T. Rowe Price

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T. ROWE PRICE GLOBAL IMPACT EQUITY FUND

Impact Glossary

As T. Rowe Price continues to grow our impact investing suite, we recognise 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 which 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 and Proxy Voting are two important tools at the Global Impact Equity 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 SDGs in their sustainable reports.

CO_2e: Carbon dioxide equivalent or CO_2 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): 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, identify material ESG factors and aligning anticipated impacts with UN SDGs. Every stock 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 Criteria (ESG) - 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, and shareholder rights.

ESG integration (T. Rowe Price): Environmental, Social, and Governance (ESG) considerations form a part of our overall research process, helping us alongside other factors to identify investment opportunities and manage investment risk. At T. Rowe Price this is known as ESG integration. However, we may conclude that other attributes of an investment outweigh ESG considerations when making investment decisions.

Fiduciary: Person or organisation 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 non-profit organisation 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 is investing that 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 non-profits that benefit the community or in clean technology enterprises. Investments made into companies, organisations, and funds with the intention to generate social and 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 maximise and optimise it.

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

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

Impact universe (T. Rowe Price): The universe of stocks that is available to the T. Rowe Price Global Impact Equity Fund to invest. To define our impact universe, we start by applying the T. Rowe Price Impact Exclusion list to the global developed and emerging all-cap opportunity set (MSCI All Country World ex-Australia Index (net of withholding tax)). This list 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): 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.*

Private equity markets: Private equity refers to capital investment made into companies that are not publicly traded.

Public equity markets: Public equity investments available and easily traded daily through public market exchanges.

Proxy Voting Impact policy (T. Rowe Price): The T. Rowe Price Global Impact Equity Fund has a custom voting policy. It has the flexibility to vote differently to the rest of the firm, particularly on "impact issues."

Responsible Investment Association Australasia (RIAA): The Responsible Investment Association Australasia (RIAA) champions responsible investing and a sustainable financial system in Australia and New Zealand. RIAA is dedicated to ensuring capital is aligned with achieving a healthy society, environment, and economy. https://responsibleinvestment.org

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 categorisation SME is designed to differentiate businesses with relatively small amounts of capital and/or personnel from larger organisations, particularly in relation to market segmentation, financial assistance, or regulatory issues.

Social: Relating to society or its organisation. 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 which explains the steps taken by a company to produce specific societal and 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 scrutinise each candidate against the following the '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 a company's products or services
- **Impact** – Long-term effect on the planet or society caused by a 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 2015-2030 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 non-financial stakeholders.

The T. Rowe Price Global Impact Equity Fund reporting framework incorporates the UN SDGs as they are a recognised and accepted tool that help the asset management industry form a common language around sustainability.

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