

## Brown Advisory and University of East Anglia Responsible Investment Report

Brown Advisory's mission is to make a material and positive impact in the lives of its clients. We are committed to delivering a combination of first-class performance, thoughtful strategic advice, and the highest level of service. For a large and growing group of our clients, we pursue this mission by seeking to provide a comprehensive set of sustainable investing solutions. We define sustainable investing as an investment approach that intentionally incorporates environmental, social, and governance (ESG) research alongside fundamental research to drive performance, values alignment, positive impact, or a combination of those three outputs.

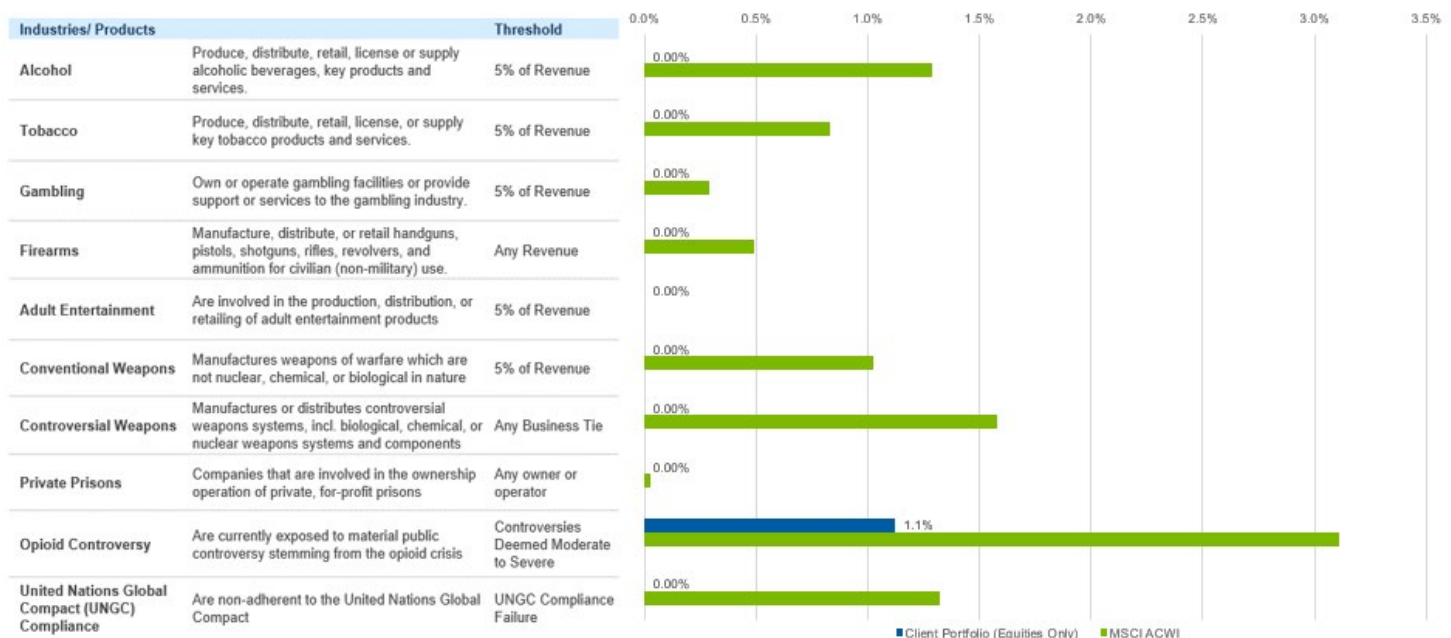
### Brown Advisory's Policy Documents

- [Sustainable Investing Policy Statement](#)
- [Engagement Policy](#)
- [Proxy Voting Policy](#)

### University of East Anglia's Investment Restrictions

- **Direct Holdings** – no direct investments into fossil fuel companies and companies that derive the majority of their income from extractive technologies
- **Pooled Funds** – only invest in pooled funds that embrace ESG principles within their strategies or are managed on an SRI basis

### University of East Anglia's Exposure to Controversial Business Practises



Data on business involvement is as of 31/03/2021 and is sourced from MSCI ESG Manager. MSCI ACWI ETF refers to the iShares® MSCI ACWI ETF. Data sourced with permission from Morningstar. Strategy holdings used in this analysis are as of 31/03/2021 and are sourced from Morningstar, Brown Advisory, and other investment managers.

N.B. The Opioid Controversy exposure derives from one holding of United Health. The portfolio has significantly less exposure than MSCI AC World Index. In addition to that, United Health are actively addressing the opioid epidemic.

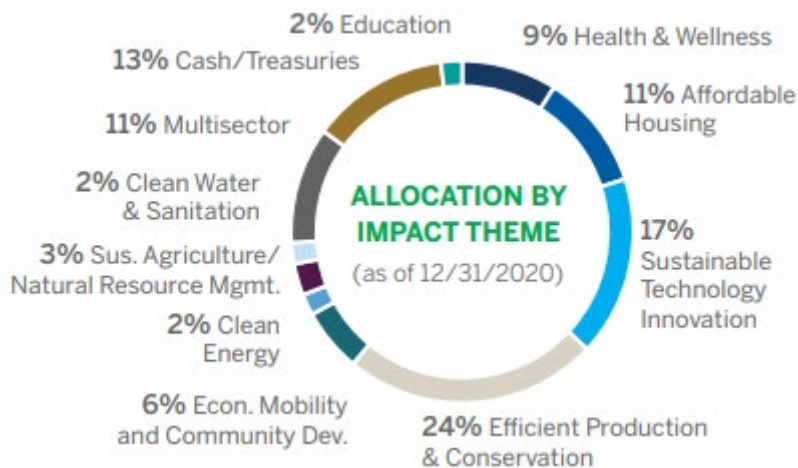
<https://www.unitedhealthgroup.com/newsroom/posts/opioid-epidemic.html>

## University of East Anglia’s Holding Analysis (30/06/2021)

### Brown Advisory Sustainable Bond Fund

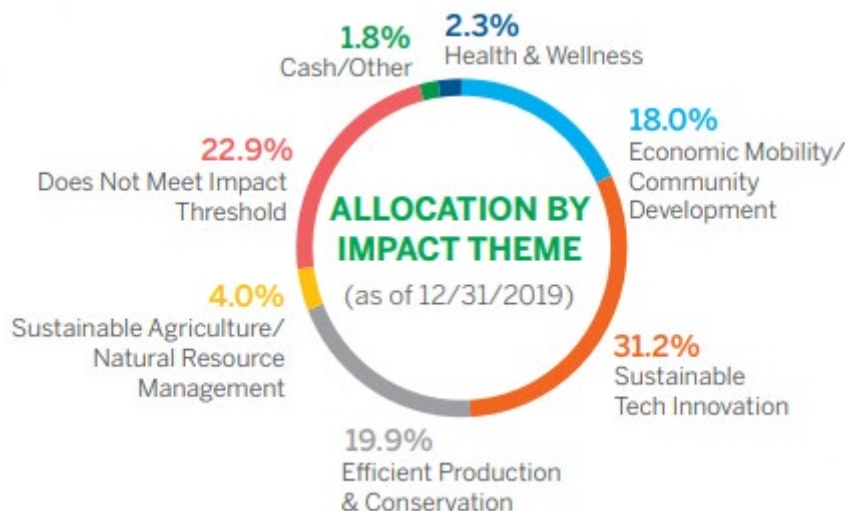
The full Impact Report for this strategy can be found [here](#). Brown Advisory finds that sustainable investing principles are especially well suited for fixed-income investing. When the upside of bond’s return is capped, protecting the downside is paramount, and therefore analysing the issuer through an ESG lens is a valuable tool. From an impact standpoint, bond issuers can often offer investors a high degree of clarity regarding use of proceeds, so investors can lend money to an issuer and see with reasonable transparency what is being done with that money.

The Fund uses impact themes and seeks out issuers who are best addressing those themes. These themes are aligned with the UN SDGs. Many of these bonds are now called labelled bonds (outlined formally by the ICMA), but the Fund will also invest in unlabelled bonds which have a targeted use of proceeds for projects and initiatives that produce positive environmental or social impacts. As of 31/12/20, 55% of the portfolio was invested in labelled and targeted proceed bonds. The balance is invested in bonds from ‘impactful issuers’ which the team believes are generating environmental or social impacts through their business activities.



### Brown Advisory Global Leaders Sustainable Fund

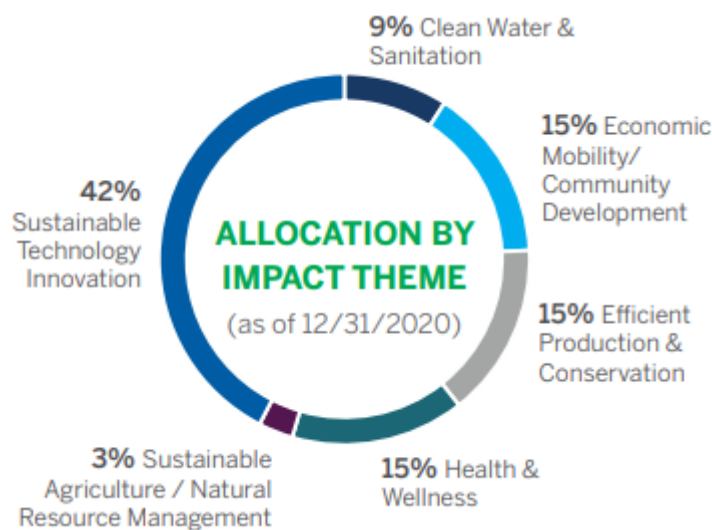
The full Transparency Report can be found [here](#). This report details all proxy voting and engagement over the year. Please note the 2020 report will be published later this month. The Global Leaders team are strong believers that in the long run it is simply good business sense to care about all stakeholders: customers, employees, suppliers, government and the society which gives the companies their license to operate. They embed sustainability into the Global Leaders’ investment process both offensively using Sustainable Business Advantage (SBA) drivers and defensively with ESG Risk Assessments (ERA).



They view positive ESG drivers as tailwinds for compounding capital, customer engagement and minimising regulatory scrutiny. On the other side, ESG risks are just some of the plethora of risks that any of their companies can be exposed to. Unlike some investors, the team want to maintain their investment in what they believe are great businesses for decades to come; and therefore companies that continually mistreat the key mouthpiece they have for talking to the customer—their employees—or cause repeated damage to the environment, are not going to stay the distance.

### **Brown Advisory Sustainable Growth Fund**

The full Impact Report can be found [here](#). The Strategy's investment philosophy places equal emphasis on the fundamental (including ESG risk management), sustainable and valuation picture for any company considered for the portfolio. The managers only invest when we are confident on all three criteria. Central to their approach is the search for companies with Sustainable Business Advantages (SBAs) that they believe can drive tangible, long-term business results.



### **iShares UK Gilts ETF**

This fund is invested purely in UK government bonds.

### **PIMCO Global Bond ESG Fund**

The Global Bond ESG Fund is a diverse, actively managed portfolio of global fixed-income securities, selected according to PIMCO's internal ESG screening process. The Fund invests primarily in a diversified portfolio of investment grade bonds from around the world, on the basis of PIMCO's ESG exclusions, evaluation and engagement decisions. The Fund continuously seeks to identify attractively priced green and social bonds to address climate change issues and support leading environmental practices, with a total exposure to this sector of 22.7%.

### **Polar Capital Emerging Markets Stars Fund**

The Polar Capital Emerging Market Stars Fund is a pioneer in its approach to sustainability, both now and since its inception in June 2018. As long as 20 years ago, the Strategy's lead manager, Jorry Nøddekær, was part of a team that managed what they believe was the first emerging markets strategy to have an ESG mindset. He went on to refine his own approach to reach true integration with the current team. Similar to Global Leaders, the team is focused on creating truly sustainable portfolios, based around the question: 'How long-lasting is a business?' This is grounded in the philosophy that the long-term value and competitiveness of an investment is ultimately determined by the relationship between all stakeholders – investors, directors, employees, customers, suppliers, regulators, society and the environment. The viability of a company over many years requires consideration and balance of all these groups.

The team has developed what they term a 'third-generation' approach to sustainable investing, where the first generation was negative screening and the second is the currently popular silo model which keeps financial analysis separate from ESG analysis, without quantification and conducted by separate people. Their third generation goes one step further; they do not separate responsible investment analysts, they identify a sustainability delta which feeds into their valuation

analysis and using their Economic Value Add (EVA) analysis they find improving companies with greater potential for impact, giving rise to positive societal contributions, inclusive action and environmental benefits.

### **RWC Nissay Japan Focus Fund**

The RWC Nissay Japan Focus Fund not only incorporates the integration and review of ESG issues into its investment process but also enters into deep engagement with the investee company's management on factors that, if addressed, could generate a significant increase in shareholder value. The Japanese corporate landscape is undergoing dramatic change and the team at Nissay are trying to accelerate that rate of change. They follow a constructive-activist approach whereby they work with investee boards diplomatically and sensitively, as opposed to employing more aggressive activist tactics. The investment approach requires local knowledge of corporate culture and nuances, making this area of investment hard to enter for foreign activist managers.

### **Brookfield Infrastructure Partners**

The team at Brookfield fully integrate ESG factors into all stages of their process. At the early stage of the due-diligence process of potential investments, ESG factors can define whether Brookfield continue with the investment. An example of this is a utility investment with a very strong return profile. During the early due diligence, Brookfield identified that part of the site was on an ecological area that was sensitive to the local population. Regardless of the potentially large return profile, Brookfield pulled out of the process. Once Brookfield own assets, they set ongoing ESG key performance indicators which must be met, such as health and safety standards, carbon emissions and D&I. The ESG report can be found [here](#).

### **Blackstone REIT**

Blackstone REIT owns stabilised commercial real estate assets in the U.S. Real estate as an industry is not as advanced as the equity and fixed-income markets in terms of ESG incorporation. Blackstone, at a corporate level, has dedicated itself to being a responsible corporate citizen. Their ESG brochure can be found [here](#).

### **Brown Advisory's Climate Strategy**

We believe our responsibility as investors is clear—protect our clients' interests, make decisions that we believe can enhance future returns, and encourage the companies, bond issuers and managers with whom we invest to act in a way that has the potential to reduce risk and enhance future returns. We view climate change entirely from this perspective. Please see our 2021 climate strategy [here](#).