T. Rowe Price (Luxembourg) Management S.à r.l.
Principal Adverse Impact Statement

SUMMARY

T. Rowe Price (Luxembourg) Management S.à r.l., LEI: 5493008l05iy85UQG067 (TRPLUX) considers principal adverse impacts of its investment decisions on sustainability factors. The present statement is the consolidated principal adverse sustainability impacts statement of TRPLUX.

This principal adverse impacts statement covers the reference period from 10 March 2021 through to 31 December 2021.

In this year’s statement, we begin with the challenge of principal adverse impact (PAI) data availability across our global investment universe and the extent to which it has been possible to meaningfully interpret the results. We have commented on how we expect this to develop in a positive direction and describe the implementation of current results into our engagement program for 2022. PAI metrics were also contributing factors to our engagement activity for 2021, used to identify company outliers along with our well-established fundamental research. This is highlighted among our Environmental, Social, and Governance (ESG) engagement categories where Green House Gas (GHG) emissions and employee diversity are emerging as dominant themes. These have led to our chosen metrics, evidenced below, and we anticipate them to remain in our current view as we continue to track data across PAI indicators.

Our PAI and Engagement policies are disclosed and summarized in the sections that follow, and we have listed the international standards we are committed to. We also detail our involvement in organizations that help support ESG considerations in our investment activities.

Description of principal adverse sustainability impacts

The combination of 2021 being the first year we have collected and reported PAI figures, and the quality and/or limited data availability across the various indicators, has made it difficult to draw strong conclusions from our findings at the entity level. Our approach has taken this into account when aggregating the data for each of the PAI indicators in order to consider the scope, severity and probability of occurrence (where appropriate) across our funds.

Ahead of the mandatory PAI indicators, as described in the Regulatory Technical Standards that supplement the Sustainable Finance Disclosure Regulation, coming into effect in January 2023, we have tracked the following PAI indicators for the reporting period of 10 March to 31 December 2021:

<table>
<thead>
<tr>
<th>PAI Indicator</th>
<th>Aggregated 2021 value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Scope 1 GHG Emissions¹</td>
<td>1228596 mtCO2e</td>
</tr>
<tr>
<td>Scope 2 GHG Emissions²</td>
<td>34712 mtCO2e</td>
</tr>
<tr>
<td>Scope 3 GHG Emissions³</td>
<td>3087677 mtCO2e</td>
</tr>
<tr>
<td>Total GHG Emissions</td>
<td>4663485 mtCO2e</td>
</tr>
<tr>
<td>Carbon footprint (Scope 1, 2 and 3)</td>
<td>133 mtCO2e per EUR mln invested</td>
</tr>
<tr>
<td>GHG Intensity (Scope 1, 2 and 3)</td>
<td>376 mtCO2e per EUR mln revenue</td>
</tr>
<tr>
<td>% of female to male board members</td>
<td>22%</td>
</tr>
</tbody>
</table>

¹ Scope 1 (direct emissions from owned or controlled sources).
² Scope 2 (indirect emissions from the generation of purchased electricity, steam, or cooling).
³ Scope 3 (all other indirect emissions).
⁴ mtCO2e = metric tons of carbon dioxide equivalent.
The outcome of this PAI assessment has reinforced our thematic engagement program for 2022, with two themes standing out:

- **GHG emissions.** We continue to focus on engaging with our investee companies on improving climate-related disclosures and encouraging them to work towards decarbonization and reducing GHG emissions. A large proportion of the emissions data in the table above is estimated by our data vendor and not directly reported by our investee companies*. Although the level of data disclosure has improved in the past year, we continue to guide and encourage companies toward industry best practice standards. Given this, we believe there will be adjustments in the figures as more companies report emissions and there is less reliance on vendor estimates.

- **Board diversity.** Board diversity is an important issue for a growing number of investors, including T. Rowe Price. At a high level, the composition of the average company board does not yet reflect the diversity of the stakeholders these companies represent—their employees, customers, suppliers, communities, or investors. This belief has also been validated by the PAI indicator on board gender diversity shown in the table above. Our experience leads us to observe that boards lacking in diversity represent a sub-optimal composition and a potential risk to the company’s competitiveness over time. For companies in the Americas and EMEA, we generally oppose the re-elections of Governance Committee members if we find no evidence of board diversity. For companies in the Asia-Pacific region, we generally oppose the re-elections of Governance Committee members and/or senior executives, as appropriate, if we find no evidence of board diversity. In addition, our engagement program will focus on encouraging companies to improve disclosure of board diversity and to reach our minimum expectations that are relevant to the market they operate in.

Our expectation is that ESG disclosure will continue to improve over the coming years; we are already seeing promising improvements in levels of ESG disclosure and we continue to engage on this topic. In addition to our thematic engagement programs, we will continue to monitor the PAI indicators as they relate to our security-level engagement programme covering ESG matters.

* Please refer to our 2020 ESG Annual Report where we discuss emissions data challenges in more detail, the report can be viewed here.

**Description of policies to identify and prioritise principal adverse sustainability impacts**

TRPLUX has a policy in place to identify and prioritise the principal adverse impacts (PAI) of investment decisions on sustainability factors. This can be found here.

**Engagement policies**

**Engagement Philosophy**

Engagement, proxy voting activities, and assessment of a broad range of investment considerations—including ESG issues—are integrated into T. Rowe Price’s investment processes. Based on our view that these issues are important investment considerations, our engagement program is driven by our investment professionals and usually focused on a matter material to the investment case.

**Engagement in Practice**

Our engagements are driven by issues that we consider to be material to our investment thesis. These can be identified through our fundamental research, through our Responsible Investing Indicator Model (RIIM) analysis and through the consideration of PAIs. The engagements can serve a variety of purposes:

- Gain a better understanding of ESG issues that could impact our investment thesis
- Maintain a dialogue on ESG issues, which can serve to promote best practices, share our views on a specific ESG topic, and/or inform proxy voting decisions
- Request a specific change at a company

Our engagement practice primarily takes place through formal letters to Boards of Directors, private meetings in our offices, conference calls, and proxy voting. When a company is participating in a business practice related to ESG issues that we believe could inhibit our ability to reach our investment goals we make that view known to the company’s leadership through all means at our disposal.

**Tracking ESG Engagement**

In order to ensure we are leveraging insights from engagements across our investment platform, we retain notes on our internal research platform. These are retained alongside our other investment research.

**Engagement, Proxy Voting and Investment Decisions**

Because the assets of T. Rowe Price’s clients are predominantly actively managed, we have the option to sell the security in most cases. When a company is exhibiting poor business practices around environmental, social or governance issues, our first step is often to assess whether or not we believe our engagement efforts will be successful. If we do not believe engagement will yield a positive outcome, we may choose to underweight or sell the shares and/or bonds.

In the case of equity investments, we have an additional tool at our disposal—the proxy vote. We see proxy voting as a crucial link in the chain of stewardship responsibilities we execute on behalf of our clients. From our perspective, the vote represents both the privileges and the responsibilities that come with owning a company’s equity instruments. We take our responsibility to vote our clients’ shares in a thoughtful, investment-centered way very seriously—taking into account both high-level principles of corporate governance and company-specific circumstances. Our overarching objective is to cast votes in support of the path most likely to foster long-term, sustainable success for the company and its investors.
Principal Adverse Impacts (PAI)
We use the outcome of the annual assessment of PAIs to inform our engagement programme.

References to international standards
We adhere to the following international standards and have noted, where applicable, their degree of alignment to the Paris Agreement:

- **Principles for Responsible Investment (PRI)**
  The PRI commissioned the “Inevitable Policy Response” (IPR) which aims to prepare institutional investors for the portfolio risks and opportunities associated with a forecast acceleration of policy responses to climate change. IPR has also published a 1.5C Required Policy Scenario (RPS) outlining the more ambitious policies that would be required to reach a 1.5C outcome.

- **UN Global Compact**
  The UN Global Compact has published a whitepaper to plot a roadmap for corporates to reach net zero, facilitating the private sector to play its role in the pathway.

- **UN Guiding Principles for Business and Human Rights**

- **Task Force on Climate-related Financial Disclosures (TCFD)**
  The TCFD was created to develop recommendations on the types of information that companies should disclose to support investors in appropriately assessing risks related to climate change.

- **Sustainability Accounting Standards Board (SASB) Alliance**
  SASB Standards can be used by companies as a practical tool for implementing the principles-based framework recommended by the TCFD.

- **UK Stewardship Code**
  “Principle 7” of the code requires signatories to systematically integrate stewardship and investment to fulfil their responsibilities, including climate change.

- **Japan Stewardship Code**
  “Principle 2.3” of the Japan Stewardship Code states that companies should take appropriate measures to address sustainability issues, including social and environmental matters.

In addition to the above standards, we have joined, or led, the following industry-level initiatives aimed at facilitating opportunities for collaborative engagement, advocacy, and improving ESG disclosure and business practices:

- 30% Club Investor Group – UK Chapter
- Access to Medicine Index
- Asia Corporate Governance Association (ACGA)
- Associação de Investidores no Mercado de Capitais (AMEC)
- Council of Institutional Investors (CII)
- Emerging Markets Investors Alliance
- FAIRR
- Global Impact Investing Network (GIIN)
- IMEA (Investment Management Education Alliance) ESG Committee
- Institutional Investors Group on Climate Change (IIGCC)
- International Capital Market Association (ICMA)
- International Corporate Governance Network (ICGN)
- Investment Association Climate Change Working Group
- Investor Stewardship Group (ISG)
- Japan Stewardship Initiative
- Responsible Investment Association Australasia (RIAA)
- TCFD Consortium (Japan)
- UK Investor Forum

In 2022, we joined the following further initiatives:

- Access to Nutrition Initiative
- Member of the International Capital Market Association (ICMA) Principles® (GBP, SBP, SBG and SLBP)
- Net Zero Asset Managers Initiative

As of 30 June 2022

5 At least one T. Rowe Price entity is a member of the organizations mentioned.
6 The Principles include GBP (Green Bond Principles), SBP (Social Bond Principles), SBG (Sustainability Bond Guidelines) and SLBP (Sustainability-Linked Bond Principles).
Important Information

This material is provided for informational purposes only and is not intended to be investment advice or a recommendation to take any particular investment action. The information contained herein is as of 30 June 2022 and is subject to change without notice. This information is not intended to reflect a current or past recommendation, investment advice of any kind, or a solicitation of an offer to buy or sell any securities or investment services. The opinions and commentary provided do not take into account the investment objectives or financial situation of any particular investor or class of investor. Investors will need to consider their own circumstances before making an investment decision. Information contained herein is based upon sources we consider to be reliable; we do not, however, guarantee its accuracy.

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