Brown ADVISORY
Thoughtful Investing.

SUSTAINABLE CORE FIXED INCOME STRATEGY

Reporting on the impact of our investment decisions

2022

EVOLUTION OF BROWN ADVISORY'S SUSTAINABLE INVESTING (SI) PLATFORM OVER TIME

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 SI EQUITY PLATFORM

- Launch of first U.S. sustainable equity strategy: U.S. Large-Cap Sustainable Growth (launched on 12/31/2009)
- Expansion of platform with subsequent strategy launches: U.S. Sustainable Small-Cap Core (2017) and U.S. Sustainable Income (2021)

2014

INCEPTION OF SI FIXED INCOME PLATFORM

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

Through Present Day

PLATFORM EXPANSION: GLOBAL REACH, NEW STRATEGIES

- 2015: Launch of Global Leaders, the firm's first global sustainable equity strategy
- 2021: Launch of Sustainable International Leaders equity strategy
- 2022: Expansion into global fixed income highlighted by launch of Global Sustainable Total Return Bond strategy
- 2022: Launch of U.S. Large-Cap Sustainable Value strategy

BROWN ADVISORY SUSTAINABLE INVESTMENT STRATEGIES

	Investment Universe	Inception Month	Portfolio Manager(s)
EQUITIES			
Global Leaders	Global Equity	May 2015	Mick Dillon, Bertie Thomson
Global Focus	Global Equity	Sep. 2017	Mick Dillon, Bertie Thomson
Sustainable International Leaders	Global ex-U.S.	Sep. 2021	Priyanka Agnihotri
U.S. Sustainable Income	U.S. Large-Cap	Sep. 2021	Emily Dwyer, Brian Graney
U.S. Large-Cap Sustainable Growth	U.S. Large-Cap	Dec. 2009	Karina Funk, David Powell
U.S. Core ESG	U.S. Large-Cap	Mar. 2019	Tim Hathaway
U.S. Sustainable Small-Cap Core	U.S. Small-Cap	Jun. 2017	Emily Dwyer, Tim Hathaway
U.S. Large-Cap Sustainable Value	U.S. Large-Cap	Sep. 2022	Michael Poggi
FIXED INCOME			
Global Sustainable Total Return Bond	Global Multisector	Feb. 2022	Chris Diaz, Ryan Myerberg, Colby Stilson
U.S. Sustainable Core	U.S. Multisector	Sep. 2014	Chris Diaz, Amy Hauter, Colby Stilson
U.S. Sustainable Short Duration	U.S. Short-Duration	Jan. 2017	Amy Hauter, Jason Vlosich
U.S. Tax-Exempt Sustainable	U.S. Municipal	Sep. 2014	Amy Hauter, Stephen Shutz

LETTER OF INTRODUCTION FROM THE PORTFOLIO MANAGERS

Our 2022 impact report builds on our commitment to measuring, documenting and communicating the outcomes that our strategy produces for our clients. We firmly believe that there does not have to be a trade-off between strong performance and smart investments that help address global sustainability challenges.

The 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, sometimes for impact and other times in an advisory capacity with issuers seeking guidance or feedback on structuring labeled bond offerings. Further, we discuss our participation in the broader sustainable investing community; collaboration helps us enhance our knowledge, and provides us the opportunity to help maintain positive and credible momentum in this space alongside many other stakeholders.

While availability of ESG data across various asset types in fixed income is improving over time, quality and standardization of data continues to be a challenge. Despite this, since the inception of this strategy in 2014, we have been dedicated to assessing material ESG risks and sustainable opportunities within every investment we consider. To help our clients better understand how we integrate ESG and how that manifests itself across all fixed income sectors, this year, we published a focused, fixed income supplement to our firm's institutional sustainable investment policy.

This year, we also added additional sector expertise to our ESG and fundamental research teams, to support our growing global sustainable fixed income platform. As always, we thank our teammates for their continued collaboration and tireless efforts to ensure that our investment decisions are informed by trustworthy data and analysis.

It has been incredibly rewarding to see the evolution in sustainable fixed income, and a lot has changed in this space since we launched our first strategies nearly a decade ago. We have seen firsthand how global crises have shone a bright spotlight on sustainable investing, revealing both positives and negatives about how it is broadly practiced. Despite the political polarization and regulatory scrutiny that has accompanied SI's recent rise, the demand for investments that are augmented with ESG and impact research continues to grow. We think this is at least in part due to growing awareness that public-market capital needs to be aligned to address the massive sustainability challenges the world faces today.

Despite the rapid changes occurring within this space, we have not altered our investment process, and we remain committed to our focus on both performance and impact. 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 a sustainable 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, government agencies 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 how that money is being spent. 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 depict how ESG factors, generally, 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, through a portfolio of sustainable investments that produce positive social and environmental impact through the specific uses of bond 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 Institutional Sustainable Investing Policy and the fixed income supplement to that policy, both of which can be 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. Historically, availability of ESG data within fixed income was fairly limited, particularly in non-corporate sectors. However, the industry is making progress and we now have more research tools at our disposal, such as new geospatial ESG datasets from third-party providers that are greatly improving our ability to assess ESG issues in the mortgage space.

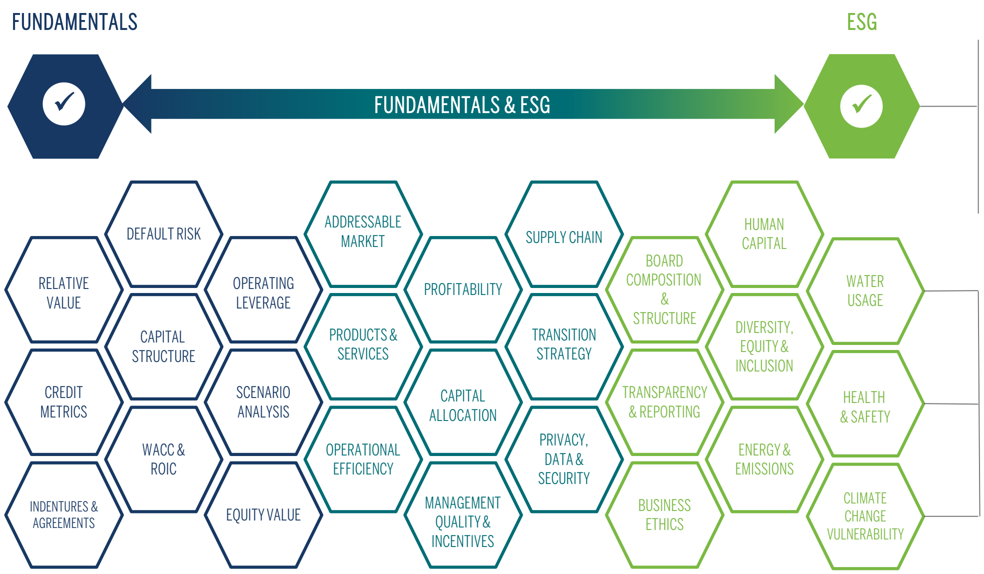
We have also found that this integrated approach has a positive influence on our investment decision-making. Our process gives us a better understanding of an issuer's ESG profile and its intended use of proceeds, and we believe this knowledge helps us allocate capital to bonds with a higher likelihood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

A FULLY INTEGRATED SUSTAINABLE INVESTMENT APPROACH

In our research, investment decisions 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 our approach, which combines top-down dynamic asset allocation with bottom-up research, helps us in our efforts to drive returns, preserve capital and unlock opportunities for positive impact.

Top-Down Dynamic Asset Allocation

- *Fundamentals*
- *Valuations*
- *Positioning*
- *Technicals*

GLOBAL MACRO ASSESSMENT

TOP-DOWN ESG RESEARCH

- *Geopolitics*
- *Demographics*
- *Equality*
- *Regulation*
- *Climate Change*

- *Valuation*
- *Relative Value*
- *Duration*
- *Liquidity*
- *Capital Structure*

FUNDAMENTAL RESEARCH

BOTTOM-UP ESG RESEARCH

- *Carbon Utilization*
- *Exec. Compensation*
- *Environmental Liabilities*
- *Human Capital*

Bottom-Up Research

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

A primary goal of the strategy is to provide a portfolio of sustainable investments that produce positive impact across diverse 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 product and service offerings. As illustrated on page 7, we look at impact using a fairly straightforward segmentation into three main categories—environment and climate, 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 we seek out bonds that, in our view, adhere to the voluntary labeling guidelines created by the ICMA.

We also find through our research many bonds that aren't fully aligned with 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, 2022, 55% of the portfolio was invested in labeled and unlabeled bonds whose proceeds were 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

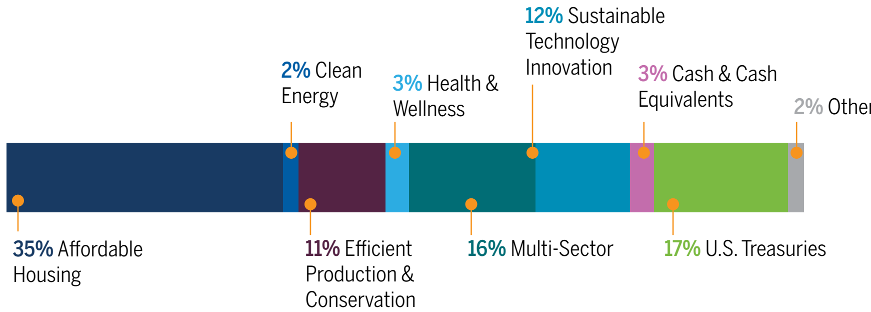
Finally, we seek to diversify the portfolio from a fundamental as well as an impact standpoint. As shown on page 8, the portfolio covered a range of traditional fixed income sectors as of the end of 2022—this allows us to avoid concentration risk (i.e., putting all our eggs in one basket) and helps us allocate capital strategically and tactically (i.e., using a dynamic approach to asset allocation based on our ongoing assessment of fixed income markets).

While our approach to sector allocation is based on financial considerations, it is also a source of impact diversity for the portfolio. Many mortgage bonds we consider support affordable housing, and we continue to see a number of mortgage pools focused on environmental efficiencies. Asset-backed securities let us look at specific collateral across multiple themes, such as agricultural equipment leases that help farmers improve yields, or consumer loan pools focused on lower- and middle-income borrowers. Corporate bonds can help companies meet climate transition targets; supranational entities often provide aid to address critical global sustainability challenges. In short, we find that our approach to diversification naturally expands the range of issuers we evaluate and the social or environmental issues reflected in the portfolio.

Portfolio information is based on a Brown Advisory Sustainable Core Fixed Income representative account.

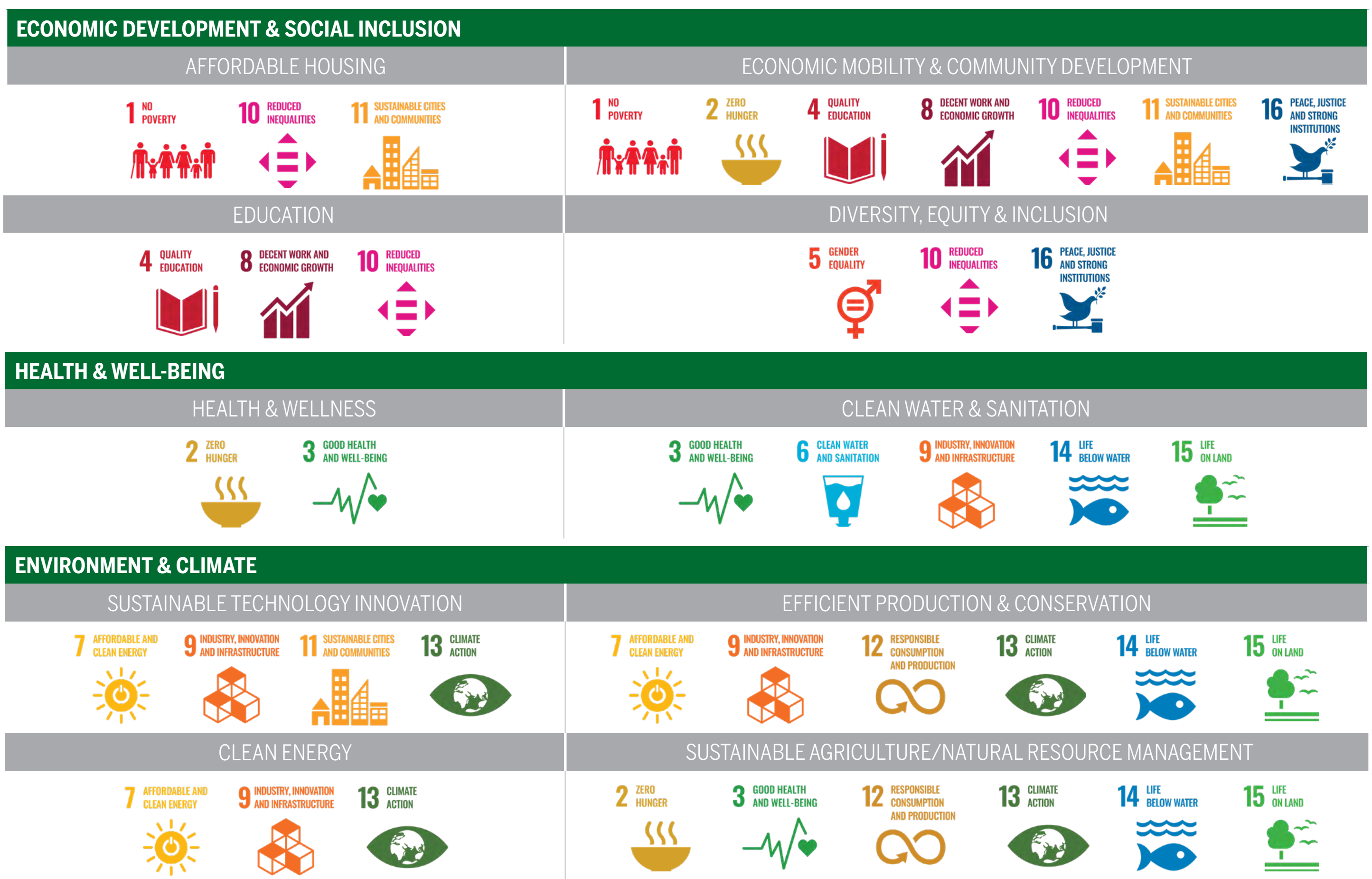
DIVERSIFICATION BY IMPACT THEME

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

The U.N. 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 these SDGs, as noted in the diagram below.



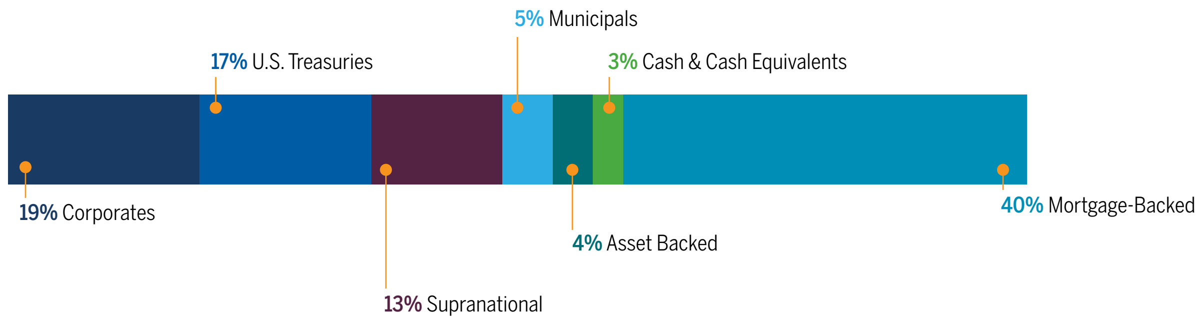
Source: United Nations, Brown Advisory analysis. Numbers may not total to 100% due to rounding. Impact themes with *de minimis* weightings are grouped together in the "other" category. Impact theme information is based on a Brown Advisory Sustainable Core Fixed Income representative account as of Dec. 31, 2022 and includes cash.

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 types of impact:

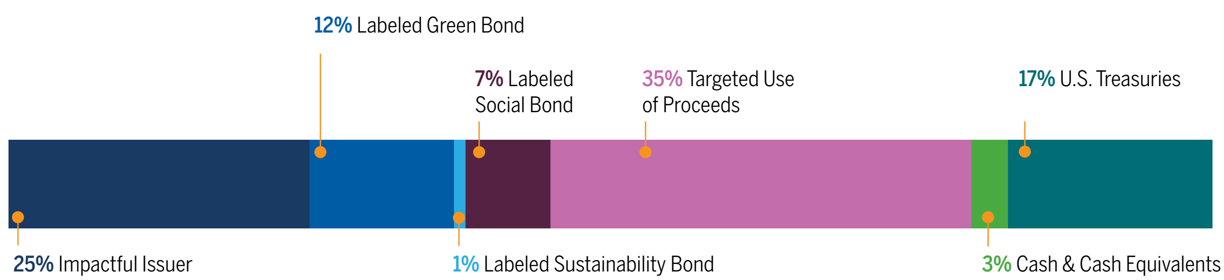
Corporate:	Companies that have embedded sustainability into core operations or offerings
Taxable Municipal:	State/local governments, hospitals, utilities, universities, etc. providing impactful services
Mortgage-Backed Securities:	MBS and CMBS focused on low-income homeowners, affordable multifamily 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 duration 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, 2022 and includes cash.

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.

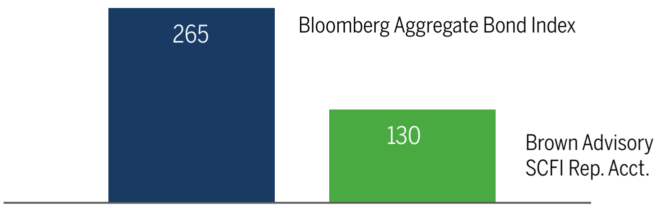
We seek to address climate change and decarbonization in several ways. We consider an issuer's overall carbon footprint as a part of our investment calculus, and we encourage issuers to make progress with setting and pursuing emission reduction targets. Further, we have worked for years alongside ICMA,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

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 Targets 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. 2022

Carbon emissions information is only available from the corporate issuers in the portfolio (representing about 19% 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.**



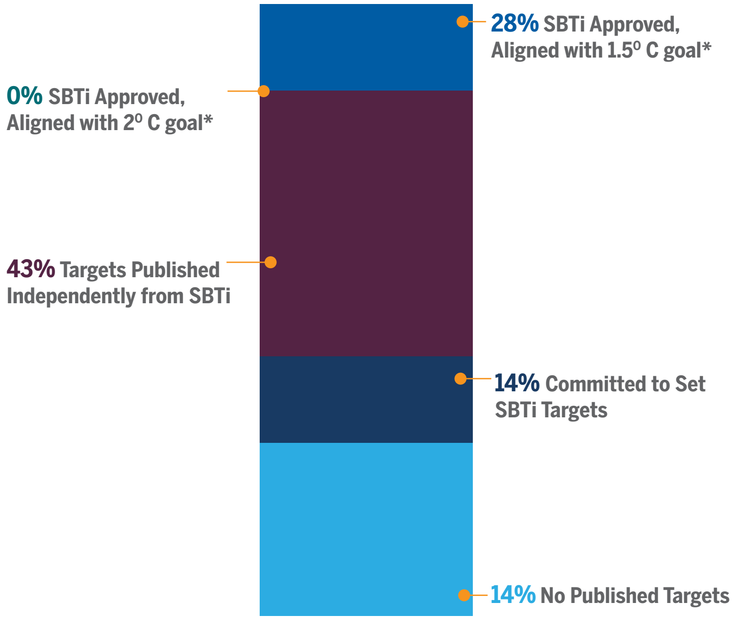
Weighted Average Carbon Intensity (Tons CO_2e/$M revenue of corporate sector portfolio holdings, adjusted based on relative weighting of each holding)

SCIENCE-BASED TARGETS INITIATIVE (SBTi) PROGRESS

CORPORATE BOND ALLOCATION ONLY, as of Dec. 31, 2022

The SBTi 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 issuers set public targets or submit them for SBTi approval, we seek to engage with them 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, 2022. We do not engage with every issuer or company, we engage only when we believe it will be material to our investment decisions. Portfolio information is based on a Brown Advisory Sustainable Core Fixed Income representative account as of Dec. 31, 2022.

Ford Motor Co. Green Bond

IMPACT SOURCE:
Labeled Green Bond

IMPACT THEME:
Sustainable Technology Innovation

SDG THEMES:

7 AFFORDABLE AND CLEAN ENERGY
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
11 SUSTAINABLE CITIES AND COMMUNITIES
13 CLIMATE ACTION

ISSUER SUMMARY

Ford is one of the world's oldest and largest automakers, and we believe that a fleetwide shift toward electric vehicles (EVs) at Ford would be an especially impactful opportunity in terms of reducing global emissions. Through 2026, the company plans to invest $50 billion in EVs, EV technology and charging infrastructure, and expects 50% of its global vehicle volume to be all-electric by 2030.

These investments include electrifying its most popular combustion-engine vehicles, and an $11.4 billion investment in battery and manufacturing plants alongside SK Innovation, Ford's primary supplier of batteries. A key component of this investment plan is the development of Ford's new BlueOval City megacampus in Tennessee, envisioned as a "sustainable automobile manufacturing ecosystem."

LABELED BOND PROCEEDS

Proceeds from the bond are eligible for investment in a variety of environmentally beneficial projects, but we expect all proceeds to be fully allocated toward development of Ford's EV fleet.

Council of Europe Social Inclusion Bond

IMPACT SOURCE:
Impactful Issuer

IMPACT THEME:
Multisector

SDG THEMES:

1 NO POVERTY
3 GOOD HEALTH AND WELL-BEING
4 QUALITY EDUCATION
10 REDUCED INEQUALITIES

ISSUER SUMMARY

The Council of Europe Development Bank (CEB) is a multilateral development bank with an exclusively social mandate. Its loans to member states in Western and Eastern Europe promote social cohesion by financing social investment and projects that serve vulnerable people including initiatives to integrate refugees, displaced persons and migrants.

In 2020, the bank ramped up issuance of Social Inclusion Bonds (SIBs), issuing a €1 billion COVID-19 Response Social Inclusion Bond as well as its first USD-based issue. In response to the impact of the pandemic, the bank expanded its Social Inclusion Bond Framework to include the health sector, as well as social housing, job creation, education and support to small and medium-sized businesses.

BOND PROCEEDS

In 2022, CEB issued a $1 billion social inclusion bond to support Ukrainian refugees seeking safety with proceeds funding social housing, education and health and social care provision in member states. It was the first multilateral development bank to disburse grants helping its members with the immediate needs of Ukrainian refugees.

HPE Financial

IMPACT SOURCE:	**IMPACT THEME:**
Targeted Use of Proceeds	Efficient Production and Conservation

SDG THEMES:

ISSUER SUMMARY

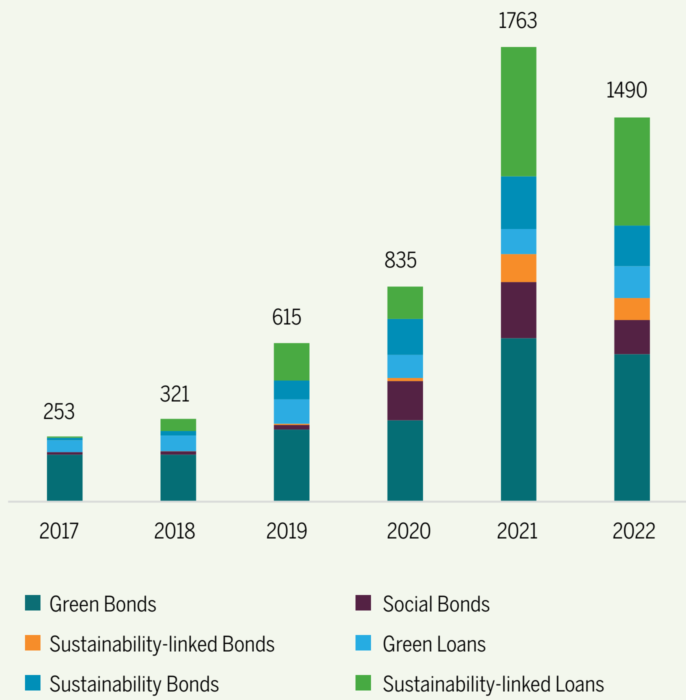
As a significant recycler and refurbisher of IT equipment, HPE Financial's services inherently reduce electronic waste, or e-waste. In 2021, 57 million tons of e-waste was generated, much of it loaded with toxic materials, and only 17% of that waste was recycled, according to the Geneva Environment Network. In our view, HPE's ability to extend the lifecycle of used technology provides a highly necessary service. The company reports that its Technology Renewal Centers are able to upcycle 93% of servers and 95% of laptops and return these products to active use. These services also support its clients' sustainability initiatives and emissions disclosures, contributing to sustainability in the broader economy.

This asset-backed security (ABS) deal was secured by IT infrastructure equipment that was loaned or leased to businesses; at the end of these leases, HPE seeks to repurchase and upcycle the used technology before reselling it. We believe HPE's services add value for both its customers and the company itself. Services benefit clients as HPE manages all end-to-end logistics, maintains security throughout sensitive data cleansing, and supports its clients as they calculate the emissions reductions achieved through HPE's services. The upcycling efforts also add value to the company by extending the productive life of equipment, delivering profits to HPE Financial and reducing the consumption of natural resources over time.

LABELED BOND MARKET: *2022 UPDATE*

Annual issuance declined somewhat in this space in 2022, a first for the labeled debt market. Cumulative outstanding issuance exceeded ***$5.5 trillion*** at the end of 2022.

Labeled Debt Issuance, 2017-2022



Source: Bloomberg New Energy Finance

Total issuance in the labeled debt space fell 15% in 2022 to $1.49 trillion. The decline was the first for this nascent segment of the bond market since its inception in 2007, after several years of eye-popping growth. Issuance declined in every category except for green loans.

Several headwinds likely contributed to this result, such as higher borrowing costs, confusion on regulations and reporting requirements, reduced relief spending to address COVID-19, and heightened skepticism from investors about newer labeled-bond concepts (especially sustainability-linked bonds).

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. We do not engage with every issuer or company, but do so when we believe engagement will be material to our investment decisions.

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.

We do not engage with every company or issuer. We engage only when we believe engagement will be material to our investment decision making.

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. In 2022, our long-term partnership with CDP continued, through a variety of ongoing and new initiatives related to improving disclosure of emissions data, and with ICMA in its mission of social innovation within the fixed income market. The team's involvement with PRI has also deepened, with Amy Hauter joining PRI's credit risk and ratings initiative.

ISSUE PRIORITIES

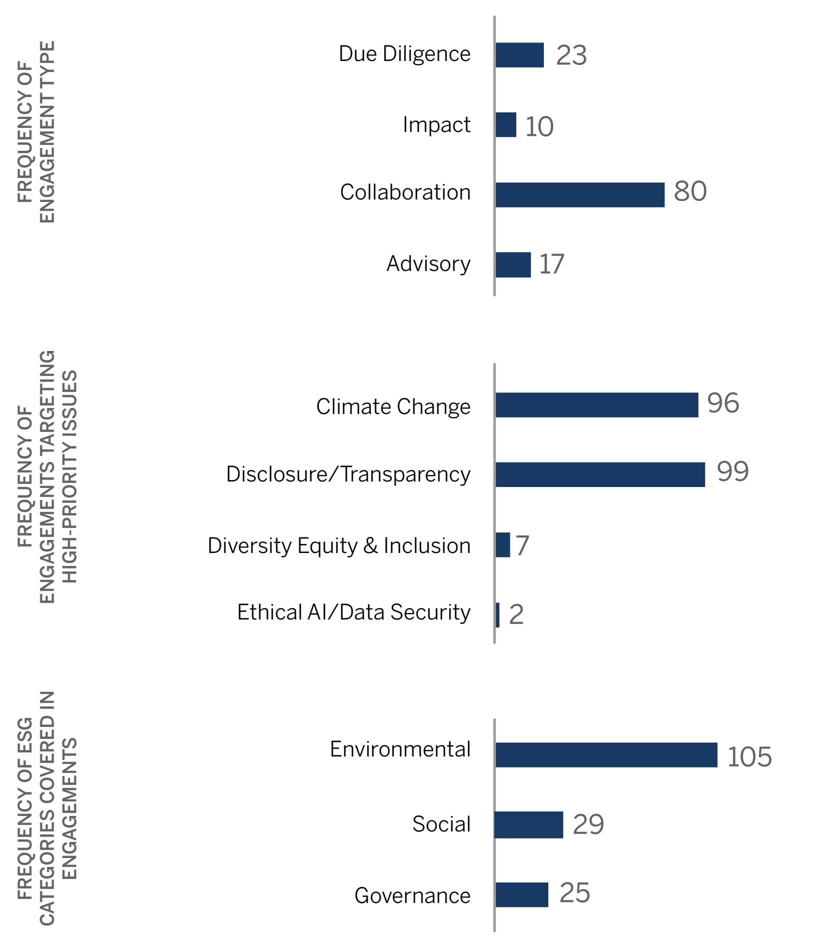
Our engagements generally flow from our overall "bottom-up" orientation to investing—we seek to engage with each issuer on the specific risks and opportunities that we consider to be most relevant and material in each situation. However, Brown Advisory also strives to engage strategically on a common 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 progress on the issue.

In 2022, the firm's four high-priority ESG engagement topics were **climate change, disclosure/transparency, diversity, equity & inclusion**, and **ethical AI/data security.**

Additionally, we note that in 2022, we heavily oriented our engagement activity toward collaborative initiatives (80 out of a total 117 engagements in 2022). Within the corporate market, as highlighted in some of the case studies that follow, we worked with a variety of issuers and underwriters about ESG matters in some of the harder-to-abate sectors (e.g., aviation) or complex sectors (e.g., banks).

2022 ENGAGEMENT ACTIVITY BY THE NUMBERS



117 engagements in 2022 with issuers of bonds held in our Sustainable Core, Tax-Exempt Sustainable, Global Sustainable Total Return Bond and Sustainable Short Duration strategies (and relevant stakeholders)

ENGAGEMENT TARGET:
Sectors with Meaningful Decarbonization Challenges

ENGAGEMENT GOAL:
Work with these companies to encourage integration of ESG into their bond structures

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

We believe sustainably focused investors can play a meaningful role in financing decarbonization efforts within "hard-to-decarbonize" sectors (which range from energy to aviation to banking). We met with a variety of issuers and other investors in 2022, to discuss preferred options for financing climate transitions, and how ESG can be integrated into credit rating assessments for these sectors. Examples:

- Through PRI's Credit Risk and Ratings initiative, we joined leading banks, ratings agencies and investment firms to discuss how credit ratings can and should evolve to reflect ESG risks. This conversation was specifically focused on the banking sector. While this discussion was mostly informational, it helped us enhance some of our own approaches to evaluating banks and other financial firms.
- A major global lender asked for our view on green bonds issued by oil and gas companies to finance renewable energy projects. Our stance, which we communicated, is that such bonds are of interest in theory, but they would have to be a part of an issuer's broader plan to fully decarbonize their business. This lender has sought our perspectives on sustainable fixed income on an ongoing basis, and we feel strongly that this kind of pragmatic communication is key for encouraging further adoption of ESG principles across fixed income markets.

Portfolio information is based on a Brown Advisory Sustainable Core Fixed Income representative account as of Dec. 31, 2022. We do not engage with every issuer or company, we engage only when we believe it will be material to our investment decisions.

ENGAGEMENT TARGET:
Municipal bond issuers and underwriters

ENGAGEMENT GOAL:
Increase ESG disclosure in the municipal bond market

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

ESG disclosure in the municipal sector has lagged that of other bond sectors. Through several different working groups and engagements this year, we sought to encourage better disclosures by issuers and to encourage better regulatory frameworks and guidelines. Examples of engagements during 2022:

- We collaborated with CDP in various ways to encourage municipal issuers to begin disclosing climate risks to CDP (through, for example, CDP's 2022 Municipal Non-Disclosure Campaign), and to hopefully educate said issuers on labeled bond issuance. (Fifty-five municipal issuers within Brown Advisory's fixed income holdings disclosed to CDP during the 2022 reporting cycle.)
- We joined a California utility CFO and a public utility investment banker on a conference panel to broadly discuss the process of issuers disclosing ESG risks to investors. We explained what we look for as investors, and suggested specific metrics (e.g., scope-specific emissions reporting, incident and fatality rate reporting, disclosure of regulatory noncompliance) we consider important.
- We participated in a working group that responded to the Municipal Securities Rulemaking Board (MSRB) when it requested information on "Environmental, Social, and Governance Practices in the Municipal Securities Market," offering similar perspectives to those mentioned above. We are eager for any opportunity like this to help shape how disclosure may evolve in our industry.

ENGAGEMENT ISSUE:
Major Government-Sponsored Enterprise (GSE)

ENGAGEMENT GOAL:
Discuss and offer recommendations on GSE's labeled bond program

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

Through a robust, ongoing relationship with this U.S.-based organization, we connect several times per year for general discussion about its labeled bond program and how it might evolve. In 2022, the GSE asked for our perspectives on some proposed changes in its disclosure approach, all aimed at conveying ESG information more transparently to investors.

We provided our thoughts on the GSE's current approach, including the data and features of its disclosures that we consider most valuable. We then offered suggestions on how to make information more accessible and understandable for a broad range of investors. Through engagements like this, we believe Brown Advisory and other managers are playing an important role in shaping the labeled bond market over time.

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2021 PRI ASSESSMENT RECAP

Brown Advisory has been a signatory to the PRI (Principles for Responsible Investment) since 2014. Each year, we complete a rigorous disclosure of our sustainable investing practices as part of our obligation as a signatory, and PRI in turn provides an evaluation of our practices and rates us relative to our peers in a variety of categories.

We are pleased to share the PRI's 2021 assessment of Brown Advisory's sustainable investing practices; our scorecard is provided below.

Key takeaways:

- After a long delay (results from the 2021 reporting cycle were just released in September 2022), PRI has overhauled its scoring system to help address the "grade inflation" that had occurred in the program over the years. As noted below, scores are now provided in a bell-curve driven "star" system rather than with letter grades. Notably, numerical scoring results for each advisor, versus the industry as a whole, provide a more helpful view of an asset manager's relative strength versus peers.
- Broadly, we feel that our scores reflect our firm's broad-based efforts to adopt sustainable investing principles across all aspects of our business. While we hope to earn more 5-star ratings over time, we expect to have fewer of them currently, simply due to the fact that Brown Advisory has a broad mix of clients, some of whom do not currently pursue sustainable investing. Also, since this disclosure was filed in early 2021, we have done meaningful work in areas such as proxy voting, climate strategy and fixed income ESG research, which we believe may bolster our ratings going forward in a variety of categories.

Module Name	Brown Advisory 2021 Score	Brown Advisory Percentile Score	Industry Average
Investment & Stewardship Policy	★★★★	68	60
Indirect – Manager Selecting, Appointing & Monitoring			
Listed Equity - Passive	★★★★	81	57
Listed Equity – Active	★★★★	82	67
Fixed Income – Passive	★★★★	79	43
Fixed Income – Active	★★★★	80	57
Private Equity	★★★★	76	63
Real Estate	★★★★	76	62
Infrastructure	★★★★	75	71
Hedge Funds	★★★★★	92	34
Direct & Active Ownership Modules			
Listed Equity – Active Fundamental - Incorporation	★★★★	79	71
Listed Equity – Active Fundamental - Voting	★★★★	70	54
Listed Equity – Investment Trusts - Voting	★★★★	70	60
Listed Equity – Passive Voting	★★★	57	57
Fixed Income – SSA (Government Issued)	★★★★	85	50
Fixed Income – Corporate	★★★★	84	62
Fixed Income – Securitized	★★★★	86	55

Source: UNPRI. Signatories report on their responsible investment activities by responding to asset-specific modules in the Reporting Framework. Each module houses a variety of indicators that address specific topics of responsible investment. Signatories' answers are then assessed and results are compiled into an Assessment Report. Please see the end of this presentation for important disclosures.