Investment Management Climate Statement

Introduction

At BBH we recognize that climate-related risks present significant challenges to society, the global economy, and financial markets. BBH Investment Management believes that physical climate risk and the global transition toward a lower-carbon economy present both potential risks and opportunities to our clients' investments. The consideration of environmental, social and governance (ESG) criteria, including climate risk, in our investment due diligence enhances our ability to manage risk and achieve our long-term objectives.

Investment Approach

As an active asset manager, our investment teams conduct research to determine the materiality of risks and opportunities, including climate-related issues, for each security. Across our equity and fixed income businesses, consideration of the range of physical risks (e.g. extreme weather events) and transition climate risks (e.g. lower carbon policies and regulations), help us to effectively assess the long-term sustainability and durability of our investments. Each portfolio management team integrates the consideration of relevant climate-related issues and assesses the materiality of their impact within its investment analysis, taking into account specific company, sector, and asset class issues. Material ESG factors, including climate-related risks and opportunities, have always, and continue to be, embedded in our investment criteria as they impact our assessment of the potential economic returns of a business.

Industry Collaborations

We are a member of the United Nations Global Compact and a signatory to the UN-supported Principles for Responsible Investment (PRI). Through the PRI we are engaged with the Taskforce on Climate Related Financial Disclosure (TCFD). We support the principles and goals of these organizations, including efforts to help society manage the challenges associated with climate-related risks.

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-related risks. In BBH Investment Management the ESG Oversight Committee (ESG OC) is responsible for monitoring ESG best practices and developments, including the impact of climate-related factors on our clients' portfolios. 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.

Fixed Income

Across the Fixed Income universe, we assess both the direct environmental risk to a given investment, in addition to the risks and opportunities associated with the transition to a lower carbon economy.

When evaluating these risks, we consider the financial, operational and structural mitigants to those risks:

i. **Financial risk** – we assess our obligors' ability to manage the potential financial implications related to climate risk, as well as obligors' ability to appropriately invest in their businesses to ensure compliance with environmental standards and best practices to support decarbonization.

ii. **Operational risk** – we recognize that certain capital-intensive businesses and issuers are inherently more exposed to environmental risks than other businesses that consume less power and natural resources.

iii. **Structural considerations** – we generally consider that the upper tiers of the capital structure, or other secured debt, tend to have lower credit risk as it relates to ESG, given that the overall risk of credit impairment is lower.

iv. **Transparency** – when interacting with management teams, our investment teams encourage transparency and proactive disclosure of climate-related data, which in turn helps us ensure that material risks are appropriately managed.

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, 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 risk or material, unmitigated environmental risk.

Equity

Across the equity universe, portfolio managers and analysts assess a variety of risks and opportunities for any business under consideration for investment. This includes the evaluation of ESG factors. In evaluating whether climate risk may be material for an equity investment, we consider both the physical aspects of climate change and the implications of the ongoing energy 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 in extreme weather events
ii. manage their carbon footprint and improve production efficiency

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 flow and are managed by management teams with high levels of integrity and operational capability. Analysis of ESG factors is integrated into this investment process.

To the extent that a company bears climate-related risk factors such as i) current or future environmental liabilities, ii) regulatory mandates that could substantially increase the costs of doing business, or iii) obsolescence risk related to de-carbonization, we would typically avoid the investment.

<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></tr>
<tr><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 environmental footprint</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></tr>
<tr><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></tr>
<tr><td>Technology</td><td>If the company's products and services are at material risk of <u>technological</u> obsolescence due to substitution with more environmentally friendly alternatives, or the company is unable or unwilling to deliver where there is potential for more carbon-friendly alternatives, we are unlikely to view the company's position in the industry or management favorably</td></tr>
<tr><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></tr>
<tr><td>Reputational</td><td>If the company faces a risk to its <u>reputation</u> either because it is unable or unwilling to effect a transition to a lower carbon economy without 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></tr>
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Examples of Transitional Risk

Examples of Higher Risk Industries	Energy, Mining, Utilities, Automotive, Commodities
Examples of Lower Risk Industries	Financials, Technology, Healthcare, Insurance, Consumer
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

Examples of Physical Risk

Examples of Higher Risk Industries	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 Lower Risk Industries	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 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-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 will continue to develop our approach as we proactively assess and manage the risks and opportunities created by climate risk and an evolving global economy.

A less favorable ESG profile may not preclude the Adviser from investing in an issuer, as the consideration of ESG factors is not more influential than the consideration of other investment criteria.

Risks

Investors should be able to withstand short-term fluctuations in the equity markets and fixed income markets in return for potentially higher returns over the long term. The value of portfolios changes every day and can be affected by changes in interest rates, general market conditions and other political, social and economic developments.

Considering ESG factors as part of investment decisions may result in forgoing otherwise attractive opportunities, which may result in lower performance when compared to advisers that do not consider ESG factors.

For more information, please refer to the BBH IM Position Statement and BBH IM Engagement Statement.

For more complete information, visit www.bbhfunds.com for a prospectus. You should consider the fund's investment objectives, risks, charges and expenses carefully before you invest. Information about these and other important subjects is in the fund's prospectus, which you should read carefully before investing.

Shares of the Fund are distributed by ALPS Distributors, Inc. and is located at 1290 Broadway, Suite 1000, Denver, CO 80203.

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