is often part of our investment research and monitoring of securities under the research team's active coverage. Brown Advisory's engagement approach mirrors the broader investment approach: performance driven, long-term in nature, and collaborative. Importantly, engagement will vary across different asset classes due to the investment structure, governance controls, sector nuances, and varying stakeholders involved. As such, a set of guidelines is tailored to each. For more information on the approach to engagement with corporate issuers, please see the Brown Advisory's Institutional Corporate Engagement Policy. For our approach to engagement in other asset classes, please see Institutional Sustainable Fixed Income Investment Policy

One form of carrying out engagement and fiduciary responsibility to clients is proxy voting. The institutional research and proxy voting decision-making processes are aligned in philosophy and approach. Please see Brown Advisory's Proxy Voting Policy for further information on these activities.

Brown Advisory Corporate Sustainable Investment Ratings[2]

While sustainable investment research is largely qualitative, the sustainable investment research analysts assign two quantitative ratings to assessments. These ratings include a "Risk Management" Rating and an "Opportunity" Rating and serve as a communication tool only. The ratings use a simple one-through-five system, with a "1" signifying investments with strong characteristics in terms of risk or opportunity, and a "5" signifying a meaningful risk, or the lack of any meaningful exposure to sustainable drivers.[3] A "+" or "-" may also be assigned to a rating (e.g., a "2+" rating), indicating progression or regression respectively. The exhibit on the next page provides further detail.

The act of assigning ratings inherently runs the risk of implying an unwarranted level of precision. Available data is imperfect, and as with much financial data, its interpretation necessitates a degree of subjectivity. While a simple one-through-five rating system is used to communicate a high-level view of an investment's sustainable risks and opportunities, the research analysts use their assessments to provide more detailed analysis. This dual-rating approach differentiates between investments characterized with strong sustainability-related risk management, versus those investments that also have sustainable drivers.

These ratings function as a communication tool. The ratings are designed to provide an indicator of the respective sustainable investment risks and opportunities associated with an investment and offer grounds for

[2] For information on the approach in other asset classes, please see Brown Advisory's Sustainable Fixed Income Policy

[3] Sustainable drivers are measured via financial metrics such as: revenue, market share, cost advantages, intangible assets, and capital allocation.

further discussion amongst our portfolio managers, the broader investment team, the investment risk management team, and with senior leadership responsible for sustainable investment oversight.

These ratings are described in more detail on the next page

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Brown Advisory Corporate Sustainable Investment Ratings Framework

RISK MANAGEMENT [i]		OPPORTUNITY [i]	
RATING	CRITERIA	RATING	CRITERIA
1	**NET POSITIVE** Investment effectively manages all material sustainability-related risks, going beyond best practices and potentially leading to a competitive advantage. Generally does not have major controversies.	1	**NET POSITIVE** Sustainable drivers are meaningful to the investment and demonstrably contribute to competitive advantage.
2	**SLIGHTLY POSITIVE** Investment has adequate sustainability-related risk management systems, such that performance is unlikely to be compromised. May have a small number of minor controversies.	2	**SLIGHTLY POSITIVE** Sustainable drivers are meaningful to the investment.
3	**NEUTRAL** Investment has basic sustainability-related risk management systems, but there is not enough information to evaluate impact on performance. May have a moderate number of minor or moderate controversies.	3	**NEUTRAL** Sustainable drivers are not meaningful to the investment.
4	**SLIGHTLY NEGATIVE** Minimal sustainability-related risk management means risks may detract from financial performance. May have moderate to severe controversies.	4	**SLIGHTLY NEGATIVE** Lack of or compromised sustainable drivers may erode competitive advantages.
5	**NET NEGATIVE** Little or no sustainability-related risk management means risks may detract from financial performance. May have severe controversies.	5	**NET NEGATIVE** Lack of or compromised sustainable drivers demonstrably erodes competitive advantages.

[i] Please note, these ratings are internal communication tools and only represent a snapshot of the risks or opportunities analyzed in the full Risk Assessment or Sustainable Opportunity Assessment, respectively.

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Disclosures

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.

Sustainable investment considerations are one of multiple informational inputs into the investment process, alongside data on traditional financial factors, and so are not the sole driver of decision-making. Sustainable investment analysis may not be performed for every holding in every strategy. Sustainable investment considerations that are material will vary by investment style, sector/industry, market trends and client objectives.

Certain strategies seek to identify companies that we believe may be desirable based on our analysis of sustainable investment related risks and opportunities, but investors may differ in their views. As a result, these strategies may invest in companies that do not reflect the beliefs and values of any particular investor. Certain strategies may also invest in companies that would otherwise be excluded from other funds that focus on sustainable investment risks. Security selection will be impacted by the combined focus on sustainable investment research assessments and fundamental research assessments including the return forecasts. These strategies incorporate data from third parties in their research process but do not make investment decisions based on third-party data alone.

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.

Brown Advisory does not engage with every company or issuer. We engage only when we believe engagement will be material to our investment decision making.

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