T.Rowe Price®
INVEST WITH CONFIDENCE

# T. Rowe Price Global Growth Equity Pool – ESG Report

## Providing transparency on Environment, Social and Governance aspects of the fund

*As of 30 June 2022*

### ESG INTEGRATION APPROACH

- The portfolio fully embeds ESG integration within its investment process. This means incorporating environmental, social and governance factors to enhance investment decisions. Our philosophy is that ESG factors are an integrated component of the investment decision—meaning that they are not the sole driver of an investment decision, nor are they considered separately from more traditional security analysis.

- The process of ESG integration takes place on two levels: first, with our research analysts as they incorporate environmental, social, and governance factors into company valuations and ratings; and, second, with the portfolio manager as they balance these ESG factor exposures at the portfolio level. Both the analysts and portfolio manager are able to leverage dedicated, in-house resources to assist them in analyzing ESG criteria.

- Our ESG specialist teams provide investment research on ESG issues at the company level and on thematic topics. Additionally, they have built tools to help pro-actively and systematically analyze the environmental, social and governance factors that could impact our investments. The foundation of the analysis is a proprietary flagging tool called the Responsible Investing Indicator Model (RIIM). It covers around 15,000 companies and pulls from data sets that are not in the wheelhouse of traditional financial analysis. These data sets include:
  - ESG performance data (e.g., number of accidents, carbon emissions, strength of whistle-blower programs);
  - ESG targets (e.g., plans to reduce carbon emissions, increase diversity, etc.)
  - ESG incidents and controversies (e.g., environmental fines paid, local community controversies/protests against a company, etc.)

- Our portfolio applies an active, growth-oriented approach in order to identify companies with the potential for sustainable growth or relative improvement. We look for such opportunities in industries where the outlook over time is becoming more attractive and is conducive to profitable growth. As such, our primary emphasis is on company fundamentals, which include the consideration of environmental, social and governance factors. We find that this process tends to yield an ESG-friendly set of companies; however, we also screen the portfolio using T. Rowe Price's proprietary RIIM analysis at regular intervals. This helps us understand the ESG characteristics of the portfolio and makes us aware of any elevated exposures to specific ESG factors.

### RECENT COMPANY ENGAGEMENTS

We maintain a regular dialogue with the management teams of companies represented across the portfolio. Our investment-driven engagement program frequently identifies targets through our proprietary RIIM analysis, governance screening and analysts' fundamental research. While we engage with companies in a variety of different contexts, ESG engagement focuses on learning about, influencing or exchanging perspectives on the environmental practices, corporate governance or social issues affecting their business.

While most of the meetings we hold with company managements will include some discussion of ESG topics, we differentiate meetings held with a heavy focus on ESG, meaning ESG issues were the sole items on the agenda or made up a meaningful part of the meeting. Agenda items are classified as "meaningful" when they take up a significant portion of the meeting or are a significant factor in the investment case.

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

## Meituan (2nd Quarter 2022 Engagement)

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| **Focus** | Environment, Social, Governance |
| **Company Description** | Meituan is a food delivery platform company in China. |
| **Engagement Objective** | We engaged with Meituan to discuss the company's rider and merchant welfare practices and its ESG governance structures. |
| **Participants** | From Meituan: Investor Relations<br><br>From T. Rowe Price: Equity Portfolio Manager; Head of Governance, EMEA and APAC; Responsible Investing Analyst |
| | The purpose of our engagement with Meituan was to do due diligence on the company's rider and merchant welfare practices and to assess the quality of its ESG governance structures. After a nudge from China's government in 2021, Meituan embedded various programs to help improve safety performance. Regulators attempted to prescribe the relationship between platform companies and delivery riders, and we believe that the initial requirements (e.g., platforms should ensure riders get minimum wage and have insurance) will be stepped up in the coming years. We believe that Meituan is committed to evolving its rider benefits package in line with the requirements going forward.<br><br>Poor disclosure of rider safety performance remains a concern. Meituan is opaque when it comes to disclosing safety/accident rates of riders and rider satisfaction (none of China's food delivery players currently share this data). The company said it collects and monitors rider safety and satisfaction information but does not share it externally. Another concern is that Meituan's pay algorithms could encourage riskier driving, with bonus points awarded for faster deliveries. There is no working hour limit for most riders since 70% of Meituan's riders are not classified as full-time.<br><br>Regarding rider protections, Meituan increased the rider protection requirements for third parties, which employ the company's riders. Meituan said that riders are required to undergo compulsory training and are given safety equipment in its core cities. The company said that it adjusted its algorithms in ways to reduce stress placed on riders. It is also in the process of ensuring that all riders are covered by accident insurance, a cost currently shouldered by delivery partners and riders. Regarding merchant welfare, Meituan pointed to various measures aimed at reducing the coronavirus's impact on businesses, e.g., reducing the take rate for small merchants.<br><br>On the environmental front, Meituan pointed to its 2017 "lush mountain project" to promote biodegradable packaging, but its penetration appears limited. The company said it aims to decarbonize its business in line with China's 2060 carbon neutral goal. Meituan's board and management oversee key ESG issues, but the company lacks a sustainability or ESG team. No ESG performance-linked remuneration incentive currently exists, but management said it may introduce key performance indicators (KPIs) in the future.<br><br>We requested that Meituan disclose rider safety data and KPIs that can demonstrate improving performance. We will continue to monitor the company's ESG disclosure and development of a more comprehensive sustainability strategy. |

The specific securities identified and described do not represent all of the securities purchased, sold, or recommended for the Fund, and no assumption should be made that 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.

## Eurofins Scientific (2nd Quarter 2022 Engagement)

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| **Focus** | Environment, Social, and Governance |
| **Company Description** | Eurofins Scientific (Eurofins) is a global bioanalysis company specializing in food, environmental, and pharmaceutical products and clinical diagnostics testing. |
| **Engagement Objective** | We met with Eurofins to discuss the company's ESG reporting and sustainable revenue alignment. |
| **Participants** | From Eurofins: Senior Director, Corporate Sustainability, Senior Associate, Investor Relations<br>From T. Rowe Price: Responsible Investing Analyst |
| | The purpose of our engagement with Eurofins was to impart our view on how the company could improve its ESG reporting and to understand its sustainable revenue alignment. Eurofins reports by geography rather than by business line, making it difficult to assess sustainable revenue exposure given its mix of end markets. Roughly one-third of revenue is from pharmaceuticals/biotech, while food, environment, and clinical diagnostics each comprise 20%, and the remainder comes from other lines, according to investor relations. Over time, Eurofins plans to disclose a new metric reporting the percentage of testing revenues that it believes "enable ESG."<br><br>Regarding ESG reporting and accountability, Eurofins in 2021 expanded the remit of the corporate governance committee to include environmental and social matters. It also created an executive sustainability committee to deliver key aspects of ESG initiatives. These efforts helped establish greater accountability, top-down support, and resources allocated to ESG issues. We requested that Eurofins include disclosures against relevant Sustainability Accounting Standards Board (SASB) standards in its 2022 reporting. The company said it intends to report against the SASB and Global Reporting Initiative Standards in 2022, and the Task Force on Climate-related Financials Disclosures longer-term.<br><br>Regarding emissions reporting, Eurofins set a goal to achieve carbon neutrality by 2025. In 2021, the company bought 150,000 metric tons of carbon credits on a reported emissions base of 405,000 metric tons of carbon dioxide equivalent. We explained that best practice is to set a science-based net-zero objective and use offsets to counteract unavoidable emissions. Eurofins said it plans to commit to the Science Based Targets initiative, set quantifiable targets, and publish a net-zero plan, though it is early in the process and currently focused on improving data quality.<br><br>The engagement informed our investment research. It allowed us to impart our view of best practices on sustainability reporting and informed our understanding of Eurofins' sustainable revenue alignment and general approach to ESG. We will monitor for SASB disclosures and re-engage on net-zero target setting. |

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