



T. ROWE PRICE PRINCIPAL ADVERSE IMPACTS (PAI) POLICY

This policy applies to T. Rowe Price Associates, Inc. and its investment advisory affiliates, including T. Rowe Price Investment Management, Inc., collectively referred to as T. Rowe Price. In accordance with the European Union Sustainable Finance Disclosure Regulation (“SFDR”), T. Rowe Price considers and, where appropriate, incorporates into its investment and engagement processes the Principal Adverse Impacts of investment decisions for the entities outlined in Annex 1.

Investment decisions can lead to negative, material, or likely to be material effects on sustainability factors. These negative impacts are also referred to as Principal Adverse Impacts (PAI).

INTRODUCTION

T. Rowe Price identifies adverse impacts and other sustainability-related indicators relevant to its overall investment strategy. It collects data on all the mandatory PAI indicators listed in Table 1, Annex 1 of the SFDR Delegated Regulation (SFDR RTS)¹, where possible, and select additional PAI indicators listed in Tables 2 and 3, Annex 1 of SFDR RTS, that it deems relevant and additive to the firm’s ESG integration processes. At an entity level, it prioritizes those PAI indicators that are relevant to the majority of its investments, that adhere to international environmental or social initiatives and standards that it is signatory of, and that align with its ESG investing policies.

A selection of the PAI indicators have been included in the firm’s proprietary ESG rating system called the Responsible Investing Indicator Model (“RIIM”)². These select indicators are utilized in RIIM based on T. Rowe Price’s view of their ability to provide investment insights. Some indicators are applied to the entire investment universe, while others are only applied to the sub-industries or industries where there is investment relevance. Key factors in the determination are:

- materiality of the indicator to the business model;
- availability of the indicator across a peer group; and
- level of standardization of the indicator (i.e. is the indicator comparable across companies).

USE OF PAI INDICATORS IN OUR INVESTMENT PROCESS

T. Rowe Price strives to help its clients reach their long-term financial goals through a thoughtful, disciplined approach to managing investments. Consistent with that mission, it has an obligation to understand the long-term prospects of an investee company’s or issuer’s business model and the factors that could cause it to change.

Environmental, social, and governance analysis is integrated into the fundamental investment process and is considered in tandem with traditional criteria such as financial, valuation, macroeconomic, industry-related, and other factors as part of investment decision-making.

Integration of ESG factors into the investment process starts with the initial research at the inception of an investment idea and continues through the life of the investment. This analysis is applied to multiple stages and includes such steps as:

- identification and monitoring of ESG data for company analysis;
- consideration of ESG risks or “red flags”, including relevant PAI indicators, through fundamental analysis;
- consideration of ESG risks and/or tailwinds in portfolio construction;
- engagement with boards or managements on identified ESG issues;
- and proxy voting.

At T. Rowe Price, the responsibility for integrating ESG factors into investment decisions lies with its analysts and portfolio managers. In order to support the investment professionals’ capacity to incorporate ESG factors into their decision-making, the firm has specialists in ESG within its investment research teams who work with analysts and portfolio managers to provide ESG-oriented research, data tools and subject matter expertise.

The proprietary RIIM is a tool created and maintained by the ESG specialists to support analysts and portfolio managers in integrating ESG analysis into their investment process. As stated in the previous section, RIIM utilizes a selection of the PAI indicators alongside other environmental, social and governance data points to construct a distinct ESG profile of an investee company or an issuer, flagging any elevated ESG risks or positive ESG characteristics. Analysts and portfolio managers have desktop access to the issuer’s ESG profile (as shown in Chart 1) and its full PAI analysis.

1. Commission Delegated Regulation (EU) 2022/1288 of 6 April 2022 contains technical standards to be used by financial market participants when disclosing sustainability-related information under the Sustainable Finance Disclosures Regulation (SFDR).

2. RIIM analysis will be different across T. Rowe Price Associates, Inc. and T. Rowe Price Investment Management, Inc. T. Rowe Price Investment Management (TRPIM) was established as a separately registered US investment adviser, with a separate ESG team to T. Rowe Price Associates, Inc (TRPA). Decisions for TRPA and TRPIM ESG teams are made completely independently, but use a similar approach, framework and philosophy.

Chart 1: Illustration of a company RIIM profile

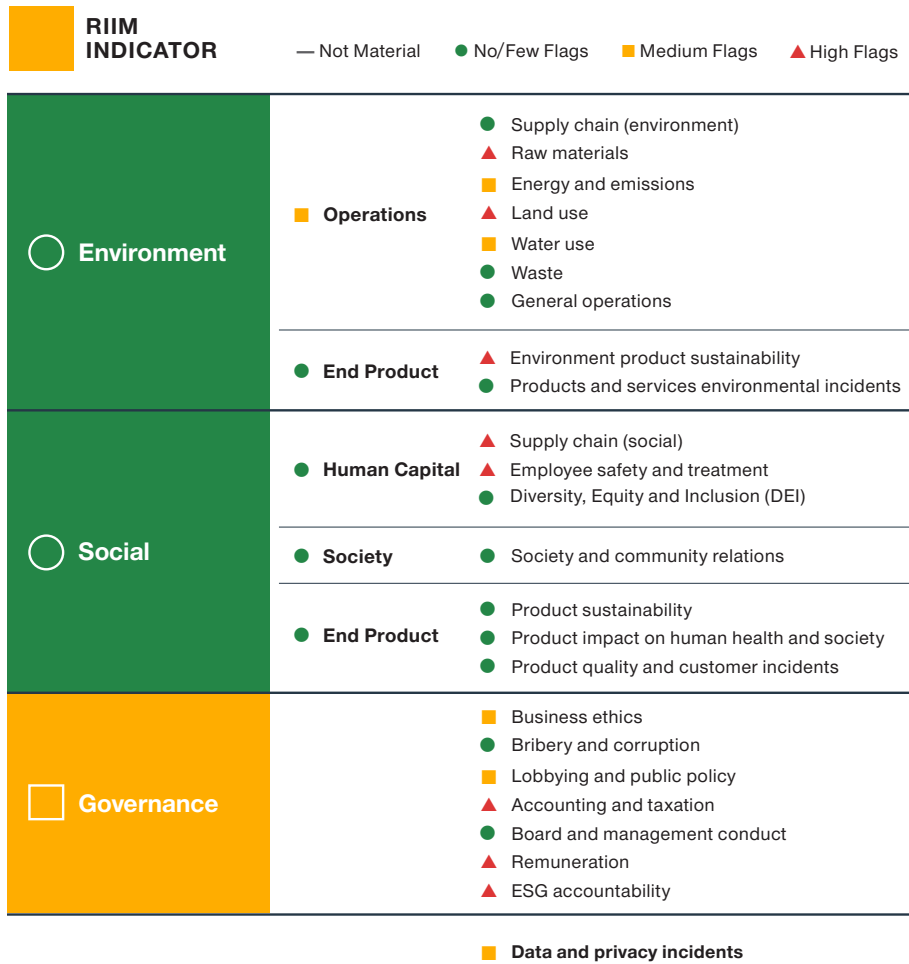


Illustration of a company RIIM profile, a rating of red, orange, or green highlights the extent of a security’s environmental, social, and governance risks or positive characteristics. This illustrative RIIM framework and analysis will be different across ESG teams at TRPA and TRPIM, and could evolve over time.

By measuring issuers’ ESG profiles in this way, they can more easily be used as building blocks for an investment thesis for each security researched—alongside financial, economic, and industry related insights.

RIIM also allows portfolio managers to understand if there are concentrated environmental, social or governance factor risks in an overall portfolio. The firms’ ESG teams conduct regular reviews with portfolio managers to discuss areas of concentrated risk, or positive themes identified during the portfolio screening process.

CONSIDERATION OF PAI AT PORTFOLIO LEVEL

Portfolio managers consider the aggregated profile for certain PAIs (as applicable to the mandate of their products, as specified in the relevant product’s prospectus) as part of their investment process. The portfolio managers have access to the full PAI profile of their

products and are able to view how investment decisions and other changes to the portfolio impact its PAI profile. The PAI profile of the portfolios help to inform upcoming engagement activity.

CONSIDERATION OF PAI AT ENTITY LEVEL

The SFDR RTS includes a set of specific indicators that can be used to measure an investee company’s or issuer’s negative impact on sustainability factors. A sub-set of these indicators is mandatory for firms to use (Table 1) and a further two sub-sets of the remaining indicators provide additional optional indicators that firms may use where relevant. On an annual basis T. Rowe Price measures and monitors the overall exposure to the mandatory PAI indicators relevant to its investments and the additional PAI indicators that it has chosen to consider at an entity level. These are published as part of the annual Principal Adverse Impact Statement on the T. Rowe Price [website](#).

T. Rowe Price methodologies to identify and assess PAI are dependent on data availability and quality. The firm's approach to the use of data is further described in the Approach to Data Collection and Data Sources section below.

At an entity level, T. Rowe Price assesses the aggregated data for each of the PAI indicators and considers the scope, severity, probability of occurrence (where appropriate) and potentially irremediable character on sustainability factors as well as trends in data over time. This methodology is also used to identify additional indicators for principal adverse impacts to be considered. The process for assessing the aggregated data is to look at each of the PAI indicators individually to determine whether they are providing a reasonable indication of the aggregated impact of investment decisions.

In conducting an evaluation of each PAI indicator, T. Rowe Price endeavors to understand the severity of that indicator across its holdings in industries where that indicator will be most significant, as each of the PAI indicators have varying levels of significance across industries. For example, the presence of a deforestation policy is more meaningful for a food and beverage company than a technology company (being in the agri-business chain, the food and beverage company has the opportunity to have a more material impact on deforestation). In this case, both the financial and societal adverse impact is considered. In addition, each of the PAI indicators has varying levels of disclosure and, in some cases, there is a need to rely on estimated data. Therefore, part of the assessment of the severity of each of the PAI indicators is to understand the aggregated value for a given indicator relative to the universe of companies that report.

T. Rowe Price will use this annual assessment to inform its engagement process and, where appropriate, engage with investee companies on specific PAI metrics. The possible actions that can be taken by the firm may include one or more of the following:

1. Thematic engagement: certain indicators, when aggregated at an entity level, can be used to help monitor and align with the firm's ESG investing policies and commitments may be considered for thematic engagement.
2. Issuer-specific engagement: issuers that are outliers on PAIs that are material to their business model are considered for engagement.
3. Voting: certain indicators that do not align with the firm's social or environmental proxy voting guidelines may be addressed through votes against management.
4. Exclusion: certain indicators that are considered to have extreme impacts on sustainability factors are addressed through exclusion. Exclusions may be applied to all products or a sub-set of products.

A review of this assessment and the subsequent engagement activities will be reported to the firm's ESG investment committees and the T. Rowe Price (Luxembourg) Management S.à r.l. board outlined in Annex 1, and published, as appropriate, as part of the annual Principal Adverse Impact Statement on the T. Rowe Price website.

ENGAGEMENT POLICIES

Engagement, proxy voting activities and assessment of a broad range of investment considerations – including ESG issues – are integrated into T. Rowe Price's investment processes. Based on its view that these issues are important investment considerations, T. Rowe Price's engagement program is driven by its investment professionals and usually focused on a matter material to the investment case. It is conducted by portfolio managers, industry-focused analysts and in-house specialists in corporate governance and sustainability and leverages their expertise on specific companies; industries; or issues of an environmental, social, or governance nature. The central focus of the engagement program is at the issuer level. The firm believes this company-specific approach results in the highest impact because it is aligned with its core investment approach: active management rooted in fundamental investment analysis.

ESG engagements can serve a variety of purposes, which tend to fall into three broad categories (ESG dialogues, controversy-led engagements and thematic engagements):

- ESG dialogues allow T. Rowe Price to provide its view on best practices and provide feedback on specific ESG topics. Typically, the engagement covers all the environmental, social, and governance topics where there are concerns and T. Rowe Price suggest the company adopt specific measures – e.g., an executive compensation plan that is adequately aligned to total shareholder return and the adoption of appropriate ESG disclosure so that it can adequately assess the company's climate risks, etc.
- When a company may have been involved in a significant controversy, T. Rowe Price speaks to management to understand their perspective and to gain a better understanding of the situation. The engagement provides an improved understanding of the company's practices, the context to the incident and management's remediation plans. Often in these cases, T. Rowe Price will identify room for improvement and will encourage the company to strengthen its approach.
- Thematic engagements represent situations where a non-company-specific issue has been identified as a material risk. Engaging on the same topic with a group of companies allows T. Rowe Price to benchmark responses against those of peers and build its knowledge of the developing practice on this topic. Thematic engagements can include PAI indicators and/or topics such as board diversity, sustainable agriculture, greenhouse gas emissions, etc.

The annual PAI assessment helps to inform the engagement program, with objectives that help to improve disclosure in, and reduce the impact of, material PAIs of our investments. As active, long-term investors investing across a multitude of investment styles and strategies, T. Rowe Price would not ordinarily expect to see improvements in its entity PAI metrics in the short term and the engagement program is reflective of this. However, T. Rowe Price will continue to monitor the adverse impact indicators and will consider further actions to take should there be no improvement longer term.

APPROACH TO DATA COLLECTION AND DATA SOURCES

The annual assessment of the aggregated portfolios' performance of the PAI indicators requires the collection of relevant data points from thousands of companies. While not required by the SFDR, T. Rowe Price also endeavors to collect this data for the relevant benchmarks of each investment strategy. This improves its understanding of performance on these metrics as it provides context, but it further increases the amount of total data collection. In order to effectively accomplish this, T. Rowe Price utilizes data sets provided by third-party providers (such as Sustainalytics and MSCI) as inputs for calculations of the PAI indicators.

T. Rowe Price has adopted a robust approach to data sourcing and evaluation and will endeavor to use estimated data when reported data are not available (and has confidence they can be estimated in a reliable fashion). For certain PAI metrics, vendors readily provide estimated data where companies do not report; for other PAI metrics, the firm is able to supplement vendor data with its own research, but for the majority of PAI metrics it is not feasible to accurately estimate the data. T. Rowe Price believes that the best quality of data available are those reported by investee companies, and where there is inadequate disclosure or data readily available, it will consider this within its engagement program.

RIIM processes data from a variety of sources including third-party ESG data vendors, company reports, non-governmental organizations (NGOs) and datasets built in-house. When determining which data points to incorporate in RIIM, a thoughtful analysis of each criterion is taken, including:

- Is the factor material to the underlying investment?
- Is the factor a meaningful contributor to environmental or societal burdens/tailwinds?
- Is there a data point underpinning that factor?
- Is the data point a quantitative or qualitative assessment?
- If the data point is qualitative, what level of subjectivity has been incorporated?
- Are the data uniformly disclosed? Are issuers using the same reporting standard?
- Are the data commonly disclosed within an industry/region?

Data used within RIIM analysis evolves over time and includes a number of the PAI indicators defined by the SFDR RTS.

ACCOUNTABILITY FOR PAI POLICY

Ownership of this policy resides with the firms' ESG investing committees, which are made up of senior leaders at the firm, and it is reviewed periodically as required. Implementation of the principles and procedures set out in this policy reside with the firms' ESG specialist teams.

RECORD KEEPING

T. Rowe Price publishes on its website an Adverse Sustainability Impacts Statement in line with the requirements prescribed by the SFDR, which will include a description of the aggregated PAI and a description of any relevant activities and, where possible their measurable impact, to address the PAI attributable to each entity specified in Annex 1. T. Rowe Price will retain all relevant PAI data for a period of 5 years from the most recent date of disclosure and the results of annual assessments carried out.

ANNEX (1)

T. Rowe Price Entity	Scope of aggregated accounts
T. Rowe Price International Ltd, T. Rowe Price Associates, Inc., T. Rowe Price Hong Kong Limited, T. Rowe Price Australia Limited, T. Rowe Price Japan, Inc., T. Rowe Price Singapore Private Ltd., T. Rowe Price Investment Management, Inc.	TRPLUX-contracted accounts managed by these entities Separate accounts domiciled in EU, contracted directly with any of these entities – where the client entity itself is subject to the SFDR (e.g. a third-party client UCITS fund or AIF)
T. Rowe Price (Luxembourg) Management S.à r.l.	Lux-domiciled funds: T. Rowe Price Funds SICAV T. Rowe Price Funds Series II SICAV Select Investment Series III SICAV T. Rowe Price Funds B SICAV T. Rowe Price Institutional FCP T. Rowe Price Kikantoushika-Muke FCP TRPLUX-contracted separate accounts

INVEST WITH CONFIDENCE®

T. Rowe Price focuses on delivering investment management excellence that investors can rely on—now and over the long term.

T.RowePrice®

This material is provided for informational purposes only and is not intended to be investment advice or a recommendation to take any particular investment action.

The information contained herein is as of July 2023 and is subject to change without notice; these views may differ from those of other T. Rowe Price associates.

This information is not intended to reflect a current or past recommendation, investment advice of any kind, or a solicitation of an offer to buy or sell any securities or investment services. The opinions and commentary provided do not take into account the investment objectives or financial situation of any particular investor or class of investor. Investors will need to consider their own circumstances before making an investment decision.

Information contained herein is based upon sources we consider to be reliable; we do not, however, guarantee its accuracy.

© 2023 T. Rowe Price. All Rights Reserved. T. ROWE PRICE, INVEST WITH CONFIDENCE, and the Bighorn Sheep design are, collectively and/ or apart, trademarks of T. Rowe Price Group, Inc.