Investment Management Climate Change Statement

At BBH we recognize that climate change-related risks present significant challenges to society, the global economy, and financial markets. BBH Investment Management believes that climate change physical and transition risks, the latter towards a lower-carbon economy, present both potential risks and opportunities for our clients' investments. We believe that the consideration of climate change related risks and opportunities in our equity strategies, corporate bonds, municipal debt and structured products investments' due diligence can enhance our ability to manage risk and help us achieve our long-term objectives.

Investment Approach

As a bottom-up, fundamental active asset manager, our investment teams conduct research to determine the materiality of risks and opportunities, including climate change-related issues. We think that assessing these matters inform our opinion on the long-term sustainability and durability of our investments. Portfolio management teams integrate the consideration of relevant climate-related issues and assess the materiality of their impact within their investment analysis, taking into account issuers', sectors' and asset classes' specific issues. Material factors, including climate-related risks and opportunities are embedded in our investment criteria as they impact our assessment of the potential risk and return profile of an investment.

Industry Collaborations

We are a member of the United Nations Global Compact and a our Investment Management team is a signatory to the UN-supported Principles for Responsible Investment (PRI). We support the goals and principles of these organizations, including their efforts to address the challenges associated with climate change.

Governance

On a firmwide basis, the BBH Executive Sustainability Council serves as a governing council for BBH's sustainability initiatives, overseeing and monitoring our sustainability framework, including the approach to and management of climate change-related risks. In BBH Investment Management, the ESG Oversight Committee (ESG OC) is responsible for monitoring ESG best practices and developments, including those related to climate change. On a regular basis, the ESG OC and our portfolio managers report to the BBH Investment Management Oversight Committee (IMOC), which has ultimate oversight of our investments and of the employment of climate change-related considerations in the investment process.

Fixed Income

For corporate bonds, municipal debt and structured products investments, we assess the physical risks to a given investment, in addition to the risks and opportunities associated with the transition to a lower carbon economy.

When evaluating these risk exposures, we consider the corresponding risk management capabilities on:

i. **Financial risk** – we assess our obligors' ability to manage the potential financial implications related to climate change risk, as well as their ability to appropriately invest in their businesses towards adopting best practices to support decarbonization of their value chain.
ii. **Operational risk** – while we recognize that certain capital-intensive issuers are inherently more exposed to climate change risks, we include them in our investment universe and assess them on the merits of how well they manage these exposure to assess their long-term asset resiliency.
iii. **Capital structure**– we test the assumption that the upper tiers of the capital structure, or other secured debt, tend to have lower credit risk in general and to climate change in particular.
iv. **Transparency** – to be able to properly evaluate whether climate change risks are recognized, assessed and managed. To this end, we encourage transparency and proactive disclosure of climate change-related data, policies and programs.

Corporate Fixed Income		Industries	Examples of Environmental Considerations		
High Inherent Risk	**Capital Intensive**	Utilities	**Financial Considerations**	**Appropriate leverage**	Low or High Residual Risk
		Industrials		**Appropriate liquidity**	
		Energy	Operational Considerations	Invest appropriately in environmental capex	
		Pharmaceuticals		Encourage efficiency through operations	
		Transport	**Structural Considerations**	**Seniority in the capital structure**	
		Other		**Recourse vs Non-Recourse**	
		All Industries	Transparency	Adequate disclosure	
Low Inherent Risk	**Capital Light or Low Direct Emitting Operations**	Services	**Financial Considerations**	**Appropriate leverage**	Low or High Residual Risk
				Appropriate liquidity	
		Financials	Operational Considerations	Revenues exposed to customers that may take on environmental risk (loans to emitters, policies written in areas susceptible to environmental risk)	
				Encourage efficiency through operations	
				Supply/energy procurement	
		Real Estate	**Structural Considerations**	**Seniority in the capital structure**	
				Recourse vs Non-Recourse	
		All Industries	Transparency	Adequate disclosure	

Municipal Fixed Income		Examples of Environmental Considerations
General Obligations or Revenue Bond	Natural Disaster Risk	Is the credit exposed to hurricanes, wildfires, etc?
	Climate Risk	Is the credit exposed to rising sea levels or drought risk?
	Pollution	Has the credit engaged in behavior that contaminated the environment or taken stems to reduce its carbon footprint
	Consent Decree	Governmental requirements related to environmental remediation?
	Renewable Targets	Does the credit encourage green energy adoption or have renewable energy targets?
	Transparency	Adequate disclosure

Structured Fixed Income		Examples of Environmental Considerations
General Structured Products Considerations	Identify and assess the nature and strength of all corporate linkages	Separate corporate ESG analysis may be warranted
	Sizeable concentration to a borrower with elevated Environmental exposure	This risk could be mitigated with a large equity position beneath the securitized note or structural protections in the transaction
	Analyze the securitization trust from an ESG perspective	Analyze the strength of the standalone legal structure, clarity of cashflow rules and the role of the independent trustee
	Transparency	Adequate disclosure

Given our emphasis on prioritizing capital preservation over a full market cycle, understanding the magnitude to which climate change impacts our investments is inherently part of our overall credit assessment. We seek to avoid credits with uncompensated or unmitigated climate change risk.

Equity Strategies

Across the equity strategies universe, portfolio managers and analysts assess a variety of risks and opportunities for any business under consideration for investment. This includes the evaluation of climate change. In evaluating whether climate change related risk may be material for an equity investment, we consider both the environmental physical aspects and the implications of the transition to a low carbon economy. This may include our assessment of the ability of our target companies to:

i. minimize business disruption and maintain operational continuity when facing extreme weather events or slow onset change in weather patterns
ii. manage their value chain towards a resilient position in a lower-carbon economy

Our equity investment team uses a set of investment criteria to find businesses which provide an essential product or service, have leadership positions in attractive industries, have attractive returns on capital and free cash flows, and are managed by management teams with high levels of integrity and operational capability. Analysis of climate change-risk factors is integrated into this investment process.

We would typically avoid an investment in a company that bears climate-related risk-exposure without risk-management capabilities to address those exposures, including, for instance:

i) current or future climate change related liabilities;
ii) regulatory mandates that could substantially increase the costs of doing business; or,
iii) obsolescence risk related to decarbonization.

<table>
<tr>
<th>Type of Transition Risk</th>
<th>Transition Risks - material risk to the investment due to the business' transition to a lower carbon economy</th>
<th>Investment Criteria</th>
<th>Type of Physical Risk</th>
<th>Physical Risks - material risk to the investment due to supply chain, production disruption and resulting harm to stakeholders</th>
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<td>Policy & Regulation - taxes, compliance costs</td>
<td>If changing <u>regulations and policies</u> result in materially higher operating or compliance costs, or if the costs are material and unknowable it is unlikely that we will find such an industry or business to be attractive for investment consideration</td>
<td rowspan="5">BUSINESS
• Essential Products & Services
• Loyal Customers
• Leadership in an attractive market niche or industry
• Sustainable competitive advantages

MANAGEMENT
• Strong operators with integrity
• Favorable capital allocation

FINANCIAL
• Strong balance sheet and free cash flow
• High returns on capital</td>
<td rowspan="5">Acute:
▪ Increased severity of extreme weather events

Chronic:
▪ Changes in weather patterns
▪ Rising sea levels, rising mean temperatures
▪ Biodiversity and natural capital depletion</td>
<td rowspan="5">▪ If the business lacks sufficiently diversified supply chain and production capabilities that impact its ability to have reliable operational capability, we would not view the management as being strong operators or as good capital allocators

▪ If the business is unable to diversify or shift its production and supply chain footprint to offset material risk from rising frequency of extreme weather events, to avoid burdens such as increased insurance premiums in "high-risk" locations, we would not view the business as a leader in an attractive industry</td>
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<td>Liability for inaction</td>
<td>If there is risk that the company faces material costs from <u>litigation</u> due to management's inability or unwillingness to act on the transition to a lower carbon economy, we are unlikely to find management to be strong operators</td>
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<td>Technology</td>
<td>If the company's products and services are at material risk of <u>technological</u> obsolescence due to substitution with alternatives better aligned with a lower carbon economy, or the company is unable or unwilling to deliver where there is potential for these alternatives, we are unlikely to view the company's position in the industry or management favorably</td>
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<td>Customer Behavior</td>
<td>If the <u>customer's preference</u> for the company's products shift, or the company's costs to transition to a lower carbon economy make its products unattractive to customers, we are unlikely to find that the company's products or services are essential or that the company's management are strong operators</td>
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<td>Reputational</td>
<td>If the company faces a risk to its <u>reputation</u> either because it is unable or unwilling to align with a transition to a lower carbon economy and risk a material impact to its business we are unlikely to find the company to be in an attractive industry or managed by strong operators</td>
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	Examples of Transitional Risk	**Examples of Physical Risk**
Examples of Industries with Higher Risk Exposures	Energy, Mining, Utilities, Automotive, Commodities	Asset intensive or product intensive businesses with highly limited flexibility to diversify or relocate physical footprint without material cost and risk e.g., Utilities, Oil & Gas
Examples of Industries with Lower Risk Exposures	Financials, Technology, Healthcare, Insurance, Consumer	Industries or businesses with a limited physical footprint and fixed asset base and/or those with a well-diversified manufacturing/supplier footprint or those which can diversify and shift production and supply chain without material financial or operational issues face lower risk from climate related physical risk e.g., banks, software, healthcare
Examples of Potential Beneficiaries	Businesses that help their customers transition to a lower carbon economy via: • Regulatory compliance - certification and testing companies • Reducing environmental footprint - vendors in the energy space • Accurate decision making - technology and software vendors • Highly innovative companies who reduce their footprint with new product release	Businesses which help their customers measure and manage physical risks can be beneficiaries: • Software companies that can help measure the extent of risk in third party supply chains to make more informed business resiliency decisions AND • Financial services companies with better pricing of this in their underwriting decisions

Engagement

Typically, portfolio managers and analysts rely on direct company engagement, companies' annual reports and financial statements, data information services and other public information to obtain disclosure regarding environmental issues. The amount and quality of disclosure varies by sector and geography, as mandates vary by region. As BBH utilizes external ESG data vendors and sources, portfolio managers and analysts incorporate additional information as warranted.

Where and when we identify climate as a material risk to a security, we will engage with a company to determine what strategies are in place to mitigate those risks. Proxy voting offers another avenue for us to address climate change-related matters, as and when they arise in that forum.

As an active investment manager, BBH seeks to ensure that our businesses and issuers are well positioned for any material risks that may be on the horizon. We continue to develop our approach, as we proactively assess and manage the risks and opportunities created by climate risk and an evolving global economy.

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