T. Rowe Price US Impact Equity Strategy

Impact Statement

January 2024

As our world evolves, societal, governmental, regulatory, and fiduciary pressures are now driving change on a range of environmental and social fronts. As companies respond and increasingly shift investment to address global pressure points, the opportunities to own businesses that create a positive impact on society and the planet is broader than it has ever been in public equity markets. We believe impact investing is vital in helping investors who seek to own companies that are on the side of secular change that aligns with our impact goals. It creates a real opportunity to select stocks that we believe will deliver a favourable impact profile and capture the added return potential that this can bring.

We strongly believe that impact is achieved within an investment portfolio in more ways than simply owning and capturing the economics and activities of certain types of companies. It involves directing fresh capital toward desired impact outcomes, impact-oriented company engagement, active proxy voting, and the associated feedback loop.

Our investment process embeds clear principles of materiality and measurability to form the basis for identifying positive impact for clients. We also aim to be additional by capturing positive environmental and/or social outcomes on a global basis and by committing to use our scale and resources to promote and progress the impact agenda. Due to the very complex friction points that exist for our planet and our global community, delivering impact requires patience and an understanding of change. This is why being resilient in applying an impact oriented investment approach is imperative.

Our impact charter

Material

Every stock is aligned with clearly defined impact pillars, using revenue inclusion criteria, always accounting for dimensions of positive future change.

Measurable

Our approach is multi-dimensional and stock-based, using insights from our research platform and company engagements.

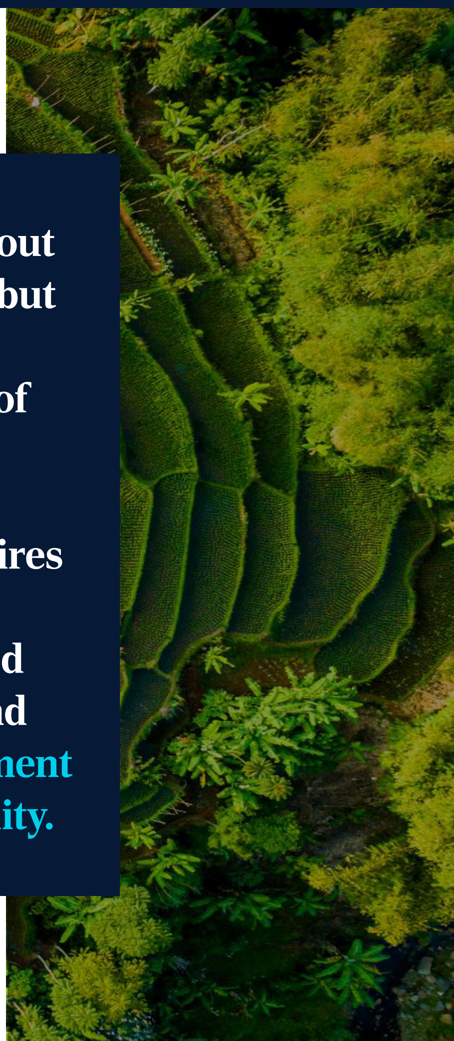
Additional

We commit to using our scale and resources to promote and progress the impact agenda.

Resilient

In an era of disruption and extreme outcomes, patience, a forward-looking approach and skillful portfolio construction is important in pursuing good client outcome.

Impact is about the present, but includes dimensions of change and persistence. Impact requires conscious action, skilled execution and the commitment of additionality.



Material positive impact

All our investments start with a stock-by-stock assessment of impact materiality. Our responsible investing team define our impact universe through careful screening, a deep understanding of environmental, social and governance (ESG) factors, and industry-specific, forward-looking impact inclusion criteria.

Avoiding significant harm: T. Rowe Price Impact Exclusion List

The primarily large-cap U.S. opportunity set is screened* to exclude areas of the global economy that, in our view, generate significant harm. We also exclude stocks that screen out individually on conduct-based metrics, integrating our proprietary Responsible Investing Indicator Model (RIIM) analysis to identify specific controversies or areas of ESG risk that merit individual consideration.

Systematic and proactive integration of ESG considerations

The US Impact Equity strategy leverages T. Rowe Price's ESG integration process to understand environmental and social dynamics related to a company's conduct.

All of our stock selection decisions begin with a clearly defined positive impact thesis, which proactively and systematically integrates ESG considerations. Our philosophy is that ESG factors cannot be separate or tangential parts of a traditional investment thesis. Company fundamentals, including its consideration of factors, play a critical role in the stock selection process.

The process of ESG integration takes place on three levels:

1. First, as our fundamental and responsible investing research analysts incorporate environmental, social, and governance factors into their analysis;
2. Second, as we use T. Rowe Price's proprietary RIIM analysis at regular intervals to help us understand the ESG characteristics of single stocks and the aggregate portfolio; and
3. Third, as the portfolio manager integrates ESG considerations within the investment thesis and portfolio construction process itself.

The T. Rowe Price Impact Exclusion List currently consists of the following categories:

Adult entertainment
companies that generate >5% of revenues from adult entertainment.

Alcohol
companies that generate >5% of revenues from alcohol.

Assault-style weapons
companies that manufacture or retail semi-automatic weapons for civilian use.

Controversial weapons
companies with direct exposure to anti-personnel land mines, cluster munitions, incendiary weapons, biological weapons, chemical weapons and/or nuclear weapons.

Conventional weapons
companies that generate >5% of revenues from the production of conventional weapons.

For-profit prisons
companies that generate >5% of revenues from for-profit prisons.

Fossil fuels
companies that generate >5% of revenues from the production of thermal coal, and companies that are identified within the Oil or Gas industry through the Global Industry Classification Standard (GICS) and/or Bloomberg Industry Classification Systems (BICS) classification.

Gambling
companies that generate >5% of revenues from direct gambling operations.

Tobacco
companies that produce tobacco or key components of tobacco products.

Conduct-based
corporate or sovereign issuers that, in the opinion of the investment manager, have been involved in an extreme environmental, social, ethical or governance breach as determined in reference to the UN Global Compact principles and are not taking adequate steps to remediate the issue.

* Screening is generally applied only to the relevant company itself and to its subsidiaries. Minority holdings (less than 50% ownership) are generally not considered for screening purposes.

For certain types of investments, including, but not limited to, cash, currency positions, and particular types of derivatives, an ESG analysis may not be relevant or possible due to lack of data. Where ESG considerations are integrated into the investment research process, we may conclude that other attributes of an investment outweigh ESG considerations when making investment decisions.

ESG Integration Process

1 Identification	2 Analysis	3 Integration
Proprietary **research tools** signal securities with ESG issues.	ESG specialists apply further **analysis to securities flagged** by our ESG research tools.	ESG **analysis delivered** to investment analysis and portfolio managers.
Responsible Investing Indicator Model (RIIM)	Securities **flagged in RIIM** undergo fundamental analysis by the RI team, including engagement and proxy voting recommendations.	**Analysts and portfolio managers incorporate ESG factors (as appropriate to their strategy) into:** - Investment thesis - Company ratings - Price targets - Engagements - Position sizing - Proxy voting decisions
Customised Proxy Voting Guidelines	Companies **divergent from proxy guidelines** are subject to further analysis, including engagement and proxy voting recommendations.	

Data and insights from integration feedback into identification and analysis stages

For illustrative purposes only.

Aligning our investments to the United Nations Sustainable Development Goals (UN SDGs)

Our strategy philosophy aligns with the UN SDGs, a globally recognised framework designed to end poverty, protect the planet, and ensure prosperity. We believe this is the best way to align all stakeholders in the impact journey, encompassing our clients, investment team, and the businesses our strategy owns.

To ensure our approach has substance and materiality, we adopt a forward-looking perspective on change while ensuring all investment decisions are based on a clearly defined, positive impact thesis that is both material and measurable. We assess business activities and how they align to the following three investment pillars and eight sub-pillars, guided by the UN SDGs:

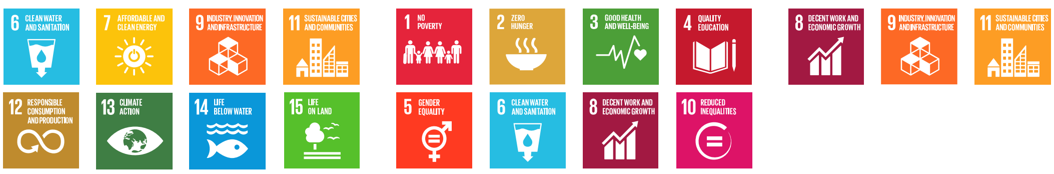
Companies must meet at least one of the following four impact inclusion criteria to be eligible for consideration:

1. Majority of current revenues or profits is tied to at least one impact sub-pillar
2. Majority of projected revenues or profits in 10 years is tied to at least one impact sub-pillar
3. Best-in-class response to impact situations
4. Unique impact situation

Pursuing positive impact from our investments against these pillars is the start point for every investment decision we make.

T. Rowe Price Pillars & Sub-pillars	Climate and resource Impact	Social equity and quality of life	Sustainable innovation and productivity
	1. Reducing greenhouse gases (GHGs) 2. Promoting healthy ecosystems 3. Nurturing circular economies	4. Enabling social equity 5. Improving health 6. Enhancing quality of life	7. Sustainable technology 8. Building sustainable industry & infrastructure

UN SDG Alignment



T. Rowe Price uses a proprietary custom structure for impact pillar and sub-pillar classification.
The UN SDGs encompass 17 goals. For further information, please visit http://www.un.org/sustainabledevelopment/sustainable-development-goals/
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Measurability

quantifying and measuring outcomes is one of the most significant challenges impact investors face. This is due to the lack of generally accepted measurement standards and the need to capture the evolving dimension of change, not just a backwards-looking data set of historical impacts. Networks of impact investing professionals, including asset managers, continue to evolve and establish harmonised terminology, frameworks, and principles, to increase reporting clarity to clients. Due to the rapid development in impact management and measurement best practices, we keep our approach to measurement under constant review.

Impact due diligence: assessing fundamentals and risk

Alongside measuring a company's alignment with our impact pillars and sub-pillars, we use the five dimensions of impact framework* to carry the impact due diligence of a given stock. This framework was developed by the Impact Management Project, an impact practitioner community of over 2,000 organisations.

This framework leads to assessing a company's ability to deliver impact on a holistic basis, including the risks that may affect its ability to deliver the targeted impact.

The five dimensions are:

1. What is the impact goal?
2. Who experiences the outcome?
3. How much of the outcome is occurring (scale, depth, and duration)?
4. Contribution—Would this change likely have happened anyway? and
5. Risk—What is the risk to people and the planet if the impact does not occur as expected?

Within this process and depending on data availability, we also use guidance and metrics from the IRIS+ catalogue of metrics, developed by the Global Impact Investing Network (GIIN).

This analysis helps us to formalise an impact thesis, highlight negative externalities and risks and define key performance indicators (KPIs) for each stock.

For investment in companies that undertake multiple activities leading to complementary or conflicting outcomes, we will endeavour to reflect this complexity in our methodology.

This impact due diligence can also be a starting point for engaging with a company. During this stage, the investment and responsible investing teams may identify gaps in the disclosures, which are necessary to the impact measurement process.

Outcome and impact measurement

We published our second global impact equity report in Q4 2023. It aims to convey the environmental and social outcomes delivered by the companies in which we invested in our Global Impact Equity Strategy during 2022.

In our annual report, we report on how each investment aligns with our proprietary impact pillars and sub-pillars as well as the United Nations Sustainable Development Goals (UN SDGs). From a measurability standpoint, we report on outcomes at the company level, based on key performance indicators. Furthermore, we provide several stock case studies, in which we discuss what we are monitoring to improve measurement and/or track the company's progress toward its impact goal.

As part of our approach to impact measurement and reporting, we use a "Theory of Change" model. We believe that this model provides a clear and comprehensive framework for evaluating how the efforts of each holding is delivering impact, through the measurement of achieved outcomes. This framework explains the steps taken by a company to produce specific societal and environmental outcomes on a chronological basis.

One benefit of this approach is it provides a robust benchmark against which we can measure the effectiveness and progress of a company toward its impact goals over time.

Our approach to impact measurement

Alignment

Quantify alignment with our three impact pillars and eight sub-pillars
To create a robust and measurable impact universe

Outcomes

Measure outcomes and impact
Using the theory of change, quantifying wherever possible, using external data

Fundamentals

Assess fundamentals through an impact lens
Using the Impact Management Project's five dimensions of impact to gain a deeper understanding of a business' impact footprint

Risk

Understand impact risk
Qualify risks and track evolution and impairment of the impact thesis

*The Five Dimensions of Impact is a measurement framework developed by the Impact Management Project, an impact practitioner community of over 2,000 organizations. The Impact Management Project, a project by Bridges Fund Management Ltd (company number 10401079) ("Bridges").

We will aim to produce a similar annual report for our US Impact Equity Strategy in 2024 (covering 2023), at which point we will have a full calendar year by which to measure our holdings' real-world impact outcomes.

Additional: accelerating impact through active ownership

We truly believe impact is achieved within an investment portfolio in more ways than simply owning and capturing the economics and activities of certain types of companies. Our approach involves directing fresh capital towards desired impact outcomes alongside impact-oriented company engagements, proxy voting, and the associated feedback loop.

Done well and in partnership with our fundamental and responsible research analysts and governance team, we believe this will potentially create benefits not only for our US Impact Equity clients, but other investors.

Engagement Programme

Engagement is a crucial tool for impact managers to track a company's progress towards its impact goals and to provide guidance on sustainability best practices when needed.

The central focus of our engagement program is at the company level. Generally, we do not identify broad themes and then engage with multiple companies on the same issue. We identify engagement targets through our proprietary impact due diligence framework based on the Five Dimensions of Impact framework, RIIM analysis, governance screening, and our analysts' fundamental research. We believe this company-specific approach results in the highest impact because it is aligned with our firm's core investment approach: active management rooted in fundamental investment analysis.

Thanks to the trust our clients have placed in us, T. Rowe Price is a significant investor in many of the world's leading companies. This affords us, in most cases, access to company management that we find highly valuable in both engagement and insight terms. This allows us to:

a. see the potential to accelerate the good aspects of their operations while

b. helping to mitigate the negative externalities which naturally exist, even in the purest of business operations.

Our impact engagements are designed to:

- Investigate in the case of a corporate event that potentially hinders the impact thesis
- Inform our impact research and measurement practice
- Share our views and guide the company toward specific positive impact outcomes

We measure the success of our engagement through maintaining a regular dialogue with the management teams of companies represented across our portfolios. As an active manager, company management teams are aware that we have the option of selling our investment. That means our investment-driven engagement approach can yield meaningful outcomes.

Our objective is to use our expertise to increase the probability that the company will potentially outperform its peers, enabling our clients to achieve their investment goals. We do this using various stewardship activities listed below:

- Regular, ongoing investment diligence
- Engagement with management on ESG and impact issues
- Meetings with senior management, including offering our candid feedback
- Meetings with members of the Board of Directors
- Decisions to increase or decrease the weight of an investment in a portfolio
- Decisions to initiate or eliminate an investment
- On rare occasions, public statements about a company, either to support the management team or to encourage it to change course in the long-term best interests of the company.

We currently publish a quarterly engagement report on a selection of engagements and will summarize all impact engagements and proxy voting activities relating to our US Impact Equity strategy in our annual impact report. In addition, detailed proxy voting records will be available at the strategy level which provide details of proposals voted for each holding, and the rationale for votes against management.

T. Rowe Price Engagement Policy

Proxy voting is a crucial link in the chain of stewardship responsibilities we execute on behalf of our clients. Each vote represents both the privileges and the responsibilities that come with owning a company's equity instruments.

We take our responsibility to vote our clients' shares very seriously, taking into account both high-level corporate governance principles and company-specific circumstances. Our overarching objective is to cast votes to foster long-term, sustainable success for the company and its investors.

Our proxy voting program serves as one element of our overall relationship with corporate issuers. We take a hands-on approach to joining voting and engagement activities as part of our commitment to additionality, driven from discussions at weekly impact research meetings.

The US Impact Equity strategy follows an enhanced governance and proxy voting approach:

- The strategy may vote against the Chair, or another relevant director, if ESG disclosure expectations are not met within a reasonable period. We already encourage companies to disclose in line with the Sustainability Accounting Standards Board (SASB) and the Task Force on Climate-Related Financial Disclosures (TCFD) disclosure frameworks and will take this into account when making the voting decision.

- The strategy may vote against the Chair, or another relevant director, for inadequate oversight of ESG controversies, including insufficient preparedness for the low-carbon transition.
- The strategy expects to support a broader range of shareholder resolutions that request improved ESG disclosures and practice compared to the mainstream strategies.

T. Rowe Price Proxy Voting guidelines

Knowledge sharing

As an impact investor, we understand it is our responsibility to promote and deepen impact investing practices. In this context, we aim to be additional within our firm by using our scale and resources to promote and progress the impact agenda.

We expect to be able to share knowledge with our clients as we bring our collective resources and insights together on a particular subject. While we are at the beginning of our own impact journey, we are commited to advancing the agenda of impact investing with our global client base through thought pieces and openness of communication. We will continue to develop in this area, in the spirit and practice of additionality.

Resilience

In the same way that our environmental sustainability journey requires resilience, commitment, iteration, and imagination, so too will the journey of investing for impact. We aspire to be a partner to our clients, using our full breadth of ideas to harvest both impact and alpha over the long-term with a deep analysis and a long-term view acting as a core driver of decision making.

A forward-looking approach enabled by deep research capabilities

Given the complexity and non-linear nature of delivering impact and the patience it necessitates, adopting a long-term and holistic view when investing to solve sustainability challenges is necessary. Looking forward is also one of the key components that differentiate a backward looking index with a future outcome in a world defined by change, a crucial aspect of successful impact investing and adding value in the long term.

We integrate our stock perspectives to identify, in our view, underappreciated impact and mispriced economic return improvement on a stock-by-stock basis. We apply a forward-looking, research-driven, and high conviction approach to our stock choices. This is important with respect to prudent risk management when it matters and aligning with the UN SDGs as we seek to engage with the full breadth of impact opportunities that exist in an evolving world.

Research, measurement, reporting, iteration

The challenge for the industry is that impact investing lives in a complex world of risk and opportunity. We formalise these considerations during each of the company's impact due diligence, derive an impact thesis, highlight negative externalities and risks, and define key performance indicators (KPIs). We aim to report each of the company's progress towards its impact goals to our investors in our annual impact report by tracking the evolution of these KPIs.

We aim to be a good partner and contribute to innovation in the field of impact measurement and reporting, helping clients navigate this journey with the data and trust they need. Leveraging multiple dimensions of our research expertise (both responsible and fundamental) while investing in the field of responsible investing and impact reporting will, we believe, be a real advantage over the long-term.

As an impact manager, we must be additional and commit to engaging openly with businesses in the sustainability journey. We will use our position of ownership to enter into dialogues with companies where we can see the potential to accelerate the good aspects of their operations, while helping to mitigate the negative externalities which may exist in a business operations.

In this venture, we are committed to making our own contribution by using our global research presence and corporate scale to pursue outcomes that integrate financial returns and align impact for future generations. Change will take time and require resilience, but this is consistent with many aspects of successful long-term investing.

Risks – the following risk is materially relevant to the portfolio:

Issuer concentration – may result in performance being more strongly affected by any business, industry, economic, financial or market conditions affecting those issuers in which the portfolio's assets are concentrated.

Sector concentration – may result in performance being more strongly affected by any business, industry, economic, financial or market conditions affecting a particular sector in which the portfolio's assets are concentrated.

Small and mid-cap – Small and mid-size company stock prices can be more volatile than stock prices of larger companies.

General Portfolio Risks

Capital risk – the value of your investment will vary and is not guaranteed. It will be affected by changes in the exchange rate between the base currency of the portfolio and the currency in which you subscribed, if different.

Equity risk – in general, equities involve higher risks than bonds or money market instruments.

ESG and Sustainability risk – May result in a material negative impact on the value of an investment and performance of the portfolio.

Geographic concentration risk – to the extent that a portfolio invests a large portion of its assets in a particular geographic area, its performance will be more strongly affected by events within that area.

Hedging risk – a portfolio's attempts to reduce or eliminate certain risks through hedging may not work as intended.

Investment portfolio risk – investing in portfolios involves certain risks an investor would not face if investing in markets directly.

Management risk – the investment manager or its designees may at times find their obligations to a portfolio to be in conflict with their obligations to other investment portfolios they manage (although in such cases, all portfolios will be dealt with equitably).

Market risk – may subject the portfolio to experience losses caused by unexpected changes in a wide variety of factors.

Operational risk – operational failures could lead to disruptions of portfolio operations or financial losses.

INVEST WITH CONFIDENCE™

T. Rowe Price identifies and actively invests in opportunities to help people thrive in an evolving world, bringing our dynamic perspective and meaningful partnership to clients so they can feel more confident.

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