FIXED INCOME IMPACT INVESTING

DISPELLING COMMON MYTHS

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Agenda

Why impact investing?

Myth 1: *Impact can only be achieved in private markets*

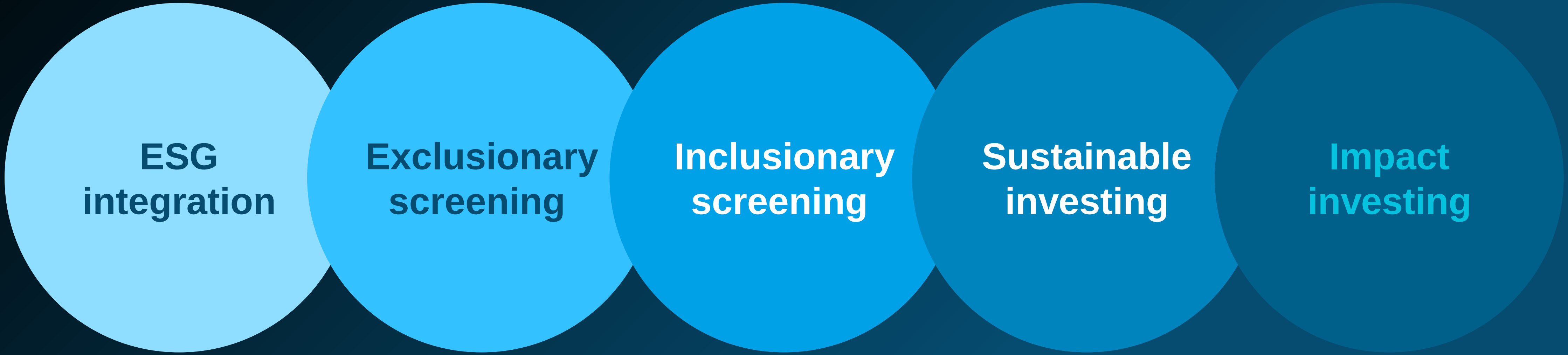
Myth 2: *Only ESG-labelled bonds can create a positive impact*

Myth 3: *Achieving impact requires an overhaul in the investment / portfolio construction process*

Global Impact Credit approach

In Summary

Why Impact Investing?



What we believe:

Social challenges & inequality
cannot be ignored

Fierce climate change
cannot be ignored

Capital
can do more than just create alpha

Truths vs Myths: Setting the Record Straight

Myth 1

“Impact can only be achieved in private markets”

Myth 2

“Only ESG-labelled bonds can create a positive impact”

Myth 3

“Achieving impact requires an overhaul in the investment/ portfolio construction process”

Can you make an impact in the public market?

Company-specific approach

Active engagement programs

Continuous monitoring of progress

Active management necessary

Evaluating ESG Labelled Bonds

We utilize a proprietary framework for assessing the credibility of credit, securitized, and sovereign ESG-labelled bonds

Issuer's ESG Profile

- ✓ Proprietary T. Rowe Price RIIM score
- ✓ Issuer's E/S targets/commit.

Framework, Standards, Verification

- ✓ ICMA alignment
- ✓ Second party opinion
- ✓ Governance structure

Use of Proceeds

- ✓ Credibility of proceeds
- ✓ Proceeds management & allocation
- ✓ Refinancing
- ✓ Addressing ineligibility

Post-Issuance Reporting

- ✓ Reported allocation of proceeds
- ✓ Audit reporting

Our ESG bond model: guards against greenwashing + identifies high impact projects

Responsible Investing Indicator Model (RIIM) is a proprietary tool developed to enhance research and aid better decision making. RIIM rates companies in a traffic light system measuring their environmental, social and governance profile and flagging companies with elevated risks (Green=No/Few Flags, Orange=Medium Flags, Red=High Flags).

Impact screening helps to ensure materiality and measurability

Our measurable inclusion criteria…

1) Majority of current

Revenues or profits tied to at least one impact sub-pillar

2) Majority of projected

Revenues or profits in 10 years tied to at least one impact sub-pillar

3) Use of proceeds

The capital is allocated to projects tied to at least one impact sub-pillar

Areas that do not generate positive impact are actively excluded

- Adult entertainment
- Alcohol
- Assault-style weapons
- Conduct-based
- Controversial weapons
- Conventional weapons
- For-profit prisons
- Fossil fuels[1]
- Gaming (gambling) / casinos
- Tobacco

[1] Fossil fuel exclusion has the potential to adapt over time as companies with exposure to fossil fuel production demonstrate a clear path to energy transition with substantive reporting and targets. Fossil fuel companies defined as those that generate >5% of revenues from the production of thermal coal and companies that are identified within the Oil or Gas industry through the GICS and/or BICS classification.

Impact can, and should, go beyond ESG-labelled bonds

Portfolio Construction

- High corporate sector concentration
- Systemic risk

'Greenwashing'

- ICMA[1] provides guidance but compliance voluntary, self-reported
- Look beyond the label

Relative Value

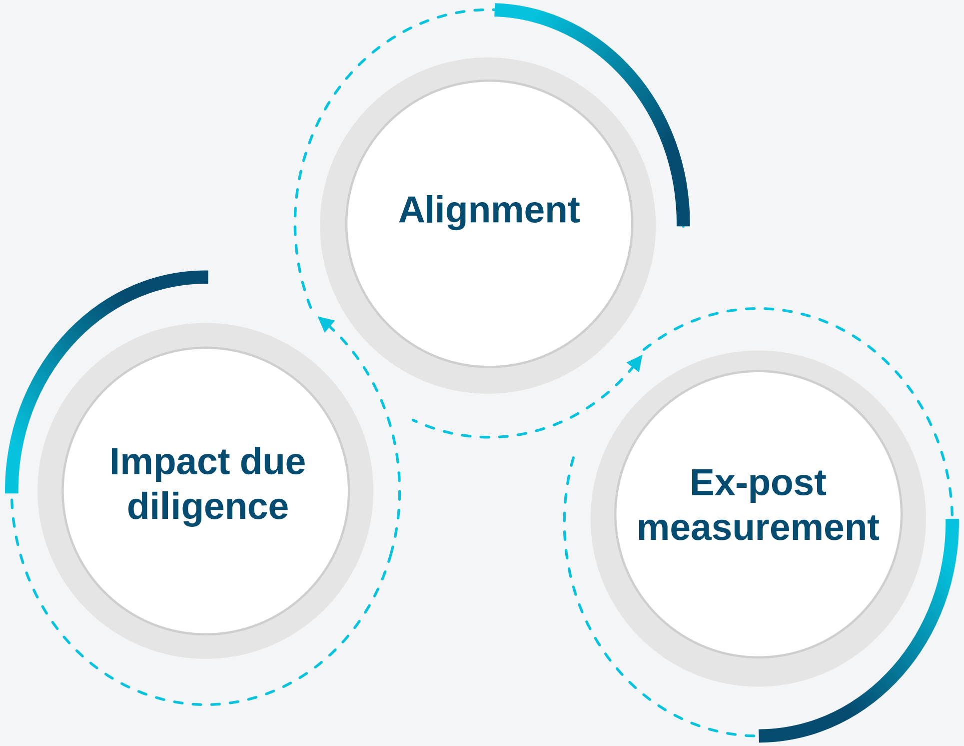
- Pricing vs general obligation bonds
- Strength of sustainable finance framework

Opportunity Cost

- Large universe of issuers whose activities generate positive impact

[1] International Capital Market Association.

How do you qualify a non-labelled bond as impact?



Alignment

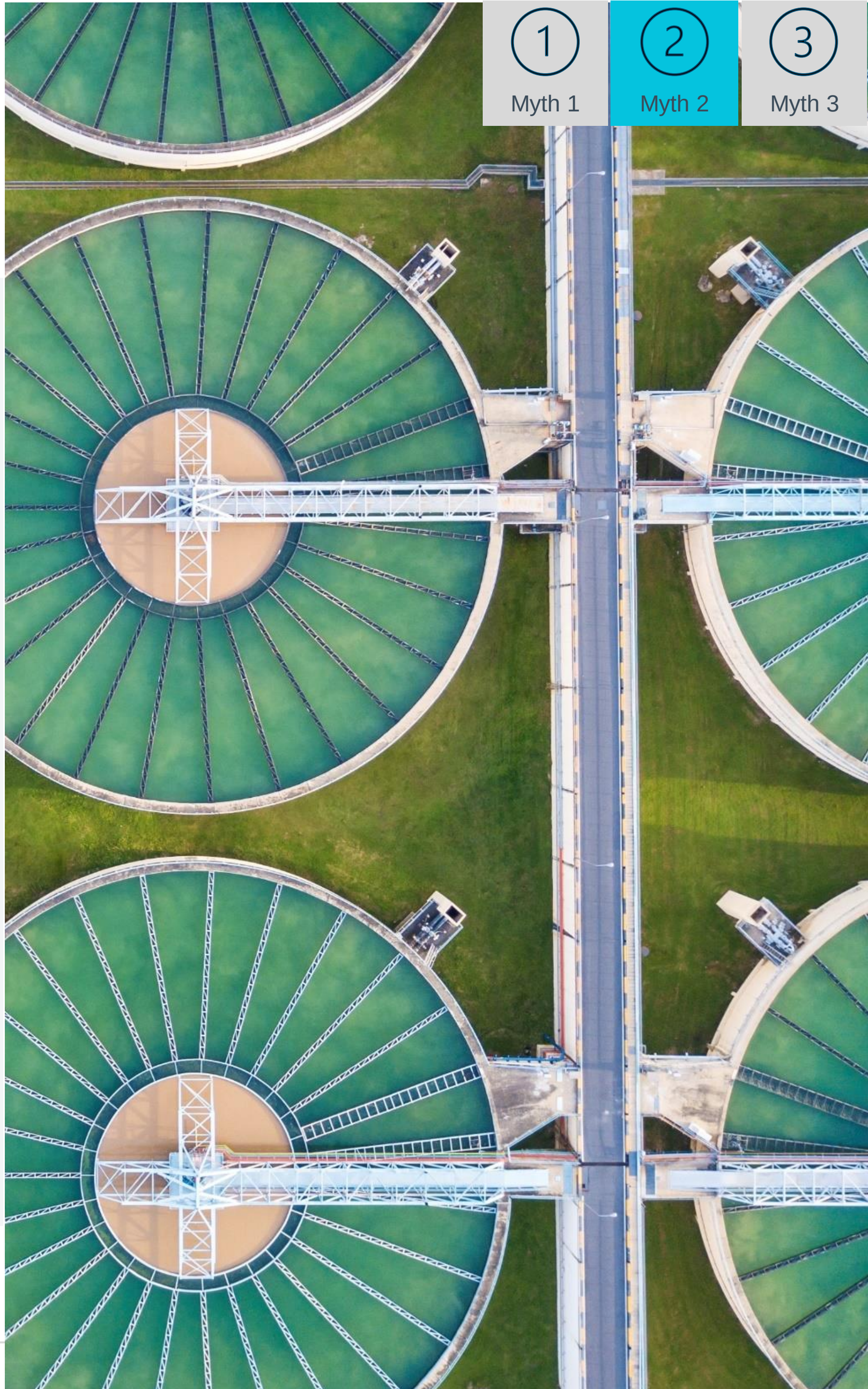
- Aligning all investments to a framework such as the UN's SDGs[1] or proprietary impact pillars, guides prudent impact decision making

Impact due diligence

- **Five dimensions of impact**, and fundamental analysis help identify impact opportunities

Importance of ex-post measurement

- Monitoring progression of impact KPIs



[1]United Nation's Sustainable Development Goals

Impact Investment Pillars Guide Our Decision-Making

Impact Pillars	Sub-Pillars	Sub-Pillar Activities	UN SDG Alignment
Climate and Resource Impact 1	**1.** Reducing greenhouse gases (GHGs)	Increasing energy efficiency Decarbonization and carbon capture Reducing methane and other GHGs Financing activities	7 AFFORDABLE AND CLEAN ENERGY; 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE; 11 SUSTAINABLE CITIES AND COMMUNITIES; 13 CLIMATE ACTION
	2. Promoting healthy ecosystems	Protecting air quality, land use, freshwater & oceans Sustainable agriculture Sustainable aquaculture	6 CLEAN WATER AND SANITATION; 14 LIFE BELOW WATER; 15 LIFE ON LAND
	3. Nurturing circular economies	Reducing waste Recycling Enabling efficient consumption	12 RESPONSIBLE CONSUMPTION AND PRODUCTION
Social Equity and Quality of Life 2	**4.** Enabling social equity	Education & job training Financial inclusion, Reducing discrimination Digital connections Meeting basic needs / affordable housing Consumption at the bottom-of-the-pyramid	1 NO POVERTY; 2 ZERO HUNGER; 4 QUALITY EDUCATION; 5 GENDER EQUALITY; 6 CLEAN WATER AND SANITATION; 8 DECENT WORK AND ECONOMIC GROWTH; 10 REDUCED INEQUALITIES
	5. Improving health	Providing health care solutions Improving nutrition & food quality Companion & animal health	2 ZERO HUNGER; 3 GOOD HEALTH AND WELL-BEING
	6. Enhancing quality of life	Promoting mental & physical fitness Protection solutions Personal & worker safety solutions, Safer mobility	3 GOOD HEALTH AND WELL-BEING; 8 DECENT WORK AND ECONOMIC GROWTH; 16 PEACE, JUSTICE AND STRONG INSTITUTIONS
Sustainable Innovation and Productivity 3	**7.** Sustainable technology	Innovative software & technology Innovation growth & smart infrastructure	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE; 11 SUSTAINABLE CITIES AND COMMUNITIES
	8. Building sustainable industry and infrastructure	Enabling enterprise growth Improving industrial processes	8 DECENT WORK AND ECONOMIC GROWTH; 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE; 11 SUSTAINABLE CITIES AND COMMUNITIES

Source: T. Rowe Price uses a proprietary custom structure for impact pillar and sub-pillar classification.

Impact screening defines the investment universe

Impact Analysis → **Fundamental Analysis** → **Portfolio Construction** → **Measuring and Reporting**

It doesn’t require an overhaul of traditional portfolio construction

Non-labelled bond example

Impact Analysis in Practice — NextEra Energy Partners

As of 31 December 2021

Impact Thesis

NextEra is one of the largest owners of renewable energy projects in the U.S.100% of its power comes from clean/renewable resources which will accelerate global decarbonization by supporting the shift in energy production away from fossil fuels and towards low carbon alternatives.

KPIs:

Total installed capacity (MW) from renewable sources

Energy generated (MWh) from renewable sources

Fundamentals – Five Dimensions of Impact

What?

Reduction of greenhouse gas (GHG) emissions from the generation of renewable energy.

Who?

Our planet, municipalities, and people.

How much?[1]

In 2020, 5,730 MW of renewable power assets generated over 18.6 million MWhs of electricity and helped avoid over 9.7 million tons of CO^2 emissions.

Clean energy generation increased by 9% relative to 2019.

Contribution

NextEra increased its renewable asset portfolio by 2,530 MW in 2021.

Increasing investment in renewable energy generation will provide clean energy at a lower cost for individuals across the U.S.

Risks

They own and manage interest in natural gas pipeline assets, totaling 4.3 billion cubic feet of capacity and comprising 23% of company revenue.

Natural gas pipelines can adversely affect the environment through habitat loss, sedimentation, and air emissions.

Impact Alignment

Impact Pillar

Climate & Resource

Impact Sub-Pillar

Reducing Greenhouse Gases (GHGs)

UN SDG

7 AFFORDABLE AND CLEAN ENERGY

Theory of Change

Input	Output	Outcomes	Impact[1]
USD 703 million revenue from renewable energy sales	5,730 MW Installed capacity	18.6 million MWh Clean energy generated	9.7 million MT CO_2e avoided

Climate & Resource Impact 1

[1]NextEra Energy Partners company report (February 2022)
The specific securities identified and described are for informational purposes only and do not represent recommendations.

Labelled bond example

Impact Analysis in Practice — Rhino Bond

As of 31 December 2022

Impact Thesis

The World Bank's Wildlife Conservation Bond (Rhino Bond) is a sustainable development bond. The bond directly channels funds to conservation outcomes, specifically by targeting black rhino populations in South Africa. The primary impact focuses on improving biodiversity, with a secondary impact directed to improved education and job training,

KPIs:

Rhino Abundance, Rhino population growth rate, Conservation investment payments, Local community employed.

Impact Alignment

Impact Pillar

Climate & Resource Impact

Impact Sub-Pillar

Promoting Healthy Ecosystems

Primary UN SDG

Life on Land

15 LIFE ON LAND

Fundamentals – Five Dimensions of Impact

What?

Proceeds will be used to help drive the black rhino growth rate in the Addo Elephant National Park and the Great Fish River Nature Reserve in South Africa.

Who?

Planet: protect biodiversity and support improvements in planetary health.

People: create conversation jobs for the local population.

How much?

The proceeds will help boost the 466 black rhino population in the two parks, which currently represents 22% of the world's black rhino numbers.

The conservation areas the bond finances represents 1,530km^2 of high biodiversity.

Contribution

Investment in the bond will help secure the current population of rhinos and encourage further population growth.

The bond structure has the scope to be rolled out to other geographies and endangered species.

Risks

Risk 1: Poaching is a very high risk to the population of black rhinos.
Risk 2: Socio-political factors could adversely impact the parks and population growth.
Risk 3: Factors associated with monitoring, calculating and verifying the population growth rate could adversely impact the conservation success.

Climate & Resource Impact 1

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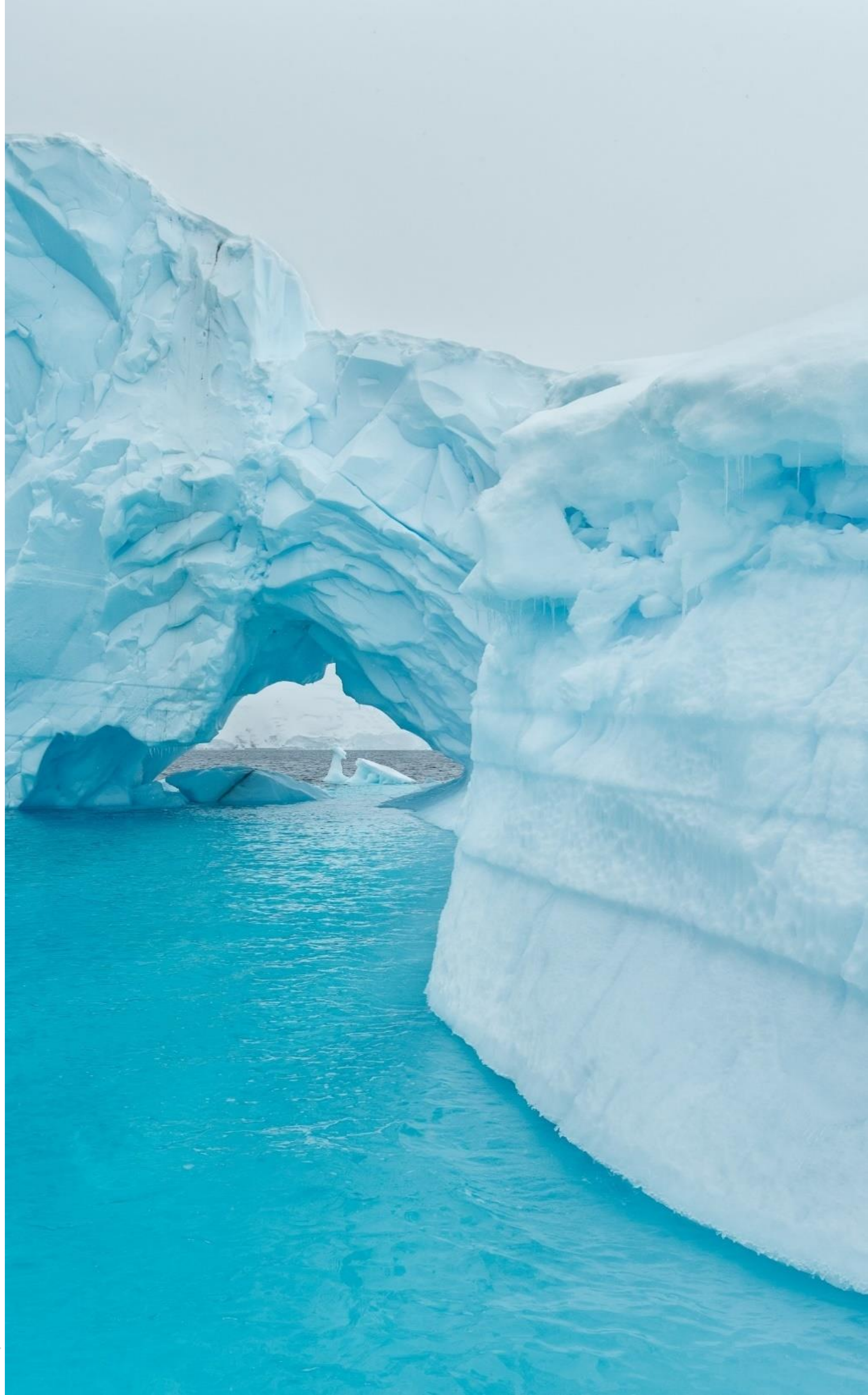
A Global Impact Credit approach

Breadth of resources + **Going beyond labelled bonds** = **Impact and alpha**

Breadth of resources	Going beyond labelled bonds	Impact and alpha
Platform collaboration, covering a broad opportunity set across credit sectors	Investing in high impact-aligned issuers, not limited to green bonds	Seeking impact and alpha opportunities through a portfolio of high conviction ideas

Impact investing is a natural extension of ESG investing – **simple, not easy**



In Summary

Impact investing can be applied to **both** public & private markets

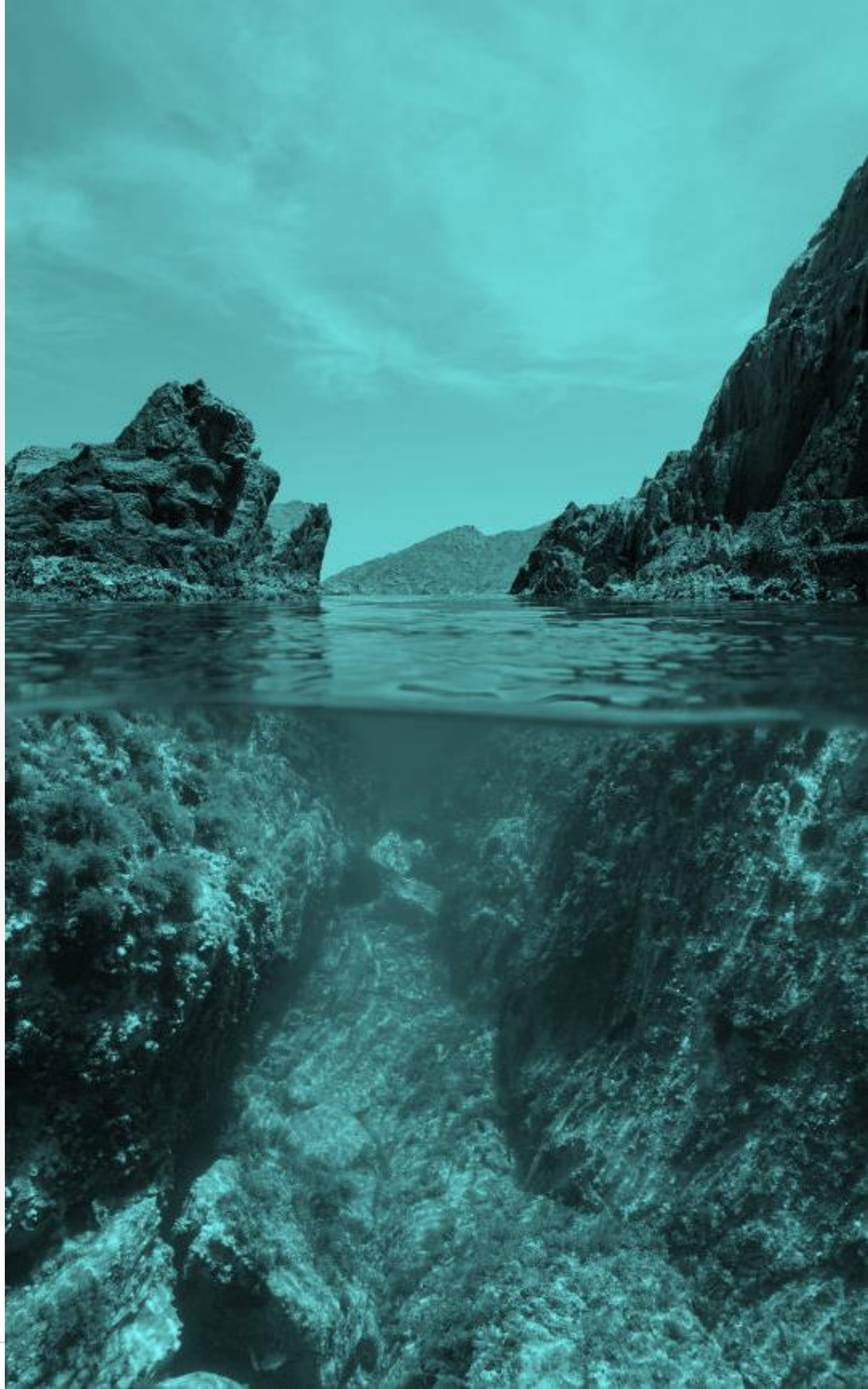
Impact can, and **should**, go beyond ESG-labelled bonds

Bottom-up & top-down analysis informs impact investments

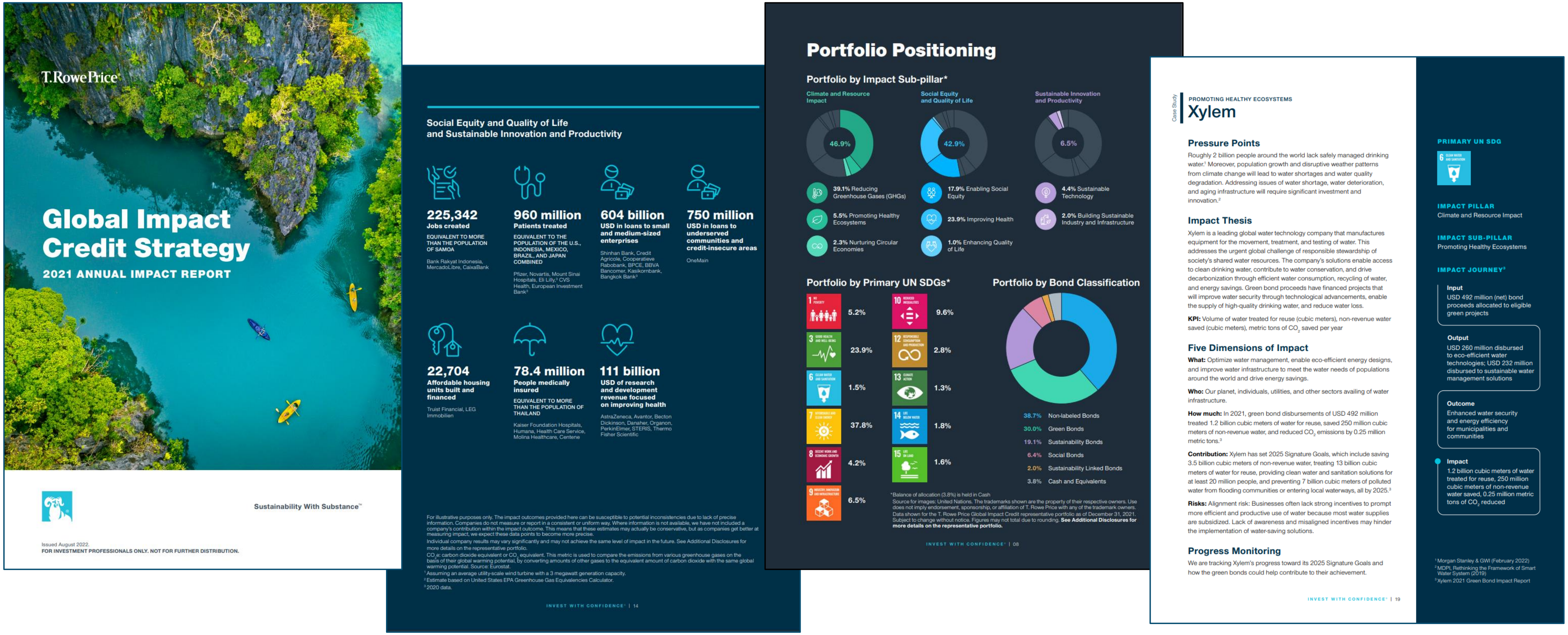
Impact

&

Alpha



Impact Annual Report



Source: T. Rowe Price; link: https://www.troweprice.com/content/dam/gdx/pdfs/Global_Impact_Credit_Strategy_2021_Annual_Report.pdf

Impact Insights

Source: T. Rowe Price; link: https://www.troweprice.com/institutional/nl/en/lp/esg/impact-investing.html

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Q&A

THANK YOU

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RISKS - T. ROWE PRICE GLOBAL IMPACT CREDIT STRATEGY

Objective
The Global Impact Equity Composite seeks long-term capital growth by seeking positive environmental or social impact and outperforming the benchmark.

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.

Counterparty risk—An entity with which the portfolio transacts may not meet its obligations to the portfolio.

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

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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