Brown ADVISORY
Thoughtful Investing.

2020

TAX-EXEMPT SUSTAINABLE FIXED INCOME STRATEGY

IMPACT REPORT

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LETTER OF INTRODUCTION FROM THE PORTFOLIO MANAGERS

At Brown Advisory, we are deeply committed to sustainable investing. Our firm managed more than $16 billion* in client assets under various sustainable investment mandates for individuals, families and institutions, as of Dec. 31, 2020. We firmly believe that there does not have to be a trade-off between strong performance and smart investments that help address society's trickiest sustainability challenges.

For a number of our sustainable investment strategies, we issue formal reports each year to keep clients informed about how those strategies are generating positive impact. Enclosed is our 2020 Impact Report for the Tax-Exempt Sustainable Fixed Income strategy.

This report includes a review of how we conduct and use ESG research, and how the investments in our portfolio are creating positive environmental and social outcomes—with a particular focus on racial injustice and the COVID-19 pandemic, two momentous challenges at the forefront of our minds in 2020. We also discuss how we engage with issuers—sometimes for ESG due diligence and impact purposes, other times in an advisory capacity with issuers seeking guidance on structuring labeled bond offerings—and how we participate in the broader sustainable investing community.

We are pleased to report continued progress and advancement of our sustainable investment initiatives at the firm. To support our growth, we named Carey Taylor as the new head of the sustainable investing business at the firm, and also added Angela Wilson and Danny Trocchia as new ESG research analysts and Sarah Yang as a new sustainable investing business analyst. We published policy documents covering our institutional approach to sustainable investing and engagement, as well as a summary document that describes our firm's formal proxy voting policy. We remain focused on developing helpful client-focused reporting, with recent developments including impact reporting tools for our fixed income strategies and for our private client portfolios.

As always, we thank our fundamental and ESG research teams, who work tirelessly to ensure that our investment decisions are informed by trustworthy ESG data, and by clear viewpoints about what we can infer from that data. Additionally, we thank all of our colleagues across the firm for embracing sustainable investing principles so enthusiastically, and most importantly our clients for entrusting us with their capital.

We hope you find this report informative, and we welcome a conversation with you about the work we are doing.

Sincerely,

Amy Hauter, CFA
Portfolio Manager

Stephen Shutz, CFA
Portfolio Manager

*Brown Advisory entities included are: Brown Advisory LLC, Brown Investment Advisory & Trust Company, Brown Advisory Ltd. and Brown Advisory Trust Company of Delaware, LLC.

INVESTMENT PHILOSOPHY & RESEARCH PROCESS

There is a growing acknowledgment that government and philanthropic sources of capital will likely fall far short of what is needed in the coming decades to solve the pressing social and environmental challenges of our time. Hence, many investors are increasingly eager to find ways to generate positive impact through their investments, motivated by not only a desire to align their investments with their values but also a pragmatic aspiration to make a tangible, measurable difference in society with their capital.

At Brown Advisory, we believe we can play a valuable role in helping our clients generate positive impact. The Tax-Exempt Sustainable Bond strategy is governed by the philosophy that by effectively integrating environmental, social, and governance (ESG) research, fundamental credit research and careful examination of how bonds' proceeds will be used, we can help our clients simultaneously pursue their long-term investment goals and their goals for driving meaningful changes in society.

We find that sustainable investing principles are especially well-suited for fixed income investing, and municipal bond investing in particular.

From an impact standpoint, municipal issues must fund projects that benefit the public by their very nature, in order to maintain tax-exempt status. Moreover, bonds in general tend to offer investors a high degree of clarity regarding their use of proceeds. Standards such as those created by the International Capital Markets Association (ICMA), including the Green Bond Principles (GBP), have enhanced this transparency regarding use of proceeds. Furthermore, we tend to favor revenue bonds over general obligation bonds, as they offer greater clarity on both the use of proceeds and the revenue streams from which we expect to be repaid.

From a performance standpoint, ESG research is a natural supplement to bond investing because it tends to focus on understanding downside risk. We also note that an impact-driven bond portfolio's returns can parallel that of a traditional portfolio; bonds with similar durations and credit ratings tend to have a high return correlation, so if all else is equal, a labeled green bond, a labeled sustainability bond and a bond with no specific target for impact should produce the same financial results.

OBJECTIVES & INVESTMENT PROCESS

The strategy's return objective is to outperform the Bloomberg Barclays 1-10 Year Municipal Bond Blend Index on a risk-adjusted basis. Our impact objective is not as easily measured by a single metric, but it is nonetheless equally clear to us. **We seek to deliver attractive after-tax returns by incorporating ESG analysis that strengthens bottom-up, credit-focused research, while also building a portfolio that produces positive environmental and social impacts.**

Conventional wisdom has long held that performance and impact goals are at odds with each other, but we have found our approach to sustainable investing actually helps our returns by steering us to responsible and forward-thinking issuers.

We conduct credit and ESG research within a single, unified due diligence process (see diagram on page 5), which ensures that impact and ESG considerations are a core part of our investment thesis. Our ESG research is itself an integrated effort that pulls together sector and thematic research, ESG assessment of specific securities, and engagement. Our ESG research approach involves both quantitative and qualitative analysis, and is supported by our proprietary ESG rating framework. (For more information on Brown Advisory's ESG research approach, please review our firm's Sustainable Investing Policy, found on our website.) When possible, our ESG research team incorporates third-party data into the analysis. However, given that we invest in municipal issuers that are often not covered by ESG data providers, we rely heavily on the due diligence of our dedicated ESG research team.

This process helps us identify bond issuers that capitalize on opportunities to become more sustainable, avoid major ESG risks and manage those risks they do face with a high degree of success. We have also found that this integrated approach has a positive influence on our investment decision making. With a better understanding of an issuer's ESG profile and its intended use of proceeds, we are better informed, better able to assess that issuer's ability to pay, and more confident in allocating capital to a bond that we believe will produce desirable returns.

INTEGRATING FUNDAMENTAL AND ESG RESEARCH

Our investment process places equal emphasis on fundamental research and ESG research. When we are confident that a security meets and exceeds our requirements on both fronts, then and only then do we invest.

Bottom-Up Analysis

- Determine project essentiality and feasibility
- Investigate the issuer's ability to pay and the bond's repayment priority
- Model cash flows

Continual Monitoring

- Examine event and financial disclosures as they occur
- Revisit initial investment thesis
- Monitor use of proceeds

Valuation and Risk Assessment

- Emphasize worst-case scenarios
- Practice sell discipline

ATTRACTIVE INVESTMENT

Sector and Thematic Research

- Identify sector-level ESG risks and opportunities
- Understand best practices in the sector
- Track sector trends

Proprietary ESG Assessment

- Analyze material ESG risk factors and issuer's ability to manage them
- Evaluate sustainable merits of issuer's operations and/or offerings
- Rate ESG risk and opportunity using proprietary framework
- Evaluate specific use of proceeds of the bond, and ensure adherence to ICMA Principles for labeled bonds

Engagement

- Probe quality and depth of sustainable initiatives
- Address controversies
- Assess intent and capacity if issuer has attested to impactful use of proceeds

PORTFOLIO-LEVEL IMPACT ANALYSIS: DIVERSIFICATION BY THEME, SOURCE AND SECTOR

A primary goal of the strategy is to provide a *diversified approach to impact.* We believe that this approach ensures balance across our portfolio and that the portfolio can deliver desired impact results to our clients, who collectively care about driving societal progress in many different social and environmental arenas.

DIVERSIFICATION BY IMPACT THEME

Breaking the portfolio out by different impact themes illustrates the variety of issues and causes that our holdings are addressing through their use of proceeds and/or general operations of offerings/services. As shown on page 7, we look at impact using a fairly straightforward segmentation into three main categories—environment, health and well-being, and economic development/social inclusion—each with several subcategories. (We also are invested in a small number of "multisector" bonds that fund projects spanning many impact categories.)

Categorizing each security's impact is not an exact science—our research is based on both objective data and subjective analysis, and many securities produce impact on multiple fronts.

DIVERSIFICATION BY IMPACT SOURCE

We also seek to diversify the portfolio by investing in bonds that generate positive impact in different ways (see chart on page 8).

As we've discussed in this report, many issuers of the bonds we hold seek to generate impact by deploying proceeds on social and environmental initiatives. A growing number of these bonds are being issued as "labeled" green, social or sustainability bonds, and follow the principles outlined formally by the ICMA that allow them to carry a clear label that attests to the bond's legitimacy and quality as an impact investment.

We also find through our research many bonds that aren't issued under the ICMA Principles but nonetheless deploy their proceeds in a positive, impactful manner. We refer to these unlabeled bonds as "targeted use of proceeds" bonds.

As of Dec. 31, 2020, approximately 56% of the portfolio is invested in bonds—both labeled and unlabeled—whose proceeds are being deployed on projects and initiatives that produce positive environmental or social impacts.

The rest of the portfolio is primarily invested in bonds from "impactful issuers," or issuers whose offerings and core operations, in our view, are broadly positive from an ESG perspective.

DIVERSIFICATION BY MUNICIPAL SECTOR

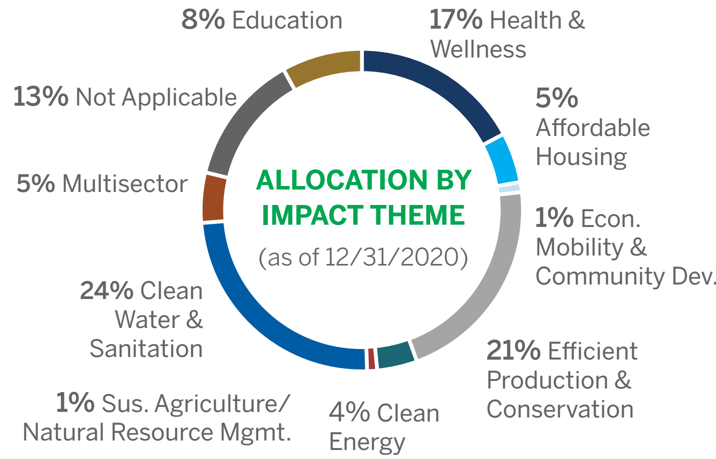
Finally, we seek to diversify the portfolio from a fundamental as well as an impact standpoint. As shown on page 10, we invest in a range of municipal sectors—this allows us to avoid concentration risk (i.e., avoid putting all of our eggs in one basket) and helps us allocate capital strategically and tactically (i.e., rebalancing assets into and out of sectors based on our ongoing assessment of municipal sector trends).

While our sector allocation is based on financial considerations, it is also a source of impact diversity for the portfolio. For instance, our investments in hospitals, public school systems, water utilities and power utilities all enable positive impact by increasing access to services and the quality of those services, as well as projects ensuring clean delivery of energy and water. In short, we find that our focus on general portfolio diversification naturally increases the range of issues and causes that the strategy addresses from an impact perspective.

Portfolio information is based on a Brown Advisory Tax-Exempt Sustainable Fixed Income representative account and provided as supplemental information. Please see the last page of the report for a GIPS compliant presentation.

DIVERSIFICATION BY IMPACT THEME

We categorize our holdings according to a series of impact themes to illustrate the variety of challenges and opportunities that our portfolio addresses. We do not target any particular impact mix, and we have found ample opportunity to invest in bonds that address a wide range of social and environmental issues.



IMPACT DIVERSIFICATION ACROSS THE U.N. SUSTAINABLE DEVELOPMENT GOALS (SDGs)

The Sustainable Development Goals, were established in 2015 by the United Nations General Assembly, as a "blueprint to achieve a better and more sustainable future for all." The SDGs, as they are known, have become a common framework for categorizing projects and investments that seek to generate positive societal impact.

Our impact themes are broadly aligned with the U.N. Sustainable Development Goals. We choose to use our own categorization scheme for reporting our "impact theme allocation," primarily because the U.N. categories are highly interdependent, and any given investment may produce impact in many different SDG categories. As such, we use a categorization scheme with fewer, more distinct categories that we feel are better suited for portfolio allocation reporting.

The mapping between our themes and the SDGs is depicted in the graphic to the right.

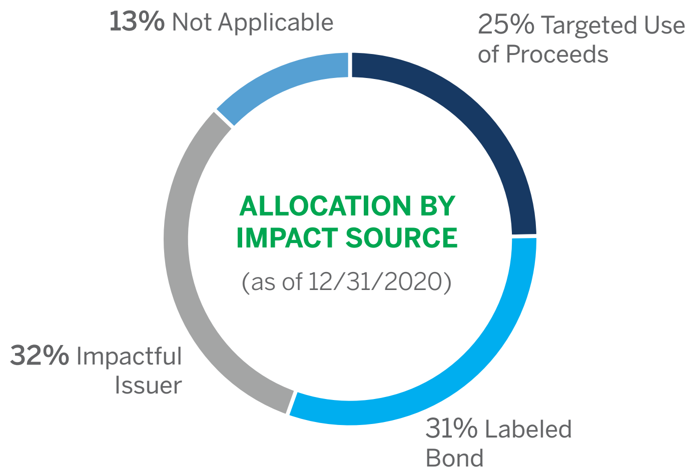
Economic Development & Social Inclusion	
Affordable housing	1 No Poverty; 10 Reduced Inequalities; 11 Sustainable Cities and Communities
Economic mobility & community development	1 No Poverty; 2 Zero Hunger; 4 Quality Education; 8 Decent Work and Economic Growth; 10 Reduced Inequalities; 11 Sustainable Cities and Communities; 16 Peace, Justice and Strong Institutions
Education	4 Quality Education; 8 Decent Work and Economic Growth; 10 Reduced Inequalities
Diversity, inclusion, equality	5 Gender Equality; 10 Reduced Inequalities; 16 Peace, Justice and Strong Institutions
Health & Well-Being	
Health & wellness	2 Zero Hunger; 3 Good Health and Well-Being
Clean water & sanitation	3 Good Health and Well-Being; 6 Clean Water and Sanitation; 9 Industry, Innovation and Infrastructure; 14 Life Below Water; 15 Life on Land
Environment	
Sustainable technology innovation	7 Affordable and Clean Energy; 9 Industry, Innovation and Infrastructure; 11 Sustainable Cities and Communities; 13 Climate Action
Efficient production & conservation	7 Affordable and Clean Energy; 9 Industry, Innovation and Infrastructure; 12 Responsible Consumption and Production; 13 Climate Action; 14 Life Below Water; 15 Life on Land
Clean energy	7 Affordable and Clean Energy; 9 Industry, Innovation and Infrastructure; 13 Climate Action
Sustainable agriculture/ natural resource management	2 Zero Hunger; 3 Good Health and Well-Being; 12 Responsible Consumption and Production; 13 Climate Action; 14 Life Below Water; 15 Life on Land

Source: Brown Advisory analysis. Numbers may not total to 100% due to rounding. Impact theme information is based on a Brown Advisory Sustainable Core Fixed Income representative account and provided as supplemental information. Please see the last page of the report for a GIPS compliant presentation.

DIVERSIFICATION AND CASE STUDIES BY IMPACT SOURCE

The bonds in our portfolio can generate impact in several different ways. Some create impact via the projects funded by those bonds, while others do so via the general conduct and activities of the issuer. As of Dec. 31, 2020, the portfolio's investments were allocated across these categories:

- Labeled green, social or sustainability bonds whose proceeds are funding specific environmental and/or social projects in adherence with the ICMA Principles
- "Targeted use of proceeds" bonds that are not officially labeled but are funding environmental or social projects that meet our criteria for investment
- Bonds from "impactful issuers" that we believe are generating environmental or social impacts through their operations and offerings/services



Source: Brown Advisory analysis. Numbers may not total to 100% due to rounding. Portfolio information is based on a Brown Advisory Tax-Exempt Sustainable Fixed Income representative account and provided as supplemental information. Please see the last page of the report for a GIPS compliant presentation.

LABELED BOND CASE STUDY: PORTLAND INTERNATIONAL JETPORT

IMPACT SOURCE:	SECTOR:	IMPACT THEME:	PRIMARY SDGs:
Labeled Green Bond	Airports	Efficient Production and Conservation	

Portland International Jetport (PWM) was the first airport in the U.S. to issue a green bond, demonstrating its longstanding commitment to sustainability. The proceeds refunded the cost of renovating and expanding the airport terminal, which was the second in the U.S. to achieve LEED Gold certification in 2012.

One of the reasons it is difficult to achieve LEED certification in airports is due to cooling and heating systems that must accommodate many passengers. PWM was the first airport in the U.S. to receive an FAA grant for a geothermal HVAC system to address this challenge. The innovative system includes a geothermal well and a radiant floor heating system, and is estimated to reduce fuel oil use by 100,000 gallons per year and save $200,000 in fuel costs annually.

PWM was also the first U.S. airport to use 100% recycled aircraft de-icing fluid; this was achieved through the airport's glycol capture system which recovers the liquid used to remove ice from planes before and after takeoff. The recycling approach greatly reduces the potential for chemical runoff into nearby waterways.

2012
Portland International Jetport received LEED Gold certification in 2012—the 2nd airport in the U.S. to earn this designation.

100,000 gallons/yr
Estimated annual reduction in fuel oil usage for heating and cooling the airport, thanks to its innovative geothermal HVAC system.

Source: Brown Advisory research and Portland International Jetport. Sectors are based on Bloomberg's classification system. 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. Portfolio information is based on a Brown Advisory Sustainable Core Fixed Income representative account and provided as supplemental information. Please see the last page of the report for a GIPS compliant presentation.

TARGETED USE OF PROCEEDS CASE STUDY: VERMONT STUDENT ASSISTANCE CORP.

IMPACT SOURCE:	SECTOR:	IMPACT THEME:	PRIMARY SDGs:
Targeted Use of Proceeds	Misc. Revenue	Education	4, 8, 10

VSAC is an essential provider of higher-education access in Vermont, through education and career planning services, need-based grants, scholarships and loans for undergraduate and graduate education.

The VSAC securities we held in the portfolio in 2020 are backed by a pool of 26,487 VSAC student loans, 80% of which are part of the Vermont Advantage program. VSAC makes loans with money borrowed in the tax-exempt bond market, which results in lower interest rates for borrowers, in some cases even beating out federal PLUS loans. Through its borrower benefit program, VSAC has saved borrowers more than $180.5 million since 1995.

VSAC also provides educational materials, debt counseling, grants, and other resources to its borrowers and the broader community. In 2019, it awarded 11,766 need-based education grants worth $20.1 million to Vermont students, and provided planning and counseling to more than 7,490 low-income and/or first-generation, college-bound Vermont students of all ages.

$180 million
Money saved by borrowers since 1995, thanks to VSAC's borrower benefit program.

7,490
Low-income and/or first-generation students that received counseling and planning services in 2019.

IMPACTFUL ISSUER CASE STUDY: H. LEE MOFFITT CANCER CENTER

IMPACT SOURCE:	SECTOR:	IMPACT THEME:	PRIMARY SDGs:
Impactful Issuer	Hospitals	Health & Wellness	3

The Moffitt Cancer Center is the largest provider of cancer treatment in the Southeast region of the U.S., and Florida's only National Cancer Institute (NCI)-designated comprehensive cancer center (and one of only 51 institutions so designated by the NCI). Moffitt impacts about 22% of cancer cases in Florida and has treated patients from all 50 states and 130 countries. It is a well-recognized health care leader, and earned the #11 spot in U.S. News & World Report's 2020 rankings for U.S. cancer hospitals. It is home to more than 450 clinical trials, and has produced 14 start-ups, 49 U.S. patents and 127 licensing agreements.

Moffitt is committed to diversity, equity, and inclusion for its employees and in the communities it serves. It was named an "LGBTQ Healthcare Equality Leader" in 2020 by the Human Rights Campaign and is one of DiversityInc's Top Hospitals & Health Systems for 2020.

The proceeds from the bonds we hold are intended to finance a surgical hospital expansion project on Moffitt's McKinley campus, which is expected to expand patient capacity by 65% and allow for about 33% more procedures over the next decade.

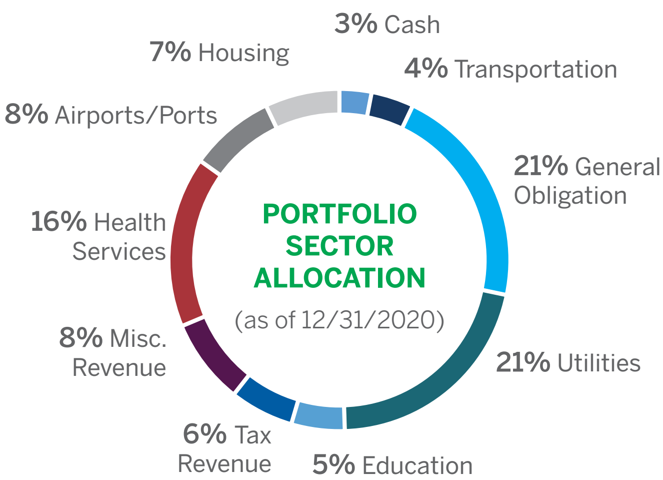
#11
2020 U.S. News & World Report overall ranking among all U.S. cancer hospitals.

65%
Expected expansion in patient capacity upon completion of surgical hospital expansion project funded by the bonds in our portfolio.

Source: Brown Advisory research, Vermont Student Assistance Corp. and H. Lee Moffitt Cancer Center. Sectors are based on Bloomberg's classification system. 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. Portfolio information is based on a Brown Advisory Sustainable Core Fixed Income representative account and provided as supplemental information. Please see the last page of the report for a GIPS compliant presentation.

DIVERSIFICATION BY MUNICIPAL SECTOR

We believe that a fundamentally diverse portfolio spanning the full range of municipal bond sectors naturally increases the range of issues and causes that the portfolio can positively impact. Revenue bonds are a generally attractive structure for sustainable investing, as they typically fund specific projects with measurable results. However, we also invest in general obligation bonds if they finance school districts or specific environmental or social projects.



Source: Brown Advisory analysis. Numbers may not total to 100% due to rounding. Sectors are based on Bloomberg's classification system. Sector allocation information is based on a Brown Advisory Tax-Exempt Sustainable Fixed Income representative account and provided as supplemental information. Please see the last page of the report for a GIPS compliant presentation.

Health Services: We are invested in hospitals and senior living facilities that we believe improve the quality of life, health and well-being within their communities. We emphasize issuers that increase access to and affordability of health care, improve quality of care and patient satisfaction, and improve operational environmental sustainability.

Education: We are invested with a number of primary, secondary and higher education school systems that are seeking to expand access to public education resources and improving the quality of education provided to constituents.

Housing: We emphasize multifamily and single-family housing projects that aim to increase access to affordable options for lower- and middle-income populations.

Transportation: We focus on transportation projects that, in our view, improve mobility within communities and reduce reliance on single-occupancy vehicles. These investments often are geared toward public transit systems or road improvements.

Utilities: We are invested in public water and sewer utilities that seek to ensure that communities have clean water and that wastewater is properly treated and discharged. We are also invested in public utilities that have built meaningful renewable energy portfolios or are working to do so.

Airports/Port Authorities: We seek out air and sea transport hubs that are engaged in major activity to reduce environmental footprint as a way of mitigating some of the negative environmental impacts of the air travel and commercial transportation industries.

Miscellaneous/Tax Revenue: We look for revenue bonds backed by leases, taxes and other designated sources that finance the general capital plan projects of municipalities with strong ESG or sustainability programs in place. In some cases, these bonds are financing specific environmental or social projects.

General Obligation: We are invested in local and state general obligation bonds that fund school districts or specific environmental or social projects.

2020 was a year that shook our lives to the core for a variety of reasons. Among these challenges were the immediate threat of the COVID-19 pandemic, and the tipping-point moment experienced across the U.S. related to long-festering problems with racial injustice.

Both of these challenges are complex, multifaceted, and wide-ranging in their imprint. In many ways they are intersectional, given the outsized impact that the pandemic has had on underserved minority communities. Effective solutions in both cases will require considerable action from both the private and public sector.

Matters of racial and environmental justice are important to us and to our clients, and we have always considered these factors as part of our ESG research and our process for evaluating investments. Municipal bonds, and the projects that they fund, can be connected to justice within a community or region.

Municipalities can use bond proceeds to provide essential services like water utilities, public transit systems, public education, health care housing subsidies and more. These initiatives can be structured so that they increase diversity, equity and inclusion in a community, but in some cases, they can decrease equality and justice. We take these potential outcomes seriously as municipal bond investors. Because there is a fairly high correlation of returns between municipal bonds of similar credit quality and duration, we can be selective regarding matters of justice when it comes to the issuers and the projects that we choose for inclusion in our sustainable fixed income strategies.

On page 13 we provide a few examples of how some of the issuers in our portfolio are addressing these critical challenges.

PANDEMIC-RELATED IMPACT

University of Pittsburgh Medical Center (UPMC)

In terms of medical research related to COVID-19, the world is most focused on the development and distribution of vaccines. However, research activity throughout 2020 also led to important breakthroughs for treatment of the disease.

An international team led by scientists at UPMC pooled data from 121 hospitals in eight countries to find that widely available steroids improved the odds that critically ill COVID-19 patients will survive the illness. Between March and June, a randomized trial found that giving COVID-19 patients in intensive care a seven-day intravenous course of hydrocortisone led to a 93% chance of better outcomes than not giving the steroid. The results were consistent across age, race and gender.

IMPACT ON RACIAL INJUSTICE

Harris County (TX) Flood Control District

This municipal issuer funds projects aimed at preventing and mitigating flooding. Traditionally, these projects were prioritized based on property value, but the District recently began prioritizing projects using the CDC's Social Vulnerability Index.

The new methodology favors disadvantaged neighborhoods—often with populations predominantly of color—that would have the hardest time recovering from flooding events. Further, the issuer's bonds are backed by all property taxes within the district, which means that disadvantaged neighborhoods can receive priority attention from the District, while the costs of projects are borne by the District's strong and diverse overall economy.

Hartnell Community College

Located in Salinas Valley, a major agricultural region in California, Hartnell plays a key role in expanding access to education to Hispanic students (60% of its student body) and first-generation college students (56% of its student body).

It offers a variety of Certificate and Associate degree programs in agriculture-related fields, thus supporting regional workforce and economic development. Its MiCASA program supports students without U.S. citizenship or permanent residence.

For students wishing to pursue a four-year degree, Hartnell College has articulation agreements with California State University, University of California and several private colleges.

Engagement is a core part of our due diligence and investment process. We use it to communicate our thinking to issuers and also to gather information for our own investment decisions. Because municipal bond issuers frequently have to return to the market to issue new debt, we find that municipal issuers—especially issuers of labeled bonds—are often eager to start conversations with us. Broadly speaking, municipal bond issuers have not been engaging with investors as long as company management teams and bond issuers in other asset classes have. We are actively focused on engaging with municipal issuers and believe that our experience in other asset classes can bolster our efforts to do so.

In 2020, we implemented a number of enhancements to our engagement approach. These included more comprehensive tracking of engagement activity, and leveraging a broader range of tools such as letter-writing and an increased level of participation in investor engagement memberships to complement our ongoing in-person dialogues with companies, bond issuers and stakeholders. These enhancements were particularly helpful to our work in a year when the possibility of in-person meetings was all but eliminated due to the COVID-19 pandemic.

ENGAGEMENT APPROACHES

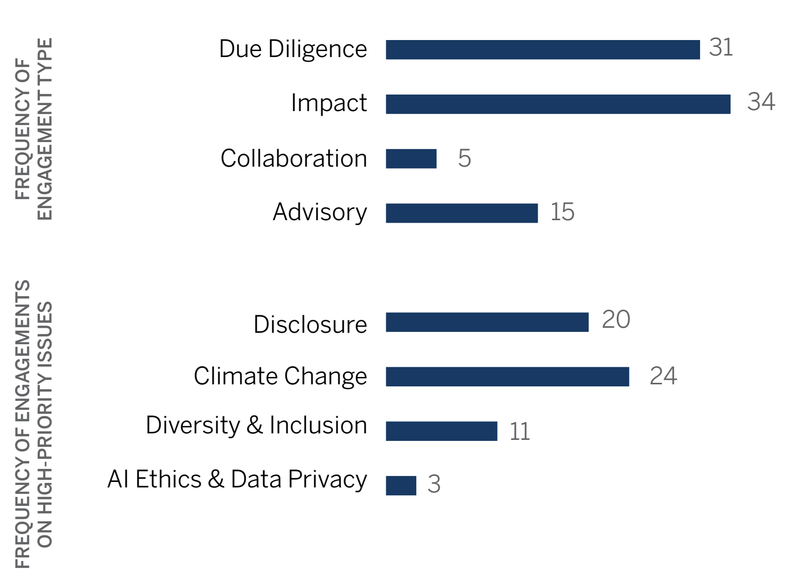
Our research teams engage in hundreds of discussions each year, with management teams and other stakeholders, as part of their overall research process, and most of these conversations include some discussion of environmental, social or governance matters. In 2020, 119 of these engagements across our firm's equity and fixed income strategies qualified in our view as "true" ESG-related engagements—defined loosely as engagements that actively involved our ESG analysts, and covered one or more ESG topics as a primary focus of the engagement.

Our engagements fall into four categories: ***ESG due diligence, collaboration, impact,*** and ***advisory***. Each of these engagement types are important for different reasons. Most of our engagements are for the purpose of ESG research or encouraging a company or issuer to take action. Additionally, we are big believers in the effectiveness of multiparty collaborative engagement. In 2020, our firm formalized its support of the Interfaith Center for Corporate Responsibility, a leader in equity shareholder engagement, and we partnered with CDP on its project to engage with municipal bond issuers. These steps are additive to a number of ongoing collaborative projects from prior years, including work to help evolve third-party data ratings, and our support of Climate Action 100+.

Finally, we have seen a growing number of bond issuers and underwriters reach out to us for thoughts and guidance as they consider their options for structuring impact-oriented bond deals, and our team uses those opportunities to further advocate for best practices in that segment of the fixed income market.

For more information, please refer to our Engagement Policy Statement and our 2020 Summary Engagement Report.

2020 ENGAGEMENT ACTIVITY BY THE NUMBERS



48 engagements in 2020 with 24 issuers, underwriters and other stakeholders

Source: Brown Advisory.

Engagement Highlight:
Increasing the Level of ESG and Climate Disclosure in the Municipal Market

Traditionally, municipal issuers have disclosed very little ESG-related information to investors. This is fairly understandable from a practical standpoint; increased disclosure requires a lot more work, and historically it has not moved the needle for issuers in terms of better pricing.

Further, until recently municipalities—in comparison with corporate issuers—did not receive the same level of pressure from investors, underwriters and ratings agencies to provide ESG transparency. As we noted in our report last year, that appears to be changing, and the major ratings agencies have all issued warnings to municipal issuers that climate risk exposure may affect their credit ratings in the future, and these agencies are beefing up their ESG research expertise.

To encourage greater transparency, Brown Advisory participates in several collaborative initiatives related to municipal disclosure. Perhaps the most notable is the ongoing work of a pilot investor-led program coordinated by CDP that aims to improve municipal disclosure of climate risks, similar to the framework for corporations developed by the Task Force on Climate-related Financial Disclosures (TCFD). Through the pilot, CDP established relationships with a number of municipal bond issuers in our portfolio, advocating for increased climate-related disclosures on behalf of investors. As a result, three of the issuers in our portfolios disclosed to CDP for the first time in 2020. We believe that, by laying the groundwork this year, we can encourage continued progress in 2021, as muni issuers become more aware of the investor demand for increasing disclosure.

INDUSTRY CONTRIBUTION AND COLLABORATION

Our work does not happen inside of a silo. We rely on support from and collaboration with a broad range of Brown Advisory colleagues and industry partners who help us build and manage our portfolio.

Our ESG research team develops and maintains ESG research and analysis spanning our firm's entire equity and fixed income coverage universe. Its members integrate and partner in various ways with the working groups and management teams that drive the investment decisions in individual Brown Advisory investment strategies. Their work is further informed by many other contributors, including collaborative work with our firm's fundamental research teams as well as input and insight from our Sustainable Investing Advisory Board. Our sustainable investing initiative is strongly supported by our CEO and senior executive staff, who are deeply engaged in driving sustainable principles throughout the firm's investment offerings.

We benefit greatly from our ability to participate in broader industry efforts sponsored by leading nonprofits, and we try to do our part to contribute our thinking back to the sustainable investing community.

Recent Articles:

How Municipal Bonds Influence Justice and Equality

Katherine Lee, Lisa Abraham

A review of how we think about justice matters in building our sustainable fixed income portfolios, focusing on some of the progressive trends that are gaining traction among municipal issuers to encourage and enforce fair and equal distribution of municipal resources and positive impact.

COVID-19 Through an ESG Investing Lens

Emily Dwyer, Lisa Abraham

A summary of observations regarding COVID-19's impact on our portfolio investments, and examples of how several companies and bond issuers responded in the early months of the pandemic.

Oil and Water: Fossil Fuel Divestment in Sustainable Bond Portfolios

Amy Hauter, Tom Graff

A discussion about several factors to review when considering divestment, and a look at the multiple ways in which we express climate alignment in our portfolios.

The Materiality of the "S" in ESG

Katherine Kroll

A look at why we believe that social factors can be every bit as salient as environmental or governance factors when it comes to investment decisions, with a focus on how we incorporate matters of racial justice into our research and engagement processes.

10 Lessons Learned After 10 Years

Karina Funk, David Powell

The LCSG portfolio managers look back and think ahead on the occasion of the strategy's 10-year anniversary.

Recent Reports:

Sustainable Core Fixed Income Impact Report

Large-Cap Sustainable Growth Impact Report

Global Leaders ESG Transparency Report

Brown Advisory Sustainability Report

Brown Advisory Summary Engagement Report

INDUSTRY INITIATIVES/MEMBERSHIPS

PRI Principles for Responsible Investment

Brown Advisory has been a signatory to the PRI since 2014; PRI is a global network of investors representing more than $103 trillion as of June 30, 2020. Each year, signatories complete a rigorous disclosure of sustainable investing practices; these disclosures, and the assessments of those disclosures by PRI's evaluation staff, are widely followed by investment decision-makers.

Our 2020 PRI Scorecard is provided at right. We received "A" grades and met or exceeded industry median scores in every category. We received the highest attainable score in the Strategy and Governance category; we see this as a strong external validation of our firm's and our senior leadership's commitment to sustainable investing.

We also received the highest attainable score in the area of engagement ("Listed Equity - Active Ownership"). We received a "B" grade here in 2019, and PRI's feedback was helpful as we focused on enhancing our engagement and proxy voting processes, as mentioned earlier in this report. We continued to engage actively with companies in 2020 as we have for many years.

Our full 2020 PRI Transparency Report: https://stpublic.blob.core.windows.net/pri-ra/2020/Investor/Public-TR/(Merged)_Public_Transparency_Report_Brown%20Advisory_2020.pdf.

Module Name	Our 2019 Score
01. Strategy & Governance	A+
Indirect - Manager Sel., App. & Mon	
02. Listed Equity	A
03. Fixed Income - SSA	A
04. Fixed Income - Corporate Financial	A
05. Fixed Income - Corporate Non-Financial	A
06. Fixed Income - Securitized	A
07. Private Equity	A
Direct & Active Ownership Modules	
10. Listed Equity - Incorporation	A
11. Listed Equity - Active Ownership	A+
12. Fixed Income - SSA	A
13. Fixed Income - Corporate Financial	A
14. Fixed Income - Corporate Non-Financial	A
15. Fixed Income - Securitized	A

Source: PRI. For assessment methodology visit www.unpri.org/signatories/about-pri-assessment.

CDP DRIVING SUSTAINABLE ECONOMIES

Long-term signatory and supporter; Brown Advisory assisted in several 2020 CDP initiatives.

ICMA International Capital Market Association

Early signatory to the ICMA-guided Green Bond Principles; ongoing contributor to the "Principles" framework which now encompasses a variety of labeling categories.

(WISE: Women Investing for a Sustainable Economy)

Members of the Boston, NYC and Washington, D.C. chapters; hosted 3 WISE events in 2019.

Climate Action 100+ Global Investors Driving Business Transition

Signatory to this five-year, investor-led initiative to persuade the world's largest corporate greenhouse gas emitters to take action on climate change.

Ceres Sustainability is the bottom line.

Long-term member and supporter.

Intentional Endowments Network

Founding member and long-term supporter.

BASIC BOSTON AREA SUSTAINABLE INVESTMENT CONSORTIUM

Long-term member, supporter and event co-host/sponsor.

CONFLUENCE PHILANTHROPY

Member since 2019.

SRI Conference & Community a FolioFinancial company

Long-term conference supporter and collaborator.

INTERFAITH CENTER ON CORPORATE RESPONSIBILITY

New member as of 2020, long-term supporter.

TCFD TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

Long-term supporter of this climate disclosure framework.

IMPACT MANAGEMENT PROJECT

Supporters as of 2020 of this organization that seeks to refine engagement and reporting practices.

Brown Advisory Tax-Exempt Sustainable Composite

Year	Composite Total Gross Returns (%)	Composite Total Net Returns (%)	Benchmark Returns (%)	Composite 3-Yr Annualized Standard Deviation (%)	Benchmark 3-Yr Annualized Standard Deviation (%)	Portfolios in Composite at End of Year	Composite Dispersion (%)	Composite Assets ($USD Millions)	GIPS Firm Assets ($USD Millions)
2019	6.4	5.9	5.6	1.8	1.9	27	0.5	206	42,426
2018	1.6	1.1	1.6	2.4	2.5	48	0.2	114	30,529
2017	3.7	3.2	3.5	2.4	2.5	10	0.4	41	33,155
2016	-0.1	-0.5	-0.1	N/A	N/A	1	N/A	29	30,417
2015	2.1	1.7	2.5	N/A	N/A	1	N/A	7	43,746
2014**	0.8	0.7	0.6	N/A	N/A	1	N/A	7	44,772

*Return is for period October 1, 2014 through December 31, 2014.

Brown Advisory Institutional claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. Brown Advisory Institutional has been independently verified for the periods from January 1, 1993 through December 31, 2018. The Verification reports are available upon request. Verification assesses whether (1) the firm has complied with all the composite construction requirements of the GIPS standards on a firm-wide basis and (2) the firm's policies and procedures are designed to calculate and present performance in compliance with the GIPS standards. Verification does not ensure the accuracy of any specific composite presentation. GIPS® is a registered trademark owned by CFA Institute.

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2. *For the purpose of complying with the GIPS standards, the firm is defined as Brown Advisory Institutional, the Institutional and Balanced Institutional asset management divisions of Brown Advisory. As of July 1, 2016, the firm was redefined to exclude the Brown Advisory Private Client division, due to an evolution of the three distinct business lines.
3. The Tax-Exempt Sustainable Composite (the Composite) is comprised of all discretionary accounts with no material investment restrictions, which invest in tax-exempt fixed income securities of an intermediate target duration, and flexibility to invest in bonds from multiple states. At least 80% of the securities in each portfolio in the Composite will have credit quality ratings of A or better at the time of purchase. Bonds in Composite accounts are evaluated according to a variety of environmental, social and governance factors. These factors are used by the portfolio manager to seek holdings with attractive ESG risk profiles and/or bonds whose uses of proceeds meet the standards of the Green Bond Principles. ESG Factors are not used for the purposes of absolute negative screening in Composite accounts.
4. ESG considerations that are material will vary by investment style, sector/industry, market trends and client objectives. The strategy seeks to identify issuers and securities that it believes may have desirable ESG outcomes, but investors may differ in their views of what constitutes positive or negative ESG outcomes. As a result, the strategy may invest in securities that do not reflect the beliefs and values of any particular investor. The strategy may also invest in securities that would otherwise be screened out of other ESG oriented funds. Security selection will be impacted by the combined focus on ESG assessments and forecasts of return and risk. The strategy intends to invest in securities with measurable ESG outcomes, as determined by Brown Advisory, and seeks to screen out particular issuers and industries. 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.
5. The minimum account market value required for Composite inclusion is $2 million. From July 2017 to September 2019, the minimum account market value required for Composite inclusion was $250,000. Prior to July 2017, the minimum account market value required for Composite inclusion was $1 million.
6. The Composite creation date is May 1, 2016. The Composite inception date is October 1, 2014.
7. The current benchmark is the Bloomberg Barclays Municipal Bond 1-10 Year Blend (1-12) Index. The Bloomberg Barclays Municipal Bond 1-10 Year Blend Index consists of a broad selection of investment-grade general obligation bonds, revenue bonds, insured bonds (including all insured bonds with a Aaa/AAA rating), and prerefunded bonds with maturities of at least 1 year and less than 12 years. It is an unmanaged index representative of the tax-exempt bond market. Benchmark returns are not covered by the report of the independent verifiers. An investor cannot invest directly into an index. Bloomberg Barclays Indices are trademarks of Bloomberg or its licensors, including Barclays Bank PLC.
8. The composite dispersion presented is an equal-weighted standard deviation of portfolio returns calculated for the accounts in the Composite for the entire calendar year period. The composite dispersion is not applicable (N/A) for periods where there were five or fewer accounts in the Composite for the entire period.
9. Gross-of-fees performance returns are presented before management fees but after all trading commissions, and gross of foreign withholding taxes (if applicable). Net-of-fee performance returns reflect the deduction of actual management fees and all trading commissions. Other expenses can reduce returns to investors. The standard management fee schedule is as follows: 0.375% on the first $10 million; 0.25% on the next $15 million and 0.20% on the balance over $25 million. Further information regarding investment advisory fees is described in Part II A of the firm's form ADV. Actual fees paid by accounts in the Composite may differ from the current fee schedule.
10. The three-year annualized ex-post standard deviation measures the variability of the Composite (using gross returns) and the benchmark for the 36-month period ended on December 31. The 3 year annualized standard deviation is not presented as of December 31, 2014, December 31, 2015 and December 31, 2016, because 36 month returns for the Composite were not available (N/A) because the Composite did not exist.
11. Valuations and performance returns are computed and stated in U.S. Dollars. All returns reflect the reinvestment of income and other earnings.
12. Portfolios in the Composite do not make material use of derivative securities.
13. Duration is a measure of interest rate risk.
14. A complete list of composite descriptions, policies for valuing portfolios, calculating performance, and preparing compliant presentations are available upon request.
15. Past performance is not indicative of future results.
16. This piece is provided for informational purposes only and should not be construed as a research report, 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, including any mutual fund managed by Brown Advisory.

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Diversification does not assure a profit, nor does it protect against a loss in a declining market. It is not possible to invest directly in an index. Fund holdings and/or sector allocations are subject to change at any time and are not recommendations to buy or sell any security.

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