

2020 **IMPACT REPORT**

GLOBAL LEADERS STRATEGY



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LETTER OF INTRODUCTION FROM THE PORTFOLIO MANAGERS

We are pleased to introduce our new Impact Report which reflects our activity and progress throughout 2020.

The report reviews how we seek to use ESG research in our investment process, and how we seek companies with what we call Sustainable Business Advantage drivers (“SBA drivers”) and strong ESG risk management. It also discusses the environmental and social benefits that we believe are being created by our portfolio companies, looks at how we engage with our portfolio companies and reviews our involvement with the broader sustainable investing community.

The Global Leaders and Global Leaders Sustainable strategies were both classified as Article 8 under the new EU Sustainable Finance Disclosure Regulation that came into effect in March 2021. Despite all the disruption throughout 2020, it was pleasing to witness increasing adoption of environmental, social and governance (ESG) considerations by investors around the world.

We are deeply committed to sustainable investing, with the goal first and foremost of seeking investments that can generate attractive investment returns, whilst aligning their investments with their values. We focus on sustainable investing because we believe that it represents good business sense that goes hand in hand with value creation.

Our investment philosophy starts with the most important person in any business: the customer. We want to invest in companies which can create attractive long-term value for their customers. We believe it is impossible for a company to deliver an enduring positive outcome unless also contributing to a healthy society and environment in which its customers, employees and ultimately its own business can thrive. As we see it, the longer an investor’s time horizon, the more ESG should matter to them.

We seek to embed sustainable thinking into our research—on “offense” through sustainable opportunity assessments that are embedded in the SBA business driver framework we adopted and on “defense” through ESG risk assessments. The ESG research team helped us formulate and codify our thinking about SBA drivers, and through these sustainable opportunity assessments we seek to identify SBA drivers with materiality and meaningful differentiation from peers that can drive excess economic value. ESG research is an essential part of our investment strategy. We believe it helps us make intelligent choices about investments, and guides our engagements with company management on important topics that may impact their long-term prospects.

If you are interested to learn more about how we incorporate SBA drivers, we recommend listening to our [conversation with Unilever CEO, Alan Jope](#), recorded in November 2020 as part of our Navigating Our World podcast. The conversation highlighted how we believe SBA drivers match up with the values and purpose on display at Unilever.

We want to thank our ESG research team for helping develop these reports and informing our work in general. The team works tirelessly to help ensure that our investment decisions are informed by robust ESG information that may affect each company’s prospects. Most importantly, we are deeply grateful to our clients, who trust us as stewards of their capital and serve as our partners as we learn, innovate and improve over time.

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

Sincerely,

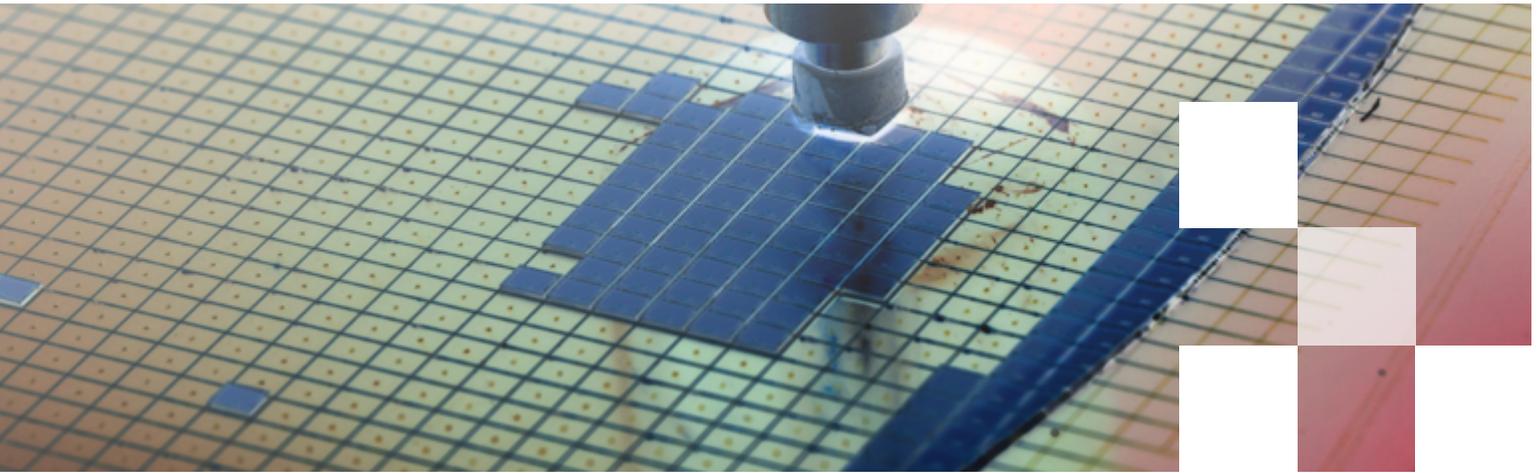


Mick Dillon, CFA
Portfolio Manager



Bertie Thomson, CFA
Portfolio Manager

THE STRATEGY'S INVESTMENT PHILOSOPHY AND PROCESS



INVESTMENT PHILOSOPHY & RESEARCH APPROACH

We are long-term investors, and in our management of the Global Leaders strategy, we focus intently on companies that we believe create attractive customer outcomes that can drive long-term value creation. Unfortunately, capitalism can create an unbridled fixation on profits, and on short-term profits in particular. Companies and investors with a short-term mindset can often ignore ESG issues and create meaningful business risks. We do not believe it is possible for a company to create value over the long term if poor governance leads to damaging the environment or society. We seek to avoid companies that harm their customers; for example, we have never invested in tobacco companies, despite the fact that the addictive nature of nicotine has fostered powerful economic engines in many cases. Over the very long term, we believe tobacco companies will shrink out of existence as they continue to harm their customers.

ESG research can also help uncover competitive differentiation. We look for companies that use sustainability, typically environmental or social, in a positive way to compound a competitive advantage. We call this the “triple win”: customers can win through a great product or service serving their needs, the shareholder can win through attractive economics and the environment or society at large can also benefit. We seek companies with Sustainable Business Advantage drivers (SBA drivers) that help drive material value for customers and meaningful differentiation vs. peers, as well as strong ESG risk management. Specifically, we look for SBA drivers that can potentially improve a company’s performance over time by (1) growing revenues faster, (2) reducing cost and hence improving margin structure, and (3) enhancing franchise value (such as brand strength or customer loyalty).

The purpose of this report is to provide transparency on ESG inputs and outcomes generated by our portfolio companies and investment philosophy. We are mindful of the way companies may be playing offense through our investigation of their potential SBA drivers, and how they are playing defense through our assessment of their ESG risk management. Our ESG team uses its own proprietary ratings methodology for both SBA drivers and ESG risks, which helps our entire investment platform stay focused on the information and data that, we believe, can lead to better

insights for investment decision-making. We see this as a maturation of sustainable investing toward a more holistic and intelligent conception of positive capitalism.

ESG POLICY & INVESTMENT PROCESS

The strategy seeks long-term outperformance vs. its benchmark, the FTSE All-World Net Index. Conventional wisdom has long held that doing good in the world and doing well in the market are at odds with each other, but we have found our integrated approach to investing, in which we consider fundamental and ESG criteria within a single research process can enhance our returns by helping to steer us to responsible, innovative and forward-thinking companies.

Global Leaders seeks to leverage Brown Advisory’s expanding ESG research capabilities in an effort to 1) avoid exposure to companies with what we view as unacceptable ESG risks, 2) seek companies that we believe have robust sustainability profiles, or that are actively building or evolving their business toward sustainable products and practices, and 3) supplement our research with active engagement, in the form of ESG dialogue with the companies in our portfolio.

Our Global Leaders portfolio has sought to avoid exposure in companies whose core business involves what we view as controversial activities, such as tobacco, fossil fuels, controversial weapons, civilian firearms and adult entertainment, as well as companies that violate the U.N. Global Compact. Such companies conflict with our philosophy of seeking to invest in companies that create attractive, long-term customer outcomes.

Given our philosophy, the Global Leaders portfolio has not felt the need to employ negative screens. Nonetheless, to satisfy some new clients’ requirements, we launched a Global Leaders Sustainable strategy in 2019. In this strategy, we run negative screens in an effort to formally enforce portfolio exclusions that are commonly requested by clients. Just as we seek attractive customer outcomes in our investments, we are happy to work with clients to help solve their customer needs too.

GLOBAL LEADERS ESG GUIDELINES

Our ESG guidelines, supported by our ESG research team in collaboration with the portfolio managers, focus on four key principles that help drive our application of ESG research to our investment decisions.

ESG Assessments Based on In-House Primary Research

- Seek to conduct ESG assessments on 100% of holdings and pipeline names
- Collaboration between ESG research and fundamental research teams to help enhance overall due diligence
- Devote time and energy to proprietary ESG research; we do not solely rely on third-party ratings and rankings

Seek to Avoid Companies that May Have Large ESG Risks, or Poor ESG Risk Management

- Portfolio seeks to invest in companies with strong or improving ESG risk management profiles
- Conduct research in an effort to better understand the risk management capacity of companies, with the goal of assessing whether delivery of desired customer outcomes may improve over time

Seek Companies with Positive Sustainable Opportunities

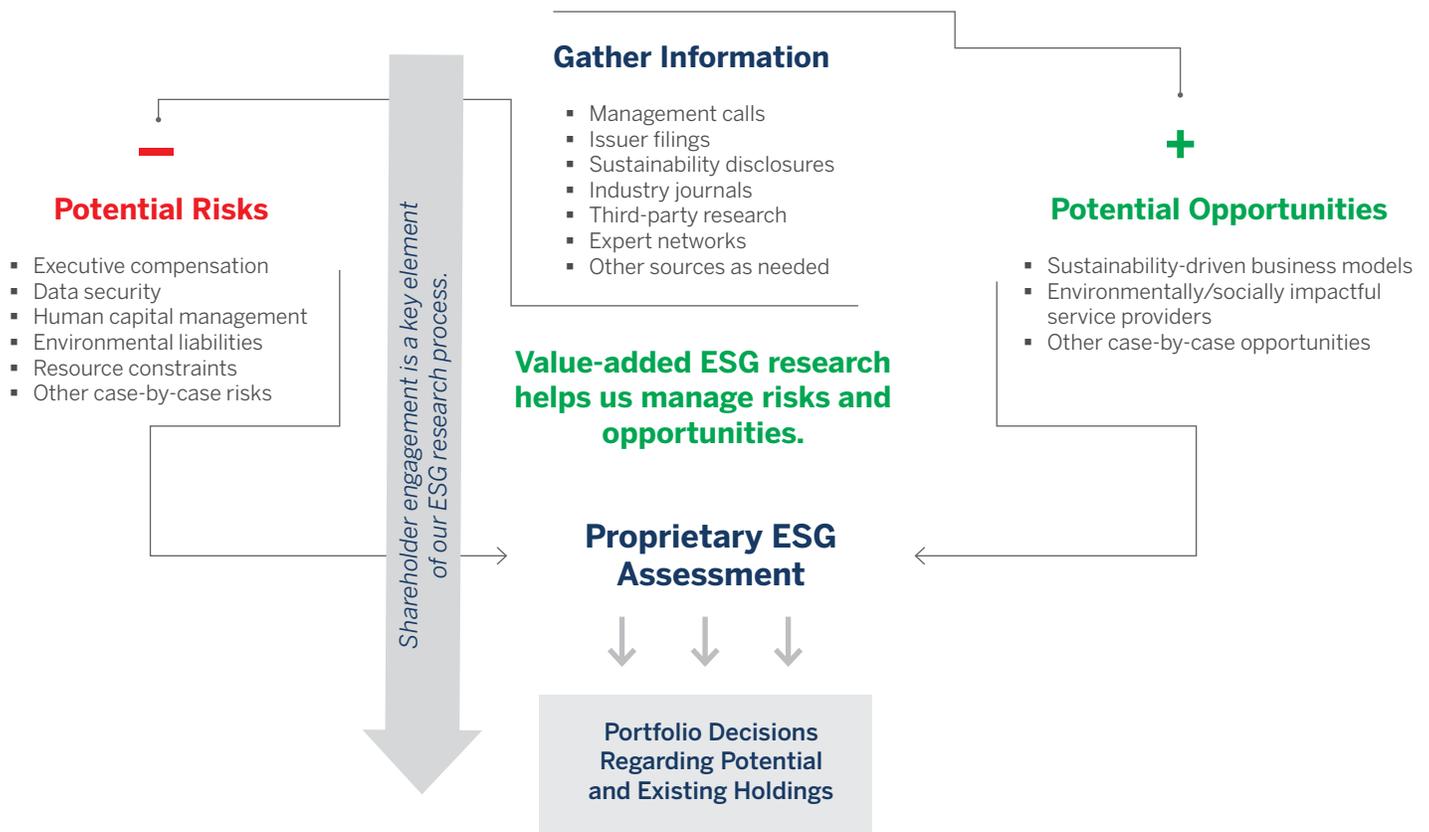
- Sustainable Business Advantage Drivers (revenue growth, cost improvements, and enhanced franchise value) are a factor in candidate evaluation
- Seek exposure to a diverse mix of sustainable opportunities

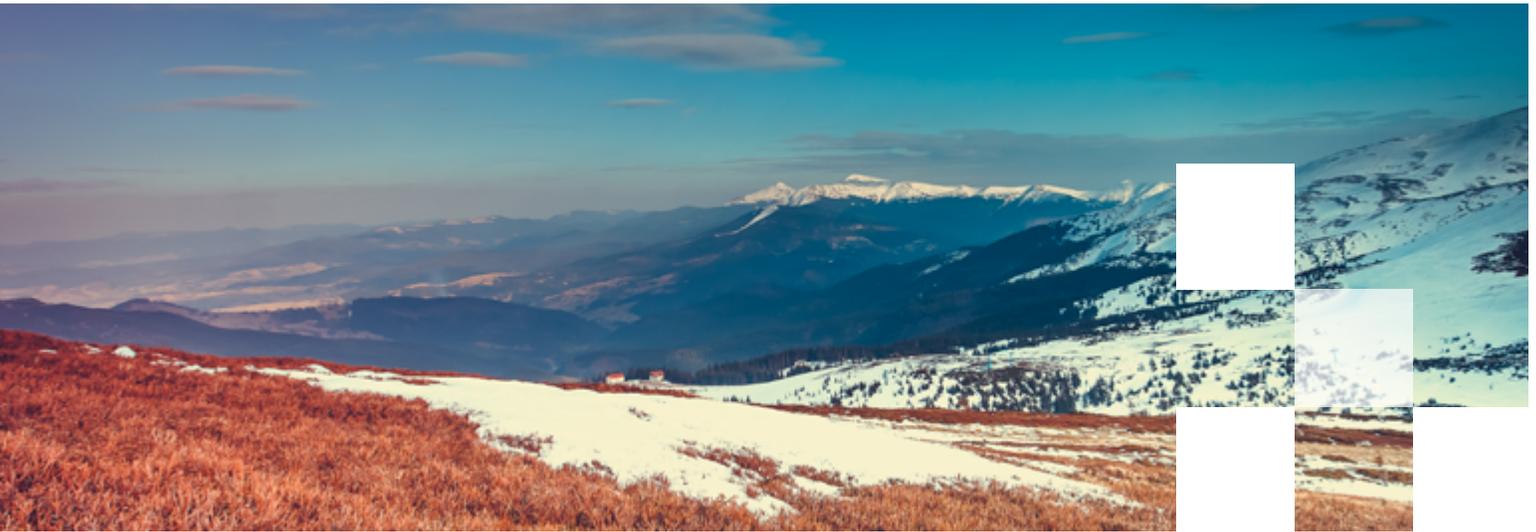
Seek to Actively Engage with Portfolio Companies on ESG Topics

- Seek to initiate ESG engagement with the majority of portfolio companies
- Pursue deeper, outcome-oriented engagements with several companies per year
- Look for opportunities to collaborate with industry stakeholders, to help raise visibility on salient ESG issues

OUR ESG RESEARCH APPROACH

Our ESG research team seeks to conduct deep due diligence using a combination of primary research and third-party data sources, in an effort to understand the sustainable risks and opportunities associated with a given investment. The process culminates with formal assessments that are leveraged for portfolio decisions as well as engagement dialogue with companies and other stakeholders when necessary or applicable. We believe that our process provides portfolio managers with a broader and deeper set of positive and negative factors to weigh when deciding to buy, sell or hold an investment.





Our search for fundamentally strong companies with robust sustainable opportunities and effective ESG risk management can lead us to compelling investing ideas that span a wide range of business models and industry opportunities. Our portfolio can also be tagged to Brown Advisory's proprietary impact themes, from energy and resource efficiency to economic and community development.

We think it is important to acknowledge that the companies in our universe are collectively responsible for a meaningful proportion of the world's economic activity—and the impact, both positive and negative, that stems from that activity. Manufacturers use resources, industrial activity produces waste—there is no avoiding these facts. Our experience tells us that there are vast differences between the companies that are trying to build a long-term future and those that are not. We believe that by investing in the former, we can build a portfolio that drives both attractive returns and positive outcomes for the customer of today and tomorrow.

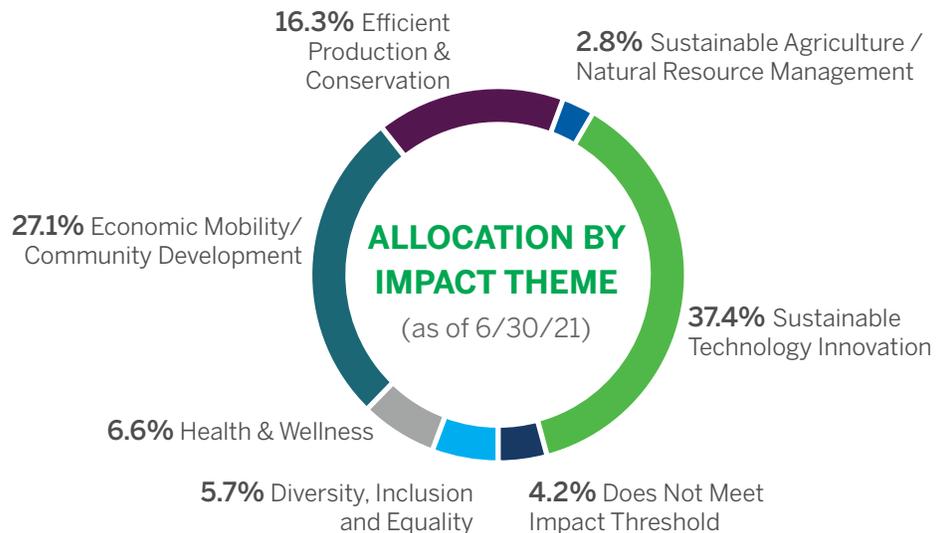
DIVERSIFICATION BY IMPACT THEME

Breaking the portfolio out by different impact themes created by our ESG research team helps illustrate the variety of challenges and opportunities that our holdings are trying to address. As shown on page 7, we look at impact using a fairly straightforward segmentation into three main categories—environment, health and well-being, and economic development/social inclusion—each with several subcategories.

Categorizing each company's impact is not an exact science. Our research is based on both objective data and subjective analysis, and companies may produce impact on multiple fronts. As noted in the chart on page 7, we are invested in a small number of companies that we believe are generally managing their ESG risks well but do not in our estimation qualify as generators of positive impact. In each of these cases, we look for opportunities to engage with these companies and encourage them, among other things, to consider opportunities that can improve environmental or social outcomes and enhance the outcomes they produce for customers at the same time.

DIVERSIFICATION BY IMPACT THEME

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



EXPOSURE/IMPACT ON THE U.N. SUSTAINABLE DEVELOPMENT GOALS (SDGs)

The [Sustainable Development Goals](#) were established in 2015 by the United Nations General Assembly, as a “blueprint to achieve a better and more sustainable future for all.”

The SDGs, as they are known, have become a common framework for categorizing projects and investments that seek to generate positive societal impact.

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

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

Source: UN Dep’t. of Economic and Social Affairs, Brown Advisory analysis. Numbers may not total to 100% due to rounding. Portfolio weighting data excludes cash and equivalents. Impact theme information is based on a Brown Advisory Global Leaders representative account and provided as supplemental information. Please see the last page of the report for a GIPS compliant presentation.

Economic Development & Social Inclusion

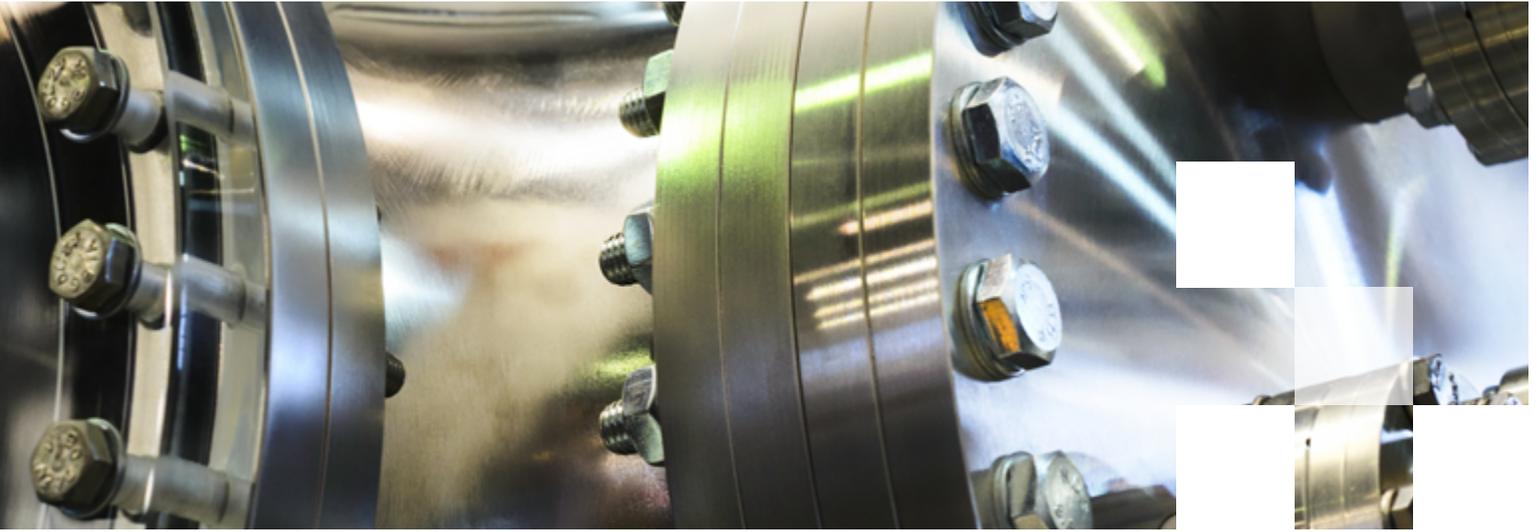
Affordable housing	1, 10, 11
Economic mobility & community development	1, 2, 4, 8, 10, 11, 16
Education	4, 8, 10
Diversity, inclusion, equality	5, 10, 16

Health & Well-Being

Health & wellness	2, 3
Clean water & sanitation	3, 6, 9, 14, 15

Environment

Sustainable technology innovation	7, 9, 11, 13
Efficient production & conservation	7, 9, 12, 13, 14, 15
Clean energy	7, 9, 13
Sustainable agriculture/natural resource management	2, 3, 12, 13, 14, 15



A growing number of independent research and advocacy organizations are creating rating and ranking systems in an effort to compare the sustainable merits of public companies, and, by extension, the portfolios managed by investment firms who hold themselves out as sustainable investors.

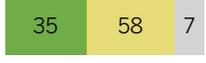
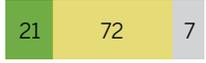
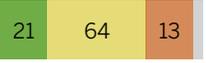
We value the information we receive from various ESG research houses, but we do not rely solely on the ratings they provide to gauge an investment's sustainable merits and risks. Each rating/ranking scheme measures something different, and furthermore, we believe most ESG data sets are incomplete due to variability and lack of comparability across voluntary company disclosures.

We have developed our own proprietary rating system for companies we own or that we are considering for our portfolios. This scoring system evolved from our ESG research team's work, and the criteria the system

uses are rooted specifically in the ESG risk and opportunity metrics the team has used for years to evaluate companies. Many third-party rating systems are based on historical data; our ratings, in contrast, seek to emphasize a forward-looking perspective that helps keep the focus on the future prospects of a firm's sustainable initiatives and the competitiveness of its products/services. We use our ratings to parse ESG information and to aid communication amongst our team members when comparing companies against each other.

Similarly, we would caution against heavily relying on rating systems to assess the merits of an investment portfolio. That being said, we want to provide this information to clients and other observers who are interested in it. On the next page, we provide an objective view of our portfolio based on third-party data, as well as a broader evaluation of Brown Advisory's sustainable investment practices.

THIRD-PARTY PERSPECTIVE: MSCI PORTFOLIO METRICS AS OF DEC. 31, 2020

Criteria	Global Leaders Strategy	Benchmark (FTSE All-World Net Index)	Notes
Overall ESG Rating	AA	A	Measures the resilience of a portfolio's holdings to long-term ESG risks, on a scale of AAA (strong leader) to CCC (laggard).
ESG Quality Score	8.2	6.2	A more granular version of the ESG Rating, on a scale of 0 (lowest) to 10 (highest). Based on the weighted average of individual holding scores.
ESG Ratings Distribution (%) (Leaders/Avg./Laggards/Not Rated)			Percentage of portfolio assets invested in companies with "green" (minimal), "yellow" (moderate) and "orange" (severe) controversy scores.
ESG Momentum Distribution (%) (Upward/Stable/Downward/Not Rated)			Percentage of portfolio and/or benchmark invested in companies that MSCI sees as improving, stable or deteriorating with respect to ESG risks and risk management.
Carbon Emissions	3.3	89.7	Tons of CO2 equivalent emissions, per \$1mm invested in the portfolio. Normalized measure of carbon footprint of an investment.
Carbon Intensity	22.8	199.6	Tons of CO2 equivalent emissions, per \$1mm in company revenue generated by portfolio companies. Measures carbon efficiency per unit of output.
Weighted Average Carbon Intensity	28.8	150.5	Carbon intensity, adjusted for relative portfolio weighting. Measures exposure to carbon-intensive companies.

Source: MSCI. Data reflects portfolio holdings as of December 31, 2020. Portfolio information is based on a Brown Advisory Global Leaders representative account and provided as supplemental information. Please see the last page of the report for a GIPS compliant presentation.

2020 PRI ASSESSMENT

Brown Advisory has been a signatory to the PRI (Principles for Responsible Investment) since 2014; PRI is a global network of investors representing more than \$121 trillion as of Dec. 31, 2020. Each year, PRI signatories complete a rigorous disclosure of sustainable investing practices; these disclosures, and the assessments of those disclosures by PRI's evaluation staff, are widely followed by investment decision makers.

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

We also received the highest attainable score in the area of engagement ("Listed Equity - Active Ownership"). In 2019, our only "B" grade was in this category, and feedback from PRI was helpful as we focused on enhancing our engagement and proxy voting processes (for more information, see our Engagement and Proxy Voting policies and 2020 reports on our website). We continued to engage actively with companies in 2020 as we have for many years.

Our full 2020 PRI Transparency Report: [https://stpublic.blob.core.windows.net/pri-ra/2020/Investor/Public-TR/\(Merged\) Public Transparency Report Brown%20Advisory 2020.pdf](https://stpublic.blob.core.windows.net/pri-ra/2020/Investor/Public-TR/(Merged) Public Transparency Report Brown%20Advisory 2020.pdf).

Module Name	Our 2020 Score
01. Strategy & Governance	A+
Indirect - Manager Sel., App. & Mon	
02. Listed Equity	A
03. Fixed Income - SSA	A
04. Fixed Income - Corporate Financial	A
05. Fixed Income - Corporate Non-Financial	A
06. Fixed Income - Securitized	A
07. Private Equity	A
Direct & Active Ownership Modules	
10. Listed Equity - Incorporation	A
11. Listed Equity - Active Ownership	A+
12. Fixed Income - SSA	A
13. Fixed Income - Corporate Financial	A
14. Fixed Income - Corporate Non-Financial	A
15. Fixed Income - Securitized	A

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

IMPACT CASE STUDIES FROM THE PORTFOLIO

Atlas Copco

SECTOR: Industrials	IMPACT THEME: Sustainable Tech Innovation	SBA DRIVERS: Revenue Growth
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Atlas Copco has a technology leadership position in the development of energy-efficient air compressors and vacuum pumps. For customers who use air compressors from Atlas or competitors, energy used by those compressors generally represents more than 75-80% of the total cost of ownership. Atlas' flagship variable speed drive compressor is 35% more energy efficient than industry average, and management believes that the company's entire compressor fleet averages approximately 20% higher energy efficiency than rivals, a customer value proposition that gives the company, in our view, an attractive revenue growth SBA driver.

The company has set a goal for all new and redesigned products to have clear targets for reduced environmental impact by 2021. The company previously set a target for 95% of its waste to be reused, recovered or recycled (it reached 94% in 2016). Further, it has a target of sourcing 41% of its total operations energy from renewable sources; in 2018, 34% of energy used in production came from renewable sources, and energy use decreased by 8% in relation to cost of sales.

37% of Atlas' workforce is covered by collective bargaining agreements, and the board includes two union representatives. Atlas' CEO and chairperson roles are split, and of the board's nine members, eight are independent from management and six are independent from major shareholders. In our view, Atlas has a transparent and coherent board nomination process, and we believe that the company is a responsible actor when it comes to governance and labor treatment.

35%

Energy efficiency advantage of Atlas' flagship variable speed drive air compressor vs. its competitors.

Autodesk

SECTOR: Information Technology	IMPACT THEME: Sustainable Tech Innovation	SBA DRIVERS: Revenue Growth, Enhanced Franchise Value
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Autodesk enables its customers to design, visualize and simulate buildings and products in a more energy and resource-efficient manner.

Addressing climate change while meeting the needs of a growing and urbanizing global population is a huge design challenge. The architecture, engineering, construction, and manufacturing sectors account for a massive proportion of the world's carbon emissions. According to McKinsey, construction sites are made up of 30% waste during the execution phase, and 80% of a product's environmental impact is determined by decisions during the design phase.

We believe that Autodesk's solutions are well-tuned to address the challenge of sustainable design. The company has long been a leader in 3D-enabled design/modeling software, which is essential for architects and designers seeking to build sustainability into their designs. For example, with a 3D model of a building, such as those produced with Autodesk's Building Information Modeling (BIM) solutions, architects can model how much energy it takes to heat/cool the building, the effect of natural lighting, and other sustainability factors; a flat drawing does not allow for this. Similarly, its product design and manufacturing solutions help customers reduce product material use, improve energy efficiency of end products, and manage factory processes.

75%

Percentage of Autodesk customers that require sustainability design features in their modeling software, according to an Autodesk/Deloitte study.

Source: UN Dep't. of Economic and Social Affairs (for SDG logos), Brown Advisory research, Atlas Copco and Autodesk. Industries identified for each company are based on the GICS sector classification system. The information provided in this material is not intended to be and should not be considered to be a recommendation or suggestion to engage in or refrain from a particular course of action or to make or hold a particular investment or pursue a particular investment strategy, including whether or not to buy, sell, or hold any of the securities mentioned. It should not be assumed that investments in such securities have been or will be profitable. To the extent specific securities are mentioned, they have been selected by the author on an objective basis to illustrate views expressed in the commentary and do not represent all of the securities purchased, sold or recommended for advisory clients. Portfolio information is based on a Brown Advisory Global Leaders representative account and provided as supplemental information. Please see the last page of the report for a GIPS compliant presentation.

Ecolab

PT Bank Rakyat Indonesia

SECTOR:

Industrials

IMPACT THEME:

Clean Water and Sanitation

SBA DRIVERS:

Revenue Growth

SECTOR:

Financial Services

IMPACT THEME:

Econ. Mobility & Comm. Dev.

SBA DRIVERS:

Revenue Growth



Ecolab views sustainability as core to its business strategy. The company delivers a comprehensive set of water, hygiene, and energy technologies and services to help companies minimize environmental and social impacts while increasing their bottom lines. In 2020, Ecolab helped customers conserve more than 206 billion gallons of water, avoid 3.5 metric tonnes of greenhouse gas emissions, and prevent more than 7.6 million food borne illnesses.

We believe that Ecolab's solutions also create sustainable value in less obvious ways. For example, its Hand Hygiene Compliance Monitoring System seeks to increase hand hygiene in patient settings using digital solutions. Hand hygiene is a critical issue; one in 31 patients in the U.S. have a hospital-acquired infection (HAI), and HAIs cause approximately 75,000 deaths in the U.S. each year, according to the CDC. Ecolab's program has been successful in reducing HAIs in patient settings, leading to millions of dollars in savings (as well as increased opportunity for revenue by freeing up patient beds).

Leveraging its own expertise and technologies, Ecolab continues to improve upon its own operations, resulting in cost improvements associated with increased energy and water efficiencies. By 2030, Ecolab aims to conserve 300 billion gallons of water annually by reducing water consumption both with its own and its customers' operations—the equivalent of drinking water for 1 billion people.

Bank Rakyat (BRI) leads the market in serving Micro, Small, and Medium Enterprises (MSMEs) in Indonesia, thus playing a key economic role for underserved populations. At the end of 2020 it had a 65% market share of the Indonesian microlending segment and is focused on growing its business with unbanked and underbanked populations. Through its acquisitions of PNM and Pegadaian in February 2021, BRI expanded its microlending ecosystem designed to raise underserved people out of poverty. 55% of loans disbursed in 2020 went to MSMEs. At the end of 2020, BRI served more than 55 million customers and over 54,000 villages, companies, and small enterprises through its more than 500,000 branchless banking agents.

The percentage of Indonesians with a bank account grew from 20% to 50% over the past decade, and BRI played a meaningful role in this progress. In 2020, the bank had over 120 million deposit customers and 13 million borrowers. BRI also serves underbanked and unbanked Indonesians through its branchless network of BRILink agents in rural regions, BRILink processed over 700 million transactions in 2020, up 92% vs. 2018. BRI offers attractive rates to customers and its community-based approach keeps defaults low (only 0.8% of its loan were non-performing in 2020).

BRI is increasingly active in green banking. It applies green principles to loans to the agricultural sector, and in 2019, it issued a US\$500 million sustainability bond, with proceeds earmarked for projects with positive environmental and social impact. A healthy portion of its loan portfolio funds renewable energy, sustainable transportation and other environmentally positive projects.

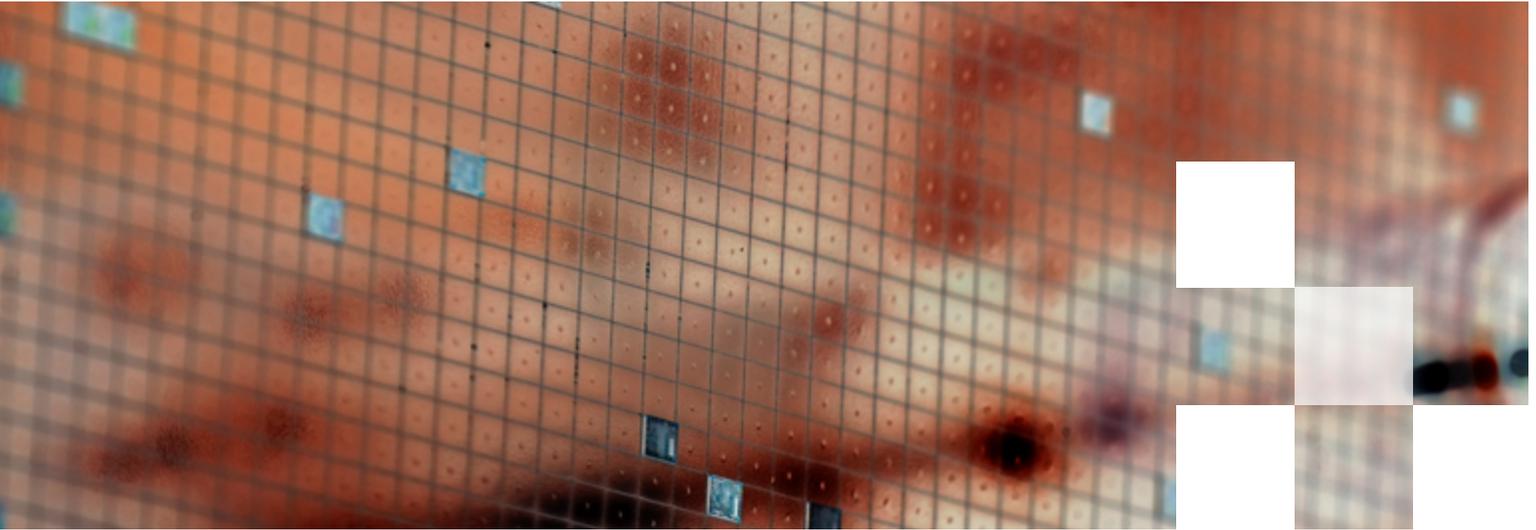
3.5 million

Metric tons of GHG emissions avoided by Ecolab's customers in 2020, thanks to its full range of energy, water, waste and hygiene solutions.

13 million

As of the end of 2020, BRI had loans outstanding to more than 13 million microborrowers in Indonesia.

Source: UN Dep't. of Economic and Social Affairs (for SDG logos), Brown Advisory research, Ecolab and PT Bank Rakyat Indonesia. Industries identified for each company are based on the GICS sector classification system. The information provided in this material is not intended to be and should not be considered to be a recommendation or suggestion to engage in or refrain from a particular course of action or to make or hold a particular investment or pursue a particular investment strategy, including whether or not to buy, sell, or hold any of the securities mentioned. It should not be assumed that investments in such securities have been or will be profitable. To the extent specific securities are mentioned, they have been selected by the author on an objective basis to illustrate views expressed in the commentary and do not represent all of the securities purchased, sold or recommended for advisory clients. Portfolio information is based on a Brown Advisory Global Leaders representative account and provided as supplemental information. Please see the last page of the report for a GIPS compliant presentation.



Our ESG research team seeks to regularly engage with the companies whose securities we hold in the Global Leaders portfolio, and with other stakeholders in those companies. Sometimes our goal in these engagements is to inform our investment thesis, and other times we seek 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. This extends to our responsibility to understand companies and issuers from an ESG perspective and, when appropriate, to encourage improved ESG practices.

Our firm's ESG research team plays a critical role in formalizing our firm's ESG engagement approach with companies and issuers. We provide a closer look at Brown Advisory's approach in our [Engagement Policy Statement](#), and offer information about our firmwide engagement activity in our [2020 Engagement Summary Report](#), both of which are available on our website. Here, we will discuss some of the issues we have been prioritizing in recent years and offer a few examples of recent engagements related to the Global Leaders portfolio.

ENGAGEMENT APPROACHES

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

Impact: We seek to collaborate with companies/issuers and industry groups to advocate for improved ESG practices, and continued implementation of existing ESG-related initiatives. We note that proxy voting, especially on ESG-related shareholder proposals, can be an important signaling tool in these engagements.

Advisory: We are asked by companies for feedback and informal advice on the development, improvement, and/or communication of their ESG efforts. To be clear, we do not act in any formal capacity as an advisor or consultant on these matters, we simply act as a sounding board.

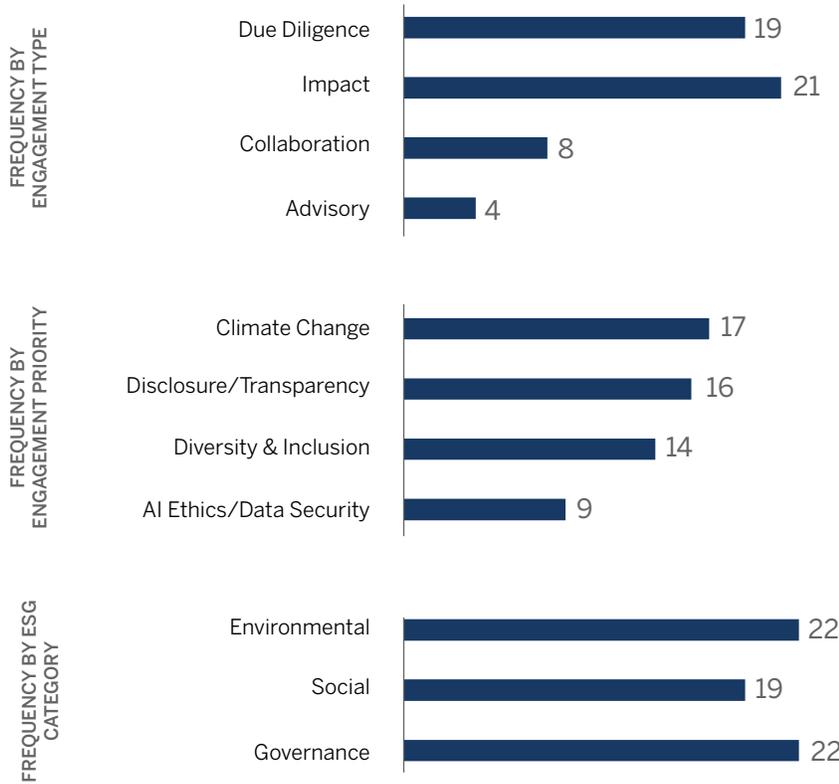
Collaboration: We seek to partner with investor groups and NGOs to help advance salient issues. In 2020, Brown Advisory became a formal supporter of the Impact Management Project and the Task Force on Climate Related Financial Disclosures. Both of these organizations and the frameworks they recommend for measuring and reporting ESG impact data have helped to shape our engagement and reporting process. Our firm also formalized its support of the Interfaith Center for Corporate Responsibility, a leader in shareholder engagement, and partnered with CDP on multiple projects, including the Science-based Targets Initiative. We continue to look for opportunities to engage in line with our commitment to Climate Action 100+ and the firm's ESG research team has engaged with third-party ESG data providers and raters in an effort to help shape the industry in that regard.

ISSUE PRIORITIZATION

Our engagements generally flow from our overall "bottom-up" orientation to investing—we seek to engage with each company 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 at a strategic level with many companies, on a common set of high-priority ESG topics that have wide-ranging relevance. Our ESG research team aims to prioritize these based on several factors, including saliency (does the issue transcend materiality, with sweeping implications for all stakeholders), exposure (does the issue pose an outsized risk to our portfolio) and client interest/demand, as well as our belief in our ability to achieve meaningful progress on the issue, and whether it is an issue that multiple companies are bringing up with us proactively.

In 2020, the firm's four high-priority ESG engagement topics were **climate change; general disclosure; diversity and inclusion; and, Ethical AI/data security**. On the next page, we offer two examples of engagements with companies held in the Global Leaders portfolio.

2020 ENGAGEMENT ACTIVITY BY THE NUMBERS



30 engagements in 2020 with 15 portfolio companies and relevant stakeholders

ENGAGEMENT EXAMPLES FROM THE PORTFOLIO

PRIORITY ISSUE: ETHICAL AI/DATA SECURITY

Engagement with several global technology leaders

We are in talks with several first-movers in the AI technology space, whose decisions may have broad implications for how AI and data privacy issues evolve. These conversations have helped us sharpen our expectations regarding responsible AI best practices.

Outcome: Past discussions have covered facial recognition software and its potential negative impacts on communities of color. This issue became a flashpoint in 2020, after strong societal backlash to police violence in the U.S. Many companies announced a pause in selling this technology to police departments until a national law grounded in human rights governs its use; shareholder engagement was not the only driver of the decisions to pause sales, but the decisions were in line with views expressed by us and other investors.

PRIORITY ISSUE: DISCLOSURE/TRANSPARENCY

Engagement with U.S.-based materials company

In recent years, we engaged numerous times with a leading U.S. materials company. Our engagement included ESG-focused calls with investor relations staff and direct conversations with senior leaders at the company including the CEO. We believe that the trust built from these conversations led to the company asking us for input as it worked to produce a new, more robust corporate sustainability report. Among other things, we suggested that the report should seek to quantify the revenue growth and cost savings generated by the company from its sustainable products and operations.

Outcome: The company incorporated this, and other suggestions we made, in its 2020 report.

Source: Brown Advisory. The information provided in this material is not intended to be and should not be considered to be a recommendation or suggestion to engage in or refrain from a particular course of action or to make or hold a particular investment or pursue a particular investment strategy, including whether or not to buy, sell, or hold any of the securities mentioned. It should not be assumed that investments in such securities have been or will be profitable. To the extent specific securities are mentioned, they have been selected by the author on an objective basis to illustrate views expressed in the commentary and do not represent all of the securities purchased, sold or recommended for advisory clients. Please see the last page of the report for important disclosures.

PROXY VOTING



Proxy voting is the process by which shareholders vote on proposals submitted for consideration at a company's annual general meeting. Most proposals are submitted by management, and votes on **management proposals** are binding—the equivalent of a binding referendum vote on a ballot question in a statewide election. Additionally, a growing number of **shareholder proposals** are submitted each year for consideration at annual general meetings. These votes are nonbinding, but the vote totals on these proposals can nonetheless influence corporate behavior. (For this reason, we believe that the rights of shareholders with regard to these resolutions should be protected by regulators to ensure that investors' perspectives can always be heard in a public forum.)

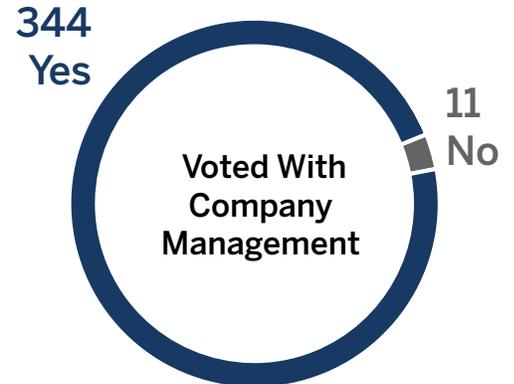
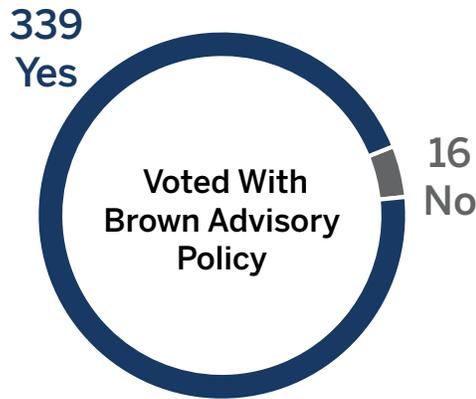
We believe that companies can benefit by considering forward-thinking social and environmental proposals. We generally aim to support ESG-related shareholder proposals that we consider likely to improve shareholder value over time. On the next page we report on our voting record in 2020, in relation to both our policy recommendations, and the votes of company management; our case-by-case approach results in voting that largely follows the recommendations of our policy but that also diverges on occasion. There are various factors that guide our case-by-case voting decisions, many of them related to materiality; in recent

years, and especially in 2020, the SEC and U.S. Department of Labor focused on proxy voting and the importance of fiduciaries to only consider financially material factors when engaging in proxy voting. We believe that the stance of these agencies is aligned with Brown Advisory's view on the importance of material ESG considerations from a performance-first perspective, and is one of many reasons why we seek to use sustainability as a tool to improve our investment decision making.

Proxy voting for our institutional investment strategies is overseen by a Proxy Voting Committee made up of equity research analysts, ESG research analysts, trading operations team members, the Head of Sustainable Investing, our Director of Equity Research and our General Counsel (among others). The Committee is responsible for overseeing the proxy voting process, but responsibility for casting votes, however, rests with our investment and ESG research teams and, ultimately, with the portfolio managers for each Brown Advisory equity investment strategy. For more information about our proxy voting process, please refer to the [Brown Advisory Proxy Voting Policy](#), available on our website.

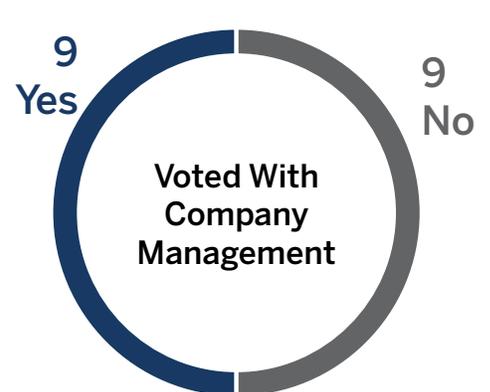
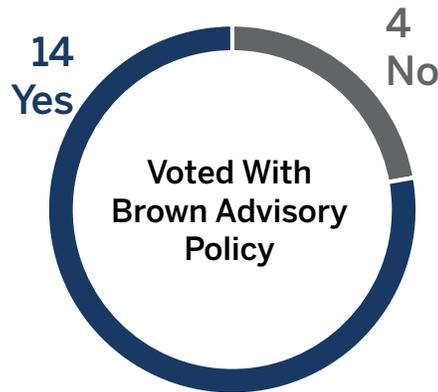
2020 PROXY VOTING BY THE NUMBERS

Proposals
From Management:
367 Total/355 Votable
(charts based on
votable total)



Proposals
From Shareholders:
18 Total

Topical Breakdown:
2 Environmental
7 Social
9 Governance



Source: Brown Advisory. The information provided in this material is not intended to be and should not be considered to be a recommendation or suggestion to engage in or refrain from a particular course of action or to make or hold a particular investment or pursue a particular investment strategy, including whether or not to buy, sell, or hold any of the securities mentioned. It should not be assumed that investments in such securities have been or will be profitable. To the extent specific securities are mentioned, they have been selected by the author on an objective basis to illustrate views expressed in the commentary and do not represent all of the securities purchased, sold or recommended for advisory clients. Please see the last page of this report for important disclosures.

INDUSTRY CONTRIBUTION AND COLLABORATION

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

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

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

Recent Publications and Podcasts:

Global Leaders Investment Letters

Mick Dillon, Bertie Thomson

On a quarterly basis, Mick and Bertie offer their investment perspectives and provide thoughts and commentary on the companies in their portfolio. They generally seek to reinforce core tenets of their investment philosophy, including the importance of ESG research and SBA drivers in their overall approach to investment selection and capital allocation.

Podcast: NOW S2E01 with Unilever CEO Alan Jope

Mick Dillon, Alan Jope, Katherine Kroll

A discussion about radical transparency, and how Jope and Unilever are working to attract the next generation of consumers and employees, shape social and environmental change, and take steps to evolve capitalism.

Engagement Spotlight: Ethical AI Practices

Katherine Kroll, Lauren Cahalan

A closer look at the ethical issues involved with deploying artificial intelligence, and the work we are doing to encourage leading AI companies to raise the bar.

The Materiality of the "S" in ESG

Katherine Kroll

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

Recent Reports:

Large-Cap Sustainable Growth Impact Report

Sustainable Core Fixed Income Impact Report

Tax-Exempt Sustainable Fixed Income Impact Report

Brown Advisory Sustainability Report

Brown Advisory Summary Engagement Report



Industry Initiatives/Memberships



Long-term member, supporter, speaker at Ceres conferences and contributor to several of this organization's initiatives.



Signatory since 2014. Our disclosure reports and summary assessments of our firm's progress are available upon request.



Long-term signatory and supporter. Active contributor to several long-term CDP initiatives.



Long-term member and conference supporter.



Long-term conference supporter and collaborator.



Early signatory and active contributor to the development of this comprehensive framework for labeled impact bond issuance.

(WISE: Women Investing for a Sustainable Economy)



Members of the Boston, NYC and Washington, D.C. chapters of this women's sustainable investor network.



Founding member, long-term supporter.



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



Active member of this association devoted to mission-aligned endowments and foundations.



Formal supporter of and advocate for this climate disclosure framework.



Signatory to this investor-led initiative to persuade major corporate GHG emitters to take action on climate change.



Member of this shareholder engagement organization, and participant in several collaborative engagements alongside other ICCR members.



Supporters of this organization which is helping us to refine our engagement and reporting practices.



Global Leaders Composite

Year	Composite Total Gross Returns (%)	Composite Total Net Returns (%)	Benchmark Returns (%)	Composite 3-Yr Annualized Standard Deviation (%)	Benchmark 3-Yr Annualized Standard Deviation (%)	Portfolios in Composite at End of Year	Composite Dispersion (%)	Composite Assets (\$USD Millions)	GIPS Firm Assets (\$USD Millions)*
2020	21.0	20.2	16.0	16.9	18.1	Five or fewer	N/A	2,428	59,683
2019	35.1	34.2	26.5	11.6	11.2	Five or fewer	N/A	731	42,426
2018	-2.2	-2.8	-9.6	11.0	10.5	Five or fewer	N/A	303	30,529
2017	35.1	34.0	24.0	N/A	N/A	Five or fewer	N/A	77	33,155
2016	-0.6	-1.4	8.0	N/A	N/A	Five or fewer	N/A	38	30,417
2015**	1.2	0.7	-4.4	N/A	N/A	Five or fewer	N/A	24	43,746

**Return is for period May 1, 2015 through December 31, 2015

Brown Advisory Institutional claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. Brown Advisory Institutional has been independently verified for the periods from January 1, 1993 through December 31, 2020. The Verification reports are available upon request. A firm that claims compliance with the GIPS standards must establish policies and procedures for complying with all the applicable requirements of the GIPS standards. Verification provides assurance on whether the firm's policies and procedures related to composite and pooled fund maintenance, as well as the calculation, presentation, and distribution of performance, have been designed in compliance with the GIPS standards and have been implemented on a firm-wide basis. Verification does not provide assurance on the accuracy of any specific performance report. GIPS® is a registered trademark of CFA Institute. CFA Institute does not endorse or promote this organization, nor does it warrant the accuracy or quality of the content contained herein.

- *For the purpose of complying with the GIPS standards, the firm is defined as Brown Advisory Institutional, the Institutional and Balanced Institutional asset management divisions of Brown Advisory. As of July 1, 2016, the firm was redefined to exclude the Brown Advisory Private Client division, due to an evolution of the three distinct business lines.
- The Global Leaders Composite (the Composite) aims to achieve capital appreciation by investing primarily in global equities. The strategy will invest in equity securities of companies that the portfolio manager believes are leaders within their industry or country, as demonstrated by an ability to deliver high relative return on invested capital over time. The minimum account market value required for Composite inclusion is \$1.5 million.
- The Composite creation date is August 26, 2015. The Composite inception date is May 1, 2015.
- The benchmark is the FTSE All-World Net Index. This index is a free float market cap weighted index representing the performance of the large & mid cap stocks from the FTSE Global Equity Index Series. The Index covers Developed & Emerging Markets. Base Value 100 as at December 31, 1986. "FTSE®", "Russell®", "MTS®", "FTSE TMX®" and "FTSE Russell" and other service marks and trademarks related to the FTSE or Russell indexes are trademarks of the London Stock Exchange Group companies. An investor cannot invest directly into an index. Benchmark returns are not covered by the report of the independent verifiers.
- As of January 1, 2019, the Composite benchmark was changed from Russell Global Large-Cap Net Index to the FTSE All-World Net Index. The change was applied retroactively from the Composite inception date. The Russell Global Large-Cap Net Index was decommissioned as of December 31, 2018 and is no longer published.
- Composite dispersion is an equal-weighted standard deviation of portfolio gross returns calculated for the accounts in the Composite for the entire calendar year period. The composite dispersion is not applicable (N/A) for periods where there were five or fewer accounts in the Composite for the entire period.
- Gross-of-fees performance returns are presented before management fees but after all trading commissions, and gross of foreign withholding taxes (if applicable). Net-of-fee performance returns reflect the deduction of actual management fees and all trading commissions. Other expenses can reduce returns to investors. The standard management fee schedule is as follows: 0.80% on the first \$50 million; 0.55% on the next \$50 million; 0.45% on the next \$50 million; and 0.40% on the balance over \$150 million. Further information regarding investment advisory fees is described in Part II A of the firm's form ADV. Actual fees paid by accounts in the Composite may differ from the current fee schedule.
- The investment management fee for the Investor Shares of the Brown Advisory Global Leaders Fund (the Fund), which is included in the Composite, is 0.65%, and represents the highest fee charged excluding Advisor Shares. The total expense ratio for the Investor Shares of the Fund as of the most recent fiscal year end (June 30, 2020) was 0.90%. Further information regarding investment management fees and expenses is described in the fund prospectus and annual report.
- The investment management fee for the Sterling Class B Acc Shares of the Brown Advisory Global Leaders Fund (the UCITS), which is included in the composite, is 0.75%. The total expense ratio for the Sterling Class B Acc Shares of the UCITS as of the most recent fiscal year end (October 31, 2020) was 0.92%. Further information regarding investment management fees and expenses is described in the fund prospectus and annual report.
- The three-year annualized ex-post standard deviation measures the variability of the Composite (using gross returns) and the benchmark for the 36-month period ended on December 31. The 3 year annualized standard deviation is not presented as of December 31, 2015, December 31, 2016 and December 31, 2017 because 36 month returns for the Composite were not available (N/A) and the Composite did not exist.
- Valuations and performance returns are computed and stated in U.S. Dollars. All returns reflect the reinvestment of income and other earnings.
- A complete list of composite descriptions and broad distribution and limited distribution pooled funds is available upon request.
- Policies for valuing investments, calculating performance, and preparing GIPS Reports are available upon request.
- Past performance is not indicative of future results.
- This piece is provided for informational purposes only and should not be construed as a research report, a recommendation or suggestion to engage in or refrain from a particular course of action or to make or hold a particular investment or pursue a particular investment strategy, including whether or not to buy, sell or hold any of the securities mentioned, including any mutual fund managed by Brown Advisory.

The views expressed are those of the author and Brown Advisory as of the date referenced and are subject to change at any time based on market or other conditions. These views are not intended to be and should not be relied upon as investment advice and are not intended to be a forecast of future events or a guarantee of future results. Past performance is not a guarantee of future performance and you may not get back the amount invested.

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All investments involve risk. The value of the investment and the income from it will vary. There is no guarantee that the initial investment will be returned.

ESG considerations that are material will vary by investment style, sector/industry, market trends and client objectives. The strategy seeks to identify companies that it believes may have desirable ESG outcomes, but investors may differ in their views of what constitutes positive or negative ESG outcomes. As a result, the strategy may invest in companies that do not reflect the beliefs and values of any particular investor. The strategy may also invest in companies that would otherwise be screened out of other ESG oriented funds. Security selection will be impacted by the combined focus on ESG assessments and forecasts of return and risk.

The strategy intends to invest in companies with measurable ESG outcomes, as determined by Brown Advisory, and seeks to screen out particular companies and industries. Brown Advisory relies on third parties to provide data and screening tools. There is no assurance that this information will be accurate or complete or that it will properly exclude all applicable securities. Investments selected using these tools may perform differently than as forecasted due to the factors incorporated into the screening process, changes from historical trends, and issues in the construction and implementation of the screens (including, but not limited to, software issues and other technological issues). There is no guarantee that Brown Advisory's use of these tools will result in effective investment decisions.

The **FTSE All-World Index** is a market-capitalization weighted index representing the performance of the large and mid cap stocks from the FTSE Global Equity Index Series and covers 90-95% of the investable market capitalization. The index covers Developed and Emerging markets and is suitable as the basis for investment products, such as funds, derivatives and exchange-traded funds.

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