



T. Rowe Price (Luxembourg) Management S.à r.l.

Statement on principal adverse impacts of investment decisions on sustainability factors

1 January 2023 to 31 December 2023

Version	Publication	Description
1.0	30 June 2023	Annual Statement
1.1	15 November 2023	Intra year update: Correction of PAI indicators 15 and 16
2.0	30 June 2024	Annual Statement

Table 1

Statement on principal adverse impacts of investment decisions on sustainability factors

Financial market participant

T. Rowe Price (Luxembourg) Management S.à r.l. LEI: 54930081O5IY85UQG067 (TRPLUX)

Summary

T. Rowe Price (Luxembourg) Management S.à r.l. LEI: 54930081O5IY85UQG067 (TRPLUX) considers principal adverse impacts of its investment decisions on sustainability factors. The present statement is the consolidated statement on principal adverse impacts on sustainability factors of TRPLUX¹.

This statement on principal adverse impacts on sustainability factors covers the reference period from 1 January to 31 December 2023.

TRPLUX-managed pooled funds and discretionary portfolio management accounts totalled over EUR 24 billion assets under management (AUM) as of 31 December 2023.

Summary of principal adverse impacts

Through the period of 1 January to 31 December 2023, we relied on stewardship as well as the use of exclusion lists to mitigate the principal adverse impacts (PAIs). Data availability and reliability have improved from the prior year but remain challenging for several of the PAI indicators.

In 2023 we used PAI metrics gathered through 2022 to identify engagement targets, feeding into the firm's stewardship and engagement program for the year ahead. Again, this resulted in greenhouse gas (GHG) emissions and board gender diversity being prominent engagement topics with corporate issuers for this reporting year. Climate issues were also at the forefront of our engagement agenda for sovereign issuers. Our review of the PAI data from 2022 was a contributing factor to our decision to again focus on GHG emissions and board gender diversity engagements in 2023; however, our firm-level engagement program continues to be broader driven by issuer-specific and other thematic engagement topics – some of which overlapped with the PAI indicators.

The following highlight what the 2023 data tells us and where appropriate, the actions we are taking:

Climate (PAI indicators 1 – 6): Similarly to last year, data availability² was most robust for the GHG emissions PAI indicators and exposure to fossil fuels. Our actions were to engage with investee companies regarding disclosure of GHG emissions and other metrics as well as their climate strategies. Where appropriate, we have escalated our engagement program and/or voted against companies that are lagging in this area. Within our TRPLUX holdings, we withheld votes or voted against 39 management proposals across seven companies due to insufficient management of climate risk or an ongoing serious controversy. In 2024, GHG emissions disclosure and climate strategy will remain topics of focus in our engagement program.

Environment (PAI indicators 7 – 9): Our exposure to companies with activities negatively affecting biodiversity-sensitive areas (PAI indicator 7) was low. However, one of the firm's thematic engagement programs focused on sustainable agriculture and many of these engagements also covered topics such as biodiversity and deforestation.

Data availability on emissions to water generated by investee companies (PAI indicator 8) and hazardous waste/radioactive waste generated by investee companies (PAI indicator 9) was too limited for us to draw any meaningful conclusions.

Continued overleaf.

¹ This statement consolidates the data for the following T. Rowe Price (Luxembourg) Management S.à r.l. products: T. Rowe Price Funds Société d'Investissement à Capital Variable (SICAV), T. Rowe Price Funds Series II SICAV; Select Investment Series III SICAV, T. Rowe Price Funds B SICAV, T. Rowe Price Institutional Fonds Commun du Placement (FCP), T. Rowe Price Kikantoushika-Muke FCP and TRPLUX-contracted separate accounts.

² Includes reported and estimated GHG emissions.

Human Rights, Social and Employee Matters (PAI indicators 10 – 14): Our exposure to companies with violations of UN Global Compact (UNGC) principles and Organisation for Economic Cooperation and Development (OECD) guidelines for multinational enterprises was extremely low at less than 0.01%. These issuers were held in Article 6 funds³, where our conduct-based exclusion list is not applied.

Some of the investee companies have been flagged for lack of processes and compliance mechanisms to monitor compliance with UNGC principles and OECD guidelines. We have targeted issuers for engagement where our analysis indicated elevated risk.

Looking at board gender diversity, females accounted for 27% of board seats in our investments in 2023. Our actions have been, and will continue to be, to engage with companies with zero or low gender diversity and, as appropriate, vote against their boards. However, data availability on unadjusted gender pay gap was too limited for us to draw any meaningful conclusions.

Sovereigns and Supranationals (PAI indicators 15 – 16): GHG emissions as well as other climate-related issues have been topics of engagement with sovereign issuers. We did not have exposure to any countries subject to social violations.

Additional: Climate and Environment (Table 2 PAI indicators 8 and 13): We selected two other environmental indicators, exposure to areas of high water stress and non-recycled waste ratio, as both are good indicators for assessing performance on the circular economy⁴. Although data availability in 2023 on both PAIs continues to be too limited for us to draw any meaningful conclusions, we have, however, conducted qualitative analysis and engaged with our investee companies where we identified the issue was material.

Additional: Human Rights (Table 3 PAI indicator 9): We selected one other social indicator, lack of a human rights policy, as it can be informative on the presence and quality of human rights management programs. In 2023, we prioritised engagement with companies with identified human rights incidents and will continue this practice in 2024.

PAI and engagement policies

T. Rowe Price has a [PAI policy](#) in place to identify and prioritise the PAI of investment decisions on sustainability factors. Consideration of PAIs is included in the integration of environmental, social and governance (ESG) factors into our investment process. At an entity level, we assess aggregated data for each PAI indicator and consider scope, severity, probability of occurrence, and trend over time. Our assessment uses both company and benchmark data. We also supplement propriety research with external data sources such as company reports, Sustainalytics and MSCI. Where data is not available, we will use estimates, but also consider engaging with companies that have inadequate disclosure.

T. Rowe Price's [engagement policy](#) is integrated into its investment processes. Our engagement approach is generally company-specific and focusing on matters material to the investment case. The ESG engagements tend to fall into three broad categories: **ESG dialogues, controversy-led engagements, and thematic engagements**. We will use our annual PAI assessment to inform its engagement process and, where appropriate, engage with investee companies on specific PAI metrics.

Oversight of these policies resides with our ESG investing committees, whilst implementation resides with our ESG specialist teams.

International standards

T. Rowe Price supports the goals of the **Paris Climate Agreement** and adheres to the following:

- Net Zero Asset Managers initiative
- Task Force on Climate-Related Financial Disclosures
- United Nations Global Compact
- International Financial Reporting Standards⁵
- International Capital Market Association

³ As classified under the Sustainable Finance Disclosure Regulation (SFDR).

⁴ The circular economy refers to the decoupling of economic activity from the consumption of finite resources. It is an alternative to a linear economy where resources are taken from the Earth, used to make products and eventually discarded as waste.

⁵ T. Rowe Price became a member of the Sustainability Accounting Standards Board (SASB) Alliance in 2021. The SASB Alliance later merged into the International Financial Reporting Standards (IFRS) Sustainability Alliance.

Description of principal adverse impacts of investment decisions on sustainability factors						
The table below sets out TRPLUX's corporate PAI metrics, which, for corporate investments, made up an average of 89% of the firm's overall portfolio over the reference period.						
Indicators applicable to investments in investee companies						
Adverse sustainability indicator	Metric	Impact 2023	Impact 2022	Explanation	Actions taken, actions planned and targets set for the next reference period	
CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS						
Greenhouse Gas (GHG) Emissions	1. GHG emissions	Scope 1 ⁶ GHG emissions (mtCO ₂ e ⁷)	879,412	968,838	Data was available on 82% of TRPLUX's total investments (and 92% of TRPLUX's corporate investments).	<p>Analysis</p> <p>At T. Rowe Price, energy transition⁸ is considered part of our ESG analysis and stewardship activities. It is integrated into our fundamental research and portfolio construction, where applicable. When we evaluate the GHG emissions of our funds predominantly composed of corporate securities, we find that the majority are lower than their benchmarks.</p> <p>When evaluating point-in-time metrics like GHG emissions, we also consider forward-looking metrics such as the net zero status of the security or the distribution of net zero status across a portfolio, which is based on alignment to a 1.5°C pathway.</p> <p>It is worth noting that a majority of Scope 3 emissions are estimated by data vendors, and so it is difficult to accurately determine trends in metrics that include scope 3 emissions due to the large differences that occur between estimated and reported scope 3 emissions. This could explain the increase in PAI metrics that include scope 3 emissions (such as carbon footprint and GHG intensity), versus the decrease in PAI metrics that exclude scope 3 emissions.</p>

⁶ Scope 1: direct emissions from owned or controlled sources; scope 2: indirect emissions from the generation of purchased electricity, steam, or cooling; scope 3: all other indirect emissions.

⁷ mtCO₂e = Metric tons of carbon dioxide equivalent.

⁸ Energy transition refers to the shift from fossil-based systems of energy production and consumption—including oil, natural gas and coal—to renewable energy sources like wind and solar power.

Greenhouse Gas (GHG) Emissions	1. GHG emissions (continued)	Scope 2 ⁹ GHG emissions (mtCO ₂ e)	203,233	233,562	Data was available on 82% of TRPLUX's total investments (and 92% of TRPLUX's corporate investments).	<p>Actions Taken</p> <p>In 2023, we engaged with 213 issuers regarding their disclosure of GHG emissions and/or climate strategy. We encourage issuers to report their scope 1–3⁸ emissions. However, we recognise that collecting scope 3 emissions is much more complicated than collecting scope 1–2 emissions and that for some industries estimating methodologies are still evolving. Given these issues, we do not unilaterally expect all issuers to report a full suite of scope 3 emissions, but we encourage companies to focus on the most material scope 3 emissions categories for their industry. As scope 3 emissions estimating methodologies improve over the next 12–36 months, our expectations will likely be revised. For high-emitting companies, our minimum expectation is that they disclose absolute scope 1–2 GHG emissions on an annual basis. For this transparency gap, we will generally oppose the reelections of all non-executive incumbent directors at the next shareholder meeting. In 2023, we withheld votes or voted against 39 management proposals across seven companies due to insufficient management of climate risk or an ongoing serious controversy.</p> <p>Actions Planned</p> <p>As our data coverage has slightly increased since 2022, we aim to continue engaging with high-emitting companies that do not make adequate disclosures of their GHG emissions or climate strategies, with a focus on encouraging companies in high emitting sectors to disclose their material scope 3 emissions.</p>
		Scope 3 GHG emissions (mtCO ₂ e)	8,146,719	6,005,256	Data was available on 82% of TRPLUX's total investments (and 92% of TRPLUX's corporate investments).	
		Total GHG emissions (mtCO ₂ e)	9,229,365	7,207,655	Data was available on 82% of TRPLUX's total investments (and 92% of TRPLUX's corporate investments).	

⁹ Scope 1: direct emissions from owned or controlled sources; scope 2: indirect emissions from the generation of purchased electricity, steam, or cooling; scope 3: all other indirect emissions.

Greenhouse Gas Emissions	2. Carbon footprint	Carbon footprint (mtCO2e per EUR million invested)	398.6	268.2	Data was available on 82% of TRPLUX's total investments (and 92% of TRPLUX's corporate investments).	See our commentary on PAI 1 above.
	3. GHG intensity of investee companies	GHG intensity of investee companies (mtCO2e per EUR million revenue)	985.5	679.4	Data was available on 83% of TRPLUX's total investments (and 93% of TRPLUX's corporate investments).	See our commentary on PAI 1 above.

Greenhouse Gas Emissions	4. Exposure to companies active in the fossil fuel sector	Share of investments in companies active in the fossil fuel sector (%)	6.5%	5.7%	Data was available on 89% of TRPLUX's total investments (and 100% of TRPLUX's corporate investments).	<p>Analysis</p> <p>We track broader fossil fuel exposure when evaluating PAI. When considering fossil fuel exposure, we believe it is important to put it into context with the rest of the business and overall strategy. For example, many utilities have fossil fuel exposure (e.g., pipelines), but are transitioning their businesses to clean energy.</p> <p>Actions Taken</p> <p>T. Rowe Price excludes companies deriving more than 5% of revenues from the production of thermal coal across its Article 8 funds¹⁰ and excludes companies deriving more than 5% of revenues from the production of fossil fuels in its Article 9 funds. These restrictions are implemented systematically through the T. Rowe Price Responsible Exclusion and Impact Exclusion Lists.</p> <p>Actions Planned</p> <p>As TRPLUX manages strategies across a wide range of investment styles, we will continue to monitor this figure. Generally, companies with material fossil fuel exposure are high-emitters and therefore are already captured in the target to engage with high emitting companies that do not make adequate disclosures of their GHG emissions or climate strategies.</p>
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¹⁰ As classified under the Sustainable Finance Disclosure Regulation (SFDR).

Greenhouse Gas Emissions	5. Share of non-renewable energy consumption and production	Share of non-renewable energy consumption and non-renewable energy production of investee companies from non-renewable energy sources compared to renewable energy sources, expressed as a percentage of total energy sources (%)	56.9%	46.3%	Data was available on 34% of TRPLUX's total investments (and 38% of TRPLUX's corporate investments).	<p>Analysis</p> <p>Our TRPLUX entity figure of 56.9% share of non-renewable energy consumption and production increased from last year, with a drop in coverage, but still appears to be more skewed toward renewables than the breakdown of global energy use¹¹. This is partly reflective of our investment bias to developed markets and the technology sector. As stated last year, we continue to believe the difference is more reflective of companies with better statistics being more likely to disclose. As the data availability is still low, it is difficult to identify trends from the data.</p> <p>Actions Taken</p> <p>In 2023, we engaged with 213 issuers regarding their disclosure of GHG emissions and/or climate strategy, and 10 issuers specifically on their renewable energy consumption.</p> <p>Actions Planned</p> <p>We have not set a specific target regarding share of non-renewable energy consumption and production. However, as part of our targeted engagement program with high-emitting companies that do not make adequate disclosures of their GHG emissions or climate strategies, we expect share of non-renewable energy consumption and production to also be discussed.</p>

¹¹ In 2023 the International Energy Agency (IEA) estimates that 30% of electricity generation was through renewables (source: <https://www.iea.org/data-and-statistics/charts/share-of-renewable-electricity-generation-by-technology-2000-2028>).

Greenhouse Gas Emissions	6. Energy consumption intensity per high impact climate sector	Energy consumption in GWh ¹² per million EUR of revenue of investee companies, per high impact climate sector	-	-	<p>We were still unable to collect energy consumption intensity per high-impact climate sector or provide a reasonable estimation. Obtaining this data continues to be included in our current engagement program.</p>	<p>Analysis</p> <p>We were unable to collect energy consumption intensity per high impact climate sector. Instead, we have obtained energy consumption intensity figures, which indicated a figure of 1.06 GWh per million EUR of revenue. This data was available on 42% of TRPLUX's total investments (and 47% of TRPLUX's corporate investments).</p> <p>Actions Taken</p> <p>Due to the lack of data availability, our focus has been to engage with companies regarding their disclosure of GHG emissions and/or climate strategy (which includes the topics of energy efficiency and decarbonisation).</p> <p>Actions Planned</p> <p>We have not set a specific target regarding energy consumption intensity per high-impact climate sector. However, as part of our targeted engagement program with high-emitting companies that do not make adequate disclosures of their GHG emissions or climate strategies, we expect energy intensity to also be discussed.</p>

¹² GWh = gigawatt hours.

Biodiversity	7. Activities negatively affecting biodiversity-sensitive areas	Share of investments in investee companies with sites/operations located in or near to biodiversity-sensitive areas where activities of those investee companies negatively affect those areas (%)	<0.01%	0.01%	Data was available on 89% of TRPLUX's total investments (and 100% of TRPLUX's corporate investments).	<p>Analysis Issuers making up less than 0.01% of our holdings had exposure to activities negatively affecting biodiversity-sensitive areas, which is an improvement on last year.</p> <p>Actions Taken We engaged with the five issuers with activities negatively affecting biodiversity-sensitive areas in 2023 and will continue to monitor those issuers.</p> <p>Actions Planned We have not set a specific target regarding activities negatively affecting biodiversity-sensitive areas. However, biodiversity will continue to be part of our thematic engagement program in 2024.</p>
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Water	8. Emissions to water	Tonnes of emissions to water generated by investee companies per million EUR invested, expressed as a weighted average	0.85	1,333	Data was available on 2.9% of TRPLUX's total investments (and 3.2% of TRPLUX's corporate investments).	<p>Analysis Data availability for emissions to water is extremely low, which makes it difficult to draw conclusions or identify trends from the entity-level data. A handful of issuers with a high value of emissions to water that disclosed data in 2022, have not disclosed for 2023, and this has led to the significant drop in the entity figure. Given the limited data availability, we also utilise controversy screening to identify companies with adverse pollution impacts.</p> <p>Actions Taken Given the limited data availability, we utilised controversy screening to identify companies with adverse pollution impacts and engaged, as appropriate.</p> <p>Actions Planned Given the extremely low data availability, we have not set a specific target regarding emissions to water.</p>
Waste	9. Hazardous waste and radioactive waste ratio	Tonnes of hazardous waste and radioactive waste generated by investee companies per million EUR invested, expressed as a weighted average	14.4	3.20	Data was available on 22% of TRPLUX's total investments (and 24% of TRPLUX's corporate investments).	<p>Analysis Data availability for hazardous and radioactive waste has slightly improved, but is still very low, which makes it difficult to draw conclusions or identify trends from the entity level data.</p> <p>Actions Taken Given the limited data availability, we did not have actions that directly related to hazardous waste and radioactive waste ratio.</p> <p>Actions Planned Given the very low data availability, we have not set a specific target regarding hazardous waste and radioactive waste ratio.</p>

INDICATORS FOR SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS

Adverse sustainability indicator	Metric	Impact 2023	Impact 2022	Explanation	Actions taken, actions planned and targets set for the next reference period
<p style="writing-mode: vertical-rl; transform: rotate(180deg);">Social and Employee Matters</p> <p>10. Violations of UN Global Compact (UNGC) principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises</p>	<p>Share of investments in investee companies that have been involved in violations of the UNGC principles or OECD Guidelines for Multinational Enterprises (%)</p>	<p><0.010%</p>	<p>0.01%</p>	<p>Data was available on 89% of TRPLUX's total investments (and 100% of TRPLUX's corporate investments).</p>	<p>Analysis</p> <p>T. Rowe Price considers violations of UNGC principles and OECD guidelines by restricting investment in companies involved in these violations across its Article 8 and Article 9 funds.</p> <p>Less than 0.01% of TRPLUX holdings had exposure to violations of UNGC principles and OECD guidelines, which is an improvement on last year. Exposure was held in Article 6 funds.</p> <p>Actions Taken</p> <p>We added 21 corporate issuers to the Article 8 and Article 9 SFDR exclusion lists in 2023. 12 of these issuers had human rights abuses or labour violations, seven were added to poor management conduct, and two were added due to environmental violations.</p> <p>Actions Planned</p> <p>We will continue to restrict investment in companies involved in these violations across our Article 8 and Article 9 funds.</p>

Social and Employee Matters	<p>11. Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises</p>	<p>Share of investments in investee companies without policies to monitor compliance with the UNGC principles or OECD Guidelines for Multinational Enterprises or grievance/complaints handling mechanisms to address violations of the UNGC principles or OECD Guidelines for Multinational Enterprises (%)</p>	9.8%	10.3%	<p>Data was available on 89% of TRPLUX's total investments (and 100% of TRPLUX's corporate investments).</p>	<p>Analysis</p> <p>Share of investments in investee companies with a lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises was 9.8%, an improvement on last year.</p> <p>While this figure appears to be relatively high, in many cases, it is more emblematic of a lack of ESG disclosure in general by the issuer.</p> <p>Actions Taken</p> <p>We prioritised engagement with companies lacking processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises where there was a history of incidents or the risk of violations was high due to industry exposure. In 2023, we had a variety of engagements that addressed UN Global Compact principles and OECD Guidelines for Multinational Enterprises including:</p> <ul style="list-style-type: none"> ▪ 48 related to employee safety and treatment ▪ 38 related to social supply chain practices ▪ 12 related to lobbying activities ▪ 12 related to human rights, the Xinjiang region in China and operations in occupied territories ▪ 10 related to bribery and corruption and money laundering ▪ 22 related to raw material sourcing and deforestation ▪ 6 related to environmental management practices <p>Actions Planned</p> <p>We will continue to prioritise engagement with companies lacking processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises where there is a history of incidents or the risk of violations is high due to industry exposure.</p>
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Social and Employee Matters	12. Unadjusted gender pay gap	Average unadjusted gender pay gap of investee companies	3.0	0.4	Data was available on 3.7% of TRPLUX's total investments (and 4.2% of TRPLUX's corporate investments).	<p>Analysis Data availability for the gender pay gap is extremely low, and has significantly dropped from last year (a 1% drop in coverage by number of issuers in the dataset, equating to a drop of over 10% by AUM), which makes it difficult to draw conclusions or identify trends from the entity-level data.</p> <p>Actions Taken While the topic of corporate diversity was a focus for engagements in 2023, the lack of data availability made it difficult to constructively engage specifically on the unadjusted gender pay gap.</p> <p>Actions Planned Given the very limited data availability, we have not set a specific target regarding the unadjusted gender pay gap.</p>
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Social and Employee Matters	13. Board gender diversity	Average ratio of female to male board members in investee companies, expressed as a percentage of all board members	27%	23%	Data was available on 86% of TRPLUX's total investments (and 96% of TRPLUX's corporate investments).	<p>Analysis</p> <p>In accordance with regulation, the PAI is reported as a percent of holdings across all asset classes and has improved since last year.</p> <p>Actions Taken</p> <p>Our diversity expectations include board-level gender diversity and feed through to our engagement programs and voting policies to pursue an improvement in this indicator. Our actions have been, and will continue to be, to engage with companies with zero or low gender diversity and, as appropriate, vote against their boards. In 2023, we engaged with 17 issuers on board gender diversity; and withheld votes/voted against 23 management proposals across 17 companies due to insufficient level or lack of board gender diversity.</p> <p>Actions Planned</p> <p>If no evidence of board diversity is found, we will generally engage with the company and generally oppose the re-elections of Governance Committee members and/or senior executives, as appropriate. In markets where there is a well-established expectation for board diversity (regulatory, quasi-regulatory or listing standards), we will apply the same expectation. In the UK market, the minimum expectation for board diversity within FTSE 350 companies is 40% representation of the minority gender.</p> <p>In the Continental European markets our minimum expectation is 30% gender diversity. For smaller companies in these markets, the diversity policy is applied to single-gender boards.</p> <p>In markets elsewhere in EMEA, the diversity policy is applied to single-gender boards.</p> <p>In Australia, the minimum expectation for board diversity within the ASX 300 is to have at least 30% diversity by gender.</p>

Social and Employee Matters	14. Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)	Share of investments in investee companies involved in the manufacture or selling of controversial weapons (%)	0	0	Data was available on 89% of TRPLUX's total investments (and 100% of TRPLUX's corporate investments).	<p>Analysis</p> <p>T. Rowe Price considers exposure to controversial weapons by restricting investment in companies identified as having exposure to controversial weapons. These restrictions are implemented across pooled funds and discretionary portfolio management accounts managed by TRPLUX.</p> <p>Actions Taken</p> <p>We removed one corporate issuer from the controversial weapons exclusion list in 2023 following engagement with the issuer.</p> <p>Actions Planned</p> <p>We will continue to restrict investment in companies with exposure to controversial weapons across pooled funds and discretionary portfolio management accounts managed by TRPLUX.</p>
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The table below sets out the firm's sovereign PAI metrics. Please note that sovereign investments made up an average of 7% of the firm's overall portfolio over the reference period.

INDICATORS APPLICABLE TO INVESTMENTS IN SOVEREIGNS AND SUPRANATIONALS

Adverse sustainability indicator		Metric	Impact 2023	Impact 2022	Explanation	Actions taken, actions planned and targets set for the next reference period
Environmental	15. GHG intensity	GHG intensity of investee countries	12.6	16.79	Data was available on 7% of TRPLUX's total investments (and 100% of TRPLUX's sovereign investments).	<p>Analysis</p> <p>In accordance with regulation, the PAI is reported as a percent of holdings across all asset classes. Sovereign securities only accounted for 7% of total TRPLUX investments, which means the reported GHG intensity of investee countries is very low. When evaluating point-in-time metrics like GHG emissions, we also consider forward-looking metrics, such as energy efficiency, clean energy or GHG reduction policies.</p> <p>We have seen an improvement on last year's numbers.</p> <p>Actions Taken</p> <p>We engaged with twenty sovereign issuers on climate issues in 2023.</p> <p>Actions Planned</p> <p>We aim to engage with sovereign issuers held in our portfolios regarding GHG intensity and other climate-related issues.</p>

Social	16. Investee countries subject to social violations	Number of investee countries subject to social violations (absolute number and relative number divided by all investee countries), as referred to in international treaties and conventions, United Nations principles and, where applicable, national law	0	0	Data was available on 7% of TRPLUX's total investments (and 100% of TRPLUX's sovereign investments). ¹³	<p>Analysis T. Rowe Price considers exposure to countries subject to social violations by restricting these issuers across its Article 8 and Article 9 funds.</p> <p>Actions Taken There were no changes to the sovereign exclusion list in 2023.</p> <p>Actions Planned We will continue to restrict investment in sovereign issuers involved in these violations across our Article 8 and Article 9 funds.</p>
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¹³ Data coverage % has been updated due to a security mapping adjustment.

INDICATORS APPLICABLE TO INVESTMENTS IN REAL ESTATE ASSETS						
Adverse sustainability indicator		Metric	Impact 2022	Impact 2021	Explanation	Actions taken, actions planned and targets set for the next reference period
Fossil Fuels	17. Exposure to fossil fuels through real estate assets	Share of investments in real estate assets involved in the extraction, storage, transport or manufacture of fossil fuels	N/A	N/A	We do not manage real estate or infrastructure investments.	N/A
	18. Exposure to energy-inefficient real estate assets	Share of investments in energy-inefficient real estate assets	N/A	N/A	We do not manage real estate or infrastructure investments.	N/A

Other indicators for principal adverse impacts on sustainability factors

Table 2

Additional climate and other environment-related indicators

Adverse sustainability indicator	Metric	Impact 2023	Impact 2022	Explanation	Actions taken, actions planned and targets set for the next reference period	
CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS						
Water, Waste and Material Emissions	8. Exposure to areas of high water stress	Share of investments in investee companies with sites located in areas of high water stress without a water management policy	9.1%	7.1%	Data was available on 7% of TRPLUX's total investments (and 8% of TRPLUX's corporate investments).	<p>Analysis Data availability for exposure to areas of high water stress is extremely low, which makes it difficult to draw conclusions or identify trends from the entity-level data.</p> <p>Actions Taken Data availability in 2023 was too limited for us to draw any meaningful conclusions. We have, however, conducted qualitative analysis and engaged with 13 investee companies where we identified the issue was material.</p> <p>Actions Planned Given the extremely low data availability, we have not set a specific target regarding exposure to areas of high water stress.</p>

Water, Waste and Material Emissions	13. Non-recycled waste ratio	Tonnes of non-recycled waste generated by investee companies per million EUR invested, expressed as a weighted average	0.16	0.07	Data was available on 37% of TRPLUX's total investments (and 41% of TRPLUX's corporate investments).	<p>Analysis Data availability for non-recycled waste ratio is low, which makes it difficult to draw conclusions or identify trends from the entity-level data.</p> <p>Actions Taken Data availability in 2023 was too limited for us to draw any meaningful conclusions. We have, however, conducted qualitative analysis and engaged with two investee companies where we identified the issue was material.</p> <p>Actions Planned Given the low data availability, we have not set a specific target non-recycled waste ratio.</p>
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Table 3

Additional indicators for social and employee, respect for human rights, anti-corruption and anti-bribery matters

INDICATORS FOR SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS						
Adverse sustainability indicator		Metric	Impact 2023	Impact 2022	Explanation	Actions taken, actions planned and targets set for the next reference period
Human Rights	9. Lack of a human rights policy	Share of investments in entities without a human rights policy	13.3%	16.0%	Data was available on 89% of TRPLUX's total investments (and 100% of TRPLUX's corporate investments).	<p>Analysis Share of investments in entities that lacked a human rights policy was 13%. While this figure still appears to be relatively high (albeit an improvement on last year), in many cases, it is more emblematic of a lack of ESG disclosure, in general, by the issuer.</p> <p>Actions Taken We prioritised engagement with companies lacking a human rights policy where there was a history of incidents or the risk of human rights violations was high due to industry exposure.</p> <p>Actions Planned We will continue to prioritise engagement with companies lacking human rights policies where there is a history of incidents or the risk of human rights violations is high due to industry exposure.</p>

Description of policies to identify and prioritise principal adverse impacts on sustainability factors

The SFDR requires T. Rowe Price to identify and prioritise principal adverse sustainability impacts and indicators. To help facilitate this, we have put in place a PAI Policy, on which we give an overview below, covering its scope and the approach we use. It includes our governance of the policy and its implementation, as well as the methodology for assessing PAIs and our data sources.

T. Rowe Price collects data on all the applicable mandatory PAI indicators listed in Table 1 (above), where possible, and the select additional PAI indicators listed in Tables 2 and 3 (above), which we deem relevant and additive to our ESG integration processes. A selection of the PAI indicators have been included in our proprietary ESG rating system (RIIM¹⁴) and are used based on our view of their ability to provide investment insights.

Some indicators are applied to the entire investment universe, while others are only applied to the sub-industries or industries where we see investment relevance. Key factors in our determination are:

- materiality of the indicator to the business model;
- availability of the indicator across a peer group; and
- level of standardisation of the indicator (i.e., is the indicator comparable across companies).

The indicators used in RIIM (both PAI and other data points) are reviewed at regular intervals, and a formal review of the firm's responsible investment research activities is provided annually to the firm's ESG investing committees, which are made up of senior leaders at the firm and have oversight of our ESG policies (including PAI). These policies are reviewed periodically as required and were last approved in January 2024. The TRPLUX Board of Directors last approved the PAI Policy in July 2023.

The integration of PAI indicators and other ESG factors into our investment process starts with our initial research at the inception of an investment idea and continues through the life of the investment. This analysis is applied to multiple stages and includes such steps as:

- identification and monitoring of ESG data for company analysis;
- consideration of ESG risks or 'red flags', including relevant PAI indicators, through fundamental analysis;
- consideration of ESG risks and/or tailwinds in portfolio construction;
- engagement with boards or managements on identified ESG issues; and
- proxy voting.

Our analysts and portfolio managers are responsible for integrating ESG factors into investment decisions. They are supported by our ESG specialists who provide subject matter expertise using data tools such as RIIM. The PAI indicators, alongside other ESG data points, are used in RIIM to construct a distinct ESG profile of an issuer, flagging any elevated ESG risks or positive ESG characteristics: a rating of 'red' indicates high flags, 'orange' medium flags and 'green' no/few flags. Analysts and portfolio managers have desktop access to the issuer's ESG profile in RIIM to build their investment thesis alongside financial, economic and industry-related insights. RIIM also allows our portfolio managers to understand if there are concentrated ESG factor risks in an overall portfolio. They have regular reviews with our ESG teams to discuss areas of concentrated risk or positive themes identified during the portfolio screening process.

At the portfolio level, our portfolio managers consider the aggregated profile for certain PAIs (as applicable to the mandate of their products) as part of their investment process. They have access to the full PAI profile of their products and are able to view how investment decisions and other changes to the portfolio impact the PAI profile. The PAI

¹⁴ RIIM = Responsible Investing Indicator Model.

profile of the portfolios help to inform upcoming engagement activity.

At an entity level, T. Rowe Price assesses the aggregated data for each of the PAI indicators and considers the scope, severity, probability of occurrence (where appropriate) and potentially irremediable character on sustainability factors as well as trend in data over time. In addition, this methodology is used to identify additional indicators for principal adverse impacts to be considered. We are also dependent on data availability and quality.

Our process for assessing the aggregated data is to look at each of the PAI indicators individually to determine whether or not they are providing a reasonable indication of the aggregated impact of our investment decisions on that specific indicator. In conducting our evaluation of each PAI indicator, we endeavour to understand the severity of that indicator across our holdings in industries where that indicator will be most significant, as each of the PAI indicators has varying levels of significance across industries. For example, the presence of a deforestation policy is more meaningful for a food and beverage company than a technology company (being in the agri-business chain, the food and beverage company has the opportunity to have a more material impact on deforestation). In this case, we consider both the financial and societal adverse impact. In addition, each of the PAI indicators has varying levels of disclosure and, in some cases, we rely on estimated data. Therefore, part of our assessment of the severity of each of the PAI indicators is to understand our aggregated value for a given indicator relative to the universe of companies that report data for that specific PAI indicator.

T. Rowe Price will use this annual assessment to inform its engagement process and, where appropriate, engage with investee companies on specific PAI metrics. A review of this assessment and the subsequent engagement activities will be reported to the firm's ESG investing committees and the TRPLUX board.

The annual assessment of our aggregated portfolios' performance on the PAI indicators requires the collection of relevant data points from thousands of companies. While not required by the SFDR, T. Rowe Price also endeavours to collect this data for the relevant benchmarks of each investment strategy. This improves our understanding of performance on these metrics as it provides context, but it further increases the amount of total data collection. In order to effectively accomplish this, T. Rowe Price utilises data sets provided by third-party providers (such as Sustainalytics and MSCI) as inputs for our calculations of the PAI indicators. It is worth noting that where data availability is less than 50%, it is very difficult to accurately assess and draw conclusions from an increase or decrease in the overall entity figures.

T. Rowe Price has adopted a robust approach to data sourcing and evaluation and will endeavour to use estimated data when reported data are not available (and has confidence that the data can be estimated in a reliable fashion). For certain PAI metrics, vendors readily provide estimated data where companies do not report; for other PAI metrics, we are able to supplement vendor data with our own research, but for the majority of PAI metrics it is not feasible for us to accurately estimate the data. We believe that the best quality of data available are those reported by investee companies, and where there is inadequate disclosure or data readily available, we will consider this within our engagement program.

Engagement policies

Engagement, proxy voting activities and assessment of a broad range of investment considerations – including ESG issues – are integrated into T. Rowe Price's investment processes. Based on our view that these issues are important investment considerations, our engagement program is driven by our investment professionals and usually focused on a matter material to the investment case. It is conducted by our portfolio managers, industry-focused analysts and in-house specialists in corporate governance and sustainability and leverages their expertise on specific companies; industries; or issues of an environmental, social, or governance nature. The central focus of our engagement program

is at the company level. We believe this company-specific approach results in the highest impact because it is aligned with our core investment approach: active management rooted in fundamental investment analysis.

ESG engagements can serve a variety of purposes, which tend to fall into three broad categories: **ESG dialogues**, **controversy-led engagements** and **thematic engagements**.

- Many of our engagements take the form of a constructive **ESG dialogue**. These meetings allow us to provide our view on best practices and provide feedback on specific ESG topics. Typically, we cover all the environmental, social, and governance topics where we have concerns in these meetings and suggest the company adopt specific measures – e.g., an executive compensation plan that is adequately aligned to total shareholder return and the adoption of Task Force on Climate-Related Financial Disclosures (TCFD) reporting so that we can adequately assess the company's climate risks, etc.
- When a company may have been involved in a **significant controversy**, we speak to management to understand their perspective and to gain a better understanding of the situation. The engagement provides us with an improved understanding of the company's practices and the context to the incident. Often in these cases, we will identify room for improvement and will encourage the company to strengthen its approach.
- **Thematic engagements** represent situations where the investment team has identified a non-company-specific issue as a material risk. Engaging on the same topic with a group of companies allows us to benchmark their responses against those of peers and build our knowledge of the developing practice on this topic. Thematic engagements can include PAI indicators and/or topics such as board diversity, sustainable agriculture, greenhouse gas emissions, etc.

Our annual PAI assessment helps to inform our engagement program, with objectives that help to improve disclosure in, and reduce the impact of, material PAI indicators on our investments.

In 2023, we used PAI metrics gathered through 2022 to identify engagement targets, feeding into the firm's stewardship and engagement program for the year ahead. This resulted in GHG emissions and climate strategy and board gender diversity being prominent engagement topics with corporate issuers for the year. Climate issues were also at the forefront of our engagement agenda for sovereign issuers. In other areas, data coverage was not sufficient for the PAIs to drive a thematic engagement program.

In 2024, we intend to maintain climate strategy, inclusive of GHG emissions and biodiversity as significant engagement themes. We also intend to address exposure to water stress as an engagement theme. We expect other PAIs will be addressed through company-specific engagements over the course of the year.

As active, long-term investors investing across a multitude of investment styles and strategies, we would not expect to see improvements in our entity PAI metrics in the short term and our engagement program is reflective of this. However, we will continue to monitor the adverse impact indicators and will consider further actions to take should there be no improvement longer term.

References to international standards

T. Rowe Price supports the goals of the **Paris Climate Agreement** and adheres to the following standards that align with its objectives:

Net Zero Asset Managers Initiative

T. Rowe Price became a signatory of the Net Zero Asset Managers (NZAM) initiative in 2022 and published our commitments in 2023. For more information on this, please refer to our [climate approach webpage](#). We primarily monitor adherence to our NZAM commitment by assessing the net zero status of our holdings. PAI indicators 1–3

(GHG emissions, carbon footprint and GHG emissions intensity) provide a secondary set of indicators to monitor the performance of our investee companies against their targets. T. Rowe Price utilise data sets provided by third-party providers (such as Sustainalytics and MSCI) as inputs.

In order to help us understand the future direction of GHG emissions for our portfolio holdings, we carry out an analysis of net zero status based on the Paris Aligned Investment Initiative (PAII) Net Zero Framework. As the PAII framework currently only covers corporate securities, this analysis is relevant for 89% of TRPLUX AUM.

Net Zero Status	Explanation of Net Zero Status	TRPLUX Entity	TRPLUX Corporate-Holdings
Achieving	Company is already achieving the emissions intensity required by the sector and regional pathway for 2050 and its ongoing investment plan or business model is expected to maintain this performance.	1.1%	1.2%
Aligned	Company has a 2050 net zero target that is supported by 1.5°C aligned short- and medium-term targets, exhibits GHG emissions intensity performance in line with its targets and has credible decarbonisation plan and capex alignment.	6.1%	6.9%
Aligning	Company has 1.5°C aligned short- and medium-term targets and has credible decarbonisation plan.	8.1%	9.1%
Committed	Company has a 2050 net zero target.	27.2%	30.7%
Not Aligned	Company does not have adequate GHG reduction targets, disclosure or performance to qualify for Achieved, Aligned, Aligning or Committed status.	33.6%	37.9%
No Data	No data available either because the security has not yet been evaluated or it is in an asset class not covered by PAII Net Zero Framework.	21.5%	14.1%

Note: Net zero status is based on scope 1–2 emissions. TRPLUX had a 2.4% holding in cash.

Task Force on Climate-Related Financial Disclosures

T. Rowe Price became a supporter of the Task Force on Climate-Related Financial Disclosures (TCFD) in 2020, and reports in line with TCFD recommendations on an annual basis.

To learn more about T. Rowe Price's approach to evaluating and managing climate-related risks and opportunities please refer to our [Sustainability Report](#). This report includes an index on TCFD and our GHG emissions, GHG emissions intensity and the net zero target for T. Rowe Price's scope 1 and 2 GHG emissions by 2040.

For the assets we manage on behalf of our clients, see our asset managers' [Task Force on Climate-related Financial Disclosures Report](#) for our T. Rowe Price International, Ltd (TRPIL) business. Our report incorporates assets managed globally by TRPIL, which includes TRPLUX.

While not directly aligned with the Paris Climate Agreement, T. Rowe Price also adheres to the following international codes:

United Nations Global Compact

T. Rowe Price became a signatory of the United Nations Global Compact (UNGC) Principles in 2021. Established in 1999, the UNGC has 10 principles built around human rights, labour standards, the environment and anti-corruption. In addition to capturing whether companies are signatories to the UNGC, our proprietary ESG tool, RIIM, measures UNGC values at multiple levels:

- **Human Rights and Labour Standards:** Management of human capital is assessed through supply chain analysis for human rights violations, as well as an evaluation of employee treatment that looks at labour-related incidents, accident rates and other factors.
- **Environment:** This is assessed via energy use and emissions, water and waste outputs and targets, sustainable sourcing of raw materials and end product sustainability and impact on the environment.
- **Anti-corruption:** Programs in place and company track records are evaluated within the model's ethics analysis.

Additionally, we consider PAI indicators 10 and 11 in our investment research, and they help to inform the T. Rowe Price Exclusion Lists that are applied to our Article 8 and Article 9 funds¹⁵.

International Financial Reporting Standards (IFRS) Sustainability Alliance

T. Rowe Price is a member of the International Financial Reporting Standards (IFRS) Sustainability Alliance¹⁶. We advocate our investee companies to utilize the IFRS Sustainability Disclosure Standards.

International Capital Market Association

T. Rowe Price adheres to the International Capital Market Association (ICMA)'s Green Bond Principles, Social Bond Principles, Sustainability Bond Guidelines and Sustainability-Linked Bond Principles frameworks for the evaluation of sustainable bonds.

For further information, please refer to the [list of codes and initiatives](#) that we adhere to and are signatories or members of.

¹⁵ As classified under the Sustainable Finance Disclosure Regulation (SFDR).

¹⁶ T. Rowe Price became a member of the Sustainability Accounting Standards Board (SASB) Alliance in 2021. The SASB Alliance later merged into the IFRS Sustainability Alliance.

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