T. ROWE PRICE STRATEGY FOCUS
ON U.S. IMPACT EQUITY

May 2023

STRATEGY SUMMARY

- The US Impact Equity Strategy invests sustainably with the aim of having a positive impact on the environment and society while seeking to outperform the S&P 500 Index Net 30% Withholding Tax.
- The strategy invests mainly in the shares of U.S. companies that we believe have the potential to create positive social or environmental impacts, and that appear to offer superior growth prospects and investment characteristics, such as strong earnings and cash flow generation underpinned by a resilient business model.
- Our investment approach is aligned to the United Nations Sustainable Development Goals (UN SDGs). The framework guides how we assess business activities and quantify their alignment to our three proprietary impact pillars—climate and resource impact, social equity and quality of life, and sustainable innovation and productivity—and eight impact sub-pillars.
- Our fundamental research platform, in collaboration with our dedicated Responsible Investing (RI) team—which is focused on environmental, social, and governance (ESG) issues—provide the resources and diverse perspectives to build a positive impact portfolio.
- We aim to be additional, demonstrated by our commitment to promote and progress the impact agenda. This includes directing fresh capital toward desired outcomes, impact-oriented company engagement, active proxy voting, and the associated influence feedback loop.

David Rowlett
Portfolio Manager,
US Impact Equity Strategy

Investment Philosophy

Our investment process is founded on our Impact Charter, which comprises four guiding principles that serve as a framework for how we develop impact portfolios and invest for positive long-term outcomes as outlined in Exhibit 1:

Identifying Impact Investments Using Our Impact Charter

Our investment process embeds clear principles of materiality and measurability and forms the basis for identifying positive impact for clients. We adopt a forward-looking perspective on change, while aiming to ensure that all investment decisions are based on a clearly defined positive impact thesis. We also aim to be additional by committing to using our scale and resources to promote and progress the impact agenda. Due to the very complex friction points that exist for our planet and our global community, delivering impact requires patience and an understanding of change. This is why being resilient in applying an impact-oriented investment approach is imperative.

Our approach aligns with the UN SDGs, a globally recognized framework designed to end poverty, protect the planet, and ensure prosperity. We believe this is the best way to align all stakeholders in the impact journey, encompassing our clients, our investment team, and the businesses our strategy owns.

Durability and Time Horizon Are Key

Stocks have the potential to deliver superior returns when the durability and persistence of earnings and cash flow are underappreciated by the market or where economic return improvement is mispriced. Adopting a long-term view allows us to identify inefficiencies embedded in equity markets, especially in an era of change, disruption, and shortened time horizons. We also apply a long-term investment horizon when measuring impact, given the patience and resilience that our environmental and social transition journey necessitates.

Exhibit 1: Impact Charter

Material	Every stock is aligned with clearly defined impact activities, using revenue inclusion criteria, always accounting for dimensions of positive future change.
Measurable	Our approach is multidimensional and stock-based, using insights from our research platform and company engagements.
Additional	We commit to using our scale and resources to promote and progress the impact agenda.
Resilient	In an era of disruption and extreme outcomes, patience, a forward-looking approach, and skillful portfolio construction are key.

Source: T. Rowe Price.

Secular Change Matters

Investing in companies that we believe are on the right side of secular change is key to unlocking improving economic returns in business models, especially in an era of shifting consumer, business, and regulatory preferences. While impact investing has traditionally been associated with private investments, the opportunity to own and engage with companies that create a positive impact is broader than ever before in public equity markets.

Research Is Crucial

Based on our fundamental and responsible investing research resources, our approach produces a holistic view of companies and embodies the different perspectives necessary to invest for future impact and pursue better investment outcomes. We integrate our stock perspectives to identify, in our view, underappreciated impact and mispriced economic return improvement on a stock-by-stock basis. We apply a forward-looking, research-driven, and high-conviction approach to our stock choices. This is important with respect to prudent risk management, as well as alignment with the UN SDGs, as we seek to engage with the full breadth of impact opportunities that exist in an evolving and complex world.

Portfolio Management

David Rowlett is the portfolio manager for the US Impact Equity Strategy. He has 19 years of investment experience and joined T. Rowe Price in 2008, beginning as an investment analyst in the U.S. Equity Division focusing on aerospace, defense, and multi-industrial companies. Earlier in his career, David held analyst, portfolio manager, and investment banker roles.

He has always believed investing plays an important role in society—delivering long-term financial performance to help clients meet future needs, such as education and retirement. David brings a passion for pursuing environmental sustainability, zeal for contributing to positive social change, and extensive fundamental understanding of the investment landscape.

While David has ultimate responsibility for investment decisions, he is closely supported by team analyst Kaoutar Yaiche, who specializes in incorporating environmental and social considerations into the research process. She joined T. Rowe Price in 2021, having previously been employed by an independent power producer developing wind and solar farms in emerging markets, a clean-technology startup, and a climate-focused venture capital firm.

The search for high-quality impact ideas is supported by T. Rowe Price's world-class research platform, comprising a team of more than 200 fundamental analysts, which gives the US Impact Equity team access to ideas. The team also works closely with the analysts on our Responsible Investing (RI) team, particularly on developing impact models for companies and measuring the potential and actual impact from an investment.

An Investment Advisory Committee, consisting of senior T. Rowe Price equity investment professionals, also assists the portfolio management team by discussing, reviewing, and recommending potential investment ideas.

Defining the Impact Investment Universe

All US Impact Equity Strategy investments start with a stock-by-stock assessment of impact materiality. The RI team defines our impact universe through careful screening, a deep understanding of ESG factors, and industry-specific, forward-looking impact inclusion criteria. The universe also excludes areas of the U.S. market that, in our view, generate significant harm. These include adult entertainment, alcohol, fossil fuels, gambling, tobacco, for-profit prisons, weapons, and stocks that screen individually on conduct-based metrics.

Exhibit 2: Impact Pillars and Activities

Climate and Resource Impact

1. Reducing greenhouse gases
2. Promoting healthy ecosystems
3. Nurturing circular economies

1

Social Equity and Quality of Life

4. Enabling social equity
5. Improving health
6. Enhancing quality of life

2

Sustainable Innovation and Productivity

7. Sustainable technology
8. Building sustainable industry and infrastructure

3

Source: T. Rowe Price.

Our team's starting point is to screen using our Impact Template to quantify a company's alignment to one of our three proprietary impact pillars and eight sub-pillars, as well as at least one of the UN SDGs. Each company selected for inclusion in the portfolio has current or future business activities that are expected to generate a material and measurable positive impact under one of the three impact pillars shown in Exhibit 2.

Portfolio Construction

In constructing the portfolio, David leverages the analysis produced by the fundamental research platform and the RI team and applies his judgment to create a primarily U.S. portfolio of typically 30 to 60 of his highest-conviction opportunities within the impact universe. These are stocks with clear impact and financial return markers, based on product, industry, governance, and growth potential. David closely collaborates with our team of sector analysts to conduct thorough, fundamental analysis to identify the most attractive stock-based opportunities, integrating our perspectives on financial returns alongside the positive and negative impact of business activities. All stock selection decisions begin with a clearly defined positive impact thesis, which proactively and systematically integrates ESG considerations.

The RI team's proprietary Responsible Investing Indicator Model (RIIM), which systematically and proactively evaluates the RI profile of over 15,000 corporate securities, helps assess the quality and long-term sustainability of the investee companies.

Our philosophy is that ESG factors cannot be a separate or tangential part of a traditional investment thesis; they have to be integrated alongside fundamental factors to help create the best outcome for clients. The process of ESG integration takes place on three levels: first, as our fundamental and responsible investing research analysts incorporate ESG factors into their analysis; second, as we use T. Rowe Price's proprietary RIIM analysis at regular intervals to help us understand the ESG characteristics of single stocks and the aggregate portfolio; and third, as the portfolio manager integrates ESG considerations within his company interactions and the portfolio construction process.

Measuring Impact

Given our mandate's dual nature, impact measurement and management are integral to our investment process. We believe that measuring and managing impact fulfills three objectives:

1. To monitor our investments' progress toward clearly defined outcomes through key performance indicators (KPIs).
2. To assist in our corporate engagements and to ensure that we identify any deviation from our impact and investment thesis.
3. To report progress and impact delivery to our clients.

We use the "five dimensions of impact framework" to carry the impact due diligence of a given stock. This framework was developed by the Impact Management Project, an impact practitioner community of over 2,000 organizations. This framework leads to assessing 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:

1. What is the impact goal?
2. Who experiences the outcome?

3. How much of the outcome is occurring (scale, depth, and duration)?
4. Contribution—Would this change likely have happened anyway?
5. Risk—What is the risk to people and the planet if the impact does not occur as expected?

Within this process and depending on data availability, we also use guidance and metrics from the IRIS+ Catalog of Metrics, developed by the Global Impact Investing Network (GIIN). This analysis leads us to formalize an impact thesis, highlight negative externalities and risks, and define KPIs for each stock.

As part of our approach to impact measurement, we use a "Theory of Change" model, which we believe provides a clear and comprehensive framework to evaluate how the efforts of each holding are delivering impact, through the measurement of achieved outcomes.

Accelerating Impact Through Active Ownership

We truly believe impact is achieved within an investment portfolio in more ways than simply owning and capturing the economics and activities of certain types of companies. Our approach involves directing fresh capital toward desired impact outcomes alongside impact-oriented company engagements, proxy voting, and the associated influence feedback loop.

Engagement Program

The central focus of our engagement program is at the company level. We identify specific factors through our research that could be potential impediments to a security's performance. We may at times suggest to a company that it make a specific change, or we may seek to gain more information on an ESG issue, to ensure that our investment decisions are well informed. We believe this company-specific approach results in the highest impact because it is aligned with our firm's core investment approach: active management rooted in fundamental investment analysis.

Proxy Voting

Proxy voting is a crucial link in the chain of stewardship responsibilities. Each vote represents both the privileges and the responsibilities that come with owning a company's equity instruments.

We take our responsibility to vote our clients' shares very seriously, taking into account high-level corporate governance principles and company-specific circumstances. Our overarching objective is to cast votes to foster long-term, sustainable success for the company and its investors. Our proxy voting program serves as one element of our overall relationship with corporate issuers. We take a hands-on approach to joining voting and engagement activities as part of our commitment to additionality.

Disciplined Approach to Risk

We do not believe that an investment approach can be successful if risk is viewed as something distinct from the rest of portfolio management. Accordingly, we incorporate risk management throughout every step of our investment processes.

The US Impact Equity Strategy applies a high-conviction, impact-oriented approach but with a mindset that valuation matters in generating alpha and in managing absolute and relative risks. We maintain a focus on companies that we believe offer a positive impact today and an underappreciated impact in the future, as well as durable and superior earnings and cash flow growth; strong, thoughtful management teams; expert capital allocation; and attractive industry structures. We inherently believe in our ability to identify such businesses during challenging times and will always take an active approach to diversification, challenging ourselves on the individual and aggregate risks to which we are exposed.

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