Case study

GLOBAL IMPACT EQUITY STRATEGY

Trane Technologies

The following case study is a selected example of a recent engagement with a company held in or considered for the portfolio. The example is not meant to be representative of every engagement held, but to illustrate the types of ESG engagements we are having with the managements of our investment companies.

Case Study

REDUCING GREENHOUSE GASES (GHGs)

Trane Technologies

Pressure Points

Commercial and residential buildings' energy use represent 17.5% of the total amount of greenhouse gases emitted globally.[1] CO_2 emissions from building operations have risen in recent years, mainly because of the increasing use of heating and cooling equipment. We believe this has been partly driven by extreme weather events stemming from global warming. According to the IEA, the sector's energy intensity needs to drop nearly five times faster over the next 10 years than it did in the past five years to meet the net-zero emissions target by 2050.

Impact Thesis

Trane Technologies enables greater energy efficiency in commercial and residential settings and refrigerated transportation. The firm's products improve the low temperature-controlled supply chain (the cold chain), which reduces food waste. The company has committed to the ambitious Gigaton Challenge that aims to avoid 1 billion metric tons of greenhouse gas emissions by 2030. More efficient HVAC solutions also reduce the emission of F-gases in the atmosphere, which have a global warming potential up to 23,000 times greater than CO_2. We measure the positive impact of Trane's products on the environment by reporting the amount of carbon emissions it mitigates.

KPI: Customer carbon emissions it mitigates (in metric tons of CO_2 equivalent)

Five Dimensions of Impact

What: Mitigating climate change by developing systems that improve energy efficiency.

Who: Planet

How much: In 2020, Trane Technologies' products helped customers reduce their carbon emissions by 7.7 million metric tons of CO_2e (versus a 2019 baseline).[2]

Contribution: The company has committed to market-leading sustainability targets by 2030. These include achieving carbon neutrality in its operations, zero waste to landfills, and a 10% reduction of absolute energy use.[2]

Risks: Endurance Risk: As global climate change intensifies, extreme weather events could hinder the company's progress toward its carbon reduction targets. Participation Risk: A lack of policies to encourage investments in energy-efficient products.

Progress Monitoring

We continue to monitor the firm's progress toward the Gigaton Challenge commitment. The company recently launched the Center for Healthy & Efficient Spaces to advance indoor environmental quality solutions—we will evaluate progress on this initiative over time.

PRIMARY UN SDG

IMPACT PILLAR

Climate and Resource Impact

IMPACT SUB-PILLAR

Reducing Greenhouse Gases (GHGs)

IMPACT JOURNEY

Input

USD 12.4 billion total revenue[3]

Output

Energy-efficient products and solutions that enable more efficient food transportation

Outcome

Improved energy efficiency

Impact

7.7 million metric tons CO_2e emissions mitigated[2]

[1] Source: Hannah Ritchie and Max Roser (2020). "CO_2 and Greenhouse Gas Emissions." Published online at OurWorldInData.org.

[2] Trane Technologies 2020 ESG Report

[3] Financial year 2020

GLOBAL IMPACT EQUITY STRATEGY
Objective

In pursuit of long-term growth of capital, the Global Impact Equity Strategy seeks positive environmental or social impact and to outperform the MSCI All Country World Net Index. In targeting this objective, the strategy primarily invests in a diversified portfolio of equity-related securities of larger-cap companies listed on the world's stock markets. The strategy has a particular focus on companies where the durability and persistence of earnings and cash flow is underappreciated and may include investments in the securities of companies listed on the stock exchange of developed and developing countries.

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

Style risk—different investment styles typically go in and out of favor depending on market conditions and investor sentiment. We apply a high-conviction, positive impact-oriented, and long-term approach to investing. While we believe this is beneficial to returns, and specifically the compounding of returns over time, there will be times where markets are driven by factors not related to long-term earnings and cash flow fundamentals. Our bottom-up focus may mean that periods of intense macro or top-down focus create headwinds to returns, but these tend to be transient as a driver of stock prices.

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.

ESG and sustainability risk—may result in a material negative impact on the value of an investment and performance of the portfolio.

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

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.

Important Information

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For more information on T. Rowe Price and our investment capabilities, please visit our website:

troweprice.com

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