Brown ADVISORY
Thoughtful Investing.

INVESTING IN A RESILIENT FUTURE

Our Role in Supporting the Climate

- *Climate change and fiduciary duty: our perspective*
- *Our approach to sustainable investing and ESG research*
- *Our strategy for the Net-Zero Asset Managers initiative (NZAMi)*
- *Working with multiasset clients on climate change priorities*

FOREWORD

We live in an age of technological miracles, but many of these miracles come with steep costs for society. Our changing climate is one such example; much of our civilization's progress would have been impossible over the past century without a massive expansion in energy and industrial output, alongside the emissions associated with that output. In recent decades, however, the harm of all those emissions has become clear, and projections for the future have grown increasingly dire.

During that time, new industries have emerged, such as solar power, wind power, battery technology and electric vehicles. To reduce emissions and/or resource use, many cities and even entire nations are investing meaningfully in these technologies as well as climate adaptation and mitigation, including labeled bond issues that pledge their proceeds toward specific environmental projects.

For our part, as an investment firm, we must view climate decisions through the lens of our fiduciary duty to generate attractive investment returns that help our clients achieve their goals over the long term. This long-term lens, we believe, requires an appreciation of how our climate and other sustainability challenges will strengthen or weaken an investment case.

Brown Advisory considers climate change risks and opportunities across both our institutional "single-strategy" solutions—our long-only equity and fixed income strategies—and our "advisory" solutions for broadly overseeing an entire multiasset investment portfolio for individuals, families, endowments and foundations. In this report, we discuss this work and our broader sustainable investing initiative, which informs our climate and impact analyses—including our ESG research, portfolio management, engagement, proxy voting, internal colleague education and other programs. We also describe our initial plans under the Net Zero Asset Managers initiative (NZAMi).

In short, we believe our firm's approach to climate change, and to environmental, social and governance (ESG) research in general, is very much in line with our philosophy of "thoughtful investing." We have long conceived of sustainable investing as a performance-focused practice, but only when thought, discernment, patience and discipline are at the core of each individual investment decision within a portfolio.

There are no shortcuts to making good investment decisions, and we are extremely leery of top-down approaches to investing—sustainable or otherwise. For example, while we typically utilize screening as a tool for satisfying a client's individual preferences or policies, we do not use it as a tool in our process for finding and evaluating attractive investments. Instead, the portfolio managers of our sustainable investment strategies actively seek out investments whose valuation is being driven, in their view, by climate or broader sustainability strategies (operational emissions reduction, products that help customers reduce emissions, etc.). Nuance is also essential in our engagement with portfolio holdings or proxy vote decisions. We consider situations on a case-by-case basis, which focuses our engagement priorities and leads to a mix of "yea" and "nay" votes on various shareholder proposals after our investment teams understand as best we can whether the intent of the proposal is in fact likely to be beneficial to shareholders.

Further, we believe that our approach to NZAMi is a natural outcome of our performance-focused sustainable investment philosophy. In our view, there are many ways for companies, bond issuers and other potential portfolio holdings to contribute positively to the trajectory of climate change, and we have extensive experience seeking out situations where sustainability strategies, products and services can materially and positively impact financial outcomes.

We must also underline and reiterate our appreciation for the fact that the assets we manage do not belong to us—they belong to our clients. We think this is a critical distinction when deciding whether those assets are appropriate for a meaningful initiative such as NZAMi. Selecting from assets where clients expect our sustainable investing expertise, we created an aggregated portfolio ("A.P.") and have committed to pursue a series of net-zero outcomes within that A.P., which represents approximately 20% of discretionary client assets as of September 30, 2022. Our decisions on which assets made sense for the initiative were guided by two core ideas:

1. **Robust, climate-focused investment research and the pursuit of net-zero outcomes require access to sufficient climate data to make informed investment decisions.** Today, there are only a few asset classes, such as public equities or the corporate bond sector, where we feel that carbon data is even directionally helpful, and that data is almost nonexistent in many other asset classes. We can only seek to adapt our approach within an asset class when we have enough information to do it. We also commit to help solve some of these data challenges.
2. **We must ensure that all clients invested in our sustainable investing (SI) strategies and/or strategies in the A.P. understand that net zero is not an input in our investment process—it is an outcome.** Our sustainable investment strategies have always sought to generate returns through investments that, in our view, drive long-term climate resiliency. We expect that these strategies will continue to operate as they have previously, but should now be better armed with additional net-zero tools and processes to aid in decision-making. Clients should not expect a change in how these strategies are managed.

While we are not ultimately the owners of any of the assets we manage for clients, we do believe we can play a major role in identifying relevant climate issues, developing and using climate data effectively, and continuing to refine our techniques for integrating sustainability factors into our investment decisions. We believe all of these activities can help encourage our portfolio holdings to better prepare themselves for the risks and opportunities that climate change has produced.

Sincerely,

Carey Buxton
Head of the Sustainable Investing Business

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BACKGROUND: BROWN ADVISORY, SUSTAINABLE INVESTING AND CLIMATE CHANGE

Over time, our observations of various environmental, social and governance considerations have convinced us of the merits of sustainable investing. As we define it, sustainable investing encompasses our efforts to integrate ESG considerations into our investment research, with the ultimate goal of generating long-term performance.

During our humble beginnings nearly three decades ago, we primarily worked with advisory clients on a highly customized, case-by-case basis to screen their portfolios according to their values and beliefs.

As time went on, we learned more about sustainable investing through practice and through deliberately attracting talent with the relevant prior expertise.

In 2010, we launched our first dedicated sustainable offering, the U.S. Large-Cap Sustainable Growth strategy, and have launched more since then across multiple asset classes. Our goal with these strategies is to help our clients achieve their performance goals by investing in what we consider fundamentally strong companies and bond issuers that offer a favorable mix of sustainable opportunities and risks. As of September 30, 2022, we managed more than $19.9 billion in our various sustainable institutional equity and fixed income strategies,* and also advised hundreds of families, endowments, foundations and other clients around the world regarding implementation of sustainable mandates.

*Figure refers to the following entities: Brown Advisory LLC, Brown Investment Advisory and Trust Company, Brown Advisory Ltd., and Brown Advisory Trust Company of Delaware LLC

CLIMATE-POSITIVE CASE STUDIES

Equity Example: Enphase

Enphase is a leading supplier of microinverter products for solar systems, specifically for distributed solar systems that residences and businesses are installing all over the world. Microinverters allow solar systems to control each solar panel separately, allowing customers to flexibly use electricity, store it or sell it back to the grid.

Enphase provides a critical component in the solar energy ecosystem. At the end of 2020, it reported that:

- 8.6 gigawatts of solar power had been installed using Enphase microinverters since the company's inception—enough to power 3.5 million homes per year and offset 20.8 million tons of CO2-equivalent emissions.
- it anticipates rapid growth in residential solar in both Europe and the U.S.; analysts believe that U.S. residential penetration may grow from 3% to over 20% in the next decade, which we believe bodes well for Enphase's microinverter products as well as its newer energy storage solutions.

Fixed Income Example: Orsted

Orsted is viewed by many as a textbook case for energy transition. From its origins as the overseer of Danish oil and gas assets in the North Sea, Orsted has since initiated a dramatic shift from fossil fuels to renewables over the past 15 years, from 17% renewables in 2007 to 90% in 2020. It has accomplished this by becoming one of the world's leading offshore wind developers while also investing in other renewable sources and divesting various oil and gas assets over time.

Orsted has also been at the vanguard of net-zero thinking; it is actively pursuing goals to become carbon neutral by 2025 and to reach net-zero emissions by 2040. As bond investors, we are impressed with Orsted's labeled bond program—it has a track record of solid reporting on various projects funded across multiple years and issuances—and through that program, we believe we can ensure that our invested capital is funding the parts of the business we favor.

Case study examples were selected from the holdings of Brown Advisory's sustainable equity and fixed income strategies as of 12/31/2021, based on the ESG research team's belief that their businesses are additive to global efforts to combat climate change.

Sources for case studies: Enphase, Orsted, Brown Advisory analysis. 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 to illustrate the views expressed herein and do not represent all of the securities purchased, sold or recommended for advisory clients.

Across our sustainable investment strategies, we are finding what we consider to be compelling investments. One might expect to see some of these in a "green" portfolio, such as solar and wind technology companies, electric vehicle suppliers, and so forth, but many others are traditional companies facing varying degrees of risk as they seek to mitigate inherent challenges within hard-to-abate sectors and/or shift away from higher-emissions business models.

As investors, we believe we have a compelling opportunity to invest on both sides of this long-term, societal transition—with holdings that we believe are leading the charge in technological innovation AND with those that are taking appropriate steps, in our view, to reduce emissions in harder-to-abate sectors, such as the traditional energy or utility sectors. We believe that cutting-edge firms can become powerful growth engines, while legacy companies have the potential to revitalize their business models, reduce costs, strengthen their brands and otherwise improve their future prospects in the eyes of investors.

Within fixed income, we also have the option of investing in labeled bonds to spur this transition. By investing in, say, a green bond issued by a legacy utility, we believe we can support that utility's effort to reduce overall emissions, with a targeted investment that directly funds its transition strategy.

LEARN MORE ABOUT OUR SUSTAINABLE INVESTING EFFORTS

If readers are interested in learning more about our broader sustainable investing efforts, and how they relate to climate change and the push for net zero, please review some of our other publications with relevant information:

ANNUAL REPORT AND CSR: After issuing our corporate sustainability report (CSR) separately for several years, we integrated CSR reporting within our annual report for the first time in 2022, including an open and transparent discussion about our progress with respect to operational and financed emissions.

IMPACT REPORTS: Here you will find a vivid accounting of positive impact being generated within several of our sustainable equity and fixed income portfolios. Much of that impact is directly or indirectly related to lowering carbon emissions. We also report extensively on our engagement activity and (for equity strategies) proxy voting activity in these reports.

2022 ISG OUTLOOK: In this annual publication, our leading investment thinkers and asset allocators offer a big-picture look at global markets and how we are shifting our asset allocation stance in response (if we are, in fact, shifting it at all). This publication, and the asset allocation model behind it, informs the decisions made for many of our clients. This year, we integrated our ESG and sustainable perspectives into that annual discussion for the first time.

EQUITY & FIXED INCOME STRATEGIES

Brown Advisory offers sustainable investment strategies across a variety of regions, styles and asset classes. Our ESG equity and fixed income analysts are integrated within their fundamental research teams. Their perspectives on climate change and other ESG issues have been essential to our sustainable portfolio managers.

Our equity ESG research team has helped us mitigate portfolio risk and identify new opportunities. The team has also engaged constructively with a wide range of companies about their climate strategies for many years, and while change can sometimes come slowly, we have seen numerous examples of how engagement can lead to meaningful progress.

Our fixed income ESG research team similarly helps reduce risk and uncover opportunity through its coverage of current and potential holdings in sustainable strategies. The team has been a consistent innovator within the fixed income space—recently, it has worked tirelessly to develop more sophisticated frameworks for ESG research within the sovereign and municipal sectors. The team has also collaborated with industry partners for years, aiming to help refine and standardize approaches to underwriting, issuing and reporting on labeled bonds.

Our ESG Research Approach. Our equity and fixed income ESG research teams operate similarly and consistently; they are all integrated within their broader research groups and within portfolio management teams. They also operate as "one team" by collaborating extensively across asset classes to gain a better understanding of climate and ESG issues. Our ESG research is available to all equity and fixed income portfolio managers, but our sustainable investment platform includes only those strategies and portfolio managers that, in our view, have developed investment philosophies with sustainability as a core focus and maintain a common set of standards for ESG research.

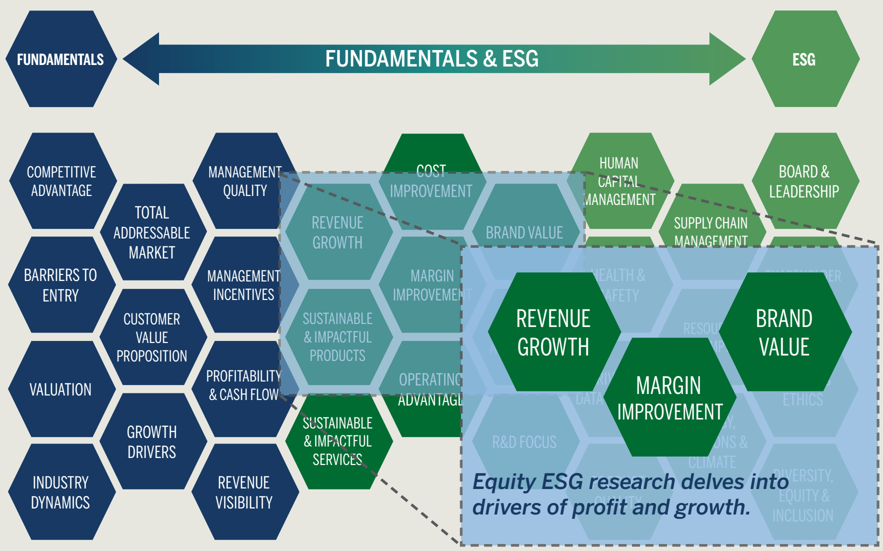
Our ESG analysts help us to complete a "mosaic" of information we believe is needed to make smart investment decisions. As shown at right, the analysts covering two different asset classes use a similar framework for their research, but the factors they examine are almost entirely tailored to the specific investment universe being researched.

ESG RESEARCH WITHIN OUR SUSTAINABLE STRATEGIES: UNIVERSAL PROCESS, DISTINCT CRITERIA BY ASSET CLASS

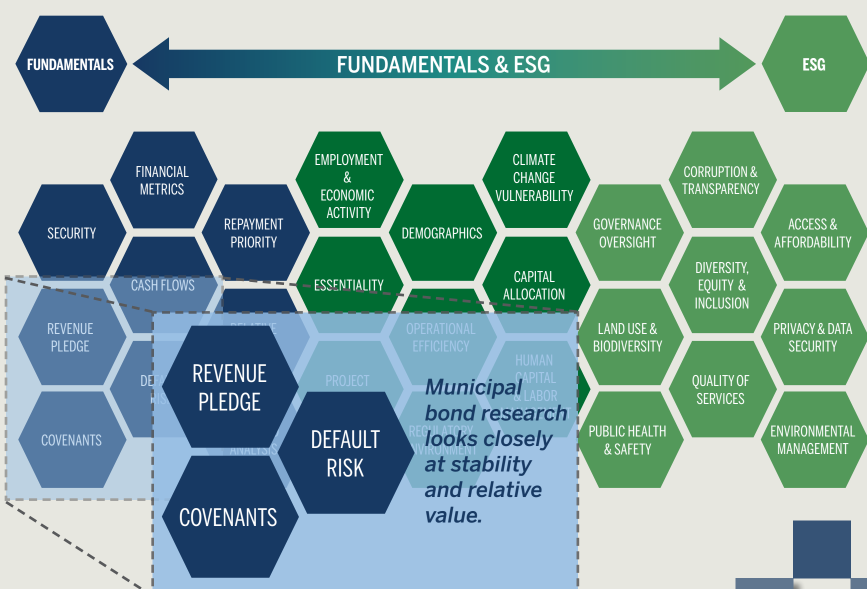
We believe strongly in creating consistent, repeatable investment processes that we can leverage across our firm, but we also need to reckon with the highly distinct risks and opportunities that exist in each asset class we explore in our research.

In the exhibit below, we look at our ESG research into equities and U.S. municipal bonds, respectively. Both strategies leverage our "mosaic" approach of integrating fundamental and ESG research, but the analysts are examining very different investment drivers. Below, we highlight just a few of the many ways that research within each asset class is distinct.

*ESG Research Mosaic: Equities**



*ESG Research Mosaic: U.S Municipal Bonds**



*Diagrams depict some, but not all, of the research topics covered by our ESG research.

ADVISORY/MULTIASSET CLIENTS

Distinct from our equity and fixed income teams, Brown Advisory also serves individuals, families, endowments and foundations in an advisory role, helping them to manage their broader multiasset portfolios. In many cases, our multiasset relationships direct us to incorporate specific sustainability-related criteria when we allocate their portfolios, select managers for those portfolios, and report and measure progress over time against each client's defined criteria.

From our earliest work in setting up screens and avoidance strategies for clients who requested them, we have built out a robust investment platform of third-party sustainable investment managers we can recommend to clients across the asset class spectrum. We have also created comprehensive reporting capabilities, and a powerful set of tools and methods for helping clients progress from intention to reality through disciplined implementation.

We help clients address climate risk in multiasset portfolios using a variety of different mechanisms. We currently do this work with clients on a case-by-case basis, based on the specific interests, circumstances, goals and viewpoints they express to us during the initial planning stages of our work with them. We plan to regularly revisit our approach to multiasset accounts and will look for ways to expand the research and guidance we can offer clients regarding climate risk.

HOW WE HELP ADVISORY CLIENTS PURSUE SUSTAINABLE MANDATES

Managing a complex portfolio has always required a broad perspective. That is even more true when pursuing a blend of investment, financial and values-oriented goals:

Values Related

Values Alignment
Impact Managers
Philanthropy

Planning Related

Legacy/Estate
Tax Planning
Wealth Structuring
Asset Location

Investment Related

Client Goals/Risk Profile
Fundamental Research
ESG Research

From discovery process, to asset allocation and manager research, to reporting progress over time, we address the sustainable investment mandates of our advisory clients using an in-depth, comprehensive and thoughtful approach.

Process	We work with clients using an established and documented process for sustainable portfolio construction and management, inclusive of discovery, expression, integration and improvement phases.
Platform	Through due diligence efforts with hundreds of different management firms over many years, we believe we have built a robust platform of sustainable investment managers, with attention to offering manager diversity.
Reporting	Our proprietary sustainability reporting system allows us to provide look-through reporting on multiasset portfolios, down to the individual security level. We leverage this system in multiple ways throughout our process—during initial client discovery, while building portfolios and when reporting results.
Engagement	We partner with clients to encourage change and progress, through proactive engagement with companies and bond issuers, a thoughtful approach to proxy voting, and through our own actions and commitments as a firm.

BUILDING CLIMATE RESILIENCY THROUGH SUSTAINABLE INVESTING:
The Net Zero Asset Managers Initiative

We believe that by practicing sustainable investing well, making good investment decisions and leveraging new tools like net-zero analyses as they mature, we can achieve the goal of serving our clients while also achieving outcomes such as decarbonization within those sustainable portfolios.

We work closely with several collaborative climate initiatives that focus on joint action mechanisms and, importantly, are backed by rigorous and widely accepted scientific research. Examples include engagement collaboration with Climate Action 100+, contributions to several CDP-run initiatives and our work with the International Capital Market Association (ICMA) to help shape the labeled green bond market as it matures from its nascent stages.

Further, we recently joined NZAMi, a global consortium representing hundreds of investment managers and trillions of dollars in client assets that is focused on helping its signatories pursue net-zero investment goals. We used its framework to create an aggregated portfolio (as mentioned in the report introduction) of selected client assets and now plan to pursue net-zero global greenhouse gas (GHG) emissions within that A.P. by 2050.

NZAMi has gained a great deal of traction in a short period of time. In less than two years, it grew to become a coalition of 291 investment firms managing more than $66 trillion (as of November 9, 2022).

In our view, NZAMi has created an important nexus for collaboration within the investment industry. No single individual investor, and very few institutional investors, can hope to make a dent in climate change on their own, and it will take the concerted effort of thousands of investment managers and their clients—not to mention governments, companies, NGOs and other actors across society—to gradually move the needle on GHG emissions. If NZAMi succeeds, we believe that the investment industry will have collectively reduced the risks faced by millions of investors around the world while simultaneously contributing to the long-term prosperity of society.

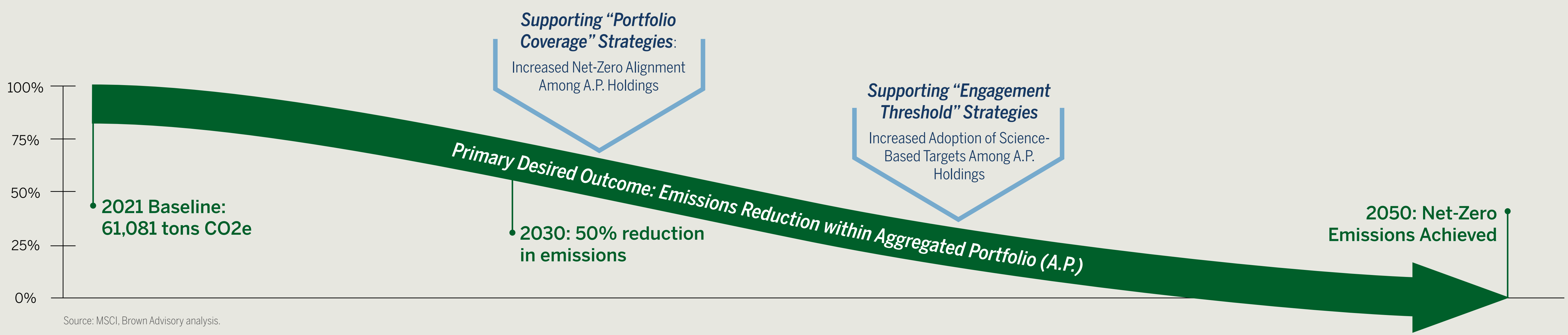
BEGINNING OUR NET-ZERO JOURNEY: INITIAL PLANS

Under the NZAMi Framework, signatories must identify an A.P. of assets that they manage for clients, with which they intend to pursue decarbonization goals over time.

The next step is to set decarbonization goals for those portfolio assets in line with the global goals of the Paris Agreement. Our primary desired outcome for the initiative—to effectively halve the emissions of our A.P. by 2030, aiming for net-zero emissions by 2050—is supported by several initiatives, through which we seek increased progress toward net-zero alignment among our relevant or applicable holdings and increased adoption of science-based targets (SBTs) for reducing emissions.

Some accounts and funds included in the A.P. employ general fossil fuel screens or more specific screens for activities such as thermal coal projects or tar sands exploration. These screens are typically client- or mandate-directed and are not a part of the core process we use to evaluate investments. Instead, we choose to let our bottom-up investment research determine the makeup of our portfolios and then seek to engage with holdings that are not making as much progress on emissions as we believe they could be.

BROWN ADVISORY'S INITIAL APPROACH TO NZAMi:
One Primary Outcome, Supported by Two Long-Term Strategies



Source: MSCI, Brown Advisory analysis.

PRIMARY DESIRED OUTCOME: *FINANCED SCOPE 1 & 2 EMISSIONS FROM THE AGGREGATED PORTFOLIO PHASED OUT BY 2050*

- ***12/31/2021 Brown Advisory A.P.: Estimated 61,081 tons of CO2e emissions***
- ***Aim for 50% reduction by 2030 vs. 2021 baseline***
- ***Aim for net-zero emissions by 2050***

The ultimate goal of NZAMi is for signatories to gradually take steps to fully remove GHG emissions and associated risks from the assets in their aggregated portfolios over a 30-year period. From an investment standpoint, we believe that an extensive transformation of society—to gradually move from fossil fuels to renewables—should create massive opportunities for climate solutions and may exacerbate situations for entities facing heavy risk from legacy emissions. Thus, we see the initiative as a powerful mechanism for guiding our research toward those opportunities and risks.

Our baseline for financed emissions was calculated from Dec. 31, 2021. We use the Partnership for Carbon Accounting Financials methodology for determining aggregated portfolio emissions. We believe this approach helps us avoid double-counting emissions and generally offers greater accuracy than other methods. The calculation weights the financed emissions for each holding in proportion to our investment—we believe this accurately captures the emissions for which the A.P. is specifically accountable.

As of Dec. 31, 2021, the financed emissions of our A.P. were estimated at 61,081 tons of CO2e—equivalent to approximately 2.4 tons of CO2e per $1 million invested in the A.P. at the time.* We view this as a relatively favorable starting point—not surprising, given that the client assets in our A.P. are all managed under processes that seek out investments with strong climate resiliency. Some of the holdings in our A.P. are already managing their emissions to what we consider to be residual levels, which means that it will be even more important for us to engage with those firms to encourage further progress.

*Source: MSCI, Brown Advisory analysis.

SUPPORTING STRATEGY: *SEEK REDUCED EMISSIONS BY INCREASING NET-ZERO ALIGNMENT OF A.P. HOLDINGS*

- ***12/31/21 Brown Advisory A.P.: 43% of material sector assets were invested in holdings deemed "at net-zero," "aligned with net-zero" or "aligning with net-zero"***
- ***Five-Year Target: Improvement from 2021 baseline from 43% to 58% by 12/31/26***
- ***2040 Target: 100% of material sector assets in holdings "at net-zero" or "aligned"***

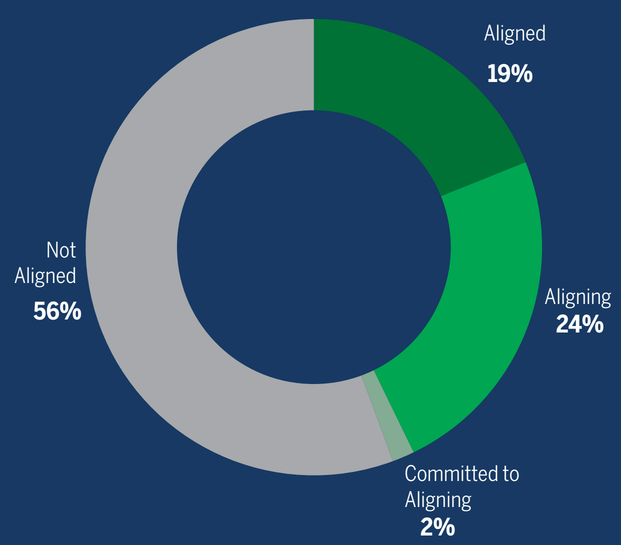
One logical method for increasing our A.P.'s net-zero alignment is to monitor and encourage the net-zero progress of underlying holdings. Here, we seek progress in stages, using engagement as a primary tool to move our holdings from the initial steps of "aligning" with a long-term net-zero ambition, to completing their strategy and becoming fully "aligned," and finally to the eventual end goal of achieving net-zero emissions in the future.

This strategy (as well as the SBT strategy covered on the next page) focuses on investments in "material sectors," defined as industries with the highest impacts and greatest need for urgent action, including agriculture, mining, manufacturing, waste management and energy production, among others. (The definitions for material sectors and calculation methodologies are sourced from the Net Zero Investment Framework (NZIF), created by the Institutional Investors Group on Climate Change.) We also note our aim to complete these progress milestones by 2040. Even if every holding in the A.P. is "aligned" with net zero by 2040, or has SBTs in place, many holdings will still have a long way to go to achieve net-zero emissions.

For each holding in one of these sectors, we evaluate its current progress toward net-zero: Has it set near-term and long-term targets for reducing emissions? If so, through what methodology were those targets determined? Is it disclosing progress transparently to investors? (We note that these are questions we regularly try to answer during our normal due diligence process when evaluating current or potential holdings.)

At baseline, 43% of our A.P. was, in our view, fully aligned with a robust net-zero commitment (19%) or in the active process of fully aligning (24%). For the remaining holdings, we plan to prioritize those with the highest emissions and whose strategies for dealing with those emissions are lacking, in our view.

12/31/2021 Baseline: Net-Zero Alignment
Aggregated Portfolio Holdings within "Material Sectors"



Source: NZIF, Brown Advisory analysis. "Material sectors" includes the NACE subsectors deemed to be broadly exposed to material climate risk. NACE (Nomenclature of Economic Activities) is the European statistical classification of economic activities; the organization provides a complete list of NACE codes at www.nacev2.com/en. (NZIF considers NACE categories A-H and J-L as material sectors with respect to climate change.)

SUPPORTING INITIATIVE: *SEEK REDUCED EMISSIONS BY ENGAGING WITH A.P. HOLDINGS AND DRIVING ADOPTION OF SBTs*

- ***12/31/21 Brown Advisory A.P.: 33% of material sector assets were invested in holdings w/ SBTs in place, OR in holdings actively engaged with us about setting SBTs***
- ***2030 Target: 90% in holdings as described above***
- ***2040 Target: 100% in holdings as described above***

To drive down climate risk over time, we are also focused on increasing adoption of SBTs across our sustainable investments. Such targets do not allow companies to merely "cancel out" their emissions through the purchase of offsets or credits but require that they actually reduce their net emissions from operations.

NZIF asks signatories to set two distinct targets with respect to net-zero alignment. One is a "portfolio coverage" target (discussed on the prior page), and the other is an "engagement threshold" target, which we are addressing with this strategy.

SBTs are not the ONLY way for an entity to pursue a net-zero strategy, but they are considered a robust starting point. We already prioritize our engagements based on this factor—all else being equal, we seek to engage on climate with entities that do not have SBTs in place, before we engage with those that do—so we felt it was an excellent choice as a specific method of measuring our engagement progress.

As with our net-zero alignment strategy, this strategy also focuses on the most material sectors for climate impact as defined by NZIF. By 2040, we want all our holdings in these sectors to have SBTs in place. Ideally, we would see adoption of SBTs across the entire portfolio, but these sectors are emphasized due to their outsized impact on global emissions.

12/31/2021 Baseline: Science-Based Target Adoption
Aggregated Portfolio Holdings within "Material Sectors"

Source: Brown Advisory analysis. "Material sectors" includes the NACE subsectors deemed to be broadly exposed to material climate risk. NACE (Nomenclature of Economic Activities) is the European statistical classification of economic activities; the organization provides a complete list of NACE codes at www.nacev2.com/en. (NZIF considers NACE categories A-H and J-L as material sectors with respect to climate change.)

ENGAGEMENT & PROXY VOTING: KEY DRIVERS OF NET-ZERO PROGRESS

As a firm, we have long viewed engagement as an important component of our fundamental due diligence. Engagement is the process through which we communicate with applicable portfolio holdings, discuss risks and opportunities they face, and propose actions that we believe will reduce those risks or access those opportunities.

We believe that much of our progress in managing climate risk and opportunity in our investments will be driven by our engagement activity. Engagement on climate change is critical, especially with entities that are behind the curve in charting a net-zero strategy for the future. We need to work with those organizations because accelerating their transition may be the key to their own long-term viability and success, not to mention the long-term goals of the Paris Agreement.

Beginning with our initial commitments to the Climate Action 100+ initiative more than four years ago, we greatly ramped up our climate engagement activity, joining with a wide range of collaborative initiatives led by established nonprofits and ESG investing pioneers across both the equity and fixed income universes. In addition to engaging with scores of companies on the topic, we've also made promising initial strides engaging with the municipal, securitized and sovereign fixed income sectors—again, sometimes on our own, and sometimes with collaboration partners like CDP and others. At the risk of repeating ourselves, many of these engagements are not with "ESG darlings" whose climate strategies are already established—instead, we are trying to bring the laggards up to speed.

Specifically, we believe that engagement will be an essential tool for signatories, at first for persuading reticent companies to make net-zero pledges, and later for monitoring those companies to ensure follow-through. Below, we provide two of the many recent engagement examples from the aggregated portfolio.

ENGAGEMENT EXAMPLE: GLOBAL TRAVEL BUSINESS

ISSUE(S): Climate Change, General Environmental, Disclosure
PRIMARY GOAL: Due Diligence

After owning this company for several years, we were impressed with its ESG efforts and leadership. We engaged with management to not only enhance our due diligence but also to encourage the company to take greater action on incorporating sustainable travel into the business. Our team admires the company's efforts to drive sustainable tourism, and were pleased to learn more about its plan to launch a sustainable program for bookings that aligns with consumer demand to travel more sustainably, and is thus poised to drive business growth, in our view. The company noted that it plans to publish a target for this plan in its next sustainability report, which should in turn become a key performance indicator we can begin to track. We believe that this will serve to drive revenue growth while also limiting the vast impact of tourism on the environment, driving our sustainability thesis.

Such engagement further serves to provide us with confidence in the management team and its allocation of time, energy and capital into ESG-related matters.

ENGAGEMENT EXAMPLE: REGIONAL U.S. AIRLINE

ISSUE: Climate Change
PRIMARY GOAL: Due Diligence

We engaged extensively 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 operating region. In initial talks in early 2021, we described the expectations for the aviation sector's decarbonization implied by Climate Action 100+ recommendations and outlined the importance of improved 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. 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 it to execute on its evolving decarbonization and climate risk management strategy.

Source: Brown Advisory analysis. Engagement case studies are based on engagements related to the Aggregated Portfolio during 2021. We do not engage with every company or issuer. We engage only when we believe engagement will be material to our investment decision making.

HELPING OUR ADVISORY CLIENTS TACKLE CLIMATE CHANGE

Our advisory business represents more than half of our firm's client assets under management and serves a wide array of clients across the world. Unlike our institutional business, which manages equity and fixed income strategies, our advisory business primarily oversees fully customized and diversified multiasset portfolios for families, nonprofits and other clients.

We have taken steps across our advisory business to integrate ESG and climate considerations within our asset allocation, manager research, engagement and other key investment processes for clients who have engaged us to manage their portfolios in this manner. Additionally, our long-term educational initiative, SISME, has provided sustainable investment training to more than 40% of current Brown Advisory colleagues as of September 30, 2022, and we aim to push that percentage above 50% by the end of the year.

A growing number of our advisory clients are expressing interest in exploring net-zero commitments. We are confident that our advisors are well-equipped to work with clients on a case-by-case basis to develop individualized plans. At this time, we are not committing any client assets from advisory accounts to our NZAMi A.P., and in this regard, NZAMi generally agrees with our approach. The initiative specifically acknowledges that even where an advisory relationship involves fiduciary responsibility or discretion to make investment decisions, the manager may not have authority to change guidelines or investment objectives that would enable management of any assets to a net-zero objective.

Although we have not committed client assets from this segment of our business to NZAMi, the decarbonization journey is nevertheless underway in the strategies held across our sustainable advisory portfolios. We have developed a robust platform of external sustainable managers we generally recommend to clients with sustainable mandates; notably, a large percentage of assets invested across this platform is with managers who have themselves committed to NZAMi. As such, we see NZAMi as a valuable source of information about the managers we recommend, and ultimately, we believe that their participation in NZAMi will help them reduce climate-related risk over time.

INDIVIDUALIZED APPROACH FOR EACH CLIENT

Our work begins with an extensive, in-depth discovery process, through which we seek to learn as much as we can about the client's circumstances, aspirations and challenges. Many of our clients' circumstances involve complex business, family and other dynamics, so it is essential that each client's plan be tailored and customized to their needs.

This process is especially important for any net-zero discussion and for clients interested in sustainable investing in general, due to the additional dimension of values and beliefs that shape each client's specific ESG priorities and preferences. As shown in the illustration on the following page (top right), we work with clients using the familiar concept of diversification to develop a "sustainable asset allocation" offering a mix of financial, values and impact outcomes that aligns with the client's wishes.

INVESTMENT RESEARCH AND DECISION-MAKING

Our firm's Investment Solutions Group (ISG) produces asset allocation and manager research guidance for our advisory teams and the clients they serve. ISG has honed its research process for vetting managers—including sustainable managers—over many years. As shown on the next page (bottom right), research analysts pay equal attention to the specific strategy or fund vehicle being considered and to the manager's qualities more broadly.

Importantly, we do not try to define our clients' values or mission but instead work with them to identify strategies that can express their values without compromising the investment fundamentals they expect.

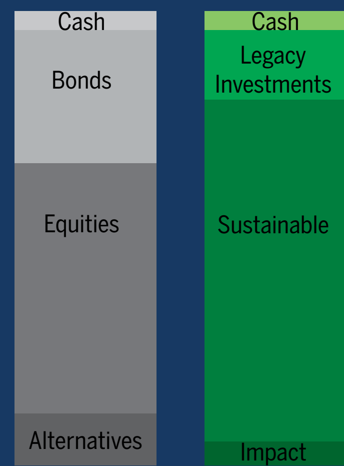
We seek to identify managers who are responsible owners of their firms and have robust approaches for performance-oriented ESG research, including climate-associated risks and opportunities. As an NZAMi signatory, we respect the effort and the long-term mentality it takes to participate. When managers on our platform sign on, we view it as a strong indicator of their commitment to sustainable, climate-aware investing.

BUILDING A SUSTAINABLE MULTIASSET PORTFOLIO

Balancing client preferences for high-conviction, sustainable strategies with portfolio construction and asset allocation goals is an ongoing exercise that begins from the first conversation with a client and continues throughout the life of the relationship. As shown below, part of our work is developing and maintaining a "sustainable asset allocation" (the client's desired mix of financial, values and impact outcomes) alongside traditional asset-class diversification work.

Investment Portfolio Considerations

Sample Asset Allocation (% of Portfolio)



Sample asset allocation is not representative of an actual client portfolio and is for illustrative purposes only. Asset allocation could change depending on risk tolerance, investment objective and assets available for investment. The investment team will customize portfolios to meet the guidelines, requirements, and risk tolerance of the client. It should not be assumed that investments in such securities have been or will be profitable.

GAUGING THE MERITS OF A SUSTAINABLE INVESTMENT MANAGER'S APPROACH

We hold sustainable managers to the same investment and operational standards as any other manager we recommend to multiasset clients. To win our team's approval, these managers must show us that they are using sustainable investing to drive real and compelling results in their work.

Manager Evaluation: Key ESG Research Questions

<table>
<tr><th>DUE DILIGENCE</th><th colspan="3">EVALUATION AND SELECTION</th></tr>
<tr><td rowspan="3">▪ Is there an ESG research process?
▪ Is sustainable investing "in the manager's DNA"? Do they employ it eagerly? Is there proof that sustainability drives their investment logic?
▪ Is the manager's sustainable investing process adding proven performance and/or impact value?
▪ Does the manager's team include expertise in both fundamental and sustainable investment?</td><td colspan="3">▪ Does the management firm exhibit excellence in key areas such as sustainable investment and operations, internal ESG policies, and thought leadership?
▪ Does the fund or strategy in question meet or exceed expectations for quality of ESG research, level of ESG integration, engagement activity, impact outcomes and other factors?</td></tr>
<tr><td>CRITERIA FOR EVALUATING
INVESTMENT FIRMS</td><td colspan="2">CRITERIA FOR EVALUATING
FUNDS AND STRATEGIES THOSE FIRMS MANAGE</td></tr>
<tr><td>▪ Sustainable Investment
▪ Sustainable Operations
▪ Firm Reputation
▪ Transparency/Disclosure
▪ Investment Terms/Fees</td><td>▪ ESG Research Process
▪ ESG Research Integration
▪ Use of Data
▪ Engagement</td><td>▪ ESG/Impact Outcomes
▪ Sustainable Reporting
▪ Sustainable Track Record/ History</td></tr>
</table>

MONITORING AND REPORTING

To effectively pursue our clients' goals, we need to be able to measure their progress in detail. For sustainable portfolios, this measurement process involves dozens of different ESG metrics tracked across thousands of different securities. To tackle this challenge, several years ago, we built out our in-house sustainable reporting capabilities. The reporting tools that we built (and continue to refine) are helping our colleagues and our clients have much more informed discussions with clients about climate change and other ESG matters, and, when relevant, about the option to pursue a net-zero investment objective. With these reporting capabilities, our clients and their advisors can be consistently informed about a given portfolio, its current ESG metrics relative to a benchmark or peer comparison, and the trend of the portfolio's progress over time.

As the state of the art in ESG research evolves, so too does our reporting. In recent years, we have greatly expanded our carbon footprint reporting to clients (about their portfolios as well as relevant broad-market benchmarks). Today, we can also track progress about client portfolios on SBTs. We can currently provide basic information to clients about which managers in their portfolio have signed onto NZAMi, and we are exploring ways to automate and expand our net-zero reporting capabilities in the future.

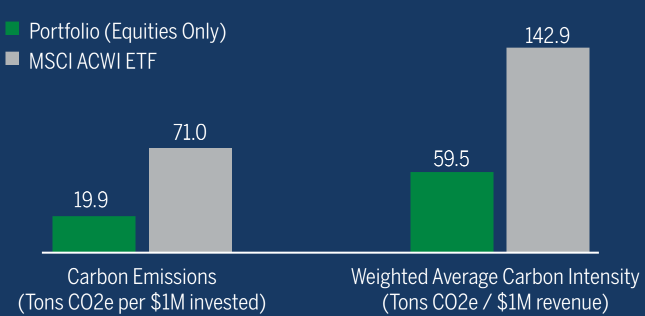
Overall, we believe our approach to climate resiliency within our advisory business is the right one for our clients with sustainable portfolios. We believe that working with each client on individualized goals for decarbonization can lead to meaningful reductions in financed emissions in those portfolios over time. Even though we are not formally committing advisory client portfolios to NZAMi, the managers our sustainable clients hold are nonetheless ramping up their own NZAMi commitments, a fact that should serve as an additional constraining factor on financed emissions in the future.

DASHBOARD CLIMATE RISK REPORTING FOR CLIENTS

Our proprietary sustainable reporting capability allows us to tailor the way we dissect and measure progress for our clients across many different performance-focused and ESG-focused metrics. Below, we provide a hypothetical client with three ways of thinking about the climate impact of their investments:

1) a static view of portfolio emissions vs. those of the clients' benchmark (public equities only, based on data availability)
2) a dynamic view of those emissions and how they are increasing or decreasing over time (public equities only, based on data availability)
3) a "pass/fail" view of specific, client-chosen screens or filters related to carbon emissions

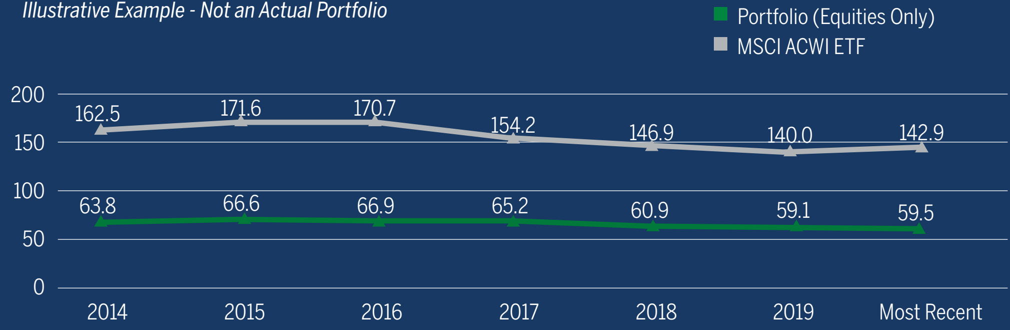
CARBON FOOTPRINT ANALYSIS: PUBLIC EQUITY HOLDINGS
Illustrative Example - Not an Actual Portfolio



CLIENT-SELECTED SCREENS/FILTERS
Illustrative Example - Not an Actual Portfolio

	Portfolio	Benchmark	+/-
Thermal Coal Exposure	0.1%	3.5%	-3.4%
Oil and Gas (Any Tie)	3.0%	9.1%	-6.0%
Companies with Reported Emission Reduction Targets	18.5%	26.3%	-7.8%

CARBON FOOTPRINT TREND: PUBLIC EQUITY HOLDINGS
Illustrative Example - Not an Actual Portfolio



Sample asset allocation is not representative of an actual client portfolio and is for illustrative purposes only. Asset allocation could change depending on risk tolerance, investment objective and assets available for investment. The investment team will customize portfolios to meet the guidelines, requirements, and risk tolerance of the client. It should not be assumed that investments in such securities have been or will be profitable. Holdings data sourced from Factset; underlying holdings within some funds or strategies may be sourced from their respective investment managers. ESG and climate data for the illustrative portfolio and its benchmark is sourced from MSCI ESG Manager. Carbon footprint data only represents the public equity portion of the illustrative portfolio. Please see the end of the presentation for important disclosures.

CONCLUSION: OUR ROLE IN THE BROADER PUSH TO NET ZERO

Like all investment firms, we are learning about the net-zero concept in real time, but we must express our admiration to the broader NZAMi community for how rapidly it has adapted the idea to the investment industry. Within a few short years, the initiative has been able to turn an idea into a fully scalable framework that hundreds of firms around the world are now deploying to monitor and manage their financed emissions.

Further, ideas like net-zero investing and SBTs are driving a new wave of investor engagement. It is useful when we ask a company or bond issuer to issue a sustainability report, but it is far more powerful when we ask it to set an SBT or a net-zero target with teeth, because a conversation that involves definitive goals is far more likely to produce definitive action. We strongly believe that engagement will be the lifeblood of NZAMi and other decarbonization programs, and a powerful engine for reducing global emissions.

But the challenges ahead are great. NZAMi signatories all joined this initiative without any real foresight into how it will play out, and we have all committed to ambitious targets that will be impossible to meet unless thousands of companies, governments and other investable entities transform. At the risk of speaking for others, we will be surprised if we hear that any NZAMi signatory expects a clean, easy path to the goal line with no resistance.

Some challenges we confront may be specific to our internal efforts, but many of them will be overarching issues that the investment industry must confront together.

We are grateful for the partnerships we have developed with other asset managers signing onto NZAMi and for the various coalitions and initiatives we have supported and joined over the years that have contributed so much to the evolution of ESG research, engagement and other facets of sustainable investing. Many of these collaborative efforts are directly aligned with NZAMi and net-zero investing ideas. Some examples include:

- We are long-term partners with Ceres, a pioneering organization that has helped advance sustainable investing principles for decades. Our varied collaborations over time include our participation in Ceres's Paris-Aligned Investor Working Group, which gave us invaluable insight about current best practices for calculating, measuring and monitoring portfolio carbon emissions.
- We are long-term participants in Climate Action 100+, which seeks to engage with the world's largest corporate GHG emitters and encourage them to take necessary action on climate change.
- We are a member of the Emerging Markets Investor Alliance, a nonprofit organization investor coalition that supports and encourages good governance, sustainable development and improved investment conditions in emerging-market economies. Specifically, we participate in a working group that is engaging sovereign bond issuers regarding their decarbonization pathways and advising on possible approaches to disclosure.
- Our support for the Task Force on Climate-related Financial Disclosures and CDP (formerly the Carbon Disclosure Project) underscore our long-term commitment to encouraging companies and issuers to report their climate-related data and to set out strategies to manage their emissions profile in line with the goals of the Paris Agreement.
- We support CDP's engagement program with municipal bond issuers, which seeks to take CDP's disclosure approach for corporations and adapt it for municipal issuers. As participants, we signed CDP's inaugural investor letter requesting enhance municipal disclosure and also helped populate the initial outreach target group, with recommendations to CDP about cities, states and other authorities that we viewed as excellent outreach candidates.

Industry initiatives like these have made impressive progress in recent years to expand the reach of sustainable investing and lay the foundation for a net-zero future. But the work has just begun. There are still vast segments of the investment universe where net-zero investing is not yet formalized—sovereign bonds, U.S. municipal bonds, funds-of-funds, private equity and credit, advisory assets, the list goes on. While these obstacles may appear daunting, we also note that many of the solutions we offer clients today with respect to sustainable, climate-aware investing are only possible due to recent research innovations within the industry. We have little doubt that the combined efforts of NZAMi signatories over the coming decade can lead to an expansion of asset classes that can be effectively managed under a net-zero mandate and more broadly lead to exciting investment ideas and innovations that we can't even imagine yet.

We look forward to doing our part.