



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 2021

ESG INTEGRATION APPROACH

- The T. Rowe Price Global Equity (Hedged) Fund fully uses environmental, social and governance (ESG) integration as part of its investment process. This means incorporating ESG factors to enhance investment decisions. Our philosophy is that ESG factors are a 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 analysis.
- The process of ESG integration takes place on two levels: first, with our research analysts as they incorporate environmental, social, and governance factors into company valuations and ratings; and, second, with the portfolio manager as he balances these ESG factor exposures at the portfolio level. Both the analysts and portfolio manager are able to leverage dedicated, in-house resources to assist them in analyzing ESG criteria.
- Our ESG specialist teams provide investment research on ESG issues at the company level and on thematic topics. Additionally, they have built tools to help pro-actively and systematically analyze the environmental, social and governance factors that could impact our investments. The foundation of the analysis is a proprietary flagging tool called the Responsible Investing Indicator Model (RIIM). It covers around 15,000 companies and pulls from data sources that help supplement the fundamental research from our financial analysts. These data sets include:
 - ESG performance data (i.e. number of accidents, carbon emissions, strength of whistle-blower programs);
 - ESG targets (i.e. plans to reduce carbon emissions, increase diversity, etc.)
 - ESG incidents and controversies (i.e. environmental fines paid, local community controversies/protests against a company, etc.)
- Our Global 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 better outcome. As such, our primary emphasis is on company fundamentals, which include the consideration of environmental, social and governance factors. We find that this process tends to yield an ESG-friendly set of companies; however, we also screen the portfolio using T. Rowe Price's proprietary RIIM analysis at regular intervals. This helps us understand the ESG characteristics of the portfolio and makes us aware of any elevated exposures to specific ESG factors.

RECENT COMPANY ENGAGEMENTS

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

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

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

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Waste Connections (2nd Quarter 2021)

Focus	Environmental
Company Description	Waste Connections is a leading waste management company in North America.
Engagement Objective	We engaged with the company to discuss its environmental initiatives.
Participants	From Waste Connections: Chief Financial Officer, Investor Relations Representative, Head of Landfill Operations From T. Rowe Price: Equity Portfolio Manager, Equity Research Analyst
Engagement Outcome	<p>The purpose of our engagement with Waste Connections was to discuss gas conversion and other environmental initiatives.</p> <p>Waste Connections operates above regulatory minimum standards for gas conversion. Sites acquired by the company often lack the capability to convert landfill gas into energy due to capital constraints and complexity and are often flared as a result. In most cases, the company is able to add energy conversion facilities onto these sites.</p> <p>Waste Connections often installs gas capture before it is required by regulatory standards. Doing so allows investments to get certified as carbon credits, which the company can monetize. Finally, Waste Connections is committed to moving toward a hybrid and electric vehicle fleet, e.g., working with truck manufacturers and giving them feedback on hybrid truck design.</p> <p>We made three recommendations to Waste Connections:</p> <ul style="list-style-type: none"> • Set more ambitious targets regarding gas recovery, gas/energy conversion, and recycling rates relative to volumes rather than absolute numbers; • Provide annual numbers on the targets; and • Improve disclosure and offer case studies on improvements it makes when acquiring new sites. <p>The engagement informed our investment research and allowed us to impart our views on best practices around ESG issues.</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. T. Rowe Price may have ongoing business and/or client relationships with the companies mentioned in this report.

NextEra Energy (2nd Quarter 2021)

Focus	Environmental
Company Description	NextEra Energy is a leader in renewable energy generation in the U.S. and the largest investor in renewables globally.
Engagement Objective	We engaged with the company as part of a regular dialogue on ESG matters
Participants	From NextEra Energy: Investor Relations Representatives From T. Rowe Price: Portfolio Managers, Investment Analysts, Responsible Investing Analyst
Engagement Outcome	<p>We met with NextEra to discuss its environmental, social, and governance disclosure, notably the omission of data on its scope 2 and 3 greenhouse gas (GHG) emissions.¹ We also focused on NextEra Energy's plans for the deployment of solar and its provision of electric vehicle (EV) infrastructure.</p> <p>We gained confidence that NextEra Energy is improving its GHG disclosure: The company will report in alignment with the Carbon Disclosure Project (CDP) from July 2021. Reporting will include scope 1 and 2 GHG emissions, as well as certain categories of scope 3 emissions (given the difficulties in quantifying up- and downstream emissions). NextEra Energy does not expect scope 3 emissions to be hugely significant but is committed to carrying out the appropriate due diligence to confirm this. We shared our view that setting long-term commitments around emissions reduction, including a net zero target, would be well received.</p> <p>NextEra Energy's switch to natural gas has helped drive a lot of the company's emissions reductions over the past two decades, and the company considers it a transition fuel; however, the next step is large-scale solar deployment in Florida. NextEra Energy has an ambitious target for 12GW of installed solar capacity by 2030 (from 3GW today).</p> <p>In addition to its power generation fleet, NextEra Energy is also playing an active role in deploying EV charging infrastructure in Florida. It is working to encourage further EV adoption in the state (where uptake is already high), and given it already owns and operates energy infrastructure, it is well positioned to provide this service.</p> <p>The engagement reinforced our positive view of NextEra Energy's ESG-related efforts. We were pleased to learn that the company will report in alignment with the CDP this year and recognizes that leaving out data on scope 2 and 3 GHG emissions is a notable omission. While the improving disclosure is positive, we shared our view that the setting of more ambitious emissions reduction targets would be well received by investors.</p>

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

IMPORTANT INFORMATION

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A Target Market Determination for each T. Rowe Price Australian Unit Trust (or class of units in a Trust) is available here (www.eqt.com.au/insto [eqt.com.au]). A Target Market Determination is a document which is required to be made available from 5 October 2021. It describes who the 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 Equity Trustees Limited, the responsible entity of the T. Rowe Price Australian Unit Trusts may need to review the Target Market Determination for the financial product.

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