



ESG AT T. ROWE PRICE

Maria Elena Drew, Director of Research for Responsible Investing
2020 Q4



ABOUT T. ROWE PRICE

As of 30 September 2020

Founded in
1937

Locations in
16
Countries

Over
7,600
associates worldwide

*United Nations Principles
for Responsible
Investment Signatory
since*
2010

1,310.4
Billion USD¹
assets under management

**Diversity and
Inclusion**
commitment

Independent investment organization

- Focused solely on investment management and related services
- Public holding company structure with substantial employee ownership

Globally diversified organization managing 1,310.4 Billion USD¹

- Investment capabilities span all major public asset classes
- Balanced by distribution channel

Proprietary fundamental research is our lifeblood

- 329 research analysts worldwide²

Commitment to Responsible Investment

- Environmental, Social and Governance considerations are integrated into our fundamental research

Highly stable organization

- Seasoned portfolio management teams—average 22 years of investment experience and 17 years tenure with T. Rowe Price
- Management Committee averages 16 years of experience with T. Rowe Price
- Strong financial position allows us to continue to invest in our global team of investment professionals

Diversity and Inclusion: A long term strategic business priority

- Global and diverse workforce with a broad representation of women and minorities

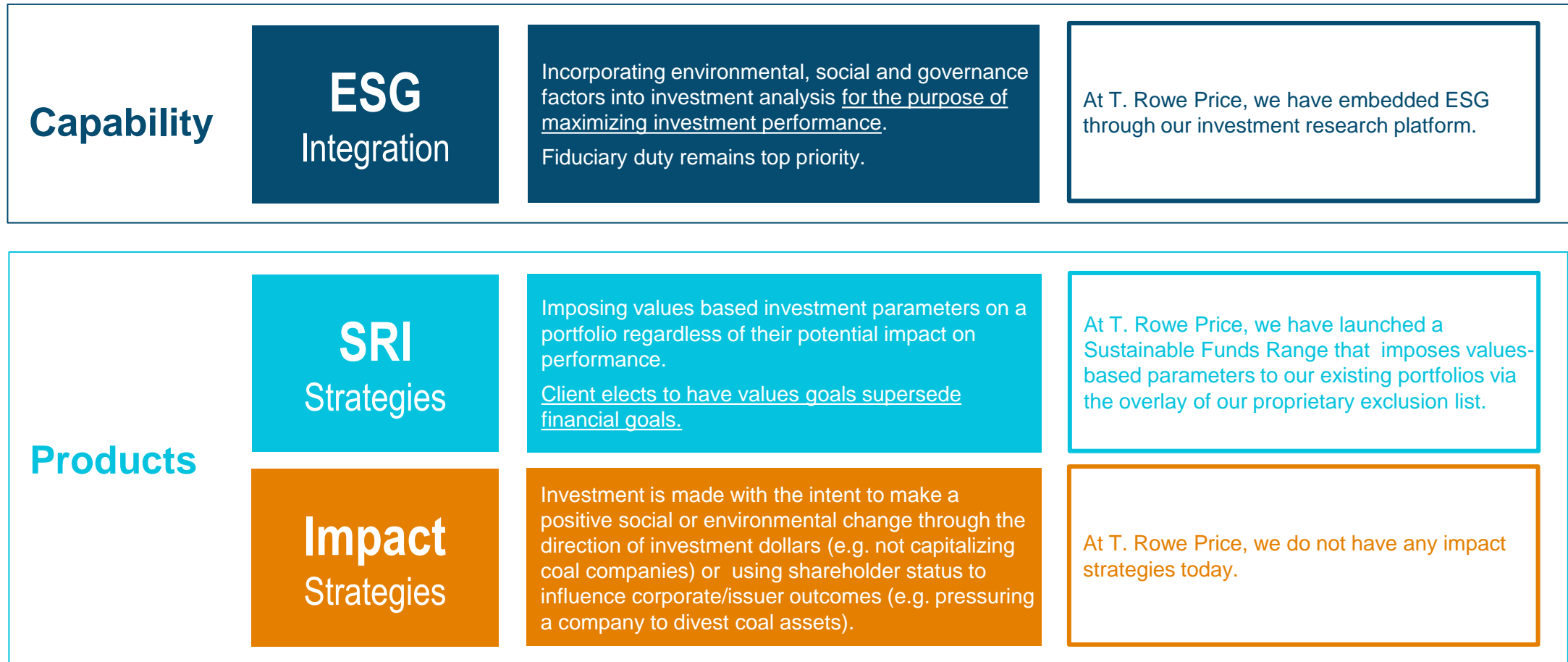
Our organizational independence helps to foster an environment where our clients' interests come first.

¹ Firmwide AUM includes assets managed by T. Rowe Price Associates, Inc. and its investment advisory affiliates.

² 11 sector portfolio managers, 184 investment analysts, 61 associate analysts, 53 quantitative analysts, and 20 ESG and other specialty analysts.
202009-1344481

ESG Investing Across T. Rowe Price

ESG is embedded across our investment research platform and is one of the many tools that support the deep, fundamental research performed by our investment professionals. We also provide socially responsible portfolios through our Sustainable Funds Range and separate accounts.



Responsible Investing Indicator Model (RIIM)

As of 30 September 2020



T. ROWE PRICE

Responsible Investing Analysis

Company name

R.I. Risk Indicator:	Orange
Environment:	Green
Social:	Green
Ethics:	Orange

We use quantitative data sets to populate RIIM so that it is scalable (~12,500 securities covered). This allows for broad coverage and identification of ESG outliers.

	<u>Score</u>	<u>% wght</u>		<u>Score</u>	<u>% wght</u>		<u>Score</u>	<u>% wght</u>	<u>Score Over-ride</u>	<u>Wght Over-ride</u>
ENVIRONMENT	0.43	39%	OPERATIONS	0.35	28%	Supply chain (environment)	0.25	5%	n.a.	n.a.
						Raw materials	0.95	5%	n.a.	n.a.
						Energy & emissions	0.50	2%	n.a.	n.a.
						Land use	n.a.	0%	n.a.	n.a.
						Water use	n.c.	0%	n.a.	n.a.
						Waste	0.00	10%	n.a.	n.a.
						General operations	0.50	5%	n.a.	n.a.
			END PRODUCT	0.63	10%	Product Sustainability	0.75	5%	n.a.	n.a.
						Products & services environmental incidents	0.50	5%	n.a.	n.a.
SOCIAL	0.43	39%	HUMAN CAPITAL	0.50	21%	Supply chain (social)	0.50	5%	n.a.	n.a.
						Employee safety & treatment	0.68	10%	n.a.	n.a.
						Evidence of meritocracy	0.16	5%	n.a.	n.a.
			SOCIETY	0.25	3%	Society and community relations	0.25	3%	n.a.	n.a.
			END PRODUCT	0.38	16%	Product sustainability	n.c.	0%	n.a.	n.a.
						Product impact on human health & society	0.25	10%	n.a.	n.a.
						Product quality & customer incidents	0.63	5%	n.a.	n.a.
ETHICS	0.53	22%				Business ethics	0.48	5%	n.a.	n.a.
						Bribery & corruption	0.50	5%	n.a.	n.a.
						Lobbying & public policy	0.75	3%	n.a.	n.a.
						Accounting & taxation	0.63	3%	n.a.	n.a.
						Board & management conduct	0.38	5%	n.a.	n.a.
						ESG accountability	0.88	1%	n.a.	n.a.
DATA INCIDENTS	0.60					Data privacy incidents	0.60		n.a.	n.a.

For illustrative purposes only. RIIM is a proprietary tool developed to enhance research and aid better decision making. RIIM analyses the environmental, social and ethical profile of around 12,500 corporate securities and assigns each a score. Green indicates no/few flags, orange indicates medium flags and red indicates high flags.

RIIM Applies a Bottom Up Calculation

MATERIALITY

	wght
Supply chain (environment)	5%
Raw materials	5%
Energy & emissions	2%
Land use	0%
Water use	0%
Waste	10%
General operations	5%
Product Sustainability	5%
Products & services environmental incidents	5%
Supply chain (social)	5%
Employee safety & treatment	10%
Evidence of meritocracy	5%
Society and community relations	3%
Product sustainability	0%
Product impact on human health & society	10%
Product quality & customer incidents	5%
Business ethics	5%
Bribery & corruption	5%
Lobbying & public policy	3%
Accounting & taxation	3%
Board & management conduct	5%
ESG accountability	1%
Data privacy incidents	

We apply a materiality factor to each category based on the company's sub-industry.

Our materiality assessment is determined in-house.

DATA INPUTS

We select data based on its relevancy to the business model.

Data inputs will vary based on the company's sub-industry.

Data Sources



SUSTAINALYTICS

RIIM chooses data points specific to sub-industry from an ESG data set provided by Sustainalytics`

Examples

- Energy/emissions management programs
- Environmental fines & penalties
- Society & community incidents
- EMS certifications
- Supply chain incidents
- Conflict minerals program
- Transparency on government payments

Company reported ESG data

- Percent of waste recycled
- Lost time incident rate
- Gender diversity statistics
- Ethnic diversity statistics
- Board/EXCO ESG accountability



T. Rowe Price Databases

RI team develops databases for specific ESG factors

- Membership in industry initiatives promoting sustainable objectives
- Responsible sourcing objectives (cotton, palm oil, etc.)
- Future fleet emissions targets
- Exposure to opioids

Score

0.25
0.95
0.50
n.a.
n.c.
0.00
0.50
0.75
0.50
0.50
0.68
0.16
0.25
n.c.
0.25
0.63
0.48
0.50
0.75
0.63
0.38
0.88
0.60

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RIIM Scores Embedded in Investment Research Platform

ESG data, ratings and research are embedded in investment research platform.

Database of RIIM ratings available on our investors' desktops via RMS.

The screenshot displays the RMS Research Management System interface. At the top, there's a navigation bar with 'RMS Research Management System', 'Research', and 'Calendar' tabs. A search bar on the right contains 'All EQ' and 'Search All EQ'. The main content area is titled 'Company X' and features a table with the following data:

Rating	3	Sector	
Previous Rating	NA	Industry	
Last Rating Change	26-Sep-2019	Country	United States
Last Company Research Date	18-Oct-2019	Region	US

Below the table, there are sections for 'Estimates and Valuation Data' (Last Analyst Update: 18-Oct-2019), 'Rating and Coverage History', and 'Thesis' (Last Thesis Update: 26-Sep-2019). The 'Thesis' section contains a paragraph of text. The 'Company Overview' section provides a brief description of the company. The 'Research Documents' section is highlighted with a red box and contains a table of research notes:

Date	Research	Rating	Action	Author	Type	R. L...	Summary
18-Oct-2019		3			CR	★	I see asymmetric upside/downside and recommend PMs trim. The only r...
10-Oct-2019	Financials				IR	★	Quick thoughts on the group and SRS prioritization.
26-Sep-2019		3	in		IN	★	Initiating on
16-Sep-2019	Global Financials Call				MN	★	Takeaways from 9/5 Global Financials Call

On the right side of the interface, there's a 'Linked to FI Issuer' section with a profile picture and 'Analyst details'. Below that, a 'Coverage Information' section lists various metrics. A 'Related' section on the right lists links to 'Holdings', 'Rating History', 'Security Profile', 'Current Orders', 'Trade History', 'Price Performance', 'Valuation Profile', 'Corporate Actions', 'ESG Scores', and 'FactSet - Credit'. A red dashed arrow points from the 'ESG Scores' link to a detailed ESG scores table on the right.

The detailed ESG Scores table for T. Rowe Price Company X shows the following data:

Score	Pot Weight	Score	Pot Weight	Score	Pot Weight	Score	Weight Override
Environment	0.32	35%	Operations	0.32	10%	Supply Chain Environment	n.a.
						Raw Materials	n.a.
						Energy & Emissions	0.53
						Land Use	n.a.
						Water Use	n.a.
						Waste	n.a.
						General Operations	0.27
End Product	0.32	10%	Environment Product Sustainability	0.53	11%	Products & Services	n.a.
						Environmental Incidents	0
Social	0.39	34%	Human Capital	0.35	22%	Supply Chain Social	n.a.
						Employee Safety & Treatment	0.47
						Evidence of Harassment	0.11
						Society & Community Relations	0.43
End Product	0.43	4%	Social Product Sustainability	n.a.	0%	Product Quality & Customer Incidents	0.48
						Human Health & Society	n.a.
						Product Quality & Customer Incidents	0.48
Ethics	0.41	31%	Business Ethics	0.5	7%	Bribery & Corruption	0.5
						Lobbying & Public Policy	0.5
						Accounting & Taxation	0
						Board & Management Conduct	0.31
						ESG Accountability	0.58
Data Incidents	0	0%	Data Privacy Incidents	0	0%		n.a.

- RIIM ratings feed through to front page of company research note templates (equity & credit).
- ESG specialist notes and engagement write-ups are published alongside analyst research notes.

For illustrative purposes only.

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RIIM Scores Applied to Portfolio Analysis

RIIM analysis is used to evaluate portfolios.

- Portfolio analysis can help a portfolio manager quickly identify which holdings have elevated environmental, social or ethical risks (i.e. overall rating is red or orange) and how these risks are balanced within the overall portfolio.
- Portfolio managers can compare their portfolio to the benchmark across each sub-category (supply chain, product sustainability, employee treatment, diversity, etc.).



T. Rowe Price Responsible Investing Analysis

RIIM Scores as of 06/09/2020
Portfolio Holdings as of 06/08/2020; Benchmark Holdings as of 06/09/2020

	Benchmark Weight	Account Weight	Active Weight	T. Rowe Price R.I. Rating	Environment	Social	Ethics	Data Incidents	Comment	Sustainability Risk Score	Sustainability Risk Rating
Cash											
Cash and Cash Equivalents	0.00	3.43	3.43	n.c.	n.c.	n.c.	n.c.	n.a.		n.a.	n.a.
Benchmark Average/Sector Weight	0.00	3.43	3.43		n.c.	n.c.	n.c.				
Portfolio Average					n.c.	n.c.	n.c.				
Data Coverage					0%	0%	0%				
Communication Services											
Company A (Class A)	2.62	5.62	3	Orange	0.08	0.65	0.71	yes	High regulatory scrutiny due to mkt. dominance & global footprint.	29.62	Medium
Company A (Class C)	2.62	2.27	-0.35	Orange	0.08	0.65	0.71	yes	High regulatory scrutiny due to mkt. dominance & global footprint.	29.62	Medium
Company B	3.34	6.05	2.71	Orange	0.25	0.53	0.70	yes	Flags for data privacy/political profiles around 2016 election.	31.37	High
Company C	0.07	0.99	0.92	Green	0.38	0.46	0.47	yes	n.a.	28.24	Medium
Company D	1.07	2.05	0.98	Orange	0.00	0.49	0.67	yes	Low ESG disclosures; all ESG incidents resolved quickly by NFLX.	17.94	Low
Company E	0.00	1.01	1.01	Orange	0.38	0.46	0.53	yes	n.a.	24.97	Medium
Company F	0.15	1.56	1.41	Green	0.23	0.38	0.47	n.a.	n.a.	24.41	Medium
Company G	0.00	1.81	1.81	Green	0.33	0.41	0.47	yes	n.a.	24.9	Medium
Benchmark Average/Sector Weight	11.69	21.36	9.67		0.14	0.57	0.66	yes			
Portfolio Average					0.18	0.54	0.65	yes			
Data Coverage					100%	100%	100%				
Consumer Discretionary											
Company H	0.00	2.07	2.07	Orange	0.32	0.53	0.48	yes	n.a.	24.71	Medium
Company I	6.38	9.24	2.86	Orange	0.08	0.48	0.71	yes	Core challenges include: labour topics, carbon footprint and data privacy.	30.57	High
Company J	0.01	1.19	1.18	Green	0.23	0.30	0.39		Pure play 'future mobility' solutions provider.	15.01	Low
Company K	0.46	1.06	0.6	Green	0.08	0.46	0.49		Low environmental footprint and adequate mgmt of social risks.	19.45	Low

	Environment	Operations	Supply Chain	Raw Materials	Energy and Emissions	Land Use	Water Use	Waste	General Operations	End Product	Product Sustainability	Product Incidents	Comment
Cash													
Cash and Cash Equivalents	n.c.	n.c.	n.c.	n.c.	n.c.	n.c.	n.c.	n.c.	n.c.	n.c.	n.c.	n.c.	n.a.
Benchmark Average	n.c.	n.c.	n.c.	n.c.	n.c.	n.c.	n.c.	n.c.	n.c.	n.c.	n.c.	n.c.	
Portfolio Average	n.c.	n.c.	n.c.	n.c.	n.c.	n.c.	n.c.	n.c.	n.c.	n.c.	n.c.	n.c.	
Data Coverage	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	
Communication Services													
Company A (Class A)	0.08	0.08	0.00	n.c.	0.46	n.c.	n.c.	n.c.	0.00	0.08	0.25	0.00	Low environmental footprint. Low disclosure.
Company A (Class C)	0.08	0.08	0.00	n.c.	0.46	n.c.	n.c.	n.c.	0.00	0.08	0.25	0.00	Low environmental footprint. Low disclosure.
Company B	0.25	0.34	0.00	n.c.	0.50	n.c.	n.c.	n.c.	0.38	0.08	0.25	0.00	Business model has a low environmental footprint.
Company C	0.38	0.52	0.00	n.c.	0.89	n.c.	n.c.	n.c.	0.56	0.11	0.33	0.00	n.a.
Company D	0.00	0.00	0.00	n.c.	n.c.	n.c.	n.c.	n.c.	0.00	0.00	0.00	0.00	Business model has a relatively low environmental footprint.
Company E	0.38	0.52	0.00	n.c.	0.89	n.c.	n.c.	n.c.	0.56	0.11	0.33	0.00	n.a.
Company F	0.23	0.32	0.00	n.c.	n.c.	n.c.	n.c.	n.c.	0.33	0.11	0.33	0.00	n.a.
Company G	0.33	0.44	0.00	n.c.	0.80	n.c.	n.c.	n.c.	0.46	0.11	0.33	0.00	n.a.
Benchmark Average	0.14	0.18	0.00	n.c.	0.49	n.c.	n.c.	n.c.	0.16	0.07	0.20	0.00	
Portfolio Average	0.18	0.24	0.00	n.c.	0.56	n.c.	n.c.	n.c.	0.22	0.08	0.25	0.00	
Data Coverage	100%	100%	100%	0%	77%	0%	0%	0%	100%	100%	100%	100%	
Consumer Discretionary													
Company H	0.32	0.46	0.00	n.c.	0.83	n.c.	n.c.	n.c.	0.53	0.12	0.25	0.00	n.a.
Company I	0.68	0.68	0.50	1.00	0.75	n.a.	0.50	0.50	0.70	0.67	0.60	0.75	Complex logistics, packaging and data center footprint.
Company J	0.23	0.30	0.00	0.70	0.35	n.c.	n.c.	n.c.	0.11	0.10	0.15	0.00	Good environmental performance; sustainable end product.
Company K	0.08	0.00	0.00	n.a.	n.c.	n.c.	n.c.	n.c.	0.00	0.17	0.33	0.00	Business has low environmental footprint; disclosure limited.

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