



## AUSTRALIAN UNIT TRUST

# T. Rowe Price Global Equity (Hedged) Fund – ESG Report

Providing transparency on Environment, Social and Governance aspects of the Fund

*As of 30 September 2024*

## ESG INTEGRATION APPROACH

- The T. Rowe Price Global Growth Equity (Hedged) Fund embeds environmental, social and governance (ESG) integration within its investment process. This means incorporating environmental, social and governance factors to enhance investment decisions. Our philosophy is that ESG factors are an integrated component of the investment decision—meaning that they are not the sole driver of an investment decision, nor are they considered separately from more traditional security analysis.
- The process of ESG integration takes place on two levels: first, with our research analysts as they incorporate ESG factors into company valuations and ratings, and second, with the portfolio manager as he balances these ESG factor exposures at the portfolio level. Both the analysts and the portfolio manager are able to leverage dedicated, in-house resources to assist in analyzing ESG criteria.
- Our ESG specialist teams provide investment research on ESG issues at the company level and on thematic topics. Additionally, they have built tools to help proactively and systematically analyze the environmental, social, and governance factors that could impact our investments. The foundation of the analysis is a proprietary flagging tool called the Responsible Investing Indicator Model (RIIM). It covers over 15,000 companies and pulls from data sets that are not in the wheelhouse of traditional financial analysis. These data sets include:
  - ESG performance data (e.g., number of accidents, carbon emissions, strength of whistle-blower programs, etc.);
  - ESG targets (e.g., plans to reduce carbon emissions, increase diversity, etc.)
  - ESG incidents and controversies (e.g., environmental fines paid, local community controversies/protests against a company, etc.)
- Our T. Rowe Price Global Growth Equity (Hedged) Fund applies an active, growth-oriented approach in order to identify companies with the potential for sustainable growth or relative improvement. We look for such opportunities in industries where the outlook over time is becoming more attractive and is conducive to profitable growth. As such, our primary emphasis is on company fundamentals, which include the consideration of environmental, social and governance factors. We find that this process tends to yield an ESG-friendly set of companies; however, we also screen the portfolio using T. Rowe Price's proprietary RIIM analysis at regular intervals. This helps us understand the ESG characteristics of the portfolio and makes us aware of any elevated exposures to specific ESG factors.

## RECENT COMPANY ENGAGEMENTS

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

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

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

## AstraZeneca - (2<sup>nd</sup> Quarter 2024 Engagement)

<b>Focus</b>	Governance
<b>Company Description</b>	AstraZeneca is a global biopharmaceutical company that seeks to discover, develop, and commercialize prescription medicines.
<b>Engagement Objective</b>	We engaged with AstraZeneca on a range of governance matters.
<b>Participants</b>	<p>From T. Rowe Price Associates, Inc: Head of Governance, EMEA and APAC; Investment Analyst; Responsible Investing Analyst; Corporate Governance Analyst</p> <p>From AstraZeneca: Chairman; Director of Investor Relations; Vice President and Head of Investor Relations</p>
<b>Engagement Outcome</b>	<p>We engaged with AstraZeneca on board composition and succession planning.</p> <p>AstraZeneca's new chair since 2023 first joined the Board in 2019. The company has recently seen a successful chief financial officer (CFO) succession, with Aradhana Sarin in place for over a year.</p> <p>The company is actively considering succession planning for both nonexecutive directors (NEDs) and executives. Philip Broadley, the senior independent director (SID), is coming up to seven years in the role and would typically be expected to step down at nine years.</p> <p>In terms of succession planning for executives, the chair believes the age of the chief executive officer matters less than his energy and motivation. Pascal Soriot is currently 64, and the chair emphasized that he remains excited by the science. However, the Nominating Committee is undertaking its responsibilities to build up the internal bench of talent, as well as undertaking a desktop search to look at potential candidates in other pharmaceutical companies. We gave feedback that our investors would like more access to the internal top talent.</p> <p>In terms of the NEDs, four of them will reach the end of the term in 2026, although none will be hitting the nine- year limit except the SID. The company is searching for candidates who have experience in the UK and U.S. and relevant experience in technology, health care, and science. They will also take gender diversity into consideration and have individuals who can backfill the audit and remuneration committees and the SID role and serve as chair of the Sustainability Committee.</p> <p>To permit a staggered transition, the company also changed the Articles of Association to expand the Board from 14 to 16 members.</p> <p>We asked about Marcus Wallenberg, who has been on the Board for 25 years, is over-boarded, and received 22% dissent at the 2024 annual general meeting (AGM). The chair explained that he brings his network to the Board and makes the necessary time commitment.</p> <p>The engagement allowed us to gain a better understanding of AstraZeneca's board composition and succession planning as well as provide our feedback to the company.</p>

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

**Godrej Consumer Products (3<sup>rd</sup> Quarter 2024 Engagement)**

<b>Focus</b>	Governance
<b>Company Description</b>	Godrej Consumer Products is an Indian multinational consumer goods company that sells health and beauty products.
<b>Engagement Objective</b>	Prior to Godrej Consumer Products' annual general meeting (AGM), we engaged with the company to discuss its 2024 Employee Stock Option Plan (ESOP).
<b>Participants</b>	From Godrej Consumer Products: Investor Relations Representative From T. Rowe Price Associates, Inc: Corporate Governance Analyst
<b>Engagement Outcome</b>	<p>Both Institutional Shareholder Services and Institutional Investor Advisory Services recommended voting against Godrej Consumer Products' 2024 ESOP due to the lack of disclosure on performance conditions and the extension of the plan to group companies and subsidiaries.</p> <p>Godrej Consumer Products justified its ESOP with several explanations. First, the company noted that its estimated dilution impact is limited. The ESOP is not a new initiative; it first launched the program in 2011 with 2.5 million shares, which lasted for 13 years and had a total dilution impact of 0.25%. The estimated dilution impact of the new ESOP is around 0.5%, which will be spread over the next decade. Additionally, the primary objective of the plan is to incentivize and retain key talent globally, and Godrej Consumer Products regularly pays out dividends, which are sufficient to offset the dilution impact of the ESOP.</p> <p>Second, with respect to the lack of disclosure on performance conditions, the company explained that some targets are commercially sensitive; however, the Nomination and Remuneration Committee approves specific targets and shares on an annual basis. Godrej Consumer Products also provides annual guidance on revenue and growth related to earnings before interest, taxes, depreciation, and amortization, which serves as a key reference in setting internal targets for the management team.</p> <p>Third, in relation to the extension of the plan to group companies and subsidiaries, Godrej Consumer Products explained that since 55% of its business is in India and 45% is international (including subsidiaries), it believes key talent overseas should not be exempt from the ESOP.</p> <p>Our feedback regarding the company's need for more detailed disclosure and rationale behind extending the ESOP to subsidiaries was well received by Godrej Consumer Products. The company acknowledged our concerns and provided detailed explanations during our engagement.</p> <p>Our meeting helped us gain a better understanding about the 2024 ESOP and informed our voting at the 2024 AGM.</p>

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## ESG RIIM PROFILE

The T. Rowe Price Responsible Investing Indicator Model (RIIM) rates companies, governments and securitized assets in a traffic light system measuring their environmental, social, and governance profile and flagging issuers with elevated risks. For certain types of investments, including, but not limited to, cash, currency positions, and particular types of derivatives, an ESG analysis may not be relevant or possible due to a lack of data. Where ESG considerations are integrated into the investment research process, we may conclude that other attributes of an investment outweigh ESG considerations when making investment decisions.

	Portfolio		Benchmark	
	No. of securities	% weight	No. of securities	% weight
● Green	152	69.0	2,018	81.1
● Orange	20	10.8	573	18.0
● Red	0	0.0	34	0.7
● Not in scope	0	0.0	1	0.1
● Not covered	20	3.9	4	0.1
● Reserves	1	16.4	0	0.0
<b>Total</b>	<b>193</b>	<b>100.0</b>	<b>2,630</b>	<b>100.0</b>

● No/few Flags ● Medium Flags ● High Flags

The benchmark of the Fund is the MSCI All Country World Index ex-Australia Net (Hedged).

## ADDITIONAL DISCLOSURES

Source: MSCI. MSCI and its affiliates and third party sources and providers (collectively, "MSCI") makes no express or implied warranties or representations and shall have no liability whatsoever with respect to any MSCI data contained herein. The MSCI data may not be further redistributed or used as a basis for other indices or any securities or financial products. This report is not approved, reviewed, or produced by MSCI. Historical MSCI data and analysis should not be taken as an indication or guarantee of any future performance analysis, forecast or prediction. None of the MSCI data is intended to constitute investment advice or a recommendation to make (or refrain from making) any kind of investment decision and may not be relied on as such.

Fund Assets, holdings-based analytics (excluding portfolio turnover), and portfolio attribution are calculated using T. Rowe Price's internal Investment Book of Records (IBOR). Due to timing and accounting methodology differences, IBOR data may differ from the Accounting Book of Records (ABOR) data provided by the Fund's accountant.

## IMPORTANT INFORMATION

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The Fund's Target Market Determination is available here <https://www.eqt.com.au/corporates-and-fund-managers/fund-managers/institutional-funds/institutional-fund-manager?f=1e68c659-e0db-4d2f-8a96-c436f3d60971>. It describes who this financial product is likely to be appropriate for (i.e. the target market), and any conditions around how the product can be distributed to investors. It also describes the events or circumstances where the Target Market Determination for this financial product may need to be reviewed.

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