

T.RowePrice®

# Global Impact Credit Strategy

2022 ANNUAL IMPACT REPORT



Sustainability With Substance™

Issued October 2023.

FOR INVESTMENT PROFESSIONALS ONLY. NOT FOR FURTHER DISTRIBUTION.

## **IMPORTANT INFORMATION:**

### **Aggregated Report**

This impact report is based on the representative portfolio of the Global Impact Credit 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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# Sharpening Our Focus on Engagement and Outcomes

Reflecting on developments in the initial phase of the Global Impact Credit Strategy's life, what comes to the forefront of my mind is something that remains: namely, the shortfall of investment needed to address the world's social and environmental challenges.

The United Nations (UN) estimates that USD 5 to 7 trillion of investment is needed annually to meet its Sustainable Development Goals (SDGs) by 2030. In a recent report, the UN concluded that the SDGs are in "grave jeopardy," underscoring the need for further commitment from both private and public markets.<sup>1</sup>

In 2022, we reinforced and amplified a core impact principle: additionality. Our team pursues additionality through two distinct channels: capital allocation and engagement. By providing direct capital to issuers financing discrete environmental and social projects, we aim to contribute toward measurable positive impact. Our experience over the past year also emphasized the value of engagement—our interactions with companies that can help them both define and accelerate their journey toward positive impacts. It's been hugely encouraging how receptive companies have been to our feedback. We intend to intensify our engagement efforts going forward, with an even sharper focus on outcomes.

Impact measurement and reporting is vital to this endeavor. We aim to be transparent and comprehensive in our approach, adapting our frameworks as impact standards and awareness evolve.

Throughout the year, we engaged with several companies around sustainable finance frameworks, providing them with our thoughts on where to focus and prioritize eligible projects, informed by our own impact and environmental, social, and governance (ESG) bond frameworks. We broadened the scope of engagements beyond corporates and now include sovereign and supranational debt issuers, with the support of our broader investment platform.

Investing in thematic bond opportunities has been a highlight, notably through the World Bank's Wildlife Conservation Bond, which links impact and financial incentives tied to the population growth of the black rhinoceros population in select South African parks. We are actively seeking opportunities that incorporate more of these innovative approaches toward impact, alongside their financial return objectives.

On the more challenging side, greenwashing remains an issue, attracting increasing attention from the media and regulators alike over the course of the year. Scrutiny is healthy for upholding standards, and while there is a narrative of ESG and impact backlash, the reality we see on the ground is very different: We see an expanding and diversifying market, with companies accelerating investment in environmental and social impact projects supported by engaged and responsive capital markets. The future looks bright.

We are delighted to present the 2022 Global Impact Credit Annual Report, marking the end of a fruitful first phase for the strategy. I am genuinely grateful for everyone who continues to support us in this journey—my colleagues and partners across T. Rowe Price as well as our clients who have entrusted us to pursue impact and financial returns. We remain deeply committed to pushing for the highest impact standards in our investment decisions.

<sup>1</sup> The Sustainable Development Goals Report 2022.

The specific securities identified and described are for informational purposes only and do not represent recommendations. See Additional Disclosures for more information.



**Matt Lawton, CFA**  
Portfolio Manager,  
T. Rowe Price Global  
Impact Credit Strategy



We aim to be transparent and comprehensive in our approach, adapting our frameworks as impact standards and awareness evolve.

# About Global Impact Credit

The breadth, depth, and liquidity that credit markets can provide give investors the opportunity to access a wider variety of impact opportunities, while also providing issuers with requisite capital to concurrently finance their operations and invest in long-term impact goals.

The Global Impact Credit Strategy seeks to have a positive impact on the environment and society whilst at the same time seeking to increase the value of its shares through both growth in the value of, and income from, its investments in global fixed income credit securities over a full market cycle.

## Why T. Rowe Price Global Impact Credit?



### DEPTH & BREADTH OF RESOURCES

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



### COMMITTED IMPACT RESEARCH, MEASUREMENT & ENGAGEMENT

In-depth impact analysis and engagement help to ensure materiality, measurability, and additionality



### RISK-MANAGED PORTFOLIO CONSTRUCTION

Risk-aware portfolio management promotes controlled tracking error

Impact investing is a natural extension of environmental, social, and governance investing.

## The Four Components of Our Impact Investing Charter



### MATERIAL

We base our inclusion criteria on an issuer's activities and their alignment with clearly defined impact pillars, always accounting for dimensions of positive future change.



### MEASURABLE

We quantify outcomes individually and collectively where possible as we translate impact intentionality into a measurement framework.



### ADDITIONAL

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



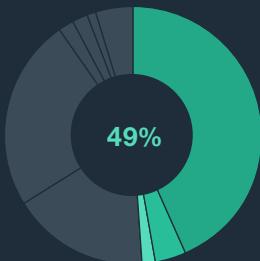
### RESILIENT

In an era of disruption and extreme outcomes, positive change has to be durable. Learning, patience, and collaboration will be key in pursuing good client outcomes.

# Portfolio Positioning

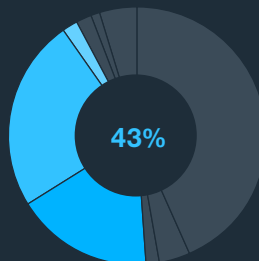
## Portfolio by Impact Pillar and Sub-pillar\*

### Climate and Resource Impact



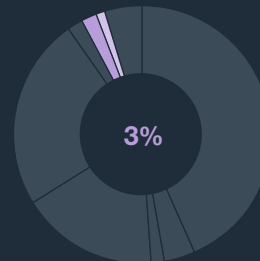
- 43.6% Reducing Greenhouse Gases
- 3.8% Promoting Healthy Ecosystems
- 1.7% Nurturing Circular Economies

### Social Equity and Quality of Life



- 17.2% Enabling Social Equity
- 24.0% Improving Health
- 2.1% Enhancing Quality of Life

### Sustainable Innovation and Productivity

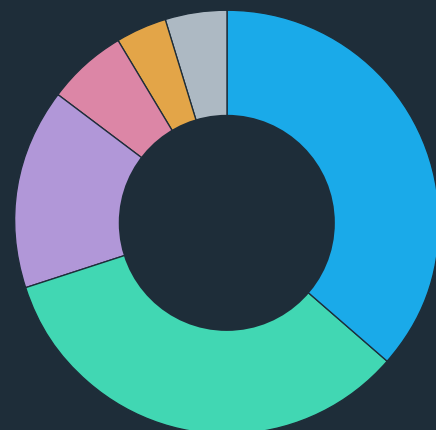


- 1.8% Sustainable Technology
- 1.1% Building Sustainable Industry and Infrastructure

## Portfolio by Primary UN SDGs\*



## Portfolio by Bond Classification



- 36.5% Non-labeled Bonds
- 33.6% Green Bonds
- 15.3% Sustainability Bonds
- 6.1% Social Bonds
- 3.8% Sustainability-Linked Bonds
- 4.7% Cash and Equivalents

\*Balance of allocation (4.7%) is held in cash

Source for images: 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. Data shown for the T. Rowe Price Global Impact Credit representative portfolio as of December 31, 2022. Subject to change without notice. Figures may not total due to rounding. **See Additional Disclosures for more details on the representative portfolio.**

Pillars are proprietary to T. Rowe Price and were developed for the purpose of aligning portfolio holdings according to the impact being delivered.

# Portfolio by Primary United Nations Sustainable Development Goals



- International Bank for Reconstruction and Development
- Truist Financial



- AstraZeneca
- Avantor
- Becton Dickinson
- Cedars-Sinai
- Centene
- Children's Hospital of Philadelphia
- CVS Health
- Danaher
- Eli Lilly
- European Investment Bank
- Health Care Service
- Hikma
- Humana
- Kaiser Foundation Hospitals
- Memorial Sloan-Kettering
- Molina Healthcare
- Mount Sinai Hospital
- Novartis
- Organon
- Rady Children's Hospital
- Revvity
- STERIS
- Sutter Health
- Thermo Fisher
- UnitedHealth
- Zoetis



- Xylem



- Adani Renewable Energy
- BNP Paribas
- Colbun
- Energias De Portugal
- Enel Chile
- Enel Finance America
- Eurogrid

- Hannon Armstrong
- Iberdrola International
- InterChile
- International Finance
- Mercedes-Benz
- NextEra Energy
- Pattern Energy

- RTE
- San Diego Gas
- Southern Cal Edison
- Standard Chartered
- Terraform



- AIA
- Allied Irish Bank
- CaixaBank

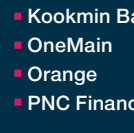


- Aptiv
- Bangkok Bank
- Telefonica



- American Express
- Banco Sabadell
- Banco Santander
- Bank Rakyat Indonesia

- BBVA Bancomer
- BPCE
- Cooperative Rabobank
- Credit Agricole



- Kookmin Bank
- OneMain
- Orange
- PNC Financial Services



- Aedifica
- Alexandria Real Estate
- ASML
- Bank of Ireland
- Boston Properties
- Fifth Third Bancorp

- Healthpeak Properties
- Infineon
- ING
- Intesa Sanpaolo
- Kilroy Realty
- Kimco Realty

- LEG Immobilien
- NatWest
- NXP
- Realty Income
- SELP Finance



- Autodesk
- Darling Ingredients
- Republic Services
- Roper Technologies
- Smurfit Kappa



- Carrier Global
- Dana
- FedEx
- Ford

- General Motors
- Johnson Controls
- LeasePlan



- Mueller Water Products



- Celulosa Arauco y Constitucion
- IBRD
- Munich Re
- PG&E



- Fortinet



SUSTAINABLE DEVELOPMENT GOALS

Data shown for the representative portfolio as of December 31, 2022. Subject to change without notice. See Additional Disclosures for more details on the representative portfolio.

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

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# Select Holdings by Region

We research a global universe of securities to construct a diverse portfolio with holdings from across the world. A selection of the portfolio<sup>1</sup> is illustrated on the map below and the following page. The specific securities listed are shown to illustrate the breadth of coverage of the UN SDGs in each of the regions.

## U.S.



### RADY CHILDREN'S HOSPITAL

**Pillar:** Social Equity and Quality of Life  
**Sub-pillar:** Improving Health  
**Impact Activity:** Providing Health Care Solutions



### REVVITY

**Pillar:** Social Equity and Quality of Life  
**Sub-pillar:** Improving Health  
**Impact Activity:** Providing Health Care Solutions



### TRUIST FINANCIAL

**Pillar:** Social Equity and Quality of Life  
**Sub-pillar:** Enabling Social Equity  
**Impact Activity:** Meeting Basic Needs/Affordable Housing



### KILROY REALTY

**Pillar:** Climate and Resource Impact  
**Sub-pillar:** Reducing Greenhouse Gases  
**Impact Activity:** Increasing Energy Efficiency

## Americas ex-U.S.



### CELULOSA ARAUCO

**Pillar:** Climate and Resource Impact  
**Sub-pillar:** Promoting Healthy Ecosystems  
**Impact Activity:** Protecting Air, Land, and Water



### ENEL CHILE

**Pillar:** Climate and Resource Impact  
**Sub-pillar:** Reducing Greenhouse Gases  
**Impact Activity:** Decarbonization and Carbon Capture



### COLBUN

**Pillar:** Climate and Resource Impact  
**Sub-pillar:** Reducing Greenhouse Gases  
**Impact Activity:** Decarbonization and Carbon Capture

<sup>1</sup> See Portfolio by Primary United Nations Sustainable Development Goals on previous page for a full list of portfolio holdings as of December 31, 2022 and important disclosure. T. Rowe Price uses a proprietary custom structure for impact pillar and sub-pillar classification.



## Europe



### EUROPEAN INVESTMENT BANK

**Pillar:** Social Equity and Quality of Life

**Sub-pillar:** Improving Health

**Impact Activity:** Providing Health Care Solutions



### LEASEPLAN

**Pillar:** Climate and Resource Impact

**Sub-pillar:** Reducing Greenhouse Gases

**Impact Activity:** Decarbonization and Carbon Capture



### INFINEON TECHNOLOGIES

**Pillar:** Climate and Resource Impact

**Sub-pillar:** Reducing Greenhouse Gases

**Impact Activity:** Increasing Energy Efficiency

## Asia



### BANK RAKYAT INDONESIA

**Pillar:** Social Equity and Quality of Life

**Sub-pillar:** Enabling Social Equity

**Impact Activity:** Financial Inclusion



### AIA

**Pillar:** Social Equity and Quality of Life

**Sub-pillar:** Enhancing Quality of Life

**Impact Activity:** Protection Solutions



### BANGKOK BANK

**Pillar:** Sustainable Innovation and Productivity

**Sub-pillar:** Building Sustainable Industry and Infrastructure

**Impact Activity:** Enabling Enterprise Growth

## Africa and Middle East



### IBRD

**Pillar:** Social Equity and Quality of Life

**Sub-pillar:** Enabling Social Equity

**Impact Activity:** Meeting Basic Needs/Affordable Housing



### HIKMA

**Pillar:** Social Equity and Quality of Life

**Sub-pillar:** Improving Health

**Impact Activity:** Providing Health Care Solutions



### INTERNATIONAL FINANCE CORPORATION

**Pillar:** Climate and Resource Impact

**Sub-pillar:** Reducing Greenhouse Gases

**Impact Activity:** Increasing Energy Efficiency

# Measuring Impact and Outcomes

## Impact Due Diligence—Five Dimensions Framework

A key part of our impact due diligence is defining 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.

| WHAT   | HOW MUCH  | WHO  | CONTRIBUTION  | RISKS   |
|--|---|--|---|---|
| <b>Determine</b> the impact outcome being targeted | <b>Quantify</b> the scale, depth, and duration of outcome experienced by the stakeholders | <b>Identify</b> the beneficiaries—people or planet | <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 |

## Impact Measurement—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 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

<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 (IMP). See Glossary for Details on KPIs.

# Impact Outcomes

Securities in which the portfolio invests delivered positive outcomes across many areas of impact. We primarily measure impact at both the company and project levels; however, we aggregate these data points across companies where available. Here, we present the estimation of short-term outcomes as well as long-term impact delivered by a sample of companies we invest in

(representing approximately 61% of assets under management as of December 31, 2022), using annual reports as well as third-party impact estimations.

The data include 2022 information as the majority of issuers have now released financial reports for that year. Where 2022 data are not available, we have used 2021 data.

## Climate and Resource Impact



**309 million**

**Metric tons of CO<sub>2</sub>e avoided from GHG emissions**

EQUIVALENT TO 69 MILLION GAS CARS DRIVEN FOR ONE YEAR

Johnson Controls, LeasePlan, Enel Finance America, Southern California Edison, Energias De Portugal



**1.1 billion**

**Gallons of water saved**

EQUIVALENT TO 1,681 OLYMPIC-SIZE SWIMMING POOLS

Mueller Water Products, Alexandria Real Estate, Hannon Armstrong



**1.4 million**

**Megawatt hours of energy saved**

EQUIVALENT TO 123,120 HOMES' ENERGY USE FOR ONE YEAR

Bank of Ireland, Intesa Sanpaolo, Healthpeak Properties, Boston Properties



**15,478**

**Gigawatt hours of green energy generated**

EQUIVALENT TO 3,050 WIND TURBINES RUNNING FOR A YEAR

IBRD, Pacific Gas and Electric, San Diego Gas and Electric



**15.5 million**

**Square meters of green buildings**

EQUIVALENT TO 866,000 FOOTBALL (SOCCER) FIELDS

ING Groep



**7.5 million**

**Megawatts of installed renewable capacity**

EQUIVALENT TO 643 BILLION SMARTPHONES CHARGED

Colbun, NextEra Energy, RTE Reseau de Transport d'Electricite, Adani Renewable Energy, Terraform



**629,691**

**Hectares of forest area protected**

EQUIVALENT TO 23 MILLION TENNIS COURTS

Celulosa Arauco y Constitucion, Smurfit Kappa, IBRD



**137.4 billion**

**Tons of materials processed/recycled**

EQUIVALENT TO 20 MILLION TRUCKS OF WASTE RECYCLED INSTEAD OF LANDFILLED

Darling Ingredients, FedEx

## Outcomes per USD 1 million invested in use-of-proceeds bonds



**657.3**

Tons of CO<sub>2</sub>e  
avoided  
from GHG  
emissions  
per year



**53.8**

Megawatts  
of renewable  
energy  
capacity  
added



**1,051**

Gigawatt  
hours per  
year of  
renewable  
electricity  
generation



**538**

Square  
meters of  
certified  
green  
building  
assets



**21.4**

Megawatt  
hours of  
energy saved



**376.5**

Cubic meters  
of water  
saved

## Social Equity and Quality of Life



**172,147**

**Jobs created**

Bank Rakyat Indonesia,  
Caixabank



**1.1 million**

**Small and medium-  
sized enterprises  
financed**

Credit Agricole, Standard  
Chartered



**529 billion**

**USD in loans to small  
and medium-sized  
enterprises originated**

BBVA Bancomer, BPCE,  
Bangkok Bank



**1.1 billion**

**Patients treated/  
supported/served**

AstraZeneca, Eli Lilly,  
Organon, Cedars-Sinai Health  
System, Children's Hospital of  
Philadelphia



**66,168**

**Affordable/social  
housing beneficiaries**

Allied Irish Bank, American  
Express, Truist Financial, LEG  
Immobilien



**131,386**

**Loans to underbanked  
customers**

CaixaBank, Kookmin Bank



**417,000**

**Procedures/surgeries/  
transplants performed**

Memorial Sloan-Kettering  
Cancer Center, Thermo Fisher  
Scientific



**5.9 million**

**Newly financially  
educated population**

Banco de Sabadell, Banco  
Santander, Cooperatieve  
Rabobank

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. As companies get better at measuring and reporting impact, we expect these data points to become more precise.

Individual company results may vary significantly and may not achieve the same level of impact in the future.

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.

# 1

## Climate and Resource Impact

The risks relating to climate change and the potentially life-altering effects on our planet remain arguably the most pressing for us to address as impact investors, and indeed for each of us as individuals. While the increasing threat from rising carbon emissions and other greenhouse gases (GHGs) are well documented, fossil fuel consumption and the resulting emissions have continued to increase. Limiting the increase in the global temperature to well below 1.5°C is increasingly being modeled by segments of the scientific community, revealing that we need collective and intensified efforts to address climate change risks, including increased, targeted investment in climate mitigation and adaptation efforts. We align our investments across three sub-pillars, targeting specific environmental outcomes:



### Reducing Greenhouse Gases

This has consistently been the single largest sub-pillar within the portfolio since inception. It is comprised of companies and projects supporting climate mitigation that aim to reduce GHG emissions, including renewable energy generation and interconnection; clean transportation; as well as real estate and building technology companies driving improved energy efficiency in buildings.



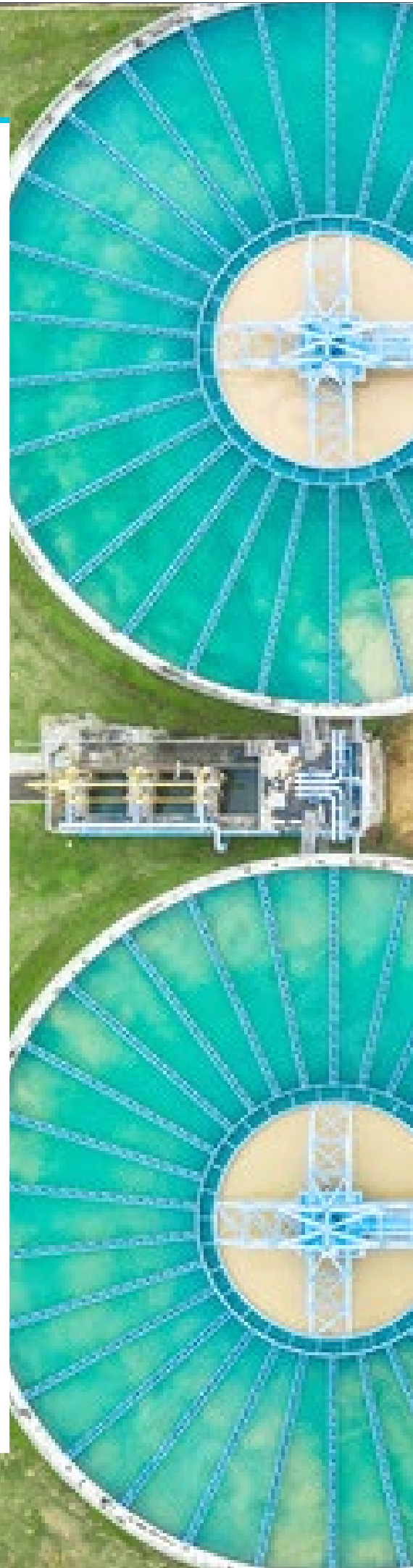
### Promoting Healthy Ecosystems

This sub-pillar is broadly represented across development banks supporting biodiversity projects; water technology companies delivering clean, safe drinking water; as well as pulp and paper companies financing forest conservation initiatives.



### Nurturing Circular Economies

Here we focus predominantly on companies whose business models promote a circular economy by eliminating waste and pollution, preserving materials, and enhancing renewable resources. Issuer focus on technologies and processes that promote reuse and repurposing of materials that would otherwise go to waste or end up as landfill.



# Johnson Controls

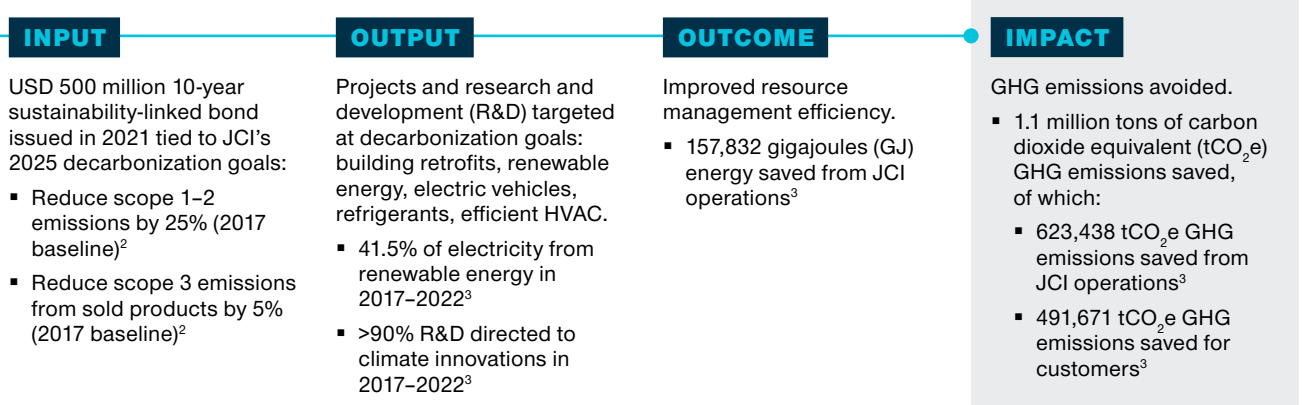
## Pressure Point

Heating, Ventilation and Air Conditioning (HVAC) consumption represents approximately 12% of final energy use worldwide, which is on par with that of passenger cars.<sup>1</sup>

## Impact Thesis

Johnson Controls (JCI) manufactures energy-efficient heating, ventilation, and air conditioning (HVAC) and transport refrigeration systems. These improve energy efficiency and reduce emissions for residential and commercial real estate. JCI's sustainability-linked bond will support its own decarbonization as well as the development of new, innovative products to help its customers achieve their net zero goals.

## Impact Journey



### INPUT

USD 500 million 10-year sustainability-linked bond issued in 2021 tied to JCI's 2025 decarbonization goals:

- Reduce scope 1-2 emissions by 25% (2017 baseline)<sup>2</sup>
- Reduce scope 3 emissions from sold products by 5% (2017 baseline)<sup>2</sup>

### OUTPUT

Projects and research and development (R&D) targeted at decarbonization goals: building retrofits, renewable energy, electric vehicles, refrigerants, efficient HVAC.

- 41.5% of electricity from renewable energy in 2017-2022<sup>3</sup>
- >90% R&D directed to climate innovations in 2017-2022<sup>3</sup>

### OUTCOME

Improved resource management efficiency.

- 157,832 gigajoules (GJ) energy saved from JCI operations<sup>3</sup>

### IMPACT

GHG emissions avoided.

- 1.1 million tons of carbon dioxide equivalent (tCO<sub>2</sub>e) GHG emissions saved, of which:
  - 623,438 tCO<sub>2</sub>e GHG emissions saved from JCI operations<sup>3</sup>
  - 491,671 tCO<sub>2</sub>e GHG emissions saved for customers<sup>3</sup>

<sup>1</sup> Source: Energy Reports, December 2021.  
<sup>2</sup> Source: Johnson Controls Sustainable Finance Framework September 2021.  
<sup>3</sup> Source: Johnson Controls Sustainability Report 2023.

# Enel Chile

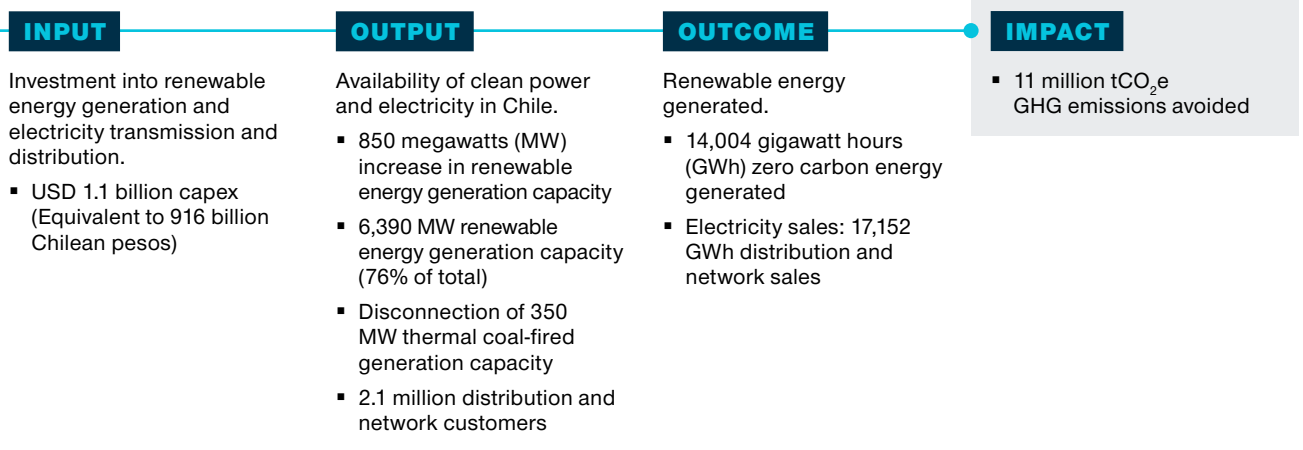
## Pressure Point

Reducing GHG emissions from the power sector, as well as enabling the electrification and decarbonization of the wider economy, is paramount in helping mitigate climate change. Chile's energy policy has evolved dynamically in recent years, emphasizing the country's shift from fossil fuel generation toward renewable energy.

## Impact Thesis

Enel Chile's growing portfolio of solar and wind generation provides zero carbon power in Chile and is helping to decarbonize the country's power sector. Its transmission network enables electrification in the wider economy, bringing renewable generation to the grid and decarbonizing the industrial, transport, and residential sectors.

## Impact Journey



### INPUT

Investment into renewable energy generation and electricity transmission and distribution.

- USD 1.1 billion capex (Equivalent to 916 billion Chilean pesos)

### OUTPUT

Availability of clean power and electricity in Chile.

- 850 megawatts (MW) increase in renewable energy generation capacity
- 6,390 MW renewable energy generation capacity (76% of total)
- Disconnection of 350 MW thermal coal-fired generation capacity
- 2.1 million distribution and network customers

### OUTCOME

Renewable energy generated.

- 14,004 gigawatt hours (GWh) zero carbon energy generated
- Electricity sales: 17,152 GWh distribution and network sales

### IMPACT

11 million tCO<sub>2</sub>e GHG emissions avoided

Source: Enel Chile Group 2022 Annual Report.

# Wildlife Conservation Bond—The “Rhino Bond”

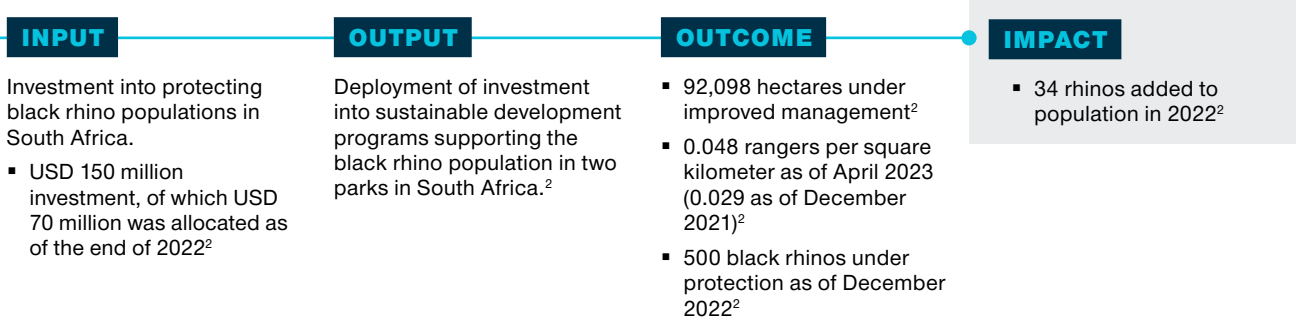
## Pressure Point

The conservation of biodiversity and ecosystems faces an estimated annual financing gap of up to USD 800 billion.<sup>1</sup> Black rhinos play a crucial role in Africa’s ecosystems and local economies; however, they are critically endangered due to poaching and loss of habitat.

## Impact Thesis

The World Bank’s Wildlife Conservation Bond (Rhino Bond) is a sustainable development bond directly channeling funds to conservation outcomes, specifically by targeting black rhino populations in South Africa. The primary impact focuses on improving biodiversity, with a secondary impact directed to improved education and job training.

## Impact Journey



<sup>1</sup>Source: The World Bank Conservation Bond Case Study, March 2022.  
<sup>2</sup>Source: The World Bank Conservation Bond Operation Report June 2023.

# Mueller Water

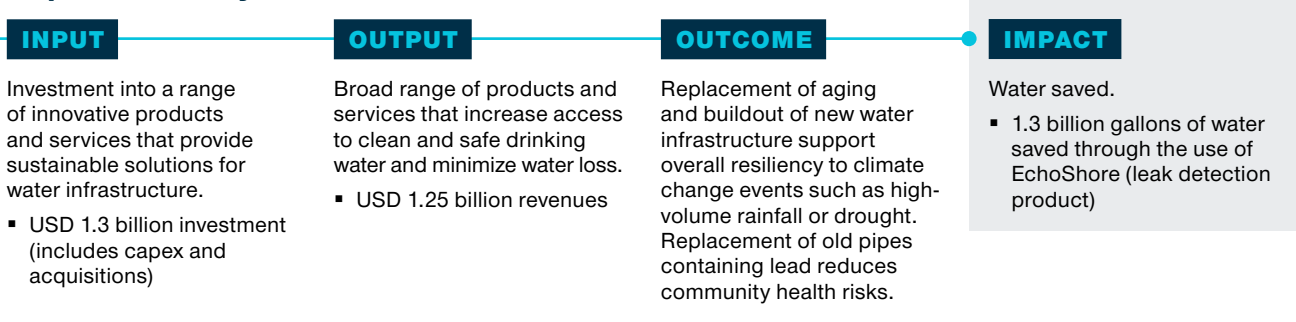
## Pressure Point

The impacts of climate change will be profound to the water cycle, with some regions seeing water demand outstrip supply and other regions experiencing extreme weather events, such as elongated droughts and or storm related flooding.

## Impact Thesis

Mueller Water Products helps municipalities deliver clean, safe drinking water to hundreds of millions of people.

## Impact Journey



Source: Mueller Water Products, Inc. 2022 ESG Report.

# Smurfit Kappa

## Pressure Point

As the demand for packaging increases with global population growth, it's vital that the industry transitions toward end-to-end, circular solutions that are recyclable, biodegradable, and produced from renewable sources.

## Impact Thesis

Smurfit Kappa (SKG) creates innovative and sustainable paper-based packaging solutions for its customers and operates a circular business that influences the whole packaged goods value chain. The majority of the green bond proceeds will focus on circular economy projects, while a small portion will be dedicated to sustainable forest management.

## Impact Journey

### INPUT

- USD 512 million of investment related to reclamation and recycling of used fibers as well as the facilities that produce packaging solutions from recycled feedstock
- USD 61 million investment in sustainable forest management

### OUTPUT

- Production of more sustainable packing solutions—packaging from recycled feedstock and packaging that is recyclable
- Management of certified forestland (100% of SKG forests are FSC/PEFC\* certified)

### OUTCOME

- Using post-consumer waste as a feedstock diverts waste from landfill
- SKG's products substitute for fossil fuel-based plastic consumer packaging
- 22,593 hectares of protected, natural forest that is rich in biodiversity and will not be harvested

### IMPACT

- 6.5 million tons of waste avoided as used products are collected for recycling
- We estimate that 3.1 million tons of CO<sub>2</sub> are stored in SKG's protected forest areas\*\*

\*FSC = Forest Stewardship Council, PEFC = Program for the Endorsement of Forest Certification.

\*\*SKG discloses that 9.26 million tons of CO<sub>2</sub> are stored in its total forest area. Protected forest area is 22,593 hectares out of 67,373 hectares total forest area.

Note: Figures from the annual report have been converted from euros to US dollars, using EUR/USD exchange rate of 1.0705 as of 12/31/2022. Source: Smurfit Kappa Group plc Green Bond Report September 2022.

# Darling Ingredients

## Pressure Point

In the past 50 years, meat production has more than tripled and now accounts for over 340 million metric tons each year. Every kilogram of edible meat produced is estimated to generate 620 grams of animal by-product.<sup>1</sup> Recovering proteins and fat from animal by-product and other food waste/residues contributes to the circular economy, reducing GHG emissions and improving biosecurity.

## Impact Thesis

Darling Ingredients delivers impact by utilizing waste as a raw material to produce value-added products such as animal feed, food for human consumption, and bioenergy. The company's activities reduce the amount of waste going into landfill, as well as reducing GHG emissions.

## Impact Journey

### INPUT

- Investment into rendering and biodiesel infrastructure.
- USD 2.4 billion investment (includes capex and acquisitions)<sup>2</sup>

### OUTPUT

- Production of green energy, renewable diesel, fertilizer and animal meals from waste materials.
- USD 6.5 billion revenues<sup>2</sup>

### OUTCOME

- 15% of global meat industry waste converted into value-added products
- 753.3 billion gallons of renewable diesel sold in 2022
- 13.9 million tons of waste avoided<sup>2</sup>

### IMPACT

- 15.5 million tCO<sub>2</sub>e emissions mitigated\*

\*Estimated by Net Purpose 2022.

<sup>1</sup>Source: Our World in Data, August 2017.

<sup>2</sup>Source: Darling Ingredients, Inc. 2022 Sustainability Report.



# 2

## Social Equity and Quality of Life

Following the confluence of human and health crises in recent years, coupled with growing wealth inequalities, the United Nations has warned that several of its socially focused Sustainable Development Goals have regressed. We live in an age of remarkable technological progress and advancement, yet a large proportion of the global population cannot access basic services and resources. This pillar addresses these issues and broadly looks to target investment toward helping vulnerable communities. We directly address these issues through three sub-pillars:



### Enabling Social Equity

This is predominantly focused on holdings in banking and finance; in companies and projects promoting financial inclusion through affordable housing, microfinance, and small and medium-sized enterprise (SME) lending; and in companies providing credit access to discriminated populations. Other issuers enabling social equity include those providing education and job training to minority populations and those improving digital connectivity across rural communities.



### Improving Health

This sub-pillar has consistently been the second-largest exposure in the portfolio since inception. Here, we seek companies within the health care ecosystem that are improving the pace of innovation, increasing access to low-cost healthcare, or meaningfully changing patient outcomes, including not-for-profit pediatric hospitals and companies contributing to the acceleration and improvement of health response efforts following the coronavirus pandemic.



### Enhancing Quality of Life

This sub-pillar focuses on investments in businesses involved in activities that strengthen the resiliency of digital and power networks, enhancing cybersecurity, ensuring stability of power distribution, and preventing wildfires.





# CaixaBank

Social  
Bond

## Pressure Point

The coronavirus pandemic placed a significant economic burden on small and medium-sized enterprises (SMEs) in Spain. Access to financial services and credit are essential to the recovery effort, helping people to manage their lives, build their futures, grow their businesses, support job creation, and increase economic activity.

## Impact Journey

### INPUT

Financing loans tied to good health and well-being, quality education, no poverty, and decent work and economic growth.

- USD 6.7 billion social portfolio
- USD 1.1 billion social bond issued in May 2021 (100% allocated)

### OUTPUT

Loans to micro and SME businesses in Spain's most economically disadvantaged regions (either ranking in the bottom 30th percentile for household income or top 30th for unemployment).

- 307,808 loans made, totaling USD 5.3 billion
- 54,634 businesses received loans
- 220,747 loan beneficiaries in underserved populations

### OUTCOME

Capital provided to families and individuals for accessible housing, meeting basic family needs, acquisition of means of transportation, and access to education and culture.

### IMPACT

- 82,147 jobs created
- 43% of SMEs experienced a positive impact on their business
- 8 hospitals and healthcare centers funded with 2,609 hospital beds financed
- 1.2 million people benefiting from the financing granted to healthcare centers
- 4 educational centers funded with 15,445 students enrolled

Note: Figures from the annual report have been converted from euros to US dollars, using EUR/USD exchange rate of 1.0705 as of 12/31/2022.

Source: Caixabank, SA 2022 Social Bonds Impact Report.



# Kookmin Bank

Sustainability  
Bond

## Pressure Point

Micro, small, and medium-sized enterprises in emerging markets drive positive social and economic impacts by employing a majority of the population and contributing to economic growth. Yet, enterprise owners in developing countries report that access to finance is one of the most binding constraints they face. Access to credit can have a positive effect on SME and commercial borrowers and lead to job creation.

## Impact Journey

### INPUT

Financing for loans supporting SMEs, financial inclusion, and facilitating the transition to a low-carbon economy.

- USD 450 million sustainability bond issued in January 2019

### OUTPUT

Loans provided to support the production of renewable energy, microbusinesses and SMEs, and underserved communities.

### OUTCOME

- 10,266 microbusinesses and SMEs supported
- 31,020 loans provided to underbanked customers
- 2,255 MW of renewable generation capacity supported

### IMPACT

- Growth in job creation and gross domestic product across South Korea.
- 3 million tCO<sub>2</sub>e of estimated emissions avoided per annum

Source: KB Kookmin Bank 2019 Sustainable Financing Report.

# Revvity

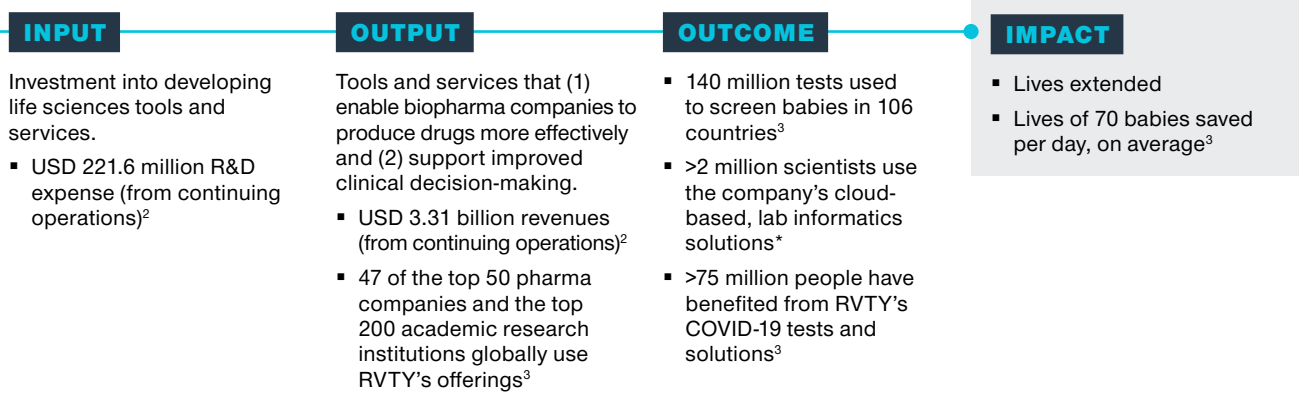
## Pressure Point

The World Health Organization estimates that one-third of the world's population (and up to half in some regions of Asia and Africa) can neither regularly receive nor purchase essential medicines. Making essential medicines and vaccines accessible and affordable is vital for promoting good health and well-being worldwide.<sup>1</sup>

## Impact Thesis

Revvity (RVTY) delivers a positive impact in health care by enabling biopharma innovation and life sciences research and by improving health care decision-making through its portfolio of diagnostics products. Revvity's products help accelerate preclinical discoveries and enable customers to deliver safe and effective therapies.

## Impact Journey



\*Note that this key performance indicator is sourced from PerkinElmer's ESG Report, which used 2021 data.  
<sup>1</sup>Source: Access to medicines: making market forces serve the poor, The World Health Organization, May 2017.  
<sup>2</sup>Source: PerkinElmer, Inc. 2022 10K.  
<sup>3</sup>Source: Revvity, Inc. 2022 ESG Report, November 2022

# Rady Children's Hospital

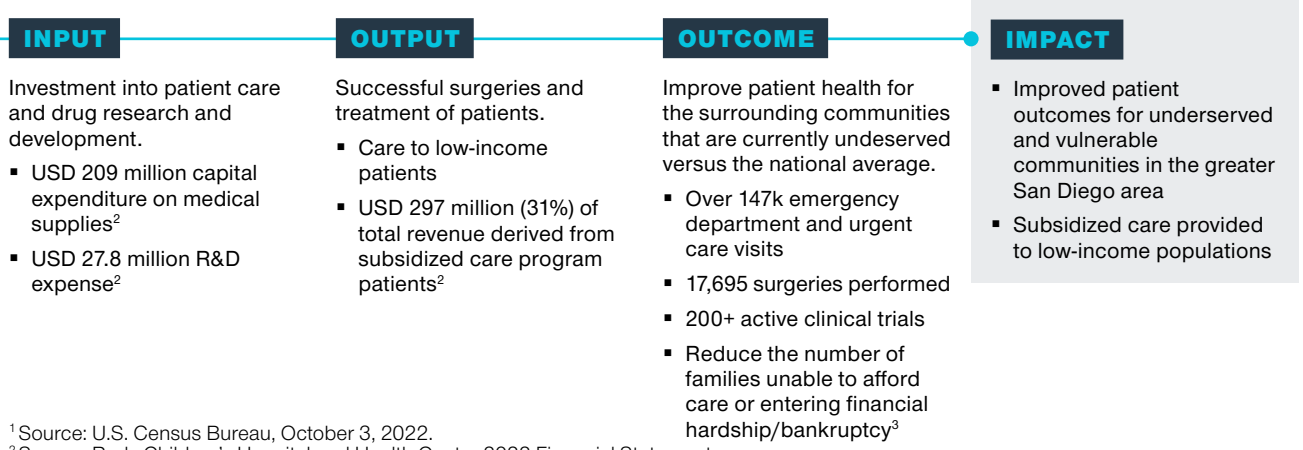
## Pressure Point

Sixteen percent of children in the U.S. live below the poverty line, making many basic health care services inaccessible for their families.<sup>1</sup> Non-profit hospitals play a vital role in trying to address such inequalities.

## Impact Thesis

Rady Children's Hospital provides health care access to otherwise underserved children, helping reduce child mortality and improve patient outcomes. By providing capital, the hospital can fund improvement projects to renovate or expand existing facilities and thus to improve the quality of care for patients and to increase health care access.

## Impact Journey



<sup>1</sup>Source: U.S. Census Bureau, October 3, 2022.  
<sup>2</sup>Source: Rady Children's Hospital and Health Center 2022 Financial Statements  
<sup>3</sup>Source: Rady Children's Hospital and Health Center Utilization Statistics Report, June 30, 2022.

# Fortinet

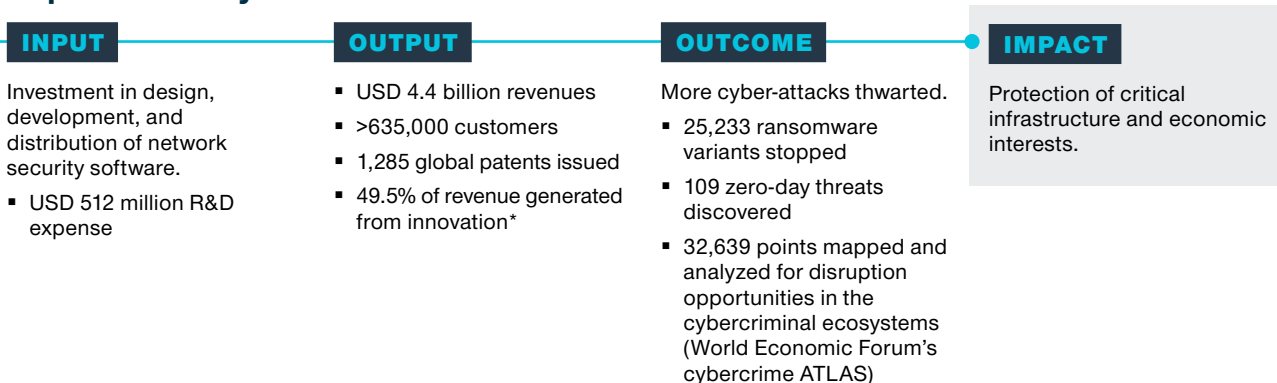
## Pressure Point

High levels of cyber insecurity have a destructive impact on a country's development. Improving cyber protection across the expanding attack surface helps organizations to enable and better protect their cloud and data center journey more efficiently.

## Impact Thesis

Fortinet delivers a positive impact by providing network security to small and medium-sized businesses, enterprises, and telecom service providers to prevent cybersecurity attacks. Fortinet is a leader in the firewall submarket within cybersecurity, specifically micro-segmentation. Additionally, its cloud-based security solutions are helping reduce the environmental footprint of its customers.

## Impact Journey



\*Represents percentage of newly commercialized hardware models, product families, and cloud-based services launched during the previous two years  
Source: Fortinet, Inc. 2022 Sustainability Report

# Pacific Gas & Electric

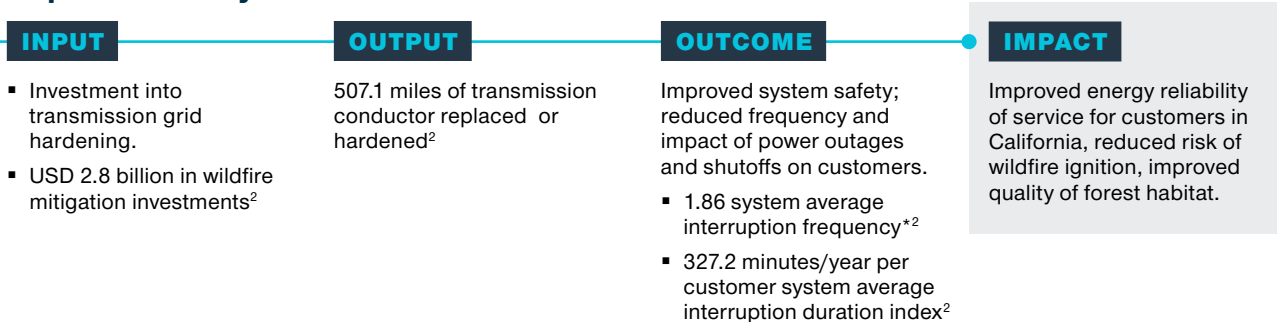
## Pressure Point

The pace and the extent of wildfire activity is increasing worldwide. From 2013 to 2022, there were an average of 61,410 wildfires and an average of 7.2 million acres impacted per year. In 2022 alone, 68,988 wildfires burned 7.6 million acres.<sup>1</sup>

## Impact Thesis

Pacific Gas & Electric's wildfire mitigation bond provides the company with capital to fund the expenses associated with wildfire prevention and risk mitigation. In turn, this will help improve the safety and reliability of service for the utility's customers.

## Impact Journey



\*The system average interruption frequency index tracks the average number of times that a system customer experiences an outage during the year. We will track and report this KPI over time to see how customer outcomes are improved.

<sup>1</sup> Source: Congressional Research Service, June 2023.

<sup>2</sup> Source: PG&E's 2023-25 Wildfire Mitigation Plan R1.

# 3

## Sustainable Innovation and Productivity

Enhancing technology has enabled significant advances in living standards and introduced remarkable possibilities for the future. It has huge potential and a major role to play in improving energy efficiency, which is vital for addressing climate change, and also in areas such as continuing to foster digital connectivity, which can have real benefits to people's lives.



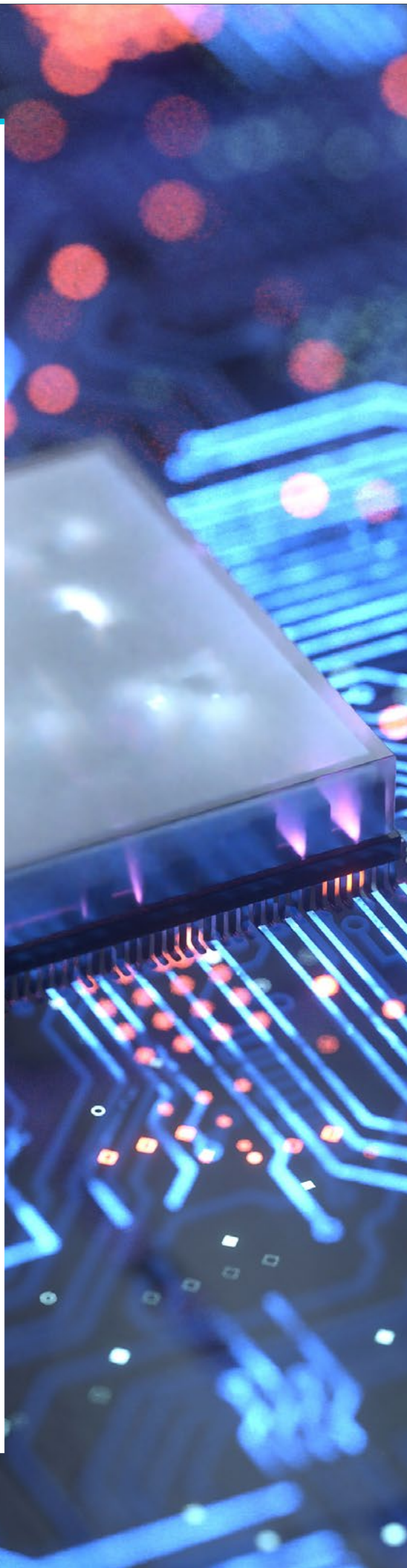
### **Sustainable Technology**

This includes automotive component manufacturers focused on vehicle electrification as well as semiconductor producers that facilitate energy efficiency and digital connections across many industries.



### **Building Sustainable Industry and Infrastructure**

Within this sub-pillar we hold a bank in Thailand that is providing a much-needed source of financing for enterprise and infrastructure in its relatively underdeveloped domestic economy.



# NXP Semiconductors

## Pressure Point

To reach net zero, there is an indisputable need to decarbonize technologies such as renewable energy and electric vehicles; semiconductors are an inextricable requirement for this. The average number of semiconductors needed for an electric vehicle can range between 5 and 10 times that of an internal combustion engine vehicle, while they perform the fundamental task of converting power from wind or solar into transmissible grid power.

## Impact Thesis

NXP's green bond is financing Research & Development (R&D) for innovation in green chips, which enable reduced energy consumption in smart buildings and 5G networks, as well as battery control and energy management solutions for electric and hybrid vehicles.

## Impact Journey

### INPUT

The USD 1 billion proceeds from the green bond will fund the R&D expense.

### OUTPUT

R&D spending to reduce energy consumption through developing chips for use in power adapters, efficient 5G networks, edge processing, and smart buildings.

### OUTCOME

Capital provided to help further develop and improve NXP's current innovative energy efficient chips.

- 5G: NXP chips offer 45% reduced electricity consumption of 5G networks
- Power adapters: NXP technology enables energy efficiency increases from 84% to 92% versus conventional technologies

### IMPACT

Energy savings at the product level.

Source: NXP Green Innovation Bond Report 2022

# Bangkok Bank

## Pressure Point

Studies have shown that corporate and consumer credit growth in emerging markets has significant positive effects on economic output by supporting investment and consumption.<sup>1</sup>

## Impact Thesis

Bangkok Bank is one of the largest commercial banks in Thailand and is enabling enterprise growth through providing financing to its 17 million customers, which increases credit access, drives job creation, and enables economic growth.

## Impact Journey

### INPUT

Financing to corporate, SME, and retail customers enabling enterprises to grow, supporting job creation, improving financial inclusion, and reducing inequalities in the regions where the bank operates.

- Thai baht (THB) 3,210 billion of deposits<sup>2</sup>

### OUTPUT

- THB 1,744 billion of loans to domestic and international corporate clients minus reported exposure to ESG-sensitive sectors<sup>3</sup>
- THB 536 billion of loans to micro and SME customers<sup>3</sup>
- THB 322 billion of loans targeting increased access to financial services for retail customers<sup>3</sup>
- Provision of financial services through 181,307 banking agents and 51,795 basic banking accounts<sup>3</sup>

### OUTCOME

Capital provided to promote financial inclusion opportunities for vulnerable groups and/or underserved populations. This enables these populations to better assimilate into the economy.

### IMPACT

- Job creation
- Contribution to Thailand's GDP

<sup>1</sup> Source: IMF 2015.

<sup>2</sup> Source: Bangkok Bank Public Company Limited 2022 Annual Report.

<sup>3</sup> Source: Bangkok Bank Public Company Limited Sustainability Report 2022.

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

T. Rowe Price Global Impact Credit Representative Portfolio

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

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



## Top 70% of Company Contributors to Portfolio Carbon Emissions and Their Weighted Intensity<sup>2</sup>

| Company                         | Industry   | Portfolio Weight (%) | Weighted Average Carbon Intensity (mtCO <sub>2</sub> e/USD 1 Million in Revenue) |
|---------------------------------|--|----------------------|--|
| Interchile                      | Utilities  | 1.09                 | 50.70  |
| Colbun                          | Independent Power and Renewable Electricity Producer | 1.12                 | 42.84  |
| NextEra Energy Capital Holdings | Utilities  | 1.21                 | 37.07  |
| Celulosa Arauco y Constitucion  | Forest Products                                      | 1.25                 | 13.45  |
| EDP Finance BV                  | Utilities  | 1.37                 | 11.26  |
| Republic Services               | Commercial Services                                  | 0.49                 | 8.78   |

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

<sup>2</sup> The portfolio's weighted average carbon intensity is the weighted average, by weight, of the total carbon emissions per USD 1 million in revenue for each of the T. Rowe Price Global Impact Credit Representative Portfolio holdings. Total carbon emissions represent total amount of scope 1 and scope 2 greenhouse gas emissions that are released by the T. Rowe Price Global Impact Credit Representative Portfolio holdings that are attributable to the percentage of ownership of the portfolio in each company. They are aggregated to give the total carbon emissions equivalent for the T. Rowe Price Global Impact Credit Representative Portfolio. This metric is grossed up using the percentage of data available to give the overall carbon footprint of the portfolio. This metric gives the T. Rowe Price Global Impact Credit Representative Portfolio exposure to carbon-intensive companies. This is the Task Force on Climate-Related Financial Disclosures-recommended metric.

The benchmark for the T. Rowe Price Global Impact Credit representative portfolio is the Bloomberg Global Aggregate Credit Index hedged to USD. Calculated by T. Rowe Price using data from Sustainalytics. Data for the T. Rowe Price Global Impact Credit Representative Portfolio as at December 31, 2022. See Additional Disclosures for more information on the sources and the representative portfolio.

# Engagement in Action

Our engagement program frequently identifies Impact and ESG targets through our impact screening and proprietary Responsible Investing Indicator Model (RIIM) analysis, governance screening, and analysts' fundamental research. ESG engagement meetings are carried out by the portfolio manager as well as analysts from our credit teams and our ESG specialists. 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.

While our normal investment research frequently includes discussions of environmental and social topics, an ESG engagement reflects a subset of our meetings where we identify ESG concerns, share our views on why they are problematic to our investment case, and request that the company address them.

In 2022, we held 69 engagements with 45 companies covering a broad array of environmental, social and governance topics. Of these 69 engagements, 27 of them focused specifically on impact investing topics, such as improved disclosure of impact measurement related data points or how the prospect of generating positive impact is influencing the company's product development.



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# Engagement Case Studies

For illustrative purposes, below we evidence our impact engagement framework based on our discussions with Banco Santander Chile, AES, and Kimco Realty. While we apply a consistent framework as these examples demonstrate, it is applicable to different scenarios and can have different outcomes.

## CASE STUDY

### Banco Santander Chile

**Impact Thesis:** Banco Santander Chile’s social bond is intended to enable social equity in Chile by financing affordable housing mortgages. These mortgages will promote financial inclusion by providing families from vulnerable populations with access to government subsidized housing.

#### Impact Pillar Alignment



#### Sub-pillar Alignment



#### UN SDG Alignment



#### Engagement Topic

Social Bond Issuance

#### OBJECTIVE

We engaged with Banco Santander Chile to discuss its inaugural, benchmark-sized social bond. Our objective was to provide feedback on Banco Santander’s social bond framework and recommend best practices to ensure financed projects are material and measurable.

#### OUTCOME

We provided the company with a number of disclosure recommendations ahead of its issuance. We recommended that Banco Santander Chile disclose the International Capital Market Association core social impact metrics related to affordable housing in post issuance impact reporting. It will also provide additional impact metric details, such as the target population of its affordable housing mortgages.

#### DIALOGUE

We engaged with Banco Santander Chile on our proprietary environmental, social, and governance bond model. In doing so, we highlighted areas to improve the bank’s social bond framework. Specifically, we recommended changes across the following areas: refinancing lookback period and enhanced impact reporting disclosures for future social bond issuance.

#### POST ENGAGEMENT

Once the social bond is issued, we will monitor whether bond proceeds have been formally dedicated toward social housing. We will assess the granularity of post-issuance reporting and verify core social impact metric disclosure. If necessary, we will look to re-engage with the company once we have reviewed its post-issuance report in 2023.

For illustrative purposes only to highlight the impact engagement process. Unless otherwise noted, data were provided by the company during the engagement or are available through company reports.

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.

# AES Corporation

**Impact Thesis:** AES Corporation is the second-fastest-growing renewables company in the U.S. The company is helping to decarbonize the power generation sector across the United States and internationally through the deployment of wind and solar renewable energy capacity and storage projects.

## Impact Pillar Alignment

**1** Climate and Resource Impact

## Sub-pillar Alignment

 Reducing Greenhouse Gases

## UN SDG Alignment

 Affordable and Clean Energy

## Engagement Topic

Renewable Strategy, Green Bond Framework, and Impact Measurement

### OBJECTIVE

We engaged with AES regarding its energy transition strategy and to provide our view on best practices for green bond frameworks and impact metrics.

### OUTCOME

Management noted that AES is on a transformation journey. It aims to be one of the largest renewable power providers in the U.S., and management confirmed that AES signed 5 gigawatts (GW) of new renewable contracts in 2021 and expects renewables will represent >50% of earnings by 2023.

Management also confirmed they are pulling all levers to shut down, convert, or sell coal generation assets. AES is committed to exit coal by 2025 and views this as important to attract new investors. The company currently has 7 GW of coal capacity.

### DIALOGUE

We recommended that AES disclose carbon emissions related impact metrics alongside renewable generation and capacity data within its green bond post-issuance reporting.

### POST ENGAGEMENT

Subsequent analysis of AES' post-issuance bond report helped confirm our impact thesis. We were happy with the standard of its reporting and impact metrics as it was supportive of our engagement with the company. Once we had also confirmed the fundamental impact story of AES, we took the decision to invest in the company in early 2023. Going forward, we will monitor the progression of the company's renewable capacity growth, solar build out, and timing of its coal exit.

For illustrative purposes only to highlight the impact engagement process. Unless otherwise noted, data were provided by the company during the engagement or are available through company reports.

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.

# Kimco Realty

**Impact Thesis:** Kimco Realty’s green bond funds green, sustainable-certified buildings, along with energy-efficient building systems and sustainable water and wastewater management systems.

## Impact Pillar Alignment

**1** Climate and Resource Impact

## Sub-pillar Alignment

 Reducing Greenhouse Gases

## UN SDG Alignment

 Sustainable Cities and Communities

## Engagement Topic

Green Bond Financing Framework, Project Allocation, Measurement

### OBJECTIVE

We undertook a second engagement with the company, following the initial engagement highlighted in our 2021 Impact Annual Report. We engaged with Kimco to provide feedback on its green bond framework and second post-issuance report, particularly as we had specific concerns with both.

### OUTCOME

In our 2021 Impact Annual Report, we highlighted that we had engaged with Kimco specifically suggesting areas of improvement, including impact reporting and materiality of proceeds allocation. We noted our intent to monitor granularity of future reporting. We found the company’s second green bond report continued lacking in the areas we highlighted. Specifically, the allocation of proceeds to green certified buildings, which carried lower energy efficiency scores coupled with a lack of hard impact metrics. We met with the company to provide feedback on the green bond framework and impact reporting and to discuss its broader environmental strategy. Throughout the discussion, we observed no discernible improvement in project allocation in terms of ambition, as well as a continued absence of hard impact metrics.

### DIALOGUE

We provided feedback on the company’s sustainability approach, green bond framework, and impact reporting. We offered specific recommendations to bring Kimco in line with global standards. We encouraged the company to consider three specific action points: to set a scope 3 emissions reduction target, to upgrade its green bond framework and impact reporting, and to engage with us on the viability of social bonds.

### POST ENGAGEMENT

Ultimately, we believed Kimco did not demonstrate sufficient progress in the materiality of the funded projects along with its impact reporting. Thus, we divested from our position.

For illustrative purposes only to highlight the impact engagement process. Unless otherwise noted, data were provided by the company during the engagement or are available through company reports.

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.

## 2022 ESG and Impact Engagements

| Company  | Month | Engagement Topic   |
|--|-------|--|
| Brixmor  | Jan   | The company's science-based emissions reduction target                         |
| Sempra Energy                                  | Jan   | The company's climate strategy   |
| HSBC   | Jan   | The company's climate strategy   |
| OneMain  | Jan   | Social bond issuance   |
| Commerce International Merchant Bankers (CIMB) | Jan   | SDG bond financing framework   |
| Danaher  | Feb   | The company's updated environmental goals                                      |
| AES Andes SA                                   | Feb   | ESG labelled bond framework and best practices                                 |
| Pacific Gas & Electric                         | Feb   | The company's preventative safety programs                                     |
| OneMain  | Feb   | Impact measurement   |
| ASML   | Feb   | The company's remuneration policies  |
| Roper Technologies                             | Feb   | Impact measurement   |
| AstraZeneca                                    | Mar   | The company's net zero strategy  |
| Autodesk                                       | Mar   | Impact measurement and ESG bond framework                                      |
| Prologis                                       | Mar   | Green bond financing framework   |
| Allied Irish Bank                              | Mar   | Social bond issuance   |
| Standard Chartered                             | Apr   | The company's climate strategy   |
| HSBC   | Apr   | The company's governance practices and policies                                |
| BNP Paribas                                    | Apr   | The company's social and governance policies                                   |
| American Express                               | Apr   | The company's governance policies  |
| Republic Services                              | May   | The company's governance policies  |
| NextEra Energy                                 | May   | The company's social policies  |
| Novartis                                       | May   | Impact strategy, measurement, and disclosure                                   |
| Prologis                                       | May   | The company's sustainability and green bond financing framework                |
| Iberdrola                                      | May   | The company's governance policies  |
| UnitedHealth Group                             | May   | The company's governance policies  |
| Xylem  | Jun   | Water efficiency, carbon savings, green bond framework, and impact measurement |
| AES  | Jun   | Renewable strategy, green bond framework, and impact measurement               |
| Standard Chartered                             | Jun   | The company's governance policies  |
| American Express                               | Jun   | ESG strategy, regulatory investigations, and Net Zero                          |
| Zoetis   | Jul   | Social practices, animal agriculture   |
| NXP Semiconductors                             | Jul   | Green bond framework and impact measurement                                    |
| Becton Dickinson and Co                        | Jul   | Impact metric disclosure   |
| Thermo Fisher Scientific                       | Aug   | Impact metric disclosure   |
| Commerce International Merchant Bankers (CIMB) | Aug   | The company's net zero strategy  |

| Company                         | Month | Engagement Topic  |
|---------------------------------|-------|---|
| <b>FedEx</b>                    | Aug   | Sustainability bond financing framework   |
| <b>Agilent Technologies</b>     | Aug   | Impact strategy and measurement   |
| <b>Revvity</b>                  | Aug   | ESG and impact strategy, reporting  |
| <b>Banco Santander Chile</b>    | Aug   | Social bond issuance  |
| <b>Roper Technologies</b>       | Aug   | Impact measurement framework  |
| <b>Ingersoll Rand</b>           | Aug   | Environmental targets   |
| <b>Zoetis</b>                   | Sep   | Impact strategy and measurement   |
| <b>Humana</b>                   | Sep   | The company's governance policies   |
| <b>Ingersoll Rand</b>           | Sep   | Impact strategy and measurement   |
| <b>Avantor</b>                  | Sep   | ESG strategy, supply chain oversight, emissions, impact additionality and reporting |
| <b>NXP Semiconductors</b>       | Sep   | DEI performance and board oversight of ESG matters                                  |
| <b>Danaher</b>                  | Sep   | Net Zero strategy, Impact strategy, measurement, and disclosure                     |
| <b>Eli Lilly &amp; Co</b>       | Oct   | The company's climate strategy  |
| <b>Thermo Fisher Scientific</b> | Oct   | Impact strategy, measurement, and disclosure  |
| <b>Darling Ingredients</b>      | Oct   | Impact strategy, measurement, and disclosure  |
| <b>Novartis</b>                 | Nov   | The company's governance policies   |
| <b>Iberdrola</b>                | Nov   | The company's sustainability strategy and targets                                   |
| <b>Republic Services</b>        | Nov   | The company's climate strategy  |
| <b>Fifth Third</b>              | Nov   | The company's net zero strategy   |
| <b>Kimco Realty</b>             | Nov   | Green bond financing framework, project allocation, measurement                     |
| <b>Standard Chartered</b>       | Nov   | Climate transition strategy in loan book  |
| <b>Colbun</b>                   | Nov   | Sustainability and green bond financing framework                                   |
| <b>Sempra Energy</b>            | Nov   | The company's climate strategy  |
| <b>AstraZeneca</b>              | Nov   | Disclosure, transparency, and improvement on access to medicines                    |
| <b>Munich RE</b>                | Nov   | The company's governance policies   |
| <b>Novartis</b>                 | Nov   | Disclosure, transparency, and improvement on access to medicines                    |
| <b>AIA</b>                      | Nov   | The company's net zero strategy   |
| <b>NatWest</b>                  | Nov   | The company's climate transition plans  |
| <b>HSBC</b>                     | Dec   | The company's climate strategy  |
| <b>Autodesk</b>                 | Dec   | Impact measurement  |
| <b>FedEx</b>                    | Dec   | The company's governance policies   |
| <b>UnitedHealth Group</b>       | Dec   | Impact strategy, measurement, and disclosure  |
| <b>American Express</b>         | Dec   | The company's remuneration policies   |
| <b>NextEra Energy</b>           | Dec   | Executive succession and climate commitments  |
| <b>Enel SpA</b>                 | Dec   | The company's decarbonization strategy  |



# Spotlight on Biodiversity in Impact Investing

The natural world is undergoing exponential deterioration,<sup>1</sup> with human activity being the principal driver.<sup>2</sup> Consequently, the rates of species loss and the decline in biodiversity are unparalleled in human history. As credit impact investors, we actively seek to direct capital into innovative impact investments that aim to address the problem. We also work with stakeholders to engage and share our views on solutions. Here, we look at the nature and magnitude of biodiversity loss and how credit impact investors can play an important role in addressing the issue.

Climate change is arguably the greatest problem humanity faces today. The myriad problems arising from a warming climate due to the burning of fossil fuels are well documented, including potentially devastating effects on human life and global ecosystems. More recently, the impact of climate change and environmental degradation on biodiversity has gained increasing attention. Research shows that 1 million species are threatened with extinction over the coming decades.<sup>3</sup>

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Biodiversity loss and climate change are closely linked. Climate change has a direct impact on biodiversity, as plants and animals struggle to adapt to the rapid changes in their habitat. This, in turn, contributes to the degradation of natural land and ocean carbon sinks, which would otherwise help to mitigate climate change risk by absorbing and withdrawing carbon from the atmosphere. Such negative feedback loops are particularly worrying.

We believe addressing climate risks directly within our investment approach is imperative. But issues like biodiversity bring an extra layer of complexity and demand a comprehensive, robust, and holistic approach to conclusively target impact.

<sup>1</sup> WWF Living Planet Report 2022—Building a nature-positive society. Almond, R.E.A., Grooten, M., Juffe Bignoli, D. & Petersen, T. (Eds). WWF, Gland, Switzerland.

<sup>2</sup> Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services (IPBES), Models of Drivers of Biodiversity and Ecosystem Change.

<sup>3</sup> IPBES Global Assessment 2019.

## Calculating the Risk of Biodiversity Loss

We believe that preserving biodiversity is essential to the long-term social and economic development of humanity and also that biodiversity loss and climate change are fundamentally interlinked twin crises. In essence, biodiversity plays a key role globally through nature-based ocean and land carbon sinks in controlling climate change—absorbing significant amounts of human-generated greenhouse gas emissions. In turn, climate change, whether through changing rainfall patterns, extreme weather events, or ocean acidification, for example, is having a materially negative impact on biodiversity.

As impact investors, we also have distinct opportunities, and an important role, to direct capital to innovative financing instruments that have direct and measurable biodiversity goals.

Efforts have also been made to calculate the impacts of biodiversity loss. The UN states that biodiversity loss undermines 80% of its SDG targets. Conversely, biodiversity preservation and restoration support the delivery of its targets related to education, gender equality, reducing inequality, and peace and justice.<sup>4</sup>

In pure economic terms, the World Economic Forum (WEF) states that over 50% of global gross domestic product is highly or moderately dependent on natural ecosystems.<sup>5</sup> The scale of the risks is truly daunting, but if we take a step back, there are potential solutions and mitigants. The awareness and tools needed to tackle the problem are increasingly at our disposal. The WEF estimates that the investment needed to protect biodiversity globally to be USD 10 trillion annually over the next decade and could create around 400 million new jobs per year.<sup>6</sup>

## Addressing Biodiversity Issues in an Impact Portfolio

There are challenges for bond investors looking to address the issue of biodiversity. Data are scarce: While more companies and governments are setting goals, relatively few currently share measurable data points on biodiversity outcomes.

Definitive global reporting frameworks are also just emerging. At T. Rowe Price, we are advocates of the newly established Taskforce on Nature-related Financial Disclosures (TNFD), which provides a risk management and disclosure framework for issuers to report on biodiversity-related risks. Additionally, we are supporters of the International Sustainability Standards Board, which will make nature part of its foundational work. On the regulatory side, a new Global Biodiversity Framework announced at the Kunming-Montreal UN Biodiversity Conference is an encouraging development.

Despite the immediate data challenges, we think the risks associated with biodiversity loss, along with other environmental factors, are increasingly material to the cost of debt capital. For sovereign issuers heavily dependent on agriculture, for example, changing weather patterns will impinge on gross domestic product. It could mean the need to pay higher yields and premia on bond issues, which in turn would spill over to the cost of corporate and consumer credit in those economies. In recognition of such risks, Uruguay's sovereign sustainability-linked bond included a biodiversity-linked key performance indicator.

As impact investors, we also have distinct opportunities, and an important role, to direct capital to innovative financing instruments that have direct and measurable biodiversity goals. We also have opportunities to engage directly with countries and supranational organizations to guide them on ways to structure frameworks for bond issues related to biodiversity and sustainability—in particular, how to measure and report on progress. The examples below illustrate where we have begun to see exciting innovation and early-stage progress and where we expect more to come.

<sup>4</sup> IBPES Global Assessment 2019.

<sup>5</sup> The World Economic Forum, September 2022.

<sup>6</sup> The World Economic Forum Future of Nature and Business Report, July 2020.



### **Innovative Finance: The Wildlife Conservation Bond**

A recent example of innovative financing came in the form of the World Bank's Wildlife Conservation Bond, also known as the "Rhino Bond." This bond channels financing toward the conservation of the critically endangered black rhinoceros in certain national parks in South Africa.

Rather than paying coupons to investors, it makes payments to finance conservation activities. At the bond's maturity, in addition to principal redemption, investors may receive a conservation success donor-funded payment based on the achieved rhino population growth rate. Concurrently, the bond has a co-benefit in that the conservation effort will create local jobs. The metrics which we will monitor, through regular reporting from the IBRD are: hectares of land under improved management, ratio of rangers per square kilometer of managed habitat, number of rhinos under protection, and number of rhinos added to the population.

### **Improving Biodiversity Metrics: Engagement With the World Bank**

In 2022, we engaged with the World Bank over the Rhino Bond, in collaboration with our colleagues in emerging market debt and responsible investing, to request and encourage improved impact reporting, with tangible and quantifiable metrics related to the security. Our objective was to reiterate our support for nature-based contingent capital instruments and our desire to partner with the World Bank across its dual mandates of ending extreme poverty and promoting shared prosperity.

We provided very specific feedback on impact metrics for the bond, which the World Bank welcomed and recommitted to reporting on with credible third-party verification. We felt it was imperative that the World Bank set the tone with the Rhino Bond and similar issuance, specifically the credible, tangible quantification and third-party verification elements. We continue to monitor the World Bank's presence in capital markets and will look for similar high-impact, innovative opportunities.





### **The Emergence of Blue Bonds**

While the Rhino Bond is a novel and welcome development, we are seeing wider innovation in bond markets that is equally encouraging. “Blue bonds” is an area that is gaining momentum and where we see significant potential.

Blue bonds use proceeds to finance initiatives promoting marine conservation and biodiversity to protect the world’s oceans. As with the conservation bonds, this has been led by supranationals. Our first blue bond investment was a USD 3.5 billion issue from Export-Import Bank of Korea (KEXIM), which has the specific objective of supporting investments in sustainable maritime transportation.

KEXIM aims to provide environmental, social, and governance financing for South Korean businesses of over KRW 180 trillion between 2021 and 2030, including KRW 10 trillion in loans for the maritime sector in 2023. It will exclude from its use of blue bond proceeds financing to vessels transporting fossil fuels, which we felt was a potential risk.

The output will be assessed as the number of sustainable marine vessels financed, the outcome will be measured as tons of fossil fuels saved, and the impact will be evaluated by the resulting savings in CO<sub>2</sub> emissions and improvements in marine life.

Pleasingly, this theme continues to gain momentum in 2023 as we have seen the launch of additional blue bonds. Danish renewable energy company Orsted, known mainly for its wind farms, recently became the first energy company to issue a blue bond, the proceeds of which will finance protection and restoration of marine and coastal biodiversity and sustainable shipping (developing green ocean fuels, enabling decarbonization of marine vessels).

## **An Important Role for Bond Markets**

Biodiversity loss constitutes a huge challenge for humanity, the world’s policymakers, governments, investors, and individuals alike. It has material implications for credit risk and cost of debt capital at both the sovereign and corporate levels. It is essential that we address this problem directly and jointly as part of an overarching strategy to deal with broader climate and environmental

crises. That is why we are encouraged by the innovations in fixed income markets that are working to find solutions and providing opportunities for impact investors to participate. We have actively, but selectively participated in these innovative issues at an early stage and keenly monitor developments for new opportunities.

# Global Impact Investment Theses

Ranked by largest portfolio weight in each impact pillar.

## Pillar 1: Climate and Resource Impact

| Issuer                                  | Bond Type             | Impact Thesis   | Sub-pillar                | Primary UN SDG  |
|---|-----------------------|---|---------------------------|---|
| <b>Bank of Ireland</b>                  | Green                 | The proceeds from the green bond finance residential and commercial green buildings and will provide meaningful and measurable CO <sub>2</sub> reduction. Projects focus on the highest-rated green buildings with LEED and BREEAM certifications.  | Reducing Greenhouse Gases |    |
| <b>International Finance Corp (IFC)</b> | Green                 | Providing loans toward investments in equipment, systems, and services, which enable the productive use of energy from renewable resources that will help people and businesses prosper, specifically toward the transition to a low-carbon emission economy and the fight against climate change.                    | Reducing Greenhouse Gases |    |
| <b>Healthpeak Properties</b>            | Green                 | Proceeds from Healthpeak's green bond are invested in the construction, maintenance, and refurbishment of green buildings that have exceptional green building certifications. This provides a meaningful and measurable CO <sub>2</sub> reduction and advances efficient use of resources in healthcare real estate. | Reducing Greenhouse Gases |    |
| <b>Kilroy Realty</b>                    | Green                 | Kilroy's green bonds finance the development of green buildings with a minimum certificate of LEED Gold or above, which will yield meaningful and measurable GHG reduction.   | Reducing Greenhouse Gases |  |
| <b>Alexandria Real Estate</b>           | Green                 | Alexandria Real Estate is a U.S. industry leader in green buildings. The company issued green bonds to finance energy-efficient buildings, leading to material and measurable greenhouse gas, water, and energy savings.  | Reducing Greenhouse Gases |  |
| <b>Johnson Controls</b>                 | Sustainability linked | Johnson manufactures energy-efficient HVAC and transport refrigeration systems. These improve energy efficiency and reduce emissions for both residential and commercial real estate end markets.   | Reducing Greenhouse Gases |  |
| <b>LeasePlan</b>                        | Green                 | LeasePlan's financing of battery electric vehicles will create healthier environments in towns and cities by promoting cleaner, low-emission vehicles and the infrastructure required to make these automobiles a viable option for customers.  | Reducing Greenhouse Gases |  |
| <b>Enel SpA</b>                         | Sustainability linked | As a major investor in and operator of onshore renewables, Enel is helping to decarbonize the power sector. Enel's electricity transmission and distribution infrastructure is enabling the rollout of renewables, as well as helping to enable the electrification of industry, transport, and buildings.            | Reducing Greenhouse Gases |  |
| <b>Southern California Edison</b>       | Sustainability linked | Sustainability bond proceeds finance renewable energy generation connection, clean transportation, and energy efficiency, which will reduce GHG emissions from the power and transportation sectors.  | Reducing Greenhouse Gases |  |
| <b>Energias de Portugal</b>             | Green                 | EDP's renewable energy, solar, and wind projects will help people and businesses prosper, specifically toward the transition to a low carbon emission economy and the fight against climate change.   | Reducing Greenhouse Gases |  |

Source: T. Rowe Price.

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| Issuer                                   | Bond Type      | Impact Thesis  | Sub-pillar                   | Primary UN SDG  |
|--|----------------|--|------------------------------|---|
| <b>NatWest Group</b>                     | Green          | Green bond proceeds finance renewable energy projects and certified green buildings, which will help decarbonize the power sector and fight against climate change.  | Reducing Greenhouse Gases    |    |
| <b>Celulosa Arauco y Constitucion</b>    | Sustainability | Celulosa is one of the world's largest producers of pulp and wood products. Sustainability bond proceeds were invested in sustainable forest management and preservation of natural resources that support biodiversity and conservation efforts in LatAm and lead to water savings in industrial processes. | Promoting Healthy Ecosystems |    |
| <b>NextEra Energy</b>                    | Conventional   | NextEra Energy is a leader in renewable energy generation and is the largest investor in renewables globally.  | Reducing Greenhouse Gases    |    |
| <b>Fifth Third Bancorp</b>               | Green          | Fifth Third Bancorp's green bonds are helping facilitate a transition to a resilient, low-carbon economy. The bonds' proceeds have provided sustainable financing that target a positive environmental impact, such as mitigating and reducing GHG emissions through renewable energy and green buildings.   | Reducing Greenhouse Gases    |    |
| <b>BNP Paribas</b>                       | Green          | BNP Paribas' green bond is allocated toward the financing of renewable energy, energy efficiency, green buildings, water management and water treatment, and pollution prevention projects.  | Reducing Greenhouse Gases    |    |
| <b>Hannon Armstrong</b>                  | Green          | Green bond proceeds are allocated to projects that reduce energy usage or cost through the use of solar generation and energy storage or energy-efficient improvements, including heating, ventilation, and air conditioning systems.  | Reducing Greenhouse Gases    |   |
| <b>FedEx</b>                             | Sustainability | FedEx's inaugural sustainability bond is financing projects that are: (1) reducing transport fleet emissions, (2) generating a positive social impact across its supply chains, and (3) reducing waste through investments in waste management programs.   | Reducing Greenhouse Gases    |  |
| <b>Colbun</b>                            | Green          | Colbun's green bond finances the construction, production, and operation of wind and solar projects, which support the decarbonization of Chile's energy infrastructure and will lead to greenhouse gas avoidance.   | Reducing Greenhouse Gases    |  |
| <b>Interchile</b>                        | Green          | InterChile owns and operates 12 transmission assets and 1,900 kms of circuit lines. The green bond issued funded transmission lines that link the north and south of Chile, helping to connect renewable energy generation to the network.   | Reducing Greenhouse Gases    |  |
| <b>NextEra Energy Operating Partners</b> | Conventional   | NextEra Energy Partners operates an industry-leading portfolio of wind, solar, and battery storage assets; 98% of owned assets are from power generated from clean or renewable sources and support the reduction in greenhouse gases.   | Reducing Greenhouse Gases    |  |
| <b>Autodesk</b>                          | Conventional   | Autodesk is a leading provider of computer-aided design software for 62 million professionals worldwide, driving improvements in industrial processes through digitalization, connectivity, and optimization of resource management.   | Reducing Greenhouse Gases    |  |
| <b>Reseau de Transport d'Electricite</b> | Green          | 100% of RTE's green bond proceeds will be used toward reducing GHG emissions, promoting grid flexibility, and development of renewable sources of electricity.   | Reducing Greenhouse Gases    |  |
| <b>General Motors</b>                    | Green          | General Motors issued green bonds to finance clean transportation, specifically the conversion of two factories to exclusively produce electric vehicles and therefore supporting the decarbonization of the transport sector.   | Reducing Greenhouse Gases    |  |

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|-------------------------------------|----------------|---|------------------------------|---|
| <b>Adani Renewable Energy</b>       | Green          | Adani Renewable Energy's green bond is financing 10 solar projects with an installed capacity of 570 MW that is decarbonizing the power generation sector in India and leading to the avoidance of CO <sub>2</sub> emissions.   | Reducing Greenhouse Gases    |    |
| <b>Ford Motor</b>                   | Green          | Ford's USD 1.75 billion green bond is focused on clean transportation projects related to design, development, and manufacturing of electric vehicles.  | Reducing Greenhouse Gases    |    |
| <b>Xylem</b>                        | Green          | Xylem's green bond proceeds finance projects that will improve water security through technological advancements, enable the supply of high-quality drinking water, and reduce water loss.  | Promoting Healthy Ecosystems |    |
| <b>Kimco Realty</b>                 | Green          | Kimco Realty's green bond financed a variety of project categories across its real estate portfolio, including green buildings, energy efficiency, and sustainable water and wastewater management.   | Reducing Greenhouse Gases    |    |
| <b>Carrier Global</b>               | Conventional   | Carrier manufactures energy-efficient HVAC and transport refrigeration systems. These primarily improve energy efficiency and reduce emissions for both residential and commercial buildings.   | Reducing Greenhouse Gases    |    |
| <b>Realty Income</b>                | Green          | Realty Income's green bond allocates proceeds to green buildings with ambitious credentials and energy efficiency projects with expected efficiency gains of at least 25% and electric vehicle charging stations.   | Reducing Greenhouse Gases    |    |
| <b>Boston Properties</b>            | Green          | Boston Properties is an industry leader in green buildings. The company's green bond finances green buildings and energy-efficient projects that will reduce GHG emissions and advance efficient use of resources in office real estate.  | Reducing Greenhouse Gases    |  |
| <b>San Diego Gas &amp; Electric</b> | Sustainability | San Diego Gas & Electric's sustainability bond will support climate change adaptation through infrastructure and grid hardening; investment in clean energy infrastructure, including green hydrogen, renewable natural gas, and energy storage; and expenditures related to supplier diversity programs. | Reducing Greenhouse Gases    |  |
| <b>Mercedes-Benz Group</b>          | Green          | Proceeds are allocated to the development and production of zero-emission electric and hydrogen transport solutions.  | Reducing Greenhouse Gases    |  |
| <b>ING Groep</b>                    | Green          | ING's green bond proceeds are allocated to residential and commercial green buildings, as well as financing of wind and solar projects, which collectively yield avoided carbon emissions.  | Reducing Greenhouse Gases    |  |
| <b>Roper Technologies</b>           | Conventional   | Roper Technologies' innovative software solutions enable companies to improve efficiencies and reduce waste through digitization and process optimization. Solutions help reduce transport emissions by improving transportation and traffic flow efficiencies.   | Nurturing Circular Economies |  |
| <b>SELP Finance</b>                 | Green          | SELP Finance is a regional and industry leader in green buildings, accounting for 58% of the portfolio and ambitious climate targets, including a 2030 net zero goal. The company issued green bonds to finance the growth in green buildings, clean transportation, and renewable energy.                | Reducing Greenhouse Gases    |  |

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| Issuer                                 | Bond Type      | Impact Thesis  | Sub-pillar                   | Primary UN SDG  |
|--|----------------|--|------------------------------|---|
| <b>Eurogrid GmbH</b>                   | Conventional   | Through its electricity transmission infrastructure, Eurogrid is helping accelerate the rollout of renewable electricity capacity in Germany and is therefore helping to decarbonize the power industry in Europe.   | Reducing Greenhouse Gases    |    |
| <b>Terraform Global Operating</b>      | Conventional   | Terraform is an owner and operator of over 4,200 MW of renewable power portfolio, including solar and wind assets in North America and Western Europe. These assets provide a meaningful and measurable positive environmental impact.   | Reducing Greenhouse Gases    |    |
| <b>Infineon Technologies</b>           | Conventional   | Infineon's position in power semiconductors supports electrification and improved energy efficiency into end markets such as autos, home appliances, industrial, smart buildings, and data centers.  | Reducing Greenhouse Gases    |    |
| <b>Intesa Sanpaolo</b>                 | Green          | Intesa Sanpaolo's green bond provides loans towards renewable energy projects. Renewable energy provides substantial benefits for climate, the environment, public health, and the economy. Increasing the supply of renewable energy would allow people to replace carbon intensive energy sources and significantly reduce GHG emissions.              | Reducing Greenhouse Gases    |    |
| <b>Wildlife Conservation Bond—IBRD</b> | Sustainability | The World Bank's Wildlife Conservation Bond (Rhino Bond) is a sustainable development bond. The bond directly channels funds to conservation outcomes, specifically by targeting black rhino populations in South Africa. The primary impact focuses on improving biodiversity, with a secondary impact directed to improved education and job training. | Promoting Healthy Ecosystems |    |
| <b>Telefonica</b>                      | Sustainability | Telefonica's sustainability bond proceeds financed projects aimed at improving energy efficiency and reducing digital inequalities.  | Reducing Greenhouse Gases    |  |
| <b>Standard Chartered</b>              | Sustainability | Standard Chartered's sustainability bond finances a diverse set of green and social projects resulting in CO <sub>2</sub> emissions avoided, SME loans disbursed, microfinance loans enabled, and cubic meters of water supplied.  | Reducing Greenhouse Gases    |  |
| <b>Mueller Water Products</b>          | Conventional   | Mueller Water Products helps municipalities delivers clean, safe drinking water to hundreds of millions of people as well as manufacturing fire hydrants to ensure safety of life and property.  | Promoting Healthy Ecosystems |  |
| <b>Iberdrola International</b>         | Green          | Iberdrola's green bond invests in renewable energy sources, specifically onshore wind, which will help people and businesses prosper toward the transition to a low-carbon emission economy and the fight against climate change.  | Reducing Greenhouse Gases    |  |
| <b>Munich Re</b>                       | Green          | Munich Re's green bond proceeds are invested in sustainable forestry and sustainable agricultural practices that have been certified. This will help provide meaningful and measurable CO <sub>2</sub> savings, whilst promoting sustainable land use and forest conservation.   | Promoting Healthy Ecosystems |  |
| <b>LEG Immobilien</b>                  | Sustainability | LEG Immobilien's sustainability bond supports the supply of affordable housing and the greening of the German residential building stock.  | Reducing Greenhouse Gases    |  |
| <b>Smurfit Kappa</b>                   | Green          | Smurfit Kappa creates innovative and sustainable paper-based packaging solutions for its customers and operates a circular business that influences the whole packaged goods value chain. Green bond proceeds finance recycling and circular economy adapted projects.   | Nurturing Circular Economies |  |

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| Issuer                           | Bond Type      | Impact Thesis   | Sub-pillar                   | Primary UN SDG  |
|----------------------------------|----------------|---|------------------------------|---|
| <b>Republic Services</b>         | Conventional   | Republic Services is a leader in the environmental services industry, providing non-hazardous solid waste collection, transfer, disposal, and recycling services. The company is enabling improved recycling rates and mitigating methane emissions from waste.   | Reducing Greenhouse Gases    |    |
| <b>Aedifica</b>                  | Sustainability | Aedifica's sustainability bond proceeds are allocated to green buildings and health care facilities that will yield material energy efficiency gains and social benefits.   | Reducing Greenhouse Gases    |    |
| <b>Dana</b>                      | Green          | Dana's green bond finances efficient electric vehicle systems that support the development and manufacturing of electric vehicles and result in reduced GHG emissions and support the achievement of material reduction of CO <sub>2</sub> emissions and Paris Climate Agreement targets in countries around the world. | Reducing Greenhouse Gases    |    |
| <b>Pattern Energy Operations</b> | Green          | Green bond proceeds will be used for investment in the development and construction of wind, solar, renewable energy transmission lines, and energy storage systems. It will help people and businesses prosper toward the transition to a low-carbon emission economy and the fight against climate change.            | Reducing Greenhouse Gases    |    |
| <b>Enel Chile</b>                | Conventional   | Enel Chile's growing renewables portfolio provides zero-carbon electricity in Chile and is helping to decarbonize the country's power sector.   | Reducing Greenhouse Gases    |    |
| <b>Darling Ingredients</b>       | Conventional   | Darling Ingredients is one of the oldest rendering companies in the world and the largest independent renderer in North America. These rendered products are then sold as animal feed, food for human consumption, and bioenergy, thereby supporting a circular economy.  | Nurturing Circular Economies |   |
| <b>ASML Holding</b>              | Green          | Green bond proceeds financed BREEAM-certified buildings in the Netherlands, generating quantifiable greenhouse gas emissions avoidance and energy savings.  | Reducing Greenhouse Gases    |  |

## Pillar 2: Social Equity and Quality of Life









| Issuer   | Bond Type      | Impact Thesis   | Sub-Pillar             | Primary UN SDG  |
|--|----------------|---|------------------------|---|
| <b>Becton Dickinson &amp; Co.</b>                              | Conventional   | Becton Dickinson is a leading global medical technology company engaged in the development, manufacture, and sale of medical supplies. Its products lead to improved health outcomes for patients' lives.   | Improving Health       |  |
| <b>European Investment Bank (EIB)</b>                          | Sustainability | EIB's Sustainability Awareness Bond improves access to specialized health care services. Projects consisted of financing investments aiming to increase health care infrastructure and medical equipment capacity and improve future pandemic preparedness. | Improving Health       |  |
| <b>International Bank for Reconstruction &amp; Development</b> | Sustainability | IBRD provides financing for enhancing infrastructure efficiency and sustainability of public infrastructure, health sector buildings, residential public sectors, and electricity networks in countries that need it most.                                  | Enabling Social Equity |  |

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|--------------------------------------|----------------|--|---------------------------|---|
| <b>Cooperatieve Rabobank</b>         | Conventional   | Rabobank is a Dutch cooperative bank with a leading position in the domestic retail banking and food and agribusiness markets worldwide. The bank drives financial inclusion with retail and SME lending accounting for 100% of its loan book.   | Enabling Social Equity    |    |
| <b>Centene</b>                       | Conventional   | Centene is a leading Medicaid managed care provider, serving vulnerable populations, including low-income families and disabled people through state Medicaid plans, the Children's Health Insurance Program, and other programs.  | Improving Health          |    |
| <b>Truist Financial</b>              | Social         | Truist's social bond is financing affordable housing projects and efforts aimed at providing no-cost housing solutions for homeless families and individuals.  | Enabling Social Equity    |    |
| <b>UnitedHealth Group</b>            | Conventional   | UnitedHealth delivers a meaningful impact by providing a financial safety net to its enrollees across commercial and community/senior and facilitating access to healthcare.   | Improving Health          |    |
| <b>BPCE</b>                          | Social         | BPCE's social bonds support local economic development through financing of small businesses, SMEs, local authorities, and non-profit organizations that seek to benefit people who live and work in economically and/or socially disadvantaged areas.                                   | Enabling Social Equity    |    |
| <b>AIA Group</b>                     | Conventional   | AIA is a pan-Asian life and health insurer, allowing individuals to access protection solutions. The company operates in a region where the protection gap is high and average insurance penetration rates remain low at 3.5%. <sup>1</sup>  | Enhancing Quality of Life |    |
| <b>Health Care Service Corp</b>      | Conventional   | Positive impact is driven by HCSC's growing value-based provider arrangements, which help reduce medical costs and provide affordable medical insurance for its members.   | Improving Health          |  |
| <b>Bank Rakyat Indonesia Persero</b> | Sustainability | Proceeds financing employment generation via loans to micro and SMEs in Indonesia, as well as to socioeconomic advancement and empowerment through start-up loans to micro entrepreneurs, providing a meaningful and measurable social impact.   | Enabling Social Equity    |  |
| <b>Orange</b>                        | Sustainability | Orange's sustainability bond proceeds will fund projects that (1) promote digital inclusion in rural areas, (2) improve energy efficiency in the company's own operations, and (3) reduce e-waste.   | Enabling Social Equity    |  |
| <b>Hikma Finance</b>                 | Conventional   | Hikma promotes healthy lives and well-being through high-quality pharmaceutical products in an inclusive and affordable way.   | Improving Health          |  |
| <b>Banco Santander</b>               | Conventional   | Santander is driving financial inclusion with retail and SME loans accounting for 75.1% of its loan book. By enabling access to finance for individuals, families, and SMEs, Santander reduces financing barriers to underbanked groups and supports employment generation. <sup>2</sup> | Enabling Social Equity    |  |
| <b>BBVA Bancomer</b>                 | Conventional   | BBVA is driving financial inclusion, with retail and SME accounting for 66% of BBVA's loan book. The bank is also at the forefront of sustainable finance in Europe and is growing its sustainable financing portfolio, which accounts for 19% of BBVA's loan book. <sup>3</sup>         | Enabling Social Equity    |  |

<sup>1</sup> Source: AIA Group Limited Annual Report 2022.

<sup>2</sup> Source: Banco Santander S.A. Annual Report 2022.












<sup>3</sup> Source: BBVA Mexico, S.A. Annual Report 2022.

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| Issuer  | Bond Type             | Impact Thesis   | Sub-Pillar                | Primary UN SDG  |
|---|-----------------------|---|---------------------------|---|
| <b>Revvity</b>                                    | Conventional          | Revvity is a provider of scientific instruments, tests, software, and services to the diagnostic, research, environmental, and laboratory services markets. Its products drive a positive impact through saving and transforming patients' lives by focusing on accelerating pre-clinical discoveries and enabling customers to deliver safe and effective therapies. | Improving Health          |    |
| <b>Thermo Fisher Scientific</b>                   | Conventional          | Thermo Fisher Scientific delivers a positive impact in healthcare by (1) enabling biopharma innovation and life sciences research and (2) advancing precision medicine.   | Improving Health          |    |
| <b>Molina Healthcare</b>                          | Conventional          | Molina is a managed care company that provides health insurance to individuals through programs such as Medicaid (89% of members) and Medicare (3%), which serve vulnerable populations that are low income (Medicaid) and 65 or older (Medicare). <sup>4</sup>   | Improving Health          |    |
| <b>American Express</b>                           | Sustainability        | American Express's sustainability bond is funding social projects, predominantly including socioeconomic advancement and empowerment and affordable housing, which will drive financial inclusion and enable social equity.   | Enabling Social Equity    |    |
| <b>Kookmin Bank</b>                               | Sustainability        | Kookmin's sustainability bond proceeds are driving financial inclusion through SME financing. The bank has defined target populations, ensuring that the social use of proceeds is credible and reaching vulnerable populations.  | Enabling Social Equity    |    |
| <b>Novartis</b>                                   | Sustainability linked | Novartis is a multinational healthcare company engaged in the development, manufacturing, and sale of pharmaceutical products. It has a broad range of innovative, established, generic, and biosimilar medicines.  | Improving Health          |   |
| <b>Children's Hospital of Philadelphia (CHOP)</b> | Conventional          | As a children's hospital, CHOP inherently provides positive social impact and contributions of high-value clinical research. It is one of the world's largest pediatric research facilities.  | Improving Health          |  |
| <b>STERIS</b>                                     | Conventional          | STERIS is a leading provider of infection prevention and procedural products and services for the healthcare and life sciences markets. STERIS products and services drive a positive impact through helping its customers to create a healthier and safer world for patients by providing global innovative healthcare and life science products and services.       | Improving Health          |  |
| <b>Humana</b>                                     | Conventional          | Humana (HUM) provides a wide array of medical insurance products to 22.1 million individuals across employer groups, government benefit programs, and individuals. <sup>5</sup> Humana's Medicare and Medicaid programs serve low income and vulnerable populations.  | Improving Health          |  |
| <b>CVS Health</b>                                 | Conventional          | CVS is helping individuals improve their health by providing a wide array of health care benefits and services. CVS's Medicare and Medicaid programs serve low income and vulnerable populations.   | Improving Health          |  |
| <b>Fortinet</b>                                   | Conventional          | Fortinet is a leading global network security provider to SMEs and telecom service providers. Its cloud-based security solutions are helping reduce the environmental footprint of its customers.   | Enhancing Quality of Life |  |

<sup>4</sup> Source: Molina Healthcare, Inc. Annual Report 2022.

<sup>5</sup> Source: Humana Group Annual Report 2022.













Source: T. Rowe Price.

Data shown for the representative portfolio as of December 31, 2022. Subject to change without notice. The securities shown represent 100% of the publicly traded securities held in the pillar shown. See Additional Disclosures for more details on the representative portfolio.

Bond classifications—green, social, sustainability, and sustainability linked—are ultimately determined by the issuer at the point of being issued. All the labeled bonds in the portfolio adhere to the International Capital Market Association's green, social, sustainability, or sustainability-linked bond guidelines.

There is no assurance that positive impact outcomes will be achieved.



| Issuer  | Bond Type    | Impact Thesis   | Sub-Pillar             | Primary UN SDG  |
|---|--------------|---|------------------------|---|
| <b>PNC Financial Services Group</b>           | Social       | PNC's social bond is financing projects that promote positive social outcomes to benefit low- and moderate-income individuals and communities, majority-minority census tracts, and vulnerable or underserved populations.  | Enabling Social Equity |    |
| <b>Sutter Health</b>                          | Conventional | Sutter Health is a nonprofit and health care system with a payer mix predominantly composed of Medi-Cal and Medicare patients, providing low-income and elderly patients with access to world-class medical care.   | Improving Health       |    |
| <b>Banco de Sabadell</b>                      | Conventional | Banco de Sabadell is driving financial inclusion across Spain, the UK, and Mexico. Sabadell reduces the financing barriers to underbanked groups and further supports employment generation globally by enabling access to finance for individuals, families, and SMEs.   | Enabling Social Equity |    |
| <b>Allied Irish Bank</b>                      | Social       | Allied Irish Bank's social bonds finance loans dedicated to improving economic and social inclusion within Ireland. Loans will improve access to healthcare, affordable housing and support SMEs in socioeconomically disadvantaged areas.  | Enabling Social Equity |    |
| <b>Organon &amp; Co.</b>                      | Conventional | Organon is a pharmaceutical company with emphasis in women's health and, through its biosimilar products provides low-cost alternatives, thereby improving access to medicine.  | Improving Health       |    |
| <b>CaixaBank</b>                              | Social       | CaixaBank supports employment generation and promotes financial inclusion through SME and microfinancing in economically disadvantaged regions of Spain. The bank's social loan portfolio helps to improve the financial health of individuals, microbusinesses, and SMEs, facilitating job creation and economic growth.   | Enabling Social Equity |   |
| <b>Credit Agricole</b>                        | Social       | Credit Agricole works to support enterprise creation and local ecosystems. The regional banks are supporting mid-caps and SMEs by proving credit, investing in their development, and mobilizing their territorial network for business creation.   | Enabling Social Equity |  |
| <b>Zoetis</b>                                 | Conventional | Zoetis derives the majority of its revenues from products used for companion animals. More than half of the global population is estimated to have a pet at home. <sup>6</sup> In keeping pets healthy, Zoetis creates a positive impact by helping to support the range of second-degree therapeutic, physiological, and psychological benefits for humans that are associated with pet ownership. | Improving Health       |  |
| <b>Danaher</b>                                | Conventional | Danaher helps advance patient health and improve treatment outcomes, as well as cleaner and more efficient water supplies.  | Improving Health       |  |
| <b>Memorial Sloan-Kettering Cancer Center</b> | Conventional | Memorial Sloan-Kettering Cancer Center operates as a non-profit, providing medical consultation, diagnostic imaging, risk assessment, chemotherapy, and pharmacy, among other patient care services which help improve health outcomes for patients.  | Improving Health       |  |
| <b>AstraZeneca</b>                            | Conventional | AstraZeneca's approved medicines deliver impact for >105 million patients annually across >130 countries in its core therapy areas, including oncology, rare diseases, cardiovascular, and respiratory.   | Improving Health       |  |
| <b>Avantor</b>                                | Conventional | Avantor plays an important role in the life sciences ecosystem by supplying customers with an expansive range of products and acts as a key enabler of pharmaceutical development and production. Avantor's products enhance clinical outcomes, and its research supports improvement in industrial processes.  | Improving Health       |  |








<sup>6</sup> Source: QRILL Pet, February 2023.

Source: T. Rowe Price.




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Bond classifications—green, social, sustainability, and sustainability-linked—are ultimately determined by the issuer at the point of being issued. All the labeled bonds in the portfolio adhere to the International Capital Market Association's green, social, sustainability, or sustainability-linked bond guidelines.

There is no assurance that positive impact outcomes will be achieved.

| Issuer                                    | Bond Type    | Impact Thesis   | Sub-Pillar                | Primary UN SDG  |
|---|--------------|---|---------------------------|---|
| <b>Cedars-Sinai Health Systems</b>        | Conventional | Cedars-Sinai Health Systems is a non-profit academic medical center that provides healthcare services to the surrounding community. The hospital's community benefit service area is comprised primarily of underserved communities.  | Improving Health          |    |
| <b>Kaiser Foundation Hospitals</b>        | Conventional | Kaiser delivers impact for patients through its integrated health delivery system that delivers health care services through plans, hospitals, and physicians groups serving 12.6 million plan members. The hospital also provides significant charity and uncompensated care to patients, totaling USD 152 million in fiscal year 2022. <sup>7</sup> | Improving Health          |    |
| <b>Rady Children's Hospital-San Diego</b> | Conventional | Rady Children's Hospital is a non-profit hospital and the largest children's hospital in California. It is the only pediatric quaternary hospital in San Diego County.  | Improving Health          |    |
| <b>Mount Sinai Hospital Group</b>         | Conventional | Mount Sinai's network of eight hospital campuses delivers substantial impact for patients throughout the New York metropolitan area, managing more than 3.5 million outpatient visits and >100k inpatient admissions to its network annually. <sup>8</sup>  | Improving Health          |    |
| <b>OneMain Finance</b>                    | Social       | OneMain's social bond proceeds will help drive financial inclusion by providing credit access to vulnerable populations, including racial minorities and individuals residing in "credit insecure" or "credit-at-risk" counties.  | Enabling Social Equity    |    |
| <b>PG&amp;E Recovery Funding</b>          | Green        | PG&E's wildfire mitigation bond provides the company with capital to fund the expenses associated with wildfire prevention and risk mitigation. In turn, this will help improve the safety and reliability of service for the utility's customers.  | Enhancing Quality of Life |   |
| <b>Eli Lilly</b>                          | Conventional | Eli Lilly's portfolio of approved products drives impact for around 51 million patients worldwide across over 100 countries, with significant impact in diabetes. <sup>9</sup>  | Improving Health          |  |

## Pillar 3: Sustainable Innovation and Productivity

| Issuer                    | Bond Type    | Impact Thesis   | Sub-Pillar                                       | Primary UN SDG  |
|---------------------------|--------------|---|--|---|
| <b>Bangkok Bank</b>       | Conventional | Bangkok Bank is one of the largest commercial banks in Thailand and is enabling enterprise growth through providing financing to its 17 million customers, which increases credit access, drives job creation, and enables economic growth. <sup>10</sup>   | Building Sustainable Industry and Infrastructure |  |
| <b>NXP Semiconductors</b> | Green        | NXP's green bond is financing R&D for innovation in green chips, which enable reduced energy consumption in smart buildings and 5G networks, as well as battery control and energy management solutions for electric and hybrid vehicles.   | Sustainable Technology                           |  |
| <b>Aptiv</b>              | Conventional | Aptiv manufactures innovative products that contribute to electric vehicles and charging infrastructure, promote electrification and energy efficiency in vehicles and industry, and provide safety solutions. The company's products and solutions enable the transition to greener, safer, automated, and connected vehicles. | Sustainable Technology                           |  |

<sup>7</sup> Source: Kaiser Foundation Health Plan, Inc. 2022 Annual Report.

<sup>8</sup> Source: Icahn School of Medicine at Mount Sinai 2022 Annual Report.

<sup>9</sup> Source: World Health Organisation, June 2023.

<sup>10</sup>Source: Bangkok Bank Public Company Limited Annual Report 2022.

Source: T. Rowe Price.

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There is no assurance that positive impact outcomes will be achieved.

# Initiatives Promoting Advocacy and Engagement

As of December 31, 2022, at least one T. Rowe Price entity is a signatory, founder, or member of the following groups committed to change.

**Council of Institutional Investors (CII)**

ASSOCIATE MEMBER  
SINCE 1989

**Principles for Responsible Investment (PRI)**

SIGNATORY  
SINCE 2010



**UK Stewardship Code**

SIGNATORY  
SINCE 2010

**Japan Stewardship Code**

SIGNATORY  
SINCE 2014

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

MEMBER  
SINCE 2015

**Asia Corporate Governance Association (ACGA)**

MEMBER  
SINCE 2016

**UK Investor Forum**

FOUNDING MEMBER  
SINCE 2016

**International Capital Market Association (ICMA)**

MEMBER  
SINCE 2017



**Investor Stewardship Group (ISG)**

FOUNDING MEMBER  
SINCE 2017

**Japan Stewardship Initiative**

FOUNDING MEMBER  
SINCE 2019

**Investment Association Climate Change Working Group**

MEMBER  
SINCE 2020

**Institutional Investors Group on Climate Change (IIGCC)**

MEMBER  
SINCE 2020

**Pensions and Lifetime Savings Association (PLSA) Stewardship Advisory Group**

MEMBER  
SINCE 2020

**Emerging Markets Investors Alliance**

MEMBER  
SINCE 2020

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

SUPPORTER  
SINCE 2020

**Responsible  
Investment  
Association  
Australasia (RIAA)**

MEMBER  
SINCE 2020

**Farm Animal  
Investment Risk  
& Return (FAIRR)**

MEMBER  
SINCE 2020

**Access to Medicine  
Index**

SIGNATORY  
SINCE 2021

**Task Force on  
Climate-Related  
Disclosures (TCFD)  
Consortium (Japan)**

MEMBER  
SINCE 2021

**Global Impact  
Investing Network  
(GIIN)**

MEMBER  
SINCE 2021



**Sustainability  
Accounting  
Standards Board  
(SASB) Alliance**

MEMBER  
SINCE 2021



**UN Global  
Compact**

SIGNATORY  
SINCE 2021

**International  
Corporate  
Governance  
Network (ICGN)**

MEMBER  
SINCE 2021

**Investment  
Management  
Education Alliance  
ESG Committee**

MEMBER  
SINCE 2021

**30% Club  
Investor Group—  
UK Chapter**

MEMBER  
SINCE 2021

**International Capital  
Market Association  
(ICMA) Principles\***

MEMBER  
SINCE 2022

**Net Zero Asset  
Managers initiative**

SIGNATORY  
SINCE 2022



**Access to  
Nutrition Initiative**

SIGNATORY  
SINCE 2022



**Japan  
Impact-Driven  
Financing Initiative**

SIGNATORY  
SINCE 2022

**Taskforce on  
Nature-Related  
Financial  
Disclosures (TNFD)**

FORUM MEMBER  
SINCE 2022

\*Principles—Green Bond Principles, Social Bond Principles, Sustainability Bond Guidelines, and Sustainability-Linked Bond Principles.

# Global Impact Credit Investment Team

## Our People

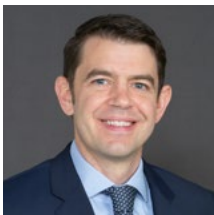
Matt Lawton is the portfolio manager for the Global Impact Credit Strategy and has ultimate responsibility for all decisions regarding investment strategy, portfolio construction, and security selection. He has 16 years of investment experience. Matt is also a member of T. Rowe Price Associates, Inc.'s Fixed Income ESG Steering and Advisory Committee and the ESG Committee.

Collaboration between our impact investing teams is also key when finding true impact investments. Matt regularly meets with our impact investing teams to discuss new ideas. Through these meetings, Matt can analyze and enrich impact ideas while maintaining full discretion over the portfolio's investment decisions and overall construction.

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## Portfolio Manager

Drives portfolio construction, risk allocation, and performance



### **MATT LAWTON, CFA**

Portfolio Manager—Global Impact Credit Strategy

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

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## Portfolio Strategy Team

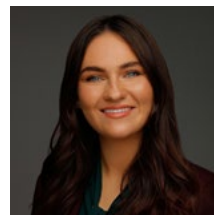
Conducts impact and ESG bond research; collaborates with Responsible Investing team and fundamental analysts



### **WILLEM VISSER**

Fixed Income ESG Associate Portfolio Manager

- 11 years of investment experience
- 6 years with T. Rowe Price

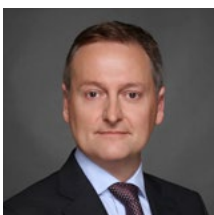


### **ELLEN O'DOHERTY, CFA**

Impact Associate Analyst

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

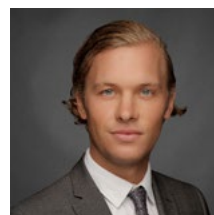
Provides support to the portfolio manager and works with clients on strategy updates and messaging



### **MICHAEL GANSKE, Ph.D., CFA, FRM**

Portfolio Specialist, Fixed Income

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



### **BENJI BAXTER, CFA**

Lead Portfolio Analyst, Fixed Income

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

As of June 30, 2023.

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# 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 Credit team's disposal to be additional and accelerate the impact agenda.

**Alignment (with SDGs):** When a given company links its business activities to specific United Nations Sustainable Development Goals (UN SDGs) and targets. An increasing number of companies report and communicate on SDGs in their sustainable reports.

**Building Research Establishment Environmental Assessment Methodology (BREEAM):** A methodology for assessing, rating, and certifying the sustainability of buildings, launched by UK-based Building Research Establishment in 1990.

**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):** 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 Criteria (ESG) - A set of standards for a company's operations that socially conscious investors use to screen investments. Environmental criteria look at how a company performs as a steward of the natural environment. Social criteria examine how a company manages relationships with its employees, suppliers, customers, and the communities where it operates. Governance deals with a company's leadership, 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:** 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:** Framework used to assess a company's ability to deliver impact on a holistic basis, including the risks that may affect its ability to deliver the targeted impact. The five dimensions are:

- **What** outcome is occurring in the period?
- **Who** experiences the outcome?
- **How much** of the outcome is occurring (scale, depth, and duration)?
- **Contribution** – Would this change likely have happened anyway?
- **Risks** – What is the risk to people and the planet if the impact does not occur as expected?

(This framework has been developed by the Impact Management Project).

**Global Impact Investing Network (GIIN):** A non-profit organization dedicated to increasing the scale and effectiveness of impact investing around the world. <https://thegiin.org>

**Gross Domestic Product (GDP):** The monetary value of final goods and services produced in a country in a given period of time.

**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 non-profits 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. <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):** Proprietary structure where impact activities that are aligned to the UN SDGs, which guide all investment decisions. All bonds 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 security selection decision begins with a clearly identified positive impact thesis tied to one of three investment pillars and eight sub-pillars which are aligned with the UN SDGs. The impact thesis ensures material and measurable environmental and social impact. Also see *Theory of Change*.

**Impact universe (T. Rowe Price):** The initial global aggregate credit opportunity set of around 3,500 issuers (the Bloomberg Global Aggregate Credit Index) is screened to exclude areas of the global economy that, in our view, generate significant harm. This subsequent list then excludes areas of the global economy that, in our view, do not generate positive impact. Our pillar alignment process and impact analysis based on the Five Dimensions of Impact then ensure a starting point for deeper impact eligibility and inclusion.

**Key performance indicators (KPIs):** Set of quantifiable measures that the impact manager uses to determine a company's progress in achieving its strategic, operational, and impact goals.

**Leadership in Energy and Environmental Design (LEED):** A methodology for assessing, rating, and certifying the sustainability of buildings, founded by the U.S. Green Building Council in 1998.

**Material (impact context):** 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)*.

**Net Zero:** The objective of achieving zero greenhouse gas emissions from the operations or activities of a company or an economy.

**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*.

**Proxy Voting Impact policy (T. Rowe Price):** The T. Rowe Price Global Impact Credit Strategy has a custom voting policy. It has the flexibility to vote differently from the rest of the firm, particularly on “impact issues.”

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

**Scope 1 carbon emissions:** Direct emissions from owned or controlled sources (e.g., factories, owned fleet).

**Scope 2 carbon emissions:** Indirect emissions, such as those from the generation of energy used for heating or cooling consumed by the reporting company.

**Scope 3 carbon emissions:** Includes all other indirect emissions that occur in a company’s value chain, upstream and downstream (e.g., for a company like T. Rowe Price, this would include emissions associated with business travel and waste disposal).

**Small and medium-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:** Impact measurement framework which explains the steps taken by a company to produce specific societal and environmental outcomes on a chronological basis. It provides an opportunity to dig deep into a company’s activities and understand the short- and longer-term effects on stakeholders. We use the “theory of change” model as a basis for evaluating how the efforts of each holding or prospective investment is delivering impact, through the measurement of achieved outcomes.

We scrutinize each candidate against the following the theory of change criteria to help us clearly identify the positive impact thesis for each:

- **Input** – Financial, human, or material resources the company puts in its business operations
- **Output** – Products or services that result from the company’s business activities
- **Outcome** – Short- to medium-term effect on stakeholders attributable to a company’s products or services
- **Impact** – Long-term effect on the planet or society caused by a company’s products or services

See Case Studies for examples of the *Impact Journey*.

**United Nations Sustainable Development Goals (UN SDGs):** The UN Sustainable Development Goals encompass 17 goals to end poverty, protect the planet, and ensure prosperity. Each of the goals has specific targets to be reached between 2015 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 non-financial stakeholders.

The T. Rowe Price Global Impact Credit 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.



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## T. ROWE PRICE GLOBAL IMPACT CREDIT STRATEGY—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.

**Counterparty risk** – an entity with which the portfolio transacts may not meet its obligations to the portfolio.

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

**Geographic concentration risk** – to the extent that a portfolio invests a large portion of its assets in a particular geographic area, its performance will be more strongly affected by events within that area.

**Hedging risk** – a portfolio's attempts to reduce or eliminate certain risks through hedging may not work as intended.

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

**Management risk** – the investment manager or its designees may at times find their obligations to a portfolio to be in conflict with their obligations to other investment portfolios they manage (although in such cases, all portfolios will be dealt with equitably).

**Operational risk** – operational failures could lead to disruptions of portfolio operations or financial losses.

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## Additional Disclosures

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

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. The GIPS® Composite Report is available upon request.

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 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.

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