



T.RowePrice

# US Impact Equity Strategy

2023 Annual Impact Report

Issued February 2025.

**For Investment Professionals only. Not for further distribution.**



**IMPORTANT INFORMATION:****Aggregated Report**

This impact report is based on the representative portfolio of the US Impact Equity Strategy.

The strategy includes fund vehicles, which will have different investor bases, different inflows and outflows over time, and a different net asset value. Not all vehicles are available to all investors in all jurisdictions. Portfolio holdings of each fund vehicle may not be exactly the same as either the representative portfolio or other funds in the strategy. For similar reasons, the proxy voting patterns of the fund vehicles will not be exactly the same as each other, although they will be broadly aligned.

This impact report relates to the representative portfolio rather than each fund. It is therefore designed to give you an idea of how the strategy is deployed, with the case studies being selected to provide evidence of the investment process results in relation to the impact investments being made.

Proxy voting records; environmental, social, and governance factors; and impact engagements are selected to show you how T. Rowe Price interacts with the companies each fund invests in on your behalf.

If you wish to access fund-specific reporting, this will be available in the monthly fact sheets for each fund, as well as the interim and final regulatory reports and accounts, which are published semiannually.

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# Harnessing the Opportunity to Invest for Impact in U.S. Equities

As we reflect on 2023, increased investor interest in sustainable investment strategies and impact solutions was a highlight. Extreme events over the last few years have driven a wave of accelerated action, providing attractive opportunities to invest in companies that are helping to tackle some of the important environmental and social problems we face today. The COVID-19 pandemic underscored the need for a robust health care system designed to improve access and patient outcomes, while the war in Ukraine pushed the subject of energy security to the forefront, emphasizing the need for increased energy efficiency and alternatives to traditional fossil fuels.

Importantly, the move toward impact investing is being supported by the explicit decisions from a growing number of investors and companies that are seeking to be a part of the solution for common global problems. We are witnessing a step change in concern and focused thinking on key areas such as health care, social equality, and environmental protection. More policymakers, capital allocators, and corporate leadership teams are moving beyond tentative steps toward more material action. We have observed encouraging evidence of this evolution during our company engagements and have been pleased with management teams' commitment and collaboration in working toward our shared goals.

Although impact investing is still a relatively nascent category, we expect momentum to continue as investors appreciate the fundamental value embedded within companies that are driving improvement and positive change throughout the world. We believe this is particularly true within U.S. equity markets, where companies have the size, breadth, and technological innovation leadership to help address challenges on a global scale. We also believe the opportunity to own businesses that are contributing to positive change is greater than ever within public equity markets. If investors aspire to collectively advance initiatives that target social and environmental transitions, it will be essential to fund them at scale and in a liquid manner. The enormity of these issues means that solutions will likely not be possible without the backing of large and well-funded publicly listed firms.

Moving forward, we are energized about the opportunity to strategically invest in companies that provide solutions to environmental and social problems. We believe our impact platform offers a differentiated and thoughtful approach to impact investing, enabling clients to purposefully invest in companies with business models that work toward positive social and/or environmental outcomes without sacrificing financial returns. We are proud of what we have built, and we endeavor to constantly improve our process and evolve to meet our clients' needs. We are intently focused on our active ownership approach, using intentional engagement, proxy voting, and the associated feedback loop to drive change and amplify the impact that companies deliver. We believe that our disciplined and authentic impact platform, combined with our world-class fundamental research capabilities, positions us well to pursue our dual mandate, to deliver on our clients' mandated objectives, and contribute to the adoption of the impact investment category as a whole.



**David Rowlett**

*Portfolio Manager,  
T. Rowe Price US  
Impact Equity Strategy*



Moving forward, we are energized about the opportunity to strategically invest in companies that provide solutions to environmental and social problems.



# About US Impact

The T. Rowe Price US Impact Equity Strategy was inspired by our desire to proactively address some of the challenges confronting our planet and society. We believe impact investing can be part of the solution to address these challenges—via conscious allocation of capital, thorough company engagement and proxy voting, and the associated feedback loop.

Our approach targets underappreciated impact, in combination with mispriced future economic returns, on a stock-by-stock basis. We believe impact investing is vital for supporting investors who want to own companies that align with our impact goals. It creates a real opportunity to select stocks that we believe will deliver a favorable impact profile and capture the added return potential that this can bring. Aligning with the UN Sustainable Development Goals, we apply a forward-looking, research-driven, and high-conviction approach, analyzing the full breadth of impact opportunities available in an evolving and complex world.

## Our Impact Charter

As our world evolves, societal, governmental, regulatory, and fiduciary pressures are now driving change on a range of environmental and social fronts. As companies and issuers respond and increasingly shift investment to address global pressure points, the opportunities to own businesses that create a positive impact on society and the planet are broader than they have ever been in public markets, especially within the U.S.

Generating impact, however, goes beyond simply owning and capturing the economics of certain types of companies. It draws active ownership—directing capital toward desired impact outcomes and encouraging change through impact-oriented company engagements and proxy voting. Our impact approach is framed around four principles—materiality, measurability, additionality, and resilience.



### Material

We base our stock inclusion criteria on a corporation's activities and their alignment with clearly defined impact pillars, using a forward-looking perspective.



### Measurable

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



### Additional

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

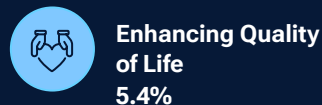
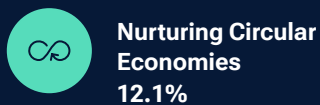
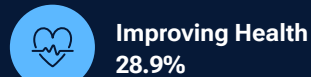
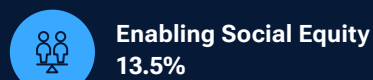
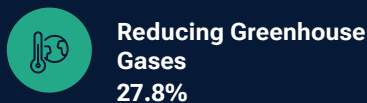
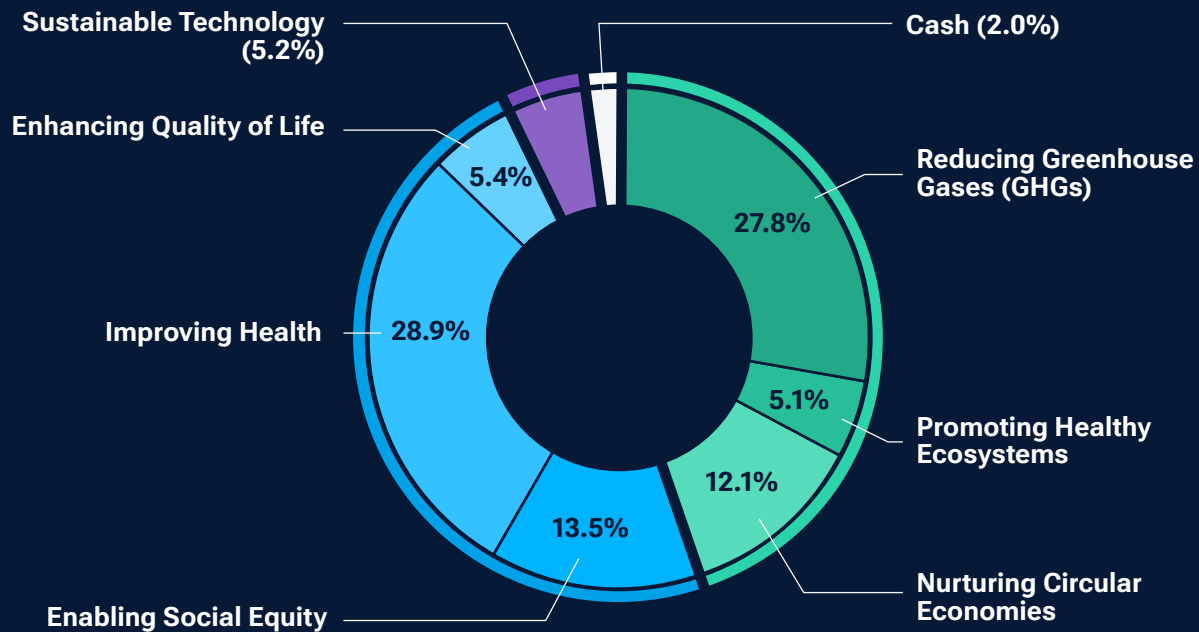


### Resilient

In an era of disruption and extreme outcomes, patience and skillful portfolio construction is important in the pursuit of good client outcomes.

# Portfolio by Pillar<sup>1</sup>

As of December 31, 2023



<sup>1</sup> Pillars are proprietary to T. Rowe Price and were developed for the purpose of aligning portfolio holdings according to the impact being delivered. Data shown for the representative portfolio are as of December 31, 2023. Cash weighting for 2023 was 2.0%. Subject to change without notice. Figures may not total due to rounding. See Additional Disclosures for more details on the representative portfolio. Note: 5.2% of the securities under the Sustainable Innovation and Productivity pillar also meet the criteria of either the Climate and Resource or Social Equity and Quality of Life pillars. The Sustainable Innovation and Productivity pillar is being assessed for removal, subject to regulatory approval.



# Portfolio by Primary United Nations Sustainable Development Goals (UN SDGs)

<div><div>1</div><div>NO POVERTY</div><div></div></div>	<div><div>2</div><div>ZERO HUNGER</div><div></div></div>	<div><div>3</div><div>GOOD HEALTH AND WELL-BEING</div><div></div><div><ul style="list-style-type: none"><li>Agilent Technologies</li><li>AstraZeneca</li><li>Becton, Dickinson &amp; Company</li><li>Danaher</li><li>Elevance Health</li><li>Eli Lilly</li></ul></div></div>	<div><div><ul style="list-style-type: none"><li>Gilead Sciences</li><li>Hologic</li><li>Kenvue</li><li>Merck</li><li>Regeneron Pharmaceuticals</li><li>Sprouts Farmers Market</li></ul></div></div>	<div><div><ul style="list-style-type: none"><li>Thermo Fisher Scientific</li><li>UnitedHealth Group</li><li>Vertex Pharmaceuticals</li><li>Welltower</li></ul></div></div>	
<div><div>4</div><div>QUALITY EDUCATION</div><div></div></div>	<div><div>5</div><div>GENDER EQUALITY</div><div></div></div>	<div><div>6</div><div>CLEAN WATER AND SANITATION</div><div></div><div><ul style="list-style-type: none"><li>Advanced Drainage Systems</li><li>Core &amp; Main</li><li>Veralto</li></ul></div></div>	<div><div>7</div><div>AFFORDABLE AND CLEAN ENERGY</div><div></div><div><ul style="list-style-type: none"><li>A.O. Smith</li><li>Carrier Global</li><li>Hubbell</li><li>Linde</li><li>NVIDIA</li><li>ON Semiconductor</li></ul></div></div>	<div><div><ul style="list-style-type: none"><li>Owens Corning</li><li>PG&amp;E</li><li>Roper Technologies</li><li>TE Connectivity</li><li>Tesla</li></ul></div></div>	
<div><div>8</div><div>DECENT WORK AND ECONOMIC GROWTH</div><div></div><div><ul style="list-style-type: none"><li>Motorola Solutions</li></ul></div></div>	<div><div>9</div><div>INDUSTRY, INNOVATION AND INFRASTRUCTURE</div><div></div><div><ul style="list-style-type: none"><li>KLA</li><li>Synopsys</li></ul></div></div>	<div><div>10</div><div>REDUCED INEQUALITIES</div><div></div><div><ul style="list-style-type: none"><li>H&amp;R Block</li><li>Intuit</li><li>OneMain Holdings</li></ul></div></div>	<div><div><ul style="list-style-type: none"><li>Payoneer Global</li><li>Popular</li></ul></div></div>		
<div><div>11</div><div>SUSTAINABLE CITIES AND COMMUNITIES</div><div></div></div>	<div><div>12</div><div>RESPONSIBLE CONSUMPTION AND PRODUCTION</div><div></div><div><ul style="list-style-type: none"><li>Autodesk</li><li>Copart</li><li>Darling Ingredients</li></ul></div></div>	<div><div><ul style="list-style-type: none"><li>eBay</li><li>IDEX</li><li>United Rentals</li></ul></div></div>	<div><div>13</div><div>CLIMATE ACTION</div><div></div></div>	<div><div>14</div><div>LIFE BELOW WATER</div><div></div></div>	<div><div>15</div><div>LIFE ON LAND</div><div></div></div>
<div><div>16</div><div>PEACE, JUSTICE AND STRONG INSTITUTIONS</div><div></div><div><ul style="list-style-type: none"><li>Fortinet</li><li>Palo Alto Networks</li></ul></div></div>	<div><div>17</div><div>PARTNERSHIPS FOR THE GOALS</div><div></div></div>				

**SUSTAINABLE  
DEVELOPMENT GOALS**

Data shown for the representative portfolio are as of December 31, 2023. Subject to change without notice.

The securities represent 100% of the publicly traded securities in the portfolio. There were no holdings primarily aligned with UN SDGs 1, 2, 4, 5, 11, 13, 14, 15, or 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 and will be profitable.

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## Could GLP-1s help rebalance the food trilemma?

**T**he clear shift in global diets from “food poor” to “food rich” issues has highlighted signs of environmental and health tipping points in global food. This raises the possibility of a meaningful change in consumer attitudes and government policy on food. While both health and environment are contributing to the “hidden costs” within our food system, we believe there may be more catalysts for change from a health perspective due to the escalating pressure of health care costs on national budgets, reduced workforce productivity, and the emergence of glucagon-like peptide-1 (GLP-1) drugs and other anti-obesity medications.

### The food trilemma and the planetary boundaries

Over the past 50 years, a dramatic shift in diets has had wide-ranging consequences for the environment and human health. Growing affluence and urbanization has driven calorie consumption higher, with global diets now including more ultra-processed food and animal products. Looking at this shift through the lens of the food trilemma, we see that changes in global diets have been negatively impacting human health (due to food quality and quantity) and the environment (due to increased agricultural activity). Consumers only pay for around half of the total societal cost of food—the rest is borne by broader society as governments are forced to remediate the environmental and health costs associated with today’s diets.

### Elements of the food trilemma

Food sustainability can be considered as part of a “food trilemma”—balancing the three key, and often conflicting, criteria outlined below:

**Diet**—The types and quantities of food consumed.

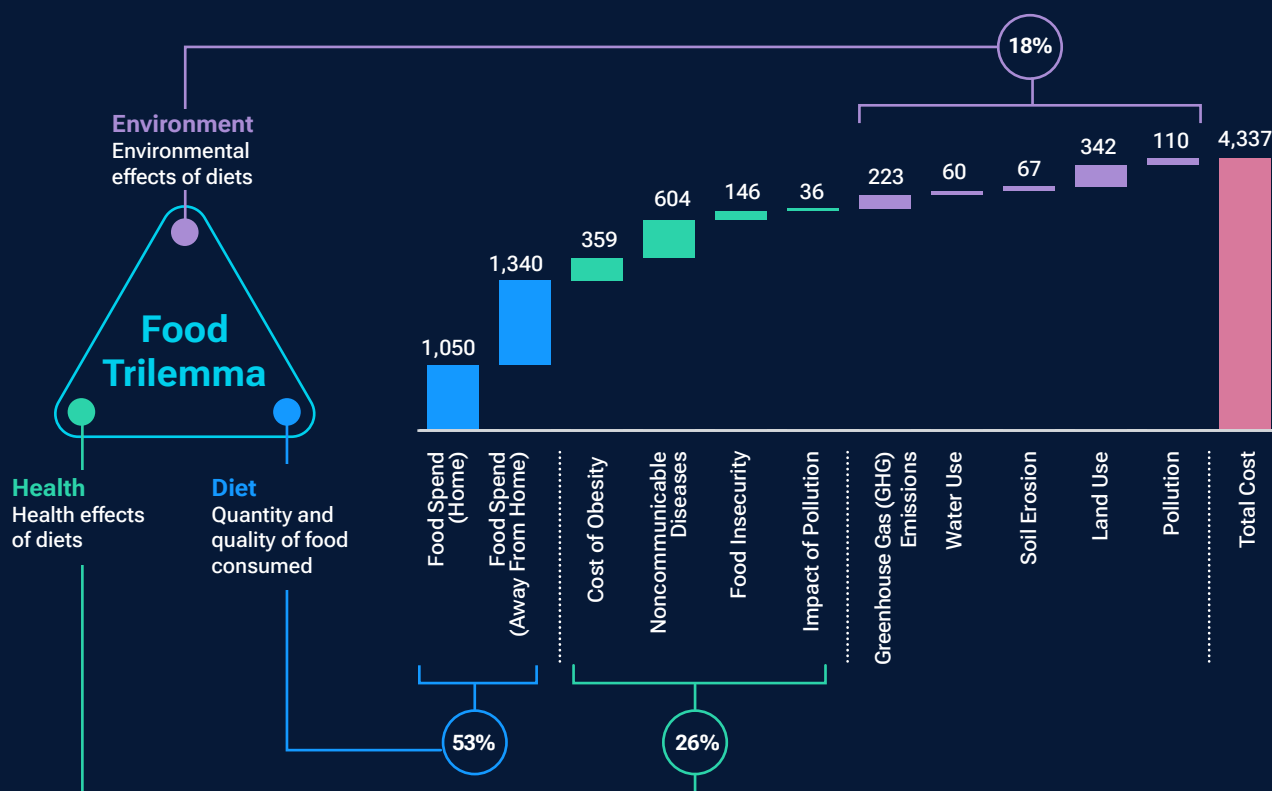
**Health**—The health effects of diets characterized by inadequate, unbalanced, or excessive food consumption—i.e., how poor diet manifests itself in a burden of undernutrition and nutrient deficiency but especially obesity.

**Environment**—The role of agriculture in anthropogenic climate change, biodiversity loss, and water scarcity.



## Balancing health, diet, and environment

(Fig. 1) Diet, health, and environmental costs as a proportion of the total cost of U.S. food



Costs are in USD bn. % figures show diet, health, and environmental costs as a proportion of the total cost of U.S. food. Total may not sum due to rounding.

Note: The cost of purchasing food accounts for around 50% of the total cost of food in this trilemma. For a food system to be sustainable, it has to address the total cost of food to society.

Sources: Analysis by T. Rowe Price; health and environmental cost estimates are sourced from the Rockefeller Foundation (as of July 2021), food spend is sourced from the U.S. Department of Agriculture, as of February 14, 2024.

The global food system is closely tied to seven of the nine processes within the planetary boundaries framework<sup>1</sup>—namely biosphere integrity, land system change, freshwater change, climate change, novel entities, biogeochemical flows, and ocean acidification. With agriculture contributing around a quarter of GHG emissions, tackling the environmental impact of the food system is critical to achieving net zero.<sup>2</sup> However, with cost-of-living pressures being experienced around the world, the political will to enact new regulation on farmers is limited.

### The rising costs of diet-related diseases

Obesity is an increasingly common byproduct of the food system in almost all countries. In contrast to the outdated view of Western economies with “too much” food and emerging market economies with “not enough” food, obesity is now dominant in almost all countries. According to the World Health Organization (WHO), 1 in 8 people in the world are obese.<sup>3</sup> With the societal burden of obesity increasing so dramatically in the last four decades, the number of disability-adjusted life years (DALYs)<sup>4</sup> lost due to excess body mass index (BMI) has doubled, representing a greater increase than any other

<sup>1</sup> The planetary boundaries framework, which is tracked by the Stockholm Resilience Centre (Stockholm University), identifies 9 planetary processes whose interplay can determine the stability of the biophysical Earth system and defines the critical threshold for each of these processes. Moving beyond the critical threshold represents the point at which the system can no longer persist or adapt to feedback loops and will transform into something entirely different. A core tenet of the concept is that each of the processes should not be analyzed as separate issues—as doing so would miss the interactions between them.

<sup>2</sup> Net zero refers to a state where greenhouse gas emissions released into the atmosphere are balanced by removals (such as through forests or carbon capture and storage).

<sup>3</sup> Obesity and Overweight fact sheet, as of 2022, World Health Organization, March 1, 2024.

<sup>4</sup> DALYs: DALYs are the sum of years of life lost due to premature death and years lived with disability due to health conditions or diseases that affect a particular population. One DALY represents the equivalent of one year of healthy life lost due to premature death and disability.

## The global food system and the interaction of planetary boundaries

(Fig. 2) How different processes interact to determine the path for climate stability<sup>1</sup>



<sup>1</sup> The other two planetary boundaries not featured in this graphic are Atmospheric Aerosol Loading and Stratospheric Ozone Depletion.

<sup>2</sup> Food and Agriculture Organization of the United Nations (FAO), 2020.

<sup>3</sup> Source: United Nations environment, FRONTIERS 2018/19—Emerging Issues of Environmental Concern, March 2019.

<sup>4</sup> Intergovernmental Panel on Climate Change (IPCC), 2021.

<sup>5</sup> IPCC, 2019.

<sup>6</sup> FAO, 2020.

<sup>7</sup> Freshwater withdrawal refers to freshwater taken from ground or surface water sources.

<sup>8</sup> United Nations Environment Programme, 2021.

<sup>9</sup> FAO, 2021.



leading health risk.<sup>5</sup> Obesity and other metabolic risk factors are now the dominant drivers of disease globally.

Alongside the general increase in obesity prevalence in almost all countries, the prevalence of severe obesity (BMI  $\geq 40$  per the Centers for Disease Control and Prevention (CDC) definition) greatly increases the cost of obesity. At a BMI of 30–35, median survival is reduced by two to four years, but at a BMI of 40–45, median survival is reduced by eight to 10 years (comparable to the effects of smoking).<sup>6,7</sup> From an economic perspective, while obese patients accrue around 30% higher direct medical costs on average, severe obesity results in significantly more direct expense. In the U.S., the CDC relies on an estimate of USD 173 billion in obesity-related medical costs. Over 30 units of BMI, each additional unit of BMI resulted in an additional cost of USD 253 per person.<sup>8</sup> This has contributed to a more than doubling of medical spending in the U.S. on obesity in the last 20 years.<sup>9</sup>

**“We expect that anti-obesity medications such as GLP-1s will play an unquestionable long-term role in balancing the food trilemma....”**

**– Maria Elena Drew**  
Director of Research, Responsible Investing

We expect that anti-obesity medications such as GLP-1s will play an unquestionable long-term role in balancing the food trilemma by directly addressing obesity as a key health pressure point and a dominant outcome of food

systems. However, we also believe that their uptake, alongside other factors such as scrutiny of ultra-processed food, could have much broader implications for public attitudes toward food and obesity.

GLP-1s are amplifying the narrative that obesity is not a failure of individual willpower but is a byproduct of the food system and a disease. The advent of GLP-1s, alongside scrutiny of ultra-processed food, could therefore increase public awareness of the science of food reward and health costs of contemporary diets. This raises the question of what (if any) measures will different societies take to address the underlying food system drivers of obesity.

Data suggest that GLP-1 treatment reduces food cravings and alters the types of food consumed.<sup>10,11</sup> Rather than simply reducing the quantity of food consumed, patients substitute unhealthy food like sugary drinks, chocolate, and salty snacks with fresh produce, poultry, and fish.

While some patients are able to sustain weight loss by continuing healthier eating habits and other lifestyle changes, with currently available therapies, many patients regain weight after ceasing treatment.<sup>12,13</sup> This reflects an underlying issue with food environments that promote weight gain. There are clearly several components to this, but a shift in diets toward ultra-processed food—especially in the U.S. and the UK—is a key driver. Ultra-processed food consumption is also accelerating in emerging markets.

### The science of food reward

In addition to physiological energy needs, food intake is driven by pathways involved in reward processing and reward-motivated behaviors. The palatability of food is a crucial determinant of the decision to eat; food today is often explicitly engineered to be hyper-palatable and create the visual cues associated with increased craving that can trigger food intake in the absence of physiological energy needs.

<sup>5</sup> “Global burden and strength of evidence for 88 risk factors in 204 countries and 811 subnational locations, 1990–2021: a systematic analysis for the Global Burden of Disease Study 2021,” *The Lancet* (2024).

<sup>6</sup> “Body-mass index and cause-specific mortality in 900 000 adults: collaborative analyses of 57 prospective studies,” *The Lancet*, March 18, 2009.

<sup>7</sup> “Body-Mass Index and Mortality among 1.46 Million White Adults,” *The New England Journal of Medicine*, December 2, 2010.

<sup>8</sup> Ward, ZJ; Bleich, SN; Long, MW; Gortmaker, SL, “Association of body mass index with health care expenditures in the United States by age and sex,” 2021, PLOS ONE 16(3): e0247307. Costs are reported in USD 2019.

<sup>9</sup> “Direct medical costs of obesity in the United States and the most populous states,” *Journal of Managed Care & Specialty Pharmacy*, January 20, 2021.

<sup>10</sup> “Effects of once-weekly semaglutide on appetite, energy intake, control of eating, food preference and body weight in subjects with obesity,” *Diabetes, Obesity and Metabolism*, May 5, 2017.

<sup>11</sup> “Could Obesity Drugs Take a Bite Out of the Food Industry?,” *Morgan Stanley*, September 5, 2023.

<sup>12</sup> “Weight regain and cardiometabolic effects after withdrawal of semaglutide: The STEP 1 trial extension,” *Diabetes, Obesity and Metabolism*, May 19 2022.

<sup>13</sup> Louis J. Aronne, MD; Naveed Sattar, MD; Deborah B. Horn, DO, MPH; et al., “Continued Treatment With Tirzepatide for Maintenance of Weight Reduction in Adults With Obesity: The SURMOUNT-4 Randomized Clinical Trial,” *JAMA*, December 11, 2023.

Obesity traditionally has been perceived as a failure of individual willpower, but this neglects both the physiology of excess BMI and how the food system contributes to its prevalence. The food system itself is designed in such a way that in many countries, energy-dense foods composed of refined grains, added sugars, or fats often represent the lowest-cost option for consumers.<sup>14</sup>

### More scrutiny of food companies?

It is increasingly likely that food companies could face potentially more stringent regulatory regimes in individual markets due to closer scrutiny of their role in public health. On a much longer-term time horizon, the scale of obesity as a global health issue also raises the (albeit now seemingly slim) prospect of international multilateral efforts to combat its spread. While both the United Nation's 2000–2015 Millennium Development Goals and 2015–2030 Sustainable Development Goals have focused on hunger, perhaps the next round of goals could more specifically focus on reducing obesity.

At first glance, this draws similarities with tobacco—growing public awareness of health harms, stricter national regulation, and global initiatives (e.g., the WHO Framework on Tobacco Control treaty) also characterized efforts to combat the societal cost of smoking. However, we do not believe the food and tobacco sectors are directly comparable. First, nutritious food is a prerequisite for health—there is not the same clear existential threat from health concerns for food companies as those posed to cigarette smoking. Second, food companies can reformulate products to address health concerns, and health-focused product offerings are a significant strategic opportunity.

“

ESG investors may adopt a more nuanced, stock-specific approach versus the exclusions-oriented playbook applied to global tobacco....

– Daniel Ryan  
Analyst, Responsible Investing

Environmental, social and governance (ESG) considerations such as the food trilemma form part of our overall investment decision-making process alongside other factors to identify investment opportunities and manage investment risk. At T. Rowe Price, this is known as ESG integration. ESG investors may adopt a more nuanced, stock-specific approach versus the exclusions-oriented playbook applied to global tobacco when evaluating food and beverage companies. This would still be a departure from the positive ESG view of many food and beverage companies today. This approach may involve scrutinizing the nutrition characteristics of food portfolios, product labeling, advertising, and lobbying/influence in public health more than seen historically.

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

<sup>14</sup>Adam Drewnowski and SE Specter, “Poverty and obesity: the role of energy density and energy costs,” *The American Journal of Clinical Nutrition*, Volume 79, Issue 1, 2004, pages 6–16, ISSN 0002-9165. January, 2004.





## Spotlight on plastic pollution in impact investing

Environmental problems are among our central concerns as impact investors, encompassing a considerable range of interlinking, multifaceted issues. Among these is plastic pollution, which, as a growing body of studies and research has shown, has concerning implications for human health and global ecosystems.

It is a large-scale problem, but regulators, companies, and supranational organizations are developing specific solutions and technologies to address it. The need to alleviate plastic pollution creates opportunities for direct investment where it can have a positive impact and generate potentially attractive financial outcomes. These include water treatment companies and businesses that produce more sustainable and recyclable alternatives to single-use plastics.

### A fast-growing problem

Plastic is an important invention that has changed many parts of our lives and considerably improved everyday convenience. It continues to shape our world. But it also comes with many problems.

Global plastic pollution amounted to 60 million tons in 2020<sup>1</sup> and continues to rise. Less than 10% of plastic waste is recycled; most is discarded or incinerated,<sup>2</sup> while half of the 8.3 billion tons<sup>3</sup> of plastic ever produced was made in the last 13 years.

Plastic can take hundreds of years to decompose<sup>1</sup> and even then only breaks down into smaller and smaller pieces, known as microplastics. These infiltrate the environment, having been found in human blood<sup>4</sup> and vital organs.<sup>5</sup> They pollute all ecosystems, from the deepest parts of the world's oceans to the highest mountain peaks.<sup>6</sup> Oceans are highly susceptible, as plastic is often dumped in the sea and swallowed and absorbed by marine fauna and organisms.

Moreover, plastic exacerbates other environmental challenges—the production, conversion, and waste management of plastic generates about 4% of greenhouse gas (GHG) emissions, and these are projected to more than double by 2060.<sup>7</sup>

### Plastics by the numbers

**60 M**

Tons of global plastic pollution in 2020

**<10%**

Plastic waste that is recycled

**>4 B**

Tons of plastic produced in the last 13 years

**~4%**

GHG emissions that production, conversion, and waste management of plastic generates

<sup>1</sup> United Nations Environment Programme (UNEP).

<sup>2</sup> In Plastic Waste and Recycling: Environmental Impact, Societal Issues, Prevention, and Solutions, 2020.

<sup>3</sup> University of Georgia, 2017.

<sup>4</sup> *Environment International*, 2022.

<sup>5</sup> *Journal of Hazardous Materials*, 2021.

<sup>6</sup> One Earth, 2020.

<sup>7</sup> Global Plastics Outlook: Policy Scenarios to 2060 (OECD, 2022).

## The PFAS problem

One specific example that underlines the wider issue—and that is keenly in focus for us—is perfluoroalkyl and polyfluoroalkyl substances, or PFAS. This group comprises thousands of synthetic chemicals found in many everyday products, including clothing, food packaging, and cookware. They are also important in technologies like electric car batteries. PFAS' essential property, the carbon-fluorine bond, is one of the strongest known chemical bonds. This is what makes PFAS so useful, but it also makes them particularly problematic for the environment as they do not break down. They have consequently been labeled “forever chemicals.”

## Regulation to drive demand for environmental technologies

Studies link PFAS to increased risk of some cancers<sup>8</sup> and other negative health effects as they build up in the human body over time. Regulatory scrutiny has increased as a result. The European Union has considered the possibility of a total ban.

While some countries have limits on PFAS levels in water supplies, the U.S. regulator, the Environmental Protection Agency (EPA), has been among the most stringent. Its legislation, which was finalized in April 2024, stipulates much lower levels than other regions. This is likely to create greater demand for technologies that test for, remove, and/or dispose of PFAS safely.

Disposal typically involves incineration at high temperatures, which creates hazardous byproducts that require careful handling, or specially lined landfills. One of the safest established methods is to pump PFAS-concentrated liquids into specially constructed Class 1 wells, but this is not widely available in the U.S.

The three currently developed removal technologies are: (1) using a carbon filter to attract and bind PFAS; (2) exchanging negatively charged PFAS for a positively charged ion; and (3) driving PFAS-contaminated water through a membrane at high pressure, known as reverse osmosis.

## Greater investment needed

Complying with the EPA's rules will require greater investment to meet demand for the technologies. But estimates vary on how much.

The EPA has committed to provide USD 21 billion worth of funding to help improve the country's water systems, USD 9 billion of which will be allocated to tackle PFAS and other contaminants, but this is likely to fall short of what is needed. In addition to upfront capital expenditure (capex), the EPA estimates that USD 0.8–1.2 billion is needed in annual operational expenditure.

Meanwhile, engineering, infrastructure, and technology industry leaders see the total investment needs, and potential opportunity, at USD 200 billion.<sup>9</sup>

The work to improve U.S. water systems and comply with the regulation has the potential to generate a reliable revenue stream for companies that provide consultancy services and technology.

Core & Main, a leading distributor of water infrastructure products, supplies contractors and municipalities with a wide range of water, sewer, and storm drainage products. These are critical for the repair and revitalization of the aging U.S. water infrastructure, helping to prevent water leaks and the spread of contaminants.

Water quality companies specializing in testing and treatment, such as Veralto, could see strong demand for its products and services. Veralto manufactures equipment for the detection and removal of water contaminants and harmful chemicals, including PFAS, helping customers comply with regulations and mitigate their impact.

Additionally, when extreme weather events such as storms and floods occur, ensuring the safety and cleanliness of water becomes critical. Stormwater treatment systems engineered and manufactured by Advanced Drainage Systems filter pollutants such as hydrocarbons and heavy metals, preventing them from entering waterways during storm events.

## Finding sustainable alternatives

Given the low rate of plastic recycling globally and the difficulty of eliminating plastic, efforts to

<sup>8</sup> National Cancer Institute, 2023.

<sup>9</sup> *Environmental Business Journal*, Q3 2022.



address plastic pollution must include finding more sustainable alternatives. One area of opportunity is for companies to produce packaging that is recyclable, biodegradable, and from renewable sources as well as for those companies to develop plastic products that are either fully recyclable or made with recycled materials. Switching to these alternatives helps foster a circular economy in which goods are more frequently reused or recycled and landfill waste is reduced.

Advanced Drainage Systems also qualifies as a company that is embedding circular economy models into its business. In addition to providing stormwater and wastewater management solutions, Advanced Drainage Systems uses recycled plastic in the manufacturing of its products. This helps reduce plastic waste otherwise sent to landfill or oceans by recycling it as feedstock. In 2023, Advanced Drainage Systems generated 51% of its revenue from water products containing recycled content and processed 540 million pounds of recycled materials, making it one of the largest plastic recyclers in North America.<sup>10</sup>

<sup>10</sup> Advanced Drainage Systems Sustainability Report 2024.

## Investment can help address plastic pollution

We strive to deliver positive environmental impact through our investments, identifying opportunities that may help alleviate the threats facing the world's ecosystems. Plastic pollution is a major problem that requires collective action, and quickly, to address the damage to human health and the environment.

We welcome growing awareness and understanding of the issue, alongside meaningful regulatory responses, and innovative market solutions. While the means to alleviate and mitigate plastic pollution, through technologies and alternative products, are available, it is important they expand quickly. We think investors can play a role by identifying companies with the potential to deliver positive impact alongside attractive investment outcomes.

## U.S. PFAS regulation by the numbers



**2,067 sites**

Public water systems and industrial and military sites that have reported PFAS above the regulatory limit<sup>1</sup>



**3.5 K–6.5 K**

Estimated number of U.S. public water systems that may need action<sup>2</sup>



**USD 21 B**

Amount of money from EPA funding to improve water systems<sup>3</sup>



**USD 200 B**

Investment opportunity for engineering, infrastructure, and technology industries<sup>4</sup>

<sup>1</sup> Source: Environmental Working Group, August 2024.

<sup>2</sup> Source: EPA estimates, April 2024.

<sup>3</sup> Source: EPA, April 2024.

<sup>4</sup> Source: *Environmental Business Journal*, 2022. (Company estimates)

The specific securities identified and described do not represent all of the securities purchased, sold, or recommended for advisory clients, and no assumptions should be made that investments in the securities identified and discussed were or will be profitable. T. Rowe Price may have ongoing business and/or client relationships with the companies mentioned in this material.

# Measuring Impact and Outcomes

## Five Dimensions of Impact framework

A critical component of our impact due diligence is defining an impact thesis and evaluating key performance indicators (KPIs) for each investment.<sup>1</sup> We utilize the Five Dimensions of Impact framework.<sup>2</sup> This framework helps assess a company's ability to deliver impact on a holistic basis, including any risks that could impair the impact thesis. The impact teams meet formally on a weekly basis to discuss and debate the findings of this analysis.

What	Who	How Much	Contribution	Risks
<b>Determine</b> the impact outcome being targeted	<b>Identify</b> the beneficiaries—people or planet	<b>Quantify</b> the scale, depth, and duration of outcome experienced by the stakeholders	<b>Assess</b> the company's contribution of the outcome relative to what would have occurred anyway	<b>Evaluate</b> the risks to people and the planet if impact is not delivered as expected

## Theory of Change

We use a “Theory of Change” model for impact measurement and reporting. This framework helps evaluate and measure impact over time by identifying how the activities of a company lead to particular outcomes.

## Impact Journey

### Input

Financial, human, or material resources the company puts into 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

<sup>1</sup> 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.

<sup>2</sup> Source: Impact Management Project.  
See Impact Glossary for details on KPIs.



# Impact Outcomes

The companies in which the US Impact Equity Strategy invests deliver positive contributions across several areas of impact. Since we do not target specific themes and instead focus on company-specific outcomes, we primarily measure impact at the company level. However, where available and where it makes sense to do so, we aggregate these data points across companies. For example, where KPIs and measurement outcomes have a similar characteristic, aggregation can help investors more clearly identify the impact of their investment. Below, we present the estimation of short-term outcomes as well as long-term impact delivered by a sample of

companies we invest in (approximately 80% of assets under management), using annual reports as well as T. Rowe Price and third-party impact estimations.

While the absolute level of impact associated with each company may be sizable, the extent to which impact is associated with any one strategy naturally relies on the level of investment made. As such, the data below are presented in two ways: (1) in aggregate at the company level (left figure) and (2) normalized to represent the impact associated with USD 1 million invested in the US Impact Equity Strategy Representative Portfolio (right figure).

## Environmental



Metric tons of CO<sub>2</sub>e avoided

**605.4 million** **298**  
total impact total impact  
company level per USD 1 million

A.O. Smith, Advanced Drainage Systems, Carrier Global, Copart, Darling Ingredients, eBay, Hubbell, KLA, Linde, NVIDIA, ON Semiconductor, Owens Corning, PG&E, Roper Technologies, Sprouts Farmers Market, TE Connectivity, Tesla, United Rentals



Cubic meters of water saved

**353.8 million** **180**  
total impact total impact  
company level per USD 1 million

A.O. Smith, Core & Main, Veralto



Cubic meters of water treated

**45.1 billion** **10,329**  
total impact total impact  
company level per USD 1 million

Advanced Drainage Solutions, Veralto



Metric tons of waste avoided

**17.2 million** **6**  
total impact total impact  
company level per USD 1 million

Advanced Drainage Solutions, Darling Ingredients, eBay, ON Semiconductor

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 even more precise. Additionally, normalized data estimate the impact of the representative portfolio's holdings and is calculated by multiplying each core impact KPI at the aggregate company level by the fraction of the company's total enterprise value including cash (EVIC) that is owned by the portfolio based on a hypothetical investment of USD 1 million for the period end.

Individual company results may vary significantly and may not achieve the same level of impact in the future. Based on company-reported data, T. Rowe Price estimates, and Net Purpose estimates.

CO<sub>2</sub>e: carbon dioxide equivalent or CO<sub>2</sub> 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.

## Social



### Patients treated

**1 billion**  
total impact  
company level

AstraZeneca, BDX,<sup>2</sup> Eli Lilly, Gilead Sciences, Kenvue, Merck, Regeneron Pharmaceuticals, Vertex Pharmaceuticals, Thermo Fisher Scientific, Linde, Hologic

**167**  
total impact  
per USD 1 million



### Underbanked<sup>1</sup> people served

**10.5 million**  
total impact  
company level

H&R Block, OneMain Financial, Banco Popular

**16**  
total impact  
per USD 1 million



### SMEs<sup>3</sup> supported

**104 million**  
total impact  
company level

H&R Block, Intuit, Payoneer

**34**  
total impact  
per USD 1 million



### Loans provided (USD) to SMEs

**3.5 billion**  
total impact  
company level

Intuit, Banco Popular

**9,691**  
total impact  
per USD 1 million

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 even more precise. Additionally, normalized data estimate the impact of the representative portfolio's holdings and is calculated by multiplying each core impact KPI at the aggregate company level by the fraction of the company's total EVIC that is owned by the portfolio based on a hypothetical investment of USD 1 million for the period end.

Individual company results may vary significantly and may not achieve the same level of impact in the future. Based on company-reported data, T. Rowe Price estimates, and Net Purpose estimates.

<sup>1</sup> Individuals with little to no banking relationships or who do not have access to traditional banking or credit resources.

<sup>2</sup> BDX: Becton, Dickinson & Company.

<sup>3</sup> Small and medium-sized enterprises.

# 1

## Climate and Resource Impact



**Reducing Greenhouse  
Gases (GHGs)**



**Promoting Healthy  
Ecosystems**



**Nurturing Circular  
Economies**





## Case Study | Promoting Healthy Ecosystems

# Advanced Drainage Systems

### Pressure points

Uncontrolled stormwater runoff causes flooding, water contamination, and costly infrastructure damage. In 2023, there were 27 stormwater-related natural disasters in the U.S. that each cost over USD 1 billion.<sup>1</sup> Meanwhile, only 9% of the plastic ever produced has been recycled, and nearly 80% has ended up in landfills or the environment.<sup>2</sup>

### Impact thesis

Advanced Drainage Systems provides sustainable water management solutions within the stormwater and septic wastewater markets. Its water capture, conveyance, storage, and treatment systems are also largely supported by remanufactured products, resulting in the company being one of the largest plastic recyclers in North America.

### Impact Journey

#### INPUT

Investment into stormwater and wastewater management solutions, incorporating recycled materials

- USD 184 million in capex<sup>3</sup>
- 50% recycled materials as a percent of overall direct material purchases<sup>4</sup>

#### OUTPUT

Broad range of products to safeguard the environment and build resiliency against water-related climate events<sup>4</sup>

- 13 billion feet of pipe installed globally
- Approximately 51% of revenue from remanufactured products

#### OUTCOME

Water treated and recycled materials diverted from landfills.<sup>4</sup>

- 3 million gallons of stormwater treated per minute
- 540 million pounds of recycled materials processed

#### IMPACT

Water saved and GHG emissions avoided through use of recycled material

- 299,400 mtCO<sub>2</sub>e emissions avoided<sup>4</sup>

<sup>1</sup> Underground Infrastructure. "27 U.S. stormwater disasters in 2023 cost \$88 billion, Advanced Drainage Solutions reports on World Water Day." March 22, 2024.

<sup>2</sup> Geyer, Jambeck, & Law (2017). "Production, use, and fate of all plastics ever made." Science Advances.

<sup>3</sup> Advanced Drainage Systems FY 2024 Annual Report.

<sup>4</sup> Advanced Drainage Systems FY 2024 Sustainability Report.



## Case Study | Reducing Greenhouse Gases (GHGs)

# Carrier Global

### Pressure points

Energy consumption in buildings contributes to nearly 18% of global greenhouse gas emissions, more than the entire transport industry,<sup>1</sup> partly because of increased use of heating and cooling equipment. In particular, cooling accounts for nearly 16% of all electricity consumption within the building sector, more than tripling in the past 30 years.<sup>2</sup>

### Impact thesis

Carrier Global manufactures energy-efficient heating, ventilation, and air conditioning (HVAC) and transport refrigeration systems, which primarily improve energy efficiency and reduce emissions for both residential and commercial buildings. It also improves energy efficiency for transport refrigeration chains, which helps reduce food waste.

### Impact Journey

#### INPUT

Investment into HVAC and transport refrigeration systems

- USD 1.1 billion in research and development (R&D), capex, and acquisitions (USD 0.2 billion in sustainable R&D)<sup>3</sup>

#### OUTPUT

Energy-efficient HVAC and refrigeration systems<sup>3</sup>

- Over 100 new products released in 2023
- Over 14,000 active and pending patents

#### OUTCOME

Reduced energy consumption in residential and commercial buildings

- Carrier Global's most efficient HVAC and refrigeration products can save up to 80% GHG emissions versus the minimum regulatory requirements and previous generation products<sup>4</sup>

#### IMPACT

GHG emissions avoided through use of Carrier Global's HVAC systems

- 155 million mtCO<sub>2</sub>e emissions avoided<sup>4</sup>

<sup>1</sup> OurWorldData.org, September 2020.

<sup>2</sup> International Energy Agency. "Climate Resilience for Energy Security." November 2022.

<sup>3</sup> Carrier 2023 Annual Report.

<sup>4</sup> Carrier 2024 Sustainability and Impact Report.

## Case Study | Nurturing Circular Economies

## eBay

## Pressure points

The manufacture of material products relies on extraction and synthesis of raw materials, like metals and plastics, resulting in GHG emissions. Extending the life cycle of goods reduces the need to produce new products and reduces the amount of waste sent to landfills or for incineration.

## Impact Journey

## INPUT

Investment into the growth of the marketplace

- USD 2.0 billion in investment (R&D and capex)<sup>1</sup>

## OUTPUT

Variety of used, refurbished, and overstocked products listed on the marketplace

- 40% of gross merchandise volume (GMV) from pre-owned products<sup>2</sup>

## OUTCOME

Waste avoided from extending products' life cycle, and empowerment of small and medium-sized enterprises (SMEs)<sup>2</sup>

- 69,000 mt of waste avoided
- 50% of GMV from sellers with less than five employees

## IMPACT

GHG emissions avoided through resale of pre-owned products and SME economic growth<sup>2</sup>

- 1.6 million mtCO<sub>2</sub>e emissions avoided through selling pre-owned products
- USD 4.9 billion in positive economic impact

<sup>1</sup> eBay 2023 Annual Report.

<sup>2</sup> eBay 2023 Impact Report.

## Case Study | Reducing Greenhouse Gases

## NVIDIA

## Pressure points

Information and Communication Technology (ICT)—including data centers, communication networks, and user devices—accounts for upward of 6% of global electricity usage.<sup>1</sup> As this figure grows, so too do the associated GHG emissions, meaning improvements in energy efficiency will be critical in the fight against climate change.

## Impact Journey

## INPUT

Investment into design and development of GPU chips that enable artificial intelligence and high-performance computing (HPC)

- USD 12.4 billion in investment (R&D and capex)<sup>3</sup>

## OUTPUT

Lithography equipment for the design of high-performance semiconductors

## OUTCOME

Improved energy efficiency by using GPUs for applications such as data centers and HPC

- Using GPUs instead of CPUs for certain computing processes can produce energy savings upward of 20 times<sup>2</sup>

## IMPACT

GHGs avoided as a result of energy efficiency gains by using GPUs

- 4.3 million mtCO<sub>2</sub>e emissions avoided<sup>4</sup>

<sup>1</sup> UK Parliament POST. "Energy Consumptions of ICT." September 2022.

<sup>2</sup> NVIDIA FY 2024 Sustainability Report.

<sup>3</sup> NVIDIA FY 2024 Annual Report.

<sup>4</sup> T. Rowe Price estimate.



## Case Study | Reducing Greenhouse Gases

## TE Connectivity

## Pressure points

Fossil fuel combustion is a leading cause of greenhouse gas emissions, and roughly 28% of these emissions come from the transport sector.<sup>1</sup> The proliferation of electric vehicles will help in the fight against climate change, as will more energy efficient energy grids and data centers.

## Impact thesis

TE Connectivity is a provider of connectors and sensors that are used primarily within the automotive and industrial markets. Its products facilitate the transition to a lower carbon world through applications within factory automation, electric vehicles (EVs), and renewable energy infrastructure.

## Impact Journey

## INPUT

Research into the design and manufacture of connectors and sensors

- USD 708 million in R&D expense<sup>2</sup>

## OUTPUT

Connectivity and sensor solutions used in various industries, primarily EVs, grid technology, and data centers

## OUTCOME

Components enable EV production and more energy-efficient energy grids and data centers

## IMPACT

GHG emissions avoided through adoption of TE Connectivity technology<sup>3</sup>

- 49 million mtCO<sub>2</sub>e avoided through EV applications each year
- 212 million mtCO<sub>2</sub>e avoided through renewable energy solutions each year
- 40,000 mtCO<sub>2</sub>e avoided through data center applications each year

<sup>1</sup> EPA Global Greenhouse Gas Inventory, 2022.

<sup>2</sup> TE Connectivity 2023 Annual Report.

<sup>3</sup> TE Connectivity 2023 Corporate Responsibility Report.



## Case Study | Nurturing Circular Economies

## United Rentals

## Pressure points

The construction sector is responsible for roughly 20% of global emissions, partly from the production of industrial equipment.<sup>1</sup> Circular business models—which extend the useful lives of heavy equipment—reduce the need to produce new equipment, thus helping to mitigate the sector's overall carbon footprint.

## Impact thesis

United Rentals operates an equipment rental model that supports the circular economy by maximizing asset utilization and increasing resources efficiency. Its rental model extends the product life cycle while reducing the need to produce new equipment, which is highly carbon intensive.

## Impact Journey

## INPUT

Investment into rental equipment fleet

- USD 4.3 billion in capex and acquisitions<sup>2</sup>

## OUTPUT

Rental equipment fleet for commercial and industrial use

- 995,000 rental equipment units, 31% of which are zero or low carbon<sup>3</sup>

## OUTCOME

Improved utilization and efficiency of equipment and facilitation of new energy-efficient equipment

- 490,000 fewer pieces of equipment needed due to 20%+ higher utilization rate<sup>3</sup>

## IMPACT

GHG emissions avoided through equipment rentals, including low- or zero-carbon equipment

- 500,000 mtCO<sub>2</sub>e<sup>3</sup>

<sup>1</sup> Climate Neutral Group, 2019. "Carbon Footprint of Construction Equipment."

<sup>2</sup> United Rentals 2023 Annual Report.

<sup>3</sup> United Rentals 2023 Corporate Responsibility Report.



# 2

## Social Equity and Quality of Life



Enabling  
Social Equity



Improving  
Health



Enhancing  
Quality of Life





## Case Study | Improving Health

## Eli Lilly

## Pressure points

Mobilizing global health care innovation is a significant agenda item for the World Health Organization (WHO). While progress has been made, it has been uneven, and significant gaps between disease burden and research activity levels persist. Continued innovation is absolutely critical to improve global health care outcomes.

## Impact Journey

## INPUT

Investment into drug research and development

- USD 9.3 billion in R&D expense<sup>1</sup>

## OUTPUT

Innovative drugs and therapeutics addressing major areas of need

- Patients reached in over 100 countries<sup>2</sup>

## OUTCOME

Patients treated with Eli Lilly medicines

- Over 55 million people treated worldwide with Eli Lilly medicines<sup>1</sup>

## IMPACT

Lives extended

- 3,000 lives extended<sup>3</sup>

<sup>1</sup> Eli Lilly 2023 Annual Report.

<sup>2</sup> Eli Lilly 2023 Sustainability Report.

<sup>3</sup> Net Purpose estimate.



## Case Study | Enhancing Quality of Life

## Fortinet

## Pressure points

According to the World Economic Forum, cybersecurity failure is considered the fourth most critical threat to the world.<sup>1</sup> As the rate of cybercrime grows, costs are rising. It is estimated that by 2025, industries worldwide could pay as much as USD 10.5 trillion annually.<sup>2</sup>

## Impact Journey

## INPUT

Investment into design, development, and distribution of network security software

- USD 614 million in R&D expense<sup>3</sup>

## OUTPUT

A suite of network cybersecurity software

- Over 1,500 held and pending global patents<sup>3</sup>

## OUTCOME

More effective and timely detection and mitigation of cyber attacks with a lower total cost of ownership, faster throughput, and less power consumption than alternatives

- Fortinet ASICs consume up to 90% less power than general-purpose CPUs<sup>4</sup>

## IMPACT

Protection of critical infrastructure and economic interests

- Over 730,000 enterprises protected<sup>5</sup>

<sup>1</sup> Global Risks Report 2021. World Economic Forum.

<sup>2</sup> Global Cybersecurity Outlook 2022.

<sup>3</sup> Fortinet 2023 Annual Report.

<sup>4</sup> Fortinet. "The Benefits of Combining Custom ASICs with the Power of FortiOS." 2024.

<sup>5</sup> Fortinet 2023 Sustainability Report.





## Case Study | Enabling Social Equity

## Intuit

## Pressure points

Micro, small, and medium-sized enterprises (MSMEs) account for roughly 99% of all U.S. firms and employ over half of all workers.<sup>1</sup> However, accessing traditional financing remains challenging. Reducing this friction can have a direct impact on economic activity and job growth.

## Impact thesis

Intuit promotes financial inclusion with products oriented toward personal finance solutions, such as Credit Karma, and reducing the access cost of financial products for SMEs.

## Impact Journey

## INPUT

Investments to develop digital solutions that enable financial inclusion and empowerment of SMEs

- USD 2.5 million R&D expense<sup>2</sup>

## OUTPUT

Financial tools and solutions for customers, including SMEs<sup>2</sup>

- USD 2.0 billion loans granted

## OUTCOME

Improved business and financial outcomes for SMEs and individual customers

- 100 million customers, including 8 million SMEs<sup>2</sup>
- 69% SME survival rate after fifth year<sup>3</sup>

## IMPACT

Jobs supported as a result of economic activity

- USD 7.5 billion increase in economic activity<sup>4</sup>
- 71,000 jobs supported<sup>5</sup>

<sup>1</sup> Pham, N., Triantis, A., Donovan, M. "The Economic Benefits of Online Lending to Small Businesses and the U.S. Economy." NDP Analytics. 2018.

<sup>2</sup> Intuit FY2023 Annual Report.

<sup>3</sup> Intuit 2024 Investor Day Presentation.

<sup>4</sup> Net Purpose estimate.

<sup>5</sup> T. Rowe Price estimate.



## Case Study | Enabling Social Equity

## Payoneer

## Pressure points

Transacting across borders is complex for SMEs, especially those in emerging markets. Roughly 80 million underserved SMEs need cross-border, business-to-business financial solutions. Traditional banks and even fintech companies—which often cater to peer-to-peer transactions—do not offer sufficient solutions to enable some SMEs to unlock the economic potential of their businesses.<sup>1</sup>

## Impact thesis

Payoneer is a cross-border payments provider supporting transactions in roughly 200 countries and over 100 currencies, including countries where similar services are out of reach or too expensive. Their platform democratizes access to digital payments and financial solutions for small businesses in developing markets, enabling job creation and economic growth.

## Impact Journey

## INPUT

Investment into building a comprehensive financial stack that is optimized for global SMEs

- USD 119 million R&D<sup>2</sup>

## OUTPUT

Cross-border transaction processing services and working capital solutions for underserved SMEs operating internationally

## OUTCOME

Enabling SMEs to transact in foreign markets and currencies that would otherwise be inaccessible<sup>3</sup>

- Software supports transactions in roughly 200 countries
- USD 66 billion in transaction volume supported
- 2 million customers served

## IMPACT

Jobs supported and revenue growth as a result of enabling SME global expansion

<sup>1</sup> Payoneer 2024 2Q 2024 Investor Presentation.

<sup>2</sup> Payoneer 2023 Annual Report.

<sup>3</sup> Payoneer 2023 Global Impact Report.





## Case Study | Improving Health

## Sprouts Farmers Market

## Pressure points

To protect crops and boost yields, traditional agriculture has relied heavily on synthetical materials like pesticides and genetically modified organisms, raising questions about the potential negative impacts to health and biodiversity. As consumer focus on these issues grows, so too does the need for alternatives that promote a healthier, more sustainable food system.

## Impact thesis

Sprouts Farmers Market is one of the largest organic and natural grocery retailers in the U.S., providing access to a wide range of healthy foods and wellness products that support consumers' health choices and habits.

## Impact Journey

## INPUT

Capital expenditures to open new stores, making healthier food choices available to more consumers

- USD 238 million in capex and acquisitions<sup>1</sup>

## OUTPUT

Increase in store count and improved accessibility of healthy, responsibly sourced foods<sup>2</sup>

- 30 new stores opened

## OUTCOME

A wide selection of healthy, nutritious organic and natural foods with clean ingredients available to customers<sup>2</sup>

- 7,100 new and differentiated products offered

## IMPACT

Long-term health benefits for consumers

Environmental benefits of supplying organic produce and meat and dairy alternatives

- 545,000 mtCO<sub>2</sub>e emissions avoided<sup>3</sup>

<sup>1</sup> Sprouts 2023 Annual Report.

<sup>2</sup> Sprouts 2023 Impact Report.

<sup>3</sup> Net Purpose estimate.



## Case Study | Improving Health

## Vertex Pharmaceuticals

## Pressure points

Cystic fibrosis (CF) is an inherited respiratory condition that can severely inhibit lung function over time. Historically, CF had a poor prognosis, with the median life expectancy between four and five years in 1954.<sup>1</sup> Significant progress has been made as median life expectancy jumped to 48 years in 2019,<sup>1</sup> but it remains an area of medical need with limited treatment options.

## Impact thesis

Vertex Pharmaceuticals is a biotechnology company with a suite of treatments targeting cystic fibrosis, a chronic, life-shortening genetic disease that affects over 100,000 people worldwide. It is not only the preeminent player in the market, but its treatments deliver significantly positive outcomes for patients.<sup>4</sup>

## Impact Journey

## INPUT

Investment into drug research and development

- USD 3.1 billion in R&D expense<sup>2</sup>

## OUTPUT

Innovative drugs and therapeutics addressing major areas of need

- Vertex Pharmaceuticals' cystic fibrosis medicines reimbursed or accessible in over 60 countries<sup>3</sup>

## OUTCOME

Patients treated

- Approximately 69,000 people globally with cystic fibrosis use a Vertex Pharmaceuticals treatment<sup>3</sup>

## IMPACT

Lives extended due to improved patient lung function

- Within the U.S., reduction in the risk of lung transplant by 85%, pulmonary exacerbations by 79%, and the risk of death by 72%<sup>4</sup>

<sup>1</sup> McBennett, K., Davis, P., Konstan, M. "Increasing life expectancy in cystic fibrosis: Advances and challenges." February 2022.

<sup>2</sup> Vertex 2023 Annual Report.

<sup>3</sup> Vertex 2023 Corporate Sustainability Report.

<sup>4</sup> Vertex Press Release from European Cystic Fibrosis Conference. June 9, 2023.



# 3

## Sustainable Innovation and Productivity



Sustainable  
Technology



Building Sustainable  
Industry and  
Infrastructure





## Case Study | Sustainable Technology

## KLA

## Pressure points

As global semiconductor usage proliferates, chip manufacturers will increasingly rely on solutions for improving the efficiency of the production process. Doing so will likely not only lead to long-term costs and time-to-market benefits but also reduced waste during the manufacturing process.

## Impact thesis

KLA designs and manufactures yield-management systems and process-monitoring and control systems that are used to analyze the semiconductor manufacturing process. Its impact comes from its ability to allow customers to increase production yield at lower costs and with less waste.

## Impact Journey

## INPUT

Investment into process control and yield management solutions for semiconductor manufacturers

- USD 1.3 billion R&D expense<sup>1</sup>

## OUTPUT

Yield management and process control systems for semiconductor manufacturers

## OUTCOME

Improved energy efficiency during the semiconductor design process that ultimately leads to reduction in electricity and water usage and waste

## IMPACT

- Reduction of GHG emissions as a result of energy savings during the semiconductor design process
- 1.1 million mtCO<sub>2</sub>e emissions avoided<sup>2</sup>

<sup>1</sup> KLA 2023 Annual Report.

<sup>2</sup> T. Rowe Price estimate.



## Case Study | Sustainable Technology

## Synopsys

## Pressure points

Semiconductors are crucial enablers of green and digital economies. As shrinkage in semiconductors' size and cost begin to slow, advancing the design process is critical for advancing performance and improving end product energy efficiency. This is a key issue for chip developers, with the impact felt across multiple industries.

## Impact thesis

Advanced semiconductor chip design is a major driver of global technology progress. Synopsys is a critical player in driving this innovation as a leader in electronic design automation (EDA), enabling the optimization of chip design ahead of physical prototype production, saving time and energy, and reducing greenhouse gas emissions and waste.

## Impact Journey

## INPUT

Investment into EDA design and development

- USD 2.2 billion investment (R&D and acquisitions)<sup>1</sup>

## OUTPUT

Software and services that enable the design and development of high-performance semiconductors capable of delivering improved efficiency

## OUTCOME

Improved chip design that enables reduced power and energy consumption

- Over 3,000 active patents<sup>2</sup>
- Systems on a Chip (SoCs) designs enable 25% power reduction<sup>3</sup>

## IMPACT

Reduction of GHGs associated with lower semiconductor power usage

<sup>1</sup> Synopsys 2023 Annual Report.

<sup>2</sup> Synopsys 2023 ESG Report.

<sup>3</sup> Synopsys 2022 ESG Report.

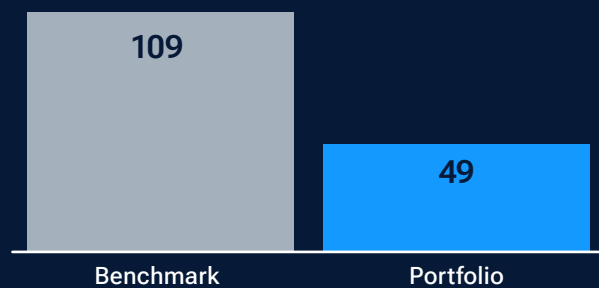


# Carbon Footprint Profile<sup>1</sup>

US Impact Equity Representative Portfolio

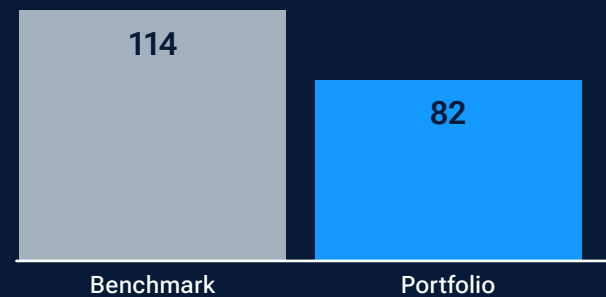
## Total Carbon Emissions<sup>2</sup>

(metric tons of carbon dioxide equivalent)



## Weighted Average Carbon Intensity<sup>2</sup>

(metric tons of carbon dioxide equivalent for each USD 1 million in revenue)



## Top Five Company Contributors to Portfolio Carbon Emissions and Their Weighted Intensity<sup>2</sup>

Holding	Portfolio Weight (%)	Portfolio Carbon Emissions (mtCO <sub>2</sub> e)	Portfolio Weighted Carbon Intensity (mtCO <sub>2</sub> e/USD 1 Million in Revenue)
ON Semiconductor	5.6	13	28
Owens Corning	1.7	12	8
Linde	2.4	11	30
PG&E	1.1	4	3
Darling Ingredients	0.3	1	1

<sup>1</sup> Our carbon footprint analysis includes total carbon emissions and weighted average carbon intensity metrics.

<sup>2</sup> Total carbon emissions represent total amount of Scope 1 and Scope 2 greenhouse gas emissions that are released by the representative portfolio's holdings that are attributable to the percentage of ownership of the representative portfolio in each company. They are aggregated to give the total carbon emissions equivalent for the representative portfolio. This metric is grossed up using the percentage of data available to give the overall carbon footprint of the representative portfolio. The representative portfolio's weighted average carbon intensity is the weighted average, by representative portfolio weight, of the total carbon emissions per USD 1 million in revenue for each of the representative portfolio's holdings. This metric gives the representative portfolio's exposure to carbon intensive companies. This is the Task Force on Climate-Related Financial Disclosures (TCFD) recommended metric. The benchmark for the strategy is the S&P 500 Net 30% Withholding Tax Index. For sourcing information, please see Additional Disclosures. Calculated by T. Rowe Price using data from Sustainalytics. Data for the US Impact Equity Strategy representative portfolio are as of December 31, 2023. See Additional Disclosures for more information on the sources and the representative portfolio.

# Accelerating Impact Through Active Ownership

We seek to deliver impact beyond simply owning companies whose business activities lead to positive social and/or environmental outcomes. We commit to being additional by using our scale and resources to promote and progress the impact agenda.

At T. Rowe Price, we believe it is our responsibility as an asset manager to safeguard our clients' interests through prudent ownership, monitoring, and mutual engagement with the companies in which we invest. Thanks to the trust our investment clients have placed in us, T. Rowe Price manages significant assets worldwide. This affords us, in most cases, greater access to company management teams and board members.

Along with our role to direct capital toward desired impact outcomes, we prioritize company engagement and proxy voting and closely monitor the associated feedback loop on companies' behavior. This is applied with conviction and in partnership with our fundamental and responsible investing research teams.

The central focus of our engagement program is at a company level as we evaluate factors that may improve or impede a company's ability to deliver positive impact. We identify engagement targets through our proprietary impact due diligence framework based on the Five Dimensions of Impact framework, Responsible Investing Indicator Model analysis, governance screening, and our analysts' fundamental research.

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



# Engagement in Action

Our investment process proactively identifies engagement targets, either through our company-level impact analysis and proprietary ESG analysis, governance screening, or our analysts' fundamental research. Engagements are carried out by the investment team as well as our Responsible Investing team.

While we engage with companies in a variety of investment contexts, ESG engagement focuses on exchanging perspectives on environmental practices, corporate governance, or social issues. Please refer to the table at the end of this section.

In addition, our impact engagement program aims to ensure that the strategy's impact objective is successfully delivered.

This includes engaging with the underlying companies with the dual engagement objective of:

- Furthering the delivery of the intended positive impact outcome by encouraging, accelerating, or enhancing such outcome in line with the investment's impact thesis and
- Mitigating any material negative environmental or social impacts resulting from pursuing the impact outcome.

Typically, an impact engagement program can be complemented with proxy voting. Progress of the engagement objective is systematically monitored through the life of the investment and is measured against specific milestones.

In 2023, we held 49 engagements with 33 companies covering a broad array of environmental, social, and governance topics. Of these 49 engagements, 26 were focused specifically on impact investing topics. The purpose of the impact engagements was to progress the company's impact agenda on topics such as enabling energy efficiency, improving patient outcomes, or increasing financial inclusion. We shared guidance, for example, on how creating a positive impact shapes the company's product pipeline; suggested enhancements to impact measurement; and identified areas where the company may be falling behind its peers.

In this section, we provide two case studies and a summary of some of our impact engagements that took place in 2023.

## Top Five Topics Covered in Impact Engagements

### Environment



1. Environmental disclosure
2. Greenhouse gas emissions
3. GHG reduction/net zero
4. Product sustainability
5. Water

### Social



1. Social disclosure
2. Access to medicine and drug pricing
3. Financial inclusion and affordability
4. Diversity
5. Product safety and sustainability

Data shown for the representative portfolio as of December 31, 2023. Subject to change without notice. Figures may not total due to rounding.



## Impact Engagement Case Study

# Eli Lilly

**Impact Thesis:** Eli Lilly's portfolio of approved treatments benefits roughly 55 million patients in over 100 countries,<sup>1</sup> with particularly significant impact in diabetes via its class of GLP-1 agonists. Worldwide diabetes cases have risen substantially, from 200 million in 1990 to over 800 million in 2022, as have mortality rates.<sup>2</sup> Eli Lilly provides products that help improve diabetes management and alleviate obesity, the main cause of diabetes. Its GLP-1 drugs have the potential to extend lives and provide substantial health care system savings due to diabetes and obesity co-morbidities.

### Impact Pillar

Social Equity  
and Quality of Life

### Sub-pillar



Improving  
Health

### UN SDG<sup>3</sup>



Good  
Health and  
Well-Being

### Engagement Topic

Access to Medicine,  
Impact Measurement,  
and Sales Practices

## Objective

We engaged with Eli Lilly to provide feedback on (1) the company's approach to increase access to medicine, (2) how the company could better evidence its additionality in reporting and further its impact, and (3) sales practices.

## Dialogue

### Improving Pricing and Access to Insulin and Obesity Medicine

During the engagement, Eli Lilly highlighted being the first of the three main producers to cut insulin prices in March of 2023, lowering the list price of Humalog® by approximately 70% effective 4Q23 and capping out-of-pocket costs at USD 35 per month. Management agreed that oral dosing of obesity drugs would meaningfully widen access to treatment and, ultimately, increase the societal impact of the drugs, given the consequential effects of broader population weight reduction to healthy levels.

The company is also making progress toward its 30x30 target of reaching 30 million patients annually in resource-limited settings by 2030. However, we believe Eli Lilly can be more effective in describing its overall strategy, and see opportunity for more detailed disclosure on capacity-building programs, to better align with peers. We highlighted this as an area of improvement.

### Improving Impact Measurement

Eli Lilly has reported the number of patients reached across the business for the past three years, and management noted its intention to make this data more prominent in its future reporting. We believe that providing additional context on the year-on-year changes in patients reached

and breaking it down for specific medicines can drive capital toward research and development more effectively and supply networks on a larger scale over time. We suggested that the company could provide additional context on changes to this key performance indicator (KPI) year to year, consistent with peers. Management was receptive and stated that the company is working toward developing a methodology to effectively track and forecast patient reach data going forward. Moreover, management intends to evaluate additional metrics it could report to evidence the company's impact, such as the number of patients who benefit from all Eli Lilly-derived innovation.

### Sales Practices

Eli Lilly has proactively implemented heightened monitoring of its Mounjaro® sales agents, which will also apply to any future products launched in this class, to ensure responsible conduct.

## Outcome

We were able to impart our views on best practices for impact reporting and request disclosures that would help enhance Eli Lilly's impact additionality. We also recommended additional transparency on the company's access to medicine.

## Progress Monitoring

We will monitor for additional and/or improved KPI disclosures related to the company's patient reach data and will look for additional context on its strategy to improve access to medicine and details on its capacity expansion efforts.

Unless otherwise noted, data were provided by the company during the engagement or are available through company reports.

<sup>1</sup> Eli Lilly 2023 Sustainability Report.

<sup>2</sup> World Health Organization.

<sup>3</sup>Source for image: 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.

## Impact Engagement Case Study

# United Rentals

**Impact Thesis:** United Rentals operates an equipment rental model that supports the circular economy by maximizing asset utilization and increasing resource efficiency. Its rental model increases utilization and extends the product life cycle, reducing the need to produce new equipment, which is highly carbon-intensive.

### Impact Pillar

Climate and  
Resource Impact

### Sub-pillar



Nurturing  
Circular  
Economies

### UN SDG<sup>1</sup>



Responsible  
Consumption  
and Production

### Engagement Topic

Impact Measuring  
and Amplifying  
Environmental Impact

## Objective

We engaged with United Rentals (URI) in an introductory discussion to provide initial feedback on the company's impact. We then subsequently engaged with the company's CEO and CFO to impart our views and provide additional feedback on the company's impact key performance indicators (KPIs).

## Dialogue

During our initial meeting, management expressed an openness to integrate additional impact KPIs in future reporting, although it did not want to commit to specific electric vehicles targets due to supply chain concerns. More than 90%<sup>2</sup> of URI's carbon footprint is Scope 3 emissions from rented vehicles (use of sold products), which makes the electrification of the fleet a key cornerstone of the company's climate journey.

In our follow-up engagement, management indicated that URI is in active discussion with suppliers and customers regarding achieving a higher fleet electrification target, although increased costs remain a barrier to the adoption of zero-emission or hybrid-powered vehicles at scale. Management disclosed that approximately 27% of the company's fleet is currently zero-emission or hybrid-powered equipment. We highlighted the importance of increasing this mix as a way to amplify the company's impact.

In addition to fleet electrification, URI contributes to avoiding greenhouse gas (GHG) emissions by promoting resource efficiency and enabling access to younger and more carbon-efficient equipment. We highlighted the importance of measuring and disclosing the GHG emissions avoided from customers renting newer and fuel-efficient equipment versus outright ownership. Management welcomed our feedback and indicated that the company's sustainability team is exploring these ideas. We were pleased to see that the company later announced two additional KPIs related to its impact on reducing total equipment needs as well as emission savings from reducing equipment emissions intensity.

## Outcome

We were able to impart our views on potential impact disclosures and KPIs and provide initial feedback on the company's impact from the electrification of its fleet. We also offered additional feedback on URI's impact from renting equipment versus direct ownership and on related impact disclosure KPIs.

## Progress Monitoring

Moving forward, we would like to see United Rentals expand its fleet electrification efforts and periodically report on its progress in achieving emissions savings for its customers annually. We also suggested that URI link impact KPIs and disclosures to practical case studies that would reinforce the company's impact thesis and additionality externally.

Unless otherwise noted, data were provided by the company during the engagement or are available through company reports.

<sup>1</sup> Source for image: 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.

<sup>2</sup> United Rentals 2023 Corporate Responsibility Report.

## 2023 Impact Engagements

Our engagement program aims to ensure the strategy’s impact objective is successfully delivered.

Please find below a summary of some of the engagement activity undertaken during 2023. For information regarding the impact thesis for each security, please see section the Portfolio Holdings section of this report.

Company Name	Description
A.O. Smith	We engaged with A.O. Smith to provide feedback on the company’s environmental impact from energy-efficient water heaters, boiler technologies, and water treatment solutions. We discussed ways for the company to potentially enhance its environmental impact by increasing the percentage of recycled steel content used in its water heaters and boilers and encouraged the company to disclose additional KPIs related to water filtration.
Advanced Drainage Systems	We engaged with Advanced Drainage Systems on three separate occasions in 2023, including an in-person site visit to its Infiltrator manufacturing facility in Winchester, Kentucky. As the company is one of the largest plastic recyclers in North America, we explored the feasibility of increasing recycled plastic use across product categories and discussed product quality and durability constraints. We also discussed Advanced Drainage Systems’ role in enabling greenhouse gas emissions reductions by replacing legacy concrete-based septic tanks with the company’s proprietary Infiltrator solution, which utilizes significant recycled plastic raw material inputs. We plan to maintain regular dialogue with the company and monitor additional disclosures related to circular economy impact and KPIs related to water treatment.
Autodesk	We engaged with Autodesk to encourage the company to disclose impact metrics to evidence its positive impact and additionality more concretely. The company acknowledged data quality challenges, where many of its customers do not have end-to-end project management solutions, which often results in disparate project management data, thus making it difficult to evaluate improvements in social/environmental outcomes. Encouragingly, the company is closely watching Corporate Sustainability Reporting Directive disclosure requirements to incorporate best practices for KPI disclosure. We plan to maintain dialogue with the company on the impact measurement topic.
Carrier Global	We engaged with management, including a focused impact discussion with the CEO, to discuss Carrier’s strategic vision of becoming a climate champion and the company’s research and development efforts and mergers and acquisitions strategy in support of this goal. We discussed the company’s road map to achieve its customer-centric decarbonization target by 2030. We also discussed the heat pump market opportunity for Carrier, both from a financial and environmental impact perspective.
Core & Main	We discussed the company’s role in modernizing the aging U.S. water infrastructure and the health and water savings benefits associated with that. Additionally, we suggested improved disclosures around customers’ water savings enabled and GHG emissions avoided via efficient transportation of products.
Danaher	We engaged with Danaher to provide feedback on how the company could better evidence its additionality as an enabler of health care solutions. We followed up on outstanding asks made in a prior meeting related to expanded impact KPIs addressing the company’s core impact in biotechnology, life sciences, and diagnostics (e.g., depth of involvement in biologics, diagnostic tests enabled, metrics addressing product innovation). We were encouraged to see that the company now publishes relevant impact KPIs and that they will remain the same every year. We were also pleased to hear that Danaher is implementing internal controls to ensure these data are managed in the same way as financial KPIs. We suggested that Danaher include additional information on the methodology and assumptions used to arrive at its impact KPIs. The company was receptive to this suggestion.
Darling Ingredients	We met with Darling Ingredients to discuss its recent commitment to produce more sustainable aviation fuel (SAF), and discuss the SAF impact opportunity. Other topics of discussion included sustainable proteins from insect sources—which is a promising area according to the company—and how the company is providing impact in the health care segment. The engagement helped us gain a better understanding of Darling Ingredients’ future impact trajectory.
eBay	We provided feedback on the company’s sustainability reporting practices, particularly its Scope 3 emissions reduction strategy and seller demographics. We also relayed that disclosure about emissions saved through selling “locally” and/or selling pre-loved items would be valuable for impact metric reporting.



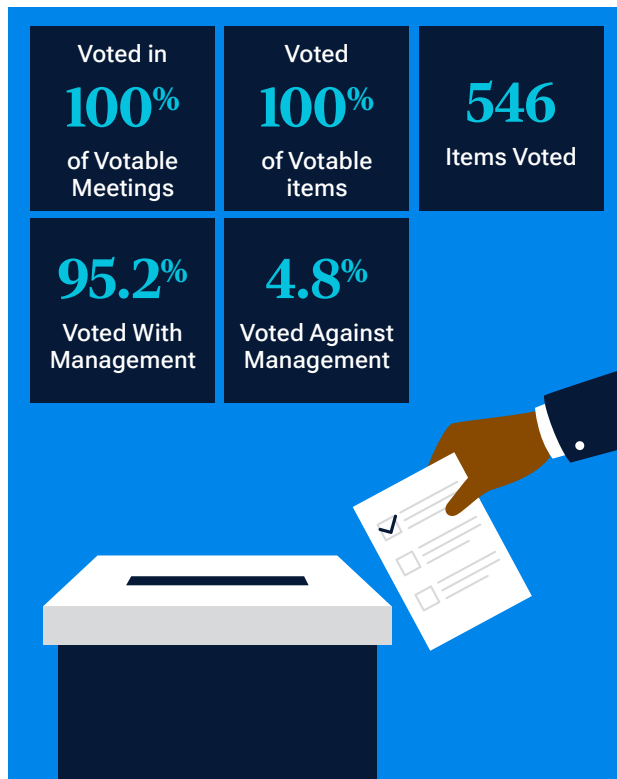
Company Name	Description
Eli Lilly	We engaged with Eli Lilly to provide feedback on how the company could better evidence its impact in future reporting. We discussed providing additional context on the year-on-year changes in patients reached and breaking it out by specific medicines. The engagement also allowed us to request additional transparency on access to medicine, including pipelines, partnerships, and programs to create more sustainable markets for pharmaceutical products. Please refer to the case study for more details.
H&R Block	We had a series of four engagements with H&R Block's C-suite in 2023. Our conversations centered around the role that H&R Block plays in enabling financial inclusion through its affordable tax preparation and filing services as well as its newly launched Spruce platform, a mobile banking solution that specifically targets financially vulnerable customers. The Spruce app is a new effort for H&R Block and related disclosures are limited in scope, but the company has been receptive to our feedback and is taking steps to improve them as the platform gains scale and collects more data on its customers.
Hubbell	We engaged with Hubbell twice in 2023. The company requested the first engagement to update us on Hubbell's ESG and impact progress and the challenges it faces around impact disclosures. Later, we had the opportunity to meet with the leadership of the utility franchise, including the new chief technology officer, who has been tasked with fostering innovation across segments. We discussed the company's product pipeline, including metering offerings and new grid safety products. Additionally, we suggested several impact metrics to help us monitor the utility grid efficiency achieved from its products.
Kenvue	Following the 2023 spinoff from Johnson & Johnson, we engaged with company leadership to provide early feedback and recommendations around impact and ESG efforts, referencing industry best practices. We discussed key impact and sustainability initiatives and explored several areas where disclosures could help with future impact assessments.
Linde	We engaged with Linde's Board of Directors and imparted our view that the company is an important enabler of the energy transition. We see opportunity for acceleration of these technologies in the mix given the company's inherent advantage of scale, Inflation Reduction Act initiatives in the U.S., and growth optionality. We also discussed Linde's impact via improving health care solutions through its health care business segment, and reducing food waste by supplying gases that extend the shelf life of foodstuffs. The engagement also gave us the opportunity to provide feedback on Linde's impact disclosure.
Owens Corning	We visited Owens Corning's headquarters in Toledo, Ohio, and spent approximately four hours with the company's leadership as part of our impact and financial diligence. As Owens Corning is a key enabler of energy efficiency in buildings, we discussed its product pipeline and research and development efforts that are conducive to advancing sustainability in buildings. We encouraged the company's continued focus on product sustainability and efforts to further incorporate recycled content into its manufactured products. Management highlighted its pilot recycling program that converts used roof shingles into new shingles. We view the company's circular economy model as accretive to our energy efficiency impact thesis. We also discussed increasing the amount of durable fiberglass content to extend a product's life cycle, which will help reduce waste sent to landfill. Finally, we provided suggestions for impact KPIs tied to energy and emissions savings from the use of its insulation and roofing products.
PG&E	Following up on previous engagements, we sought an update on the company's wildfire mitigation measures and its undergrounding program, which were identified as risks to the impact thesis in our impact analysis. We were pleased to hear that these measures have addressed the California Public Utilities Commission (CPUC) concerns and have consequently been removed from the CPUC's enhanced oversight program. We also provided feedback on PG&E's climate report. We made suggestions on ways to further improve its climate-related disclosures and real-world impact KPIs. Encouragingly, the company told us that it is working on a more in-depth climate vulnerability assessment that will be published next year, which we will be monitoring.
TE Connectivity	We engaged with TE Connectivity to have a better understanding of the breakdown of its revenue segments identified as coming from sustainable applications. As TE Connectivity is an enabler of electrification and energy efficiency, we also asked the company to measure and disclose the GHG emissions avoided from using its products in sustainable applications such as electric vehicles, renewable power, and energy-efficient data centers. We have been pleased to see that the company has published these metrics in its 2023 Corporate Responsibility Report.

Company Name	Description
Thermo Fisher Scientific	We engaged with Thermo Fisher Scientific to understand why the company discontinued a series of impact KPIs that were previously disclosed. The company noted challenges in auditing the data and the lack of change year to year as the key reasons for this. We had previously stressed the value of these KPIs and the importance of annual disclosure during our last impact engagement. The company was open to potentially revisiting these prior KPIs in future. We imparted our view that setting impact-oriented targets often makes sense from a sustainability and financial standpoint. Company management noted that, aligned with the company's mission, it does set impact-oriented goals for certain parts of the business. Management pointed to efforts to expand access to diagnostics in low- and middle-income countries (LMICs) and associated targets for applicable staff members. We will continue to monitor updated impact disclosures, including additional disclosure on health equity and expanding access to diagnostics in LMICs.
United Rentals	We had two impact engagements with United Rentals in 2023. The first engagement focused on the company's circular economy model and contribution to avoiding GHG emissions as well as its fleet electrification efforts. We discussed impact KPIs that help evidence the company's positive environmental impact (e.g., GHG emissions avoided from renting versus buying equipment), which we followed up on in a subsequent engagement. We were pleased to see that United Rentals later published two new impact KPIs: (1) GHG emissions avoided from enabling access to a younger and more carbon-efficient fleet and (2) reduction in total equipment needs due to higher utilization rates of rented equipment versus outright ownership.
UnitedHealth Group	We engaged with UnitedHealth Group to provide feedback on how the company could further evidence its additionality in health care. We revisited our earlier engagements that focused on the company's "care gaps closed" objective. We again expressed our interest in additional disclosure on the mix by specific disease type and patient demographics. We also referenced value-based care KPIs disclosed by industry peers, which we believe could be beneficial for UnitedHealth Group.

## 2023 ESG Engagements

Company Name	Environmental	Social	Governance
Agilent Technologies			●
AstraZeneca	●	●	●
AstraZeneca			●
Becton, Dickinson & Company	●	●	●
Danaher			●
Darling Ingredients			●
eBay	●		
Elevance Health		●	●
Eli Lilly			●
Eli Lilly		●	●
Fortinet	●	●	●
Hologic	●		●
Intuit	●		●
KLA	●		
Merck		●	●
Merck	●	●	●
NVIDIA	●		
Popular	●	●	●
Synopsys	●		
Tesla			●
Thermo Fisher Scientific		●	●
UnitedHealth Group		●	●
Vertex Pharmaceuticals	●	●	

# Proxy Voting



Proxy data for the US Impact Equity Strategy from December 31, 2022, through to December 31, 2023. Aggregated data include votes cast across all products in the strategy.

Proxy voting is a crucial link in the chain of stewardship responsibilities we execute on behalf of our clients. A separate set of proxy voting guidelines is administered for the T. Rowe Price impact strategies. These portfolios require a separate voting policy because they have two express mandates: competitive financial returns and positive social and/or environmental impact.

The US Impact Equity Strategy proxy voting program serves as one element of our overall relationship with corporate issuers. We use our voting power in a way that complements the other aspects of our relationship with these companies, including engagement, investment diligence, and investment decision-making. A customized set of proxy voting guidelines different from other T. Rowe Price strategies helps us establish governance norms and follow a differentiated stewardship approach. We take a hands-on approach to joining voting and engagement activities as part of our commitment to additionality, driven from discussions at weekly impact research meetings.

From the autumn of 2023, the impact policies adopted the climate-related guidelines in the net zero voting policy to clarify the implementation of the climate expectations in

their voting policy. In practice, the voting by the net zero and impact strategies between July 1, 2022, and June 30, 2023, was aligned, with both impact equity strategies supporting around 70% of all shareholder resolutions on environmental or lobbying topics.

## 44 Votable Meetings

Meetings Not Voted (0)

Meetings Voted: 44

## 546 Votable Items

Items Not Voted (0)

Items Voted: 546

Management Proposals	# of Proposals	% With Mgmt.	% Against Mgmt.
Elect Directors (Uncontested)	361	96%	4%
Management Compensation: Say on Pay and Equity Plans	88	94%	6%
Routine Business and Operational Matters	6	100%	0%
Capital Structure Items	2	100%	0%
Appoint Auditors/Approve Auditor Fees	44	100%	0%
Other	10	100%	0%
<b>Total</b>	<b>511</b>		

Shareholder Proposals	# of Proposals	% With Mgmt.	% Against Mgmt.
On Social, Political, or Environmental Matters	19	68%	32%
To Adopt or Amend Shareholder Rights	-	-	-
Amend or Remove Takeover Defenses	-	-	-
Related to Director Policies	5	80%	20%
Related to Routine Business and Operational Matters	11	91%	9%
<b>Total</b>	<b>35</b>		

## 35 Shareholder Resolutions Voted

Environmental: 2

Corporate Governance: 16

Social: 17



# Initiatives Promoting Advocacy and Engagement

## Global initiatives/standards

### Principles for Responsible Investment (PRI)

Signatory since 2010

### International Corporate Governance Network (ICGN)

Member since 2021

### International Capital Market Association (ICMA)

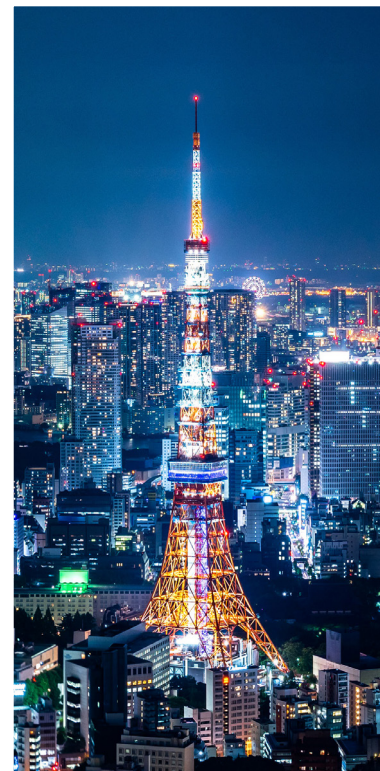
Member since 2017; member of the ICMA Principles since 2022: Green Bond Principles (GBP), Social Bond Principles (SBP), Sustainability Bond Guidelines (SBG), and Sustainability-Linked Bond Principles (SLBP); member of the ICMA Advisory Council since 2023

### United Nations Global Compact

Signatory since 2021

### International Financial Reporting Standards (IFRS) Sustainability Alliance (formerly the SASB Alliance)

Member since 2021



## Regional initiatives/standards

### UK

#### Stewardship Code

Signatory since 2020

#### Pensions and Lifetime Savings Association (PLSA)

Stewardship advisory group member since 2020

#### 30% Club Investor Group

UK chapter member since 2021

#### UK Investor Forum

Founding member since 2017

### U.S.

#### Council of Institutional Investors (CII)

Associate member since 1989

#### Investor Stewardship Group (ISG)

Founding member since 2017

### Asia

#### Japan Stewardship Code

Signatory since 2014

#### Asian Corporate Governance Association (ACGA)

Member since 2016

#### Japan Stewardship Initiative

Founding member since 2017

### Emerging markets

#### Associação de Investidores no Mercado de Capitais (AMEC)

Member since 2015

#### Emerging Markets Investors Alliance

Founding member since 2020

As of December 31, 2023, at least one T. Rowe Price entity is a signatory, founder, or member of the above-mentioned groups committed to change.

T. Rowe Price may be a member of other initiatives, standards, principles, working groups, or other organizations not listed. Additionally, individual T. Rowe Price associates may be members of working groups not listed.

## Climate related

**Task Force on Climate-Related Financial Disclosures (TCFD)**  
Supporter since 2020

**TCFD Consortium (Japan)**  
Member since 2021

**Institutional Investors Group on Climate Change (IIGCC)**  
Member since 2020

**Net Zero Asset Managers initiative**  
Signatory since 2022

## Thematic engagement

**Farm Animal Investment Risk & Return (FAIRR)**  
Member since 2020

**Access to Medicine Foundation**  
Signatory since 2020

**Access to Nutrition Initiative**  
Signatory since 2022

## Working groups

**Investment Association Climate Change Working Group**  
Member since 2020

**Japan Working Group of the Asian Corporate Governance Association (ACGA)**  
Member since 2020

**30% Club UK Investor Group Race Equity Working Group**  
Member since 2021

**Investment Management Education Alliance (IMEA) ESG Committee**  
Member since 2021

**China Working Group of the Asian Corporate Governance Association (ACGA)**  
Member since 2022

**ICMA (Impact Reporting; Social Bonds; Climate Transition Finance; Sustainability-Linked Bonds)**  
Member since 2022

**Taskforce on Nature-related Financial Disclosures (TNFD)**  
Forum member since 2022

**IIGCC (Sovereign Bonds and Country Pathways Working Group; Derivatives and Hedge Funds Working Group)**  
Member since 2023

**GC100 and Investor Group—Directors' Remuneration Reporting Guidance**  
Member since 2023



## Impact investing

**Global Impact Investing Network (GIIN)**  
Member since 2021

**Responsible Investment Association Australasia (RIAA)**  
Member since 2020

**Japan Impact-Driven Financing Initiative**  
Signatory since 2022










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T. Rowe Price may be a member of other initiatives, standards, principles, working groups, or other organizations not listed. Additionally, individual T. Rowe Price associates may be members of working groups not listed.

# Portfolio Holdings

## US Impact Equity Representative Portfolio










### Pillar 1: Climate and Resource Impact

Company	Impact Activity	Impact Goal	Primary UN SDG
A.O. Smith	Increasing energy efficiency	A.O. Smith is a provider of energy-efficient water heaters and boilers that allow customers to reduce power usage and mitigate greenhouse gas emissions associated with alternative, less efficient equipment.	
Advanced Drainage Systems	Protecting air, land, and water	Advanced Drainage Systems provides sustainable water management solutions within the stormwater and septic wastewater markets. Its water capture, conveyance, storage, and treatment systems are also largely supported by remanufactured products, resulting in the company being one of the largest plastic recyclers in North America.	
Autodesk	Enabling efficient consumption	Autodesk is a leader in 3D design and engineering. Its software and services serve a variety of end markets, including architecture, construction, and manufacturing. It enables sustainable consumption by designing and supporting processes that are more efficient in energy and raw material usage.	
Carrier Global	Increasing energy efficiency	Carrier Global manufactures energy-efficient heating, ventilation, and air conditioning and transport refrigeration systems, which primarily improve energy efficiency and reduce emissions for both residential and commercial buildings. It also improves energy efficiency for transport refrigeration chains, which helps reduce food waste.	
Copart	Enabling efficient consumption	Copart provides vehicle sellers with a full range of services to process and sell vehicles. It is a critical enabler of the circular economy by extending the useful life of existing vehicles and vehicle parts, thereby avoiding the carbon emissions associated with new vehicle and auto parts manufacturing.	
Core & Main	Protecting air, land, and water	Core & Main distributes water, wastewater, storm drainage, and fire protection products and related services to municipalities, private water companies, and professional contractors. The company contributes to water preservation and conservation by helping to repair aging water infrastructure and facilitating access to clean drinking water.	
Darling Ingredients	Recycling	Darling Ingredients is one of the largest rendering companies that utilizes waste as a raw material to produce value-added products such as animal feed, food for human consumption, and bioenergy. These activities contribute to the circular economy and reduction of greenhouse gases by reducing the amount of waste going into landfills.	

Source: T. Rowe Price.





Data shown for the representative portfolio are as of December 31, 2023. Subject to change without notice. The securities shown represent 100% of the publicly traded securities held in the pillar shown.







Company	Impact Activity	Impact Goal	Primary UN SDG
eBay	Enabling efficient consumption	eBay operates one of the largest e-commerce marketplaces in the world, where many of the products sold are used, refurbished, or overstocked. By selling these categories of goods, eBay facilitates prolonged product lives and promotes the circular economy by avoiding the waste and emissions associated with discarding old products or manufacturing new ones.	
Hubbell	Increasing energy efficiency	Hubbell manufactures and distributes electrical components and power systems that support the buildout of renewable energy infrastructure, enabling the modernization and electrification of the power grid and increasing the energy efficiency of buildings and homes.	
IDEX	Reducing waste	IDEX is a provider of specialty fluid control equipment—e.g., pumps, valves, and meters—that reduce manufacturing waste and the associated greenhouse gas emissions.	
Linde	Decarbonization, carbon capture, and sequestration	Linde is a producer and distributor of industrial gases and a key enabler of the energy transition. Its products enable decarbonization of heavy industries and the transition to a lower carbon future through innovation in green hydrogen and carbon capture.	
NVIDIA	Increasing energy efficiency	NVIDIA delivers impact through its robust accelerated computing offering. Acceleration reclaims power and is the most sustainable way to advance computing. NVIDIA graphics processing units are paving the way for accelerated computing and are typically 20 times more energy efficient for certain high-performance workloads than traditional central processing units.	
ON Semiconductor	Increasing energy efficiency	ON Semiconductor is a diversified semiconductor company that is focused on power and sensing. Its chips are multipurpose but have a particularly significant role in electric vehicles, factory automation, and clean energy infrastructure, where ON Semiconductor's chips aid in the transition to renewable energy or enable resource efficiency and waste reduction.	
Owens Corning	Increasing energy efficiency	Owens Corning manufactures energy-saving insulation and roofing products for housing and constructions markets and fiberglass composites for renewable energy applications, all of which contribute to the mitigation of greenhouse gas emissions.	
PG&E	Decarbonization, carbon capture, and sequestration	PG&E's electric infrastructure is helping to enable the rollout of renewable power and decarbonization of the transport, industrial, and building sector, particularly within California. It also invests significantly in wildfire prevention and mitigation measures.	
Roper Technologies	Increasing energy efficiency	Roper Technologies is a diversified industrial company whose businesses contribute to resource efficiency across multiple sectors, including technology and health care. In particular, its technology solutions enable more efficient workflow and process optimization, reducing overall energy use and the associated emissions.	

Source: T. Rowe Price.

Data shown for the representative portfolio are as of December 31, 2023. Subject to change without notice. The securities shown represent 100% of the publicly traded securities held in the pillar shown.

Company	Impact Activity	Impact Goal	Primary UN SDG
TE Connectivity	Decarbonization, carbon capture, and sequestration	TE Connectivity is a provider of connectors and sensors that are used primarily within the automotive and industrial markets. Its products facilitate the transition to a lower carbon world through applications within factory automation, electric vehicles, and renewable energy infrastructure.	
Tesla	Decarbonization, carbon capture, and sequestration	As a leading manufacturer of electric vehicles and producer of solar panels, Tesla is a principal disruptor in the transition away from fossil fuels. The company is further contributing to the decarbonization of the transportation sector by using its scale in manufacturing, software, and materials to build out the vehicle charging network and drive electrification of the trucking fleet, where penetration is currently low.	
United Rentals	Enabling efficient consumption	United Rentals operates an equipment rental model that supports the circular economy by maximizing asset utilization and increasing resource efficiency. Its rental model extends the product life cycle while reducing the need to produce new equipment, which is highly carbon-intensive.	
Veralto	Protecting air, land, and water	Veralto produces water analytics and treatment devices that help support cleaner and more efficient water supplies. It also provides marking and coding devices that support product quality and safety within the food and beverage and pharmaceuticals industries.	

## Pillar 2: Social Equity and Quality of Life










Company	Impact Activity	Impact Goal	Primary UN SDG
Agilent Technologies	Providing health care solutions	Agilent Technologies improves health care innovation and patient outcomes as a leading supplier of life sciences and diagnostic tools that enable accelerated drug development and improved understanding of diseases.	
AstraZeneca	Providing health care solutions	AstraZeneca is a global biopharmaceutical company whose approved medicines deliver impact for over 115 million patients annually in more than 125 countries <sup>1</sup> across core areas of need such as oncology, rare diseases, cardiovascular, and respiratory.	
Becton, Dickinson & Company	Providing health care solutions	Becton, Dickinson & Company is a medical technology company whose products, including catheters and syringes, form the backbone of health care worldwide and are distributed to over 190 countries. <sup>2</sup> It also focuses on improving patient outcomes through investments in chronic disease research and connected care.	
Danaher	Providing health care solutions	Danaher helps advance patient health and improve treatment outcomes through tools and services that enable better clinical decision-making, improved scientific understanding of the cause of diseases, and more effective therapeutic research and development.	

Source: T. Rowe Price.

Data shown for the representative portfolio are as of December 31, 2023. Subject to change without notice. The securities shown represent 100% of the publicly traded securities held in the pillar shown.

<sup>1</sup> AstraZeneca 2023 Annual Report.

<sup>2</sup> Becton, Dickinson & Co. 2023 Corporate Sustainability Report.

Company	Impact Activity	Impact Goal	Primary UN SDG
Elevance Health	Providing health care solutions	As one of the largest U.S. health insurers, Elevance Health delivers meaningful impact by providing a financial safety net that facilitates access to health care services and treatment, especially to those enrollees covered by Medicaid.	
Eli Lilly	Providing health care solutions	Eli Lilly's portfolio of approved treatments benefits roughly 55 million patients in over 100 countries, <sup>1</sup> with particularly significant impact in diabetes via its class of GLP-1 agonists.	
Fortinet	Protection solutions	Fortinet is a leading global network security provider to small and medium-sized enterprises (SMEs), large enterprises, and telecommunications service providers. Its cloud-based security solutions and application-specific integrated circuit devices help prevent cybersecurity attacks while reducing the environmental footprint of its customers.	
Gilead Sciences	Providing health care solutions	Gilead Sciences is a biopharmaceutical company with exposure to various areas of medical need, such as oncology, hematology, and respiratory. Its primary franchise addresses HIV, where it is the largest treatment provider, and contributes significantly to the reduction of HIV-related morbidity and mortality and supports HIV prevention.	
H&R Block	Financial inclusion	H&R Block offers digital solutions that enhance efficiencies, lower costs, and closes the financial divide. Through investments in accessible digital infrastructure, H&R Block provides impact primarily by helping to ease the burden of tax preparation, deploying consumer-centric services through a mobile banking platform for the underbanked, and supporting small businesses.	
Hologic	Providing health care solutions	Hologic's products and services focus principally on women's health by supporting early and accurate disease detection, which can help support better clinical decision-making and health outcomes for patients.	
Intuit	Financial inclusion	Intuit promotes financial inclusion with products oriented toward personal finance solutions, such as Credit Karma, and reducing the access cost of financial products for SMEs.	
Kenvue	Providing health care solutions	Kenvue is the largest pure-play consumer health company globally with a product portfolio that reaches roughly 1.2 billion consumers. <sup>2</sup> It delivers impact by offering products—several of which are #1 in their category—that are designed to improve overall health and self-care while supporting innovation that improves medication intake and dosing.	
Merck	Providing health care solutions	Merck delivers broad-based impact to a range of patient populations through pharmaceuticals, principally within oncology, where it helped pioneer a new class of immunotherapy treatments. While it continues to expand the reach of its oncology portfolio, it is also investing in other areas of need, such as diabetes.	










Source: T. Rowe Price.

Data shown for the representative portfolio are as of December 31, 2023. Subject to change without notice. The securities shown represent 100% of the publicly traded securities held in the pillar shown.

<sup>1</sup> Eli Lilly 2023 Sustainability Report.

<sup>2</sup> Kenvue 2023 Healthy Lives Mission Report.





Company	Impact Activity	Impact Goal	Primary UN SDG
Motorola Solutions	Personal and worker safety solutions	Motorola Solutions provides end-to-end public safety and enterprise security solutions. Its technology enables first responders and public safety agencies to establish communication and ensure the safety and security of enterprise customers while also helping to reduce emergency response times.	
OneMain Holdings	Financial inclusion	OneMain Holdings provides access to credit solutions to non-prime customers who typically have limited or no access to such services. It also promotes financial advancement and success by providing budgeting and financial literacy resources to its customers.	
Palo Alto Networks	Protection solutions	Palo Alto Networks provides a comprehensive cybersecurity platform that is a leading protection solution for the enterprise market. Its cloud security offering enables customers to securely migrate to the public cloud, driving energy efficiency and emission savings.	
Payoneer Global	Enabling small and medium-sized enterprises	Payoneer Global is a cross-border payments provider that supports transactions in over 190 countries and roughly 70 currencies, <sup>1</sup> including countries where similar services are out of reach or too expensive. Their platform democratizes payment access for small businesses, enabling job creation and the expansion of stable financial markets globally.	
Popular	Financial inclusion	Popular is the leading financial institution in Puerto Rico. It promotes financial inclusion by providing banking and credit solutions in underserved communities and by financing affordable housing and other community development projects.	
Regeneron Pharmaceuticals	Providing health care solutions	Regeneron Pharmaceuticals is a leader in treatments for ophthalmological conditions, especially wet age-related macular degeneration, a leading cause of vision loss globally. It also operates a global blockbuster franchise that is delivering positive outcomes for patients suffering from eczema and asthma.	
Sprouts Farmers Market	Improving nutrition and food quality	Sprouts Farmers Market is helping drive healthier consumption habits as one of the largest food retailers in the U.S. specifically focused on natural and organic products. Further, a high proportion of sales comes from organic products, which has environmental benefits such as improved soil quality due to synthetic fertilizers not being used and a reduced emissions profile in farming certain foods.	
Thermo Fisher Scientific	Providing health care solutions	Thermo Fisher Scientific's life sciences tools and services span the spectrum of drug development and manufacturing. It delivers impact by enabling biopharmaceutical innovation and research and advancing precision medicine.	
UnitedHealth Group	Providing health care solutions	As the largest U.S. health insurer, UnitedHealth Group delivers meaningful impact by providing a financial safety net to its enrollees across the commercial and community/senior segments and facilitating access to health care.	



Source: T. Rowe Price.

Data shown for the representative portfolio are as of December 31, 2023. Subject to change without notice. The securities shown represent 100% of the publicly traded securities held in the pillar shown.

<sup>1</sup> Payoneer 2023 Impact Report.

Company	Impact Activity	Impact Goal	Primary UN SDG
Vertex Pharmaceuticals	Providing health care solutions	Vertex Pharmaceuticals is a biotechnology company with a suite of treatments targeting cystic fibrosis, a chronic, life-shortening genetic disease that affects over 100,000 people worldwide. <sup>1</sup> It is not only the preeminent player in the market, but its treatments deliver significantly better patient outcomes than alternative options.	
Welltower	Providing health care solutions	Welltower's real estate portfolio focuses on health care properties that provide the infrastructure to promote health and well-being for all ages. Its operations help deliver the health care infrastructure necessary to facilitate better treatment at lower costs and keep patients out of hospitals.	

### Pillar 3: Sustainable Innovation and Productivity

Company	Impact Activity	Impact Goal	Primary UN SDG
KLA	Innovative software and technology	KLA designs and manufactures yield-management systems and process-monitoring and control systems that are used to analyze the semiconductor manufacturing process. Its impact comes from its ability to allow customers to increase production yield at lower costs and with less waste.	
Synopsys	Innovative software and technology	Advanced semiconductor chip design is a major driver of global technology progress. Synopsys is a critical player in driving this innovation as a leader in electronic design automation, enabling the optimization of chip design ahead of physical prototype production, saving time and energy, and reducing greenhouse gas emissions and waste.	

Source: T. Rowe Price

Data shown for the representative portfolio are as of December 31, 2023. Subject to change without notice. The securities shown represent 100% of the publicly traded securities held in the pillar shown.

Note: 5.2% of the securities under the Sustainable Innovation and Productivity pillar also meet the criteria of either the Climate and Resource or Social Equity and Quality of Life pillars. The Sustainable Innovation and Productivity pillar is being assessed for removal, subject to regulatory approval.

<sup>1</sup> Cystic Fibrosis Foundation.

# US Impact Equity Investment Team

## Our People

David Rowlett is the portfolio manager for the US Impact Equity Strategy and has ultimate responsibility for portfolio decision-making. He is closely supported by Team Analyst Kaoutar Yaiche, who specializes in company impact analysis and incorporating environmental and social considerations into the research process. David and Kaoutar

are supported by a dedicated strategy team and also work closely with the investment teams of T. Rowe Price's other impact strategies. Collaboration and communication among the entire impact team is critical to the success of our platform, and we use established formal and informal channels to ensure that information flows seamlessly.

## Portfolio Management

Drives portfolio construction, risk allocation, and performance



### David Rowlett, CFA

*Portfolio Manager—T. Rowe Price US Impact Equity Strategy*

- 21 years of investment experience
- 16 years with T. Rowe Price



### Kaoutar Yaiche

*Impact Equity Analyst*

- 3 years of investment experience
- 3 years with T. Rowe Price

## Strategy Investment Team

Collaborates with Responsible Investing and fundamental analysts. Provides support to the portfolio manager and works with internal and external stakeholders on strategy updates and commercialization



### Brian Horr, CFA

*Lead Portfolio Analyst*

- 5 years of investment experience
- 14 years with T. Rowe Price



### Fatna Chelihi

*Lead Portfolio Analyst*

- 12 years of investment experience
- 4 years with T. Rowe Price

## T. Rowe Price Impact Team

Provides cross-asset impact collaboration and idea generation, along with joint issuer engagement



### Hari Balkrishna

*Portfolio Manager—Global Impact Equity Strategy*

- 19 years of investment experience
- 14 years with T. Rowe Price



### Chris Vost, CFA

*Investment Analyst*

- 12 years of investment experience
- 9 years with T. Rowe Price



### Matt Lawton, CFA

*Portfolio Manager—Global Impact Credit Strategy, Global Impact Short Duration Bond Strategy*

- 17 years of investment experience
- 13 years with T. Rowe Price



### Willem Visser

*Fixed Income ESG Sector Portfolio Manager*

- 12 years of investment experience
- 7 years with T. Rowe Price



### Ellen O'Doherty, CFA

*Impact Credit Analyst*

- 5 years of investment experience
- 5 years with T. Rowe Price

As of December 31, 2024.

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Effective January 1, 2025, Chris Vost transitioned to portfolio manager of the International Select Strategy. He is expected to transition off of the impact strategies in April 2025.



# ESG Investment Resources<sup>1</sup>

## T. Rowe Price Associates (TRPA) Responsible Investing



**Maria Elena Drew**

Director of  
Research,  
Responsible  
Investing (London)



**Tongai Kunorubwe**

Head of ESG,  
Fixed Income  
(London)



**Joe Baldwin**

Analyst (London)



**Francesco Buonocore**

Associate Analyst  
(London)



**Dylan Cotter**

Associate Analyst  
(Baltimore)



**Ashley Hogan**

Associate Analyst  
(Baltimore)



**Clarice Hung**

Associate Analyst  
(Hong Kong)



**Matthew Kleiser**

Associate Analyst  
(Baltimore)



**Natalie McGowen**

Associate Analyst  
(Baltimore)



**Iona Walker**

Analyst  
(Hong Kong)



**Daniel Ryan**

Analyst (London)



**Duncan Scott**

Analyst (London)



**Suha Read<sup>2</sup>**

General Manager  
(London)



**Michael Ray<sup>2</sup>**

Business Manager,  
Responsible Investing  
(Baltimore)



**Donna Anderson**

Head of Corporate  
Governance  
(Baltimore)



**Jocelyn Brown**

Head of  
Governance,  
EMEA and APAC  
(London)



**Kara McCoy**

Governance  
Analyst  
(Baltimore)



**Yijiang Wang**

Governance  
Analyst (London)

<sup>1</sup> As of December 31, 2024.

<sup>2</sup> ESG data and business support.

# Impact Glossary

**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 sustainability reports.

**CO<sub>2</sub>e:** Carbon dioxide equivalent or CO<sub>2</sub> 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 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 (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, staff remuneration, audits and internal controls, management structures, employee relations, tax compliance, and shareholder rights.

**ESG integration (T. Rowe Price):** Incorporating environmental, social, and governance factors into investment analysis for the purpose of maximizing investment performance. For certain non-impact T. Rowe Price investment strategies—some investments including, but not limited to, cash, currency positions, and particular types of derivatives—an ESG analysis may not be relevant or possible due to a lack of data. Where ESG considerations are integrated into the investment research process, we may conclude that other attributes of an investment outweigh ESG considerations when making investment decisions.

**Fiduciary:** A 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:** A 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. [thegiin.org](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:** 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 nonprofits that benefit the community or in clean technology enterprises. Investments are made into companies, organizations, 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. [impactmanagementproject.com](https://impactmanagementproject.com)

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

**Impact pillar and sub-pillar (T. Rowe Price):** A proprietary structure where impact activities 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 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. See Theory of change.

**Impact universe (T. Rowe Price):** The universe of stocks that is available to the T. Rowe Price US Impact Equity Strategy to invest. To define our impact universe, we start by applying the T. Rowe Price impact exclusion list to a broad opportunity set (typically the S&P 500 Index plus the next 1,000 largest U.S.-listed companies). This list excludes areas of the 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):** A 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):** The 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.

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

**Proxy Voting Impact Policy (T. Rowe Price Associates):** The T. Rowe Price US Impact Equity Strategy has a custom voting policy. It has the flexibility to vote differently from the rest of TRPA, particularly on "impact issues."

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



**Responsible Investment Association Australasia (RIAA):** The RIAA champions responsible investing and a sustainable financial system in Australia and New Zealand. The RIAA is dedicated to ensuring capital is aligned with achieving a healthy society, environment, and economy. [responsibleinvestment.org](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-sized 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:** An impact measurement framework that 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 are 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 a 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 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 US Impact Equity 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.

# US Impact Equity Strategy

## Objective

In pursuit of long-term growth of capital, the US Impact Equity Strategy seeks positive environmental or social impact. In targeting this objective, the strategy primarily invests in a diversified portfolio of equity-related securities of companies listed on U.S. stock markets.

## Risks—the following risk is materially relevant to the portfolio:

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

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

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

## General Portfolio Risks

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

**Equity**—Equities can lose value rapidly for a variety of reasons and can remain at low prices indefinitely.

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

**Geographic concentration**—Geographic concentration risk may result in performance being more strongly affected by any social, political, economic, environmental or market conditions affecting those countries or regions in which the portfolio's assets are concentrated.

**Hedging**—Hedging measures involve costs and may work imperfectly, may not be feasible at times, or may fail completely.

**Investment portfolio**—Investing in portfolios involves certain risks an investor would not face if investing in markets directly.

**Management**—Management risk may result in potential conflicts of interest relating to the obligations of the investment manager.

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

**Operational**—Operational risk may cause losses as a result of incidents caused by people, systems, and/or processes.

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## Additional Disclosures

Holdings shown are for illustrative purposes only and are subject to change without notice.

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. T. Rowe Price may have ongoing business and/or client relationships with the companies mentioned in this report.

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.

The representative portfolio is an account 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. Information regarding the representative portfolio and the other accounts in the strategy is available upon request.

T. Rowe Price Investment Management, Inc. (TRPIM). TRPIM was established as a separately registered U.S. investment adviser. Decisions for TRPA and TRPIM ESG teams are made completely independently, but use a similar approach, framework, and philosophy. TRPA manages five Impact strategies specific to TRPA only.

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#### INVEST WITH CONFIDENCE™

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

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**DISCLOSURE CONTINUES ON THE FOLLOWING PAGE.**

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