

T. ROWE PRICE STRATEGY FOCUS

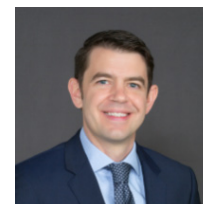
ON GLOBAL IMPACT CREDIT



May 2023

STRATEGY SUMMARY

- The Global Impact Credit Strategy simultaneously seeks benchmark outperformance and positive environmental and social impact by seeking to invest in durable, growing businesses with measurable impact criteria.
- Our investment philosophy is centered around creating a material and measurable impact through our investments, while also promoting impact through our scale and resources and through collaborating with clients to achieve desired, long-term outcomes.
- Our fundamental research platform and dedicated responsible investing (RI) team—which is focused on environmental, social, and governance (ESG) issues—provide the breadth of resources and global perspective necessary in building a positive impact portfolio.
- Collaboration across our fixed income, equity, responsible investing, and quantitative research teams yields opportunities to exploit inefficiencies across credit markets.
- Security selection begins with issuers that have a clearly identified positive impact thesis aligned with at least one of our impact pillars—climate and resource impact, social equity and quality of life, and sustainable innovation and productivity. These pillars are aligned to the United Nations Sustainable Development Goals (UN SDGs).
- We quantify impact outcomes individually and collectively as we translate intentionality into a defined impact measurement framework.
- Our investment process isn't limited to ESG-labeled debt. We look to a broad opportunity set, spanning across the corporate and credit universe to identify the highest impact-aligned issuers.
- Engagement is a crucial tool to enhance our impact analysis of a company. We typically seek to understand how an issuer is progressing on its impact journey as well as partner with them to accelerate that journey and achieve desired outcomes.



Matt Lawton
*Portfolio Manager,
Global Impact Credit Strategy*

FEATURES

Our Impact Charter

The core tenets of the portfolio's investment philosophy include:

1. Materiality

All our investments start with a security-by-security assessment of impact materiality. Our RI team defines our impact universe through careful screening; a deep understanding of ESG factors; industry-specific, forward-looking impact inclusion criteria; and an evaluation of the credibility of the ESG-labeled bonds through our proprietary framework.

2. Measurability

Given our mandate's dual nature, impact measurement is integral to the investment process. We quantify the alignment of every security with our three impact pillars and the UN SDGs. Additionally, each investment thesis embeds security-specific key performance indicators (KPIs) as our analysts collaborate with the portfolio management team to define our investment thesis.

3. Additionality

We truly believe impact is achieved within an investment portfolio in more ways than simply investing in a company and capturing the economics and activities. Our approach involves directing fresh capital toward desired impact outcomes alongside impact-oriented company engagements and the associated influence 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 Global Impact Credit Strategy clients, but also for other investors.

4. Resiliency

Given the complexity and nonlinear nature of delivering impact and the patience it necessitates, adopting a long-term and holistic view when investing to solve sustainability challenges is necessary. We integrate our security perspectives to identify, in our view, underappreciated impact and mispriced economic return improvement on a truly global, security-by-security basis.

Portfolio Management

Matt Lawton is the portfolio manager for the Global Impact Credit Strategy and has ultimate responsibility for all decisions regarding investment strategy, portfolio construction, and security selection. He has 15 years of investment experience and co-manages the U.S. Investment Grade Corporate Bond Strategy. Matt is also a member of TRPA's Fixed Income Steering and ESG Investing Committees.

Understanding the Investment Universe

Areas of the global economy that we do not believe can generate a positive impact are excluded from the outset. These include adult entertainment, alcohol, fossil fuels, gambling, tobacco, for-profit prisons, weapons, and companies that screen individually on conduct-based metrics.

Our impact universe comprises issuers meeting at least one of four criteria for inclusion in the portfolio: majority of current revenues or profits are tied to at least one impact sub-pillar, majority of projected revenues or profits in 10 years are tied to at least one impact sub-pillar, bond proceeds are allocated to discrete environmental or social projects, or unique impact situation.

We assess business activities and how they align to our three impact pillars and eight sub-pillars aligned to the 17 UN SDGs:

- Climate and resource impact (reducing greenhouse gases, promoting healthy ecosystems, nurturing circular economies).
- Social equity and quality of life (enabling social equity, improving health, enhancing quality of life).

- Sustainable innovation and productivity (sustainable technology, building sustainable industry and infrastructure).

Portfolio Construction

In constructing the portfolio, Matt leverages the impact and fundamental analysis undertaken by the global credit and RI research teams and combines this with top-down considerations, such as the macroeconomic outlook and relative value across credit sectors. Matt applies his judgment to construct a global portfolio of around 75 to 150 holdings, while managing risk exposure at both the individual issuer and portfolio level.

Collaboration between our Global Impact Credit Strategy and Global Impact Equity Strategy teams is also key when finding true impact investments. Matt regularly meets with Hari Balkrishna, the portfolio manager for the Global Impact Equity Strategy, and the equity impact analysts to discuss new ideas. Through these meetings, Matt is able to analyze and enrich impact ideas while maintaining full discretion over the portfolio's investment decisions and overall construction.

ESG Integration

In our view, ESG factors cannot be separate or tangential parts of a traditional investment thesis. Company fundamentals, including its consideration of ESG factors, play a critical role in the security selection process.

The process of ESG integration takes place on three levels:

- With our fundamental and Responsible Investing Indicator Model (RIIM) research analysts incorporating ESG factors into their analysis.
- Using the firm's proprietary RIIM analysis at regular intervals to help us understand the ESG characteristics of securities and the portfolio.
- With the portfolio manager integrating ESG considerations within the investment thesis and portfolio construction process itself.

Evaluating ESG-Labeled Bonds

We leverage our proprietary ESG bond framework to assess the credibility of ESG-labeled bonds to enhance our research and promote better decision-making. The mechanism takes place over four stages. First, our fundamental and RI analysts evaluate the issuer's ESG profile based on our proprietary RIIM score, together with an assessment of the issuer's environmental and/or social targets and commitments.

Then, we verify alignment with standards put forth by the International Capital Market Association, second-party opinion solicitation, and an assessment of the government structure supporting the sustainable finance framework.

Our Investments Are Aligned to the United Nations Sustainable Development Goals

We assess how business activities align with our three impact pillars, all underpinned by UN objectives



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 un.org/sustainabledevelopment/sustainable-development-goals/.

We further evaluate the use of proceeds and credibility of financed projects. Performing such analysis helps filter out greenwashed bonds and ultimately identify high-impact projects. The final step of our evaluation then involves post-issuance reporting to help ensure impact is delivered as intended.

Adding Through Engagement

Engagement is a crucial tool for impact managers to track a company's progress toward its impact goals and to provide guidance on sustainability best practices when needed. We identify specific factors through our research that could be potential impediments to a security's performance. We may at times suggest to a company that they make a specific change, or we may seek to gain more information on an ESG issue to ensure our investment decisions are well informed. We believe this company-specific approach results in the highest impact because it is aligned with our firm's core investment proposition: active management rooted in fundamental investment analysis.

We measure the success of our engagement through maintaining a regular dialogue with the management teams of companies represented across our portfolios. Our investment-driven program frequently identifies targets

through our proprietary RIIM analysis, governance screening, and analysts' fundamental research. The objective is to use our influence to increase the probability that a company will potentially outperform its peers, enabling our clients to achieve their investment goals. We do this using various stewardship activities, including:

- Regular ongoing investment diligence
- Engagement with management on ESG issues
- Meetings with senior management, including offering candid feedback
- Decisions to increase or decrease the weight of an investment in a portfolio or to initiate/eliminate an investment

Going Beyond Green Bonds

At T. Rowe Price, we feel impact investing in fixed income is not confined to the ESG-labeled bond market. Impact can be captured through directing capital to issuers providing positive environmental or social impact through their everyday activities. Our investment process is therefore not limited to green bonds as we look to a broad opportunity set, spanning across the corporate and credit universe to identify the

Four Factors Underlining Our Approach to Impact Measurement

Evaluating investments throughout the process can help create a holistic view of a company's impact



Quantify alignment with our three impact pillars and eight sub-pillars

To create a robust and measurable impact universe

Alignment



Measure outcomes and impact

Using the theory of change, quantifying wherever possible, using external data

Outcomes



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

Fundamentals



Understand impact risk

Qualify risks and track evolution and impairment of the impact thesis

Risk

The Impact Management Project, a project by Bridges Fund Management Ltd. (company number 10401079).

highest impact-aligned issuers. By engaging and investing in companies outside the ESG-labeled debt market, we can deploy our scale and resources to help progress an issuer's impact agenda.

Examples include a not-for-profit children's hospital or a development bank that inherently carries a social mission through its investment and lending activities.

Measuring Impact

Given the complexity of impact investing in fixed income, part of our due diligence is formulating and defining KPIs for investments. Our aim is to report the company's progress toward its impact goals to our investors annually by tracking the evolution of these KPIs.

We utilize the five dimensions of impact framework to assist in the impact due diligence of a given security. 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 outcome is occurring in the period?
2. Who experiences the outcome?
3. How much of the outcome is occurring?
4. Contribution—Would this change likely have happened anyway?
5. Risk—What is the risk to people and the planet if the impact does not occur as expected?

Disciplined Approach to Risk

The strategy is focused on efficient portfolio construction combined with disciplined risk management oversight. We monitor relative volatilities and correlations across duration, curve, and sectors, while considering the constraints of a targeted risk budget. Ongoing monitoring includes daily risk reporting and oversight to assess any potential changes in our investment thesis from both impact and fundamental standpoints.

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.

Counterparty risk—An entity with which the portfolio transacts may not meet its obligations to the portfolio.

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).

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

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

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