Global Impact Credit Strategy

2021 ANNUAL IMPACT REPORT
Contents

INTRODUCTION
02 Letter From the Portfolio Manager
03 About Global Impact Credit

MATERIAL
06 Defining and Targeting Positive Impact
07 Evaluating ESG-Labeled Bonds
08 Portfolio Positioning
09 Select Holdings by Region
11 Portfolio by Primary United Nations Sustainable Development Goals

MEASURABLE
13 Impact Outcomes
15 Impact Measurement Framework
16 Theory of Change
17 Pillar 1—Climate and Resource Impact
21 Pillar 2—Social Equity and Quality of Life
25 Pillar 3—Sustainable Innovation and Productivity
28 Carbon Footprint Profile

ADDITIONAL
30 Accelerating Impact Through Active Engagement
31 Engagement in Action

RESILIENT
33 Long-Term Focus and Commitment

GLOSSARY
35 Impact Glossary
The need for impact investing is greater than ever.

As the world confronts a range of pressing environmental and social issues, and investors increasingly seek ways to address them, it’s a particularly exciting time to be a fixed income impact investor.

Driving substantive progress in the fight against climate change and other environmental and social pressures demands significant capital investment, which cannot be delivered by private markets alone. The United Nations (UN) estimates that between USD 5 trillion and USD 7 trillion per year will be needed through 2030 to achieve its global Sustainable Development Goals (SDGs).¹ The participation of public fixed income will be needed more than ever.

Public fixed income offers a fertile ground for impact investment opportunities. The market can facilitate the flow of capital from investors to the very projects and institutions that we believe are best placed to drive positive environmental and/or social impact. One direct channel for targeting specific impacts is through use-of-proceeds bonds, which are unique to fixed income. These are green, social, and sustainability bonds that invest in discrete environmental and social projects, offering a direct link between investment capital and measurable impact outcomes. However, the scope of fixed income impact investing is broader than use-of-proceeds bonds. Impact can also be identified, captured, and measured by intentionally directing capital to issuers that seek to generate positive environmental or social impact through their end activities.

Our Global Impact Credit Strategy is aligned with, but not anchored to, the UN SDGs, a shared set of goals designed to end poverty, protect the planet, and ensure prosperity. We also align the portfolio with our proprietary impact pillar framework, which consists of three distinct impact pillars and eight impact sub-pillars. All of our credit selection decisions begin with a clearly identified positive impact thesis framed around the UN SDGs and these impact pillars.

Impact investing requires a deep, personal commitment to the cause. A commitment to look broadly across markets for issuers and projects with the potential to deliver environmental and/or social impact. A commitment to engagement, working alongside current and potential portfolio companies as they progress through their impact journey. A commitment to learn and improve how we identify, analyze, and measure impact over time. And last, a commitment to comprehensive and transparent reporting, providing investors with insights about how their capital is allocated and targets measurable impact.

We are immensely proud to present this inaugural impact report, offering a comprehensive and transparent lens on the portfolio’s impact journey. I genuinely appreciate all of my colleagues who have partnered with me to develop this strategy, including the Global Impact Credit Investment team, Responsible Investing, Global Impact Equity, and our deep platform of credit research professionals.


MATT LAWTON
Portfolio Manager,
T. Rowe Price Global Impact Credit Strategy

"...the scope of fixed income impact investing is broader than use-of-proceeds bonds."
About Global Impact Credit

The breadth, depth, and liquidity that credit markets provide give investors the opportunity to access a wider variety of impact opportunities, while also providing issuers with requisite capital to concurrently finance their operations and invest in long-term impact goals.

The Global Impact Credit Composite seeks to have a positive impact on the environment and society whilst at the same time seeking benchmark outperformance by investing in durable, growing businesses with measurable impact criteria.

Impact and Alpha Generation

BREADTH OF RESOURCES

Platform collaboration covering a broad opportunity set across credit sectors

GOING BEYOND Labeled BONDS

Investing in high-impact-aligned issuers, not limited to green bonds

IMPACT AND ALPHA

Seeking impact and alpha opportunities through a portfolio of high-conviction ideas

Impact investing is a natural extension of environmental, social, and governance (ESG) investing—simple, not easy

The Four Components of Our Impact Investing Charter

MATERIAL

We base our security inclusion criteria on an issuer’s activities and their alignment with clearly defined impact pillars, always accounting for dimensions of positive future change.

MEASURABLE

We quantify outcomes individually and collectively where possible as we translate impact intentionality into a measurement framework.

ADDITIONAL

We aim to capture positive environmental and/or social outcomes on a global basis, but we also commit to using our scale and resources to promote and progress the impact agenda.

RESILIENT

In an era of disruption and extreme outcomes, positive change has to be durable. Learning, patience, and collaboration will be key in pursuing good client outcomes.
Our People

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. Matt is also a member of T. Rowe Price Associates, Inc.’s Fixed Income ESG Steering and Advisory Committee and the ESG Committee.

Collaboration between our impact investing teams is also key when finding true impact investments. Matt regularly meets with our impact investing teams to discuss new ideas. Through these meetings, Matt can analyze and enrich impact ideas while maintaining full discretion over the portfolio’s investment decisions and overall construction.

Portfolio Manager

Drives portfolio construction, risk allocation, and performance

MATT LAWTON, CFA
Portfolio Manager—Global Impact Credit Strategy
- 15 years of investment experience
- 11 years with T. Rowe Price

Portfolio Strategy Team

Conducts impact and ESG bond research; collaborates with Responsible Investing team and fundamental analysts

WILLEM VISSER
Fixed Income ESG Associate Portfolio Manager
- 10 years of investment experience
- 5 years with T. Rowe Price

ELLEN O’DOHERTY
Impact Associate Analyst
- 2 years of investment experience
- 2 years with T. Rowe Price

MICHAEL GANSKE, Ph.D., CFA, FRM
Portfolio Specialist, Fixed Income
- 21 years of investment experience
- 2 years with T. Rowe Price

BENJI BAXTER
Senior Portfolio Analyst, Fixed Income
- 3 years of investment experience
- 4 years with T. Rowe Price

Data as of May 2022
Material

06 Defining and Targeting Positive Impact
07 Evaluating ESG-Labeled Bonds
08 Portfolio Positioning
09 Select Holdings by Region
11 Portfolio by Primary United Nations Sustainable Development Goals
Defining and Targeting Positive Impact

All of the Global Impact Credit Strategy investments start with a security-by-security assessment of impact materiality. The Responsible Investing team defines our impact universe through careful screening via an assessment of a business’s alignment with our impact framework. We also embed a qualitative and quantitative understanding of environmental, social, and governance factors, while excluding areas of the global market that we believe do not generate positive impact.

Our team’s starting point is to screen using our impact lens framework to quantify a company’s alignment to one of our three proprietary impact pillars and eight sub-pillars (as illustrated on the right).

Pursuing positive impact from our investments against at least one of these pillars is mandatory for every investment decision we make. At the foundation of our framework are the 17 United Nations Sustainable Development Goals, a globally recognized framework designed to end poverty, protect the planet, and ensure prosperity. This analysis helps us to understand a business, its activities, and its operational alignment with the environmental and social stresses that we and others observe in our world.

We also use a proprietary Responsible Investing Indicator Model (RIIM) to assess the ESG characteristics of a company’s full operations incorporating Do No Significant Harm factors.

Our approach to identifying impact candidates is further enhanced by analysis to embed our forward-looking insights, predominantly to understand where change will drive material impact in the future. A forward-looking approach and in-depth analysis help us to understand how to measure the individual contribution of a company over time.

The outcome of this collective due diligence is to deliver a clearly defined impact universe and material impact thesis for every investment.
Evaluating ESG-Labeled Bonds

The market for debt issued with an ESG focus has grown rapidly in recent years to become a significant feature of today's fixed income investing landscape. While we are encouraged to see companies and governments undertaking green and social projects eligible for ESG-labeled bond financing, caution is warranted. This fast-growing, yet still nascent, category has proven vulnerable to greenwashing—where some securities convey a false impression or provide misleading information about the environmental and social credentials of an organization’s products or services. Furthermore, not all green, social, sustainability, and sustainability-linked bonds are created equal or have adequate safeguards in place to ensure that their proceeds will indeed target sustainable activities.

For these reasons, it’s vital to diligently assess an issuer’s ESG credentials when it brings a new bond deal to the market. That’s why we have built a proprietary framework, illustrated below, that helps us evaluate the quality and authenticity of ESG-labeled bonds.

ESG-Labeled Bonds—Evaluation Framework

- ISSUER ESG PROFILE
  - RIIM score
  - Environmental and social commitments

- USE OF PROCEEDS
  - Credibility of use of proceeds or sustainability performance targets
  - Unallocated proceeds
  - Refinancing
  - Time frame
  - Provisions for unmet sustainability performance targets

- POST-ISSUANCE REPORTING
  - Detail on reporting plans
  - Availability of audit report for allocation and/or impact reporting

- FRAMEWORK, STANDARDS, VERIFICATION
  - Alignment to International Capital Market Association (ICMA)
  - Second-party opinion verification
  - Governance structure for project selection

Responsible Investing Indicator Model (RIIM) is a proprietary tool developed to enhance research and aid better decision making. RIIM rates companies in a traffic light system measuring their environmental, social and governance profile and flagging companies with elevated risks (Green=No/Few Flags, Amber=Medium Flags, Red=High Flags).
## Portfolio Positioning

### Portfolio by Impact Sub-pillar*

- **Climate and Resource Impact**
  - 39.1% Reducing Greenhouse Gases (GHGs)
  - 5.5% Promoting Healthy Ecosystems
  - 2.3% Nurturing Circular Economies

- **Social Equity and Quality of Life**
  - 17.9% Enabling Social Equity
  - 23.9% Improving Health
  - 1.0% Enhancing Quality of Life

- **Sustainable Innovation and Productivity**
  - 4.4% Sustainable Technology
  - 2.0% Building Sustainable Industry and Infrastructure

### Portfolio by Primary UN SDGs*

- **No Poverty** 5.2%
- **Clean Water and Sanitation** 1.5%
- **Life on Land** 4.2%
- **Life Below Water** 37.8%
- **Climate Action** 13.8%
- **Responsible Consumption and Production** 12.0%
- **Peace and Justice** 39.1%
- **Health and Well-being** 22.0%
- **Quality Education** 8.0%
- **Gender Equality** 5.0%
- **Reduced Inequalities** 39.1%
- **Peace and Justice** 39.1%

### Portfolio by Bond Classification

- **Non-labeled Bonds** 38.7%
- **Green Bonds** 30.0%
- **Sustainability Bonds** 19.1%
- **Social Bonds** 6.4%
- **Sustainability Linked Bonds** 2.0%
- **Cash and Equivalents** 3.8%

*Balance of allocation (3.8%) is held in Cash

Source for images: United Nations. The trademarks shown are the property of their respective owners. Use does not imply endorsement, sponsorship, or affiliation of T. Rowe Price with any of the trademark owners. Data shown for the T. Rowe Price Global Impact Credit representative portfolio as of December 31, 2021. Subject to change without notice. Figures may not total due to rounding. See Additional Disclosures for more details on the representative portfolio.
Select Holdings by Region

We research a global universe of securities to construct a diverse portfolio with holdings from across the world. A selection of the portfolio is illustrated on the map below and the following page. Shaded countries represent locations of bond-financed impact projects and issuers. The specific securities listed are shown to illustrate the breadth of coverage of the UN SDG’s in each of the regions.

U.S.

- **NEXTERA ENERGY**
  - **Pillar:** Climate and Resource Impact
  - **Sub-pillar:** Reducing Greenhouse Gases (GHGs)
  - **Impact Activity:** Decarbonization and carbon capture

- **KAISER FOUNDATION**
  - **Pillar:** Social Equity and Quality of Life
  - **Sub-pillar:** Improving Health
  - **Impact Activity:** Providing health care solutions

- **TRUIST FINANCIAL**
  - **Pillar:** Social Equity and Quality of Life
  - **Sub-pillar:** Enabling Social Equity
  - **Impact Activity:** Meeting basic needs/affordable housing

- **MUELLER PRODUCTS**
  - **Pillar:** Climate and Resource Impact
  - **Sub-pillar:** Promoting Healthy Ecosystems
  - **Impact Activity:** Protecting air, land, and water

- **ELI LILLY**
  - **Pillar:** Social Equity and Quality of Life
  - **Sub-pillar:** Improving Health
  - **Impact Activity:** Providing health care solutions

- **MERCADOLIBRE**
  - **Pillar:** Social Equity and Quality of Life
  - **Sub-pillar:** Enabling Social Equity
  - **Impact Activity:** Financial inclusion

- **BBVA**
  - **Pillar:** Social Equity and Quality of Life
  - **Sub-pillar:** Enabling Social Equity
  - **Impact Activity:** Financial Inclusion

- **EMPRESA NACIONAL DE TELECOMUNICACIONES**
  - **Pillar:** Social Equity and Quality of Life
  - **Sub-pillar:** Enabling Social Equity
  - **Impact Activity:** Digital connections

Americas ex-U.S.

1 See Portfolio by Primary United Nations Sustainable Development Goals on page 11 for a full list of portfolio holdings as of December 31, 2021 and important disclosure.
Portfolio by Primary United Nations Sustainable Development Goals

- Aedifica
- IBRD
- LEG Immobilien
- Trust Financial

- Adani Renewable Energy
- AIB
- Banco Santander
- Bank of Ireland
- BNP Paribus
- Daimler
- Dana
- Enel Chile
- Energias De Portugal
- FedEx

- Bank Rakyat Indonesia
- BBVA Bancomer
- BPC
- Cooperative Rabobank
- Credit Agricole

- Humana
- Kaiser Foundation Hospitals
- Memorial Sloan Kettering
- Molina Healthcare
- Mount Sinai Hospital
- Novartis
- Organon
- PerkinElmer
- Pfizer
- STERIS
- Thermo Fisher

- Jonson Controls
- Kinco Realty
- LeasePlan
- MercadoLibre
- NatWest
- NextEra Energy Partners
- Ørsted
- Pattern Energy
- Realty Income
- ReNew Power

- Republic Services
- San Diego Gas
- Southern Cal Edison
- Standard Chartered
- Telefonica
- TenneT Holding
- Terraform
- Vonovia

- Kasikornbank
- Kilroy Realty
- NXP

- MSCI
- MSCI
- MSCI
- MSCI

Data shown for the representative portfolio as of December 31, 2021. Subject to change without notice. See Additional Disclosures for more details on the representative portfolio.

The securities shown represent 100% of the publicly traded securities held in the portfolio. There were no holdings primarily aligned with UN SDGs 2, 4, 5, 11, 16, and 17. The specific securities identified and described do not represent all of the securities purchased, sold, or recommended for T. Rowe Price clients, and no assumptions should be made that investments in the securities identified and discussed were or will be profitable.

Source for images: United Nations. The trademarks shown are the property of their respective owners. Use does not imply endorsement, sponsorship, or affiliation of T. Rowe Price with any of the trademark owners.
Measurable

13 Impact Outcomes
15 Impact Measurement Framework
16 Theory of Change
17 Pillar 1—Climate and Resource Impact
21 Pillar 2—Social Equity and Quality of Life
25 Pillar 3—Sustainable Innovation and Productivity
28 Carbon Footprint Profile
Impact Outcomes

Securities in which the portfolio invests delivered positive outcomes across many areas of impact. We primarily measure impact at both the company and project level; however, we aggregate these data points across companies where available. Here, we present the estimation of short-term outcomes as well as long-term impact delivered by a sample of companies we invest in (approximately 64% of assets under management), using annual reports as well as third-party impact estimations.

The data include 2021 information as the majority of issuers have now released financial reports for that year. Where 2021 data are not available, we have used 2020 data.

Climate and Resource Impact

7,050
Megawatts of installed renewable capacity
EQUIVALENT TO 2,350 LARGE WIND TURBINES
Terraform, Iberdrola International, Enel Chile

1.4 million
Megawatt hours of renewable energy generated
EQUIVALENT TO 13,303 TANKER TRUCKS’ WORTH OF GASOLINE
Munich Re, ReNew Power

1.2 billion
Cubic meters of water saved
EQUIVALENT TO 481,200 OLYMPIC-SIZE SWIMMING POOLS
Xylem, Mueller Water Products

5 million
Tons of materials processed
EQUIVALENT TO 714,286 TRUCKS OF WASTE RECYCLED INSTEAD OF LANDFILLED
Republic Services

47.3 million
Metric tons of CO₂e mitigated
EQUIVALENT TO 5,962,300 HOMES’ ENERGY USE FOR ONE YEAR

47% through industrial and technological innovation
Celulosa Arauco y Constitucion, Ecolab, Aptiv, Hannon Armstrong, LeasePlan, Vonovia, Infineon, Roper, FedEx

42% through renewable energy generation
Energias de Portugal, NextEra Energy Partners, Ørsted, TenneT Holding, Adani Renewable Energy, RJ, Southern California Edison

11% through renewable energy investments and financing
AIB, Banco Santander, Bank of Ireland, BNP Paribas, Intesa Sanpaolo, International Finance Corp
Social Equity and Quality of Life
and Sustainable Innovation and Productivity

**225,342**
Jobs created
EQUIVALENT TO MORE THAN THE POPULATION OF SAMOA
Bank Rakyat Indonesia, MercadoLibre, CaixaBank

**960 million**
Patients treated
EQUIVALENT TO THE POPULATION OF THE U.S., INDONESIA, MEXICO, BRAZIL, AND JAPAN COMBINED
Pfizer, Novartis, Mount Sinai Hospitals, Eli Lilly, CVS Health, European Investment Bank

**604 billion**
USD in loans to small and medium-sized enterprises
Shinhan Bank, Credit Agricole, Cooperative Rabobank, BPCE, BBVA Bancomer, Kasikornbank, Bangkok Bank

**750 million**
USD in loans to underserved communities and credit-insecure areas
OneMain

**22,704**
Affordable housing units built and financed
Truist Financial, LEG Immobilien

**78.4 million**
People medically insured
EQUIVALENT TO MORE THAN THE POPULATION OF THAILAND
Kaiser Foundation Hospitals, Humana, Health Care Service, Molina Healthcare, Centene

**111 billion**
USD of research and development revenue focused on improving health
AstraZeneca, Avantor, Becton Dickinson, Danaher, Organon, PerkinElmer, STERIS, Thermo Fisher Scientific

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For illustrative purposes only. The impact outcomes provided here can be susceptible to potential inconsistencies due to lack of precise information. Companies do not measure or report in a consistent or uniform way. Where information is not available, we have not included a company’s contribution within the impact outcome. This means that these estimates may actually be conservative, but as companies get better at measuring impact, we expect these data points to become more precise. Individual company results may vary significantly and may not achieve the same level of impact in the future. See Additional Disclosures for more details on the representative portfolio.

CO₂e: carbon dioxide equivalent or CO₂ equivalent. This metric is used to compare the emissions from various greenhouse gases on the basis of their global warming potential, by converting amounts of other gases to the equivalent amount of carbon dioxide with the same global warming potential. Source: Eurostat.

1 Assuming an average utility-scale wind turbine with a 3 megawatt generation capacity.
2 Estimate based on United States EPA Greenhouse Gas Equivalencies Calculator.
3 2020 data.
Impact Measurement Framework

A key part of our impact due diligence is formulating and defining key performance indicators (KPIs) for investments. Our aim is to report a company’s progress toward its impact goals to our investors annually by tracking the evolution of these KPIs.\(^1\)

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.

- **Determine** the impact outcome being targeted
- **Evaluate** the risks to people and the planet if the impact is not delivered as expected
- **Identify** the key beneficiaries (such as planet or people)
- **Assess** the company’s contribution to the outcome relative to what would have occurred anyway
- **Quantify** the scale, depth, and duration of outcome experienced by the stakeholders

\(^1\) The use of impact KPIs is not intended to provide a forward-looking view on the likely performance of each issuer held in the portfolio. Instead it is intended to document how we will assess the positive additional impact that each issuer’s economic activities are having on the planet. For example, we would note that increasing revenue streams from sustainable economic activities does not necessarily equate to increasing profits. Our investment analysis focuses on the profitability and perceived value of each issuer held in the portfolio, but this is not part of the impact KPI.

\(^2\) Source: Impact Management Project (IMP).
Theory of Change

As part of our approach to impact measurement and reporting, we use a “Theory of Change” model. This provides a framework for evaluating and measuring how each holding generates impact by identifying the efforts of a company and how they lead to particular outcomes. This approach allows us to measure the progress of a company toward its impact goals over time.

Impact Journey

**INPUT**
Financial, human, or material resources the company puts in its business operations

**OUTPUT**
Products or services that result from the company’s business activities

**OUTCOME**
Short- to medium-term effect on stakeholders attributable to a company’s products or services

**IMPACT**
Long-term effect on the planet or society caused by a company’s products or services
1
Climate and Resource Impact

- Reducing Greenhouse Gases (GHGs)
- Promoting Healthy Ecosystems
- Nurturing Circular Economies
REDUCING GREENHOUSE GASES (GHGs)

NextEra Energy Partners

Pressure Points
With energy generation responsible for over 35% of global CO₂ emissions, decarbonizing the energy supply sector is essential to meet the 1.5°C to 2.0°C temperature rise limits prescribed by the Paris Agreement. The International Energy Agency identified low-emissions electricity replacing fossil fuels as a principal driver of emissions reductions, potentially accounting for around 20% of the total reduction target by 2050.

Impact Thesis
NextEra Energy Partners (NEP) operates an industry-leading portfolio of wind, solar, and battery storage assets. Of the power it generates, 100% comes from clean or renewable resources, which will accelerate global decarbonization by supporting the transition of energy production away from fossil fuels and toward low-carbon alternatives.

KPI: Installed capacity (MW) from renewable projects managed, energy generated (MWh) from renewable projects managed, metric tons of CO₂ avoided

Five Dimensions of Impact
What: Reduction of GHG emissions from the generation of renewable energy.

Who: Our planet, municipalities, and people.

How much: In 2020, 5,730 MW of renewable power assets generated over 18.6 million MWh of electricity and helped avoid over 9.7 million metric tons of CO₂ emissions. Clean energy generation increased 9% relative to 2019. Installed renewable energy generating capacity increased 44% in 2021.

Contribution: NEP increased its renewable asset portfolio by 2,530 MW in 2021. Increasing investment in renewable energy generation will provide clean energy at a lower cost for individuals across the U.S.

Risks: NEP owns an interest in natural gas pipeline assets, composing 23% of company revenue. Natural gas pipelines can adversely affect the environment through habitat loss, sedimentation, and air emissions.

Progress Monitoring
In 2019, NEP acquired an ownership interest in a 185-mile natural gas pipeline in Pennsylvania and a 40% ownership interest in an expansion project of the gas pipeline. We are closely monitoring whether the company acquires additional natural gas pipelines, which may compromise the investment case.

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1 Hannah Ritchie and Max Roser (2020), "CO₂ and Greenhouse Gas Emissions." Published online at OurWorldInData.org
2 International Energy Agency (April 2021)
3 NextEra Energy (February 2022)
4 NextEra Energy 2021 ESG Report
5 NextEra Energy (2021)
PROMOTING HEALTHY ECOSYSTEMS

Xylem

Pressure Points
Roughly 2 billion people around the world lack safely managed drinking water. Moreover, population growth and disruptive weather patterns from climate change will lead to water shortages and water quality degradation. Addressing issues of water shortage, water deterioration, and aging infrastructure will require significant investment and innovation.

Impact Thesis
Xylem is a leading global water technology company that manufactures equipment for the movement, treatment, and testing of water. This addresses the urgent global challenge of responsible stewardship of society’s shared water resources. The company’s solutions enable access to clean drinking water, contribute to water conservation, and drive decarbonization through efficient water consumption, recycling of water, and energy savings. Green bond proceeds have financed projects that will improve water security through technological advancements, enable the supply of high-quality drinking water, and reduce water loss.

KPI: Volume of water treated for reuse (cubic meters), non-revenue water saved (cubic meters), metric tons of CO₂ saved per year

Five Dimensions of Impact
What: Optimize water management, enable eco-efficient energy designs, and improve water infrastructure to meet the water needs of populations around the world and drive energy savings.
Who: Our planet, individuals, utilities, and other sectors availing of water infrastructure.
How much: In 2021, green bond disbursements of USD 492 million treated 1.2 billion cubic meters of water for reuse, saved 250 million cubic meters of non-revenue water, and reduced CO₂ emissions by 0.25 million metric tons.³

Contribution: Xylem has set 2025 Signature Goals, which include saving 3.5 billion cubic meters of non-revenue water, treating 13 billion cubic meters of water for reuse, providing clean water and sanitation solutions for at least 20 million people, and preventing 7 billion cubic meters of polluted water from flooding communities or entering local waterways, all by 2025.³

Risks: Alignment risk: Businesses often lack strong incentives to prompt more efficient and productive use of water because most water supplies are subsidized. Lack of awareness and misaligned incentives may hinder the implementation of water-saving solutions.

Progress Monitoring
We are tracking Xylem’s progress toward its 2025 Signature Goals and how the green bonds could help contribute to their achievement.
NURTURING CIRCULAR ECONOMIES
Roper Technologies

Pressure Points
Energy consumption by information and communications technologies (ICT) contributes to an estimated 2% of total global emissions annually,1 on par with the entire aviation industry. Over the next decade, experts project energy consumption of ICT to grow exponentially as demand for data storage increases.

Impact Thesis
Roper Technologies provides software and hardware solutions, which improve resource and material management, logistics, and water usage in myriad industries, including transportation, food, health care, and energy. Innovative software solutions enable companies to improve efficiencies and reduce waste through digitization and process optimization. Solutions help reduce transport emissions by improving transportation and traffic flow efficiencies. They also improve food sustainability by enhancing effectiveness, visibility, and traceability across the food supply chain.

KPI: Greenhouse gas emissions avoided (metric tons CO₂), fuel saved (liters), energy saved (MWh)

Five Dimensions of Impact
What: Enabling resource efficiency and enterprise growth through hardware and software solutions.

Who: Our planet: Roper Technology supports a variety of sectors, including health care, transportation, energy, water, education, and academic research.

How much: Solutions helped avoid an estimated 5.5 million metric tons of CO₂ emissions in 2021, which represents a year-over-year avoidance increase of 25%.2

Contribution: Transportation solutions helped clients save 2.6 billion liters of fuel in 2021. Cloud solutions that increase machine and systems productivity helped save customers 22.8 million MWh of energy in 2021.2

Risks: Data privacy and security risks are prevalent given that operations require the collection, processing, and storing of sensitive user data. This exposes the company to increased cybersecurity risks and growing regulatory scrutiny.

Progress Monitoring
Roper Technologies lacks disclosure on its software-specific revenue, which meant we had to estimate the impact its software solutions had across the industries its supports. We engaged with Roper Technologies and recommended more robust sustainability reporting to help us estimate impact more accurately.

1 Nature Portfolio (2018)
2 Net Purpose and T. Rowe Price analysis (2021)
3 Roper Company Reports (2021)
4 Net Purpose Estimates (2021)
Social Equity and Quality of Life

- Enabling Social Equity
- Improving Health
- Enhancing Quality of Life
ENABLING SOCIAL EQUITY

MercadoLibre

Pressure Points
Micro, small, and medium-sized enterprises (MSMEs) are meaningful contributors to the sustainable growth of developing economies by creating jobs, reducing inequalities, and driving economic activity. However, the growth of MSMEs in the region is limited by lack of access to credit. According to the World Bank, there is a potential MSME funding gap of USD 1.2 trillion in Latin American countries.¹

Impact Thesis
MercadoLibre’s technologies increase financial inclusion through the democratization of commerce and payments in Latin America. The company used sustainability bond proceeds to finance MSMEs and entrepreneurs and to promote programs that support socioeconomic advancement in communities across Latin America.

KPI: Number of MSME and entrepreneur loans, number of people trained in socioeconomic programs

Five Dimensions of Impact
What: Drive financial inclusion for underbanked MSMEs within Latin America, helping to combat poverty and advance socioeconomic development.

Who: People: Entrepreneurs and MSMEs operating in 18 countries across Latin America. One in four family-owned MSMEs is led by a woman.²

How much: In 2021, USD 31.95 million of proceeds were used to grant 15,244 loans to certified MSMEs and entrepreneurs, most of whom did not have access to other forms of financing previously. USD 3.14 million of proceeds were directed to socioeconomic advancement and empowerment through education, which led to over 5,000 people receiving training.²

Contribution: Approximately 50% of MSMEs selling on MercadoLibre’s marketplace online platform received their first credit offer through it. In 2021, over 500,000 MSMEs sold in MercadoLibre’s marketplace and 900,000 families made their livelihood from the online platform, generating an average of six direct jobs per hour and between four and 11 jobs by each family-owned MSME.²

Risks: Uneven access to internet and technology can lead to inequitable distribution of the benefits from e-commerce, bypassing those with little education or rural MSMEs with limited ability to connect.

Progress Monitoring
We await further sustainability bond post-issuance allocation and impact reporting, which will provide the full impact of the sustainability bond.

² MercadoLibre Impact Report (2021)
³ International Finance Corporation – Small Business, Big Growth (2021)
IMPROVING HEALTH

European Investment Bank

Pressure Points
As a result of the coronavirus pandemic, many developed countries face challenges of overstretched capacity of health systems. Emerging countries with weaker health services face increased risk to health and development gains made in recent decades. Financial support will be vital for countries around the world to help manage the socioeconomic effects of the crisis, build more resilient health systems, and invest in a sustainable recovery.

Impact Thesis
The European Investment Bank issued its Sustainability Awareness Bond to help strengthen the emergency response to the coronavirus pandemic, improve access to specialized health care services, and increase the efficiency of inpatient and outpatient services in Europe. Projects consisted of financing investments aiming to increase health care infrastructure and medical equipment capacity and improve future pandemic preparedness.

Five Dimensions of Impact
What: Sustainability bond proceeds were used to finance costs of the COVID-19 response of emergency health services and health systems, seeking to improve pandemic preparedness and provide universal access to affordable health care services.

Who: People: Patients with COVID-19 and others needing health care access that was hampered due to the prioritization of resources toward COVID-19.

How much: In 2020, bond proceeds led to improved health services for a population of 12.1 million, with 60,916 patients treated.

Contribution: Sustainability bond provided EUR 297.5 million of financial support for COVID-19 response. Proceeds contributing to enhanced health services are critical to improving the resilience of European countries facing profound economic and health impacts from the pandemic.

Risks: Risk of increasing COVID-19 cases across Europe could lead to shortages of medicines, impeding the emergency pandemic response. Challenges in transporting medical products requiring refrigeration could limit access to essential treatment.

Progress Monitoring
Proceeds of the Sustainability Awareness Bond have been fully allocated. We continue to monitor post-issuance reporting to understand and quantify incremental impact.
Pressure Points
In Asia, the mortality protection gap is estimated at USD 83 trillion as of 2019 and rising by 4% per year. Emerging markets represent two-thirds of the global health protection gap. In emerging Asia, 38.8 million households cannot afford medical treatment. Insurance helps to protect individuals and businesses. While government safety nets are established in most of the developed world, this is not the case in much of Asia, so private capital is needed to fill the gap.

Impact Thesis
As a leading insurer operating across Southeast Asia, AIA contributes to the protection of individuals by offering life and health insurance products. The company’s purpose is to help people live healthier, longer, and better lives. We measure the impact of AIA Group by monitoring the number of individuals and small and medium enterprises (SMEs) with policies that enable the protection gap to be closed, as well as the total sum insured.

KPI: Number of individuals insured, total sum insured.

Five Dimensions of Impact
What: Reducing the mortality protection gap and increasing access to health care through insurance policies.

Who: Individuals, SMEs in Asia.

How much: AIA serves 38 million individual policies and over 16 million members of group insurance schemes across the region, a total increase of 3.8% compared with 2019. Total sum insured increased by 14.9% (USD 2 trillion). AIA issued more than 80,000 SME policies, covering more than 2.3 million employees.

Contribution: AIA has developed a significant network of approximately 200,000 agents and bancassurance partners to educate clients and sell insurance policies. The AIA Vitality wellness program has over 1.8 million subscribers, while its telemedicine consultations were made available to 1.3 million customers.

Risks: Suitability of insurance policies sold as well as external execution risk. AIA operates in countries that can be subject to relatively high political, economic, and social instability. Drop-off risk is also present with lower client uptake due to competition or an inability to scale distribution.

Progress Monitoring
We would like to see AIA Group improve its disclosure on the number of customers that benefit from company microinsurance products to help refine our impact estimations. We are also looking for greater clarity on how the company is improving breadth and access to its products across different geographies.
3 Sustainable Innovation and Productivity

- Sustainable Technology
- Building Sustainable Industry and Infrastructure
SUSTAINABLE TECHNOLOGY

Autodesk

Pressure Points
In 2020, the building and construction sector accounted for 37% of global energy-related CO₂ emissions. Global material use is expected to more than double by 2060, with one-third of expected growth driven by the construction sector. The construction sector ranks as the second-least-digitalized industry after agriculture.

Impact Thesis
Autodesk is a leading provider of computer-aided design software for 62 million professionals worldwide. The software helps generate improvements in industrial processes through digitalization, connectivity, and optimization of resource management. Proceeds from the sustainability bond are expected to enable efficiency gains (making machinery and construction more efficient by using technologies that reduce material and fuel usage), technological innovation (in manufacturing, building, and industrial processes), and better energy and material choices.

KPI: CO₂ emissions saved, annual energy savings

Five Dimensions of Impact
What: Investment in solutions that enable more sustainable design, engineering, and construction. The resulting enhancements to machine productivity and asset utilization facilitate efficiency gains and carbon emissions reductions.

Who: People: Customers in the architecture, engineering, construction, and automotive industries.

How much: Scope 3 (customers’ emissions) CO₂ emissions fell by 45% in 2021 to 125,000 tons, from 228,000 in 2020. The company is targeting a 25% minimum reduction in scope 3 emissions per dollar of gross profit by 2031 versus 2020. Autodesk expects bond proceeds to yield energy savings of at least 20% across production sites.

Contribution: Research and development initiatives drive industrial innovation and technological advances. Software capabilities deliver insights that optimize energy, waste, and water efficiencies and improve the resilience of building, infrastructure, and industrial projects.

Risks: Autodesk’s software products and solutions are not tailored to any specific industry. Products may be used by companies operating in industries associated with negative environmental and social impact. Data privacy and security breach risks are possible due to the large volumes of sensitive customer data being handled.

Progress Monitoring
We await the inaugural sustainability bond post-issuance allocation and impact report, which will provide impact metrics associated with funded projects. This will allow us to assess the scale of impact delivered both outright and relative to our expectations.

2 OECD – Global Material Resources Outlook (October 2018)
3 McKinsey – Imagining Construction’s Digital Future (June 2016)
4 Autodesk Impact Report (2021)
BUILDING SUSTAINABLE INDUSTRY AND INFRASTRUCTURE

Bangkok Bank

Pressure Points
The coronavirus pandemic had devastating effects on global economic growth. Developing economies, particularly those reliant on tourism and trade, incurred significant economic scarring that may take years to recover from. Credit expansion in emerging economies has the potential to deliver economic benefits in the form of economic growth and job creation. Studies have shown that corporate and consumer credit growth in emerging markets has significant positive effects on growth by supporting investment and consumption.1

Impact Thesis
Bangkok Bank is one of the largest commercial banks in Thailand. It enables enterprise growth by providing financing to its 17 million customers,2 ultimately improving credit access, driving job creation, and aiding wider economic growth.

KPI: Loans outstanding, number of small entrepreneur customers

Five Dimensions of Impact

What: Drive economic growth and job creation through expanding credit access to corporate, retail, and SME customers.

Who: People: Thai and Indonesian corporate, retail, and SME customers within the manufacturing, commerce, housing, real estate, and construction sectors.

How much: In 2020, Bangkok Bank provided THB 971 billion of corporate loans, THB 379 billion of commercial loans, and THB 166 billion of business loans.2 In 2018–2020, it provided loans to 2,738 small entrepreneurs, totaling THB 496 million.3

Contribution: The bank joined the Ministry of Industry’s Transformation Loan Program to help SMEs access low-cost loans, which were used for technology and capital investment. Through this program, the bank extended THB 915.4 million to 174 businesses in 2020.3

Progress Monitoring
We would like to see better disclosure from Bangkok Bank on SME loans on a yearly basis. This information would help to improve the accuracy of our impact estimation.

1 International Monetary Fund – Credit Expansion in Emerging Markets (2015)
2 Bangkok Bank (2021)
3 Bangkok Bank Sustainability Report (2020)
Carbon Footprint Profile¹
T. Rowe Price Global Impact Credit Representative Portfolio

Weighted Average Carbon Intensity²
(metric tons of carbon dioxide equivalent for each USD 1 million in revenue)

| Benchmark | 277 |
| Portfolio  | 176 |

Top Five Company Contributors to Portfolio Carbon Emissions and Their Weighted Intensity²

<table>
<thead>
<tr>
<th>Company</th>
<th>Sector</th>
<th>Portfolio Weight (%)</th>
<th>Portfolio Carbon Emissions (mtCO₂e)</th>
<th>Portfolio Weighted Carbon Intensity (mtCO₂e/USD 1 Million in Revenue)</th>
</tr>
</thead>
<tbody>
<tr>
<td>NextEra Energy Capital Holdings</td>
<td>Utilities</td>
<td>1.26</td>
<td>1.20</td>
<td>40.07</td>
</tr>
<tr>
<td>RTE Reseau de Transport d'Electricite SADIR</td>
<td>Utilities</td>
<td>0.55</td>
<td>0.55</td>
<td>23.10</td>
</tr>
<tr>
<td>Republic Services</td>
<td>Commercial Services &amp; Supplies</td>
<td>0.94</td>
<td>0.89</td>
<td>14.31</td>
</tr>
<tr>
<td>Enel Chile</td>
<td>Electric Utilities</td>
<td>0.92</td>
<td>0.91</td>
<td>12.76</td>
</tr>
<tr>
<td>ReNew Power Pvt</td>
<td>Utilities</td>
<td>1.09</td>
<td>1.09</td>
<td>11.04</td>
</tr>
</tbody>
</table>

¹ Our carbon footprint analysis includes total carbon emissions and weighted average carbon intensity metrics.  
² Total carbon emissions represent total amount of scope 1 and scope 2 greenhouse gas emissions that are released by the T. Rowe Price Global Impact Credit Representative Portfolio holdings that are attributable to the percentage of ownership of the portfolio in each company. They are aggregated to give the total carbon emissions equivalent for the T. Rowe Price Global Impact Credit Representative Portfolio. This metric is grossed up using the percentage of data available to give the overall carbon footprint of the portfolio. The portfolio’s weighted average carbon intensity is the weighted average, by weight, of the total carbon emissions per USD 1 million in revenue for each of the T. Rowe Price Global Impact Credit Representative Portfolio holdings. This metric gives the T. Rowe Price Global Impact Credit Representative Portfolio exposure to carbon-intensive companies. This is the Task Force on Climate-Related Financial Disclosures-recommended metric. 
The benchmark for the T. Rowe Price Global Impact Credit Strategy and the representative portfolio is the Bloomberg Global Aggregate Credit Index hedged to USD. 
Calculated by T. Rowe Price using data from Sustainalytics. Data for the T. Rowe Price Global Impact Credit Representative Portfolio as at December 31, 2021. See Additional Disclosures for more information on the sources and the representative portfolio.
Additional

30  Accelerating Impact Through Active Engagement
31  Engagement in Action
Accelerating Impact Through Active Engagement

We seek to deliver impact in more ways than simply owning companies whose business activities lead to positive social and/or environmental outcomes. We commit to being additional in our capacity to enable change or accelerate outcomes.

In addition to directing capital toward desired impact outcomes, we actively undertake impact-oriented company engagements and the associated influence feedback loop on companies' behavior. Applied with conviction and in partnership with our fundamental and responsible investing research teams, we believe this creates benefits not only for our clients, but also for other investors.

The central focus of our engagement program is at the company level as we evaluate factors that may impede a company’s impact delivery. T. Rowe Price is a significant investor in many of the world’s leading companies. This affords us, in most cases, greater access to company management.

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.

Our goal is to use our influence to increase the probability that the company will deliver better positive impact than its peers, enabling our clients to realize better impact and investment performance potential. Success is measured through regular dialogue with management teams, enabling us to monitor outcomes over time.

INVESTIGATE
In the case of a corporate event that potentially hinders the impact thesis

INFORM
Our impact research and measurement practice

INFLUENCE
Guide the company toward specific positive impact outcomes
**Engagement in Action**

In 2021, our impact engagements included the following companies: Airport Authority Hong Kong, AIB, Dominion Resources, Eli Lilly, Empresa Nacional de Telecomunicaciones, European Investment Bank, Ford, HASI, IBRD, ING, Kimco Realty, NextEra Energy, PerkinElmer, Santander Chile, Sempra Energy, Standard Chartered, Teva Pharmaceuticals, and Ukrainian Railways. For illustrative purposes, below we demonstrate the framework of an impact engagement based on our discussion with Kimco Realty.

<table>
<thead>
<tr>
<th>Kimco Realty Case Study</th>
<th>Impact Thesis: Kimco Realty’s green bond funds green, sustainable-certified buildings, along with energy-efficient building systems and sustainable water and wastewater management systems.</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Impact Pillar Alignment</strong></td>
<td><strong>Sub-pillar Alignment</strong></td>
</tr>
<tr>
<td>Climate and Resource Impact</td>
<td>Reducing Greenhouse Gases (GHGs)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>OBJECTIVE</strong></th>
<th><strong>DIALOGUE</strong></th>
<th><strong>WHAT’S NEXT?</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>▪ Conduct due diligence on Kimco’s science-based target and broader environmental targets</td>
<td>▪ We engaged with Kimco surrounding our proprietary ESG bond scoring framework and highlighted some areas for improvement</td>
<td>▪ We will monitor the granularity of Kimco’s post-issuance report</td>
</tr>
<tr>
<td>▪ To provide feedback on Kimco’s Green Bond Framework and share our views on best practice</td>
<td>▪ The highlighted areas of improvement included: its use of proceeds thresholds, Sustainability Principles and Objectives reporting, and impact reporting</td>
<td>▪ Monitoring will be specifically by tracking carbon emissions avoided and proceeds allocated to Leadership in Energy and Environmental Design (LEED) Silver projects, versus LEED Gold and/or renewable energy projects.</td>
</tr>
<tr>
<td></td>
<td>▪ We suggested ways it could improve each of these areas</td>
<td></td>
</tr>
</tbody>
</table>

Kimco welcomed our feedback and confirmed it may consider refreshing the previous framework to incorporate evolving market standards for new green bond issuances.

We upgraded Kimco’s rating to reflect further clarity on the timing of allocation of proceeds.

For illustrative purposes only to highlight the impact investment process. Unless otherwise noted, data were provided by the company during the engagement or are available through company reports.

¹ Source for image: United Nations. The trademark shown are the property of their respective owners. Use does not imply endorsement, sponsorship, or affiliation of T. Rowe Price with any of the trademark owners. The specific securities identified and described do not represent all of the securities purchased, sold, or recommended for T. Rowe Price clients, and no assumptions should be made that investments in the securities identified and discussed were or will be profitable.
Resilient

33 Long-Term Focus and Commitment
Long-Term Focus and Commitment

While the world’s challenges are urgent and require positive action in the present, successful impact investing is inherently linked to the duration and persistence of change in the future.

The challenge for our industry is that impact investing lives in a complex world of risk and opportunity—one of great change and disruption to presumed norms. This should not deter our industry from responding to the challenges of our era, however. On the contrary, these challenges require imagination, research, investment in new capability, and, ultimately, commitment.

As we embark on our impact journey, the commitment of our impact investment team is essential, but so too is that of our organization, given the scale of our corporate relationships and the scale of the challenge we are addressing.

Alongside our impact framework, these principles of resilience help to guide our decision-making.

Foundations for Resilience

RESEARCH AND A PERSPECTIVE ON CHANGE

As we seek to understand, capture, and contribute to positive impact, we have to apply the full breadth of resources at our disposal, spanning both fundamental research and our ESG capabilities.

BREADTH AND DIVERSIFICATION

We appreciate that many investors focus on specific areas or themes within the sphere of impact investing with a view to aligning their principles with a desired outcome. We believe we can invest in, advocate for, and capture impact, globally, across environmental and societal dimensions.

PATIENCE AND PERSISTENCE

Changes required to address our environmental and societal pressures are long term and will require patience. However, this should not deflect from the need for active engagement and persistence in the present.
Impact Glossary

We recognize that this asset class comes with specific terminology. We believe that investors should become familiar with this language to understand the principles of impact investing and become active participants in the transition to a more sustainable world. We have created a glossary that will help guide investors on their impact journey.

Additional (impact context): The extent to which an action or item adds to the existing activities of a company and results in a greater impact. Engagement is an important tool at the Global Impact Credit Strategy team’s disposal to be additional and accelerate the impact agenda.

Alignment (with SDGs): When a given company links its business activities to specific United Nations Sustainable Development Goals (UN SDGs) and targets. An increasing number of companies report and communicate on UN SDGs in their sustainable reports.

CO₂e: Carbon dioxide equivalent or CO₂ equivalent. This metric is used to compare the emissions from various greenhouse gases on the basis of their global warming potential by converting amounts of other gases to the equivalent amount of carbon dioxide with the same global warming potential.

Due diligence (impact): The process of assessing the intended impact of a company before investing. The key benefits are a deep understanding of the investee’s activities, incorporating stakeholders’ perspectives, identifying material ESG factors, and aligning anticipated impacts with UN SDGs. Every security selection decision begins with a clearly identified positive impact thesis tied to one of three investment pillars and eight sub-pillars. See Theory of change.

ESG: Environmental, social, and governance (ESG) criteria—A set of standards for a company’s operations that socially conscious investors use to screen investments. Environmental criteria look at how a company performs as a steward of the natural environment. Social criteria examine how a company manages relationships with its employees, suppliers, customers, and the communities where it operates. Governance deals with a company’s leadership, executive pay, audits, and internal controls.

ESG integration (T. Rowe Price): Incorporating environmental, social, and governance factors into investment analysis for the purpose of maximizing investment performance.

Fiduciary: Person or organization that acts on behalf of another person or persons, putting their clients’ interests ahead of their own, with a duty to preserve good faith and trust.

Five Dimensions of Impact: Framework used to assess 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:

- **What** outcome is occurring in the period?
- **Who** experiences the outcome?
- **How much** of the outcome is occurring (scale, depth, and duration)?
- **Contribution**—Would this change likely have happened anyway?
- **Risks**—What is the risk to people and the planet if the impact does not occur as expected?

(This framework has been developed by the Impact Management Project.)
Global Impact Investing Network (GIIN): A nonprofit organization dedicated to increasing the scale and effectiveness of impact investing around the world. https://thegiin.org

**Impact**: Primary and secondary long-term effects produced by an intervention or investment directly or indirectly, intended, or unintended. Can be positive and/or negative. Impact is often used to refer to higher-level effects of a program that occur in the medium or long term. See Theory of change.

**Impact investing**: Impact investing aims to generate specific beneficial social or environmental effects in addition to financial gain. Impact investing is a subset of socially responsible investing (SRI), but while the definition of socially responsible investing encompasses avoidance of harm, impact investing actively seeks to make a positive impact by investing, for example, in nonprofits that benefit the community or in clean technology enterprises. Investments are made in companies, organizations, and funds with the intention to generate social and/or environmental impact alongside a financial return.

**Impact Management Project (IMP)**: A project by Bridges Fund Management that has brought together a range of different impact practitioners to build and further global consensus on how to measure, assess, and report impacts on people and the environment. https://impactmanagementproject.com

**Impact measurement**: Measuring and managing the process of creating social and environmental impact in order to maximize and optimize it.

**Impact thesis**: Explains how a given company’s activities are expected to generate results likely to contribute to intended impacts. Every security selection decision begins with a clearly identified positive impact thesis tied to one of three investment pillars and eight sub-pillars that are aligned with the UN SDGs. The impact thesis ensures material and measurable environmental and social impact. See Theory of change.

**Impact pillar and sub-pillar (T. Rowe Price)**: Impact activities that are aligned to the UN SDGs that guide all investment decisions. All securities in the impact universe are linked to at least one proprietary pillar and sub-pillar. See Impact universe (T. Rowe Price).

**Impact universe (T. Rowe Price)**: The initial global aggregate credit opportunity set of around 3,500 issuers (the Bloomberg Global Aggregate Credit Index) is screened to exclude areas of the global economy that, in our view, generate significant harm. This subsequent list then excludes areas of the global economy that, in our view, do not generate positive impact. Our pillar alignment process and impact analysis based on the Five Dimensions of Impact then ensure a starting point for deeper impact eligibility and inclusion.

**Key performance indicators (KPIs)**: Set of quantifiable measures that the impact manager uses to determine a company’s progress in achieving its strategic, operational, and impact goals.

**Material (impact context)**: Process of defining the social and environmental topics that matter most to a given business and its stakeholders.

**Measurable (impact context)**: A hallmark of impact investing is the investor’s commitment to measure and report the social and environmental performance and progress of underlying investments, ensuring transparency and accountability. See Impact universe (T. Rowe Price).

**Outcome**: A result or effect caused by or attributable to the product, services, or policy of a given company. Outcome often refers to more immediate and intended impact. See Theory of change.
**Scope 1 carbon emissions**: Direct emissions from owned or controlled sources (e.g., factories, owned fleet).

**Scope 2 carbon emissions**: Indirect emissions, such as those from the generation of energy used for heating or cooling consumed by the reporting company.

**Scope 3 carbon emissions**: Includes all other indirect emissions that occur in a company’s value chain, upstream and downstream (e.g., for a company like T. Rowe Price, this would include emissions associated with business travel and waste disposal).

**Small and medium enterprise (SME)**: The categorization SME is designed to differentiate businesses with relatively small amounts of capital and/or personnel from larger organizations, particularly in relation to market segmentation, financial assistance, or regulatory issues.

**Social**: Relating to society or its organization. Social impact is the effect of an activity on the social fabric of the community and well-being of individuals and families.

**Socially responsible investment (T. Rowe Price)**: Imposing value-based investment parameters on a portfolio regardless of their potential impact on performance.

**Theory of change**: Impact measurement framework that explains the steps taken by a company to produce specific societal and/or environmental outcomes on a chronological basis. It provides an opportunity to dig deep into a company’s activities and understand the short- and longer-term effects on stakeholders. We use the “theory of change” model as a basis for evaluating how the efforts of each holding or prospective investment is delivering impact, through the measurement of achieved outcomes.

We scrutinize each candidate against the following theory of change criteria to help us clearly identify the positive impact thesis for each:

- **Input**—Financial, human, or material resources the company puts in its business operations
- **Output**—Products or services that result from the company’s business activities
- **Outcome**—Short- to medium-term effect on stakeholders attributable to the company’s products or services
- **Impact**—Long-term effect on the planet or society caused by the company’s products or services

See Case Studies for examples of the impact journey.

**United Nations Sustainable Development Goals (UN SDGs)**: The UN Sustainable Development Goals encompass 17 goals to end poverty, protect the planet, and ensure prosperity. Each of the goals has specific targets to be reached between 2015 and 2030 and corresponding regulatory guidelines. While the UN SDGs are a tool for countries, and not corporations, they serve as a useful framework for identifying the world’s pressure points. As such, investors have adopted the framework to understand how companies are impacting their various nonfinancial stakeholders.

The T. Rowe Price Global Impact Credit Strategy reporting framework incorporates the UN SDGs as they are a recognized and accepted tool that helps the asset management industry form a common language around sustainability.
T. ROWE PRICE GLOBAL IMPACT CREDIT STRATEGY—RISKS

Objective
The Global Impact Equity Composite seeks long-term capital growth by seeking positive environmental or social impact and outperforming the benchmark.

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.
Additional Disclosures

The examples shown in the case studies represent the largest active positions in each sub-pillar. Holdings shown are for illustrative purposes only and are subject to change without notice.

The representative portfolio is an account in the composite we believe most closely reflects current portfolio management style for the strategy. Performance is not a consideration in the selection of the representative portfolio. The characteristics of the representative portfolio shown may differ from those of other accounts in the strategy. The GIPS® Composite Report is available upon request.

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The use of impact key performance indicators is not intended to provide a forward-looking view on the likely performance of each issuer held in the portfolio. Instead, it is intended to document how we will assess the positive additional impact that each issuer’s economic activities are having on the real world. For example, we would note that increasing revenue streams from sustainable economic activities does not necessarily equate to increasing profits, nor does it necessarily equate to positive share price performance. Our investment analysis will also focus on the profitability and perceived value of each issuer and their sustainable initiatives, but this does not form part of the impact KPI.

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