CASE STUDY

T. Rowe Price

Global Impact Credit Strategy

Year established	2021
Fund domicile	Luxembourg
Strategy-level AUM (USD)	$2.2B[74]
Target market	Developed markets
Primary investments	Labeled and non-labeled green, social, and sustainability bonds; corporate bonds; supranational bonds
Management team	1 dedicated portfolio manager, 1 dedicated sector portfolio manager, and 1 dedicated impact analyst (supported by 82 credit research analysts and 31 responsible investing associates.)
Aligned standard(s) & regulation	UK SDR ("Sustainability Impact"); SFDR (Article 9); UNPRI

Strategy overview

T. Rowe Price ("T. Rowe") launched its Global Impact Credit Strategy in 2021 with the aim of directing capital to achieve positive impact outcomes, driven by its conviction that fixed income as an asset class offers ample impact investing opportunities. By investing in both UoP bonds with specific environmental and social purposes and general-purpose issuances from impact-focused companies, the strategy offers investors an opportunity to pursue competitive returns while also targeting impact objectives. Specifically, the strategy invests primarily in corporate bonds and securitized debt that align with two impact pillars: climate and resource impact, and social equity and quality of life. These in turn are aligned to six

74. As of March 31, 2025

sub-pillars and mapped to the SDGs.

T. Rowe's approach is anchored in an overarching impact charter, comprised of four key principles: materiality, or conducting security-by-security assessment to ensure that each opportunity is aligned to its impact pillars; measurability, which emphasizes the identification of security-specific KPIs and the quantification of securities' alignment to the SDGs; additionality, which emphasizes issuer engagement; and resiliency, encompassing adopting a long-term and holistic view of engagment. This impact charter is undergirded by T. Rowe's proprietary Responsible Investing Indicator Model (RIIM)—its cross-asset class approach to ESG assessment and integration.

T. Rowe's Global Impact Credit Strategy is grounded in assessment of securities' contribution to SDG-aligned impact pillars via assessment of either current revenues or stated UoPs, in integrated impact and ESG assessment, and in active engagement with issuers to maximize positive impacts and minimize impact risks at the security level.

Core characteristics

Focus

The investor selects securities based on their stated UoPs' or revenues' contribution to specific impact themes.

T. Rowe leverages an impact thesis, which integrates ESG considerations and two impact pillars and six sub-pillars to guide investment decision-making. To be included within the Global Impact Credit Strategy, either an issuer's current revenues (at least 50 percent) or UoPs must be allocated to projects that contribute to at least one sub-pillar. Securities also undergo additional diligence structured against Impact Frontiers' Five Dimensions framework to more deeply understand anticipated impacts and identify impact risks. Questions include, "Who experiences the outcome" and "What is the risk to people and the planet if the impact does not occur as expected"? In the process, a transaction-level impact thesis is created for each security, which encapsulates impact KPIs.

Responsibility

The investor assesses an issuer's ESG performance and ethical footprint (e.g., reputational checks, thematic exclusions).

T. Rowe categorically excludes issuers based on their involvement in areas that it views as causing harm, such as for-profit prisons, tobacco, or other activities in breach of the UN Global Compact Principles sans remediation. ESG and impact assessment are integrated, wherein issuers are rated on a traffic light system on their ESG footprint and may be given an ESG profile using third-party and internal data. RIIM assessments are tailored by sub-asset class (e.g., equities and corporate bonds, sovereign bonds, securitized bonds, and municipal bonds), and ESG factors ultimately inform T. Rowe's investment thesis, portfolio construction process, and approach to active engagement.

Completeness

The investor takes a holistic approach to impact assessment—considering UoPs/revenue, the issuer's practices, and securities' structure, while also calibrating assessment to the theme and sub-asset class at hand.

Securities are assessed for their alignment to T. Rowe's impact themes, subjected to deeper impact diligence against the Five Dimensions and undergo assessment under RIIM. Additionally, labeled bonds are subject to a separate ESG Bond Evaluation assessment to mitigate against greenwashing and to identify high-impact issuances. Areas of additional diligence include, but are not limited to, the issuer's ESG profile (including the issuer's environmental and/or social targets and commitments); its alignment to ICMA requirements; the presence of a second-party opinion; the credibility of UoPs, their management, and their allocation; refinancing terms; and post-issuance reporting. The frameworks of labeled bonds receive a weighted average overall score, which is integrated into investment decision-making.

Engagement

The investor leverages impact data to optimize their portfolio and engages with issuers to improve their impact.

T. Rowe conducts impact engagement through two primary approaches. First, by directly engaging with issuers as active managers to further positive impact outcomes. At the time of purchase, T. Rowe assigns a stewardship objective to the issuer related to advancing targeted outcomes and actively engages with them to assess and support progress. Engagements typically take the form of meetings with boards and management teams, and where unsuccessful, can result in the decision to decrease the weight of an investment in the portfolio or divestment. Second is field- and market-level engagement via participation in broader industry initiatives, such as the ICMA Advisory Council and the Net Zero Asset Managers Initiative. The firm also contributes to working groups on impact reporting, climate transition finance, and nature-related financial disclosure.

Transparency

The investor collects, aggregates, and transparently reports on the impact of its investments.

T. Rowe Price issues an annual impact report for the Global Impact Credit Strategy, which includes an overview of the portfolio (both by impact pillar, geography, and SDGs), a breakdown of the firm's impact measurement approach and select impact metrics (such as metric tons of waste avoided, patients treated, and loans provided to small and medium enterprises), and concrete examples of active ownership initiatives and investor contribution case studies.

Featured practice: *Impact measurement*

T. Rowe's approach to impact measurement is anchored in Impact Frontiers' Five Dimensions framework, which it leverages to support the construction of security-level theories of change. Developing theories of change for each security—which entails the identification of specific inputs, outputs, outcomes, and long-term impacts—enables T. Rowe to precisely determine how each holding or prospective investment advances impact. Accordingly, this supports the principled selection of KPIs, which are aligned to the widely accepted impact investing metrics catalog IRIS+, where possible.

To ensure that each investment aligns with its measurement expectations, T. Rowe engages with companies ex-ante and suggests appropriate KPIs. T. Rowe begins its ex-post evaluation work with impact reports typically received 12-18 months after a security's issuance for UoP bonds. To address any gaps in data, such as an absence of company reported-KPIs, the firm utilizes third-party sources and incorporates data from academic and non-governmental organization (NGO) sources when needed to supplement estimations. While T. Rowe primarily measures and reports on impact at the security level rather than the portfolio level, the firm aggregates data when KPIs share similar characteristics, enabling investor clients to more clearly understand their impact.

Highlighted transaction: *DP World, Blue Bond*

In December 2024, T. Rowe served as the key investor in logistics-provider DP World's $100 million Blue Bond, the first such issuance from a Middle Eastern corporate. In alignment with DP World's broader Ocean Strategy, the Bond will combat growing threats such as pollution and the loss of marine biodiversity by financing projects in sustainable marine transport, port operations, pollution prevention, and ecosystem conservation. In doing so, the transaction directs capital towards underfunded SDGs, including SDG 14 (Life Below Water) and SDG 6 (Clean Water and Sanitation). T. Rowe had supported the development of the Bond by facilitating introductory meetings at a third-party sustainability conference and providing suggestions around terms. Additionally, T. Rowe aided in the development of DP World's recently published Sustainable Finance Framework, which T. Rowe hopes will serve as a model to help other issuers scale blue issuances.

Investor spotlight: *TAM Asset Management*

TAM, a multi-manager model portfolio service (MPS), uses fixed income as its primary vehicle for impact investing, believing that this approach best achieves positive impact in public markets due to its ability to ringfence capital to projects that have impact additionality and demonstrate clear impact intentionality. TAM chose to invest in T. Rowe's Global Impact Credit Strategy due to its balanced approach, which combines use of proceeds bonds with traditional issuances from sustainability-focused issuers. TAM additionally values this approach for its flexibility, T. Rowe's strong fundamental financial analysis, and its robust impact framework, which is supplemented by engagement and regular reporting. Furthermore, TAM values T. Rowe's primary markets leadership, as exemplified by its innovative work with the World Bank on projects like the Amazon Reforestation-Linked Outcome Bond. T. Rowe's strong track record from both a returns and impact perspective have made it a core holding in TAM's portfolios.