



# Response to ESG Questionnaire T. Rowe Price

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**April 2024**

## Introduction

The issue of defining ESG and how individual companies express their specific values is now at the forefront of many of our clients' minds. We have researched SRI funds for many years now and have a separate rating category, but we acknowledge that this is now a mainstream strategy for an increasing number of investors and ESG issues are impacting all funds, not just those designated responsible or SRI.

In order to understand each company's stance on ESG factors at the corporate level, and how this is built into the investment managers' research and process we ask all our rated fund managers four questions:

- Please provide an overview of any Responsible Ownership/Stewardship strategy that your business follows.
- Please provide an overview of how ESG is integrated into your business.
- Does your business have a policy of excluding any companies or sectors from all strategies managed? If yes, please provide further details.
- What improvements (if any) have been made over the past 12 months within your business to the points highlighted in the previous questions?

The responses given by T. Rowe Price are shown here.

### **1. Please provide an overview of any Responsible Ownership/Stewardship strategy that your business follows.**

Our objective is to use our influence - through the various stewardship activities listed below - to increase the probability that a company will outperform its peers, enabling our clients to achieve their investment goals:

- Regular, ongoing investment diligence
- Engagement with management on ESG issues
- Meetings with senior management, including offering our candid feedback
- Meetings with members of the Board of Directors
- Decisions to increase or decrease the weight of an investment in a portfolio
- Decisions to initiate or eliminate an investment
- On rare occasions, public statements about a company, either to support the management team or to encourage it to change course in the long-term best interests of the company.
- Thoughtful exercise of our voting rights
- Participation in industry-level initiatives aimed at improving disclosure or business practices on a marketwide level

## 2. Please provide an overview of how ESG is integrated into your business.

At T. Rowe Price, ESG integration means integrating environmental, social and governance factors into investment analysis for the purpose of maximizing investment performance. Fiduciary duty remains the top priority. We view ESG integration as foundational – it is a core investment capability, which we have embedded in our equity and fixed income investment research platforms. ESG integration is applied to our investment products, where applicable.

Our ESG philosophy is governed by three core principles—integration, collaboration and materiality.

### Integration

We believe environmental, social and governance factors are critical components of investment decision-making and must be integrated into our investment process. Responsibility for integrating ESG factors, as appropriate to their strategy, lies with our research analysts and portfolio managers.

Integrating ESG factors into the investment process means they are considered in tandem with traditional criteria such as financial, valuation, macroeconomic, industry-related and other factors when making investment decisions.

This approach improves the potential of the insights that ESG factor analysis can generate. For example, environmental and social factors can inform financial calculations, such as forward estimates on revenues or costs or the rate applied in a discounted cash flow model.

To achieve seamless integration, it is imperative that ESG analysis is a core feature of our investment analysts' and portfolio managers' wider decision-making toolkit.

### Collaboration

Our in-house ESG specialist teams have developed proprietary tools to help identify ESG factors that could impact an investment case. In addition, they provide subject matter expertise on ESG issues. They publish investment research on ESG themes and work alongside the analysts and portfolio managers on issues relevant to an investment.

Aligning resources and ensuring collaboration between teams helps our analysts and portfolio managers effectively integrate ESG data into their investment processes.

### Materiality

When assessing ESG factors, we focus on those considered most likely to have a material impact on the performance of the investments in our clients' portfolios.

## 3. Does your business have a policy of excluding any companies or sectors from all strategies managed? If yes, please provide further details.

At T. Rowe Price, we implement limited sets of exclusions on our portfolios. The vast majority of our assets under management are only subject to a set of global exclusions, which target genocide and/or crimes against humanity. For some of our assets under management, additional exclusions are applied to vehicles in specific regions where market preferences exist and to specific strategies that have ESG-related objectives. For some of our assets under management in separate accounts, our clients may implement their own exclusion criteria.

### T. Rowe Price firmwide exclusions

- **Human Rights Violators:** As part of the T. Rowe Price Exclusion Policy, we maintain a firmwide exclusion list of certain corporate securities that, in our opinion, pose high risk due to their exposure to supporting governments carrying out genocide and/or crimes against humanity. The policy targets companies that exhibit a blatant disregard for due diligence on genocide and/or crimes against humanity and have repeatedly been involved in supporting governments carrying out these events.

## Investment advisory and investment vehicle-specific exclusions

- Controversial weapons exclusions: For all vehicles and accounts managed by T. Rowe Price (Luxembourg) Management S.à r.l., T. Rowe Price UK Limited and T. Rowe Price (Canada), Inc., we maintain an exclusion policy on certain corporate issuers deemed to be engaged in the manufacture, production, or assembly of controversial weapons, which include anti-personnel land mines, biological and chemical weapons, cluster munitions and incendiary weapons.
- Tobacco exclusions: For Australian unit trusts, T. Rowe Price has adopted a policy not to finance companies that have direct exposure to the production of tobacco, or the manufacture of nicotine alternatives and tobacco-based products.

## Strategy-specific exclusions

Responsible exclusions: For select ESG-enhanced\* funds, we maintain an exclusion policy that is aligned with our clients' most common ESG concerns. This includes the following categories:

- Adult entertainment
- Assault-style weapons for civilian use
- Controversial weapons (including nuclear weapons)
- Gambling
- Thermal coal producers
- Tobacco
- Conduct-based exclusions

For our impact strategies, we maintain a more extensive exclusion policy of issuers that do not align with our strategies' philosophy of generating positive environmental or social impact. This includes the following categories:

- Adult entertainment
- Alcohol
- Assault-style weapons for civilian use
- Controversial weapons (including nuclear weapons)
- Conventional weapons
- For-profit prisons
- Fossil fuels\*\*
- Gambling
- Tobacco
- Conduct-based exclusions

## Other legally required exclusions

In addition to the exclusions mentioned above, all portfolios can be subject to legally-required exclusions. For example, at any point in time, a portfolio may be prohibited from investing in certain sovereign or corporate instruments associated with targeted US or international sanctions. Investment restrictions in sanctioned securities are not managed by the ESG specialists.

\*ESG enhanced strategies promote specific ESG characteristics alongside financial returns. They incorporate binding environmental and/or social commitments that will vary by product type, such as values- and conduct-based exclusions, alignment to sustainable investments, supporting the transition to net zero, or positive tilt to our proprietary ESG rating system, the Responsible Investing Indicator Model (RIIM) scores.

\*\*Companies identified within the Oil or Gas industry through the Global Industry Classification Standard (GICS) and/or Bloomberg Industry Classification Standard (BICS).

#### 4. What improvements (if any) have been made over the past 12 months within your business to the points highlighted in the previous questions?

During the year, we continued to make investment in our ESG resources, both staff and technology. Please refer to the following graphic for an overview of our ESG personnel:

### We have dedicated ESG resources across the firm

As of 31 December 2023

**88** Total firmwide ESG full-time employees

**40** Investment functions + **48** Non-investment functions

#### ESG Leadership Team

##### TRPA



**Donna Anderson**  
Head of Governance (TRPA)  
Baltimore Associate



**Maria Elena Drew, Chair**  
Director of Research, Responsible Investing (TRPA)  
London Associate

#### **30** ESG investment team (TRPA)

TRPA ESG investment team supports portfolio managers and analysts across global equity, fixed income, and multi-asset strategies. Includes 16 Responsible Investing, 3 Governance, 7 Impact Investors

##### TRPIM



**Chris Whitehouse**  
Head of ESG (TRPIM)<sup>1</sup>  
Washington Associate

#### **7** ESG investment team (TRPIM)

TRPIM ESG investment team supports portfolio managers and analysts across U.S. equity and U.

##### OHA



**Jeff Cohen**  
Managing Director, Head of ESG & Sustainability (OHA)<sup>2</sup>  
New York Associate

#### **3** ESG investment team (OHA)

OHA ESG investment team supports portfolio managers and analysts across private

##### Enablement



**Poppy Allonby**  
Head of ESG Enablement  
London Associate

#### **11** ESG enablement team

The ESG Enablement team develops and drives

#### **15** ESG technology team

The ESG technology team supports the integration of environmental, social, and governance data throughout the data systems of T. Rowe Price. This also includes technology support for DARMN, a proprietary technology platform that manages ESG data and various proprietary models built by TRPA and TRPIM

#### **22** ESG full-time employees in other operations

This includes full-time ESG dedicated staff in global investment operations, legal, compliance and audit, transformation office, global marketing, global client account services, corporate real estate and workplace services, and the chief financial officer group.

<sup>1</sup> T. Rowe Price Investment Management, Inc. (TRPIM). TRPIM was established as a separately registered U.S. investment adviser, with a separate ESG team from TRPA. Decisions for TRPA and TRPIM ESG teams are made completely independently, but use a similar approach, framework, and philosophy.

<sup>2</sup> OHA—Oak Hill Advisors, a T. Rowe Price company since 31 December 2021. The OHA ESG & Sustainability team is separate from TRPA and TRPIM and decisions for the OHA ESG & Sustainability team are made independently.

Effective November 20, 2023, T. Rowe Price and IFC, a member of the World Bank Group, announced plans to create a pioneering global blue bond strategy to increase access to finance for blue projects in emerging markets and help improve market standards for the nascent blue bond market.

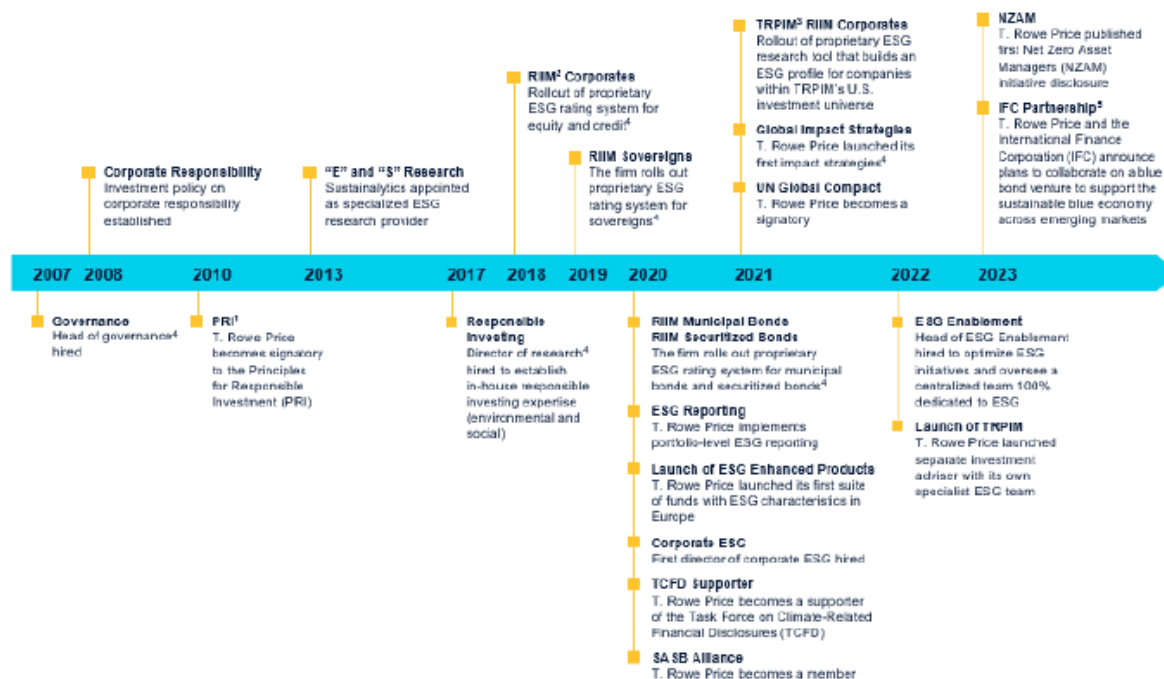
The proposed T. Rowe Price Emerging Markets Blue Economy Bond Strategy will draw on IFC's leadership in the blue bond market. Since 2020, IFC has invested and mobilized more than US\$1.4 billion through 12 blue bonds and loans issued by private sector financial institutions and real sector corporates across emerging markets and developing economies.

This innovative partnership sends a clear message to the market on mobilizing capital needed to make meaningful progress towards achieving the Sustainable Development Goals. Specifically, UN SDG 6 “ensure availability and sustainable management of water and sanitation” and SDG 14 “conserve and sustainably use the oceans, seas and marine resources”. Access this link for further detail:

<https://www.troweprice.com/en/blue-economy?van=BlueEconomy>



## OUR ESG JOURNEY – as of 31<sup>st</sup> December 2023



<sup>1</sup> The PRI is an independent investor initiative supported by, but not part of, the United Nations.

<sup>2</sup> RIIM = Responsible Investing Indicator Model.

<sup>3</sup> T. Rowe Price Investment Management, Inc. (TRPIM). TRPIM was established as a separately registered U.S. investment adviser, with a separate ESG team from TRPA. Decisions for TRPA and TRPIM ESG teams are made completely independently, but use a similar approach, framework, and philosophy.

<sup>4</sup> T. Rowe Price Associates, Inc. (TRPA).

<sup>5</sup> T. Rowe Price and IFC are not affiliated.

Not all vehicles are available in all jurisdictions.

Looking ahead, we will continue to deepen our ESG research capabilities across T. Rowe Price's investment research platforms, through technology enhancement and the addition of ESG dedicated resources. We aim to launch more products in our ESG enhanced\* fund range, leverage our net zero transition solutions to meet existing client needs and address new opportunities, and launch thematic products such as blue bond portfolios. We also plan to enhance ESG reporting on existing products, particularly climate data and climate scenario analysis. We will continue to evolve to meet upcoming ESG regulations across the globe.

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### Important Notice

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