Brown ADVISORY
Thoughtful Investing.

2021

SUSTAINABLE CORE FIXED INCOME STRATEGY

IMPACT REPORT

At Brown Advisory, we believe sustainable investing is smart investing.
We leverage decades of experience and a comprehensive array of equity and fixed income investment solutions to help our clients achieve their sustainable investment objectives.

2009

INTEGRATION OF ESG AND FUNDAMENTAL RESEARCH

- Winslow Management Company joined Brown Advisory, bringing 25+ years expertise in ESG investing
- Inception of Brown Advisory's sustainable investing platform, utilizing ESG research as a value-added component of individual security analysis, integrated with fundamental analysis

2010

INCEPTION OF U.S. SUSTAINABLE EQUITY PLATFORM

- Launch of first U.S. Sustainable Equity strategy: U.S. Large-Cap Sustainable Growth
- Expansion of platform with subsequent strategy launches: U.S. Sustainable Small-Cap Core (2017), U.S. Sustainable Income (2021) and U.S. Social Inclusion (2021)

2014

INCEPTION OF U.S. SUSTAINABLE FIXED INCOME PLATFORM

- Launch of first U.S. Sustainable Fixed Income strategies: U.S. Sustainable Core Fixed Income and U.S. Sustainable Tax-Exempt Fixed Income
- Expansion of platform with launch of U.S. Sustainable Short Duration strategy (2017)

2015

GLOBAL EXPANSION OF SUSTAINABLE EQUITY PLATFORM

- Launch of first Global Sustainable Equity strategy: Global Leaders
- Expansion of platform with launch of Sustainable International Leaders strategy (2021)

2021

GLOBAL EXPANSION OF SUSTAINABLE FIXED INCOME PLATFORM

- Experienced team of three portfolio managers joined Brown Advisory to lead global expansion of sustainable fixed income platform
- Launch of Global Sustainable Total Return Bond strategy (2022)

BROWN ADVISORY SUSTAINABLE FIXED INCOME STRATEGIES

	Global Sustainable Total Return Bond	U.S. Sustainable Core	U.S. Sustainable Short Duration	U.S, Tax-Exempt Sustainable
Investment Universe	Global Multisector	U.S. Multisector	U.S. Short-Duration	U.S. Municipal
Inception Month	February 2022	September 2014	January 2017	September 2014
Portfolio Manager(s)	Chris Diaz, Ryan Myerberg, Colby Stilson	Chris Diaz, Amy Hauter, Colby Stilson	Amy Hauter, Jason Vlosich	Amy Hauter, Stephen Shutz

LETTER OF INTRODUCTION FROM THE PORTFOLIO MANAGERS

At Brown Advisory, we are deeply committed to sustainable investing. 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 2021 Impact Report for the Sustainable Core Fixed Income strategy.

This report includes a review of how we conduct and use ESG research to drive returns, and how the investments in our portfolio are helping to create positive environmental and social outcomes. 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, in particular our work to develop new investment strategies for our clients. In fixed income, we launched our first global bond strategy, the Global Sustainable Total Return Bond strategy, and brought in a veteran global fixed income team to work with us and build it from the ground up as a sustainable solution for clients.

The build out of our team in recent years, especially in terms of sustainable investing knowledge, makes it a bit easier for us to bid farewell to portfolio manager Tom Graff; Tom is taking on an exciting new opportunity in the fintech space and we are thrilled for him. Our portfolio management team going forward is Amy Hauter (who has served as portfolio manager since the strategy's inception, and is also the firm's Head of Sustainable Fixed Income), Colby Stilson and Chris Diaz; Colby and Chris also serve as managers of our Global Sustainable Total Return Bond strategy, alongside Ryan Myerberg, and play key fixed income leadership roles at our firm. This team has worked closely together for more than a year across multiple fixed income strategies, and we are confident that it can continue to generate attractive performance and impact for our Sustainable Core clients.

Our firm also launched several equity strategies over the past year; our Sustainable International Leaders, Sustainable Income and Social Inclusion strategies collectively help us offer more options to clients seeking exposure to specific styles, regions and themes within a sustainable investment program.

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

Chris Diaz, CFA
Portfolio Manager

Colby Stilson
Portfolio Manager

INVESTMENT PHILOSOPHY & RESEARCH APPROACH

We find that an impact-oriented mindset is especially well-suited for fixed income investing. From a performance standpoint, we believe that we can build attractive, fully diversified portfolios with a combination of bonds funding impactful projects, and bonds from companies, countries or municipalities that are managing ESG risks well.

And from an impact standpoint, bond issuers often can offer investors a high degree of clarity regarding use of proceeds, so those investors can essentially lend money to an issuer and see with reasonable transparency what is being done with that money. Standards such as those created by the International Capital Markets Association (ICMA), including the Green Bond Principles, have further enhanced this transparency regarding use of proceeds.

We seek to conduct fundamental and ESG research within a single, unified due diligence process, which helps ensure that impact and ESG considerations are a core part of our investment thesis. The diagrams on page 5 offer a generalized look at how ESG factors are woven into our fundamental research process, and how that research, in our belief, leads us to compelling and impactful investment opportunities. (Note that we adapt our research approach to fit specific fixed income asset classes; the illustration at the top of page 5 is most representative of corporate bond/issuer research, whereas research in other asset classes might extend into other, more relevant categories.)

While the primary goal of our fundamental and ESG research is to drive investment performance, we have found that our process also leads us consistently to bond issuers that are having, in our view, a positive impact on the world.

OBJECTIVES & INVESTMENT PROCESS

The strategy's return objective is to outperform the Bloomberg U.S. Aggregate Bond Index over a full market cycle. Our impact objective is not as easy to measure, but it is equally clear to us. **We seek to invest primarily in bonds that produce positive social and environmental impact through the specific use of the bond's proceeds and/or the general activities of the issuer.** 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 can enhance our returns by steering us to responsible and forward-thinking issuers.

Our ESG research approach involves both quantitative and qualitative analysis, and is supported by a proprietary ESG rating framework we use to stratify issuer risk. (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, though this remains just one component of the process. Because we often invest with fixed income issuers and asset classes that are not currently covered by ESG data providers, we rely heavily on our ESG research team's deep due diligence.

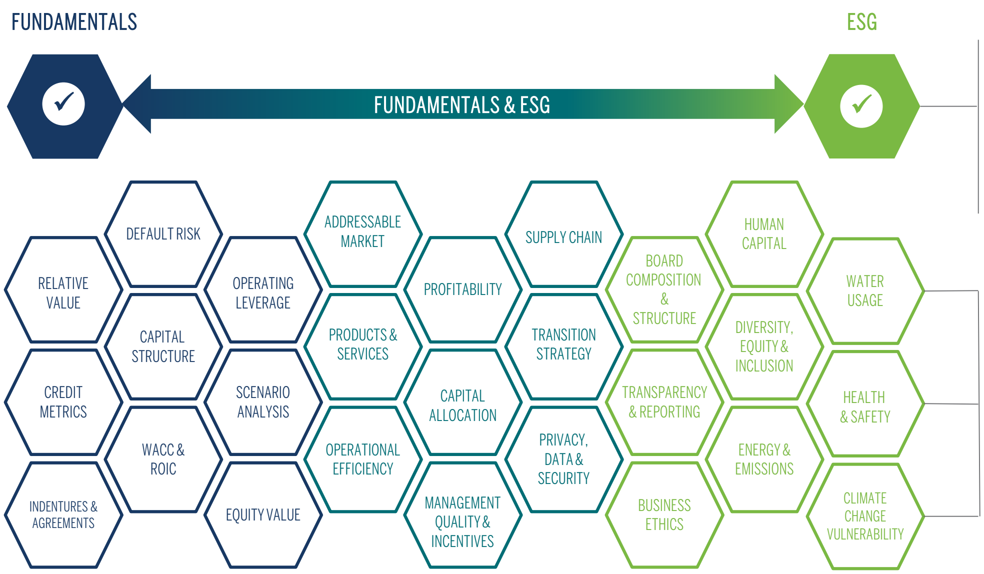
We have also found that this integrated approach has a positive influence on our investment decision-making. Our process gives us a better understanding of an issuer's ESG profile and its intended use of proceeds, and we believe this knowledge helps us allocate capital to bonds with a higher likelihood of producing desirable returns.

A FULLY INTEGRATED SUSTAINABLE INVESTMENT APPROACH

In our securities research, investment decision making and even our sell decisions, fundamental and ESG factors are weighed equally as part of a holistic investment process.

RESEARCH AND ANALYSIS

From the bottom up, we build a mosaic of information to evaluate portfolio candidates. Different asset classes (corporates, municipals, sovereigns, mortgages, etc.) require consideration of different factors; the illustration below, for example, focuses on the factors relevant to corporate credit analysis.

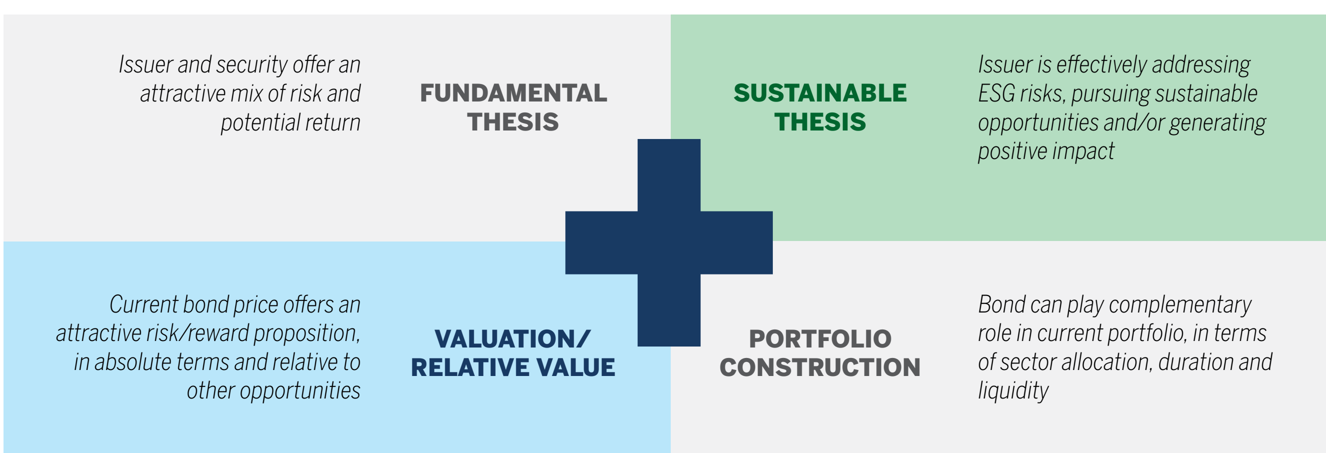


RESOURCES

- Company filings and reports
- Bond indentures and credit agreements
- Interviews with management, suppliers, customers, and industry experts, when possible
- Public/private databases, business publications, policymakers
- Brown Advisory's network
- 3rd party research (e.g., sell side, rating agencies, regulation, consultants)
- Financial modeling
- Investment memo and/or presentation

INVESTMENT DECISIONS

Our investment decisions involve a complex balance of factors, as depicted below. We believe that by placing our decisions at the intersection of fundamentals, ESG considerations, valuation and broader portfolio dynamics, we put ourselves in good position to drive returns, preserve capital and unlock opportunities for positive impact.



A primary goal of the strategy is to provide a *diversified approach to impact.* We believe that this approach helps our portfolio drive progress in many different social and environmental arenas.

DIVERSIFICATION BY IMPACT THEME

Breaking the portfolio out by impact themes illustrates the variety of societal challenges our holdings are seeking to address through their use of proceeds and/or general operations or offerings. As illustrated 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 bonds that fund projects spanning many impact categories; we refer to these as "multisector" bonds.)

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 strategy by "impact source"—by this, we mean the manner in which a given bond generates impact, whether from the projects funded by the bond's proceeds, the general activities of the issuer or a combination of both (see chart on page 8).

As we've discussed in this report, many of our bonds seek to generate impact by deploying proceeds on specific 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, 2021, 62% of the portfolio was invested in labeled and unlabeled bonds 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 that we believe are generating environmental or social impacts within their general operations or offerings.

DIVERSIFICATION BY FIXED INCOME SECTOR

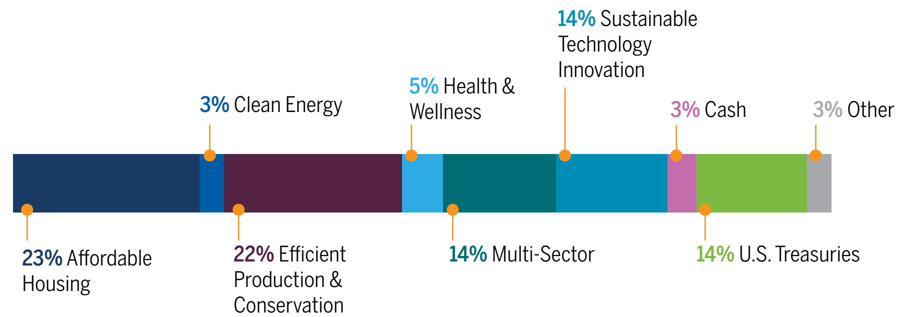
Finally, we seek to diversify the strategy's portfolio from a fundamental as well as an impact standpoint. As shown on page 8, the portfolio covered a range of traditional fixed income sectors as of the end of 2021—this allows us to avoid concentration risk (i.e., avoid putting all of our eggs in one basket) and helps us allocate capital strategically and tactically (i.e., rebalancing assets into and out of sectors based on our ongoing assessment of fixed income markets).

While our sector allocation is based on financial considerations, it is also a source of impact diversity for the portfolio. The taxable municipal space alone comprises many bonds that fund education, health care, clean energy, water, community development and other initiatives. Corporate bonds are being used more and more often to fund clean energy and green building projects, and the mortgage market is, in our view, an excellent source of bonds that support affordable housing. We are currently invested in a wide range of corporate bonds from companies we consider to be leaders in their industries with regard to ESG. 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 Sustainable Core Fixed Income representative account and provided as Supplemental Information. Please see the last page of the report for a GIPS compliant presentation.

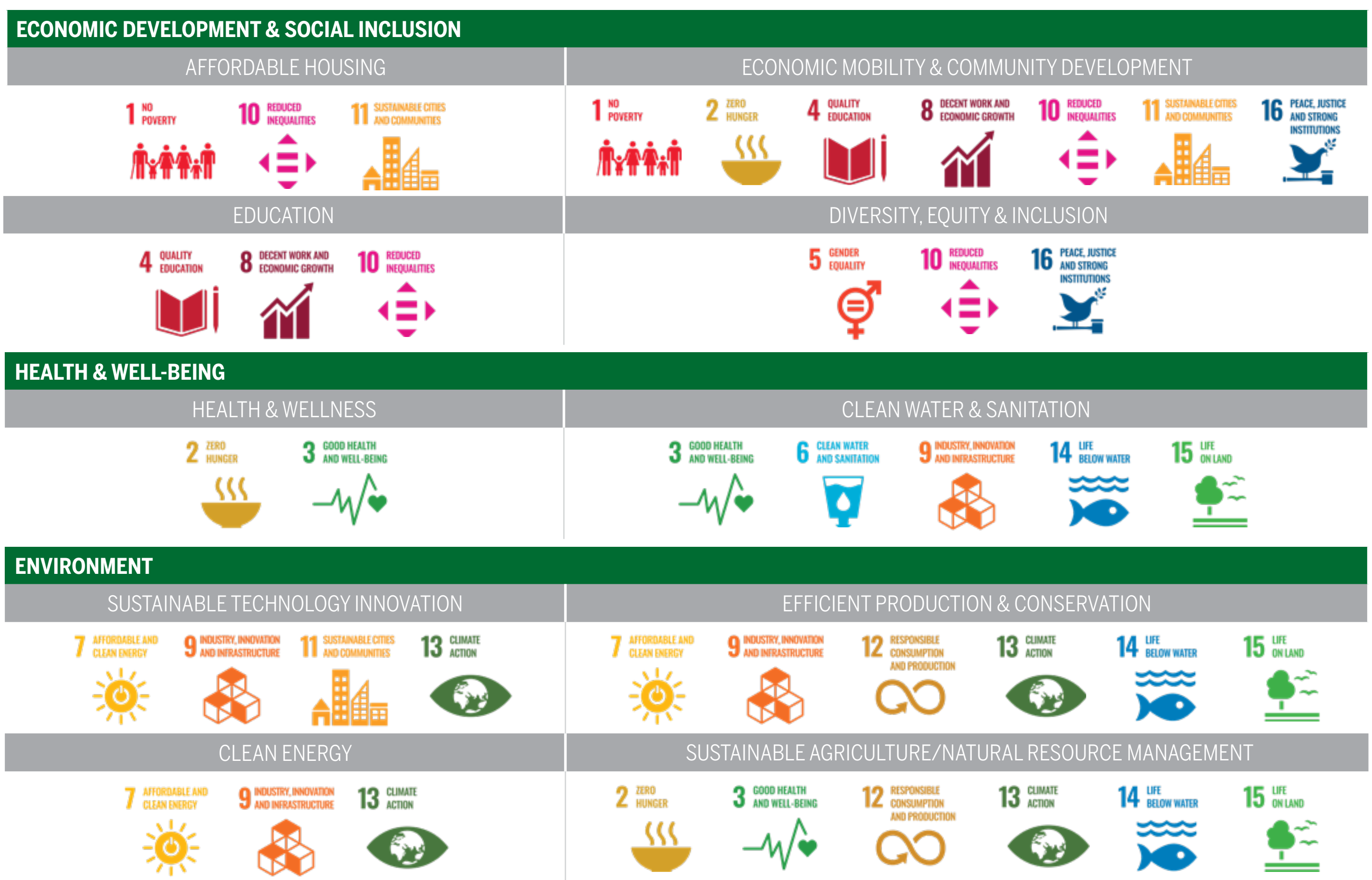
DIVERSIFICATION BY IMPACT THEME

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 companies that address a wide range of social and environmental issues. (These themes align well with the U.N. Sustainable Development Goals, as noted below.)



IMPACT THEME ALIGNMENT WITH THE U.N. SUSTAINABLE DEVELOPMENT GOALS (SDGs)

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, as noted in the diagram below.



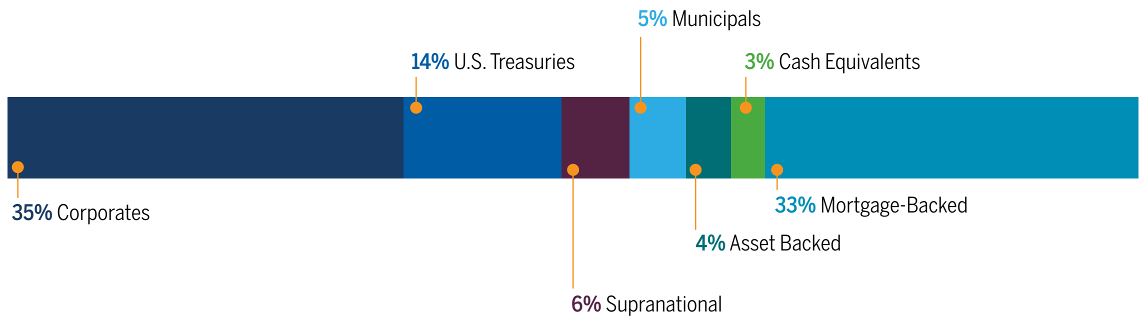
Source: United Nations, Brown Advisory analysis. Numbers may not total to 100% due to rounding. Impact theme information is based on a Brown Advisory Sustainable Core Fixed Income representative account as of Dec. 31, 2021, and provided as Supplemental Information. Please see the last page of the report for a GIPS compliant presentation.

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

DIVERSIFICATION BY FIXED INCOME SECTOR

We believe that a fundamentally diverse portfolio, spanning a full range of fixed income sectors, naturally increases the range of issues and impact themes present in the portfolio. Each sector offers a differentiated entry point to various impact opportunities:

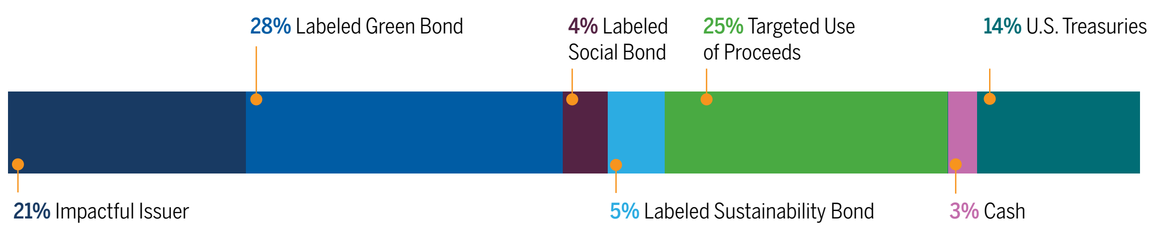
Corporate:	Companies that have embedded sustainability into core operations or offerings
Taxable Municipal:	State/local governments, hospitals, utilities, universities, etc. providing impactful services
Mortgage-Backed Securities:	MBS and CMBS focused on low-income homeowners, affordable multifamily units, sustainable commercial buildings or environmental improvement projects
Asset-Backed Securities:	Securities backed by collateral that provide environmental or social impact
Supranational:	Funding an assortment of socially and environmentally impactful projects
U.S. Treasuries:	Held for diversification and liquidity purposes



DIVERSIFICATION BY IMPACT SOURCE

Issuers in our portfolio seek to generate impact in several different ways. Some create impact via the projects funded by labeled or unlabeled bonds, while others do so via their general activities and operations. We also allocate a portion of the portfolio to U.S. Treasuries and other securities, for liquidity and duration management purposes.

- **Labeled green, social or sustainability bonds** fund and report on impact initiatives in adherence with the ICMA Principles.
- **Targeted use of proceeds bonds** are not labeled but nonetheless fund environmentally or socially impactful activity.
- **Impactful issuers** are, in our assessment, generating positive impact with their products, services or operations. The bonds we hold from these issuers generally do not offer specific pledges regarding the use of proceeds on impactful projects.



Source for both charts: Brown Advisory analysis. Sectors are based on Bloomberg's classification system. Numbers may not total to 100% due to rounding. Sector allocation and diversification information is based on a Brown Advisory Sustainable Core Fixed Income representative account as of Dec. 31, 2021 and provided as Supplemental Information. Please see the last page of the report for a GIPS compliant presentation.

The immense challenge of decarbonizing our atmosphere is projected to require trillions of dollars of annual investment over the next several decades, and we believe the fixed income markets are poised to play an essential role in financing that massive effort.

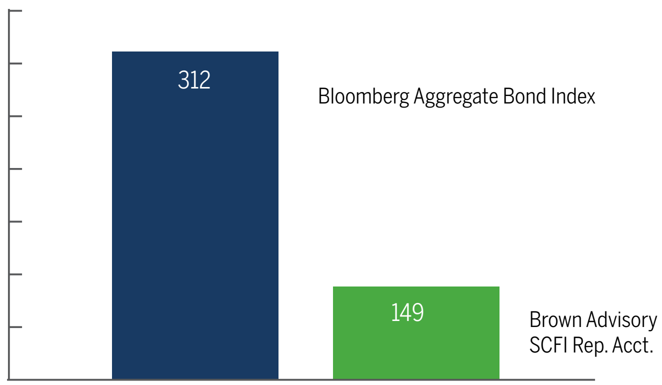
We seek to address climate change and decarbonization in several ways. We consider an issuer's overall carbon footprint as a part of our investment calculus, and we encourage issuers to make progress with setting and pursuing emission reduction targets. Further, we have worked for years alongside ICMA, CDP and other industry partners to establish emissions reporting standards for all fixed income sectors.

Most large companies report on carbon emissions today (albeit with broad inconsistencies from company to company), but reporting in other fixed income sectors is notably less prevalent and less consistent. **The data below illustrates some baseline carbon metrics—aggregated carbon emissions statistics, and progress against the Science-Based Target Initiative (SBTi)—but there is only data available for the corporate issuers in the portfolio.** We work with CDP and other investor coalitions on several multiyear initiatives aimed at creating reliable datasets for other fixed income asset classes such as municipals, and we are hopeful that this work will bear fruit in coming years.

PARTIAL CARBON EMISSIONS DATA: PORTFOLIO VS. BENCHMARK

CORPORATE BOND ALLOCATION ONLY, as of Dec. 31. 2021

Carbon emissions information is only available from the corporate issuers in the portfolio (representing about 35% of the portfolio, as noted on page 8). **The information is illustrative of the corporate bond portion of our portfolio, but is not a full representation of the portfolio.**



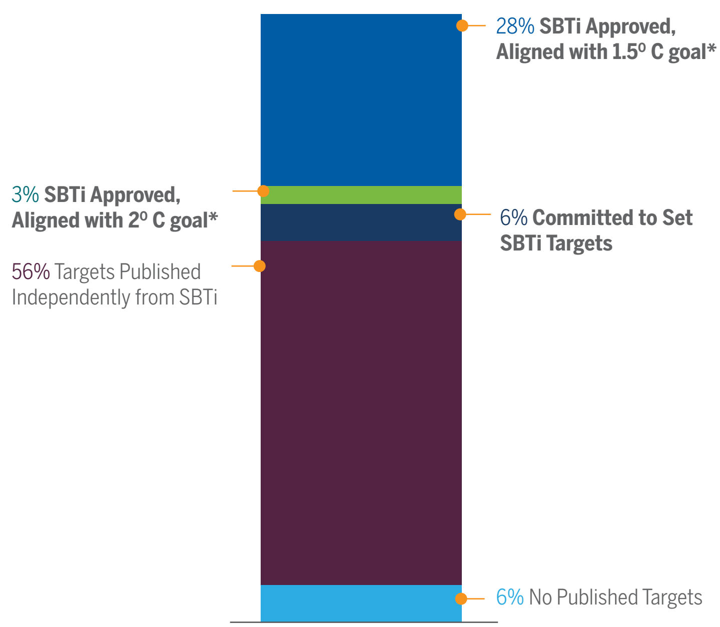
Weighted Average Carbon Intensity (Tons CO_2e/$M revenue of corporate sector portfolio holdings, adjusted based on relative weighting of each holding)

SCIENCE-BASED TARGET INITIATIVE (SBTi) PROGRESS

CORPORATE BOND ALLOCATION ONLY, as of Dec. 31, 2021

The Science-Based Target Initiative is a broad, collaborative effort to improve corporate carbon strategies by emphasizing actual reductions vs. offsets, and by aligning corporate targets with the broader global Paris Agreement goals. **Again, this chart ONLY measures the progress of our portfolio's CORPORATE issuers within this initiative—it is not representative of the entire portfolio.**

Regardless of whether an issuer has set targets or submitted them for SBTi approval, we engage with all companies to understand their decarbonization strategies and to seek improved transparency and disclosure.



Source: MSCI ESG Manager and Brown Advisory analysis. *SBTi approves targets that it believes are in line with meeting the goals of the Paris Agreement: limiting global warming to well-below 2°C above pre-industrial levels, and pursuing efforts to limit warming to 1.5°C. Data reflects portfolio holdings as of Dec. 31, 2021. Portfolio information is based on a Brown Advisory Sustainable Core Fixed Income representative account as of Dec. 31, 2021 and provided as Supplemental Information. Please see the end of the report for a GIPS compliant presentation.

CVS Health

IMPACT SOURCE:
Impactful Issuer

IMPACT THEME:
Health & Wellness

3 GOOD HEALTH AND WELL-BEING
10 REDUCED INEQUALITIES
12 RESPONSIBLE CONSUMPTION AND PRODUCTION

CVS plays a meaningful role in the health care space and provides millions of Americans access to essential and affordable health care services. CVS is evolving its convenience/retail business towards a more comprehensive health care offering, with its 2018 acquisition of Aetna being a key first step.

CVS operates more than 1,100 MinuteClinics, which provide many health services at meaningful discounts compared to other sources (up to 40% less than urgent care, and up to 85% less than the ER for comparable services). It has also expanded its HealthHUB store format, with more than 100 of these community-oriented stores already in place in the U.S.

As evidence of CVS' expanding role in the health care sector, it has been a key player in vaccine delivery and testing during the COVID-19 pandemic, administering over 34 million COVID-19 vaccinations and 32 million COVID-19 tests as of the end of 2021.

1,100

CVS MINUTE CLINICS AT END OF 2021

These clinics offer a meaningfully more affordable option for patients, with many services available at as much as an 85% discount to typical emergency room costs.

GoodLeap ABS

IMPACT SOURCE:
Targeted Use of Proceeds

IMPACT THEME:
Clean Energy

7 AFFORDABLE AND CLEAN ENERGY
12 RESPONSIBLE CONSUMPTION AND PRODUCTION
13 CLIMATE ACTION

ISSUER SUMMARY

GoodLeap is a private fintech company that has financed solar installations since 2009 and has been a leader in residential solar lending for a number of years. At the end of August 2021, it had financed more than 240,000 residential solar projects that have offset more than 1.7 million tons of CO2-equivalent emissions (equal to taking 380,000 cars off the road for a year). GoodLeap is starting to branch out beyond solar and finance a broader array of environmentally friendly projects.

ABS DEAL COLLATERAL

This deal is collateralized by a pool of GoodLeap's solar financing loans. Loan quality is generally high, and loan repayment is supported by lower monthly utility bills and, in some cases, government subsidies. GoodLeap estimates that its installations will help offset $5.8bn in utility bills for over 160,000 homeowners over the next 25 years.

1.7 MM

TONS OF CO2 EMISSIONS AVOIDED

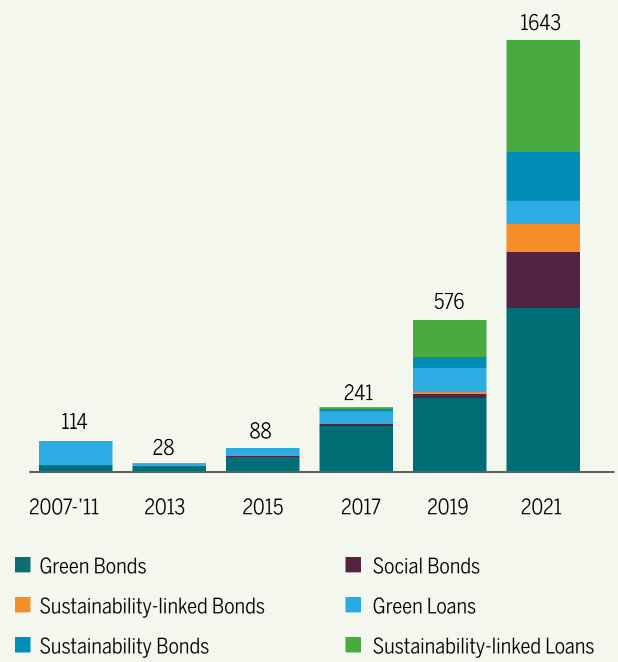
...equivalent to the emissions from burning four million barrels of oil or 1.9 billion pounds of coal.

Source: Brown Advisory research, CVS and GoodLeap. 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.

LABELED BOND MARKET: *2021 UPDATE*

Labeled debt issuance reached $1.6 trillion in 2021, still largely driven by green bonds but also by the growth in sustainability-linked loans. Cumulative outstanding issuance exceeded $4 trillion at the end of 2021.

Labeled Bond Issuance During Selected Time Periods, 2007-2021



Source: Bloomberg New Energy Finance

Municipals hit a new record with a total of $30 billion in new green bond issuance in 2021. Total municipal labeled issuance was at $103 billion as of the end of 2021—a meaningful number but still a small fraction of the overall market.

Sovereigns also played a large role in the labeled bond market's growth last year. Forty countries have now issued sustainable debt, 14 of which entered the market for the first time in 2021.

For more information about the labeled bond market, please read our 2021 article,*"Peeling Back The Labels."*

Enel Sustainability-Linked Bond

IMPACT SOURCE:	**IMPACT THEME:**
Labeled Bond	Clean Energy

ISSUER SUMMARY

Enel is a leader among integrated utilities in terms of renewable energy commitments. Renewable energy sources now make up 54% of Enel's production capacity, and it has credible transition plans to reach its net-zero emissions goal by 2050, through both short- and medium-term Science-Based Targets that specifically aim to reduce greenhouse gas emissions and increase renewable capacity. Notably, these goals are tied to executive compensation via a long-term incentive plan.

SUSTAINABILITY-LINKED BOND TERMS

This bond establishes a "step-up" in coupon rate, of 25 basis points, if Enel fails to meet its 2023 emissions reduction target, which in turn supports its broader, SBTi-approved 2030 goal to reduce Scope 1 greenhouse gas emissions by 80% compared to 2017.

80%

EMISSION REDUCTION

Enel's 2030 science-based target for reducing Scope 1 greenhouse gas emissions (compared to a 2017 baseline).

Source: Brown Advisory research and Enel. 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.

We seek to regularly engage with the issuers in our sustainable bond portfolios, and with other stakeholders. Sometimes the goal in these engagements is to inform our investment thesis, and other times the goal is to elicit a specific stakeholder response to an idea, suggestion, or perceived risk.

Engagement has always played an important role in our fundamental due diligence. We believe that good fiduciaries and stewards of client capital have a responsibility to maintain consistent dialogue with the companies and issuers in which they invest. With respect to sustainable investing, we also believe that engagement is generally more impactful than avoidance or screening approaches that do not try to improve an issuer's practices.

We believe the bond market offers unique opportunities for ESG engagement. The fixed income universe comprises many different types of issuers and structures that can impact critical issues like climate change from multiple angles. We prioritize and tailor our engagements to try and maximize our own impact; for example, we tend to prioritize smaller or private companies, or non-corporate issuers, where we might have greater influence, while working with our counterparts in ESG equity research and with industry partners to engage with larger corporate issuers. Further, many debt issuers regularly return to the market to issue new debt, so they may have an incentive to engage with investors and build trust over time; the inherent turnover from bond issuance and maturity lets us be nimble in our engagement work, as each new issuance creates a fresh opportunity to engage.

Our ESG research team plays a critical role in formalizing our ESG engagement approach with issuers and stakeholders. We provide a closer look at this approach in our Engagement Policy Statement, available on our website. Here, we discuss some of the issues we have prioritized in recent years and offer a few examples of recent engagements.

DIFFERENT TYPES OF ENGAGEMENTS

ESG Due Diligence: We seek to conduct discussions with issuers and relevant stakeholders to inform our investment research. These conversations are a component of our ESG research and contribute to our portfolio decisions.

Impact: We seek to collaborate with bond issuers and industry groups to advocate for improved ESG practices, and continued implementation of existing ESG-related initiatives.

Advisory: We are asked by both issuers and underwriters for feedback on how to approach labeled bond issuance, impact reporting and a variety of other ESG- and impact-related matters. We hope that by sharing our thoughts, we can encourage more labeled issuance and a wider inventory of options for investors at any given moment. To be clear, we do not act formally as an advisor or consultant on these matters, we simply act as a sounding board.

Collaboration: We seek to partner with investor groups and nonprofits to help advance salient issues. One notable example in 2021 is CDP, with whom we are working on multiple projects related to carbon and climate issues. We also look forward to working with the Emerging Market Investor Alliance, and engaging with sovereign issuers on a host of important sustainability topics. We also deepened our relationship with the ICMA in 2021; key members of our team joined ICMA's Climate Transition Finance Working Group and its broader Advisory Board, and we look forward to helping ICMA evolve its platform of green, social and sustainability labeling frameworks.

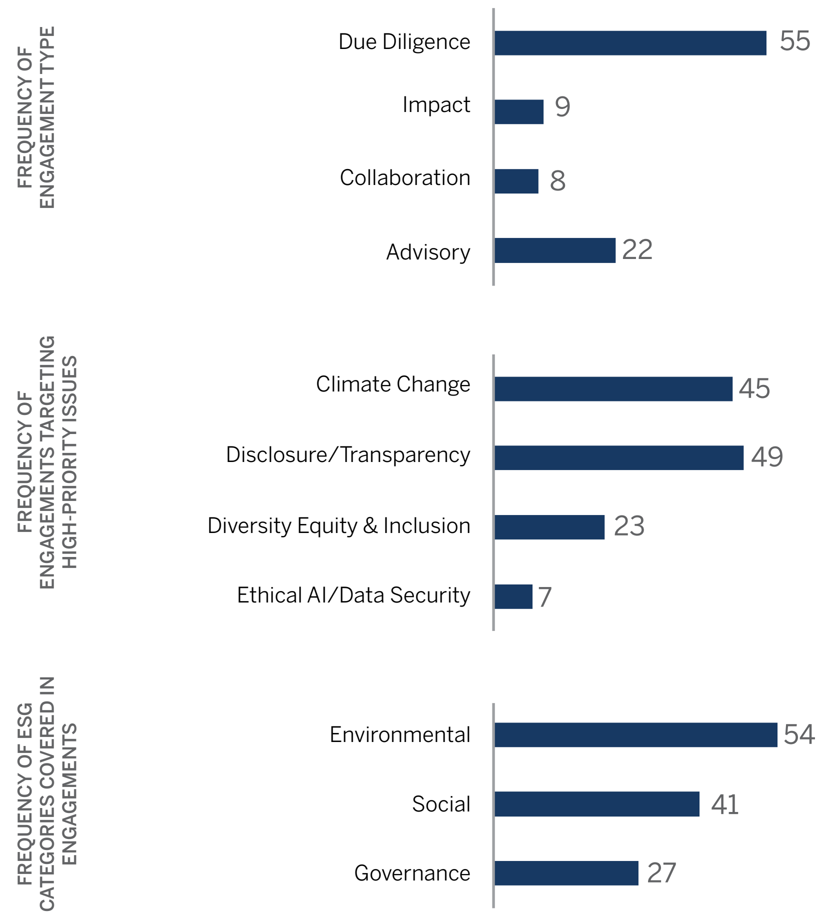
ISSUE PRIORITIES

Our engagements generally flow from our overall "bottom-up" orientation to investing—we seek to engage with each issuer on the specific risks and opportunities that we consider to be most relevant and material in each situation. However, Brown Advisory also strives to engage strategically on a common set of high-priority ESG topics that have wide-ranging relevance for many issuers.

Our ESG research team aims to prioritize these based on several factors, including saliency (does the issue transcend materiality, with sweeping implications for all stakeholders), exposure (does the issue pose an outsized risk to our portfolio) and client interest/demand, as well as our belief in our ability to achieve meaningful progress on the issue.

In 2021 the firm's four high-priority ESG engagement topics were **climate change, disclosure/transparency, diversity, equity & inclusion**, and **ethical AI/data security.**

2021 ENGAGEMENT ACTIVITY BY THE NUMBERS



71 engagements in 2021 with issuers of bonds held in our Sustainable Core, Tax-Exempt Sustainable and Sustainable Short Duration strategies (and relevant stakeholders)

ENGAGEMENT TARGET:
Regional U.S. Airline

ENGAGEMENT GOAL:
Understand and evaluate regional U.S. airline's climate strategy

TYPE:	PRIORITY ISSUE:
Due Diligence	**Climate Change**
Impact	Disclosure/Transparency
Collaboration	DEI
Advisory	Ethical AI/Data Security

We engaged with a smaller regional airline to better understand its plans for mitigating climate change risk—from its efforts to decarbonize its fleet, to its strategy for managing the physical climate risk within its operation region. We sought to engage based on our ESG research team's assessment of climate risk associated with the airline and the aviation sector overall (while noting that the airline was already taking steps in the right direction to improve fuel efficiency and reduce emissions).

In initial talks during the first quarter of 2021, we described the expectations for the aviation sector's decarbonization implied by Climate Action 100+ recommendations, and outlined the importance of improved disclosure in line with guidelines from CDP and the Task Force on Climate-Related Disclosure. Later in the year, we again engaged with the airline through CDP's Non-Disclosure Campaign, which enabled us and other investors to collectively ask the airline for increased climate-related disclosure. The airline completed its CDP disclosure for the first time in response to this campaign.

Finally, we engaged with the airline a third time toward the end of 2021, and through our queries we learned of its progress on a variety of ESG-related initiatives, including development of new sustainability leadership roles within the company that will allow them to execute on their evolving decarbonization and climate risk management strategy.

Portfolio information is based on a Brown Advisory Sustainable Core Fixed Income representative account as of Dec. 31, 2021 and provided as Supplemental Information. Please see the end of the report for a GIPS compliant presentation.

ENGAGEMENT TARGET:
Leading Mortgage Lenders

ENGAGEMENT GOAL:
Further strengthen labeled bond programs that fund affordable housing

TYPE:	PRIORITY ISSUE:
Due Diligence	Climate Change
Impact	Disclosure/Transparency
Collaboration	**DEI**
Advisory	Ethical AI/Data Security

We actively seek investments that are helping to increase access to affordable housing in the United States, and as part of this we engage frequently with leading mortgage financing and lending organizations (some of whom are among the largest labeled bond issuers in the world), about their labeled bond programs and their overall approach to managing ESG risks for their stakeholders. We have found these issuers to be eager for feedback on how they can push their labeled programs further.

During an engagement with one such issuer last year, we suggested increased reporting on racial diversity and social impact metrics, as well as more integrated climate change risk mitigation. In an engagement with a similar issuer, we recommended improved quantification of climate resiliency in its reporting, including specific steps being taken at new and existing properties to fortify against sea level rise and other climate-related weather events.

ENGAGEMENT ISSUE:
Broad Range of Municipal Issuers

ENGAGEMENT GOAL:
Improve municipal bond disclosure on climate risk

TYPE:	PRIORITY ISSUE:
Due Diligence	**Climate Change**
Impact	**Disclosure/Transparency**
Collaboration	DEI
Advisory	Ethical AI/Data Security

Brown Advisory is a member of the CDP's pilot program for municipal bond issuers, which seeks to leverage CDP's experience and progress in corporate engagement within another important asset class.

Participants in the pilot signed onto CDP's inaugural investor letter requesting enhanced municipal disclosure; informed by our experiences, we were able to recommend to CDP several cities, counties, states, and other municipal authorities that we consider to be excellent candidates for outreach. The program is still in its early stages, but initial conversations with issuers have been promising.

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NEW IN 2022: BROWN ADVISORY GLOBAL SUSTAINABLE TOTAL RETURN BOND STRATEGY

The strategy seeks to deliver an attractive stream of income and risk-adjusted returns while simultaneously generating a positive impact on global sustainability issues. It aims to provide clients with several key benefits of global sustainable fixed income investing:

SUSTAINABLE

Better investment outcomes and global impact

Integrating ESG research with fundamental bottom-up issuer analysis helps provide a deeper understanding of potential investment risks without sacrificing total returns. Further, deep ESG integration leads us to issuers and bonds that are generating positive sustainable outcomes for society.

GLOBAL

Increased potential for income and diversification

The depth and breadth of a global approach adds to our investment opportunity set, and we believe it can increase the potential to generate higher income and realize diversification benefits.

FLEXIBLE

More readily pursue alpha and customize portfolios for clients

An active approach, untethered to a bond index, can provide the flexibility to allocate risk tactically to areas of the market with attractive risk-reward profiles, and to customize solutions to better meet specific client goals.

For more about our global fixed income platform:

Global Sustainable Total Return Bond (GSTRB)
Learn more about the strategy

Sustainable Sovereigns
Learn how our ESG research team and GSTRB portfolio managers joined forces to crack the code on assessing the ESG metrics of sovereign issuers and country-specific conditions

For more on our overarching work in sustainable fixed income:

Income and Impact: Peeling Back the Labels on Labeled Bonds
Learn how labeled bonds, if properly vetted, can be attractive investment and powerful tools in financing solutions to climate change and other sustainability challenges

Global Cooldown
Learn why the fixed income market is a critical part of the equation for financing the world's transition away from fossil fuels and toward renewable energy, and learn how we are tackling the opportunity

Brown Advisory Sustainable Core Fixed Income 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)
2020	9.4	8.9	7.5	4.3	3.4	26	0.4	416	59,683
2019	9.5	9.1	8.7	2.9	2.9	14	0.2	265	42,426
2018	0.4	0.1	0.0	2.8	2.8	19	0.3	217	30,529
2017	3.7	3.4	3.5	2.8	2.8	11	0.3	113	33,155
2016	1.0	0.8	2.7	N/A	N/A	9	0.1	91	30,417
2015	1.2	0.8	0.6	N/A	N/A	Five or fewer	N/A	60	43,746
2014**	2.0	1.9	1.8	N/A	N/A	Five or fewer	N/A	5	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.

1. *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.
2. The Sustainable Core Composite is comprised of all discretionary accounts with no material investment restrictions, which invest primarily in fixed income securities that have a target duration between four and seven years. At least 80% of the securities in each portfolio in this composite will have credit quality ratings of A or better at the time of purchase. Accounts included in the composite are invested primarily in taxable securities. The guidelines of accounts specifically indicate a preference for sustainability related investments. 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. The minimum account market value required for composite inclusion is $1 million. Prior to July 1, 2016 the minimum account market value required for composite inclusion was $2 million. Effective 1/1/2016 a significant cash flow policy was implemented for the Sustainable Core composite. Accounts with a greater than or equal to 14% external cash flow will be removed from the composite for the entire month that the external cash flow occurred. The account will be added back to the composite the following month if it meets the composite inclusion requirements. The external cash flow percentage is calculated using beginning market value.
3. ESG considerations that are material will vary by investment style, sector/industry, market trends and client objectives. The strategy seeks to identify companies 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 companies that do not reflect the beliefs and values of any particular investor. The strategy may also invest in companies 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 companies with measurable ESG outcomes, as determined by Brown Advisory, and seeks to screen out particular companies 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.
4. This composite was defined and initially created on November 1, 2015.
5. The benchmark is the Bloomberg Aggregate Bond Index. The Bloomberg Aggregate Bond Index is an unmanaged, market-value weighted index comprised of taxable U.S. investment grade, fixed rate bond market securities, including government, government agency, corporate, asset-backed, and mortgage-backed securities between one and ten years. Bloomberg Indices are trademarks of Bloomberg or its licensors, including Barclays Bank PLC. An investor cannot invest directly into an index. Benchmark returns are not covered by the report of the independent verifiers.
6. 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.
7. 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: 0.30% on the first $50 million; 0.25% on the next $50 million and 0.20% on the balance over $100 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.
8. 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.)
9. Valuations and performance returns are computed and stated in U.S. Dollars. All returns reflect the reinvestment of income and other earnings.
10. A complete list of composite descriptions, policies for valuing portfolios, calculating performance, and preparing compliant presentations are available upon request.
11. Past performance is not indicative of future results.
12. 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.
13. Some portfolios may utilize derivative securities. To date, any derivatives used have been CMOs and range accrual notes. Any CMO at the time of purchase must pass the FFIEC volatility tests.
14. Duration is a measure of interest rate risk.

The **Bloomberg U.S. Aggregate Bond Index**, which until August 24, 2021 was called the Bloomberg Barclays US Aggregate Bond Index, and which until August 24, 2016 was called the Barclays Capital Aggregate Bond Index, and which until November 3, 2008 was called the "Lehman Aggregate Bond Index," is a broad based index, maintained by Bloomberg L.P. since August 24, 2016, and prior to then by Barclays which took over the index business of the now defunct Lehman Brothers, and is often used to represent investment grade bonds being traded in United States. Index funds and exchange-traded funds are available that track this bond index.