



Global Equities

# ESG Fractures – Can Impact Investing Help?

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**Hari Balkrishna**  
Portfolio Manager

September 2023

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# Today's Speaker



**Hari Balkrishna**

Portfolio Manager

Global Impact Equity Strategy



# Why is 'ESG' under pressure?



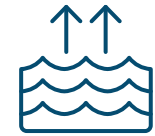
**Return  
Headwinds**



**Regulation  
and Complexity**



**Measuring Alignment  
and Success**

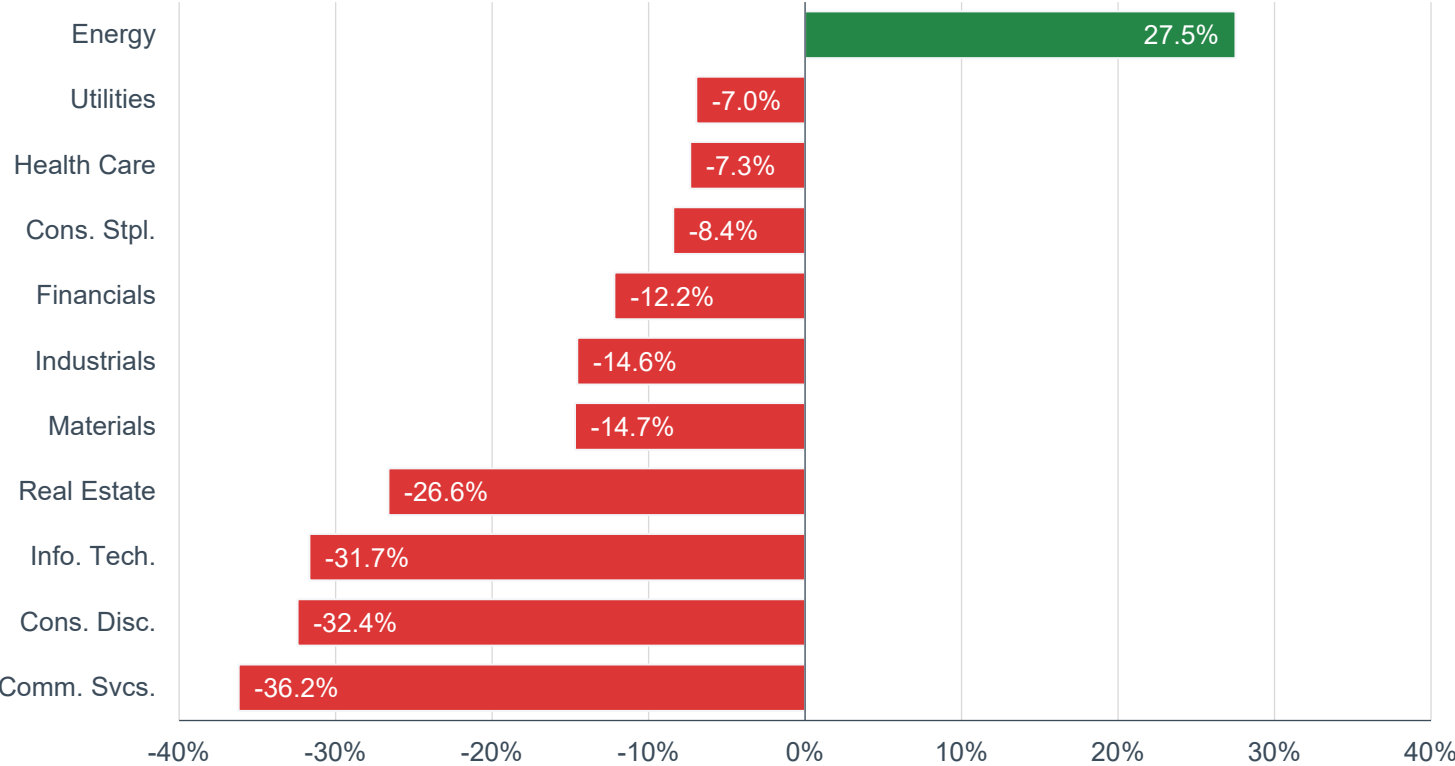


**An Era  
of Extremes**

# “Black gold” and sector returns in 2022

USD Price Returns through 31 December 2022

## Calendar Year Returns



**Past performance is not a reliable indicator of future performance.**

Sources: MSCI, FactSet. Financial data and analytics provider FactSet. Copyright 2023 FactSet. All Rights Reserved.

Analysis by T. Rowe Price.

T. Rowe Price uses the current MSCI/S&P Global Industry Classification Standard (GICS) for sector and industry reporting.

Please see Additional Disclosures page for information about this MSCI and Global Industry Classification Standard (GICS) information.

Index returns shown with gross dividends reinvested.

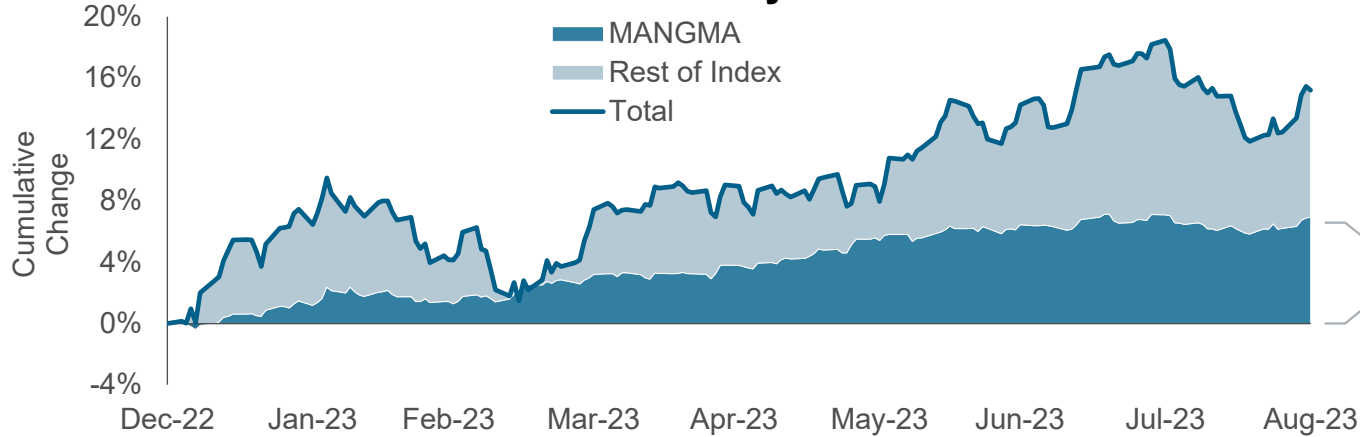




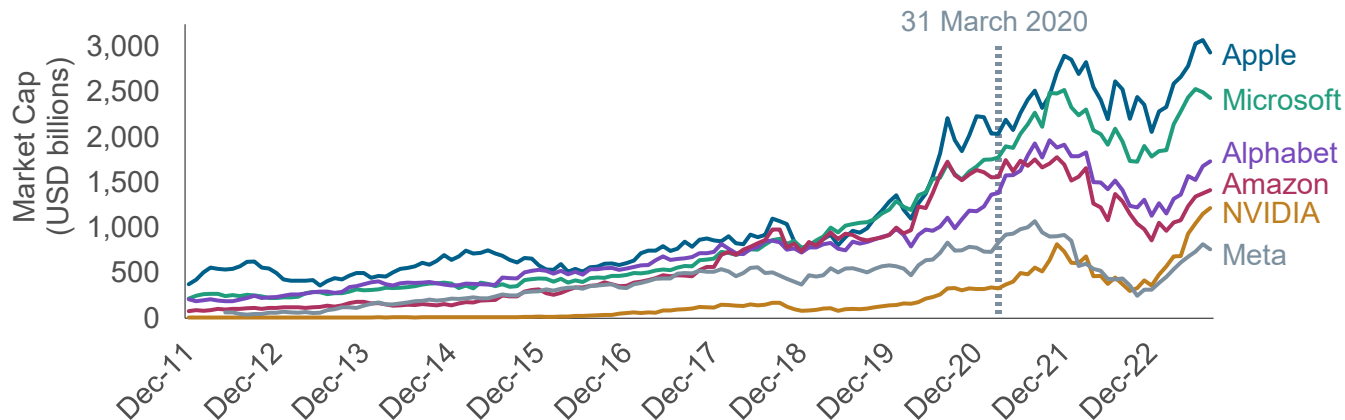
# The Giants of the Pandemic Era

As of 31 August 2023

## Total Contribution to MSCI All Country World Index



## “Mangma” Market Capitalisation



The specific securities identified and described are for informational purposes only and do not represent recommendations.

Source: T. Rowe Price analysis using data from FactSet Research Systems Inc. All rights reserved.

“MANGMA” includes Microsoft, Apple, Nvidia, Alphabet, Meta, and Amazon

# MANGMA

stocks accounted for

**46%**

of total index return

**YTD**

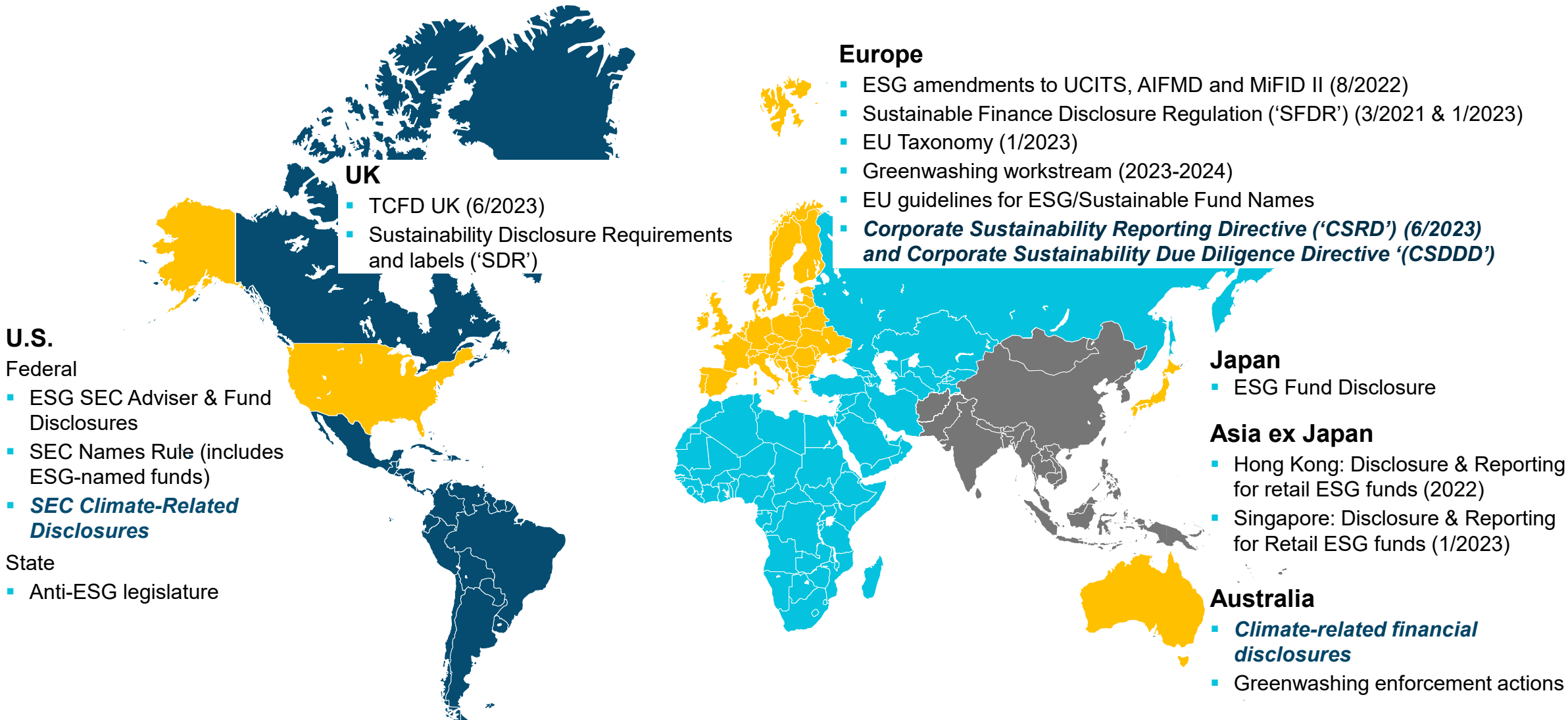
and

**23%**

for the

**trailing 3 years**

# Regulation and the ESG Agenda



## U.S.

### Federal

- ESG SEC Adviser & Fund Disclosures
- SEC Names Rule (includes ESG-named funds)
- ***SEC Climate-Related Disclosures***

### State

- Anti-ESG legislature

## UK

- TCFD UK (6/2023)
- Sustainability Disclosure Requirements and labels ('SDR')

## Europe

- ESG amendments to UCITS, AIFMD and MiFID II (8/2022)
- Sustainable Finance Disclosure Regulation ('SFDR') (3/2021 & 1/2023)
- EU Taxonomy (1/2023)
- Greenwashing workstream (2023-2024)
- EU guidelines for ESG/Sustainable Fund Names
- ***Corporate Sustainability Reporting Directive ('CSRD') (6/2023) and Corporate Sustainability Due Diligence Directive ('CSDDD')***

## Japan

- ESG Fund Disclosure

## Asia ex Japan

- Hong Kong: Disclosure & Reporting for retail ESG funds (2022)
- Singapore: Disclosure & Reporting for Retail ESG funds (1/2023)

## Australia

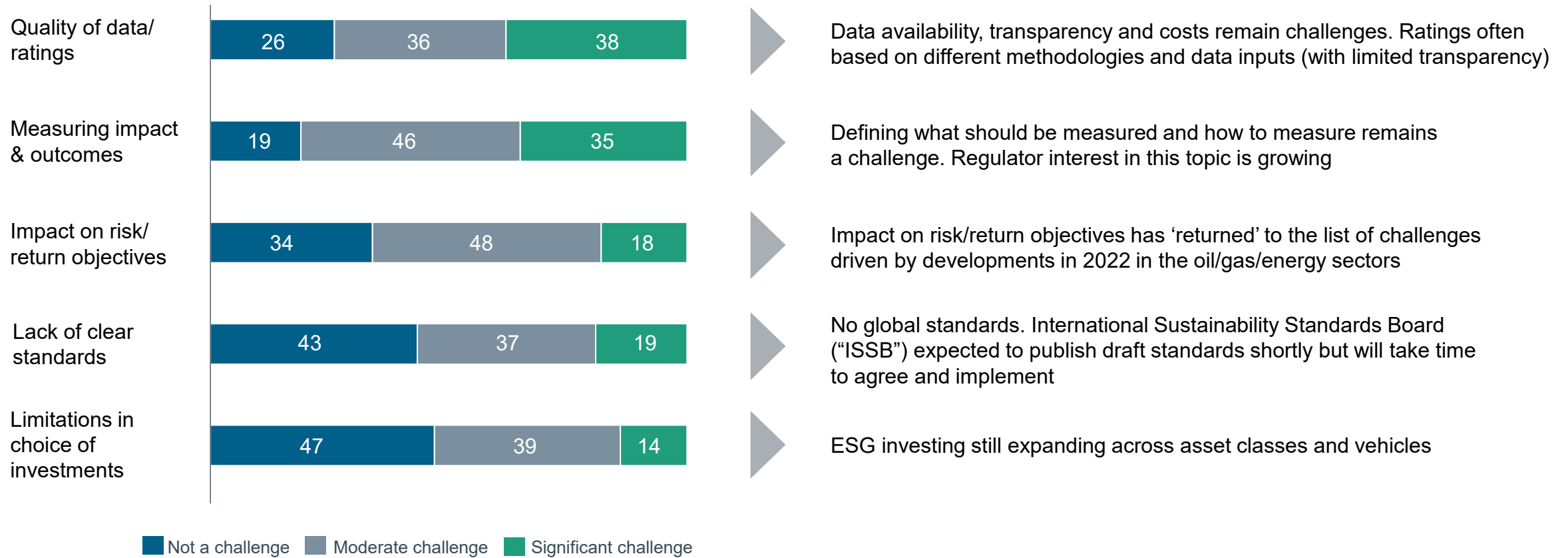
- ***Climate-related financial disclosures***
- Greenwashing enforcement actions

Sources: T. Rowe Price Legislative & Regulatory Affairs Policy Dashboard (Fourth Quarter 2022). Dates in (...) represent implementation dates (past & future) where known. Items in ***blue italics*** represent corporate sustainability regs/directives (vs. investment fund, product regs).

# The Challenges Facing ESG Investing

## Challenges to ESG Implementation

% mentioned



Data availability, transparency and costs remain challenges. Ratings often based on different methodologies and data inputs (with limited transparency)

Defining what should be measured and how to measure remains a challenge. Regulator interest in this topic is growing

Impact on risk/return objectives has 'returned' to the list of challenges driven by developments in 2022 in the oil/gas/energy sectors

No global standards. International Sustainability Standards Board ("ISSB") expected to publish draft standards shortly but will take time to agree and implement

ESG investing still expanding across asset classes and vehicles

Numbers may not add to 100% due to rounding.  
 Source: NMG, "NMG Global ESG Study 2022", (June 2022).



# The Case for Moving Beyond Neutral

Impact investments allow investors to:



**Address** the world's most pressing issues—**socially and environmentally**



**Align** one's **values** with their financial goals



**Achieve** compelling returns by investing in the companies on the **right side of change**



**Capturing** measurable evidence of impact

## The “Aim”

Impact investing offers investors an accessible way to generate a **positive social and/or environmental impact**, alongside attractive and stable long-term financial returns.



**Material**



**Measurable**



**Additional**



**Resilient**



# Selecting Stocks based on Clear Characteristics

## Positive impact

- Satisfaction of material and measurable impact criteria
- Measured against 3 pillars and 8 sub-pillars
- Positive impact today and under-appreciated impact in the future

## Industry and Management Quality

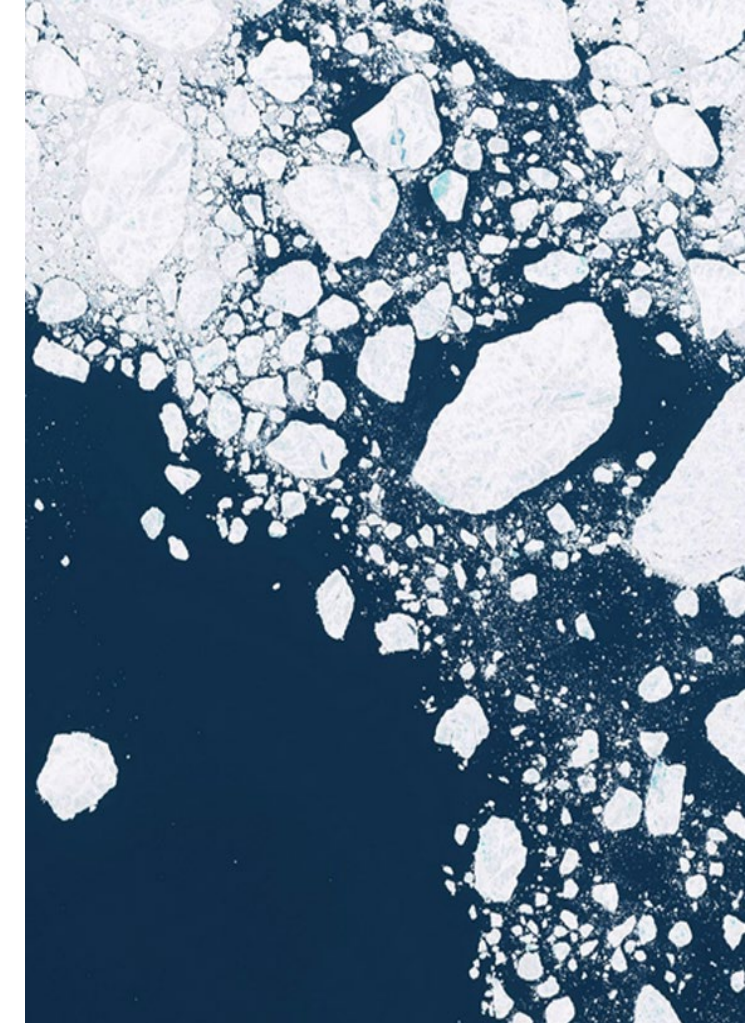
- Fertile industry structure and compelling management quality
- Identification and preservation of business moats
- Compounding of shareholder returns assisted by expert capital allocation

## Fundamentals and Insights

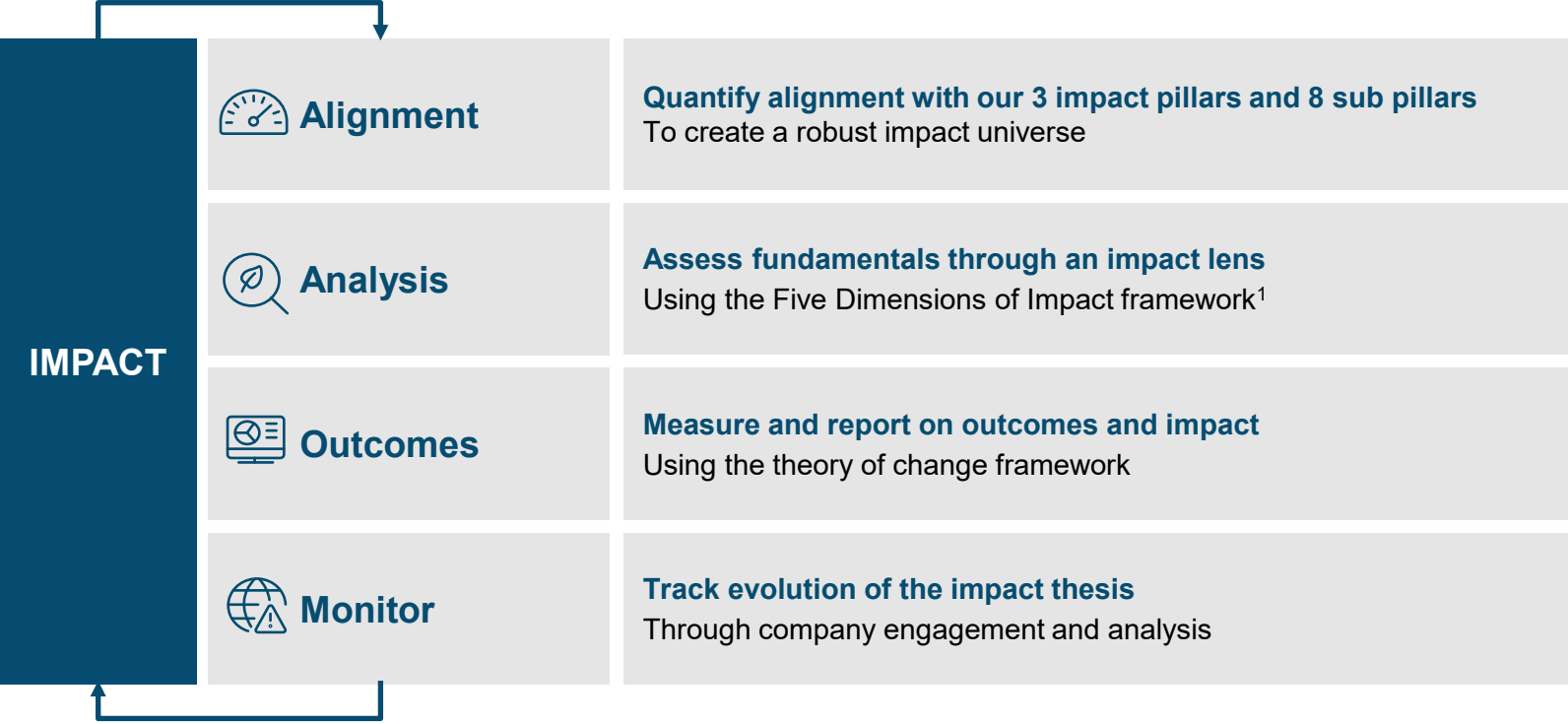
- Focus on medium to long term earnings, cash flows and returns
- Exploitation of market's short termism and growth myopia
- Identify stocks with mis-priced durability or economic return improvement

## Valuation

- Cash flow-based approach as a preferred metric
- Absolute and relative valuation approach built into risk control
- Minimum 5-year forecast horizon



# Measuring Impact



Impact measurement is multi-dimensional and complex. Bringing together intentionality and impact materiality, is best served by in-depth analysis of **the present**, together with measurement of **outcomes**, as time and data allow.



<sup>1</sup>The Five Dimensions of Impact is a measurement framework developed by the Impact Management Project, an impact practitioner community of over 2,000 organizations. The IMP is a project by Bridges Fund Management Ltd (company number 10401079) (“Bridges”).

# Impact Measurement Case Study—Linde

## Alignment

Linde is an industrial gas company that is an important enabler of the energy transition. Linde enables customers to reduce their carbon footprint by improving efficiency in manufacturing. The company is also a key global innovator in green hydrogen and carbon capture and storage (CCS) technology.

## Impact Analysis

### What is the goal?

Accelerate the transition to a lower-carbon future through innovation in green hydrogen and carbon capture, as well as decarbonizing heavy industries.

### Who is affected?

The Planet

### How much change is happening?

In 2021, Linde's customer applications **mitigated 90m MT** of CO<sub>2</sub>e, more than twice the impact of the company's carbon footprint. Linde has established a goal of reducing GHG intensity by 35% by 2028 and climate neutrality by 2050.

### Contribution

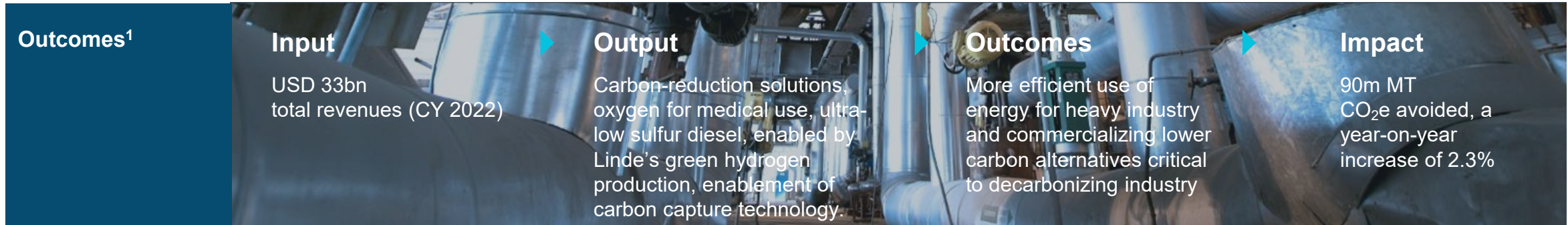
Multiple innovations in CCS and carbon reduction technologies. In 2021, Linde announced production of the largest Proton Exchange Membrane (PEM) electrolyzer in Germany for green hydrogen production. In 2022, it announced a larger project in New York that would double its green hydrogen capacity in the US.

### Risk

Linde's long-term contribution will vary based on the commercial viability of green hydrogen. Product safety must be consistently monitored, while Linde's carbon emissions of 39m MT CO<sub>2</sub>e have to be offset against its positive impact.

## Key Performance Indicators (KPI)

Customer carbon emissions mitigated (in metric tons of CO<sub>2</sub> equivalent)



<sup>1</sup> Source: 2022 Sustainable Development Report.

The specific security identified and described is for informational and illustrative purposes only and does not represent recommendations.

<http://www.un.org/sustainabledevelopment/sustainable-development-goals>.

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# Impact Measurement Case Study—Tomra Systems

## Alignment

Tomra Systems is a key enabler of the circular economy by promoting waste collection and recycling. TOMRA's largest operating segments include collection solutions via its reverse vending machines for drink containers and the manufacture of sensor-based sorting machines for the food industry which optimize processing and reduce waste.

## Impact Analysis

### What is the goal?

Reduction of waste, environmental consequences and reliance on virgin materials, primarily as a result of the c1.4 trillion drinks containers produced each year.

### Who is affected?

The Planet

### How much change is happening?

In 2022, Tomra's technology enabled the collection of 45 billion containers. The company set a revised goal of 500 billion containers collected pa and a 2030 target of doubling the CO<sub>2</sub>e enabled by its products in use.

### Contribution

The company is a circular economy champion, directing capex and innovation towards its primary recycling mission, while extending its business into new resource productivity ventures. The company has begun to report impact in its annual report, a positive evolution and example for peers.

### Risk

The rollout of reverse vending machines relies on government policy while the market value of recycled materials is volatile, creating economic risk for the company.

## Key Performance Indicators (KPI)

Customer carbon emissions mitigated (in metric tons of CO<sub>2</sub> equivalent)



<sup>1</sup> Source: 2022 annual report.

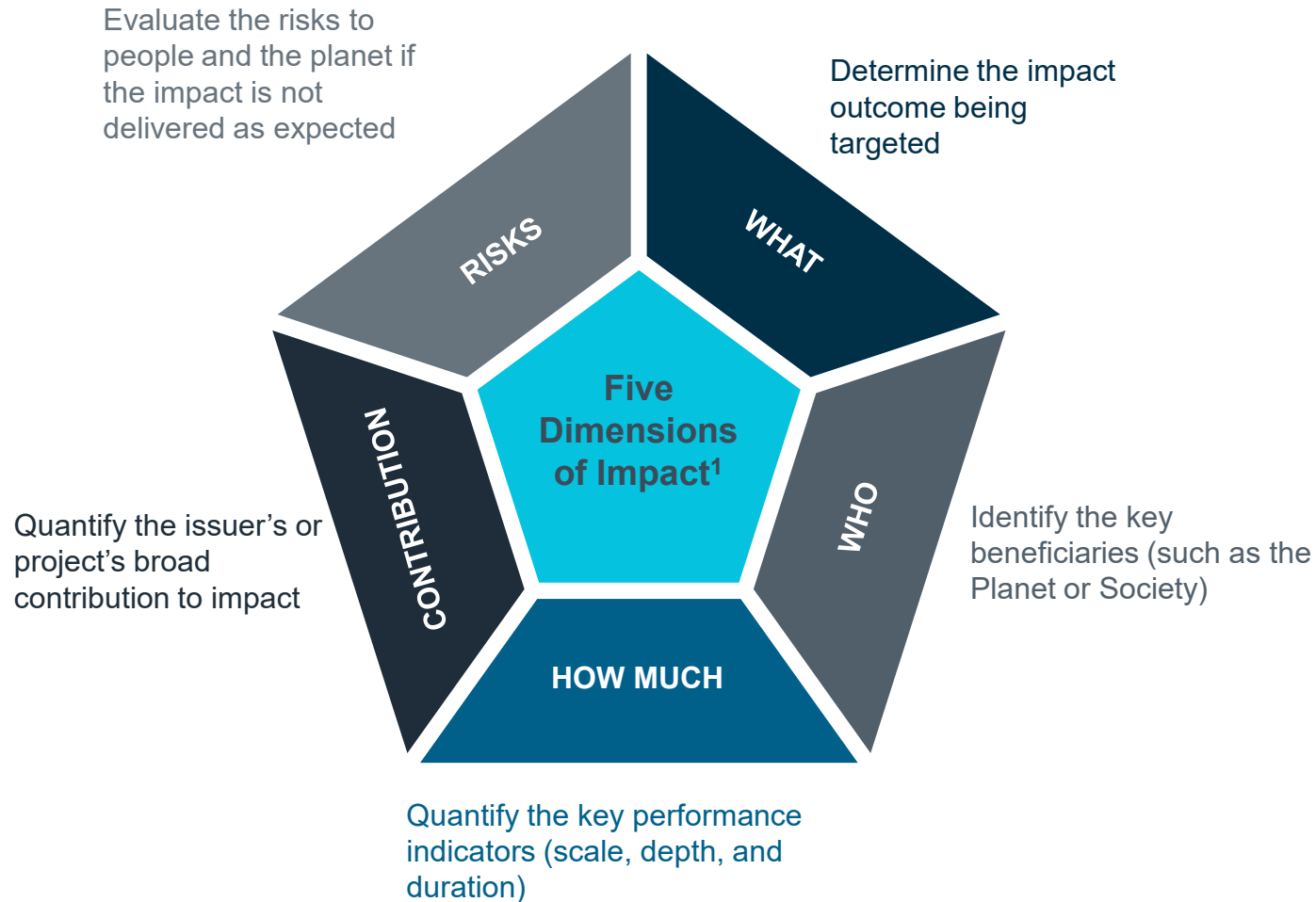
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# Impact Analysis—Going Deeper on Alignment and Outcomes

## The Five Dimensions of Impact<sup>1</sup>



## The Theory of Change

### INPUT

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

### OUTPUT

Products or services which 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 Five Dimensions of Impact is a measurement framework developed by the Impact Management Project, an impact practitioner community of over 2,000 organizations. The IMP is a project by Bridges Fund Management Ltd (company number 10401079) ("Bridges").

# Measuring Companies' Contribution to Solutions

## PRESSURE POINTS

### Energy Use in Buildings

represents **17.5%** of total global emissions, on par with the Transports industry<sup>1</sup>.



### Annual Plastic Production and Waste

has increased more than **2X** over the past 20 years. In 2019, only **9%** of plastic waste was ultimately recycled and almost **72%** went to sanitary landfills and/or uncontrolled dumpsites<sup>3</sup>.



### CO<sub>2</sub>e Emissions from Steel Production

accounts for **7%–9%** of global direct emissions from the use of fossil fuels<sup>5</sup>.



## SOLUTIONS

### Energy-efficient indoor climate comfort products

Nibe's customers reduced their emissions by **470,000 MT of CO<sub>2</sub>e** in 2022 by replacing their old heating systems with Nibe's heat pumps<sup>2</sup>.



### Alternative Composite Decking

Trex recycled **337M lbs of plastic** and **673M lbs of wood**, mitigating 161,000 MT of CO<sub>2</sub>e emissions<sup>4</sup>.



### Construction Equipment Rental Services

**204,400 MT** of steel production avoided due to Ashtead's rental services leading to the mitigation of 490,500 MT of CO<sub>2</sub>e (a benefit factor of 1.7 unit)<sup>6</sup>.



<sup>1</sup> Source: Hannah Ritchie and Max Roser (2020). "CO<sub>2</sub> and Greenhouse Gas Emissions.

<sup>2</sup> Source: T. Rowe Price estimate. <sup>3</sup> Source: OECD (2022), Global Plastics Outlook: Economic Drivers, Environmental Impacts and Policy Options.

<sup>4</sup> Source: Trex 2022 annual report, 2022 ESG report. Impact estimated by Net purpose.

<sup>5</sup> Source: Climate change and the production of iron and steel public policy paper, World Steel Association 2021.

<sup>6</sup> Source: Net Purpose estimates for 2022.

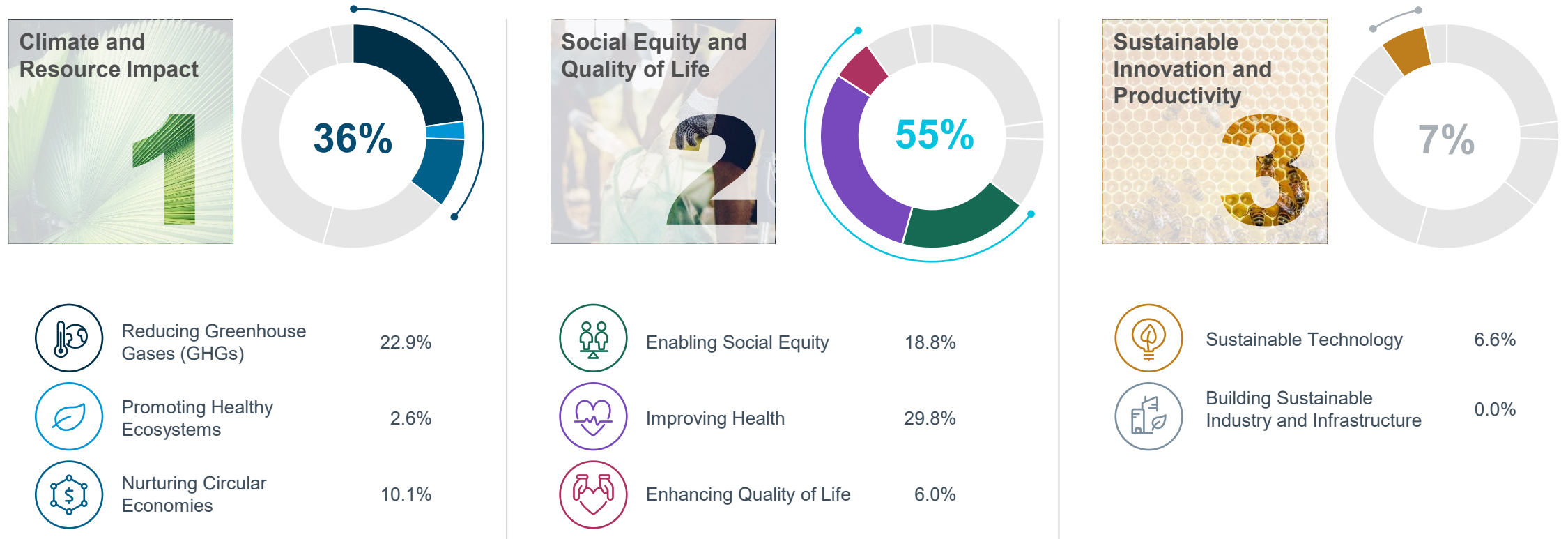
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# Positioning by Impact Sub-pillar

As of 30 June 2023

## Global Impact Equity Representative Portfolio



Numbers may not total due to rounding.

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

Source: T. Rowe Price uses a proprietary custom structure for impact pillar and sub-pillar classification.

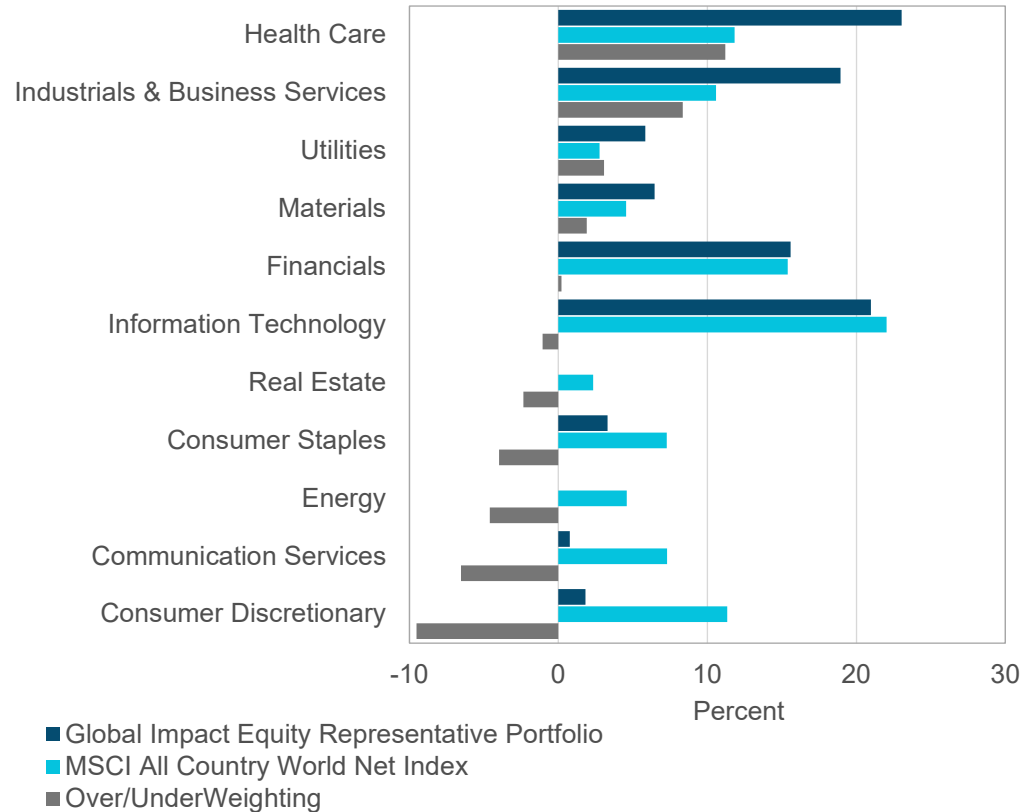
Cash weight was 3.3% as at 30 June 2023.

# Positioning by Sector and Region

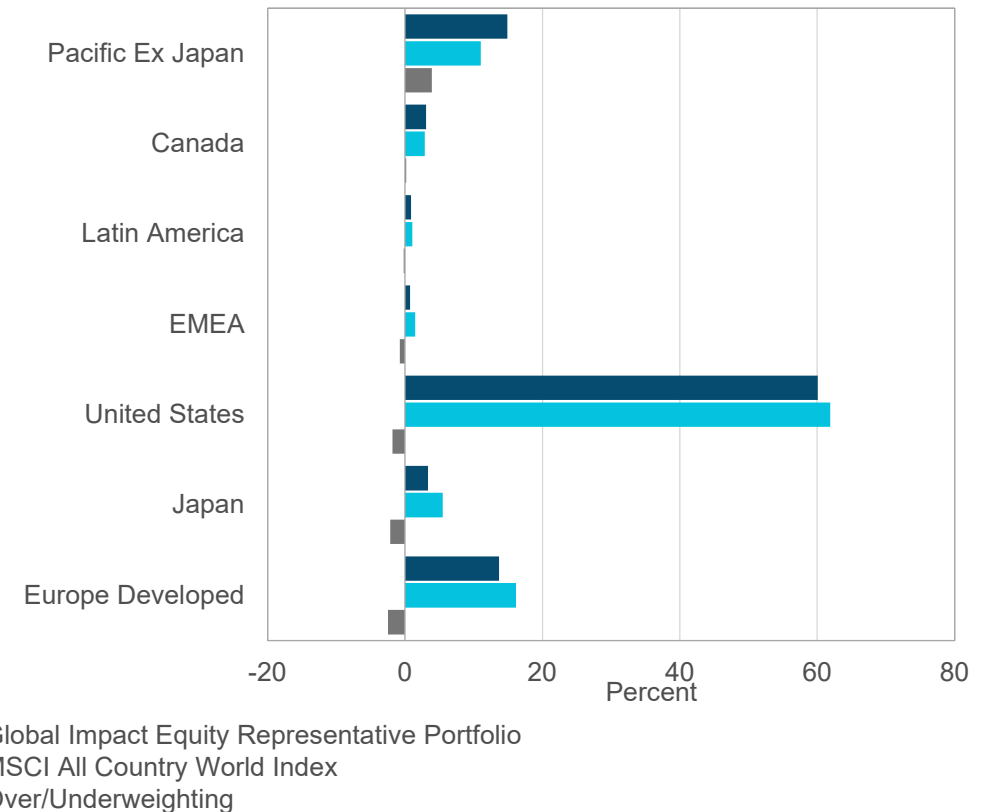
As of 30 June 2023

## Global Impact Equity Representative Portfolio vs. MSCI All Country World Index Net

### Relative Sector Weights



### Relative Region Weights




The representative portfolio is an account in the composite we believe most closely reflects current portfolio management style for the strategy. Performance is not a consideration in the selection of the representative portfolio. The characteristics of the representative portfolio shown may differ from those of other accounts in the strategy. Please see the GIPS® Composite Report for additional information on the composite. Numbers may not total due to rounding.

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# 10 Largest Active Positions

## Global Impact Equity Representative Portfolio

As of 30 June 2023

Company	% of Fund	% of Index <sup>1</sup>	% Active Position	Impact Pillar	Sub Pillar	Impact Activity	Impact Thesis	Primary UN SDG
Roper Technologies	2.8%	0.1%	2.7%	Social Equity & Quality of Life	Improving health	Providing health care solutions	Roper Technologies delivers impact through their portfolio companies' engineered products and solutions that help optimize environmental and social outcomes.	
Linde	2.9	0.3	2.6	Climate & Resource Impact	Reducing GHGs	Decarbonisation & carbon capture	Linde is an important 'enabler' of the energy transition. It enables its customers to avoid & reduce their own carbon footprints by improving efficiency in manufacturing processes and is also a key enabler of green hydrogen and carbon capture & storage (CCS) technologies.	
Hubbell	2.2	<0.1	2.2	Climate & Resource Impact	Reducing GHGs	Increasing energy efficiency	Hubbell is a large industrial compounder with more than 50 brands under 2 segments which manufacture utility and electrical solutions supporting the residential and non-residential construction, industrial, and utility applications, primarily in the US market.	
HDFC Bank	2.1	0.0	2.1	Social Equity & Quality of Life	Enabling social equity	Financial inclusion	HDFC Bank is a leading financial services company which is increasing financial inclusion in India with retail & SME customers accounting for 66.7% of the loan book. The bank's lending to these sectors helps enable economic growth and reduction in domestic and international financial inequalities with c. 240 million adults in Indian remaining unbanked.	
Waste Connections	2.2	0.1	2.1	Climate & Resource Impact	Reducing greenhouse gases (GHGs)	Reducing methane & other GHGs	Waste Connections has a strong impact thesis focused on mitigating & recovering methane emissions from putrescible municipal landfill waste. Also, WCN provides non-hazardous solid waste collection, transfer and disposal services, along with recycling and resource recovery.	
Intuit	2.3	0.2	2.1	Social Equity & Quality of Life	Enabling social equity	Financial inclusion	Intuit promotes financial inclusion with products oriented toward personal finance solutions and supporting SMEs. Specifically, Credit Karma meaningfully helps consumers improve their FICO scores and Intuit software reduces cost of access of financial products and access to SMEs.	
Eli Lilly and Co	2.6	0.6	2.0	Social Equity & Quality of Life	Improving health	Providing health care solutions	Eli Lilly and Co portfolio of approved products drives impact for c.51m patients worldwide across >100 countries today. The company has particularly significant impact in diabetes, a disease affecting >400m and resulting in 1.5m deaths annually worldwide.	
ASML Holding	2.5	0.5	2.0	Sustainable Innovation & Productivity	Sustainable technology	Innovative software & technology	ASML Holding creates impact through its lithography equipment, which is responsible for a critical step in semiconductor manufacturing and thus enables downstream semiconductor innovation.	
Synopsys	2.1	0.1	2.0	Sustainable Innovation & Productivity	Sustainable technology	Innovative software & technology	Synopsys delivers impact through innovation and advanced node chip manufacturing which is a major driver of global technology advancement, allowing for better outcomes in healthcare (e.g. compute power for R&D, chips in healthcare technology), climate (e.g. adoption of cloud and EVs), connectivity, education, and financial inclusion, among others.	
NextEra Energy Partners	2.0	0.0	2.0	Climate & Resource Impact	Reducing GHGs	Decarbonisation & carbon capture	NextEra Energy Partners is one of the largest producers of renewable energy in the U.S. NEP currently owns & operates 9.3 GW of renewable capacity. The company operates an industry-leading portfolio of wind, solar and battery storage assets and 100% of power generated comes from clean or renewable resources which supports the decarbonization of the power sector in the US.	

<sup>1</sup> MSCI All Country World Index Net

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Source: T. Rowe Price uses a proprietary custom structure for impact pillar and sub-pillar classification. Impact thesis sourced from T. Rowe Price



# Impact Investment Team

As of 30 June 2023

## Impact Portfolio Management Teams

						
<b>Hari Balkrishna</b> Portfolio Manager (London)	<b>Chris Vost, CFA</b> Team Analyst (London)	<b>David Rowlett</b> Portfolio Manager (Baltimore)	<b>Kaoutar Yaiche</b> Analyst (Baltimore)	<b>Matt Lawton</b> Portfolio Manager (Baltimore)	<b>Willem Visser</b> Associate Portfolio Manager (London)	<b>Ellen O'Doherty</b> Associate Analyst (London)
Global Impact Equity	Global Impact Equity	US Impact Equity	US Impact Equity	Global Impact Credit	Global Impact Credit	Global Impact Credit
<ul style="list-style-type: none"> <li>18 years of investment experience</li> <li>13 years with T. Rowe Price</li> <li>M.B.A., Harvard Business School</li> </ul>	<ul style="list-style-type: none"> <li>11 years of investment experience</li> <li>8 years with T. Rowe Price</li> <li>M.Sc., University of St. Andrews</li> </ul>	<ul style="list-style-type: none"> <li>19 years of investment experience</li> <li>14 years with T. Rowe Price</li> <li>M.B.A., Kenan-Flagler Business School</li> </ul>	<ul style="list-style-type: none"> <li>2 years of investment experience</li> <li>2 years with T. Rowe Price</li> <li>M.B.A., Stanford Graduate School of Business</li> </ul>	<ul style="list-style-type: none"> <li>16 years of investment experience</li> <li>12 years with T. Rowe Price</li> <li>M.B.A., Georgetown University</li> </ul>	<ul style="list-style-type: none"> <li>11 years of investment experience</li> <li>6 years with T. Rowe Price</li> <li>M.Sc., University of Amsterdam</li> </ul>	<ul style="list-style-type: none"> <li>3 years of investment experience</li> <li>3 years with T. Rowe Price</li> <li>B.Sc., London School of Economics and Political Science</li> </ul>

Support the Portfolio Management Team to identify, analyze, and integrate Impact and ESG considerations most likely to have a material impact on an investment's performance

**42** ESG dedicated full-time investment resources

- **Maria Elena Drew**  
Director of Research, Responsible Investing
- **Tongai Kunorubwe**  
Head of ESG Fixed Income
- **Suha Read**  
General Manager
- **Joe Baldwin**  
Financials, Real Estate
- **Gregg Bragg**  
Consumer
- **Matthew Lodge**  
Snr Business Analyst
- **Dylan Cotter**  
Municipals, Securitized
- **Ashley Hogan**  
Technology, Media & Telecom
- **Natalie McGowen**  
Sovereigns
- **Francesco Buonocore**  
Industrials
- ▲ **Clarice Hung**  
Generalist
- **Donna Anderson**  
Governance
- ▲ **Iona Richardson**  
Consumer, Technology, Media & Telecom
- **Daniel Ryan**  
Health Care
- **Matt Kleiser**  
Generalist
- **Duncan Scott**  
Natural Resources
- **Michael Ray**  
Snr Business Analyst
- **Jocelyn Brown**  
Governance

- Baltimore Associate
- London Associate
- ▲ Hong Kong Associate

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# Global Impact Equity Composite Portfolio Risks

## Risks – the following risks are materially relevant to the portfolio:

- **Country (China)** – Chinese investments may be subject to higher levels of risks such as liquidity, currency, regulatory and legal risks due to the structure of the local market.
- **Currency** – Currency exchange rate movements could reduce investment gains or increase investment losses.
- **Emerging markets** – Emerging markets are less established than developed markets and therefore involve higher risks.
- **Small and mid-cap** – Small and mid-size company stock prices can be more volatile than stock prices of larger companies.
- **Stock Connect** – Stock Connect is subject to higher regulatory, custody, and default risks as well as liquidity risk and quota limitations.

## 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.

# Why T. Rowe Price Impact Investing?



## Depth & Breadth of Resources

- Platform collaboration, covering a broad opportunity set across credit sectors
- Proprietary screening models to identify companies that deliver positive environmental or social impact
- Proprietary frameworks for assessing the credibility of stocks, corporate bonds, securitized, and sovereign ESG-labelled bonds
- Deep experience and expertise in ESG integration and responsible investing

**Cross asset collaboration, combined with proprietary screening models help identify high-impact investments**



## Committed Impact Measurement & Engagement

- Investing in high impact-aligned securities, not limited to green bonds in the credit space
- Active engagement programs to promote and progress our impact thesis
- We hold every Impact investment to a high standard and have robust reporting to measure Impact
- Active management with a forward-looking perspective on Impact outcomes

**In-depth Impact screening and engaging helps to ensure materiality, measurability, and additionality**



## Risk Managed Portfolio Construction

- Diversified portfolio of global impact aligned investments
- Calibrate positions based on conviction level and risk diversification characteristics
- Leveraging our extensive research platform to uncover attractive bottom-up opportunities

**Risk-aware, conviction-driven portfolio enables controlled tracking error**













# Thank You



# 11-20 Largest Active Positions

## Global Impact Equity Representative Portfolio

As of 30 June 2023

Company	% of Fund	% of Index <sup>1</sup>	% Active Position	Impact Pillar	Sub Pillar	Impact Activity	Impact Thesis	Primary UN SDG
Axis Bank	2.0%	<0.1%	2.0%	Social Equity & Quality of Life	Enabling social equity	Financial inclusion	Axis Bank is a large private sector bank in India looking to increase financial inclusion in India with retail & SME customers accounting for 68% of the loan book. The bank's lending to these sectors helps enable economic growth and reduction in financial inequalities.	
PG&E	2.0	<0.1	2.0	Climate & Resource Impact	Reducing GHGs	Decarbonisation & carbon capture	PG&E electric T&D infrastructure is helping to enable the rollout of renewable power capacity in California and is therefore helping to enable the decarbonization of the power sector in the US. PG&E is also helping to enable the electrification and decarbonisation of the transport, industry, and buildings sectors in the state.	
Thermo Fisher Scientific	2.3	0.3	1.9	Social Equity & Quality of Life	Improving health	Providing health care solutions	Thermo Fisher Scientific delivers significant impact in healthcare by a) enabling biopharma innovation & life sciences research and b) advancing precision medicine. TMO acts as a "one stop shop" for its biopharma clients seeking to develop new therapeutics, providing both products and outsourcing services that span the entire spectrum of drug development and manufacturing.	
Ball	1.9	<0.1	1.9	Climate & Resource Impact	Nurturing circular economies	Recycling	Ball is positively contributing to the circular economy. Its beverage containers have a high recycled content (>60% recycled content) and as such, it is helping to reduce the extraction of additional natural resources and is helping to reduce the amount of waste that goes to landfills.	
AIA Group	2.1	0.2	1.9	Social Equity & Quality of Life	Enhancing quality of life	Protection solutions	AIA Group delivers significant social impact by providing a financial safety net for its >41m individual policyholders and >17m group insurance scheme members across life, accident & health, savings and employee benefits products. As one of the largest life and health insurer in Asia, AIA can help people "live healthier, longer, better lives" at unparalleled scale.	
Brookfield Renewable Partners	1.9	0.0	1.9	Climate & Resource Impact	Reducing greenhouse gases (GHGs)	Decarbonisation & carbon capture	Brookfield Renewable Partners is a pure-play solar, wind & hydro electricity provider, generating zero carbon electricity across multiple geographies. It is therefore helping to decarbonize the power sector.	
OneMain Holdings	1.8	0.0	1.8	Social Equity & Quality of Life	Enabling social equity	Financial inclusion	OneMain Holdings offers auto loans and personal loans primarily to non-prime customers who have limited access to credit. OMF's emphasis on financial advancement and success for customers (every customer gets a personalized budget plus access to financial literacy resources) differentiates it from other lenders targeting underserved communities and helps reduce financial inequalities within the United States.	
Darling Ingredients	1.8	<0.1	1.8	Climate & Resource Impact	Nurturing circular economies	Recycling	Darling Ingredients is one of the oldest rendering companies in the world and its rendered products are sold as animal feed, food for human consumption, and bioenergy. Additionally, its 50/50 JV with VLO (Diamond Green Diesel, or DGD) produces renewable diesel – a low-carbon diesel replacement that utilizes animal fats from the rendering process as feedstock.	
Becton Dickinson & Company	1.9	0.1	1.8	Social Equity & Quality of Life	Improving health	Providing health care solutions	Becton Dickinson & Company business consists of products and solutions that form the backbone of healthcare worldwide – this includes products such as collection tubes, catheters and syringes. In supporting effective treatment, these products create meaningful impact for patients – BD's Durable Core touches 90% of people treated in U.S. hospitals.	
Zoetis	1.9	0.1	1.8	Social Equity & Quality of Life	Improving health	Companion & animal health	Zoetis derives c.65% of its revenues from products used for companion animals (principally dogs and cats). More than half of the global population is estimated to have a pet at home and there are 500m dogs and cats in the US, EU and China.	

<sup>1</sup> MSCI All Country World Index Net

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

The specific securities identified and described do not represent all of the securities purchased, sold, or recommended for portfolio, and no assumptions should be made that the securities identified and discussed were or will be profitable.

Issuers are as of the date indicated and are subject to change. Numbers may not total due to rounding. Please see Additional Disclosures page for information about this MSCI information.

Source: T. Rowe Price uses a proprietary custom structure for impact pillar and sub-pillar classification. Impact thesis sourced from T. Rowe Price.

# Holdings by Impact Sub-pillar

## Global Impact Equity Representative Portfolio

As of 30 June 2023

Impact Pillar	Climate and Resource Impact 36%			Social Equity and Quality of Life 55%			Sustainable Innovation and Productivity 7%	
Sub Pillar	Reducing Greenhouse Gases (GHGs) 22.9%	Promoting Healthy Ecosystems 2.6%	Nurturing Circular Economies 10.1%	Enabling Social Equity 18.8%	Improving Health 29.8%	Enhancing Quality of Life 6.0%	Sustainable Technology 6.6%	Building Sustainable Industry and Infrastructure 0.0%
	Linde Hubbell Waste Connections Brookfield Renewable Partners PG&E Nextera Energy Partners Schneider Electric Solaredge Technologies Ingersoll-Rand Trane Technologies Trimble Rockwool Tesla Atlassian Monolithic Power Systems Nibe Industrier	Badger Meter Mueller Water Products	Keyence Ball Darling Ingredients IDEX Ashtead Tomra Systems Docusign Trex	Intuit HDFC Bank Axis Bank Bank Central Asia Capitec Bank Holdings Chailease OneMain holdings BDO Unibank Shopify Bright Horizons Family Solutions Kanzhun HubSpot NU Holdings Ltd/Cayman Islands	Roper Technologies Thermo Fisher Scientific Intuitive Surgical UnitedHealth Group Danaher Dsm-Firmenich Kerry Group Becton Dickinson & Company Eli Lilly and Co Zoetis Agilent Technologies Veeva Systems Stryker Daiichi Sankyo Sartorius Hamamatsu Photonics AstraZeneca Evotec	AIA Group Fortinet MSA Safety HDFC Life Insurance	ASML Holding Synopsys Taiwan Semiconductor Manufacturing	

The Identity of certain securities has been concealed to protect the portfolio's interests. The specific securities identified and described do not represent all of the securities purchased, sold, or recommended for portfolio, and no assumptions should be made that the securities identified and discussed were or will be profitable.

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Source: T. Rowe Price uses a proprietary custom structure for impact pillar and sub-pillar classification.

Cash weight was 3.3% as of 30 June 2023.

# Portfolio Characteristics

As of 30 June 2023

	Global Impact Equity Representative Portfolio	MSCI All Country World Index Net
Number of Issuers	64	2,850
Number of Markets	19	48
EPS Growth Rate (Current Fiscal Year) <sup>1,2,3</sup>	11.8%	6.5%
Price to Earnings (Current Fiscal Year) <sup>1,2,3</sup>	24.3X	21.2X
Price to Book (trailing) <sup>2</sup>	5.1X	4.4X
Return on Equity (Current Fiscal Year) <sup>2,3</sup>	14.7%	18.5%
Investment-Weighted Median Market Capitalization (Millions USD)	37,067	93,811
Investment-Weighted Average Market Capitalization (Millions USD)	94,394	439,678
% of Portfolio in Top 20 Issuers	43.9%	24.5%
Predicted Beta <sup>2,3,4</sup>	1.02	1.00
Predicted Tracking Error <sup>3,4</sup>	3.70%	0.00%

<sup>1</sup> Source I/B/E/S © 2023 Refinitiv. All rights reserved.

<sup>2</sup> Statistics are investment-weighted median unless otherwise noted.

<sup>3</sup> These statistics are based on the portfolio's underlying holdings and are not a projection of future portfolio performance. Actual results may vary.

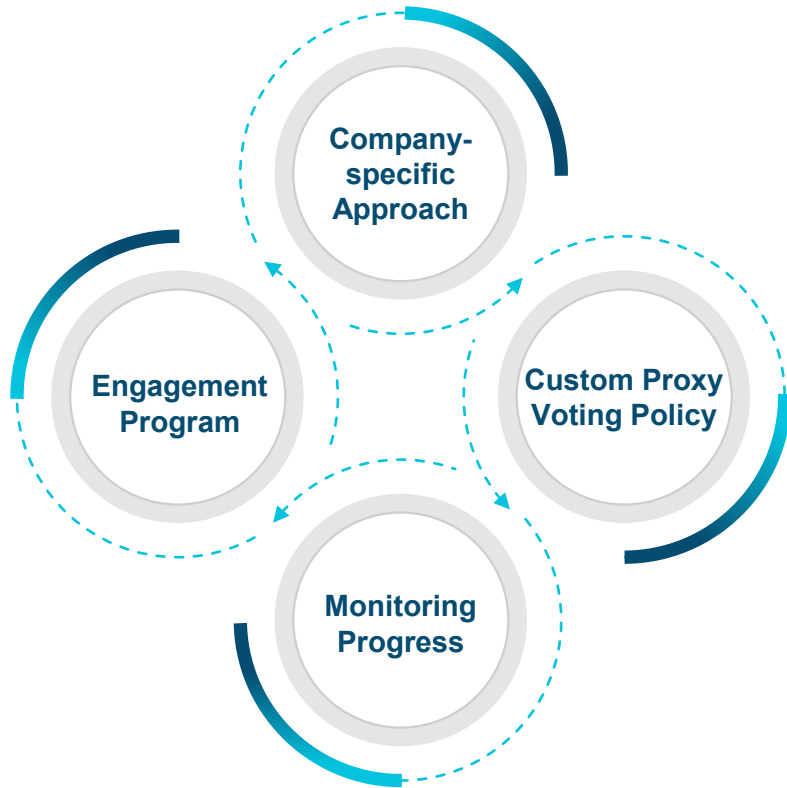
<sup>4</sup> BARRA, Inc.'s analytics and data (mscibarra.com) were used in the preparation of this report. Copyright 2023, BARRA, Inc. All rights reserved.

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# Impact Through Active Ownership



We commit to using our **scale and resources** to **promote and progress** the impact agenda.





# Engagement example – Waste Connections(2q23) – Reducing Greenhouse Gases



## Company Description

Waste Connections is the third largest waste management company in North America. It provides non-hazardous solid waste collection, transfer, and disposal services, along with recycling and resource recover. Its primary impact comes from the mitigation and recovery of methane emissions from landfill putrescible municipal landfill waste.

## Engagement Objective

We engaged with Waste Connections on decarbonization and its net zero strategy.



## Impact Pillar

Climate & Resource Impact

## Impact Sub-Pillar

Reducing Greenhouse Gases

## Engagement Focus

Environment, Impact

## Participants

Waste Connections: Chief Financial Officer; EVP, Engineering & Sustainability; Director of Finance  
T. Rowe Price: Responsible Investing Analyst

## Engagement Outcome

- Waste Connections has a good decarbonization strategy and a strong impact thesis focused on reducing methane and other greenhouse gases (GHGs) from landfill waste. The key takeaways from our meeting included the following:
  - Landfill waste management:** Two thirds of the company's landfills generate methane emissions from putrescible municipal waste; of these around 55% have a methane recovery system installed. The company operates at above regulatory minimum standards and is above peers in methane recovery and conversion. It installs gas collection systems and recovery wells as soon as new sites are acquired, utilizes robotics at its recycling facilities, and contains gas with temporary covers until gas recovery becomes possible.
  - Decarbonization:** About 65% of its emissions come from fugitive gases from operating landfills (scope 1<sup>1</sup>). The company has targets by 2033 focused on waste recycling, biogas, and leachate recovery. It has also set new targets to reduce scope 1-2 emissions 15% by the same timeframe, and to continuously reduce its scope 1-2 emissions intensity (per sales) each year until 2033. We gave positive feedback on the new targets, which are also intended to be certified by the Science-Based Targets initiative (SBTi) once a methodology is finalized.
  - Electrification of the truck fleet:** Diesel trucks account for 10-12% of the company's total emissions, and electric trucks are currently 12% of the fleet as utilized in one market. Waste Connections has high-level electrification plans and has not yet defined clear targets. While we suggested it set up defined milestones, the company thinks it is premature to make any strong commitments when the medium-to-long term electrification pathway/outlook for trucks is unclear.
  - Net zero:** Achieving net zero is extremely challenging for the waste management industry, and the company does not currently believe it will reach net zero in the foreseeable future. Challenges are structural, in particular for municipal waste landfill operators, as well as related to a lack of a commonly defined decarbonization framework and emission calculation methodology for the landfill industry. That said, the company offset carbon emissions through several services they provide (sequestration, recycling, biogas recovery, alt vehicle emissions).
  - Biodiversity:** We gave feedback that disclosure here is relatively weaker vs. other material environmental topics. While the company demonstrates some levels of preparedness to biodiversity risks through a series of high-level initiatives, we suggested it improve disclosures with a clearer overview of its actions and impact on land-use and biodiversity.
- The engagement allowed us to provide feedback on the company's decarbonization strategy and net-zero outlook. In terms of steps, we will monitor Waste Connections' additional disclosure on biodiversity (target: 1 year) as well as its commitment to the SBTi.

T. Rowe Price uses a proprietary custom structure for impact pillar and sub-pillar classification. The specific securities identified and described are for informational purposes only and do not represent recommendations.

<sup>1</sup> Scope 1 (direct emissions from owned or controlled sources), scope 2 (indirect emissions from the generation of purchased electricity, steam, or cooling), scope 3 (all other indirect emissions).

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