Brown ADVISORY
Thoughtful Investing.

2019 IMPACT REPORT

LARGE-CAP
SUSTAINABLE GROWTH STRATEGY

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Letter of Introduction from the Portfolio Managers

At Brown Advisory, we are deeply committed to sustainable investing. Our firm managed more than $6 billion* in client assets under various sustainable investment mandates for individuals, families and institutions, as of Dec. 31, 2019. We firmly believe that there does not have to be a trade-off between strong performance and smart investments that help address society's trickiest sustainability challenges.

For a number of our sustainable investment strategies, we issue formal reports each year to keep clients informed about how those strategies are generating positive impact. Enclosed is our Impact Report for the Brown Advisory Large-Cap Sustainable Growth strategy.

The report includes a review of how we invest using innovative ESG research, and in particular how we use the concept of Sustainable Business Advantage (SBA) to identify compelling long-term investments. We also discuss the positive environmental and social outcomes being created by our portfolio companies, and how we engage with portfolio companies and the sustainable investing community.

As we celebrate the 10-year anniversary of our Sustainable Growth strategy, we are pleased to report continued progress and advancement of our sustainable investment initiatives at the firm. In 2019, we expanded our ESG research team to five full-time analysts with the addition of Lisa Fillingame Abraham and Victoria Avara, and we further built out our ESG research toolkit to more comprehensively serve the needs of the firm's investment teams. We ramped up engagement activity with company management teams and refined the process that our proxy voting committee (which includes several of the firm's senior executives) will use going forward. At the firmwide level, we will be issuing Brown Advisory's first corporate sustainability report in the coming months, in which we will strive to answer the same questions about ourselves that we ask companies to answer before we consider investing in them.

We thank our ESG research team for its contribution to this report and our work in general. The team works tirelessly to ensure that our investment decisions are informed by solid ESG data and clear viewpoints about how that data may affect a company's prospects. We thank our fundamental equity research colleagues, and all of our colleagues across the firm, for embracing sustainable investing principles so enthusiastically. 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,

Karina Funk, CFA
Portfolio Manager

David Powell, CFA
Portfolio Manager

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

THE STRATEGY'S INVESTMENT PHILOSOPHY AND PROCESS

INVESTMENT PHILOSOPHY AND RESEARCH APPROACH

In managing the Large-Cap Sustainable Growth strategy, we believe we can generate competitive, risk-adjusted returns over a full market cycle through a concentrated portfolio of companies with durable fundamental strengths, sustainable competitive advantages and compelling valuations. The purpose of this report is to talk about the impact being generated by our portfolio companies, so we will not spend a great deal of time discussing how we use fundamental research to identify good investment candidates with attractive return potential. But we want to be clear: Sustainable research is wholly integrated with fundamental due diligence in our process.

We believe that some of the most attractive, durable business models available in the large-cap equity universe are those with sustainable drivers at their core. We developed the concept of **Sustainable Business Advantage, or SBA,** to clarify our thinking as we evaluate how sustainability drives a company's **revenue growth**, **cost savings** or **enhanced franchise value**. Every company we own in our portfolio must have identifiable SBA. Clean energy, health and wellness, and other sustainable trends are massive sources of revenue growth for many companies. Efficient operations that reduce the use of energy, water and other resources can lead to considerable cost savings. Companies that lead on environmental, social and governance (ESG) practices, or that help customers solve meaningful environmental or health challenges, are often able to greatly enhance their brand or franchise value. And in the end, we see revenue growth, cost savings and enhanced franchise value as the three most important levers that companies can pull to improve their long-term returns to shareholders. While we recognize that there are many ways to view sustainability, we rely on our thorough research to help us understand how a company's sustainability strategies can add to shareholder value through these specific SBA drivers.

We find that our portfolio companies—despite being selected entirely on their investment merits—are also clear generators of positive social and environmental impact in the vast majority of cases. Through their responsible business practices, the examples they set for their peers and the positive outcomes that result from their business activities, we believe that our portfolio companies are producing positive changes in the economy and in society. This is not simply important as a statement of values; we see it as a financial imperative. Government and private capital alone cannot cover the massive costs of addressing global issues like climate change, and we believe that corporations will have to be a big part of that solution.

OBJECTIVES AND INVESTMENT PROCESS

The strategy's return objective is to outperform the Russell 1000® Growth Index over a full market cycle.

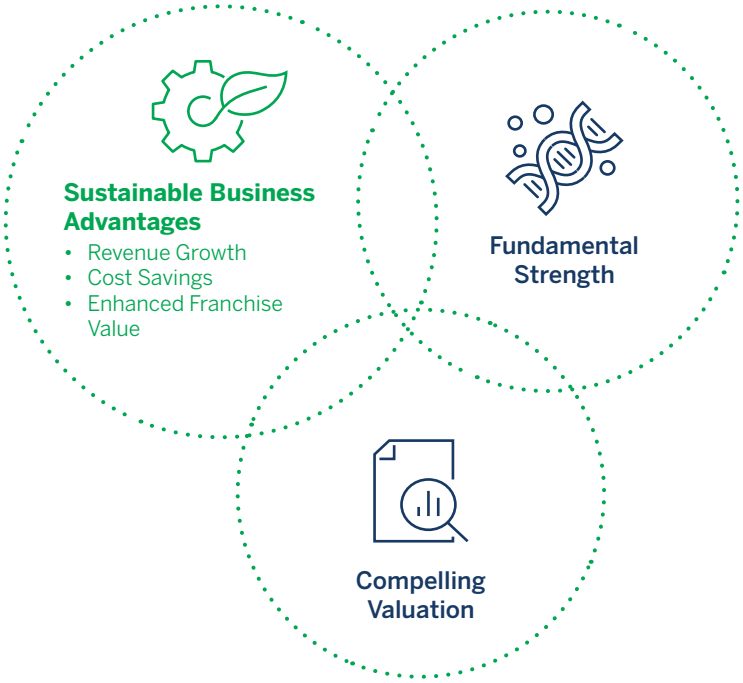
Conventional wisdom has long held that performance and impact goals are at odds with each other, but we have found our integrated approach to investing, in which we consider fundamental, ESG and impact criteria within a single research process, can enhance our returns by steering us to responsible, innovative and forward-thinking companies.

As noted in the diagram on page 5, we set a high bar for companies to clear before we will consider them for our portfolio. We need to be confident in both a fundamental thesis and a sustainability thesis before we invest in a company, and we need to ensure that we are buying at an attractive valuation level (which means that companies can—and do—remain on our buy list for months or even years before we reach an attractive entry point in terms of stock price). Within this process, we review the sustainability "bona fides" of a company in two distinct ways:

1. ***ESG Risk Assessment.*** This step serves as a value-added component of our effort to fully understand the risks embedded in our investments. Our ESG analysts identify potentially material ESG risks and assess the company's track record of managing these risks and its ability to do so in the future. This step may uncover labor issues, environmental liabilities or controversial business and governance practices.
2. ***SBA Analysis.*** Investing is as much about opportunity as it is about risk. We seek out companies that use sustainability drivers to add value for shareholders through revenue growth, cost savings or enhanced franchise value. The financial value of these sustainability drivers is not readily apparent to most investors, and we believe our proprietary SBA evaluations can provide us with an informational advantage.

INTEGRATING FUNDAMENTAL AND SUSTAINABLE RESEARCH

Our investment philosophy places equal emphasis on the fundamental (including ESG risk management), sustainable and valuation picture for any company we consider for the portfolio. We only invest when we are confident on all three criteria. Central to our approach is our search for companies with Sustainable Business Advantages (SBAs) that can drive tangible, long-term business results.



OUR ESG RESEARCH APPROACH—HOW WE DO IT AND WHY

Our ESG research team helps our portfolio managers and analysts gather ESG knowledge on companies and factor that knowledge into investment decisions. ESG analysts are embedded within our investment research groups. 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.

Gather Information

- Management calls
- Proxy statements
- Annual reports
- Sustainability disclosures
- Carbon Disclosure Project
- Industry journals
- Third-party research

Potential Risks

- Executive compensation
- Data security
- Human capital management
- Environmental liabilities
- Resource constraints

Potential Opportunities

- Sustainable Business Advantages (revenue growth, cost improvements, enhanced franchise value)
- Targeted use of proceeds
- Capital allocation to sustainable initiatives

Value-added ESG and sustainability research helps us manage risks and opportunities.

Proprietary ESG Assessment

Collaborative Company/Issuer Engagement

Engaging companies/issuers is a meaningful part of our ongoing investment management process. We pursue private dialogue with management teams to inform our research and share our perspective. In the past, companies have sought our perspective and, at times, have proactively collaborated with us on key ESG and SBA considerations.

IMPACT ANALYSIS: GENERAL THEMES AND ISSUES ADDRESSED BY THE PORTFOLIO

Our search for fundamentally strong companies with SBAs leads us to compelling investing ideas that span a wide range of business models and industry opportunities. We also seek to cover a wide range of impact themes across the portfolio, 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 large proportion of the world's economic activity—and the impact, both positive and negative, that stems from that activity. Cloud computing requires silicon, power and cooling; 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 sustainable 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 contributions to society.

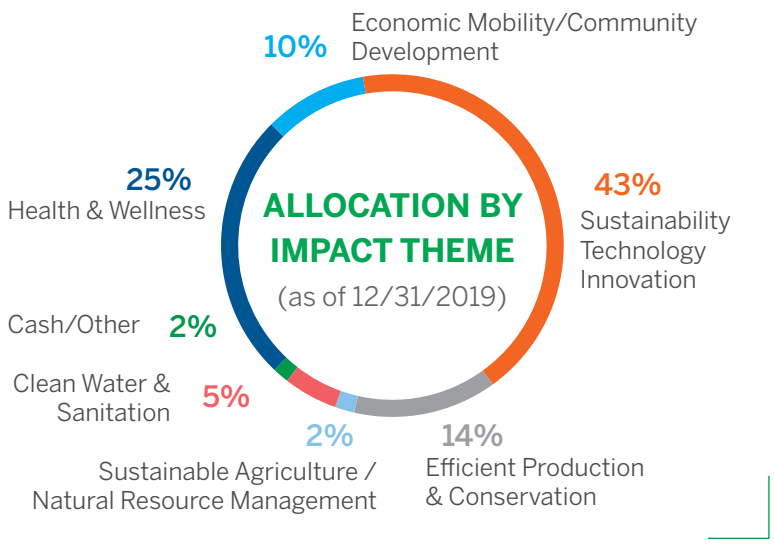
DIVERSIFICATION BY IMPACT THEME

Breaking the portfolio out by different impact themes illustrates the variety of challenges and opportunities that our holdings 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 many companies produce impact on multiple fronts.

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.



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

Our impact themes are broadly aligned with the U.N. Sustainable Development Goals. The mapping between our themes and the SDGs is depicted in the graphic to the right.

Source: Brown Advisory analysis. Numbers may not total to 100% due to rounding. Impact theme information is based on a Brown Advisory Large-Cap Sustainable Growth 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 NO POVERTY; 11 SUSTAINABLE CITIES AND COMMUNITIES
Economic mobility & community development	1 NO POVERTY; 2 ZERO HUNGER; 4 QUALITY EDUCATION; 8 DECENT WORK AND ECONOMIC GROWTH; 10 REDUCED INEQUALITIES; 11 SUSTAINABLE CITIES AND COMMUNITIES; 16 PEACE, JUSTICE AND STRONG INSTITUTIONS
Education	4 QUALITY EDUCATION; 10 REDUCED INEQUALITIES
Diversity, inclusion, equality	5 GENDER EQUALITY; 10 REDUCED INEQUALITIES; 16 PEACE, JUSTICE AND STRONG INSTITUTIONS
Health & Well-Being	
Health & wellness	2 ZERO HUNGER; 3 GOOD HEALTH AND WELL-BEING
Clean water & sanitation	3 GOOD HEALTH AND WELL-BEING; 6 CLEAN WATER AND SANITATION; 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE; 14 LIFE BELOW WATER; 15 LIFE ON LAND
Environment	
Sustainable technology innovation	7 AFFORDABLE AND CLEAN ENERGY; 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE; 11 SUSTAINABLE CITIES AND COMMUNITIES; 13 CLIMATE ACTION
Efficient production & conservation	7 AFFORDABLE AND CLEAN ENERGY; 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE; 12 RESPONSIBLE CONSUMPTION AND PRODUCTION; 13 CLIMATE ACTION; 14 LIFE BELOW WATER; 15 LIFE ON LAND
Clean energy	7 AFFORDABLE AND CLEAN ENERGY; 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE; 13 CLIMATE ACTION
Sustainable agriculture/ natural resource management	2 ZERO HUNGER; 3 GOOD HEALTH AND WELL-BEING; 12 RESPONSIBLE CONSUMPTION AND PRODUCTION; 13 CLIMATE ACTION; 14 LIFE BELOW WATER; 15 LIFE ON LAND

IMPACT ANALYSIS: A THIRD-PARTY PERSPECTIVE

A growing number of independent research and advocacy organizations are creating rating and ranking systems 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 on the ratings they provide to gauge an investment's sustainable merits and risks. Each rating/ranking scheme measures something different, and furthermore, most ESG data sets are incomplete because corporate disclosure of ESG-related data is generally voluntary.

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 investment philosophy, and its criteria are rooted specifically in the ESG risk and SBA opportunity metrics we have used for years to evaluate companies. Many third-party rating systems are based entirely on historical data. Our ratings, in contrast, start with historical data but emphasize a forward-looking perspective so we keep our 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 among our team members when comparing companies against each other.

Importantly, we do ***not*** use our scoring system as a "pass/fail" test for portfolio consideration, and we would caution against heavily relying on any rating system as the sole metric for assessing 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 several objective views of our portfolio based on third-party data; some of these simply provide an estimate of the impact our portfolio has generated, while others represent an evaluation of our portfolio and our overall approach to sustainable investing vs. the broader market or our peers.

PORTFOLIO METRICS (Data as of Dec. 31, 2019)

	Criteria	Source	Sustainable Growth	Benchmark	Notes
Third-Party Perspective: MSCI Analytics	*Overall ESG Rating*	MSCI	A	A	Measures the resilience of a fund's holdings to long-term ESG risks, on a scale of AAA (strong leader) to CCC (laggard).
	ESG Quality Score	MSCI	7.0	5.9	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 Controversies	MSCI	62 / 23 / 15	34 / 43 / 23	Percentage of portfolio assets invested in companies with "green" (minimal), "yellow" (moderate) and "orange" (severe) controversy scores.
	Carbon Emissions	MSCI	9.4	12.2	Tons of CO2 equivalent emissions, per $1mm invested in the portfolio. Normalized measure of carbon footprint of an investment.
	Carbon Intensity	MSCI	47.9	47.8	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	MSCI	41.4	40.5	Carbon intensity, adjusted for relative portfolio weighting. Measures exposure to carbon-intensive companies.
Primary Data	**Diversity: % of Board Seats Held by Women (wtd. portfolio avg.)**	Public Reports / MSCI	27.7%	24.3%	While we want to track minority diversity as well, companies are generally less forthcoming with that data. D&I was one of our top engagement priorities in 2019 and will be in 2020.
	New Energy from Renewable Sources	Public Reports / CDP	85 million kWh	N/A	From 2017-2018, our portfolio companies sourced *at least* 85 million kilowatt hours of renewable energy.
	Water Use Avoided (Partial Data)	Public Reports	99 billion gallons	N/A	From 2017 to 2018, the six companies in our portfolio that reported water data* reduced water use by 99 billion gallons, either through corporate action or through helping their customers reduce water use.

Source: Brown Advisory research, and MSCI or CDP as listed above. Data reflects portfolio holdings as of Dec. 31, 2019. Portfolio information is based on a Brown Advisory Large-Cap Sustainable Growth representative account and provided as supplemental information. Please see the last page of the report for a GIPS compliant presentation.
*Home Depot, Marriott, Unilever, Analog Devices, West Pharma, Etsy.

2019 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 $86 trillion as of June 30, 2019. Each year, PRI signatories complete a rigorous disclosure of sustainable investing practices; these disclosures are widely followed by investment decision-makers around the world.

Our 2019 PRI Scorecard is provided at right. We are honored to have received "A" grades and pleased that we met or exceeded industry median scores, in nearly every category. We are especially gratified to have 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.

Our single "B" grade was in the area of engagement, largely due to some areas identified for improvement in managing our proxy voting process. We took a number of steps in 2019 to make those improvements and believe this will be reflected in our next PRI assessment in 2020.

Our full 2019 PRI Transparency Report: www.unpri.org/signatory-directory/brown-advisory/978.article.

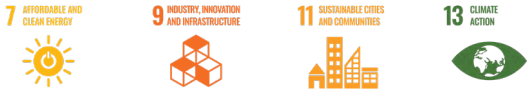
Module Name	Our 2019 Score
01. Strategy & Governance	A+
Indirect - Manager Sel., App. & Mon	
02. Listed Equity	A
03. Fixed Income - SSA	A
04. Fixed Income - Corporate Financial	A
05. Fixed Income - Corporate Non-Financial	A
06. Fixed Income - Securitized	A
07. Private Equity	A
Direct & Active Ownership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

American Tower

INDUSTRY:	IMPACT THEME:	SBA:
Real Estate	Sustainable Tech Innovation	Revenue Growth, Cost Savings



American Tower is the second-largest wireless tower operator in the U.S. A key differentiator for the company is that it is the only tower operator to offer shared backup power-generating capacity for the multiple carriers on its towers. Backup power is a critical need for carriers; collectively, the industry spends about $15 billion per year on outages and degradation. Currently, American Tower offers backup generation across 12% of its asset base, and continues to expand availability for this service. We believe that it is years ahead of its competitors in its ability to provide shared backup power to customers.

Tower-related energy accounted for 99% of the company's energy usage in 2018. The business is growing, as is its absolute energy consumption, but through efficiency measures, it reduced its per-tower energy intensity in 2018 by nearly 10% (from 32.8 megawatt hours in 2017 to 30.0 in 2018). In 2018, 19% of its purchased electricity was renewably generated.

In 2017, the company set a goal of reducing Scope 1 fossil fuel consumption and diesel-related greenhouse gas emissions in Africa and India by more than 60% over 10 years. The CEO's short-term incentive compensation goals include this emissions reduction target. In 2018, the company achieved 30% of this 10-year goal.

In addition to purchasing renewable energy, American Tower seeks to expand its on-site renewable generation capacity. As of 2018, nearly 1,800 of its tower sites were supported by lithium-ion batteries, generating cost savings of over $10 million annually, and 3,000 of its sites are solar-power assisted (producing another $5 million in savings). The company has set a global goal of 5,000 solar-assisted sites by the end of 2022.

275,000 hours *Wireless network uptime provided by American Tower backup generators during power outages since 2012.*

Aspen Technology

INDUSTRY:	IMPACT THEME:	SBA:
Information Technology	Sustainable Tech. Innovation	Revenue Growth

Aspen is a software company serving the energy, chemical and engineering/construction segments, which means that some of its big clients are responsible for a great deal of pollution and environmental impact. What makes Aspen's business so compelling is that its asset optimization solutions are helping these customers greatly reduce energy consumption, emissions and the need to invest in new capital projects.

"Asset optimization" is a vague term; to be more specific, Aspen's technology helps companies predict emission spikes, provide advance notice of equipment failure, warn of pending abnormal reactor conditions, optimize usage of vehicle fleets, better manage raw materials inventory, and conduct other operations that lead to energy and resource efficiency gains.

According to the company, Aspen's software can help customers reduce energy costs by 10–30% and reduce capital costs by 10–20%. The company estimates that it has helped many clients reduce GHG emissions by as much as 10%. There is also a safety element to Aspen's impact: Its customers increasingly rely on Aspen applications to help them navigate environmental and safety regulations affecting complex industrial manufacturing processes.

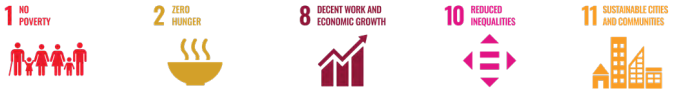
Given that its software is now deployed at 19 of the 20 largest energy companies, 18 of the largest engineering and construction companies, and all of the 20 largest chemical companies in the world, Aspen's positive influence on the environment continues to grow.

10% *Estimated reduction in GHG emissions for typical aspenONE customer sites—many of which are owned by the largest energy, chemical and construction firms in the world.*

Source: Brown Advisory research, American Tower and Aspen Technology. 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 Large-Cap Sustainable Growth representative account and provided as supplemental information. Please see the last page of the report for a GIPS compliant presentation.

Etsy

INDUSTRY:	IMPACT THEME:	SBA:
Consumer Discretionary	Economic Mobility/ Community Develop.	Enhanced Franchise Value



Etsy has developed a strong brand in the consumer e-commerce space as the go-to destination for handmade items—jewelry, bags, clothing, home decor and many other categories—made by independent sellers. The nature of handmade crafts offers inherent sustainability merits, such as avoidance of mass manufacturing and a clear understanding of materials and labor sources. Etsy's sellers benefit from its market reach, and the platform empowers thousands of small businesses around the world. Consider Etsy's impact on sellers to date: The platform supports 1.52 million jobs for independent workers, who have collected $1.7 billion in seller income. Its seller population is also diverse, forward-thinking and focused on growth: 87% identify as women, 87% believe it's important to run an environmentally responsible business and 82% aspire to grow their sales in the future.

Etsy's long-standing mission to create positive impact permeates its policies, community of buyers and sellers, and operations. It seeks to "Keep Commerce Human," and the real connection between Etsy's buyers and sellers is truly distinct from other e-commerce or retail experiences. Its policies and the general spirit of the community have led to a vibrant array of products whose value, in many cases, is enhanced by positive sustainable attributes.

In terms of operations, Etsy is the first global e-commerce company to offset 100% of its carbon emissions generated from shipping. Its focus on diversity and inclusion has led to a strikingly higher percentage of women in technology (38%) and executive (66%) roles than its peers. It is also the first e-commerce company to fully integrate ESG reporting metrics alongside financial data in its 10-K filings.

38.4% *Percentage of technology roles held by women at Etsy—nearly double the average of U.S. technology companies.*

Illumina

INDUSTRY:	IMPACT THEME:	SBA:
Health Care	Health & Wellness	Revenue Growth

The mapping of the human genome transformed the medical field profoundly, and much of today's cutting-edge research is being driven by DNA sequencing. Illumina has a dominant position in this key market; it has an estimated 70% market share in the next-generation DNA sequencing instruments market, and 90% of all sequencing to date has been generated on Illumina technology.

Illumina's technology is advancing disease research, drug development and the creation of molecular diagnostic tests. The company is addressing a sizable misdiagnosis problem in the health care industry. Diagnostic errors affect an estimated 12 million Americans each year, and some estimates of the cost of these errors is as high as $100 billion annually. In Europe, a study of eight rare diseases showed that 25% of patients waited five to 30 years for a diagnosis, and 50% of patients received an incorrect diagnosis.

We view Illumina as a pioneer in this space; since it launched its first sequencing system in 2007, it has reduced the cost and time of sequencing activities by a factor of 10,000 or more. Illumina's tools can now sequence large genomes in three to six days; older systems can take several weeks, or even years in some cases. Its genomic testing reduces misdiagnosis of rare and inherited diseases, enables the delivery of time-sensitive treatment to patients sooner, and can even help doctors choose among therapies to find the most effective option with the least side effects.

3 to 6 days *How long it takes for Illumina's tools to sequence large genomes. (The Human Genome Project took 13 years to complete.)*

Source: Brown Advisory research, Etsy and Illumina. 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 Large-Cap Sustainable Growth representative account and provided as supplemental information. Please see the last page of the report for a GIPS compliant presentation.

SHAREHOLDER ENGAGEMENT

As a part of our investment process, we regularly engage existing and prospective portfolio companies in discussions about a variety of ESG issues. We do this for several reasons. Such discussions help us identify and manage risk and understand opportunity. We also believe it is helpful for management teams to hear the perspectives of investors, and engagement can help signal to companies the level of investor support for impact-related actions.

Our fundamental approach to engagement is collaborative, not confrontational. We are ultimately on the same team as our portfolio companies—we invest in them because we think they manage risks well and add value via sustainable business activities. We are often among a company's largest institutional shareholders (in terms of number of shares owned) and we are long-term investors, so we have not needed to file shareholder resolutions to get the attention of management. We support and value the progress that has resulted from the filing of shareholder resolutions, and the trends and data that flow from those ongoing shareholder efforts often inform our engagements and the issues we prioritize. Additionally, we often refer to the key performance indicators (KPIs) emphasized by reporting frameworks from the Sustainability Accounting Standards Board (SASB), the Global Reporting Initiative (GRI) and others to guide us in our discussions with companies.

Our Approach and Process

Our fundamental research is rooted in a case-by-case approach to every company as a unique situation; the same is true of our approach to engagement. Every company is different, and every engagement is different. That being said, we have used a broader portfolio approach to develop and confirm our engagement priorities. Using our ESG research on portfolio companies as a foundation, we use a matrix methodology to determine which issues are most material to the portfolio and which issues we are best positioned to influence through engagement. These topics become priorities, where we invest time and energy in specific dialogue, letters to management and collaborative initiatives with other investors or advocates. (Additionally, we engage informally with every company in the portfolio on a general array of sustainability issues, as part of our ongoing due diligence.)

Our current engagement priorities are in the areas of ***diversity***, ***disclosure*** and ***AI ethics.***

Collaboration

Since last year, we have joined three engagement working groups run by industry leaders (PRI, Ceres and the Intentional Endowments Network), each of which is focused on key issues related to climate and sustainability. We are actively learning from our peers and striving to contribute to industrywide progress on engagement techniques that lead to beneficial outcomes.

As a natural extension of our work with PRI and Ceres, we signed onto the Climate Action 100+ initiative, alongside more than 370 other investors representing $35 trillion in investment assets (as of Dec. 31, 2019). The initiatve seeks to engage with the 100 most significant emitters of greenhouse gas in the world; these companies' future steps will be major factors in a successful transition to a low-carbon economy.

Examples of Current Engagements

Below we provide one example of our recent engagements in each of the priority areas mentioned previously (diversity, disclosure and AI ethics).

Diversity & Inclusion

Company: A business-to-business software company

Duration: Two to three years

Activity: Multiple dialogues concerning diversity in senior leadership and on the board

Outcome: Company's most recent appointment to the board is a woman. Company is increasingly focused on this topic.

Sustainability Disclosure

Company: Technology firm serving industrial sector

Duration: Ongoing

Activity: In-person meeting with CEO/CFO, subsequent dialogue with CFO and senior staff

Outcome: Addition of a variety of quantitative metrics to upcoming sustainability report.

AI Ethics

Company: An e-commerce company

Duration: Ongoing

Activity: Multiple targeted asks to evaluate and report on risks related to a new AI technology that may produce unjust/unequal treatment of customers

Outcome: Continued dialogue with the company. We have specific asks regarding this technology that we intend to pursue in 2020.

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.

SPOTLIGHT ON 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 support ESG-related shareholder proposals that we consider likely to improve shareholder value over time. We actively consider each proposal's specific merits and the specific circumstances of the company, and we may undertake some combination of collaborative engagement with a company on material issues as well as casting our vote in what we consider to be our clients' best interests. Over time, we believe we have supported thoughtful policy proposals that have helped drive progress toward compelling financial results and a thriving economy and society.

Voting Process: Proxy voting for our institutional investment strategies is overseen by a Proxy Voting Committee made up of ESG research analysts, equity research analysts, trading operations team members, the head of sustainable investing, the director of equity research and the chief compliance officer. The Committee is responsible for overseeing the proxy voting process; responsibility for casting votes rests with the investment and ESG research team and, ultimately, with the portfolio managers for each Brown Advisory equity investment strategy.

While we use the recommendations of Institutional Shareholder Services (ISS) as a baseline for our voting, especially for routine management proposals, we vote each proposal after consideration on a case-by-case basis. Due diligence on some shareholder proposals may involve additional research, including but not limited to:

- Discussion with the resolution filer and/or associated coalition
- Discussion with ISS analysts about their recommendation
- Discussion with company
- Seek out issue-specific insight from industry experts
- Consultation with our equity research analysts and portfolio managers that follow the company

Once research is complete, proxy voting decisions are made based on our evaluation of the proposal, consistent with our voting guidelines and in a manner we believe is in the best long-term interest of our clients. In 10 specific cases in 2019, shareholder proposals spurred us to engage more deeply with companies on the issue targeted in the proposal.

Proxy Voting Summary, 12/31/18–12/31/19:

Number of Proxy Ballots:	34 ballots
Total Number of Proposals:	424
Management Proposals:	*380*
Shareholder Proposals:	*44*

Types of shareholder proposals:	
Environmental Proposals:	*3*
Social Proposals:	*24*
Governance Proposals:	*17*

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.

COLLABORATION/INDUSTRY CONTRIBUTION

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

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

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

Recent Articles:

Healthy Returns

Karina Funk / David Powell

Sustainable return drivers in health care equities

Sustainable Perspectives

Mick Dillon/Bertie Thomson

How sustainable principles contribute to decision-making in Brown Advisory's Global Leaders strategy

Sustainable Investing: Then vs. Now

Amy Hauter (published by FactSet®)

A look at how sustainable investment research and portfolio management has evolved in recent decades

Climate Change Reckoning for the Municipal Bond Market

Amy Hauter/Lisa Fillingame Abraham

Rising emphasis on climate risk for municipal issuers and ratings agencies

The Other 95%

Brigid Peterson

A mission-aligned investing framework for endowments and foundations

Highlighted Events/Speaking Engagements:

Morningstar 28th Annual Investment Conference
Panel: "Approaches to Sustainable Investing"
Karina Funk

Ceres Conference 2019
Panel: "Building Climate-Resilient Cities"
Amy Hauter

Fortune Investor Roundtable 2020
Karina Funk, panelist

High Water Women Investing for Impact 2019
Panel: *"Avoiding Impact/ESG-Washing"*
Emily Dwyer

Green Bonds Americas Conference
Panel: *"Investing in Green, Social and Sustainability Bonds"*
Tom Graff

United Nations Sustainable Investing Conference
Panel: "*ESG Data in Fixed Income Investing"*
Amy Hauter

Industry Initiatives/Memberships

Long-term member and supporter. Brown Advisory partner Steven Hoch sits on Ceres' President's Council.

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

Long-term signatory and supporter. Assisted CDP in 2019 initiatives focused on climate disclosure and issuance of labeled green bonds.

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

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; hosted 3 WISE events in 2019.

Founding member. Brown Advisory partner Erika Pagel serves on steering committee.

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

New member in 2019.

Brown Advisory U.S. Large-Cap Sustainable Growth 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)
2018	5.4	4.8	-1.5	11.6	12.1	41	0.2	1,049	30,529
2017	29.1	28.4	30.2	10.6	10.5	32	0.2	762	33,155
2016	6.6	6.0	7.1	11.5	11.2	32	0.1	503	30,417
2015	13.7	13.1	5.7	11.1	10.7	23	0.3	405	43,746
2014	7.1	6.5	13.1	9.9	9.6	25	0.1	303	44,772
2013	34.5	33.7	33.5	12.1	15.5	24	0.2	288	40,739
2012	16.5	15.9	15.3	15.7	15.7	22	0.3	211	26,794
2011	5.4	5.0	2.6	NA	NA	21	0.3	37	19,962
2010	23.5	23.1	16.7	NA	NA	18	N/A	13	16,859

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

1. *For the purpose of complying with the GIPS standards, the firm is defined as Brown Advisory Institutional, the Institutional and Balanced Institutional asset management divisions of Brown Advisory. As of July 1, 2016, the firm was redefined to exclude the Brown Advisory Private Client division, due to an evolution of the three distinct business lines.
2. The Large-Cap Sustainable Growth Composite includes all discretionary portfolios invested in the Sustainable Large Cap Strategy. The strategy invests primarily in large market capitalization companies with financially and environmentally sustainable business models. The minimum account market value required for composite inclusion is $1.5 million. Prior to 2012, the minimum was $100,000.
3. This composite was created in 2010. Prior to 3/31/13, the strategy was named Large-Cap Sustainability. Prior to 12/31/2011 the strategy was named Winslow Green Large Cap. No changes have been made to the strategy since inception.
4. The benchmark is the Russell 1000® Growth Index. The Russell 1000® Growth Index measures the performance of the large-cap growth segment of the U.S. equity universe. It includes those Russell 1000® Index companies with higher price-to-book ratios and higher forecasted growth values. The Russell 1000® Growth Index is constructed to provide a comprehensive and unbiased barometer for the large-cap growth segment. The Index is completely reconstituted annually to ensure new and growing equities are included and that the represented companies continue to reflect growth characteristics. The Russell 1000® Growth index and Russell® are trademarks/service marks 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.
5. The composite dispersion presented is an equal-weighted standard deviation of portfolio returns calculated for the accounts in the composite for the entire calendar year period. The composite dispersion is not applicable (N/A) for periods where there were five or fewer accounts in the composite for the entire period.
6. 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 $10 million; 0.65% on the next $15 million; 0.50% on the next $25 million; and 0.40% on the balance over $50 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.
7. 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, 2010 and December 31, 2011 because 36 month returns for the composite were not available (N/A).
8. Valuations and performance returns are computed and stated in U.S. Dollars. All returns reflect the reinvestment of income and other earnings.
9. A complete list of composite descriptions, policies for valuing portfolios, calculating performance, and preparing compliant presentations are available upon request.
10. Past performance does not indicate future results.
11. 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.