



**Article 10 Transparency Statement in respect of**  
**Brown Advisory US Equity Growth Fund (the “Fund”)**  
**LEI code: 635400HPBCZBFVELE530**  
**a sub-fund of Brown Advisory Funds plc (the “Company”)**  
**Prepared by Brown Advisory (Ireland) Limited (the “Manager”)**  
**Brown Advisory LLC (the “Investment Manager”)**  
**26 April 2024**

This Article 10 Transparency Statement (the “**Statement**”) is published by the Manager of the Company, which has delegated investment management of the Fund to the Investment Manager. The Statement meets the requirements of the EU Sustainable Finance Disclosure Regulation (“**SFDR**”), specifically Article 10(1) of Regulation (EU) 2019/2088 and Articles 25 to 36 of the Commission Delegated Regulation (EU) 2022/1288. In accordance with Article 10 of the SFDR, financial market participants such as the Manager are required to publish and maintain summary information on a public website regarding financial products which promote environmental or social characteristics or which have sustainable investment as their objective. The purpose of the statement is to provide transparency on the Fund’s environmental or social characteristics and the methodologies that are used to assess, measure and monitor these characteristics within the investment strategy.

Words and expressions defined in the supplement to the prospectus of the Company relating to the Fund shall have the same meaning unless otherwise defined in this Statement.

**a) Summary**

El Fondo se rige por el artículo 8 del SFDR y promueve características medioambientales o sociales, aunque no tiene un objetivo de inversión sostenible.

El objetivo de inversión del Fondo es la revalorización de capital, y para ello invertirá principalmente en renta variable de EE. UU.

El Fondo aspira a alcanzar su objetivo de inversión invirtiendo en empresas medianas y grandes que tengan valoraciones atractivas y perspectivas de obtener elevados beneficios de forma duradera.

Las características medioambientales o sociales se promueven invirtiendo en empresas que, en opinión del Gestor de Inversiones, presentan una evaluación general positiva, en la que se han tenido en cuenta múltiples Características y Riesgos de Sostenibilidad.

Las inversiones que componen al menos el 80 % del Valor Liquidativo del Fondo se escrutarán para determinar que promueven características medioambientales y sociales.

El proceso de análisis del Gestor de Inversiones incluye una evaluación de las Características y los Riesgos de Sostenibilidad importantes de cada empresa del Fondo. Este análisis está plenamente integrado en el proceso de inversión del Fondo y se lleva a cabo mediante evaluaciones internas. Además, las posiciones que se incorporan efectivamente a la cartera se evalúan con regularidad, para supervisar que los criterios de sostenibilidad del Gestor de Inversiones se sigan cumpliendo. El Gestor de Inversiones supervisa las Características de Sostenibilidad del Fondo a través de indicadores de sostenibilidad, y el Fondo está sujeto a una política de exclusión.

Los gestores de carteras y el equipo de análisis del Gestor de Inversiones también llevan a cabo un importante proceso inicial de diligencia debida antes de invertir, por lo que los valores que se acaben seleccionando para el Fondo serán aquellos que susciten una gran convicción en el equipo.

Al evaluar las Características y los Riesgos de Sostenibilidad del Fondo, el Gestor de Inversiones utiliza fuentes de información entre las que figuran datos disponibles públicamente, procedentes de proveedores externos, recopilados a lo largo de las iniciativas de implicación que se lleven a cabo, así como información



detectada durante el análisis del equipo dedicado del Gestor de Inversiones. El Gestor de Inversiones mantiene un diálogo continuo con las empresas para fundamentar su análisis de inversiones y su toma de decisiones.

No se ha designado ningún índice de referencia para alcanzar las características medioambientales o sociales que promueve el Fondo.

**b) No Sustainable Investment Objective**

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

**c) Environmental or Social Characteristics of the Fund**

The Fund will invest in companies that the Investment Manager considers to have an overall positive assessment, covering a range of Sustainability Characteristics and Sustainability Risks. This assessment is based on either third-party research or the Investment Manager's research on Sustainability Characteristics. While the Investment Manager's holistic approach means that a wide variety of Sustainability Characteristics and Sustainability Risks are considered, the following Sustainability Characteristics are promoted by the Fund:

**Environmental Characteristics:**

- good management of greenhouse gas emissions; and
- appropriate structures and expertise to mitigate potential environmental risks.

**Social Characteristics:**

- good human capital management, including a focus on the promotion of diversity at the board level; and
- a track record of mitigating human rights related risks at the company and in the supply chain.

The Investment Manager believes that a focus on these particular characteristics will both limit business risks while contributing to a more responsible business approach.

**d) 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 medium- and large-sized companies that have high, durable earnings prospects along with attractive valuations and which are listed or traded on the U.S. markets and exchanges listed in **Appendix I** of the Prospectus. The Fund will invest primarily in medium- and large-market capitalisation companies characterised by market capitalisation of \$2 billion and greater at the time of purchase.

The Fund seeks to purchase securities at what the Investment Manager considers attractive valuations in the context of the strong fundamental position of each underlying company.

The Investment Manager starts by using in-house research and other third-party data sources to identify a universe of superior companies across a range of industries. Superior companies are businesses that the Investment Manager believes have:

- significant market opportunities (both in terms of magnitude and duration), with respect to which the companies are leaders or potential leaders in their respective markets;
- proprietary products and services, new product development and product cycle leadership that sustains a strong brand franchise; and
- a strong management team that is proactive, consistently executes effectively, and anticipates and adapts to change.



The Investment Manager will then focus on those companies that have the ability to grow earnings at above-average rates over several years (*i.e.*, at an annualised rate of 14% or more over a full market cycle), given the Investment Manager's belief that superior investment returns are achieved by buying and holding the securities of companies that are able to grow at above-average sustainable rates over long periods of time.

The Fund is also bound by its exclusion policy.

All companies added to the portfolio are analysed according to a variety of applicable governance factors including, though not limited to, any one or more of the following: board and committee composition and structure in terms of expertise and diversity; shareholder rights provisions; business ethics and compensation packages. This analysis forms part of the Fund's general assessment of Sustainability Characteristics and Sustainability Risks.

#### **e) Proportion of Investments**

At least 80% of the Net Asset Value of the Fund will be assessed and determined to promote environmental and social characteristics.

Up to 20% of the Fund's Net Asset Value may consist of other investments that have not been determined to be aligned with the environmental and/or social characteristics, including any cash or cash equivalents that the Fund may not yet have allocated to an investment or for liquidity or currency hedging purposes through the use of FDI.

#### **f) Monitoring of Environmental or Social Characteristics**

The Investment Manager's research process includes an assessment of Sustainability Characteristics and material Sustainability Risks for every company in the Fund. This research is fully integrated into the Fund's investment process and is provided through in-house research assessments. These assessments are then conducted on portfolio holdings periodically after investment in order to monitor ongoing compliance with the Investment Manager's sustainability criteria.

The following are the sustainability indicators used to measure the environmental or social characteristics of the Fund:

- **Overall responsible management of environmental and social characteristics:**
  - the percentage of the Fund's investee companies with a sustainability assessment indicating a positive approach to environmental and social issues overall.
- **Environmental characteristics:**
  - weighted-average greenhouse gas emissions intensity of the Fund's investee companies in terms of the Greenhouse Gas Protocol's definition of Scope 1 emissions (direct emissions owned or controlled by a company) and Scope 2 emissions (emissions that a company causes indirectly and come from where the energy it purchases and uses is produced).
- **Social characteristics:**
  - weighted-average percentage of women on the board of the Fund's investee companies; and
  - the percentage of the Fund's investee companies that comply with the United Nations Global Compact.

Quarterly reports on Fund holdings are created by the Investment Manger's Reporting and Business Intelligence team with data sourced from the in-house research assessments which is reviewed by the portfolio managers. These reports document the available in-house sustainable investment ratings and



third-party data assigned to each holding.

#### **g) Methodologies**

The Investment Manager's bottom-up research process seeks to understand the fundamental characteristics and Sustainability Characteristics of the Fund's investments.

The research approach is based on a qualitative assessment of each security across a broad range of factors but will contain certain quantitative elements. The purpose of this assessment is to identify companies that, overall, approach sustainability issues that help to maintain or improve a company's financial position while also seeking to avoid those companies exposed to material Sustainability Risk. The Investment Manager will avoid those companies that it believes either to be failing to manage Sustainability Risks or to not have in place appropriate mitigants or plans to secure an improved position with respect to Sustainability Risks.

The Fund also takes a qualitative and quantitative approach to its exclusion policy.

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;
- defy the UNGC Principles;
- derive more than 10% consolidated annual revenue from tobacco production;
- derive more than 10% consolidated revenue from civilian firearms; and/or
- derive more than 10% consolidated revenue from adult entertainment.

The Fund also considers PAIs at portfolio level.

#### **h) Data Sources and Processing**

The Investment Manager relies on a number of data sources when assessing Sustainability Characteristics and Sustainability Risks. 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 the Fund's approach but is not the primary factor in the assessment.

Responsibility for data accuracy and any data accessed via a third party platform is undertaken by the respective data provider. Any in-house data that is derived from the Investment Manager's internal research database is peer-reviewed prior to being distributed internally.

Estimated data varies by the dataset and is dependent on the coverage of the data provider.

#### **i) Limitations to Methodologies and Data**

Investing on the basis of sustainability 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.

Due to inconsistencies with respect to the evaluation of particular companies by third party research and data providers, the evaluation of an investment's sustainability characteristics may differ between financial market participants.

For this reason, the Investment Manager always uses a combination of qualitative and quantitative data. Quantitative data is provided by either the company directly or by a third party data provider and this is then overlaid by the qualitative assessment undertaken by the Investment Manager's research team. Whilst the data providers are responsible for the accuracy of the data, the insights that the Investment Manager's research teams gain through their interaction with the companies and their own analysis, limits the effect of poor/lack of data in the investment process.



**j) Due Diligence**

As noted above, the Investment Manager’s sustainable investment research team conduct a significant amount of up-front due diligence prior to investing and monitor the companies in the Fund on an on-going basis. Additional monitoring is also undertaken through a quarterly review of certain Sustainability Characteristics of the Fund. In addition to the in-house qualitative analysis, the Investment Manager has access to data from third-party providers. The research process may also include but is not limited to a review of public filings, meetings with management teams and site visits to operations, research around industry and competitive dynamics, and checks with competitors or suppliers.

The Investment Manager’s research teams are tasked with overseeing and monitoring the portfolio manager’s approach to integrating sustainability considerations and engagement insights into their investment due diligence.

**k) Engagement Policies**

The Investment Manager conducts ongoing discussions with companies to inform its investment research and decision-making. When possible and material to an investment decision, these conversations are a component of the Investment Manager’s research process and on-going monitoring.

**l) 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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