Brown ADVISORY
Thoughtful Investing.

INSTITUTIONAL SUSTAINABLE INVESTING POLICY STATEMENT

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

January 2023

Brown Advisory delivers a wide range of sustainable investment strategies to institutional investors. We help our clients achieve their financial and sustainable objectives with concentrated, actively managed portfolios powered by in-depth fundamental and ESG research, a disciplined investment process and outcome-focused ESG engagement.

We define sustainable investing as an investment approach that intentionally incorporates environmental, social, and governance (ESG) analysis of risks and opportunities alongside fundamental research to drive performance. As an outcome of our sustainable investing approach, the majority of the investments in our sustainable investing strategies also have durable positive environmental or social impacts.

In this policy statement, we aim to define the principles, philosophy and tools that guide the sustainable investing work that primarily supports the management of our sustainable equity and fixed income investment strategies. Brown Advisory defines our "sustainable" strategies as those that have established standards for portfolio holdings around both fundamental and sustainable theses. While the traditional strategies on our platform do not fully integrate these principles and tools into their investment philosophies, they have access to some of the tools outlined in this document which may be used at portfolio managers' discretion.

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 in order to add value to the due diligence process and we believe help portfolio managers make better decisions. One output of our sustainable investing work is a roster of investments that we believe are poised to create positive impact on society and/or the environment, 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 conduct primary ESG research and to pursue ESG research coverage across our sustainable investment strategies. Our ESG research team leverages third-party data in some instances, but generally only as a supplement to primary research. We believe that while third-party ESG research can be a helpful input in assessing ESG risks, primary research is needed to identify sustainable opportunities. We believe this approach helps us understand the investment opportunities we consider, and helps ensure that our sustainable strategies can meet and exceed the expectations of our clients.
- **Independent thinking from portfolio managers:** We believe that our results 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 approach to ESG integration across our sustainable investment platform. However, we have a policy for what constitutes a "sustainable" strategy. On our platform, sustainable strategies are those that have established standards for portfolio holdings around fundamental and sustainable theses.
- **Speak up, where it counts, loudly:** We view issues such as climate change, inequality, and poor corporate governance to be tangible risks in our sustainable investment portfolios, and as clear and present threats to society and the environment. As a sizable institutional investor, we believe we can have an influential voice in certain circumstances and we take this responsibility seriously; where appropriate we seek to use what influence we have to encourage actions by companies and bond issuers that we believe can benefit long-term value for stakeholders, increase resilience, and generate a positive impact on the environment or society (within the boundaries of a company's business or the structure and purpose of a bond issue). When we participate in engagement efforts, we seek to exercise our influence through active, constructive engagement, casting proxy votes as equity shareholders, and/or through participation in sustainable investing industry initiatives and working groups.
- **Collaboration, not isolation:** Our ESG research analysts are integrated into the overall fundamental research effort that supports our equity and fixed income strategies. ESG research analysts work

collaboratively with fundamental analysts across asset classes and industry sectors, and with portfolio managers across our various sustainable investing strategies, in a research process that seeks to examine individual sectors, issuers and securities, where applicable, to determine their suitability for our various strategies. Similarly, we strongly support the cooperative spirit that has guided the broad sustainable investing community for many years, and we often seek to participate in 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 clear disclosure about the sustainable criteria that guide any of our strategies; this is true for our dedicated sustainable investment strategies and those that may elect to incorporate any of the ESG research tools in their investment process.
- **Commitment to core ideals in our sustainable 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 our sustainable investment strategies in terms of environmental, social, and governance considerations. These include any one or more of the following:
  - Environment
    - *Climate change:* 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 often major contributors to climate change and also directly exposed to potential losses from climate change. We are therefore 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, or 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 promote diversity, equity, and inclusion, and we aim to avoid investments that we believe materially worsen injustice.
    - *Human rights:* We seek out investments that we believe have robust 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 accurate, timely and clear 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 bond issuers. We look for investments with accountability structures in place, such as, for example, strong board oversight, relevant internal experience necessary to manage risks, measurable sustainability targets, compensation formulas that are connected to such targets, and/or adherence to industry-wide or easily comparable frameworks.

- **Continual improvement:** We look 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 effort to evolve our skillsets and capabilities. We are also committed to spreading knowledge about sustainable investing our colleagues, and we offer internal training to all colleagues so they can better understand our sustainable investing solutions and better serve our clients.

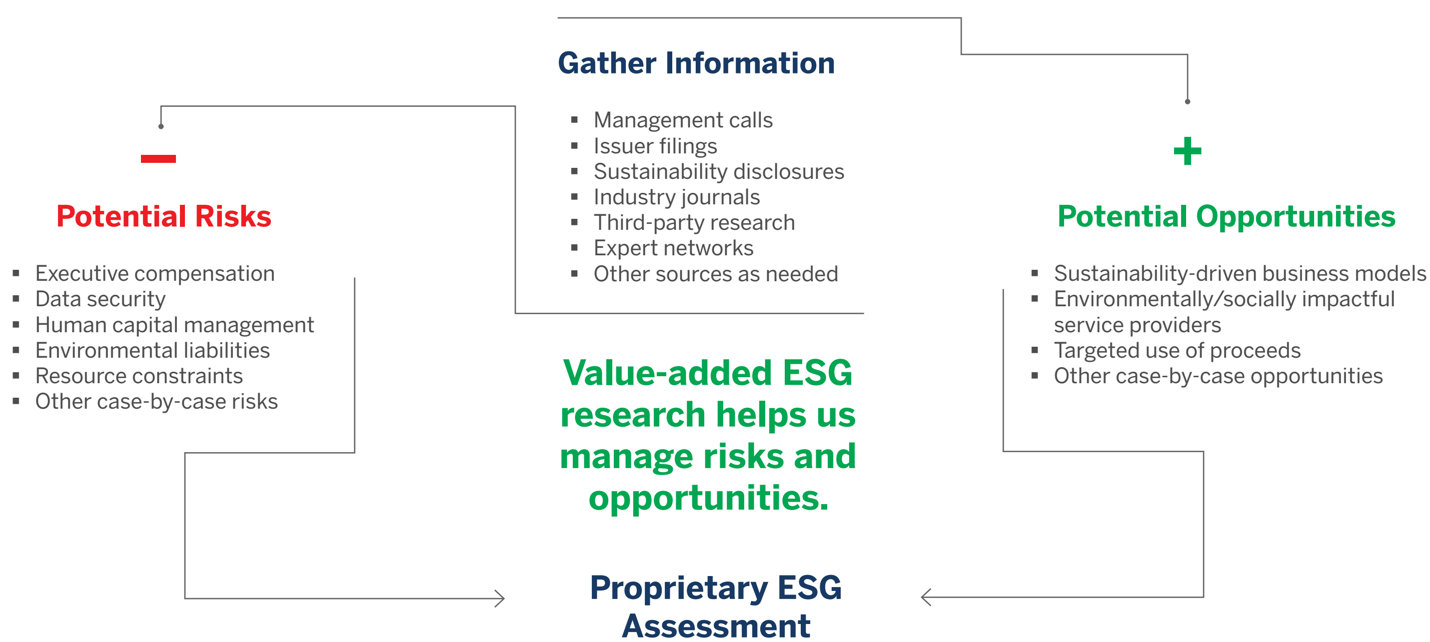
ESG Research Integration

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 integrated members of the research teams for their respective asset classes, working closely with fundamental analysts and portfolio managers to guide portfolio decisions for our sustainable strategies. For our traditional strategies, we will provide proprietary ESG research or research produced by third-party ESG research providers at the request of the portfolio manager.

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.

SNAPSHOT OF ESG RESEARCH PROCESS FOR SUSTAINABLE STRATEGIES

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 ESG risks and sustainable opportunities associated with a given investment. This research is leveraged for portfolio decisions as well as engagement dialogue with companies, bond issuers and other stakeholders. The ESG Assessment varies slightly from one asset class to another. For further information on the nuances of our ESG assessments, please see our Sustainable Fixed Income Investment Policy.



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.

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. 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.
   b. *Sustainable Opportunity Assessment:* This assessment aims to identify environmental, social or governance factors with the potential to enhance long-term performance or generate positive environmental or social benefits.
   c. *Labeled Bond 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 a labeled bond may be funding. The assessment seeks to ensure adherence to best practices, including voluntary guidelines produced by ICMA.
   d. *Thematic and Sector-Focused Investigative Research:* In addition to its extensive work on security-specific research, the ESG research team collaborates to create sector frameworks to help guide the integration of ESG research across certain sectors. Furthermore, the ESG research team also 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 many existing and prospective holdings of our sustainable strategies in discussions on various ESG topics. Engagement can take place during the initial evaluation of a company or other bond issuer's investment prospects, as well 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 companies and other bond issuers on these issues in a concerted manner. To determine our impact priorities, we rely both on top-down analysis of broadly relevant issues, as well as findings that emerge from our bottom-up research and due diligence engagement. 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 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. In some cases, 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 or other stakeholders 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 fundamental 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 reporting dashboard located on our website.

3. **Reporting Tools.** We provide regular reporting on the ESG integration approach and accompanying environmental and social outcomes for our sustainable strategies, and additionally offer customized reporting to clients upon request. Our primary means of communicating this information is through annual Impact Reports and certain quarterly materials.

In addition to this 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 many of our strategies, either through customized implementation in separate accounts, or in screened versions of several of our 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, though the specifics of these assessments vary by asset class. These two evaluations are prepared by ESG research analysts, in collaboration with fundamental analyst(s), and in some instances, an investigative analyst.

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. The exhibit on the next page provides further detail.

Brown Advisory ESG Ratings Framework

ESG Risk Management Rating

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 major 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 minor 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 material ESG 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 Rating

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 social 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, and the interpretation of this data, as with much financial data, necessitates a degree of subjectivity. For this reason, we use a simple one-through-five rating system, and develop more refined views of specific companies and other issuers 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, the broader investment team and our sustainable investment oversight and risk management teams.