

T.RowePrice®

Impact Beyond the Obvious

# Global Impact Equity Strategy

2022 ANNUAL IMPACT REPORT



Sustainability With Substance™

Issued October 2023.

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## **IMPORTANT INFORMATION:**

### **Aggregated Report**

This impact report is based on the representative portfolio of the Global Impact Equity 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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# The Need to Make an Impact Is Greater Than Ever

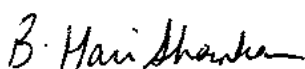
It has been another period of extremes for capital markets, the environment, and society. It was marked by one of the fastest interest rate hike cycles in history as central banks sought to control spiraling inflation, driven in part by one of the standout positives from 2022, the exit from the worst of the pandemic. Many have also endured record-high temperatures, bringing into focus environmental change and elevating concerns over global warming and its destructive influence. War continued in Europe as the Russia-Ukraine conflict moved into its second year. Global equities moved lower during the period, with caution and a reset of expectations the dominant themes of the market.

As the political, economic, and investment landscape has evolved once more, an additional theme has emerged—sentiment fractures directed toward ESG policymaking. A lack of consensus over ESG label definitions and analytical practices remains an issue, together with an ongoing need to strengthen the alignment of all stakeholders on the intended real-world progress that sits behind the policy. This is where we believe impact investing can be part of the solution, by creating clearer research and measurement frameworks that reduce the scope for greenwashing, while better aligning stakeholders with their intended goals. Concerns have also been raised regarding the alignment of ESG policymaking and financial returns, following a period that has clearly been challenging for many values-based investors. Here we remain steadfast in our view that we are seeing growing demand for solutions from the corporate sector that address global environmental and societal pressure points. This is likely to continue, providing real opportunity to identify companies where impact and financial returns are compounding and growing.

By applying and sharing our impact processes, we believe we are contributing to the progression of the industry as debate grows over how investors can develop research frameworks, exert more influence on corporates through engagement and further the measurement of outcomes and impact. We could not be more excited about the prospects for impact investing and the focus of the many to make a real world positive contribution. We believe that concerns over energy dependency will hasten investments in a cleaner-energy future, accelerating net zero ambitions that are lagging targets. Beyond energy, the health care sector embodies investment and change, particularly in the wake of the coronavirus pandemic, which highlighted the need for more robust health care systems and investments in improved patient outcomes.

Looking back, the pandemic has resulted in widening inequality in certain communities around the globe. The forecast funding gap to help realize the United Nations Sustainable Development Goals by 2030 has widened to USD 5 trillion – USD 7 trillion per annum over the last year.<sup>1</sup> However, impact investing offers meaningful opportunities to go some way toward addressing this funding gap.

Investing in the right companies that seek to address environmental and societal pressure points is ever more pressing. Our efforts to identify these opportunities and demonstrate their impact journeys is reflected in this annual report.



**Hari Balkrishna**  
Portfolio Manager,  
T. Rowe Price Global  
Impact Equity Strategy



We could not be more excited about the prospects for impact investing and the focus of the many to make a real-world positive contribution.

<sup>1</sup> Source: United Nations

# About Global Impact

The T. Rowe Price Global Impact Equity Strategy was inspired by our desire to proactively address some of the challenges confronting our planet and society. We believe impact investing can be part of the solution to address these challenges—via conscious allocation of capital, company engagement, and skilled execution.

Our approach targets underappreciated impact, in combination with mispriced future economic returns, on a truly global, stock-by-stock basis. Investing in companies that we believe are on the side of secular change that aligns with our impact goals, is key to unlocking improving economic returns in business models, especially in an era of shifting consumer, business, and regulatory preferences. We believe stocks

that deliver positive environmental and/or social impact have the potential to offer better topline and bottom-line growth prospects than the overall market. Aligning with the UN Sustainable Development Goals (UN SDGs), we apply a forward-looking, research-driven, and high-conviction approach, analyzing the full breadth of impact opportunities available in an evolving and complex world.

## Our Impact Charter

Societal, regulatory, and fiduciary dynamics are driving meaningful change across a range of environmental and social fronts. As companies shift investments to address global pressure points, the opportunity to own businesses in public equity markets with the potential to create a positive impact on society and the planet is broader than ever.

Generating impact, however, goes beyond investing in certain types of companies. It draws active ownership—directing capital toward desired impact outcomes and encouraging change through impact-oriented company engagements and active proxy voting. Our impact approach is framed around four principles—material, measurable, additional, and resilient.



### MATERIAL

We base our stock inclusion criteria on a corporation's activities and its alignment with clearly defined impact pillars, using revenue inclusion criteria, 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.

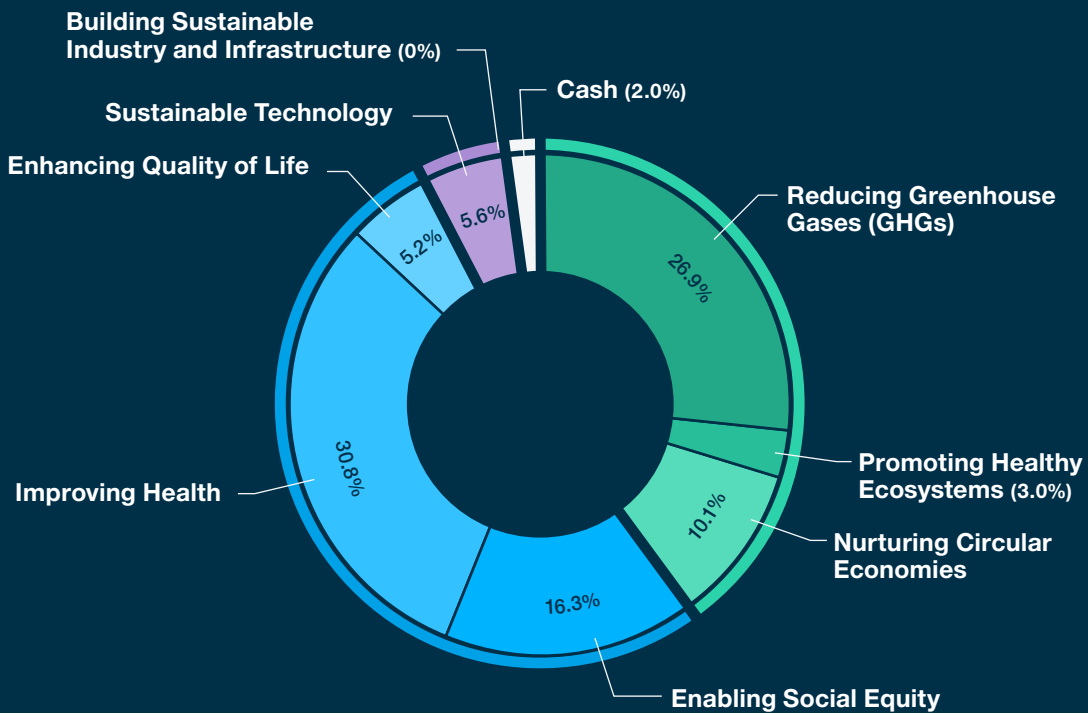


### RESILIENT

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 by Pillar\*

As of December 31, 2022



**1** Climate and Resource Impact  
40.0% (43.4%)

**2** Social Equity and Quality of Life  
52.3% (50.8%)

**3** Sustainable Innovation and Productivity  
5.6% (5.1%)

**Reducing Greenhouse Gases (GHGs)**  
2022: 26.9% (30.4%)

**Enabling Social Equity**  
2022: 16.3% (17.1%)

**Sustainable Technology**  
2022: 5.6% (5.1%)

**Promoting Healthy Ecosystems**  
2022: 3.0% (2.6%)

**Improving Health**  
2022: 30.8% (30.6%)

**Building Sustainable Industry and Infrastructure**  
2022: 0.0% (0.0%)

**Nurturing Circular Economies**  
2022: 10.1% (10.4%)

**Enhancing Quality of Life**  
2022: 5.2% (3.1%)

\* Pillars are proprietary to T. Rowe Price and were developed for the purpose of aligning portfolio holdings according to the impact being delivered. Data shown for the representative portfolio as of December 31, 2022. We have also included data as of December 31, 2021 (in parentheses to reflect the change over the previous period reporting). Cash weighting for 2021 was 0.7%. Subject to change without notice. Figures may not total due to rounding. See Additional Disclosures for more details on the representative portfolio.



# Portfolio by Primary United Nations Sustainable Development Goals



- Agilent Technologies
- AIA Group
- Alexandria Real Estate Equities
- AstraZeneca
- Becton Dickinson
- Daiichi Sankyo
- Danaher

- Eli Lilly
- EssilorLuxottica
- Evotec
- Hamamatsu Photonics
- HDFC Life Insurance
- Intuitive Surgical
- Koninklijke DSM

- Lonza Group
- Sartorius
- Stryker
- Thermo Fisher Scientific
- UnitedHealth
- Veeva Systems
- Zoetis



- Badger Meter
- Mueller Water Products



- Atlassian
- Brookfield Renewable Partners
- Hubbell
- Ingersoll Rand
- Linde

- NextEra Energy Partners
- Nibe Industrier
- P G & E
- Rockwood
- Roper Technologies
- Schneider Electric

- Sika
- SolarEdge Technologies
- Tesla
- Trane Technologies
- Trimble

- MSA Safety



- ASML
- Bank Central Asia
- Synopsys
- TSMC



- Axis Bank
- Bright Horizons Family Solutions
- Chailease Holding
- HDFC Bank
- Hubspot

- Intuit
- Kanzhun
- Nu Holdings
- OneMain Holdings
- Shopify



- Ashtead Group
- Ball Corporation
- Darling Ingredients
- IDEX Corporation

- Keyence
- Tomra Systems
- Trex
- Waste Connections



- 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 1, 2, 4, 5, 11, 13, 14, 15, or 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.

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.

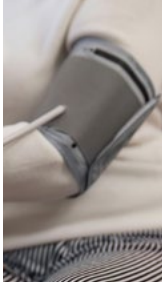
# Portfolio Changes

## Top 5 investments added\*



### UNITEDHEALTH GROUP

As the largest U.S. health insurer, **UnitedHealth Group** provides a financial safety net to its customers to facilitate improved access to health care. The company is differentiated from its peers given it has the largest presence of any managed care company in Medicare Advantage. Its value-based care business also helps drive improved patient outcomes and lower costs for the entire health care system, while its focus on utilizing technology enhances its ability to deliver more effective care.



### DARLING INGREDIENTS

**Darling** is one of the oldest rendering companies in the world. Its rendered products, which would otherwise be discarded, are transformed and recycled for use as specialty ingredients, fertilizers, and feedstock for biodiesel fuel. While it contributes highly to the circular economy by reducing the amount of waste sent to landfills, its joint venture with Valero/Diamond Green Diesel, is one of the largest producers of renewable diesel—a low-carbon diesel replacement that utilizes animal fats from the rendering process as feedstock.



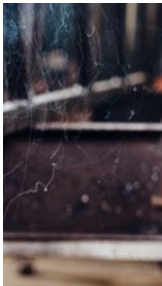
### BALL CORPORATION

**Ball Corporation** positively contributes to the circular economy by producing packaging that is highly recyclable. Its beverage aluminum containers have a high recycled content (>60% recycled content)<sup>1</sup> and, as such, reduces the amount of waste sent to landfills and lessens the need to extract additional natural resources. Its circular manufacturing model helps to lessen the environmental impact of the packaging industry and lowers the dependence on fossil-based materials, such as single-use plastics.



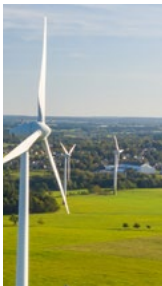
### INGERSOLL RAND

**Ingersoll Rand** manufactures flow control products such as compressors, pumps, and vacuums for a range of global customers in various industries. Studies have estimated that energy use in buildings and industry represent roughly 40% of global greenhouse gas (GHG) emissions. The company's products contribute to decarbonization by improving energy efficiency across industries and enabling customers to reduce their carbon footprint. It also provides products for water management, including purification and efficient consumption.



### NEXTERA ENERGY PARTNERS

**NextEra Energy Partners (NEP)** is one of the largest producers of renewable energy in the U.S. The company operates an industry-leading portfolio of wind, solar, and battery storage assets, which supports the decarbonization of the power sector in the U.S. While NEP does own a natural gas pipeline business (which it is divesting from), its development pipeline is 100% renewable energy. We believe NEP is helping to contribute to the urgent need to increase the share of renewable energy in the global energy mix.



\* Transactions made through calendar year 2022 across the representative portfolio.

<sup>1</sup> Source: Ball Corporation 2022 Annual Report.



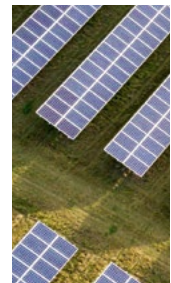
# Portfolio Changes

## Top 5 investments eliminated\*



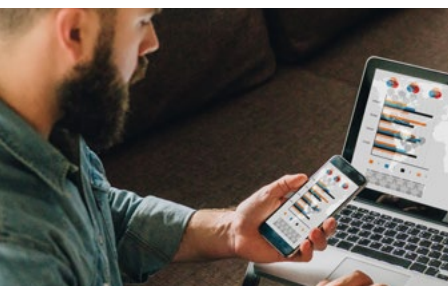
### NEXTERA

**NextEra** is a leader in renewable energy generation in the U.S. and one of the largest investors in renewable energy globally. While the company is a clear contributor to the electrification and decarbonization of the power grid, we decided to switch our position into NextEra Energy Partners (NEP), given the greater alignment of its business mix with decarbonization objectives.



### CHARLES SCHWAB

While we believe that **Charles Schwab** is enabling financial inclusion and improving financial stability, our confidence diminished that this was true for households toward the bottom end of the socioeconomic pyramid. As such, we chose to eliminate our position in the third quarter of 2022 in favor of companies where socio-economic impact was more easily evidenced.



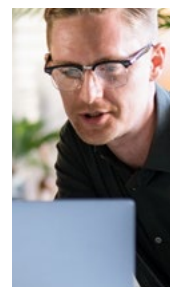
### SALESFORCE

Our position in **Salesforce** was oriented around the view that the company is contributing to the reduction of GHGs. Its customer relationship management software, which is predominantly cloud-based, is inherently more energy efficient than on-premises alternatives and enables end clients to reduce their carbon footprint. However, sourcing reliable and quantifiable metrics related to GHG savings from the use of the company's platform was challenging, so we decided to eliminate our position in the fourth quarter of 2022.



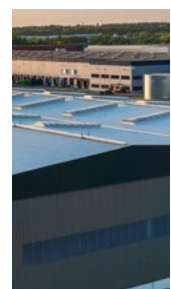
### SERVICENOW

**ServiceNow** is a leader in cloud-based workflow software, and we believe that its platform is contributing to increased energy and resource efficiency relative to on-premises software solutions. Enabling GHG savings is a cornerstone of the impact thesis, but, like Salesforce, our ability to evidence real-world, reliable metrics has been limited, so we decided to eliminate the position in the fourth quarter of 2022.



### PROLOGIS

The world's largest owner of industrial distribution space, **Prologis** is a leader in certified green buildings, far surpassing the industrial average as a percentage of the total portfolio. As global interest rates began to rise, the stock held up well, but our view that real estate would suffer amid rising rates and waning warehouse demand weakened our thesis; hence, we opted to eliminate in early 2022.



\* Transactions made through calendar year 2022 across the representative portfolio.



## THEMATIC INSIGHTS

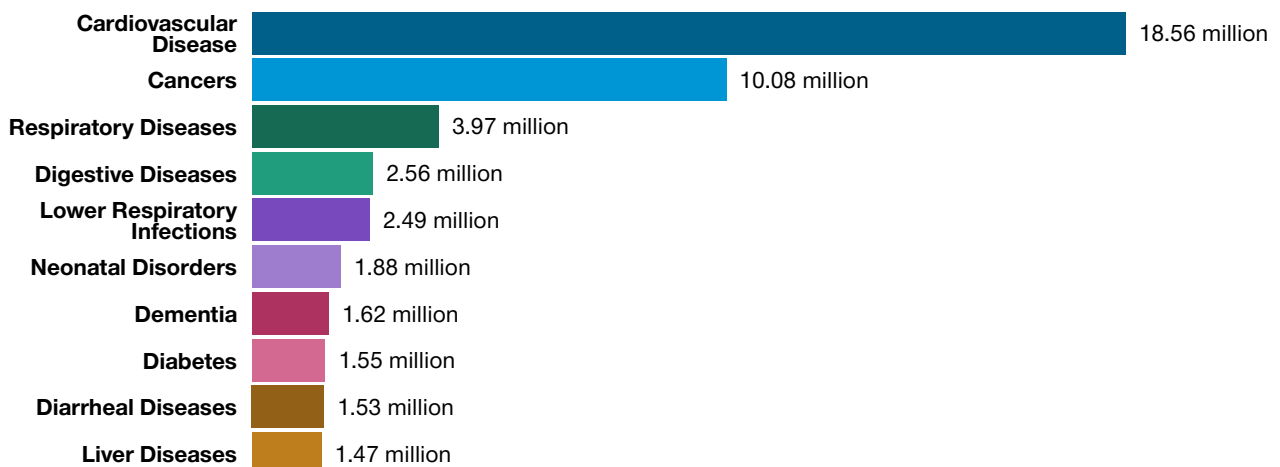
# Narrowing the Health Care Gap

### The Challenge

Healthy lives and societal well-being are intrinsically linked to sustainable development. The coronavirus pandemic brought into sharp focus the critical importance of global health care investment, innovation, and access. While tremendous progress has been made since the United Nations (UN) announced its Millennium Development Goals, which focused on child mortality, maternal health, HIV/AIDS, and malaria, many of the other top 10 causes of death globally have increased in frequency over the past 20 years. These include cardiovascular disease, cancers, Alzheimer's disease, and diabetes.<sup>1</sup> Since the pandemic, mortality rates of respiratory-related disease have also increased sharply, reversing a long-term trend of decline.

Noncommunicable diseases continue to create a significant burden globally, but particularly in developing nations where disease can be a significant factor leading to deprivation. The UN estimates that the cumulative economic losses incurred by low- and middle-income countries from cardiovascular disease, cancer, chronic respiratory disease, and diabetes alone are likely to surpass USD 7 trillion by 2025. While social security networks typically help to provide health care for many in the developed world, it is often not the case in the emerging world. Meanwhile, aging populations are creating distinct health care burdens that must be met in an affordable way, with innovation in therapeutic treatments and investment in infrastructure.

### Top 10 Causes of Death Globally, 2019



<sup>1</sup> Source: IHME, Global Burden of Disease (2019).

## The Role of Investors

Better health care outcomes require the alignment of many stakeholders, including government, philanthropic bodies, and private research. One of the most remarkable outcomes from the pandemic was the speed at which the global scientific community responded, applying a magnitude of research and development (R&D) that yielded the fastest vaccine delivery in history.

At the heart of the timeline—between the Chinese government sharing the genetic sequence of COVID-19 (January 2020) and the outcome of mass trials of COVID vaccines (December 2020) by Moderna and Pfizer/BioNTech—was a new level of alignment in terms of government and private sector interests. This helped significantly compress the timeline of drug development to release from the average 10-years estimate.<sup>2</sup> While the pandemic was exceptional, much can be learned from this collective effort and potentially applied to address the global health care needs of an expanding and aging society.

<sup>2</sup> Source: McKinsey Pharamaprojects, October 2020.



## Treatment and Therapy

There is significant debate about whether the pandemic either catalyzed or crowded out research into new therapies. But there is no doubt the pandemic had an incredibly disruptive impact on normal health care routines, including screening, identification, and prompt treatment of disease.

With many of the largest causes of death still rising, the need to invest and further the efficacy of treatment has increased sharply. Here, we see real cause for optimism in many areas. For example, considerable progress is being made in antibody drug conjugate treatment for cancer by companies such as **Daiichi Sankyo** and **AstraZeneca**, enabling more targeted chemotherapy delivery for patients.

Breakthroughs in drug development for diabetes and Alzheimer's by **Eli Lilly** are also highly encouraging, with potential to treat vast numbers of sufferers globally. Finally, with a backlog of medical procedures for health care systems to contend with, technology is playing a significant role in helping to treat patients with scale and efficiency. Here, the potential of robotic surgery is being explored and developed by companies like **Intuitive Surgical**.





## Narrowing the Insurance Gap

According to the World Health Organization (WHO), universal health coverage is defined as the ambition for “all people to have access to health services they need, without financial hardship.” However, approximately 100 million people are pushed into extreme poverty each year because of out-of-pocket health expenses, which partly underlies WHO’s goal of “1 billion more people benefiting from universal health coverage.”

Arguably, the largest unmet need is in the developing world where the absence of public health care systems and lack of insurance protection has been exacerbated by rapid population growth. The private sector, however, is playing a critical role in tackling coverage issues. **AIA Group** in Asia (case study to follow) is one of the largest entities helping to provide both health and life insurance to individuals across Southeast Asia.

The benefits of better health care coverage are universal, however. According to a study published by *Lancet Public Health* in 2022,<sup>3</sup> those states in the U.S. with Medicaid expansion have 11.8 fewer deaths per 100,000 adults per year than those without. **UnitedHealth** is one such company that is helping to address the gap in coverage. The company is one of the largest health care insurers in the U.S. and an operator for Medicaid services. By expanding its value-based case and in-home clinical care, UnitedHealth is broadening out health care access at a lower cost to many more Americans.



## Enabling Innovation and Impact

Mobilizing global health research and development is a significant goal for WHO. R&D in health care is essential to achieve many of the targets set by the UN Sustainable Development Goals, notably those within Goal 3, “Good Health and Well-Being.” It is estimated that the annual investment gap to achieve the objectives within Goal 3 is approximately USD 140 billion.<sup>4</sup> This will require publicly listed companies to plug the funding gap and provide the products and services that can accelerate progress.

Despite many technological breakthroughs over the past 20 years, there remains real complexity in safe drug development, necessitating investment by a network of companies that research and produce small molecules, biologics, and gene therapies. The enablers of these technologies, such as **Thermo Fisher Scientific, Agilent, Lonza, Sartorius, Evotec, and Danaher**, are leading the charge in mobilizing global health R&D and enabling the health care industry to innovate better and become more cost efficient.

<sup>3</sup> thelancet.com

<sup>4</sup> springer.com



## THEMATIC INSIGHTS

# Circular Economy and Waste Reduction

### The Challenge

One of the most pressing issues for our planet is the speed at which we are consuming our natural resources and the waste that results from that consumption. Population growth and a secular trend of rising personal consumption result in an estimated 2.24 billion tons of waste creation per year, amounting to a footprint of 0.79 kilograms per person per day.<sup>1</sup> While estimates vary by study, in 2021 the United Nations (UN) estimated that 300 million tons of plastic waste alone was being created annually, an amount that is almost equivalent to the entire weight of the human population.<sup>2</sup> Humans inhaling and consuming microplastics via our air and food chains is now a harsh reality of our collective footprint, emphasizing the urgency needed to address the problem.

Reducing waste as the global economy grows and as standards of living rise will be difficult, but the principle of sustainable consumption and resource management can be addressed by transitioning to a more circular economy. We need to move from an inherent make-use-and-dispose economy to a model that focuses on the continuous and recycled use of resources to help reduce waste and its negative impact on the environment.

### The Role of Investors

Any solution to the growing waste issue demands a scaled response. This will mean a combination of public and private infrastructure investment, government incentives, and societal engagement to engender the behavioral change needed. Encouragingly, many companies are starting to recognize the benefits of more efficient consumption and are identifying growing customer demand. Within our impact investment universe, we have identified several firms that are helping to advance the push toward a circular economy in areas that include product innovation, recycling and packaging, and waste management.

<sup>1</sup> Source: The World Bank, Solid Waste Management report, February 11, 2022.

<sup>2</sup> Source: Pollution to Solution UN Environment Program, October 21, 2021.



## Innovation in Products and Services

Rethinking production techniques and finding ways to innovate the manufacturing process to help reduce waste are critical to the shift to a circular economy. One impactful way of improving resource use is to create products from waste itself, as is the case for **Trex**, a wood manufacturer based in the U.S. Its composite decking, made in part from plastic from landfill and recycled wood, is a notable example of the type of innovation companies are developing to solve for these problems. Reducing duplication and under-utilization of products is another highly effective way of cutting waste. **Ashtead**, a construction equipment company, leases out its steel machinery equipment to help lift the utilization rate of privately owned and steel-intensive machinery (from an average of 16% to Ashtead's own utilization rate of 70%), thus saving carbon emissions from steel production.



## Waste Management and Reduction

One very damaging, but less discussed aspect of waste is its propensity to generate methane as it decomposes. Methane has a global warming potential of between 84 and 87 over a 20-year life span (carbon dioxide is the reference point of 1 on this scale).<sup>3</sup> By investing in methane recovery systems at its waste sites, **Waste Connections** is helping to mitigate the release of methane into the atmosphere. The firm also manages recovery and recycling, primarily from paper and cardboard. **Darling Ingredients** (case study to follow) is also engaged in waste reduction and methane avoidance by manufacturing biofuel from the byproducts of animal processing and rendering.



## Recycling and Packaging

Estimates of the global total amount of plastic recycled range between just 10% and 20%.<sup>4</sup> With approximately 11 million tons of plastic waste entering our oceans per annum (an amount estimated to triple in the next 20 years), there is a huge amount to be done to address the problem. We believe the long-term solution requires a dramatic rethink of packaging and a shift away from plastics. In the interim, recycling has a key role to play in the transition. Countries like Norway are leading the way with policy, implementing a deposit return scheme that has helped drive the recycling rate of polyethylene terephthalate bottles up to around 97%.

**Tomra** (case study to follow) has been at the vanguard of the recycling process, with a mission to increase its collection of containers from 45 billion to 500 billion by 2030. Meanwhile, **Ball Corporation's** highly recyclable packaging is also contributing positively as its aluminum beverage containers have high recycled content of greater than 60%, which helps to reduce the amount of waste entering landfills. Aluminum recycling has around 5% of the carbon intensity compared with other products. It is also true that about 75% of all aluminum ever produced is still in use today.<sup>5</sup> Almost 70% of aluminum cans are recycled, making them the most recycled drinking container on the planet.<sup>3</sup>

<sup>3</sup> Source: United States Environmental Protection Agency

<sup>4</sup> OECD Global Plastics Outlook Database (2019)

<sup>5</sup> Source: world-aluminium.org



# 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 into 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

Companies in which the portfolio invests delivered positive outcomes across many areas of impact. We primarily measure impact at the company level. However, we aggregate these data points across companies where available and where it makes sense to do so. For example, where KPIs and measurement outcomes

have a similar characteristic. Here, we present the estimation of short-term outcomes as well as long-term impact delivered by a sample of companies we invest in (approximately 55% of assets under management), using annual reports as well as third-party impact estimations.

## Climate and Resource Impact



**5,500**

**TERRAWATT HOURS OF ENERGY SAVED**

**from use of insulation products**

Rockwool (1.5% portfolio weighting)



**13.4 million**

**METRIC TONS OF CO<sub>2</sub>e MITIGATED**

**by electric vehicle production**

Tesla (0.9%)



**29.9 million**

**CUBIC METERS OF WATER SAVED**

**by firms' products**

Badger Meter\* (1.7%) and Mueller Water (1.3%)



**31 million**

**METRIC TONS OF CO<sub>2</sub>e MITIGATED**

**by solar energy equipment solutions**

SolarEdge (1.0%)



**204,400**

**METRIC TONS OF STEEL PRODUCTION AVOIDED**

**by rental services**

Ashtead† (1.4%)



**155 million**

**METRIC TONS OF WASTE AVOIDED**

**through recycling**

Trex (0.6%), Darling Ingredients (1.8%), Ball Corporation\* (1.8%)



**46.1 million**

**METRIC TONS OF CO<sub>2</sub>e MITIGATED**

**by renewable energy generation**

NextEra Energy Partners\* (1.7%), PG & E (1.7%), and Brookfield Renewable Partners (1.7%)



**49,000**

**METRIC TONS OF PLASTIC DISPOSAL**

**diverted by waste management systems**

Waste Connections†† (1.8%)



**197.5 million**

**METRIC TONS OF CO<sub>2</sub>e MITIGATED**

**industrial and construction solutions**

Linde (3.0%), Nibe\* (0.7%), Sika\* (0.8%), Trane (2.0%)

## Social Equity and Quality of Life and Sustainable Innovation and Productivity



**36.1 million**

**JOBS SUPPORTED**

through lending services,  
primarily within emerging  
markets<sup>†</sup>

Axis Bank (2.2%), HDFC Bank (2.4%),  
Bank Central Asia (2.0%), Chailease (1.7%)



**95,000**

**LIVES EXTENDED**

through pharmaceutical  
treatments<sup>†</sup>

AstraZeneca (1.4%), Eli Lilly (1.7%),  
Daiichi Sankyo (1.6%)



**13 million**

**PEOPLE PROVIDED WITH  
BACK-UP CARE**

capacity and access to  
educational services

Bright Horizons (1.1%)



**268.7 billion**

**USD IN CREDIT**

outstanding to Retail and SME  
clients in Emerging Markets

Axis Bank (2.2%), HDFC Bank (2.4%),  
Bank Central Asia (2.0%), Chailease  
(1.7%), Nu Holdings (0.9%)



**126 million**

**PEOPLE INSURED**

by protection solutions

AIA (2.2%), HDFC Life (0.8%)



**2.3 million**

**WORKERS PROTECTED**

by fall protection systems  
and industrial helmets

MSA Safety<sup>†</sup> (1.3%)



**448 million**

**PATIENTS TREATED**

by medical devices and  
surgical equipment

Becton Dickinson (1.5%), Intuitive  
Surgical (2.0%), Stryker (1.0%),  
Thermo Fisher Scientific (2.6%)



**1.9 million**

**ROBOTIC SURGERIES  
CONDUCTED**

by surgical technology

Intuitive Surgical (2.0%)



**10.5 billion**

**USD SPENT ON RESEARCH  
AND DEVELOPMENT**

in sustainable technology  
solutions

ASML (2.5%), Synopsys (1.6%), and  
TSMC (1.5%)

\* T. Rowe Price estimates.

† Net Purpose estimate.

‡ Based on 2021 company data.

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. This means that these estimates may actually be conservative, but as companies get better at measuring impact we expect these data points to become even more precise.

Individual company results may vary significantly and may not achieve the same level of impact in the future. Based on company-reported data.

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



**Reducing Greenhouse  
Gases (GHGs)**



**Promoting Healthy  
Ecosystems**



**Nurturing Circular  
Economies**



## PROMOTING HEALTHY ECOSYSTEMS

# Badger Meter

## Pressure Points

Global water use has increased by approximately 1% every year since the 1980s, primarily due to rising industrial and domestic demand, creating global pressure on supplies.<sup>1</sup> Approximately 16% of all treated water in the U.S. is lost through leaks and other system inefficiencies, equating to 6.4 billion cubic meters of wasted drinking water. This costs the nation approximately USD 2.6 billion annually.<sup>2</sup>

## Impact Thesis

Badger Meter manufactures flow measurement and control products for municipal and utility water/wastewater and several industrial markets. We attribute nearly 100% of its revenue to sustainable activities. This combines its Utility Water segment (approximately 80% of revenues), which includes water flow measurement, control and distribution solutions, and its Flow Instrumentation Products segments (approximately 20% of revenues), which includes flow control and measurement solutions for commercial and industrial applications.<sup>3</sup>

**KPI:** Water saved from use of products

## Five Dimensions of Impact

**What:** Enable efficient water conservation and consumption through advanced metering and leak detection solutions.

**Who:** Planet

**How much:** Badger Meter's technology can drive approximately 25 million cubic meters of annual water savings globally.<sup>4</sup>

**Contribution:** With a business solely focused on water conservation and management, Badger Meter has broadened its product pipeline, service provision, and technology to enhance water use efficiency.

**Risks:** Potential product issues and system outages can lead to product quality and safety issues.

## Progress Monitoring

In 2022, the company set a renewed and more ambitious reduction target for GHG of 50% (from a 2020 baseline) by 2030, materially improving its conviction with respect to reducing its footprint.<sup>3</sup>

### PRIMARY UN SDG



### IMPACT PILLAR

Climate and Resource Impact

### IMPACT SUB-PILLAR

Promoting Healthy Ecosystems

### IMPACT JOURNEY

#### Input

USD 6 million of investment in 2022 including acquisitions and capital expenditures<sup>3</sup>

#### Output

Broad range of products and services to help detect leaks in water pipeline infrastructure

#### Outcome

Improved efficiency of leak detection and water pipe damage

#### Impact

25 million cubic meters of water saved<sup>4</sup>

<sup>1</sup> United Nations World Water Development Report 2023

<sup>2</sup> United States Geological Service

<sup>3</sup> Badger Meter 2022 annual report

<sup>4</sup> T. Rowe Price estimate based on 2022 Badger Meter company data.

## REDUCING GREENHOUSE GASES (GHGs)

# Brookfield Renewable Partners

## Pressure Points

Fossil fuel combustion accelerates climate change through the greenhouse gas (GHG) emissions they emit. While estimates continue to develop, research suggests that fossil fuel air pollution is responsible for over 8 million deaths annually.<sup>1</sup> The Intergovernmental Panel on Climate Change (IPCC) projects tremendous damage to the global ecosystem and human society if temperature increase cannot be limited to 1.5 degrees.<sup>2</sup> Energy generation constitutes over 35% of global carbon emissions,<sup>3</sup> making it imperative to decarbonize the energy sector to meet the 1.5-degree Celsius target.

## Impact Thesis

Brookfield Renewable Partners is one of the largest hydro, solar, and wind electricity providers in the world, generating zero carbon electricity across multiple geographies. The company plays a key role in the global energy transition by using clean sources for electricity generation.

**KPI:** Carbon emissions mitigated

## Five Dimensions of Impact

**What:** Decarbonizing the power sector by investing in renewable wind, solar, and hydro infrastructure and energy production.

**Who:** Planet and people

**How much:** The company helped mitigate 33 million tons of carbon emissions (tCO<sub>2</sub>e) in 2022 as its renewable energy assets generated 69.7 TWh (Terawatt Hour) of alternative energy.<sup>4</sup> Both of these figures grew 14% year-on-year from 2021.

**Contribution:** The company has committed to doubling its operating portfolio by 2030 to respond to demand dynamics and the overall challenge of decarbonization. Brookfield has one of the lowest carbon footprints in the sector (in terms of emissions per kWh (Kilowatt Hour) of power generated) and has reduced its own Scope 1 and 2 emissions by over one-third since 2018, even as the business has grown.<sup>4</sup>

**Risks:** Changes in regulatory frameworks or tariffs that slow the development of additional renewable capacity, or that worsen the economics of existing projects. Potential negative biodiversity impact from hydro projects.

## Progress Monitoring

Brookfield has set clear goals for its business, which are aligned with decarbonizing our planet. In its 2022 ESG report, it provided good data with respect to progress against these goals. It is encouraging to see that the business is on track with respect to adding installed capacity. The firm has continued to build renewable capacity into 2023 with the acquisition of Duke Energy renewables.

### PRIMARY UN SDG



### IMPACT PILLAR

Climate and Resource Impact

### IMPACT SUB-PILLAR

Reducing Greenhouse Gases (GHGs)

### IMPACT JOURNEY

#### Input

USD 4,600 million invested (USD 2,200 million of capex and USD 2,400 million of acquisitions)<sup>5</sup>

#### Output

Availability of clean electricity in North America, Europe, Latin America, and Asia

#### Outcome

69.7 TWh clean energy generated<sup>4</sup>

#### Impact

33 million tCO<sub>2</sub>e emissions mitigated<sup>4</sup>

<sup>1</sup> Leah Burrows (2021). "Deaths from fossil fuel emissions higher than previously thought." Published online at Harvard.edu

<sup>2</sup> Intergovernmental Panel on Climate Change (IPCC) Sixth Assessment Report (2021)

<sup>3</sup> United States Environmental Protection Agency. Global Greenhouse Gas Emissions Data

<sup>4</sup> Brookfield Renewable Partners 2022 ESG Report

<sup>5</sup> Brookfield Renewable Partners 2022 Annual Report



## NURTURING CIRCULAR ECONOMIES

# Darling Ingredients

## Pressure Points

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

## Impact Thesis

Darling Ingredients utilizes waste from the meat industry and used cooking oils to produce products including animal feed and bioenergy. Its processes reduce waste to landfill and GHG emissions given that in the meat production process, only about half of the animal is ultimately used for food. The company also operates a joint venture with refining expert Valero, producing renewable diesel that utilizes animal fats from the rendering process as feedstock. The low-carbon diesel produced has up to 80% lower GHG emissions than fossil fuel-based fuels.<sup>2</sup>

**KPI:** Waste avoided; carbon emissions mitigated

## Five Dimensions of Impact

**What:** Transformation of waste product into usable and speciality ingredients

**Who:** Planet

**How much:** Darling Ingredients processes approximately 15% of global meat industry waste. In 2022, the company processed 13.9 million tons of waste which represented an increase of 23% year on year.<sup>2</sup>

**Contribution:** The firm is an industry leader in U.S. waste processing. It opened a new renewable diesel plant as part of its ongoing capex to increase capacity, while doubling European renewable energy production in 2022.

**Risks:** While we believe the company has appropriate risk mitigation practices in place, workplace accidents have occurred resulting in fatalities, while the company has also been fined over wastewater pollution, air pollution and foul odours coming from factories.

## Progress Monitoring

Having engaged with Darling in 2021 and 2022 on their business and ESG reporting, we welcome the release of the company's 2022 Sustainability Progress Report which furthers disclosure. California's low carbon fuel standard (LCFS) and similar programs continue to drive demand for renewable diesel, but feedstock competition and inflation and changes in incentives are influencing sentiment toward the industry in the short term.

## PRIMARY UN SDG



## IMPACT PILLAR

Climate and Resource Impact

## IMPACT SUB-PILLAR

Nurturing Circular Economies

## IMPACT JOURNEY

### Input

USD 2,400 million investment into rendering and biodiesel infrastructure (includes capex and acquisitions) in 2022<sup>3</sup>

### Output

Production of green energy, renewable diesel, fertilizer and animal meals from waste materials

### Outcome

13.9 million tons of waste avoided<sup>2</sup>

### Impact

15.5 million tCO<sub>2</sub>e emissions mitigated<sup>4</sup>

<sup>1</sup> OurWorldData.org

<sup>2</sup> Darling Ingredients 2022 Sustainability Report

<sup>3</sup> Darling Ingredients 2022 Annual Report

<sup>4</sup> Net Purpose estimate

## PROMOTING HEALTHY ECOSYSTEMS

# Mueller Water Products

## Pressure Points

Global water use has increased by approximately 1% every year since the 1980s, primarily due to rising industrial and domestic demand, creating global pressure on supplies.<sup>1</sup> Approximately 16% of all treated water in the U.S. is lost through leaks and other system inefficiencies, equating to 6.4 billion cubic meters of wasted drinking water. This costs the nation approximately USD 2.6 billion annually.<sup>2</sup>

## Impact Thesis

Mueller Water Products helps municipalities deliver clean, safe drinking water and manufactures fire hydrants to improve the safety of properties and life. We attribute approximately 90% sustainable revenue alignment to water infrastructure and flow control products for use in water distribution networks, water and wastewater treatment facilities, and fire protection piping systems. We exclude exposure to natural gas utilities, which accounts for roughly 10% of company revenues.<sup>3</sup>

**KPI:** Water saved from use of products

## Five Dimensions of Impact

**What:** Improve the conservation of clean, safe drinking water through treatment, distribution, and leak detection solutions.

**Who:** Planet

**How much:** Mueller's EchoShore® leak detection product saved approximately 4.9 million cubic meters of water.<sup>4</sup>

**Contribution:** Mueller's EchoShore® product has saved 10.6 million cubic meters of water for customers since 2020 with a target of 29.1 million cubic meters by 2027.<sup>4</sup>

**Risks:** Potential product issues and system outages can lead to product quality and safety issues.

## Progress Monitoring

The firm is progressing toward its goal to save 29.1 million cubic meters of water by 2027 and impact disclosure has improved, which we welcome. We would like to see additional disclosures and detail related to how the company is achieving its progress. We are keen to see how the company might benefit from the U.S. Infrastructure Investment and Jobs Act, signed into law in 2021.

### PRIMARY UN SDG



### IMPACT PILLAR

Climate and Resource Impact

### IMPACT SUB-PILLAR

Promoting Healthy Ecosystems

### IMPACT JOURNEY

#### Input

USD 55 million of investment in 2022 including acquisitions and capital expenditures<sup>3</sup>

#### Output

Broad range of products and services that increase access to clean and safe drinking water and minimize water loss

#### Outcome

Replacement of aging, and build-out of new, water infrastructure supports resilience to climate change events such as high-volume rainfall or drought

#### Impact

4.9 million cubic meters of water saved through use of Mueller's EchoShore® leak detection product<sup>4</sup>

<sup>1</sup> United Nations World Water Development Report 2023

<sup>2</sup> United States Geological Service

<sup>3</sup> Mueller 2022 annual report

<sup>4</sup> Mueller Water 2022 ESG Report

# Tomra Systems

## Pressure Points

Production of material resources, such as plastics and aluminium, largely relies on extraction of primary resources resulting in high GHG emissions. The facilitation of recyclable waste collection and sorting can reduce demand for primary resources, mitigating carbon emissions.

## Impact Thesis

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

**KPI:** Carbon emissions mitigated

## Five Dimensions of Impact

**What:** Reduction of waste and partial mitigation of the environmental consequences stemming from manufacturing of around 1.4 trillion drink containers each year.

**Who:** Planet

**How much:** In 2022, Tomra's technology enabled the collection of 45 billion containers.

**Contribution:** The company is a circular economy champion, directing capex and innovation initiatives toward its primary recycling mission. The company now reports impact data in its annual report, setting a positive example for peers. It has set a long-term goal of 500 billion containers collected per annum and a 2030 target of doubling the carbon emissions avoided by its products in use.

**Risks:** Plastic recycling can release huge quantities of microplastics, which are challenging to filter in any recycling process. This can create the risk of water and air pollution, as well as worker safety. Tomra does not screen for any controversy/incident, so the issue remains a risk that we shall engage on further.

## Progress Monitoring

The company has strengthened its reporting of annual impact and set ambitious impact targets. While growth in its recycling portfolio is welcome, including its build out into food production and waste reduction, the impact of microplastics is a subject for engagement.

## PRIMARY UN SDG



## IMPACT PILLAR

Climate and Resource Impact

## IMPACT SUB-PILLAR

Nurturing Circular Economies

## IMPACT JOURNEY

### Input

Investment of NOK 831 billion into products that enable recycling in 2022<sup>1</sup>

### Output

Manufacture and distribution of reverse vending machines for collection and recycling of used containers

### Outcome

45 billion containers captured, provision of feedstock for circular products made from recycled materials<sup>1</sup>

### Impact

21 million tCO<sub>2</sub>e emissions mitigated<sup>1</sup>

<sup>1</sup>Tomra 2022 Sustainability Report



## REDUCING GREENHOUSE GASES (GHGs)

## Trane Technologies

## Pressure Points

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> Carbon emissions from building operations have risen in recent years, mainly because of the increasing use of heating and cooling equipment. We believe this has been partly driven by extreme weather events stemming from global warming. According to the International Energy Agency (IEA), the sector's energy intensity needs to drop nearly five times faster over the next 10 years than it did in the past five years to meet the net-zero emissions target by 2050.

## Impact Thesis

Trane Technologies enables greater energy efficiency in commercial and residential settings and refrigerated transportation. More efficient HVAC solutions reduce the emission of F-gases in the atmosphere, which have a global warming potential up to 25,000 times greater than carbon.<sup>2</sup> The firm's products also improve the low temperature-controlled supply chain (the "cold chain"), which reduces food waste. The company has committed to the ambitious Gigaton Challenge that aims to avoid 1 billion metric tons of greenhouse gas emissions by 2030.<sup>3</sup>

**KPI:** Carbon emissions mitigated

## Five Dimensions of Impact

**What:** Provide energy-efficient HVAC solutions for commercial and residential real estate and transport refrigeration.

**Who:** Planet and people

**How much:** In 2022, Trane Technologies' products helped customers reduce their carbon emissions by 43 million tCO<sub>2</sub>e (compared to 42 million tCO<sub>2</sub>e in 2021).<sup>3</sup>

**Contribution:** Trane has committed to industry-leading 2030 sustainability targets. This includes achieving carbon neutral operations, zero waste sent to landfills, and a 10% reduction in absolute energy use versus a 2019 baseline.

**Risks:** HVAC systems will need to begin using low-carbon refrigerants going forward, replacing traditional hydrofluorocarbon (HFC) refrigerant gases. The transition away from HFCs is a risk that will need to be monitored and we will look for more disclosure reporting over time.

## Progress Monitoring

The company is making progress toward its Gigaton Challenge commitment with an estimated 93 million metric tons of carbon avoided by its customers since 2019. Trane's net zero targets remain among the most ambitious in the industry. We will monitor how the firm may be impacted by global regulations relating to energy efficiency in building renovations.

### PRIMARY UN SDG



### IMPACT PILLAR

Climate and Resource Impact

### IMPACT SUB-PILLAR

Reducing Greenhouse Gases (GHGs)

### IMPACT JOURNEY

#### Input

USD 211 million invested in sustainability-driven R&D<sup>3</sup>

#### Output

Energy efficient HVAC and refrigeration systems

#### Outcome

Improved energy efficiency for customers and reduced food waste

#### Impact

43 million tCO<sub>2</sub>e emissions mitigated<sup>3</sup>

<sup>1</sup> Source: ELSEVIER (Review on buildings energy information - December 2021)

<sup>2</sup> European Commission Climate Action. "Fluorinated greenhouse gases." Published online at [climate.ec.europa.eu](https://climate.ec.europa.eu)

<sup>3</sup> Trane Technologies 2022 ESG Report. tCO<sub>2</sub>e stands for tonnes (t) of carbon dioxide (CO<sub>2</sub>) equivalent (e).

# 2

## Social Equity and Quality of Life



Enabling  
Social Equity



Improving  
Health



Enhancing  
Quality of Life



# AIA Group

## Pressure Points

In Asia, the mortality protection gap<sup>1</sup> was estimated to be USD 83 trillion in 2019 and rising by 4% per year, with approximately 75% of households under-protected in terms of life insurance.<sup>2</sup> Emerging markets represent two-thirds of the global health protection gap.<sup>3</sup> An estimated 38.8 million households within emerging Asia cannot afford medical treatment.

## Impact Thesis

As a leading insurer operating across Southeast Asia, AIA contributes to the protection of individuals by offering life and health insurance products. AIA provides a significant financial safety net for its customers that helps to mitigate out-of-pocket and unaffordable medical expenses, especially in markets that are still largely underserved by the insurance market and/or public sector health care provision.

**KPI:** Lives extended.

## Five Dimensions of Impact

**What:** Provide a financial and protection safety net for customers through life and health insurance.

**Who:** Households that are currently under-protected by insurance solutions, largely in the developing world.

**How much:** AIA serves 41 million individual policies and 17 million members of group insurance schemes across 18 countries in Asia (39 million and 16 million in 2021, respectively).<sup>4</sup>

**Contribution:** AIA has committed to engaging one billion people by 2030 through its “AIA One Billion” initiative and its Vitality and China Wellness programs have over 2.6 million subscribers. Its telemedicine consultations were made available to 5.7 million customers, double that of 2021, and the number of consults increased 240% from 2021.<sup>4</sup>

**Risks:** Claim quality and customer satisfaction given the complexity of insurance products. The reliance on tied agents and bancassurance raises the risk associated with sales practices and may limit the accessibility of products given the associated cost structure.

## Progress Monitoring

We are pleased that AIA has begun disclosing progress toward its “AIA One Billion” commitment, but there is scope to enhance disclosures around demographics and how the company is improving access to its products.

## PRIMARY UN SDG



## IMPACT PILLAR

Social Equity and Quality of Life

## IMPACT SUB-PILLAR

Enhancing Quality of Life

## IMPACT JOURNEY

### Input

USD 5,400 million in annualized new premiums in 2022<sup>5</sup>

### Output

Over USD 2,000 billion total sum insured<sup>4</sup>

### Outcome

41 million individual policies and 17 million members of group insurances schemes<sup>4</sup>

### Impact

500,000 lives extended through access to life and health insurance services<sup>6</sup>

<sup>1</sup> Mortality protection gap is a term used to describe impact caused by premature death of the breadwinner after matching protection needs with available resources.

<sup>2</sup> Closing Asia's mortality protection gap. Swiss Re Institute. July 2020

<sup>3</sup> Health protection gap is the sum of direct, out-of-pocket medical expenses and unaffordable medical expenses avoided by households.

<sup>4</sup> AIA Group 2022 ESG Report

<sup>5</sup> AIA Group 2022 Annual Report

<sup>6</sup> T. Rowe Price estimates based on company reported data and industry studies.



## IMPROVING HEALTH

## Danaher

## Pressure Points

Mobilizing global health care research and development (R&D) is a significant agenda item for the World Health Organization (WHO). Investments in health care are still insufficiently aligned with global public health needs, creating significant gaps between disease burden and research activity levels. The UNCTAD<sup>1</sup> estimates that a further USD 140 billion investment is required annually to achieve the UN SDG 3 of good health and well-being.<sup>2</sup> Research innovation is absolutely critical around the world to improve health care outcomes in both developed and emerging economies.

## Impact Thesis

Danaher is a life science and technology innovator providing customers with the products and services required to solve complex health and environmental challenges. Its Life Sciences and Diagnostics businesses contribute to improved drug discovery and clinical testing, advancing patient health, and treatment outcomes. Danaher's tools and services help accelerate the development of biopharma products and improve scientific understanding of the causes of disease. Separately, the company also supports cleaner and more efficient water supply solutions through its environmental and applied solutions business.

**KPI:** Biologic therapies supported by Cytiva life sciences business; R&D committed to improving patient outcomes

## Five Dimensions of Impact

**What:** Solve complex scientific challenges related to human health and contribute to improved patient outcomes.

**Who:** Individuals receiving medical care

**How much:** In 2022, Danaher's biotech, life sciences and diagnostics business generated USD 26,600 million in revenue, an increase of 7.4% from 2021.<sup>3</sup>

**Contribution:** Danaher's biotechnology group is specified in over 90% of approved monoclonal antibodies (mAbs).<sup>3</sup> 73% of biological therapies that were newly approved in 2022 were supported by its Cytiva life sciences business.<sup>4</sup>

**Risks:** Product quality and effectiveness, customers' ability to pursue innovation.

## Progress Monitoring

We would like to see KPIs related to its life sciences and diagnostics segments, which will help in quantifying real-world impact. We are encouraged that management is receptive to our recommendations and engagement.

### PRIMARY UN SDG



### IMPACT PILLAR

Social Equity and Quality of Life

### IMPACT SUB-PILLAR

Improving Health

### IMPACT JOURNEY

#### Input

USD 1,700 million in research and development spending<sup>5</sup>

#### Output

Innovative products and services to solve health challenges

#### Outcome

Biotech division specified in over 90% of approved mAbs.<sup>3</sup> 73% of biological therapies approved in 2022 were supported by Cytiva<sup>4</sup>

#### Impact

Lives extended through therapeutic approvals enabled

<sup>1</sup> United Nations Conference on Trade and Development

<sup>2</sup> Zhan, J.X., Santos-Paulino, A.U. Investing in the Sustainable Development Goals: Mobilization, channeling, and impact. Journal of International Business Policy 4, 166-183 (2021).

<sup>3</sup> Danaher's 2022 Investor Day Presentation

<sup>4</sup> Cytiva's 2022 Sustainability Highlights Report

<sup>5</sup> Danaher 2022 Annual Report

# Evotec

## Pressure Points

Mobilizing global health care research and development (R&D) is a significant agenda item for the World Health Organization (WHO). Investments in health care are still insufficiently aligned with global public health needs, creating significant gaps between disease burden and research activity levels. The UNCTAD estimates that a further USD 140 billion investment is required annually to achieve the UN SDG 3 (Good Health and Well-being).<sup>1</sup> Research innovation is critical to improve health care outcomes in both developed and emerging economies.

## Impact Thesis

Evotec is a provider of sophisticated drug discovery and development solutions for pharmaceutical companies. Its outsourcing model helps its customers accelerate innovation, reduces the time and cost of drug development, and allows for greater efficiency throughout the development life cycle. Evotec also develops therapies to address unmet needs for a range of rare diseases and has built a pipeline of more than 130 co-owned assets.

**KPI:** Time and cost reduction in drug development; R&D committed to improving patient outcomes

## Five Dimensions of Impact

**What:** Act as a partner to pharma and biotech companies, assisting in pre-clinical drug development outsourcing.

**Who:** Individuals receiving medical care

**How much:** Evotec has more than 800 customer partnerships, including the world's top 20 pharma companies. The company has 130 co-owned projects with 18 in clinical development.<sup>2</sup>

**Contribution:** Evotec enables innovation in the fields of small molecules, biologics, and gene therapy, helping to reduce the cost and time involved in drug development. The company has made significant progress on impact in the past two years.

**Risks:** Impact is ultimately contingent on biopharma's ability and willingness to fund outsourced innovation, which will itself fluctuate, especially as funding availability changes. Product safety and single use plastics are other potential issues.

## Progress Monitoring

The U.S. Department of Defense (DoD) contract award to provide therapeutic antibodies for plague is a validation of Evotec's technology and investment program, which is at the innovative end of continuous bioprocessing at its J.POD facility in Seattle. During the year, Evotec also established a Paris-aligned emissions target to reduce absolute scope 1 and 2 emissions 50% by 2032 vs. 2021.

## PRIMARY UN SDG



## IMPACT PILLAR

Social Equity and Quality of Life

## IMPACT SUB-PILLAR

Improving Health

## IMPACT JOURNEY

### Input

Investment into a life sciences research platform that helps discover, develop, and manufacture medicines included EUR 77 million in R&D<sup>2</sup>

### Output

Biopharma services that enable customers to produce drugs more effectively

### Outcome

Reduction in the time and cost of drug development by 30% and 50% vs. conventional in-house discovery<sup>1</sup>

### Impact

Lives extended through therapeutic approvals achieved

<sup>1</sup> Evotec 2022 Sustainability Report

<sup>2</sup> Evotec 2022 Annual Report

ENABLING SOCIAL EQUITY

# HDFC Bank

## Pressure Points

Globally, 1.4 billion people remain unbanked, meaning they lack either an account at a financial institution or a mobile money provider. Virtually all unbanked adults live in developing countries with India being home to the second-largest unbanked population.<sup>1</sup> In emerging economies, many micro, small, and medium enterprises (MSMEs) face a huge funding gap, remaining largely underserved by financial institutions. The potential demand for MSME finance in developing countries is approximately USD 5.2 trillion.<sup>2</sup>

## Impact Thesis

HDFC Bank is a leading financial services company which is increasing financial inclusion in India with retail and SME customers accounting for nearly 70% of its loan book. Approximately 240 million adults in India remain unbanked. The bank's lending to these sectors helps enable economic growth and reduction in domestic and international financial inequalities. HDFC Bank is also contributing to India's economic growth by supporting and enhancing investment and infrastructure lending to governments and private entities. HDFC Bank also participates in the Pradhan Mantri Mudra Yohana (PMMY) government scheme, which aims to "fund the unfunded" micro enterprises and small businesses.

**KPI:** People brought into the financial system

## Five Dimensions of Impact

**What:** Support job growth and economic development through financial inclusion for retail and SME customers.

**Who:** SMEs and individuals, especially those who are unbanked or in rural areas.

**How much:** 83 million clients served, INR 7,300 billion in outstanding retail loans, representing 47% of the bank's total loan book, and INR 3,600 billion in outstanding MSME loans. New PMMY loans during 2022 totaled INR 146 billion, roughly double that of 2021.<sup>3</sup>

**Contribution:** Over 50% of bank branches are in traditionally underserved areas. Its corporate social responsibility program (Parivartan) is one of the largest in India, and it impacted over 99 million individuals and 1 million households across 3,400 villages in 2022.<sup>3</sup>

**Risks:** Macroeconomic and political headwinds can impact the banking sector in India. A lack of financial literacy could lead to customer indebtedness.

## Progress Monitoring

HDFC Bank has set goals to increase its presence in semi-urban and rural Indian villages in 2023. Our engagements will focus on progress toward these goals, as well as seeking increased disclosure related to financed emissions of the firm's corporate customers.

## PRIMARY UN SDG



## IMPACT PILLAR

Social Equity and Quality of Life

## IMPACT SUB-PILLAR

Enabling Social Equity

## IMPACT JOURNEY

### Input

INR 18,800 billion in total customer deposits<sup>3</sup>

### Output

Increased access to financial services and enablement of SME and enterprise growth<sup>3</sup>

### Outcome

83 million clients served, INR 7,300 billion and INR 3,600 billion in outstanding retail and MSME loans, respectively. INR 146 billion in new PMMY loans in 2022.

### Impact

360,000 customers brought into the financial system through ECLGS and PMJDY schemes<sup>3,4</sup>

<sup>1</sup> The Global Findex Database 2021: Financial Inclusion, Digital Payments, and Resilience in the Age of COVID-19. World Bank.

<sup>2</sup> International Finance Corporation. 2017.

<sup>3</sup> HDFC Bank 2022-2023 Integrated Annual Report.

<sup>4</sup> ECLGS and PMJDY are government programs designed to provide financial relief and financial inclusion to MSMEs and individuals.



ENHANCING QUALITY OF LIFE

# MSA Safety

## Pressure Points

Approximately 2 million people die each year because of occupational accidents or work-related diseases globally, with around 360 million work-related injuries.<sup>1</sup> The economic burden of poor occupational safety and health practices is estimated to cost around 4% of global gross domestic product each year.<sup>1</sup> Providing a safe working environment has positive implications for employee safety and improved mental and physical health. This can feed through into better organizational performance due to higher employee satisfaction and a safer work environment.

## Impact Thesis

MSA Safety is a leading global manufacturer of safety equipment committed to developing, manufacturing, and supplying safety products. Core products include self-contained breathing apparatus, fixed gas and flame detection systems, portable gas detection instruments, fire and rescue helmets, and fall-protection devices. MSA Safety is a pure play safety impact company whose products help to save lives.

**KPI:** Workers protected by fall protection systems and industrial helmets

## Five Dimensions of Impact

**What:** Improve on-the-job safety and protect workers from life- and health-threatening incidents.

**Who:** Workers in hazardous and life-threatening industries.

**How much:** MSA's fall protection systems and industrial helmets protected 2.3 million workers in 2022 (1.9 million in 2021).<sup>3</sup>

**Contribution:** MSA supplies safety equipment to numerous industries, including fire service, construction, and utilities. In 2022 the company introduced its Bacharach system, which provides remote and data-driven gas detection monitoring.<sup>2</sup>

**Risks:** Product reliability poses a significant risk and could impair the company's ability to deliver on its goal of worker protection.

## Progress Monitoring

Additional academic research is needed to quantify the impact of firefighting, protective apparel (around 38% of MSA safety's revenue), and gas detection equipment more accurately. We also would like to see amplified disclosures to help quantify the number of incidents avoided and/or lives extended by use of its products.

## PRIMARY UN SDG



## IMPACT PILLAR

Social Equity and Quality of Life

## IMPACT SUB-PILLAR

Enhancing Quality of Life

## IMPACT JOURNEY

### Input

USD 43 million in investments in design, development, and manufacturing of safety equipment<sup>2</sup>

### Output

Manufacture and distribution of safety equipment, including early warning incident detection systems

### Outcome

2.3 million workers protected by fall protection systems and industrial helmets<sup>3</sup>

### Impact

Improved workplace safety from reduced on-the-job incidents, injuries, and fatalities

<sup>1</sup> International Labor Organization

<sup>2</sup> Source: 2022 annual report

<sup>3</sup> Net Purpose estimates

# Nu Holdings

## Pressure Points

Globally, 1.4 billion people remain unbanked, meaning they lack either an account at a financial institution or a mobile money provider.<sup>1</sup> Financial system access through basic banking access is critical to economic progression and social equity. A simple bank account allows for safer, easier, and cheaper transfer of wage payments and transfers from government, as well as remittances to family and the ability to pay bills. It also allows for the reduction of black money in the system.

## Impact Thesis

Nu is one of the world's largest digital banking platforms. The company is accelerating financial inclusion across Latin America, helping to empower individuals through digital banking services and helping SMEs to enable job creation and economic growth. The company contributes to financial empowerment through its low-cost banking platform, providing access to the financial system for customers that have been significantly underbanked.

**KPI:** People brought into the financial system

## Five Dimensions of Impact

**What:** Increasing financial inclusion by reducing financial inequality. Provision of services to retail and SME customers in Latin America, enabling economic growth.

**Who:** Individuals, especially those who are unbanked

**How much:** Nu had 75 million customers and USD 11,300 million in outstanding personal and credit card loans at the end of the 2022 financial year, despite only launching in 2013.<sup>2</sup> The company is contributing to Brazil's growing financial inclusion, which has seen bank account ownership growth of around 15% of the total population between 2011 and 2021.<sup>1</sup>

**Contribution:** The company is a disruptor in its primary market, offering digital services that are at a lower cost than industry peers. Nu estimates and reports that its customers have saved USD 8 billion in banking fees (cumulative), while its financial education blogs have been viewed 278 million times (cumulative).<sup>2</sup>

**Risks:** Potential lack of technical and financial literacy by clients which increases risk with credit service provision. APR's<sup>3</sup> remain high in Brazil in absolute terms, although Nu has historically trended below banking peers.

## Progress Monitoring

We will track progress in serving SMEs, another market which is underserved by incumbent banks. This is a newer area of focus, with only 2.5 million SME clients, but one that the company has identified as a key potential growth area.

## PRIMARY UN SDG



## IMPACT PILLAR

Social Equity and Quality of Life

## IMPACT SUB-PILLAR

Enabling Social Equity

## IMPACT JOURNEY

### Input

USD 15.8 billion of total customer deposits<sup>2</sup>

### Output

Digital banking services provided within underserved populations, at lower cost than established peers.

### Outcome

Over 75 million customers provided access to financial services and USD 11,300 million in outstanding personal and credit card loans.<sup>2</sup>

### Impact

5.7 million people brought into the financial system with their first credit/debit card.<sup>4</sup>

<sup>1</sup> The Global Findex Database 2021: Financial Inclusion, Digital Payments, and Resilience in the Age of COVID-19. World Bank.

<sup>2</sup> Nu 2022 ESG Report

<sup>3</sup> Annual percentage rate is the total annual cost of borrowing money

<sup>4</sup> Nu estimate for the period between July 2021 and July 2022

# 3

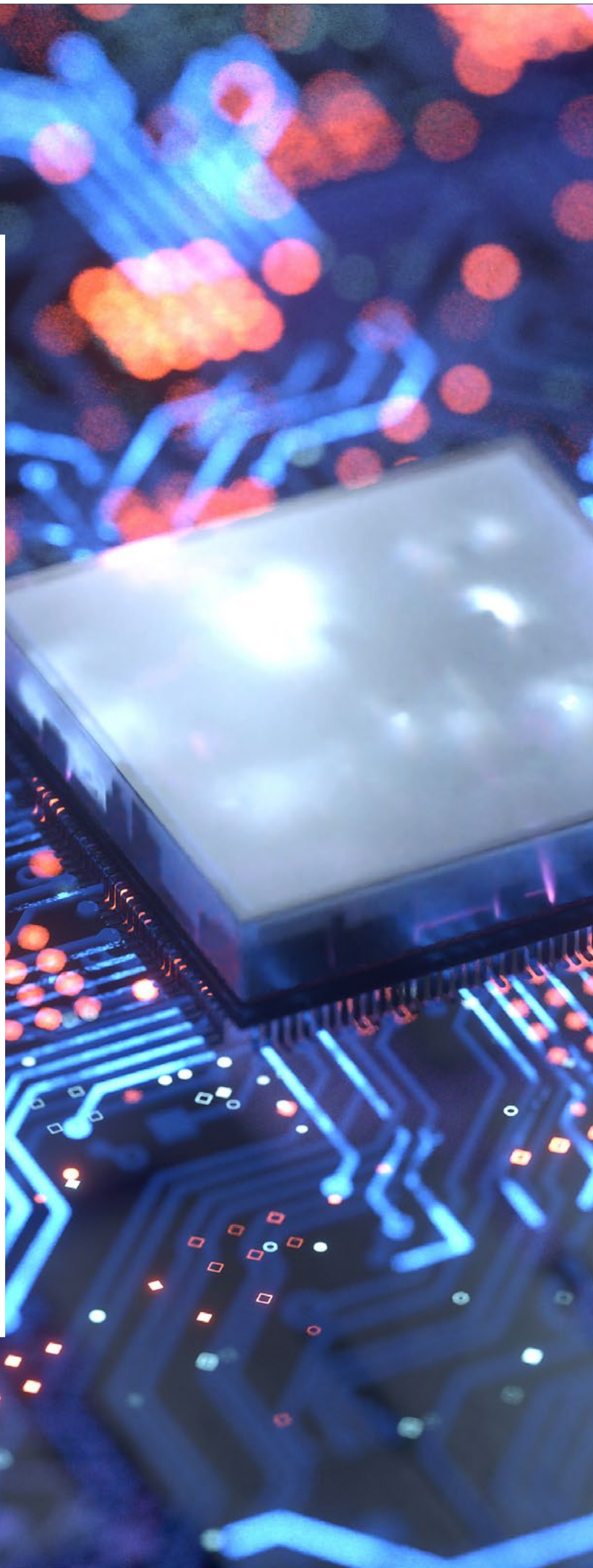
## Sustainable Innovation and Productivity



**Sustainable  
Technology**



**Building Sustainable  
Industry and  
Infrastructure**





# ASML Holding

## Pressure Points

Global data creation and replication is expected to grow at 23% CAGR<sup>1</sup> between 2020 and 2025, and the capacity of microchips is not infinite. This means continuous innovation in lithography, a patterning process at the core of chip manufacturing and shrinking, is crucial. Semiconductors are at the core of technological advancements, bringing opportunities to companies that contribute to positive and sustainable change. Semiconductors also play a critical role in improving the energy efficiency of electronic equipment and manufacturing processes, while lithography companies contribute to the reduction of energy use associated with the fabrication process.

## Impact Thesis

ASML is a global supplier of lithography equipment used in semiconductor manufacturing and thus enables downstream semiconductor innovation. ASML has 100% market share in Extreme Ultra-Violet (EUV) lithography equipment, which delivers unmatched levels of precision and is essential for semiconductor manufacturers to create advanced, high-performance microchips capable of challenging new frontiers of energy efficiency and reducing the digital divide in a more energy efficient manner. Areas of sustainable, high impact applications include electric vehicles, remote education, financial inclusion, drug discovery and robotic surgery.

**KPI:** Energy savings per wafer of ASML's EUV NXE systems<sup>2</sup>; R&D spending

## Five Dimensions of Impact

**What:** Enable semiconductor innovation and downstream energy efficiency through lithography equipment

**Who:** Planet

**How much:** In 2022, ASML sold 345 lithography systems—an increase of 12% over 2021—including 40 EUV machines.<sup>3</sup>

**Contribution:** As the capacity of microchips is limited, the precision of EUV machines will be critical in enabling innovation and efficiency of semiconductors in the future. ASML set a goal to reduce energy consumption of its EUV NXE systems by 60% by 2025 (vs a 2018 baseline).<sup>2</sup>

**Risks:** EUV machines consume large amounts of energy, making it critical for companies to pursue energy efficiency in production of semiconductors. There is also risk associated with end customers' products, which could be utilized in ways that are harmful to society or the environment.

## Progress Monitoring

We are monitoring progress toward its 2025 energy reduction goal related to its EUV NXE systems and have also engaged with the company on the high energy usage of its equipment. Scope 3 emissions related to use of its products is a risk to the firm's carbon footprint, albeit ASML has set a net zero goal for its products by 2040.

## PRIMARY UN SDG



## IMPACT PILLAR

Sustainable Innovation and Productivity

## IMPACT SUB-PILLAR

Sustainable Technology

## IMPACT JOURNEY

### Input

EUR 1,300 million investment into design, development, and manufacturing of lithography equipment<sup>4</sup>

### Output

Lithography equipment that enables the development of high-performance semiconductors capable of delivering new frontier efficiency, 345 sold in 2022<sup>3</sup>

### Outcome

37% reduction in energy use per wafer of its future-generation EUV NXE systems (relative to 2018 baseline)

### Impact

Reduction of greenhouse gases associated with use of the company's lithography equipment

<sup>1</sup> CAGR = compound annual growth rate

<sup>2</sup> NXE is a series of extreme ultraviolet lithography machines developed by ASML.

<sup>3</sup> International Data Corporation (IDC)

<sup>4</sup> ASML 2022 Annual Report

# Synopsys

## Pressure Points

Semiconductors are crucial enablers of green and digital economies. As shrinkage in semiconductors' physical size and monetary cost begins to slow, advancing their design process is essential to bolster performance and to improve end products' performance and energy efficiency.

Designing for low power and energy consumption optimization are key issues for chip developers. The advances, in turn, work to enable digital financial inclusion, health care research and development (R&D), and production of robotics and electric vehicles, all while leading to more energy-efficient outcomes.

## Impact Thesis

Synopsys is a leader in Electronic Design Automation (EDA), the technology used to design semiconductor chips and systems, and holds a strong position in semiconductor intellectual property (IP). Its activities accelerate and improve the power use, energy efficiency, innovation design, and accuracy of the semiconductor design process, reducing manufacturers' cost and time to market. Smarter chip design leads to energy-efficiency gains and better outcomes in areas such as health care (computer power for R&D, microchips in health care technology) and climate (adoption of cloud computing and electric vehicles), connectivity, education, and financial inclusion.

**KPI:** Energy efficiency gain for "System on a Chip" designs; R&D spending

## Five Dimensions of Impact

**What:** Provide advanced development software that enables improved energy efficiency in the chip design process.

**Who:** People and planet

**How much:** Synopsys' revenue grew 21% in 2022 to USD 5,100 million, with 33% being allocated to research and development.<sup>1</sup>

**Contribution:** Users of the DSO.ai™ application reported a 25% reduction in turnaround time and compute resources, and up to a 30% reduction in power consumption during chip design. Its Design IP segment developed a low-power platform that allowed for a further 25% power reduction for customers' systems-on-a-chip products.<sup>2</sup>

**Risks:** Diminishing returns on energy savings given the finite nature of chip design. Lack of visibility into end customers' application of semiconductor chips.

## Progress Monitoring

We would like to see more detailed disclosures that allow for more accurate measurement of energy efficiency derived from its products.

We are excited about the application of artificial intelligence in the design process via its DSO.ai platform and will also look for metrics that highlight the impact of this software.

## PRIMARY UN SDG



## IMPACT PILLAR

Sustainable Innovation and Productivity

## IMPACT SUB-PILLAR

Sustainable Technology

## IMPACT JOURNEY

### Input

USD 1,700 million investment in research and development<sup>1</sup>

### Output

EDA and semiconductor IP services and products

### Outcome

Design software that fosters faster, more efficient semiconductor manufacturing

### Impact

Reduction of greenhouse gases associated with lower semiconductor power consumption

<sup>1</sup> Synopsys 2022 Annual Report

<sup>2</sup> Synopsys 2022 ESG Report

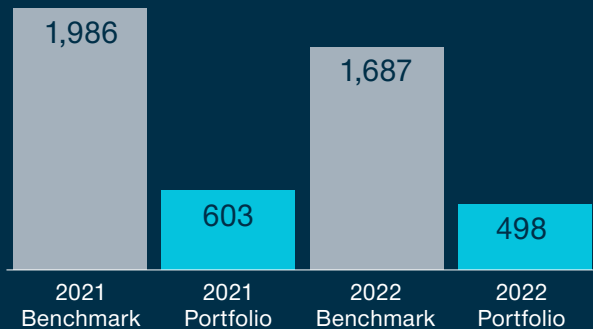
DSO.ai is a trademark of Synopsys. Use does not imply endorsement, sponsorship, or affiliation of T. Rowe Price.

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

Global Impact Equity Representative Portfolio

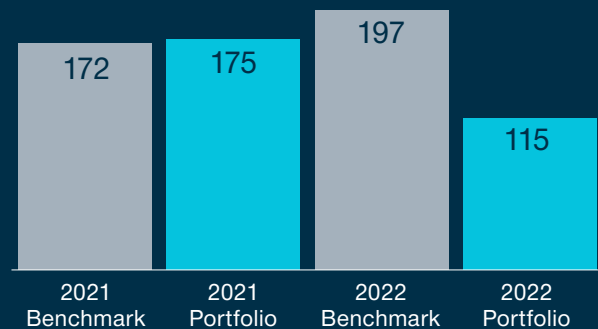
## Total Carbon Emissions<sup>2</sup>

(metric tons of carbon dioxide equivalent)



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

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



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

Holding	Portfolio Weight (%)	Portfolio Carbon Emissions (mtCO <sub>2</sub> e)	Portfolio Weighted Carbon Intensity (mtCO <sub>2</sub> e/USD 1 Million in Revenue)
Linde	3.0	119	41
Rockwool	1.5	92	8
Darling Ingredients	1.9	57	9
Waste Connections	1.8	53	19
PG&E	1.7	38	4

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

<sup>2</sup> Total carbon emissions represent total amount of Scope 1 and Scope 2 greenhouse gas (GHG) emissions that are released by the representative portfolio's holdings that are attributable to the percentage of ownership of the representative portfolio in each company. They are aggregated to give the total carbon emissions equivalent for the representative portfolio. This metric is grossed up using the percentage of data available to give the overall carbon footprint of the representative portfolio. The representative portfolio's weighted average carbon intensity is the weighted average, by representative portfolio weight, of the total carbon emissions per USD 1 million in revenue for each of the representative portfolio's holdings. This metric gives the representative portfolio's exposure to carbon intensive companies. This is the Task Force on Climate-Related Financial Disclosures (TCFD) recommended metric.

The benchmark for the strategy is the MSCI All Country World Index (Net). For sourcing information, please see Additional Disclosures.

Calculated by T. Rowe Price using data from Sustainalytics. Data for the Global Impact Equity Strategy representative portfolio as at December 31, 2022. See Additional Disclosures for more information on the sources and the representative portfolio.



# Accelerating Impact Through Active Ownership

We seek to deliver impact beyond simply owning companies whose business activities lead to positive social and/or environmental outcomes. We commit to being additional in our capacity to influence change and enable or accelerate impact outcomes.

At T. Rowe Price, we believe it is our responsibility as an asset manager to safeguard our clients' interests through active ownership, monitoring, and mutual engagement with the companies we invest in. Thanks to the trust our investment clients have placed in us, T. Rowe Price is a significant investor in many of the world's leading companies. This affords us, in most cases, greater access to company management teams and board members.

Along with our role to direct capital toward desired impact outcomes, we actively engage in impact-oriented company activities, proxy voting, and closely monitor the associated influence feedback loop on companies' behavior. This is applied with conviction and in partnership with our fundamental and responsible investing research teams.

The central focus of our engagement program is at a company level as we evaluate factors that may improve or impede a company's ability to deliver positive impact. We identify engagement targets through our proprietary impact due diligence framework based on the Five Dimensions of Impact framework, Responsible Investing Indicator Model (RIIM) analysis, governance screening, and our analysts' fundamental research.

Our ultimate goal is to provide feedback, recommend, and encourage to increase the probability that a company will deliver better positive impact than its peers, enabling our clients to realize better impact and investment performance potential. Success is measured through regular dialogue with management teams, enabling us to monitor impact outcomes over time using key performance indicators (KPIs).

## Our Impact Engagements Are Designed to:



### INVESTIGATE

Assess a company in the case of a corporate event that potentially hinders an impact thesis



### INFORM

Using our impact research and measurement approach to improve impact



### INFLUENCE

Guide the company toward specific positive impact outcomes

# Engagement

Our processes frequently identify engagement targets, either through our impact screening and proprietary RIIM analysis, governance screening, or our analysts fundamental research. ESG engagement meetings are carried out by the portfolio manager as well as analysts from our equity teams and our ESG specialists. While we engage with companies in a variety of investment contexts, ESG engagement focuses on exchanging perspectives on the environmental practices, corporate governance, or social issues affecting their businesses.

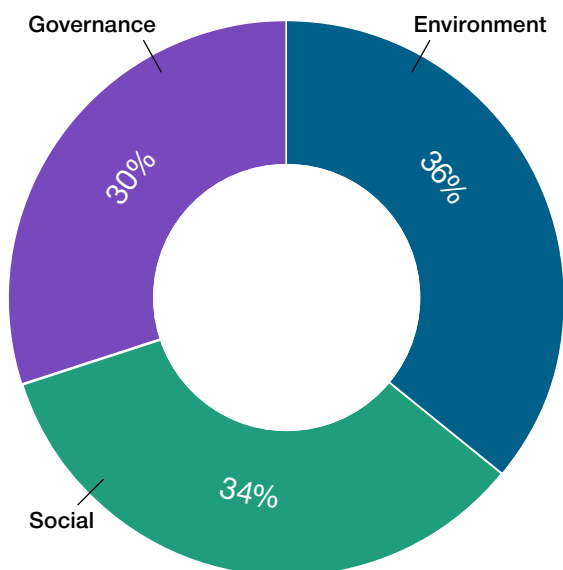
While our normal investment research frequently includes discussions of environmental and social topics, engagements reflect a subset of where we identify ESG concerns, share our views on why they are problematic to our investment case, and request that the company address them. We have engaged with 72.51% of the weighted average portfolio holdings through the course of 2021 and 2022.

In 2022, we held 58 engagements with 43 companies covering a broad array of environmental, social and governance topics. Of these 58 engagements, 19 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. The purpose of the engagements was also to impress upon portfolio companies the importance of delivering positive

impact, the link between positive impact and financial outcomes, as well as more broadly progressing the impact agenda on topics such as accelerating renewable deployment, improving patient outcomes, or increasing financial inclusion. The most frequently discussed topic was greenhouse gas (GHG) emissions and reduction targets; this was discussed with two-thirds of the companies.

The strategy's 2022 engagement program also included one collaborative engagement conducted with FAIRR, an investor network (USD 66tn member AuM) that seeks to raise awareness of ESG risks/opportunities brought about by animal agriculture. The objective of this engagement was to seek additional clarity from companies on the management of anti-microbial resistance (AMR) across their value chain and encourage stronger management of this topic.

## Global Impact Equity Engagements by Category



## Top 5 Engagement Topics by Category

### ENVIRONMENT



1. Greenhouse gas emissions
2. Environmental disclosure
3. Product sustainability
4. Water
5. Waste management

### SOCIAL



1. Social disclosure
2. Access to medicine & drug pricing
3. Employee treatment
4. Diversity
5. Product sustainability

### GOVERNANCE



1. Executive compensation
2. Board diversity
3. Succession planning
4. ESG accountability
5. Shareholder proposals

Data shown for the 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.



## CASE STUDY

# Thermo Fisher Scientific

## Pressure Points

Mobilizing research and development (R&D) is a significant objective for the World Health Organization. Given the critical nature of R&D to improving health care, it is integral for progress toward many of the targets set by the United Nations Sustainable Development Goals (SDGs), in particular those within SDG no. 3: “Good Health and Well-Being.”

However, there is an annual investment gap of approximately USD 140 billion to achieve the targets set within this goal. It requires companies to provide products and services that can enable life sciences R&D to help solve for society’s health care problems. Research and development into vaccines and medicines for communicable and noncommunicable diseases that primarily affect developing countries offer enormous potential and can make a significant impact on millions of lives.

## A Leading Enabler of Health Care Innovation and Delivery

Thermo Fisher Scientific creates products that enable its customers to solve specific scientific challenges. The company acts as a “one stop shop” for its biopharma clients that are focused on developing new therapeutics. It provides products and outsourcing services that span the drug development and manufacturing process.

Drug development can take up to 15 years, with the costs being in the billions. Thermo Fisher Scientific generates impact by helping to “bend” the time and cost curves associated with drug development. Through its CDMO<sup>1</sup> within its biopharma services division, the company can reach over 1 million patients per day.

In terms of measurement, R&D expense is a core impact key performance indicator (KPI) for many life science companies we analyze. We believe progress can be made by the industry to better measure and monitor impact in this area.

## Engaging on Impact

We engaged with the company to discuss specific metrics related to its processes and reporting. Pleasingly, these metrics are now featured in its company reports. The company’s ESG report discloses new impact metrics, which we believe are among the most comprehensive in the industry and set new standards for peers. The new metrics published include: the number of diagnostic tests enabled, patients served with medicines manufactured by the company, and the number of organ transplants supported.

Thermo Fisher’s breadth of health care business units make it impractical to distill overall impact into a single metric, however. Management therefore encourages its business units to track the KPIs that are most relevant to their activities. This approach helps the company track and publish more meaningful impact metrics and derive stronger conclusions from data received.

The company’s ESG report discloses new impact metrics, which we believe are among the most comprehensive in the industry and set new standards for peers.

In terms of disclosure, Thermo Fisher intends to add even greater detail and breadth to reported metrics. We recommended that the company provide more granularity on its R&D spending. We also conveyed our view that setting impact-oriented targets makes sense not only from a sustainability point of view but also from a financial return perspective. The continuous engagement with the company allows us to share our views on best practices, especially in terms of ESG disclosure, and gain a better understanding of the impact generated by the company.

<sup>1</sup> Contract Development and Manufacturing Organization (CDMO) is an organization that serves the pharmaceutical industry and provides clients with comprehensive services from drug development through manufacture.



## CASE STUDY

# Ingersoll Rand

## Pressure Points

Compressed air systems are used prolifically through industrial processes, and according to the U.S. Department of Energy, can consume up to 30% of electricity in a manufacturing facility. Almost 70% of all manufacturing sites use compressed air and approximately 5 million industrial air compressors are currently installed around the world.

Equipment is energy intensive with the annual cost of electricity to operate a compressor potentially equal to or exceeding the initial cost of purchase.<sup>1</sup> While the cost of these systems is understood by many operators, systems do not tend to be well monitored, with the primary focus being production output rather than optimization for power usage and energy efficiency.

## Optimizing Energy Consumption Within the Manufacturing Industry

Ingersoll Rand's air compressors and air treatment products create positive impact through increased energy efficiency and the reduction of associated emissions in industrial end markets. Innovation and technology have driven improved product efficiency, including heat recovery systems and the ability to remanufacture existing products. Developing waterless and water recirculation products for the industry have added an additional and growing leg of impact.

Ingersoll Rand's air compressors and air treatment products create positive impact through increased energy efficiency and the reduction of associated emissions in industrial end markets.

In terms of measurement, we separate out revenues aligned to products targeting positive impact in energy efficiency and reduction in water consumption as our KPIs. The company has made good progress in reporting the potential energy savings and cost reduction of improving air system efficiency, although aggregate estimates of impact remain a challenge.

## Engaging on Impact

We engaged with management to inform our impact thesis and to discuss measurement, in particular the furthering of company disclosures, as well as telegraphing to management the importance of energy efficient metrics in their day-to-day product solutions for their customers. We believe the company has invested heavily in analyzing and reporting the use-phase impact of its entire product portfolio, setting improved standards for the industry. Customers can now access the environmental benefits of Ingersoll Rand's products including metrics such as energy consumed, GHG emissions and water consumed. The benefits from energy efficiency and cost savings are increasingly highlighted in each customer dialogue to promote adoption and the associated positive impact.

The company has expanded its product suite into water efficiency and its services into impact-oriented activities including service and maintenance, carrying out energy audits, repairs and offering solutions aimed at enabling change and innovation. The company noted that its customers have been used to managing products in-house but have struggled to improve sustainability due to a lack of expertise. We also discussed the potential impact from the U.S. inflation reduction act, including future reporting linked to any growing involvement in biofuels and hydrogen production.

We informed our understanding of the company and imparted our views on how we view the company's impact. We suggested that management consider making a number of additional disclosures to demonstrate environmental impact within its sustainability report. We also suggested that management actively consider the ability to aggregate impact where possible. We will continue to engage with the company and will explicitly follow up on reporting progress within the next two years.

<sup>1</sup> Ingersoll Rand Sustainability Report 2022

## 2022 Impact Engagements

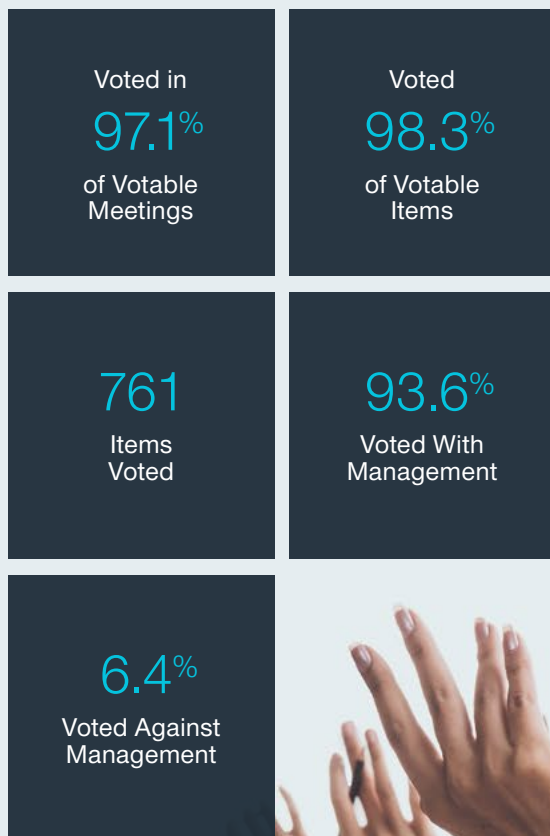
Company Name	Quarter	Description
<b>AstraZeneca</b>	4	Engagement allowed us to request additional disclosures (e.g. on R&D, outcomes data) and impart our view on the company's overall approach to access to medicine.
<b>IDEX Corp</b>	4	Imparted our views on the company's impact, improved our impact assessments and provided feedback on impact-related disclosure.
<b>Sartorius AG</b>	4	Initial dialogue on impact and allowed us to impart our view on disclosures.
<b>UnitedHealth Group</b>	4	Engagement allowed us to share our view of best practices on impact and request additional transparency from the company to help provide a more rounded picture of the company's impact in future reporting.
<b>Agilent Technologies</b>	3	Engagement allowed us to begin initial dialogue on impact and helped to underscore the value of providing impact disclosures. Enabled us to make specific recommendations for future potential KPIs and reporting metrics.
<b>Danaher</b>	3	Allowed us to share our view of best practices on impact and suggest additional disclosures from the company (e.g. addressing bioprocessing; diagnostic tests enabled).
<b>Ingersoll Rand</b>	3	Discussed our views on best practices for the company's environmental targets on CO <sub>2</sub> and water savings, and for providing additional disclosure on the associated capital allocation process, client energy 'audits' as well as on any potential impact from the current high energy prices environment.
<b>Ingersoll Rand</b>	3	We engaged with the company to inform our understanding and impart our views on the company's impact.
<b>Keyence</b>	3	We spoke to the company about monitoring their customer footprint to estimate the significant manufacturing savings from their processes.
<b>MercadoLibre</b>	3	The meeting helped us engage and present our views on reducing carbon intensity and improving social access to their financial products.
<b>Oxford Nanopore</b>	3	The engagement allowed us to share our view of best practices on impact and make specific recommendations for their inaugural sustainability report, as well as attempting to drive greater social impact through recommending greater access for their products, especially in less fortunate end markets.
<b>Roper Technologies Inc</b>	3	We asked for guidance on our estimations of their environmental and social impact. We also provided the company with research that we received from impact research provider, Net Purpose, to demonstrate how they estimated Roper's impact.
<b>Sika</b>	3	We stressed the importance of being able to quantify and measure impact, and encouraged the company to publish an estimate of the GHG emission and water savings enabled by its products.
<b>Thermo Fisher Scientific</b>	3	Engagement allowed us to share our view of best practices on impact and request additional impact disclosures to help provide a more rounded picture of the company's full impact in future reporting.
<b>Zoetis</b>	3	Imparted our views on impact disclosures and encouraged the company to provide robust and transparent impact KPIs on an annual basis.
<b>Stryker</b>	2	Engagement allowed us to share our view of best practices on impact and request additional disclosures from the company in future reporting.
<b>Linde</b>	1	We impressed upon the company the need to improve on customer carbon emissions saved and the disclosures related to these emission savings, as well as their own decarbonization & green hydrogen efforts.
<b>OneMain Holdings</b>	1	We achieved our objective of conducting due diligence on the bank's impact thesis and recommended a follow up call with the company to establish a baseline on these discussions and advocate for improved disclosure.
<b>Roper Technologies Inc</b>	1	Meeting to discuss measurement of impact outcomes. There was a strong acknowledgment from the CEO that they need to do better in this regard.

## 2022 ESG Engagements

Company Name	Quarter	Environmental	Social	Governance
AIA Group	4	●	●	
Darling Ingredients	4	●	●	●
Eli Lilly	4	●	●	●
EssilorLuxottica	4		●	●
Hamamatsu Photonics	4			●
HubSpot	4	●	●	●
Intuit	4	●	●	
Lonza Group	4	●	●	
Thermo Fisher Scientific	4	●	●	●
NextEra Energy	4	●	●	●
Becton Dickinson	3	●	●	
Koninklijke	3	●	●	
Rockwool	3			●
Tesla	3	●	●	
Zoetis	3		●	
Charles Schwab	2		●	●
EssilorLuxottica	2			●
Evotec	2			●
HDFC Bank	2	●	●	
NextEra Energy	2		●	
ServiceNow	2			●
Shopify	2			●
Trex	2			●
UnitedHealth	2		●	●
Wuxi Biologics	2			●
Ashtead Group	1			●
ASML	1			●
AstraZeneca	1	●	●	●
Danaher	1	●	●	●
Evotec	1			●
Koninklijke DSM	1	●		
OneMain Holdings	1		●	
Oxford Nanopore Technologies	1		●	
PG & E	1	●	●	●
Salesforce	1	●	●	
ServiceNow	1	●	●	
Shop Apotheke	1			●
Stora Enso	1	●		
Tesla	1	●	●	



# Proxy Voting



Proxy voting is a crucial link in the chain of stewardship responsibilities we execute on behalf of our clients. A separate set of proxy voting guidelines is administered for the T. Rowe Price impact strategies. These portfolios require a separate voting policy because they have two express mandates: competitive financial returns and positive social and environmental impact.

The Global Impact Equity Strategy proxy voting program serves as one element of our overall relationship with corporate issuers. We use our voting power in a way that complements the other aspects of our relationship with these companies, including engagement, investment diligence, and investment decision-making. A customized set of proxy voting guidelines different from other T. Rowe Price strategies helps us establish governance norms and follow a differentiated stewardship approach. We take a hands-on approach to joining voting and engagement activities as part of our commitment to additionality, driven from discussions at weekly impact research meetings.

For the vast majority of resolutions, the Global Impact Equity Strategy voted the same way as other T. Rowe Price strategies. However, there were three cases where the Global Impact Equity Strategy voted differently from the other portfolio managers in 2022 on shareholder resolutions:

- At the Eli Lilly 2022 annual general meeting (AGM), the Global Impact Equity Strategy supported all four shareholder resolutions, which called for the company to provide a report on lobbying payments and policy (item 8) and to commission a third-party review of the alignment between the company’s lobbying activities with its public statements (item 9). The Global Impact Equity Strategy voted for these items and the resolution calling for a report on Board oversight of the risks related to anticompetitive pricing strategies (item 10) because the importance of setting market-leading expectations related to lobbying and pricing/anticompetitive practices was felt to be aligned with the mandate of the strategy. The strategy also voted in support of the shareholder resolution calling for an independent Board chair (item 7).
- At the Charles Schwab Corporation 2022 AGM, the Global Impact Equity Strategy voted in support of the shareholder resolution requesting a report on lobbying payments and policy (item 8). Upon review, it became clear that opportunities for increased disclosure

Proxy data for the Global Impact Equity strategy from December 31, 2021 through to December 31, 2022. Aggregated data includes votes cast across all products in the strategy.

remained in the areas of lobbying priorities; direct and indirect, federal, and state lobbying payments; and trade association affiliation. Given its impact mandate, this resolution was supported by the Global Impact Equity Strategy. However, the company already provides aggregate disclosure of its indirect spending, which the mainstream strategies considered to be in line with typical market practice and acceptable.

- At the Badger Meter 2022 AGM, item 4 was a shareholder resolution asking the Board to provide a report on achieving racial equity on the Board of Directors. The specific request was that the Board of Directors report to shareholders within six months after the company's annual meeting, at reasonable expense, excluding confidential information, with action steps to foster greater racial equity on the Board. Last year, we supported a similar shareholder resolution calling for a report on Board diversity, along with 85% of shareholders. After the 2021 AGM, the Board engaged with investors and appointed a racially diverse Board member. However, the company has not yet disclosed actionable plans to increase Board diversity, and so the Global Impact Equity Strategy voted for the shareholder resolution.

There were two cases where the Global Impact Equity Strategy voted differently from the other portfolio managers in 2022 on pay, because of the strategy's focus on social equity within its investment process:

- At the Ashtead Group plc 2022 AGM, the Global Impact Equity Strategy voted against the remuneration report because the policy it had voted against at the 2021 AGM, which included nonstandard one-time awards, was implemented in the period and because the bonus payout in full arguably did not reflect the shareholder experience. The mainstream strategies had supported the 2021 remuneration policy and did not find the pay decisions in 2022 problematic.
- At the Kanzhun Limited 2022 AGM, the Global Impact Equity Strategy voted against the Post-IPO Share Scheme because the equity plan is overseen by the chief executive officer (CEO) rather than a committee of independent directors and there is a lack of clarity on the performance conditions despite engaging. Other T. Rowe Price strategies supported the scheme because the company confirmed that the CEO does not authorize his own equity grant and we typically give newly listed companies a little time to improve their variable pay disclosure.

## 69 Votable Meetings

Meetings Not Voted (2)

### Meetings Voted

67

## 774 Votable Items

Items Not Voted (13)

### Items Voted

761

Management Proposals	# of Proposals	% With Mgmt.	% Against Mgmt.
Elect Directors (Uncontested)	427	96%	4%
Management Compensation: Say on Pay and Equity Plans	113	88%	12%
Routine Business and Operational Matters	70	96%	4%
Capital Structure Items	52	92%	8%
Appoint Auditors/Approve Auditor Fees	62	100%	0%
Other	10	100%	0%
<b>Total</b>	<b>734</b>		

Shareholder Proposals	# of Proposals	% With Mgmt.	% Against Mgmt.
On Social, Political, or Environmental Matters	17	47%	53%
To Adopt or Amend Shareholder Rights	5	40%	60%
Amend or Remove Takeover Defenses	-	-	-
Related to Director Policies	5	60%	40%
Related to Routine Business and Operational Matters	-	-	-
<b>Total</b>	<b>27</b>		

## 27 Shareholder Resolutions Voted



# Pursuit of Good Outcomes

In future years, 2022 may be viewed as pivotal in many respects. First and foremost, the year represented the beginning of the end of the most extreme social restrictions stemming from the coronavirus pandemic, reopening borders and economies, and reuniting segments of society after a period of enforced and unprecedented separation. However, with the fading of one crisis, we saw the emergence of war in Europe and the reemergence of extreme economic outcomes, most notably as energy prices surged, causing inflation to spiral and central banks to reverse years of stimulus.

The year 2022 will be defined by debate about economic and societal security, extreme inflation, extreme weather, and the challenge of managing the stresses of the present, all while the challenges of the future continue to become more and more pressing. And 2023 has been no less unusual in its extremes, marking the ongoing era of normal being anything but normal. This backdrop all but reaffirms the need for strong principles to withstand uncertainty and the ebbs and flows of constant change.

There are no easy answers to the very real conflicts that are playing out globally. However, we have used the period to reflect on the role and relevance of impact investing and our own contribution to this discipline. While 2022 presented some very real challenges to impact investing in a financial return dimension, we find ourselves comfortable in reaffirming our core beliefs, while deepening our processes to reflect the obligation of the impact community and its need to continuously improve.

Notable achievements include our Australian unit trust,<sup>1</sup> which has maintained its Responsible Investment Association Australasia (RIAA) certification, while we continued to invest in our responsible investment and research platforms to help analyze and understand corporate change. Meeting many of our impact investing peers at the Global Impact Investing Network (GIIN) Investor Forum at The Hague was an encouraging demonstration of adoption and progress in impact disciplines. However, measurement of impact remains an area that requires progression and standardization.

As we have engaged with clients, experts, and gatekeepers and reflected in our inaugural 2021 impact report, we have sought to refine our key performance indicators and measurement criteria wherever new and more precise data allow. We shall continue to iterate in this way, while providing as much disclosure on our impact perspectives as possible to ensure our reporting and our principles are clear to investors.

While 2022 presented some very real challenges to impact investing in a financial return dimension, we find ourselves comfortable in reaffirming our core beliefs...



While the year highlighted frailties in our preparedness for energy transition and deep social division, we believe that 2022 also represents a period that will ultimately expand corporate investment in positive impact activities. Our engagements with companies give us real hope that the debate and understanding of real-world impact is spreading, bringing change, growth, and opportunity for investors.

Patience and persistence remain key to impact and financial return outcomes, but this is the nature of the challenge—one we continue to seek to address through our Global Impact Equity Strategy.

<sup>1</sup> Only available to investors in Australia. This is not intended to be an offer or solicitation for the product.

# 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.

<p><b>Council of Institutional Investors (CII)</b></p> <p>ASSOCIATE MEMBER SINCE 1989</p>	<p><b>Principles for Responsible Investment (PRI)</b></p> <p>SIGNATORY SINCE 2010</p>		<p><b>UK Stewardship Code</b></p> <p>SIGNATORY SINCE 2010</p>
<p><b>Japan Stewardship Code</b></p> <p>SIGNATORY SINCE 2014</p>	<p><b>Associação de Investidores no Mercado de Capitais (AMEC)</b></p> <p>MEMBER SINCE 2015</p>	<p><b>Asia Corporate Governance Association (ACGA)</b></p> <p>MEMBER SINCE 2016</p>	<p><b>UK Investor Forum</b></p> <p>FOUNDING MEMBER SINCE 2016</p>
<p><b>International Capital Market Association (ICMA)</b></p> <p>MEMBER SINCE 2017</p>		<p><b>Investor Stewardship Group (ISG)</b></p> <p>FOUNDING MEMBER SINCE 2017</p>	<p><b>Japan Stewardship Initiative</b></p> <p>FOUNDING MEMBER SINCE 2019</p>
<p><b>Investment Association Climate Change Working Group</b></p> <p>MEMBER SINCE 2020</p>	<p><b>Institutional Investors Group on Climate Change (IIGCC)</b></p> <p>MEMBER SINCE 2020</p>	<p><b>Pensions and Lifetime Savings Association (PLSA) Stewardship Advisory Group</b></p> <p>MEMBER SINCE 2020</p>	<p><b>Emerging Markets Investors Alliance</b></p> <p>MEMBER SINCE 2020</p>



**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.

# Portfolio Holdings

## Global Impact Equity Representative Portfolio

### Pillar 1: Climate and Resource Impact

Company	Business Activity	Impact Goal	Primary UN SDG
<b>Ashtead</b>	Provider of rental services for construction equipment	Reduce the need to produce new equipment units and, therefore, carbon emissions associated with equipment ownership and underuse.	
<b>Atlassian</b>	Operator of task sharing platforms	Improve remote collaboration and efficiency through cloud-enabled technologies, while reducing travel and associated carbon footprint.	
<b>Badger Meter</b>	Water infrastructure & technology	Help deliver clean, safe drinking water, enabling sustainable management and efficient use.	
<b>Ball Corporation</b>	Manufacturer of aluminum packaging	Reduce reliance on single-use plastics and replace with highly recyclable material, decreasing waste that goes to landfills.	
<b>Brookfield Renewable Partners</b>	Solar, wind, and hydro electricity provider	Contribute toward the generation of zero-carbon electricity.	
<b>Darling Ingredients</b>	One of the oldest and largest rendering companies	Contribute toward circularity by recycling and reusing byproducts of the rendering process.	
<b>Hubbell</b>	Electrical equipment and power systems provider	Enable electricity grid resilience through modernization and electrification, while also integrating renewables.	
<b>IDEX Corporation</b>	Provider of engineering and life sciences solutions, including pumps, valves, and flow meters	Supply engineered solutions to create efficiencies in manufacturing, life sciences, and health care.	
<b>Ingersoll Rand</b>	Manufacturer of energy efficient air compressors and air treatment equipment	Increase energy efficiency while allowing customers to reduce their carbon footprint.	
<b>Keyence</b>	Innovation and supply of precision robotic vision sensing	Reduce manufacturing waste, while improving product safety.	
<b>Linde</b>	Producer and distributor of industrial gases	Accelerate environmental transition and a lower carbon future through innovation in green hydrogen and carbon capture, as well as decarbonizing heavy industries.	
<b>Mueller Water Products</b>	Water infrastructure & technology	Help deliver clean, safe drinking water, enabling sustainable management and efficient use.	

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.

Company	Business Activity	Impact Goal	Primary UN SDG
<b>NextEra Energy Partners</b>	One of the largest renewable energy providers in the U.S.	Contribute to the growth of zero-carbon energy sources.	
<b>Nibe Industrier</b>	Heat pump technology company	Promote energy efficiency, while reducing energy consumption and associated GHG emissions.	
<b>P G &amp; E</b>	Electric utility services company serving the state of California	Enable decarbonization by increasing electrification.	
<b>Rockwool</b>	Manufacturer of stone wool insulation for buildings	Improve energy efficiency of buildings.	
<b>Roper Technologies</b>	Multi-industrial company focused on water metering, health care, and software to improve efficiency of processes	Increase resource efficiency.	
<b>Schneider Electric</b>	Global electrical distribution and management	Enable electrification and industrial digitization, thus reducing emissions.	
<b>Sika</b>	Provider of admixtures and additives for the construction industry	Contribute to decarbonization through products that make construction materials and buildings more sustainable and energy efficient.	
<b>SolarEdge Technologies</b>	Residential and utility scale solar systems and inverter provider	Enable solar energy generation, mitigating carbon dioxide emissions from fossil fuel-based power.	
<b>Tesla</b>	Manufacturer of electric vehicles and provider of renewable energy solutions	Accelerate decarbonization by improving access to electric vehicles and renewable energy sources in place of fossil-fuel powered alternatives.	
<b>Tomra Systems</b>	Provider of reverse polyethylene terephthalate (PET) collection systems	Enable circular economy by improving post-consumer waste collection and recycling.	
<b>Trane Technologies</b>	Manufacturer of heating, ventilation, and air conditioning equipment	Improve energy efficiency in commercial and residential buildings.	
<b>Trex</b>	Major manufacturer of wood-alternative composite decking	Increase use of recycled plastic and wood, reducing landfill and deforestation.	
<b>Trimble</b>	Global hardware and software solutions provider	Improve resource efficiency, logistics, and land and water usage.	
<b>Waste Connections</b>	Waste management and recycling specialist	Enable improved waste recycling rates, while mitigating methane emissions from waste.	

Source: T. Rowe Price

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## Pillar 2: Social Equity and Quality of Life

Company	Business Activity	Impact Goal	Primary UN SDG
<b>Agilent Technologies</b>	Leading life science and diagnostics firm	Improving health care innovation and patient outcomes by being the leading supplier of life science and diagnostic tools to a wide range of end markets.	
<b>AIA Group</b>	Leading pan-Asian life and health insurance group	Offer access to insurance products in a region where penetration rates remain very low.	
<b>Alexandria Real Estate Equities</b>	Largest public life science real estate investment trust	Create environment to fuel innovation and accelerate medical research.	
<b>AstraZeneca</b>	Global pharmaceutical and biotechnology company and leader in immuno-oncology	Push the boundaries of science to deliver life-changing medicines, while increasing access to essential medicines.	
<b>Axis Bank</b>	One of India's largest financial institutions	Increase financial inclusion for retail and MSMEs in India.	
<b>Bank Central Asia</b>	Largest privately owned bank in Indonesia	Supporting financial inclusion in Indonesia.	
<b>Becton Dickinson</b>	Provider of medical equipment and technology used to improve health outcomes	Provide solutions that improve health care delivery, treatment, and patient outcomes.	
<b>Bright Horizons Family Solutions</b>	Child-care, early education, and eldercare provider	Allowing working parents to more effectively manage careers, while providing more opportunities for dual careers reducing gender inequities.	
<b>Chaillese Holdings</b>	Taiwanese leasing company with a specific focus on SMEs	Offer leasing services to SMEs often neglected by large institutions.	
<b>Daiichi Sankyo</b>	Global pharmaceutical company based in Japan	Create innovative pharmaceuticals addressing diverse medical needs, especially in the field of cancer treatment.	
<b>Danaher</b>	Life sciences company providing science and technology solutions to solve health challenges	Advance patient health and improve treatment outcomes through solutions that enable superior clinical decision-making, research, and manufacturing of therapeutics.	
<b>Eli Lilly</b>	U.S. pharmaceutical company with leading diabetes franchise	Increase access to truly innovative care in diabetes, Alzheimer's disease, and oncology.	
<b>EssilorLuxottica</b>	Producer of ophthalmic goods and optical instruments	Improve health and well-being by providing eye care protection and groundbreaking advances in eye technology.	
<b>Evotec</b>	Provider of drug discovery and development solutions for pharmaceutical companies	Provide sophisticated drug discovery tools and platforms that help reduce the cost and time involved in drug development.	






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.




Company	Business Activity	Impact Goal	Primary UN SDG
<b>Fortinet</b>	Global network and cloud security solutions provider	Provide cyber protection for cloud and data center operations powered by energy-efficient solutions.	
<b>Hamamatsu Photonics</b>	Manufacturer of optical sensors, electric light sources, and other optical devices as well as automotive safety solutions	Improve the detection of health care issues through better imaging as well as improving automotive safety through LiDAR technology.	
<b>HDFC Bank</b>	Indian bank offering financing services to India's underserved population	Increase financial inclusion for retail and micro, small, and medium enterprises with a specific focus on semiurban and rural areas.	
<b>HDFC Life Insurance</b>	One of the largest life and health insurance companies in India	Narrow the protection gap by providing insurance solutions to the most underprotected and vulnerable populations.	
<b>HubSpot</b>	Cloud-based platform offering sales and marketing automation solutions to SMEs	Enable financial inclusion by providing affordable technology solutions to SMEs powered by energy-efficient solutions.	
<b>Intuit</b>	Financial software provider focused almost exclusively on SMEs	Promote financial inclusion using new technology to help consumers and SMEs.	
<b>Intuitive Surgical</b>	Global leader of robotic-assisted surgery	Make surgery more effective, less invasive, and easier on patients and surgeons through advanced robotics.	
<b>Kanzhun</b>	Provider of digital recruitment platform in China	Promotes greater inclusivity of employment by increasing opportunities for underprivileged groups.	
<b>Koninklijke DSM</b>	Global purpose-led, science-based company specializing in nutrition, health, and bioscience	Reduce hunger and malnutrition in the food chain and improve nutrition for those who need it most.	
<b>Lonza Group</b>	Global partner to the pharmaceutical, biotech, and nutrition markets	Strategic partner to the health care industry helping to bring down the prices of medicines.	
<b>MSA Safety</b>	Leading manufacturer of safety equipment	Protect workers from injuries and health-threatening incidents.	
<b>Nu Holdings</b>	Brazilian digital bank operating throughout Latin America	Promote financial inclusion by providing low-cost services to underserved or unbanked populations.	
<b>OneMain Holdings</b>	Lender focusing on subprime personal and auto loans	Improve credit access to those with limited access, while also providing budgeting and financial literacy resources.	
<b>Sartorius</b>	Life sciences company providing tools and equipment to improve health outcomes	Improve patient outcomes by providing products that help make the therapeutic manufacturing process cheaper and more efficient.	
<b>Shopify</b>	Multinational cloud-based e-commerce platform largely focused on SMEs	Enable SMEs easy access and opportunity to create and manage online businesses enabling effective competition.	

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.

Company	Business Activity	Impact Goal	Primary UN SDG
<b>Stryker</b>	Medical technology company with specific leadership in orthopedics and medical surgery solutions	Provide innovative solutions that improve treatment outcomes and quality of life for patients.	
<b>Thermo Fisher Scientific</b>	Life science tools company providing science and technology solutions to solve health challenges	Provide innovative solutions to help improve life for patients and therapeutic research and development outcomes.	
<b>UnitedHealth</b>	Largest health insurer and value-based care technology provider in the United States	Provide a health care safety net while improving coverage for aging populations and pursuing cost-reduction initiatives.	
<b>Veeva Systems</b>	Cloud-based software solutions provider for the life sciences industry	Enabling health care companies to engage in faster and more accurate clinical trials and achieve better health care outcomes.	
<b>Zoetis</b>	World's largest producer of medicine and vaccinations for pets and livestock	Provide products and services that improve companion animal health and the quality of life in the livestock food chain.	

## Pillar 3: Sustainable Innovation and Productivity

Company	Business Activity	Impact Goal	Primary UN SDG
<b>ASML Holding</b>	Leading provider of lithography to semiconductor industry; sole supplier of extreme ultraviolet lithography machines in the world	Through innovation in chip manufacturing, enable energy efficiency and digital connections.	
<b>Synopsys</b>	Largest and fastest-growing electronic design automation company with a dominant position in digital design	Enabling innovative chip design that improves energy efficiency and reduces the digital divide.	
<b>TSMC</b>	World's largest semiconductor manufacturer	Improve energy efficiency and foster digital connections throughout the world.	

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.

# Global Impact Equity Team



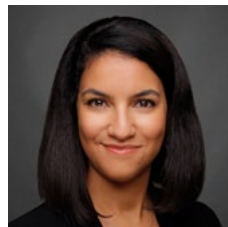
**HARI BALKRISHNA**  
Portfolio Manager  
(London)



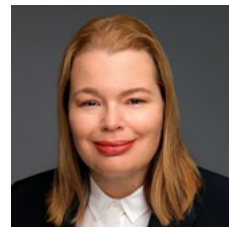
**CHRIS VOST**  
Investment Analyst  
(London)



**LAURENCE TAYLOR**  
Portfolio Specialist  
(London)



**FATNA CHELIHI**  
Senior Portfolio  
Analyst (London)



**JOCELYN BROWN**  
Head of Governance,  
EMEA and APAC  
(London)

## Research Is Our Foundation

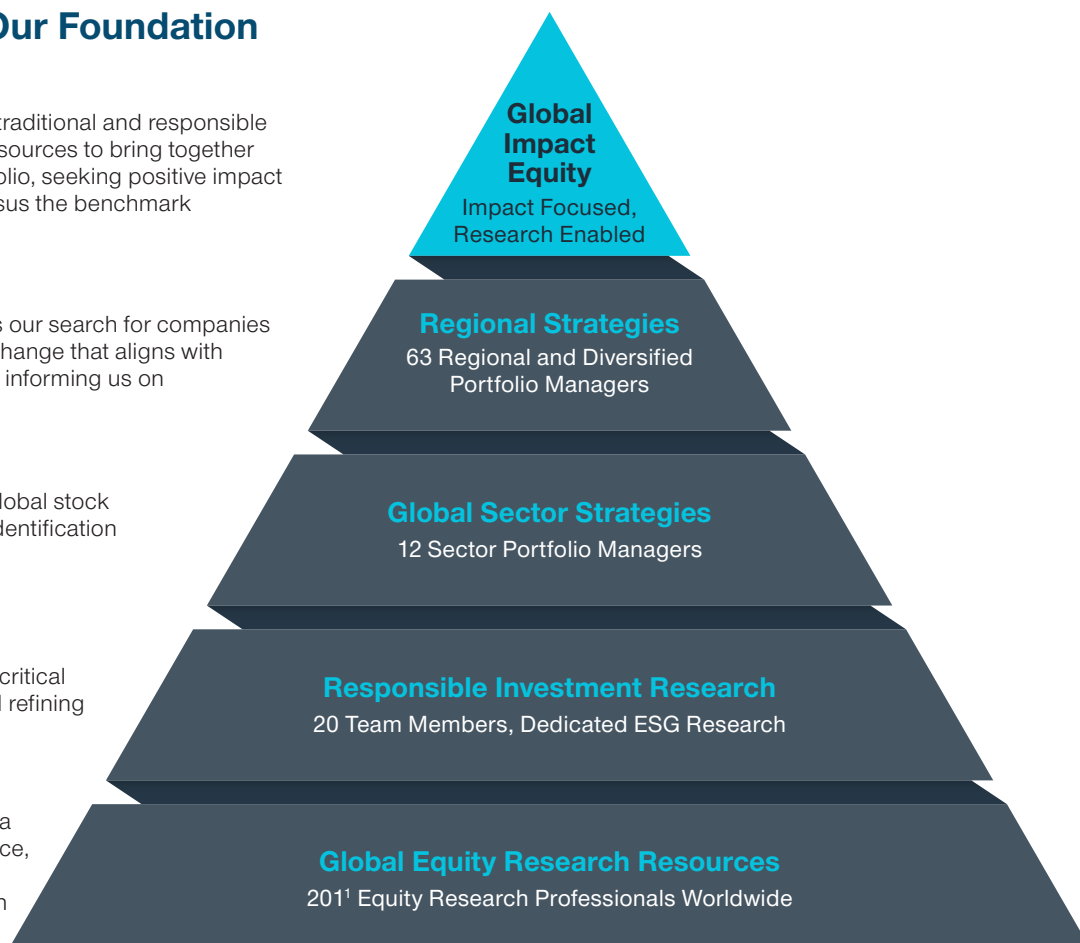
We leverage our firm's traditional and responsible investment research resources to bring together a high-conviction portfolio, seeking positive impact and excess returns versus the benchmark

Regional expertise aids our search for companies on the side of secular change that aligns with our impact goals, while informing us on macroeconomic risks

Sector expertise aids global stock comparisons and the identification of secular change

Dedicated responsible investment research is critical for ESG integration and refining our impact universe

We have committed to a global research presence, giving us breadth and depth in idea generation



<sup>1</sup> 12 sector portfolio managers, 98 research analysts, 56 associate research analysts, 4 quantitative analysts, and 31 specialty analysts as of December 31, 2022.



A young girl with curly hair is sitting at a desk in a library, reading a book. She is wearing a blue striped shirt. The background shows bookshelves filled with books. The text "Impact Glossary" is overlaid on the left side of the image.

# 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 Equity 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.

**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>

**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 stocks 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 stock 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 universe of stocks that is available to the T. Rowe Price Global Impact Equity Strategy to invest. To define our impact universe, we start by applying the T. Rowe Price Impact Exclusion list to the global developed and emerging all-cap opportunity set (MSCI All Country World ex-Australia Index (net of withholding tax)). This list 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.

**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)*.

**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*.

**Private-equity markets:** Private equity refers to capital investment made into companies that are not publicly traded.

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

**Public equity markets:** Public equity investments available and easily traded daily through public market exchanges.

**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 Equity 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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## GLOBAL IMPACT EQUITY STRATEGY

### Objective

In pursuit of long-term growth of capital, the Global Impact Equity Strategy seeks positive environmental or social impact and to outperform the MSCI All Country World Net Index. In targeting this objective, the strategy primarily invests in a diversified portfolio of equity-related securities of larger-cap companies listed on the world's stock markets. The strategy has a particular focus on companies where the durability and persistence of earnings and cash flow is underappreciated and may include investments in the securities of companies listed on the stock exchange of developed and developing countries.

### Risks—the following risk is materially relevant to the portfolio:

**Country (China)**—Chinese investments may be subject to higher levels of risks such as liquidity, currency, regulatory and legal risks due to the structure of the local market.

**Currency**—Currency exchange rate movements could reduce investment gains or increase investment losses.

**Emerging markets**—Emerging markets are less established than developed markets and therefore involve higher risks.

**Small and mid-cap**—Small and mid-size company stock prices can be more volatile than stock prices of larger companies.

**Stock Connect**—Stock Connect is subject to higher regulatory, custody, and default risks as well as liquidity risk and quota limitations.

### General Portfolio Risks

**Capital risk**—the value of your investment will vary and is not guaranteed. It will be affected by changes in the exchange rate between the base currency of the portfolio and the currency in which you subscribed, if different.

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

**Equity risk**—in general, equities involve higher risks than bonds or money market instruments.

**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

The examples shown in the case studies represent the representative portfolio's largest active positions in each sub-pillar.

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

The specific securities identified and described do not represent all of the securities purchased, sold, or recommended for the portfolio, 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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