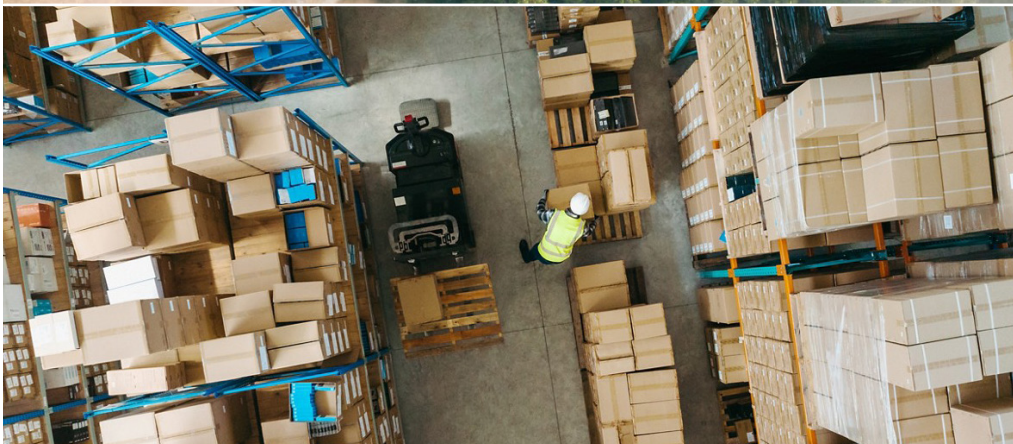




T.RowePrice

Proxy Voting Case Studies

A selection of T. Rowe Price Associates, Inc. (TRPA) proxy voting case studies



Our approach to proxy voting

Proxy voting is a critical component of our approach to corporate governance. We offer our clients a high degree of transparency related to the votes we cast on their behalf.

T. Rowe Price recognizes and adheres to the principle that one of the privileges of owning stock in a company is the right to vote on issues submitted to shareholder vote. The registered investment companies which T. Rowe Price sponsors and serves as investment adviser as well as other investment advisory clients have delegated to T. Rowe Price certain proxy voting powers. As an investment adviser, T. Rowe Price has a fiduciary responsibility to such clients when exercising its voting authority with respect to securities held in their portfolios.

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Our approach to engagement

We maintain regular dialogue with the managements of issuers represented across our portfolios. Where we find areas of concern, we make those concerns known to them.

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Not a proxy statement

These case studies are not a proxy statement nor a solicitation of proxies from the holders of the named company's common stock and represent T. Rowe Price Associates, Inc.'s (TRPA) and its investment advisory affiliates', excluding T. Rowe Price Investment Management, Inc., pre-voting intention and voting instruction.

T. Rowe Price Investment Management, Inc. votes proxies independently from the other T. Rowe Price related investment advisers and has adopted its own proxy voting guidelines.



Proxy Voting Case Study

The following case study illustrates the decision-making process at T. Rowe Price Associates, Inc. (TRPA) around a particular shareholder meeting.

Case study			
Company Tyson Foods, Inc.	<table border="0"> <tr> <td>Symbol TSN (NYSE)</td> <td>Meeting date February 8, 2024</td> </tr> </table>	Symbol TSN (NYSE)	Meeting date February 8, 2024
Symbol TSN (NYSE)	Meeting date February 8, 2024		
Reason for highlighting this case study	TRPA is a shareholder of Tyson Foods, a producer and processor of chicken, beef, and pork. There were a number of contentious proposals presented at the 2024 annual general meeting (AGM), including shareholder proposals relating to climate lobbying, child labor, deforestation, and packaging. This meeting also illustrates our concern with the infringement of shareholder rights by dual-class share structures.		
Analysis	<p>The company is family-controlled, with Tyson Limited Partnership (TLP) beneficially owning more than 50% of the company's total voting power. Tyson Foods falls under our policy on companies controlled by means of dual-class stock with extra voting rights. We therefore voted AGAINST the election of three directors due to the permanent family-control structure that is not subject to a sunset provision.</p> <p>There were also four shareholder proposals presented at the AGM:</p> <p>Shareholder proposal item 3 requested that the company conduct an evaluation and issue a report annually, describing if, and how, its lobbying aligns with Tyson's science-based targets and long-term net zero ambitions. The proposal also called for the report to address the risks presented by any misaligned lobbying and Tyson's efforts, if any, to mitigate these risks. We believe that support for this proposal was warranted since it would help provide broader context on the company's position on climate.</p> <p>The company itself identifies climate change as having the potential to have a significant "long-term adverse effect" on its business. However, Tyson has made slow progress in developing a credible climate strategy, in our view. It does not report against the Task Force on Climate-Related Financial Disclosures (TCFD) or sufficiently evidence how it is managing potential climate risks related to its business model. We felt that this proposal addressed the gap between the company's stated climate policy and its lobbying spending and was appropriate and well targeted.</p> <p>Shareholder proposal item 4 requested that the Board of Directors commission an independent third-party audit assessing the effectiveness of Tyson's policies and practices in preventing illegal child labor throughout its value chain. We were concerned that the company's current target to "deploy a supply chain management approach" to mitigate human rights-related risks by 2027 does not show sufficient urgency to mitigate potential reputational and financial risk associated with this issue. In the context of a 2022/2023 investigation by the U.S. Department of Labor, which identified the presence of child labor at Tyson's facilities, we felt this request for third-party assurance over child labor in the plants was appropriate and well targeted.</p> <p>Shareholder proposal item 5 requested that Tyson achieve independently verified deforestation-free supply chains by 2025. Unfortunately, we believe this proposal is not realistically achievable within the requested 2025 time frame, and so we voted AGAINST, while recognizing that land use change is a significant contributor to Tyson's carbon footprint in its value chain and failure to address the issue of deforestation presents a risk to its business model.</p> <p>Shareholder proposal item 6 requested that the Board issue a report describing opportunities for Tyson to support a circular economy for packaging. In our view, this request is duplicative and not necessary in the context of the company's existing disclosure on this topic. The company has already established a target for all Tyson-branded products' packaging to be recyclable, home compostable, or reusable by 2030. Given that the level of existing reporting is adequate for most investors' needs, this proposal is too burdensome.</p>		
Vote decision	T. Rowe Price Associates, Inc., on behalf of the T. Rowe Price funds and certain of its advisory clients, voted AGAINST Directors Les R. Baledge, Mike Beebe, and David J. Bronczek. All directors were elected. We voted FOR Shareholder Proposals 3 and 4 (Report on Climate Lobbying and Commission third-party audit assessing the use of child labor in the company's value chain). We voted AGAINST Shareholder Proposals 5 and 6. None of the four shareholder resolutions passed, which was expected, given that the company is controlled by the Tyson family through supervoting shares.		

Proxy Voting Case Study

The following case study illustrates the decision-making process at T. Rowe Price Associates, Inc. (TRPA) around a particular shareholder meeting.

Case study	
Company SAGE Therapeutics, Inc.	<p>Symbol SAGE (NASDAQ)</p> <p>Meeting date January 31, 2024</p>
Reason for highlighting this case study	This is an example of a potentially controversial pay-related resolution in the U.S. market. Ahead of the vote, the company reached out to engage with us, and we offered suggestions on how the proposed stock options exchange program could be structured in a way that was acceptable to shareholders. The company took our suggestions on board, and we were able to support the proposal.
Analysis	<p>TRPA is a shareholder of SAGE Therapeutics, a biopharmaceutical company specializing in the development of therapies for depression, neurology, and neuropsychiatry disorders of the brain.</p> <p>Consistent with many relatively young biopharma companies, SAGE's share price can be volatile. In August 2023, the company received mixed approval from the U.S. Food and Drug Administration (FDA) for its Zurzuvae drug; while the FDA approved its use for postpartum depression, it did not approve its use for the treatment of major depressive disorder. This decision resulted in a very sharp drop in the share price and a need to resize the company, with an approximate 40% reduction in staff.</p> <p>However, SAGE still needs to retain and grow a workforce of sufficient size to pursue the postpartum depression treatment that was approved. The company has traditionally used options as the main equity vehicle, and some key personnel had awards with strike prices as high as \$120. As of November 2023, the shares were trading close to \$18, and approximately 99% of outstanding stock options held by non-executive employees were "underwater." SAGE needed to consider ways to offset the lost retention value of these options to keep top talent motivated.</p> <p>The company asked to meet with us in October 2023 to discuss a potential options repricing program that was under consideration by the Board. The plan involved exchanging the existing employee stock options for ones with lower strike prices. Such an approach is often viewed negatively by shareholders as these exchanges are regarded as "do overs." The executives benefit from the repriced options, while the investors continue to bear the cost of past poor performance.</p> <p>In our meeting with the company, we outlined that we would consider supporting the option pricing if a number of conditions were met. These included:</p> <ul style="list-style-type: none"> — the company should drop the auto-replenishment "evergreen" feature from its stock plan; — the chief executive officer should be subject to more difficult exchange terms than other staff or be ineligible to participate; and — awards should be exchanged on a value-for-value basis. In other words, employees would receive fewer options at the lower strike price because these new awards will have more value. <p>Further to our meeting, SAGE convened a special meeting in January 2024 to propose a repricing. We do not typically approve options repricing, but we believed the proposed plan fairly balanced the interests of employees and investors, reflecting our suggestions. There was a ratio tied to the exchange of underwater awards to new ones, there were additional holding requirements, and the senior executives were participating on different terms with higher requirements or not participating at all. This exchange is aligned with our interests as shareholders.</p>
Vote decision	T. Rowe Price Associates, Inc., on behalf of the T. Rowe Price funds and certain of its advisory clients, voted FOR the Management Proposal (Item 1: Approve Stock Option Exchange Program for Non-executive Officer Employees) at the SAGE Therapeutics Special Meeting of Stockholders on January 31, 2024. The resolution was supported by over 95% of votes cast.

Proxy Voting Case Study

The following case study illustrates the decision-making process at T. Rowe Price Associates, Inc. (TRPA) around a particular shareholder meeting.

Case study			
Company National Australia Bank Ltd	<table border="0"> <tr> <td>Symbol NAB (ASX)</td> <td>Meeting date December 15, 2023</td> </tr> </table>	Symbol NAB (ASX)	Meeting date December 15, 2023
Symbol NAB (ASX)	Meeting date December 15, 2023		
Reason for highlighting this case study	This is an example where we engaged directly with the company to better inform our voting ahead of a high-profile climate-related shareholder resolution.		
Analysis	<p>TRPA is a shareholder of National Australia Bank (NAB), a large bank with a focus on business and retail banking in Australia and New Zealand. Along with its Australian banking peer Westpac, NAB received a climate-related shareholder proposal (item 5b) ahead of its 2023 annual general meeting, relating to the bank's assessments of its oil and gas customers' transition plans, and an enabling resolution (item 5a).</p> <p>Item 5a is an enabling resolution that seeks to amend the company's constitution. The drafting of the text to be inserted is quite broad, and many shareholders are concerned that voting for a change of this type could result in unintended consequences. Thus, typically shareholders vote against such amendments, which makes it hard for investors to employ the mechanism of a shareholder resolution to truly hold a company to account. For item 5b to be enacted, item 5a must first be approved by 75% of the shareholders; in practice, this level of support is unlikely.</p> <p>The shareholder resolution was a joint filing from domestic super fund Australian Ethical Investment and Market Forces, an environmental nongovernmental organization. The resolution requested disclosure on three items: whether all fossil fuel companies will be required to have climate change transition plans in order for NAB to provide new lending and renewals; whether NAB will bring its requirement that customers have transition plans forward to January 1, 2025, to match peer timelines; and how NAB will assess its customers' transition plans for credible alignment with the 1.5°C goals of the Paris Agreement.</p> <p>To inform our voting decision, we met with the bank to discuss its climate strategy, including how it assesses its customers' transition plans. After the resolution was filed, the bank also published its 2023 Climate Report, which satisfied several of the proponent's concerns. We believe that while there remains some divergence between the resolution and the bank's disclosure, NAB provided appropriate responses and disclosure addressing the resolution.</p> <p>We also spent time during the meeting discussing the bank's Transition Maturity Diagnostic framework in more detail and imparted our views on how the bank can align it with industry best practice. We suggested how the bank can highlight the progress clients have made on their transition plans and provided examples of peers demonstrating best practice. We also reviewed the escalation steps that NAB has in place should a customer score poorly in their framework and recommended the bank provide additional disclosure on these steps in the next climate report.</p> <p>If a resolution seeks additional disclosure, we closely examine the extent of the company's existing discussion on the topic. We support shareholder resolutions in cases where we believe the additional disclosure would be useful to our investment process. Having considered the disclosure provided by the company in its 2023 Climate Report and the perspectives shared during the engagement, we felt that the company had provided a sufficient response to the proponents' requests. Thus, support for items 5a and 5b was not warranted.</p>		
Vote decision	T. Rowe Price Associates, Inc., on behalf of the T. Rowe Price funds and certain of its advisory clients, voted AGAINST this shareholder proposal (Item 5b: Approve Transition Plan Assessments). The resolution did not pass, as the enabling resolution (item 5a) did not pass.		

Proxy Voting Case Study

The following case study illustrates the decision-making process at T. Rowe Price Associates, Inc. (TRPA) around a particular shareholder meeting.

Case study		
Company Naspers Ltd	Symbol NPN	Meeting date 24 August 2023
Reason for highlighting this case study	At the 2022 Annual General Meeting (AGM), the company introduced a non-standard remuneration structure which we supported as it aligned management's interests with those of shareholders. We were disappointed to see the company return to a more conventional pay framework at the 2023 AGM.	
Analysis	<p>Naspers Ltd is a South African multinational with media, e-commerce and venture capital business; its international internet assets are held by Prosus NV, a Dutch multinational. One of the key investor debates on Naspers has been caused by its share price trading at a substantial discount to net asset value (NAV). In theory, discounts to NAV in holding companies, such as Naspers, exist to compensate holders for tax and liquidity costs if all the assets were monetised and the proceeds returned to shareholders. In reality, discounts to NAV are volatile and also driven by perception of management's capital allocation record, complexity in the corporate structure and stage in the market cycle. In the case of Prosus, its discount has likely not only reflected tax and liquidity costs, but also complexity around its corporate structure and concerns on capital allocation. At times, investors have had significant concerns that the management team was not taking sufficient steps to address the discount.</p> <p>Encouragingly, the board addressed shareholder concerns about the discount in the remuneration policy put forward at the 2022 AGMs of Prosus and Naspers. Unusually, the company did not grant a long-term incentive (LTI) and instead proposed a separate discount-linked short-term incentive (STI). We voted in support, following engagement, as we felt this novel structure would align executives' and shareholders' interests and had responded to a key concern of our portfolio managers.</p> <p>In the year that the discount-linked STI was present, the management team took several steps to improve capital allocation and, therefore, reduce the discount, including (1) the announcement of a buyback program funded by the gradual sale of its largest asset, Tencent, and (2) a more disciplined approach to M&A. We believed these actions aligned well with shareholders' interests and, at least in part, could be attributed to the influence of the discount-linked STI in management's remuneration.</p> <p>Therefore, we were disappointed to see ahead of the pre-AGM engagement in July 2023 that the company announced that the discount-linked STI was not renewed at the 2023 AGM, and the LTI, which contained long-running problematic elements, was being reintroduced. Our objective in meeting with the company was to communicate that we thought the discount-linked STI had been a success and to express our disappointment that it was not being renewed for another year.</p> <p>The chair of the Remuneration Committee shared our view that the discount-linked STI had incentivised management to behave in a way which aligns their interests with those of shareholders, noting that there had been a reduction in the holding company discount as a result of the share repurchase programme over the last year. However, he also added that given this had created significant value for shareholders, the Remuneration Committee felt the discount-linked STI had met its objectives. Although the discount-linked STI is being held in reserve (because of a clawback provision) and will only be released if the discount as per 31 March 2023 persists until 31 March 2024, which is a positive, the Remuneration Committee had ultimately decided that the discount-linked STI was not going to be renewed for FY24.</p> <p>Instead, the company has reverted to its standard remuneration approach which consists of fixed pay, bonus (STI), LTI Performance Share Units (PSUs), LTI Share Appreciation Rights (SARs) and LTI Share Options (SOs.) The company feels this structure incentivises management to make value-creating asset allocation decisions on the non-Tencent portfolio, while being sensitive to the share price and thus aligned with shareholders' interests. Our main concern is the lack of transparency into how the Share Appreciation Rights are valued. We have raised this with the company over several years, and while the company has improved its disclosure of the valuation process, ultimately we do not know the underlying valuations and so how the outturn is calculated. This is concerning, given the overall quantum of reward, which is significant in the EMEA context.</p> <p>The chair of the Remuneration Committee explained that the performance of the Share Appreciation Rights is determined by year-on-year changes to the per share valuation of the group's Global Ecommerce Portfolio. A valuation report is provided which includes the share scheme valuations. The report is reviewed by the Valuations Subcommittee of the Remuneration Committee, before their recommendations are sent to the Remuneration Committee. The lack of transparency in the valuations of the mature private assets is problematic as the bulk of the enterprise value is here.</p> <p>The chair of the Remuneration Committee said the discount-linked STI and could be reintroduced in a future year if needed, which we considered an encouraging statement. We also voted for item 10, which removed the cross-holding structure with Prosus.</p>	
Vote decision	At the 2023 AGM of Naspers Ltd, T. Rowe Price Associates, Inc., on behalf of the T. Rowe Price funds and certain of its advisory clients, voted AGAINST the remuneration policy, as the reintroduction of the Share Appreciation Rights brings back the longstanding issues with opaqueness. We also voted AGAINST the remuneration report because we were disappointed to see the special discount-related short-term incentive not be renewed.	

Proxy Voting Case Study

The following case study illustrates the decision-making process at T. Rowe Price Associates, Inc. (TRPA) around a particular shareholder meeting.

Case study		
Company Prosus NV	Symbol PRX	Meeting date 23 August 2023
Reason for highlighting this case study	At the 2022 AGM, the company introduced a non-standard remuneration structure which we supported as it aligned management's interests with those of shareholders. We were disappointed to see the company return to a more conventional pay framework at the 2023 AGM.	
Analysis	<p>Prosus NV is a Dutch multinational that holds the international internet interests of Naspers Ltd, a South Africa multinational with media, e-commerce and venture capital business. One of the key investor debates on Prosus has been caused by its share price trading at a substantial discount to net asset value (NAV). In theory discounts to NAV in holding companies, such as Prosus, exist to compensate holders for tax and liquidity costs if all the assets were monetised and the proceeds returned to shareholders. In reality, discounts to NAV are volatile and also driven by perception of management's capital allocation record, complexity in the corporate structure and stage in the market cycle. In the case of Prosus, its discount has likely not only reflected tax and liquidity costs, but also complexity around its corporate structure and concerns on capital allocation. At times, investors have had significant concerns that the management team were not taking sufficient steps to address the discount.</p> <p>Encouragingly, the board addressed shareholder concerns about the discount in the remuneration policy put forward at the 2022 AGMs of Prosus and Naspers. Unusually, the company did not grant a long-term incentive (LTI) and instead proposed a separate discount-linked short-term incentive (STI). We voted in support, following engagement, as we felt this novel structure would align executives' and shareholders' interests and had responded to a key concern of our portfolio managers.</p> <p>In the year that the discount-linked STI was present, the management team took several steps to improve capital allocation and, therefore, reduce the discount, including (1) the announcement of a buyback program funded by the gradual sale of its largest asset, Tencent, and (2) a more disciplined approach to M&A. We believed these actions aligned well with shareholders' interests and, at least in part, could be attributed to the influence of the discount-linked STI in management's remuneration.</p> <p>Therefore, we were disappointed to see ahead of the pre-AGM engagement in July 2023 that the company announced that the discount-linked STI was not renewed at the 2023 AGM, and the LTI, which contained long-running problematic elements, was being reintroduced. Our objective in meeting the company was to communicate that we thought the discount-linked STI had been a success and to express our disappointment that it was not being renewed for another year.</p> <p>The chair of the Remuneration Committee shared our view that the discount-linked STI had incentivised management to behave in a way which aligns their interests with those of shareholders, noting that there had been a 16% reduction in the holding company discount from 54% to 38% as a result of the share repurchase programme over the last year. However, he also added that given this had created USD 16 billion of value for shareholders, the Remuneration Committee felt the discount-linked STI had met its objectives. Although the discount-linked STI is being held in reserve (because of a clawback provision) and will only be released if the 38% discount persists until 31 March 2024, which is a positive, the Remuneration Committee had ultimately decided that the discount-linked STI was not going to be renewed for FY24.</p> <p>Instead, the company has reverted to its standard remuneration approach which consists of fixed pay, bonus (STI), LTI Performance Share Units (PSUs), LTI Share Appreciation Rights (SARs) and LTI Share Options (SOs.) The company feels this structure incentivises management to make value-creating asset allocation decisions on the non-Tencent portfolio, while being sensitive to the share price and thus aligned with shareholders' interests. Our main concern is the lack of transparency into how the Share Appreciation Rights are valued. We have raised this with the company over several years, and while the company has improved its disclosure of the valuation process, ultimately we do not know the underlying valuations and so how the outturn is calculated. This is concerning, given the overall quantum of reward, which is significant in the EMEA context.</p> <p>The chair of the Remuneration Committee explained that the performance of the Share Appreciation Rights is determined by year-on-year changes to the per share valuation of the group's Global Ecommerce Portfolio. A valuation report is provided which includes the share scheme valuations. The report is reviewed by the Valuations Subcommittee of the Remuneration Committee, before their recommendations are sent to the Remuneration Committee. The lack of transparency in the valuations of the mature private assets is problematic as the bulk of the enterprise value is here.</p> <p>The chair of the Remuneration Committee said the discount-linked STI and could be reintroduced in a future year if needed, which we considered an encouraging statement. We also voted for item 10, which removed the cross-holding structure with Naspers.</p> <p>Our holders voted FOR all items with the exception of the remuneration report as we were disappointed to see the special discount-related short-term incentive not be renewed. While no LTI grant was made for FY23, the usual structure has been reintroduced for FY24, which brings back the longstanding issues with the opaqueness of the valuation methodology for the Share Appreciation Rights, given the quantum of the reward being unlocked. We made it clear when we saw the company that we felt the company had taken a step backwards with their FY24 pay arrangements.</p>	
Vote decision	T. Rowe Price Associates Inc., on behalf of the T. Rowe Price funds and certain of its advisory clients, voted FOR all items at the 2023 AGM with the exception of item 2, where we voted AGAINST the resolution to approve the remuneration report.	

Proxy Voting Case Study

The following case study illustrates the decision-making process at T. Rowe Price Associates, Inc. (TRPA) around a particular shareholder meeting.

Case study			
Company Ariston Holding NV	<table border="0"> <tr> <td>Symbol ARIS</td> <td>Meeting date 27 July 2023</td> </tr> </table>	Symbol ARIS	Meeting date 27 July 2023
Symbol ARIS	Meeting date 27 July 2023		
Reason for highlighting this case study	This is an example where we voted against the re-election of a director because board gender diversity is too low at the company.		
Analysis	<p>TRPA is a shareholder of Ariston Holding NV, a manufacturer of products and solutions serving the heating and hot water markets.</p> <p>Board diversity is an important issue for T. Rowe Price. At a high level, the composition of the average company board does not yet reflect the diversity of the stakeholders these companies represent — their employees, customers, suppliers, communities, or investors. Our experience leads us to observe that boards lacking in diversity represent a sub-optimal composition and a potential risk to the company's competitiveness over time.</p> <p>At the Extraordinary Shareholders Meeting (EGM) held in July 2023, two directors were up for election. Female representation on the company's board is around 25%; this is below the 30% we expect at European companies. As per our Voting Guidelines, in the Continental European markets, our minimum expectation for board diversity of companies on the main market is the Board should include at least 30% members of the minority gender.</p> <p>This was a relatively large Board of twelve at the time of the EGM. Female representation had not increased from the 25% at the 2022 AGM, so it was a persistent concern. We therefore voted against the election of Laurent Jacquemin as a Non-Executive Director as he contributed to board diversity being too low. As this is a controlled company, we expected that the item would pass regardless of how we voted.</p>		
Vote decision	T. Rowe Price Associates, Inc., on behalf of the T. Rowe Price funds and certain of its advisory clients, voted AGAINST management proposal 3, the re-election of Laurent Jacquemin as Non-Executive Director. The resolution was supported by 99.1% of votes cast. This result was expected as Ariston is a controlled company.		

Proxy Voting Case Study

The following case study illustrates the decision-making process at T. Rowe Price Associates, Inc. (TRPA) around a particular shareholder meeting.

Case study	
Company Dollar General Corp.	<p>Symbol DG (NYSE)</p> <p>Meeting date 31 May 2023</p>
Reason for highlighting this case study	<p>This is an example of a socially themed sustainability resolution which we supported because it addressed issues having a material impact on the company's performance. We followed up our voting action by escalating the concerns through an on-the-record interview in the press.</p>
Analysis	<p>TRPA is a shareholder of Dollar General Corp., a retailing company with a nationwide chain of discount stores. The company experienced significant upheaval in 2023, with an unplanned CEO succession, underperformance against peers and serious operational missteps that have resulted in increased rates of worker-safety violations and overall poor conditions for workers and customers in the stores.</p> <p>At a high level, the operational concerns at the company have centered around underinvestment in the stores, poor management of inventory and mismanagement of staffing levels. The combination of these factors has created an unsafe work environment across many of the chain's locations. Understaffed stores have experienced increased crime and unappealing shopping environments.</p> <p>We take a case-by-case approach to analysing shareholder resolutions of a social nature. Most of the time, we conclude that these proposals are not aligned with our interests because (1) they are brought forward by parties who are not actual shareholders of the corporation, (2) they are focused on niche concerns that we do not classify as financially material, (3) they ask for additional reporting on matters for which the company already provides comprehensive disclosure or (4) we disagree with the intentions of the proponent on principle.</p> <p>However, the proposal at Dollar General Corp.'s 2023 shareholder meeting was an exception. This resolution asked the company to commission a third-party report examining worker safety and well-being issues. The proposal was sponsored by an institutional investor and addressed a clearly material issue that has been poorly addressed by management in recent years.</p> <p>A period of underinvestment in the company's stores resulted in difficult working conditions across much of the base. Supply chain disruption contributed to the problem by making it difficult to predict when deliveries would reach each store location so that managers could be appropriately staffed on those days. The outcome was inventory continued to pile up to the degree that it became, in some stores, a safety hazard for workers. Increased spoilage was another outcome of inventory that piled up without enough staffing resources to unbox goods and move them to the appropriate location in the stores.</p> <p>The resulting pattern of safety incidents, investigations and fines applied by the Occupational Safety & Health Administration (OSHA) led to the company being categorised as a "severe violator" by the agency. It has also led to persistent negative coverage of the problems in the media.</p> <p>Given the material impact of these issues on the company's performance, we have spoken with Dollar General management on multiple occasions. The company has announced a programme to invest an incremental USD 100 million in the stores, primarily to increase labour hours per store. We discussed whether the company's remediation plan is adequate.</p> <p>We also took the unusual step in this case of participating in an on-the-record interview and commenting on our voting decision with Bloomberg BusinessWeek journalists who wrote a September 2023 cover story on working conditions at Dollar General.</p>
Vote decision	<p>T. Rowe Price Associates, Inc., on behalf of the T. Rowe Price funds and certain of its advisory clients, voted FOR the Shareholder Proposal (Item 7: Worker Safety and Well-Being Audit) at the Dollar General shareholder meeting on 31 May. The resolution was supported by 68% of votes cast.</p>

Proxy Voting Case Study

The following case study illustrates the decision-making process at T. Rowe Price Associates, Inc. (TRPA) around a particular shareholder meeting.

Case study	
Company Seven & i Holdings Co. Ltd	<p>Symbol 3382; JP</p> <p>Meeting date 25 May 2023</p>
Reason for highlighting this case study	This vote illustrates our approach to a high-profile proxy contest at a company which has been the focus of sustained engagement in recent years.
Analysis	<p>Seven & i Holdings is Japan's largest retail conglomerate. It is currently the subject of a proxy contest with the activist investor, ValueAct. In line with our Shareholder Activism policy, we met with both the activist and the company before deciding how to vote. Under our policy, we are only able to engage directly with the specifics of an activist's proposals once its campaign is in the public domain; ValueAct had published an open letter to the Board in January 2022.</p> <p>The conglomerate's convenience store operations in Japan and the US are very promising, high-return businesses, but despite generating nearly all of the group's operating earnings, the stock has continually traded at a large discount due to the persistence of struggling, low-return businesses in Japan, in markets with few synergies with the core convenience franchise. With the expansion of the North American 7-11 business, the company has become increasingly international. Senior management remains very domestically oriented, and investors have questioned to what extent the company is run as a genuinely global enterprise. In addition, we believe Japanese accounting standards and problems with disclosure have led to the market's underestimation of the true level of earnings as well as key performance indicators such as return on equity.</p> <p>Since 2020, well before activists took positions in the stock, we were quietly offering ideas to management about how to reduce the conglomerate discount and to encourage capital deployment to expand the overseas footprint. Despite our dialogue, we remained concerned that domestic reform was too slow and that the limited measures taken were reactive rather than proactive. Thus, we regretfully voted against the re-election of President Isaka at the 2022 AGM.</p> <p>In early 2023 we wrote to the Board of Directors to encourage the further adoption of governance practices and reforms designed to enhance and preserve long-term shareholder value. In the letter we applauded management's recent efforts to spin off low-return operations such as the Sogo-Seibu department store chain, and praised the appointment of six new non-executive directors which established a majority-independent and diverse Board for the first time. However, we expressed our concern that reform measures were incomplete, and that the creation of a Strategy Committee, comprised entirely of independent directors to assess progress on medium-term plans, might be used by incumbent management to delay urgently needed changes and delegate important decision-making that most well-managed companies can harness without the need for a separate organizational structure.</p> <p>ValueAct continued to engage with the company, and in April 2023 issued an open letter calling for the removal of President Isaka, Vice-President Goto, and other long-serving directors, alleging they enabled management to avoid shareholder scrutiny. Troublingly, ValueAct alleged that shareholder meetings had been secretly recorded without the consent of participants. To refresh the Board, ValueAct said it would nominate four new Independent Outside Directors, who would serve alongside the six new Independent Outside Directors who joined the Board in 2022 and alongside four Inside Directors who manage major parts of the group.</p> <p>We went into the analysis inclined to support management, in recognition of the progress that has been made. However, after listening objectively to the arguments made by ValueAct, studying the qualifications and capabilities of the nominated Outside Directors, and concluding that management's efforts to defend the status quo were not compelling, we made the difficult decision to support all the activist's proposals, including voting for their Board nominees.</p> <p>On 19 May, our analyst met with senior members of Investor Relations at the company to detail the reasons why we had decided to support the shareholder proposals, and held a frank and constructive discussion. We noted four main reasons for our stance: 1) the company's reactive rather than proactive attitude, 2) the insufficiency of incumbent management's explanations and rebuttals, in particular its inability to quantify the dis-synergies that might hinder product development if lower-return parts of the group were deconsolidated, 3) their mischaracterization of the specifics of ValueAct's proposals and of their Board nominees, and 4) their evident unwillingness to offer sufficient alternative measures to reduce the conglomerate discount. We emphasized, above all, that regardless of the results of the AGM vote, T. Rowe Price would continue to engage with the company quietly and politely, but always firmly and in accordance with our fiduciary duty to clients.</p>
Vote decision	T. Rowe Price Associates, Inc. on behalf of the T. Rowe Price funds and certain of its advisory clients will be voting AGAINST items 2.1-2.5, and FOR all other items, including items 5.1-5.4, the ValueAct nominees.

As at 22 May 2023

Proxy Voting Case Study

The following case study illustrates the decision-making process at T. Rowe Price Associates, Inc. (TRPA) around a particular shareholder meeting.

Case study		
Company	Symbol	Meeting date
Shell plc	SHEL; LN	23 May 2023
Reason for highlighting this case study	This is a high profile meeting where the Chair is being targeted for a vote against his re-election by certain investors who are not convinced that Shell is managing the climate transition adequately. There are also two other high-profile resolutions up for a shareholder vote: a management-supported say-on-climate (item 25) and a climate-related shareholder resolution (item 26) filed by the non-governmental organization (NGO) "Follow This".	
Analysis	<p>Item 25 – management-backed say-on-climate progress report</p> <p>The Company originally presented its climate transition plan for shareholder approval in 2021. At the 2023 Annual General Meeting (AGM) under item 25, it is asking for shareholder approval of progress in 2022 against the goals of this plan. Shell appears to be making reasonable progress against the targets laid out in its climate strategy: it has reduced its scope 1-2 emissions almost 30% since 2016 and its scope 1-3 net carbon intensity has also decreased compared to the baseline – although the pace of scope 3 emission reductions is slower than the pace of scope 1-2 reductions, this is in-line with what Shell forecast in its climate strategy in 2021¹. We therefore supported Shell on its say-on-climate vote (item 25). The company is scheduled to present an updated climate strategy at its 2024 AGM.</p> <p>Item 26 – shareholder proposal</p> <p>As in recent years, shareholder consortium "Follow This" has presented a shareholder-requisitioned resolution under item 26. The "Follow This" shareholder resolution requests the company to align its greenhouse gas (GHG) emissions reduction targets with the goal of the Paris Climate Agreement: to limit global warming to well below 2°C above pre-industrial levels and to pursue efforts to limit the temperature rise to 1.5°C. The strategy for how to achieve this target is entirely up to the Board; however, it is interpreted that the company would need to set an absolute 2030 GHG emissions reduction target which includes the use of its energy products (scope 3).</p> <p>The Board is not supportive of the shareholder resolution, pointing out that Shell has Paris-aligned targets to reduce emissions with the goal of becoming a net-zero emissions energy business by 2050. Shell has not published absolute Scope 3 reduction targets, but it has set short-, medium-, and long-term targets to reduce the net carbon intensity of the energy products it sells.</p> <p>We believe that our view on intensity-based versus absolute emission reduction targets differs from the proponents. For funds where the mandate is financial performance, an intensity-based scope 3 target can provide evidence for a credible decarbonisation strategy, provided the targets are suitably ambitious with a clear plan to achieve them. As shareholders, tracking year-on-year changes in its reported intensity metrics demonstrates how Shell is pivoting its portfolio towards lower carbon products.</p> <p>Chairman election</p> <p>Some UK pension funds have commented publicly that they do not intend to support the reappointment of the Chair because Shell has not moved quickly enough in redeveloping their business. Comments from Wael Sawan, the new Chief Executive, caused further unease by suggesting that the group might produce more oil for longer. Shell has laid out a detailed strategy to pivot its business towards lower carbon products as well as setting short-, medium-, and long-term targets to reduce its scope 1-3 emissions and delivering against these targets. While we recognize that Shell's interim scope 1-3 reduction targets fall short of a 1.5°C scenario, the company has set a 2050 net zero target. Therefore, we do not believe a vote against Chairman is warranted at the current time.</p> <p>Conclusion</p> <p>T. Rowe Price Associates will be voting FOR the say-on-climate (item 25) as the company has made reasonable progress on the 2021 strategy. There has been progress in terms of operational emission reduction, and the company has adhered to the commitments set out in the 2021 transition plan. T. Rowe Price Associates will be voting AGAINST the climate-related shareholder resolution (item 26) as the company is appropriately managing its climate risk given the short-, medium-, and long-term scope 3 intensity targets, the significant capex into low carbon businesses, and the scope 1-2 targets.</p>	
Vote decision	T. Rowe Price Associates, on behalf of the T. Rowe Price funds and certain of its advisory clients, will be voting FOR the say-on-climate (item 25) and AGAINST the climate-related shareholder resolution (item 26). We will vote FOR the re-election of the Chair, Sir Andrew Mackenzie.	

¹ 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).

As at 23 May 2023

Proxy Voting Case Study

The following case study illustrates the decision-making process at T. Rowe Price Associates, Inc. (TRPA) around a particular shareholder meeting.

Case study		
Company Woodside Energy Group	Symbol WDS; AU	Meeting date 28 April 2023
Reason for highlighting this case study	This is an active holding which has received a high-profile climate-related shareholder resolution.	
Analysis	<p>A group of shareholders representing approximately 0.002% of the Company's ordinary shares has proposed Items 6(a) and 6(b) under section 249N of the Corporations Act. Item 6a is the enabling resolution and item 6 requests the company disclose information that demonstrates how its capital allocation to oil and gas assets will align with a scenario in which global energy emissions reach net-zero by 2050, facilitating the efficient managing down of these assets. The proponent in this case is Market Forces, a nongovernmental organization (NGO). Following discussions with our investment team, we decided to vote against item 6A and to abstain on item 6B.</p> <p>Item 6A is an enabling resolution which seeks to amend the company's constitution. As the passage of this resolution requires support from at least 75 per cent of shareholders, it makes it hard for investors to employ the mechanism of a shareholder resolution to truly hold a company to account. For item 6B to be enacted, item 6A must first be approved by 75% of the shareholders; this level of support is unlikely.</p> <p>T. Rowe Price would support the introduction of a framework that permitted non-binding shareholder resolutions in the Australian market. Where these are permitted in other jurisdictions, shareholder resolutions can serve as an additional tool for institutional investors to advocate for enhanced company disclosure on governance and sustainability risks or more robust policies and procedures. However, this approach is not currently permissible in Australia.</p> <p>Item 6B requests the company disclose, in subsequent annual reporting, "information that demonstrates how the company's capital allocation to oil and gas assets will align with a scenario in which global energy emissions reach net zero by 2050, facilitating the efficient managing down of these assets." T. Rowe Price's decisions with respect to proxy issues are made in light of the anticipated impact of the issue on the desirability of investing in the portfolio company. The only permitted exception is if the security is held within a portfolio with a dual mandate of positive environmental or social change alongside financial returns, but all the equity portfolios which hold Woodside at the time of the 2023 Annual General Meeting (AGM) are strictly financially orientated.</p> <p>The resolution was analysed through the lens of T. Rowe Price's Investment Policy on Climate Change. The 2023 update contains the following expectations: "We view best practice as adopting a science-based net zero target aligned to a 1.5°C pathway that covers scope 1–2 and the most relevant scope 3 emissions¹. If a company has these targets validated by the Science-Based Targets initiative (SBTi), that gives us further confidence that the company is adequately addressing its material emissions and not relying on carbon offsets in the case of emissions that should be mitigated." However, when applying this framework, we take the company-specific situation into account, e.g., SBTi has to date, not provided guidance for the oil and gas sector.</p> <p>The analysis undertaken by the Responsible Investing and Governance teams along with our equity analyst identified that the core disclosure, the Climate Report 2022, is structured in line with the Task Force on Climate-Related Financial Disclosures (TCFD) framework and provides adequate detail. The detailed disclosure requests, e.g., production guidance for the lifetime of the oil and gas assets, are not items we have requested from peer companies. Yet questions remain about the strategy and the speed of progress:</p> <ul style="list-style-type: none"> — The company has not made any commitment to net zero by 2050 or sooner and has only stated that it targets to "move towards an aspiration of net zero by 2050 or sooner." — Nonetheless, Woodside has committed significant capital expenditure towards new energy investments and its scope 1-2 targets look reasonable. <p>To date Woodside has been a heavy user of offsets to progress their emissions goals and we would like to see them start to make progress outside of offsets as the 30% reduction by 2030 would appear to require more fundamental progress. To signal our concern with the reliance on offsets and the lack of a net zero target, we decided to abstain on item 6b at the 2023 AGM, given the lack of alignment with our climate policy. We will continue to monitor progress ahead of the 2024 AGM.</p>	
Vote decision	T. Rowe Price Associates, Inc., on behalf of the T. Rowe Price funds and certain of its advisory clients, will be voting FOR all items at the 28 April 2023 AGM with the exception of item 6A where we will be voting AGAINST and item 6B where we will be voting ABSTAIN.	

¹ 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).

Proxy Voting Case Study

The following case study illustrates the decision-making process at T. Rowe Price Associates, Inc. (TRPA) around a particular shareholder meeting.

Case study		
Company	Symbol	Meeting date
ENGIE SA	ENGI; FP	26 April 2023
Reason for highlighting this case study	This is a significant active holding which has received a climate-related shareholder resolution from a group of European institutional investors.	
Analysis	<p>Sixteen European institutional investors from France, the Netherlands and Belgium- including APG, Candriam, Degroof Petercam AM, Ecofi, l'ERAFP, La Banque Postale AM, La Financière de l'Échiquier, Mandarine Gestion, Mirova, Messieurs Hottinguer & Cie Gestion Privée, MN, OFI Invest AM et Sycomore AM-representing 1.5% of Engie's issued share capital and coordinated by the French SIF (Forum pour l'Investissement Responsable) have filed a shareholder resolution entitled "Resolution on modification of the articles of association on the company's climate strategy."</p> <p>The shareholder resolution (item B) seeks to amend articles 21 and 24 of the company's bylaws.</p> <ul style="list-style-type: none"> — Under Article 21 the proponents are asking for a triennial strategy vote and an annual vote on the progress report of the company's climate strategy implementation — Under Article 24 the proponents are asking for either a 1.5°C aligned climate strategy or a progress report of the climate strategy implementation over the past financial year. <p>The review by T. Rowe Price's Responsible Investing and Governance teams noted that the shareholder resolution is well-drafted and has credible proponents. Hence, we engaged with the company to understand their perspective. The company told us that it has committed to:</p> <ul style="list-style-type: none"> — Annual reporting of progress — A dedicated agenda item at each Annual General Meeting (AGM) to discuss the climate strategy, in line with the expectations of the French financial services regulator, the Autorité des marchés financiers (AMF) — A strategy vote every three years, and more often if needed e.g. if there was a significant change to the business scope. <p>The company did not want to change their bylaws given the current regulatory uncertainty on this topic but was willing to in practice meet the request of the proponents under Article 21.</p> <p>On Article 24, we felt that there was the opportunity for improved disclosure. This was the main reason we had for potentially supporting the resolution, given the materiality of climate as a topic.</p> <p>The company told us that in line with feedback from other shareholders they would be publishing an addendum to the Task Force on Climate-Related Financial Disclosures (TCFD) report 2023 which would clarify the points raised by the proponents. The additional reporting published on 14 April 2023 to the ENGIE website shows:</p> <ul style="list-style-type: none"> — The company has set public objectives which cover 99% of its carbon footprint (scopes 1, 2 and 3 emissions¹) — The charts on page 3 of the addendum to the TCFD report 2023 provide additional granularity on alignment with the 1.5C trajectory which addressed our outstanding concerns. — The company has also committed to annual reporting. <p>On balance, we felt that the company has effectively met what was requested by the proponents. We did not feel that requesting a bylaw change on top of the other commitments was necessary at this time, particularly given the regulatory expectations for say-on-climate votes in the French market are expected to be clarified by the AMF in the near future. However, we continue to keep the matter under review and if the company does not meet the commitments it has made, we will reflect this in our voting against directors at a future AGM.</p>	
Vote decision	T. Rowe Price Associates, Inc., on behalf of the T. Rowe Price funds and certain of its advisory clients, will be voting FOR all items at the 26 April 2023 AGM with the exception of item B where we will be voting AGAINST.	

¹ 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).

Proxy Voting Case Study

The following case study illustrates the decision-making process at T. Rowe Price Associates, Inc. (TRPA) around a particular shareholder meeting.

Case study	
Company Fujitec Co., Ltd	Symbol 6406; JP Meeting date 24 February 2023
Reason for highlighting this case study	Fujitec Co., Ltd (Fujitec) was the subject of a “Vote No” campaign in 2022 against its President following the alleged misuse of corporate assets. The accusations were made by the activist, Oasis Management Company Ltd. (“Oasis”), who is also the largest shareholder. We had engaged with Fujitec on corporate governance topics in 2020 and 2021 and had thought genuine progress had been made. Hence, we are particularly concerned by the issues which have since emerged, and by the company’s response.
Analysis	<p>At the June 2020 Annual General Meeting (AGM) of Fujitec, we voted against the re-election of the CEO to encourage the Board to undertake a review of strategy and performance with more urgency than they were exhibiting. We also supported two shareholder resolutions related to capital management filed by activist investors Oasis Management. Given the company’s low revenue growth and suboptimal capital structure, there was a large valuation gap versus peers. We engaged with Fujitec on three corporate governance topics: the need for an external strategic review to improve operational efficiency, the need to improve capital allocation, and the need to lift governance standards across the business. We expressed our views directly to senior management through our investment team via a series of calls, then sent a letter to the Board of Directors. We were encouraged enough by progress we observed during the year that we voted in support of management on all resolutions at the 2021 AGM.</p> <p>However in 2022, evidence of misuse of corporate assets emerged. These included accusations of several inappropriate related-party transactions taking place between Fujitec and its President. We engaged with Fujitec senior management and board members twice in June 2022 to express our concerns over Oasis’ accusations. We impressed upon management that a full review by a third-party committee was warranted. We also requested a call with Fujitec’s independent directors.</p> <p>During our second engagement, we held a call with the independent lead director – who explained why the transactions highlighted by Oasis were not problematic from the board’s perspective.</p> <p>Based on our dialogue with the company, we voted against the President’s re-election along with significant numbers of other outside shareholders. Subsequently, Fujitec amended the proxy, and although the President did not stand for re-election at the 2022 AGM, he was appointed to an unelected Chairman role. This has entrenched his power and is inappropriate given the severity of the allegations.</p> <p>Frustrated with the company’s response, Oasis, which holds over 16% of the issued share capital, has convened an extraordinary general meeting (EGM) in February 2023 to remove the incumbent Outside Directors and replace them with candidates it sees as more likely to stand up for the interests of shareholders. Prior to this meeting, in line with our usual process for contested elections, we met separately with management and with Oasis. We also attended a webinar where the nominees who had been nominated by Oasis presented to investors.</p> <p>The six nominees had relevant skills; two had expertise in legal and governance matters and two were experienced investors. Fujitec specialises in the development, manufacturing and installation of elevators, escalators, and other transportation systems, so we were pleased to see that two had track records of business leadership in the international elevator industry. The candidates proposed by Oasis also provided demographic diversity in terms of age, gender, ethnicity, nationality and regions in which they were based or had gained professional experience. The nominees had been identified through external searches and consider themselves independent of Oasis and independent of Fujitec; on the webinar they emphasised that they would treat Oasis equivalent to any other shareholder if they are elected.</p> <p>At the February EGM, Oasis is seeking to remove all the current independent outside directors (items 2.1-2.6) and replace them with six new independent directors (items 3.1-3.6,) given the decision of the existing outside directors not to hold Chairman Takakazu Uchiyama to account. Fujitec is proposing two new independent directors (items 1.1-1.2) but following our unsatisfactory engagements with the company over the last nine months, we are not convinced that these two candidates will be able to drive meaningful change.</p> <p>Items 4-7 on the agenda are to authorise the pay for the board directors, including any newly appointed outside directors. The proposed arrangements appear aligned with investor interests.</p>
Vote decision	T. Rowe Price Associates, Inc. on behalf of the T. Rowe Price funds and certain of its advisory clients, voted AGAINST items 1.1-1.2 (the new company-proposed outside directors) and FOR all other items at the 24 February 2023 EGM.

As at 20 February 2023

Proxy Voting Case Study

The following case study illustrates the decision-making process at T. Rowe Price Associates, Inc. (TRPA) around a particular shareholder meeting.

Case study		
Company Constellation Brands Inc.	Symbol STZ (NYSE)	Meeting date 9 November 2022
Reason for highlighting this case study	The company is presenting an unusual proposal to collapse its longstanding dual-class capital structure into a single class of common stock.	
Analysis	<p>T. Rowe Price Associates, Inc., is a shareholder of Constellation Brands Inc, a global producer of wine, beer and spirits. The company has been controlled by its founding family since its inception in 1945. Control has been maintained via the use of a dual-class capital structure, with 10:1 voting rights for family stockholders. In April, the board received a proposal from the Sands family to collapse the dual-class structure and do away with the unequal voting rights via an exchange ratio at a premium to the common share price.</p> <p>The board invited comment from shareholders as it formed a Special Committee to evaluate the proposal. We provided a detailed comment letter making a case in favor of simplifying the company's capital structure. We did not prescribe a specific premium to be paid to the founding family, but we offered multiple considerations for the committee as it considered how to fairly price any premium it deemed necessary.</p> <p>We also recommended a path of corporate governance improvements to accompany the new one-share-one-vote structure. These had to do with the roles of Sands family members on the board going forward, the need for refreshment of the board's committees and leadership roles, and strengthening shareholder rights after decades of being insulated from investor influence by the controlling shares' voting rights.</p> <p>In August, we were pleased to see the board announce a final plan for shareholder approval. A lower premium was negotiated, to be paid in cash instead of shares. The corporate governance improvements we hoped to see were adopted on a timetable even shorter than we had expected.</p> <p>Our conclusion is the Special Committee negotiated a reasonable compromise with the company's controlling shareholders. Over the long term, we believe shareholders will benefit from the simplified capital structure and the enhanced board accountability that accompanies the conversion from a controlled company to one with equal voting rights for all investors. We believe there is greater potential for the company's valuation to improve as its management team demonstrates consistency and transparency in its strategic decision-making, and as the market comes to appreciate that the risk profile of the enterprise has changed now that there is no controlling stockholder whose interests have not always aligned with those of outside investors.</p>	
Vote decision	T. Rowe Price Associates, Inc. (TRPA), on behalf of the T. Rowe Price funds and certain of its advisory clients will vote FOR the management proposal to approve the amended and restated charter to effectuate the reclassification at the Constellation Brands Inc. special shareholder meeting on November 9.	

As at 1 November 2022

Proxy Voting Case Study

The following case study illustrates the decision-making process at T. Rowe Price Associates, Inc. (TRPA) around a particular shareholder meeting.

Case study		
Company Commonwealth Bank of Australia	Symbol CBA (ASX)	Meeting date 12 October 2022
Reason for highlighting this case study	This vote illustrates our approach to a high-profile climate-related shareholder resolution which was informed by engagement with both the proponent of the resolution and the company.	
Analysis	<p>Items 5A and 5B are two climate-related shareholder resolutions, which our investment analyst and ESG team discussed with both the proponent and the company. The proponent in this case is Market Forces, a non-governmental organization (NGO). We chose to engage to ensure we had the full picture, given how important climate is as a theme for many of our portfolio holdings.</p> <p>Item 5A is an enabling resolution which seeks to amend the company's constitution. The drafting of the text to be inserted is quite broad, and many shareholders are concerned that voting for a change of this type could result in unintended consequences. Thus, typically shareholders vote against such amendments, which makes it hard for investors to employ the mechanism of a shareholder resolution to truly hold a company to account. For item 5B to be enacted, item 5A must first be approved by 75% of the shareholders; this level of support is unlikely.</p> <p>T. Rowe Price would support the introduction of a framework which permitted non-binding shareholder resolutions in the Australian market. Where these are permitted in other jurisdictions, shareholder resolutions can serve as an additional tool for institutional investors to push for enhanced company disclosure on governance and sustainability risks or more robust policies and procedures. However, this approach is not currently permissible in Australia.</p> <p>Under item 5B, the resolution requests Commonwealth Bank of Australia (CBA) to demonstrate how its financing will not be used for the purposes of new or expanded fossil fuel projects. The proponent states that CBA continues to finance companies and projects that expand the scale of the fossil fuel industry, which they believe is contrary to CBA's commitment to the Paris Agreement and its target of net zero emissions by 2050.</p> <p>The bank said that it is committed to playing a leadership role in Australia's transition to a net zero emissions economy by 2050. It is their ambition to support a purposeful transition in three main ways: lending to support the transition; helping customers navigate the transition; and leading the transition conversation. To this end, the bank is looking to work with clients to help them transition, rather than taking a purely exclusionary approach. This approach is underpinned by their public-facing environmental and social framework which lays out some restrictions on the types of customers it will finance as well as requirements customers must abide by to obtain financing. For example, the bank will undertake assessments of certain customers to ensure they are in line with the goals of the Paris Agreement. In addition, from 2025 onward these clients are expected to have published Transition Plans which include a time-bound decarbonisation plan consistent with the goals of the Paris Agreement.</p> <p>Our responsible investing team analysed the disclosure provided by CBA in their 2022 climate report and found it to be aligned with best practices in this market. The report provides a detailed description on the governance, strategy, risk management and associated metrics/targets linked to climate risks. The bank has also measured the financed emissions across approximately 90% of its lending portfolio and reports on the progress against their interim sectoral targets. The bank has also reported on the output from its engagements with their carbon-intensive customers during the year. Finally, CBA has also partnered with a government agency - the Commonwealth Scientific and Industrial Research Organisation (CSIRO), to develop scientific pathways for the Australian market and lead the transition conversation in the local market.</p> <p>It is paramount that a bank financing a "high emitting transitioner" has a robust process to ensure the borrower has a genuine, credible plan to achieve net-zero. Thus our dialogue explored how CBA assesses the credibility of customer's transition plans. The bank shared their assessment approach, highlighting areas such as public reporting, business strategies and the alignment of capex/investment when determining the credibility of the customers' transition plans. Although what we heard was reassuring, we recommended the bank provide some additional disclosure in future climate reports to help shareholders understand the bank's assessment of customers transition plans in more detail. Finally, we recognize this approach may result in a bank excluding many high-emitting customers, but this will only occur after a thoughtful evaluation of their business plans. In our discussion with the bank, CBA provided some indication on the number of customers that are no longer financed.</p>	
Vote decision	<p>T. Rowe Price Associates, Inc. (TRPA), on behalf of the T. Rowe Price funds and certain of its advisory clients, will be voting AGAINST items 5A and 5B, the enabling shareholder resolution and the climate risk safeguarding resolution respectively.</p> <p>Our conclusion is the resolutions are unnecessary because the company is already taking appropriate steps toward an orderly transition for its clients faced with heavy climate-related risks.</p>	

Proxy Voting Case Study

The following case study illustrates the decision-making process at T. Rowe Price Associates, Inc. (TRPA) around a particular shareholder meeting.

Case study									
Company Informa plc	<p>Symbol INF;LN</p> <p>Meeting date 16 June 2022</p>								
Reason for highlighting this case study	We highlight this vote because of our history of active engagement with the board and because of the unusually contentious vote outcome this year. At the June 2022 shareholder meeting, 71% of investors voted against the remuneration report to reflect disagreement with the company's second pandemic-related adjustment to the Long-Term Incentive Plan (LTIP) in two years.								
Analysis	<p>In recent years, Informa plc has been the subject of significant investor dissent on pay. As set out in the engagement timeline below, we were initially supportive of the remuneration practices. Even though they were not fully in line with best practices in the UK market, we wanted to see the management team focused on rebuilding the business post-pandemic. Although the relevant dialogue was held directly with the company, we also joined the UK Investor Forum collaborative engagement to amplify our concerns about how the board was undertaking its remuneration consultations.</p> <table border="1"> <thead> <tr> <th>Pay issue at shareholder meeting</th> <th>Outcome</th> </tr> </thead> <tbody> <tr> <td> <p>June 2020 – The AGM (Annual General Meeting) saw the company bring its triennial remuneration policy back before shareholders early but fail to address some key areas of non-compliance with the UK Corporate Governance Code. The pension arrangement for incumbent executive directors was high and not aligned with the broader workforce. Also, there was no post-cessation shareholding requirement.</p> </td> <td>35% of shareholders voted against the remuneration policy in June 2020.</td> </tr> <tr> <td> <p>Autumn 2020 – The company consulted on a new share plan which replaced performance shares and the deferred portion of the bonus with restricted shares. We supported the new remuneration policy and plan. It was broadly in line with UK practice for a restricted share plan and addressed the areas of noncompliance with the UK Corporate Governance Code.</p> </td> <td>41% of shareholders voted against the pay approach (remuneration policy and plan) presented in December 2020.</td> </tr> <tr> <td> <p>June 2021 – At the AGM, we voted against the remuneration report as the company had used significant COVID-related discretion to the long-term incentive plan payout without consulting shareholders. We were disappointed to be surprised in this way, given we had consulted extensively with the company prior to the Equity Revitalisation Plan approval in December 2020.</p> </td> <td>62% of shareholders voted against the remuneration report. As an escalation strategy to show our concern, we and 47% of shareholders voted against the re-election of the chair of the Remuneration Committee at the 2021 AGM.</td> </tr> </tbody> </table> <p>This public spat over pay has become a distraction from the core investment opportunity. When we saw the Chair after the 2021 AGM, we advocated that the Remuneration Committee should select a new Chair to reset relations with investors. We were pleased when the appointment was subsequently made, but disappointed that in our first meeting with the new Chair we were told that the Remuneration Committee had decided to make another pandemic-related adjustment to the LTIP. We had advised the company that any negative surprises on pay this year would be poorly received by investors, and yet the same dynamic continued under the new Chair. Given our continued frustration, we were amongst the 71 percent of shareholders who voted against the remuneration report at the 2022 AGM. Dissent of this magnitude is extremely unusual in the UK market.</p>	Pay issue at shareholder meeting	Outcome	<p>June 2020 – The AGM (Annual General Meeting) saw the company bring its triennial remuneration policy back before shareholders early but fail to address some key areas of non-compliance with the UK Corporate Governance Code. The pension arrangement for incumbent executive directors was high and not aligned with the broader workforce. Also, there was no post-cessation shareholding requirement.</p>	35% of shareholders voted against the remuneration policy in June 2020.	<p>Autumn 2020 – The company consulted on a new share plan which replaced performance shares and the deferred portion of the bonus with restricted shares. We supported the new remuneration policy and plan. It was broadly in line with UK practice for a restricted share plan and addressed the areas of noncompliance with the UK Corporate Governance Code.</p>	41% of shareholders voted against the pay approach (remuneration policy and plan) presented in December 2020.	<p>June 2021 – At the AGM, we voted against the remuneration report as the company had used significant COVID-related discretion to the long-term incentive plan payout without consulting shareholders. We were disappointed to be surprised in this way, given we had consulted extensively with the company prior to the Equity Revitalisation Plan approval in December 2020.</p>	62% of shareholders voted against the remuneration report. As an escalation strategy to show our concern, we and 47% of shareholders voted against the re-election of the chair of the Remuneration Committee at the 2021 AGM.
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Vote decision	T. Rowe Price Associates, Inc. (TRPA), on behalf of the T. Rowe Price funds and certain of its advisory clients, voted against the remuneration report at the 2022 AGM, to express our concern with how the LTIP adjustment had been handled and communicated to shareholders. We also abstained on the reappointment of the former Chair of the Remuneration Committee, but he decided not to seek re-election just prior to the AGM.								

Proxy Voting Case Study

The following case study illustrates the decision-making process at T. Rowe Price Associates, Inc. (TRPA) around a particular shareholder meeting.

Case study		
Company Mitsubishi Corp.	Symbol 8058; JP	Meeting date 24 June 2022
Reason for highlighting this case study	The company received two high-profile climate-related shareholder resolutions. Some of our Portfolio Managers decided to support one of the two resolutions, and we wanted to explain our approach.	
Analysis	<p>Mitsubishi is one of the largest Japanese trading company in terms of earnings and assets, and has the second highest exposure to commodities amongst peers. This year the company has received two climate-related shareholder resolutions from non-governmental organizations Market Forces, Friends of the Earth Japan and Kiko Network. To formulate our vote decision, our governance team attended a webinar where the proponents presented their resolutions, engaged with the company, and discussed the situation with our investment analyst who follows the company. Our ultimate decision was to vote AGAINST item 6. However, there was a range of views on item 5, with some holders voting FOR and some AGAINST. This memo explains how our portfolio managers reached their decisions.</p> <p>Item 5 asks the company to improve its disclosure by adopting and disclosing a business plan with Paris-aligned short- and mid-term greenhouse gas emissions reduction targets. The targets will cover Scope 1, 2 and 3 emissions¹, and progress reporting will be provided annually. The company's current disclosure has two main opportunities for improvement: the addition of a short-term target and comprehensive coverage of Scope 3 targets. In engagement, the company told us that they plan to improve their Scope 3 disclosure later in the year, but were reluctant to disclose a short-term target even though an internal roadmap to the mid-term 2030 target exists. We appreciate the need for flexibility, but suggested that an indicative range could be provided rather than an exact number in the next iteration.</p> <p>Our Portfolio Managers who voted with management on item 5 felt that the company is already making substantial efforts on decarbonization and that additional disclosure could be counterproductive. Specifically, providing the requested level of detail might negatively impact the company's negotiating leverage if it becomes necessary to dispose of such assets. However, our Portfolio Managers who voted FOR item 5 felt this additional disclosure would be useful to shareholders. Furthermore, their view is it's a reasonable request since the company has been a Task Force on Climate-Related Financial Disclosures (TCFD) supporter since July 2018 and already has both a 2030 mid-term target and a commitment to reach net zero by 2050.</p> <p>We would note that T. Rowe Price proxy voting decisions are made at the investment strategy level. While it is uncommon for managers who own the same stock to take different views on a voting matter, split decisions such as this are allowed under our voting guidelines and facilitated under our normal voting procedures.</p> <p>Item 6 asks the company to include in its annual corporate reporting how a net zero by 2050 pathway would affect the assumptions around new material capital investments and planned future investments in the development of new oil and gas assets. The company recently published a new mid-term corporate strategy which established processes for aligning its investment with short and medium-term targets within the net-zero framework. Under this new structure, the company identified "Green" businesses that present significant transition opportunities and "Transform" businesses that face key transition risks. In the next reporting cycle, the company expects to disclose more investment assumptions which we feel will go some way towards meeting the expectations under this shareholder resolution. The company has committed that both "Green" and "Transform" businesses will be assessed in line with a 1.5C scenario consistent with net zero by 2050.</p> <p>While we recognise the Japanese national target of net zero by 2050, we question the proponent's use of IEA's Net Zero Emissions by 2050 (NZE) scenario as a base case for capital allocation. We also note the current volatility caused by the conflict in Ukraine, and that the company has already committed to making significant near-term portfolio adjustments. Thus, all T. Rowe Price strategies elected to support management on this proposal. We plan to monitor progress and re-engage with the company ahead of the 2023 shareholder meeting.</p>	
Vote decision	Certain portfolio managers of T. Rowe Price Associates, Inc. (TRPA), on behalf of the T. Rowe Price funds and certain of its advisory clients, will vote FOR item 5 (Amend Articles to Disclose Greenhouse Gas Emission Reduction Targets) while others will vote AGAINST. All strategies will vote AGAINST item 6 (Amend Articles to disclose evaluation concerning consistency between capital expenditures and net zero greenhouse gas emissions by 2050 commitment) at the 2022 AGM of Mitsubishi Corp.	

¹ 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).

Proxy Voting Case Study

The following case study illustrates the decision-making process at T. Rowe Price Associates, Inc. (TRPA) around a particular shareholder meeting.

Case study		
Company	Symbol	Meeting date
ExxonMobil Corp.	XOM (NYSE)	25 May 2022
Reason for highlighting this case study	Given the significant public interest in this company's 2021 shareholder meeting, we communicated via the press how we had voted just before the meeting. This year, we observe that investors continue to exhibit a high level of interest in environmental resolutions brought to a vote at the company. This case study covers one of those resolutions.	
Analysis	<p>TRPA is a shareholder of ExxonMobil, a global energy company. In 2021, activist investors Engine no. 1 ran a proxy contest to replace members of the board. The campaign was rooted in the perception that, relative to its global peers, ExxonMobil's long-term capital allocation decisions have remained anchored to a core assumption that demand for hydrocarbons will continue to grow in the decades to come. This assumption drives the company's decisions around capital allocation and strategy, leaving little room for error if the demand for fossil fuels does not grow as the company predicts.</p> <p>Another concern raised in the 2021 campaign was board composition. For many years, the ExxonMobil board was composed of multiple former CEOs of multinational corporations, but very few with energy industry experience.</p> <p>During the campaign, the company added three board members, one from an investment company, one communications executive and one from an Asian oil producer. Later, however, at the shareholder meeting, investors voted to replace three of the board's nominees including one of the newly appointed directors. T. Rowe Price voted with the majority of investors in that contest, supporting the activist's three nominees who were ultimately placed on the board.</p> <p>In the 12 months since that contest, we have observed that the culture inside the company appears to be changing quickly. The company is moving its corporate headquarters from a location where it was isolated from the businesses into a location where it has significant operations, aligning corporate functions more closely with the operating companies. ExxonMobil has also filled several prominent positions with external hires, a departure from their longstanding practice. Finally, the company has exhibited a new level of commitment to transparency on climate issues and substantive shareholder engagement, publishing multiple reports about climate issues over the past year.</p> <p>At the 2021 shareholder meeting, in addition to the contested director election, there were seven shareholder proposals. One of these asked the company to publish an audited report "assessing how applying the assumptions of the International Energy Agency's (IEA) Net Zero by 2050 pathway would affect the assumptions, costs, estimates, and valuations underlying its financial statements, including those related to long-term commodity and carbon prices, remaining asset lives, future asset retirement obligations, capital expenditures and impairments." The proposal received the support of 49% of investors including T. Rowe Price.</p> <p>Earlier this year, in response to that vote, ExxonMobil published a report titled Advancing Climate Solutions in which it provided some scenario analysis similar to that requested by the proponent. However, the scenarios contemplated in the report rely on a key assumption of steady growth in demand for hydrocarbons through and beyond the year 2050. The scenarios presented in the report would all result in surface temperature increases well over the 1.5C degree target that the IEA defines as necessary to prevent catastrophic outcomes.</p> <p>The same shareholder resolution is on the ballot again in 2022. While we are pleased to see the company engaging more substantively with investors and investing in climate solutions, scenario analysis and disclosure, T. Rowe Price Associates concludes that another edition of this report using a wider range of hydrocarbon demand scenarios would be relevant and useful for investors.</p> <p>In certain instances, before we make a voting decision on a shareholder resolution, we speak with both the proponent of the resolution and company management. We did so in this case. Before the vote, we spoke with Christian Brothers Investment Services, the proponent, and ExxonMobil management.</p>	
Vote decision	T. Rowe Price Associates, Inc. (TRPA), on behalf of the T. Rowe Price funds and certain of its advisory clients will vote FOR the Shareholder Proposal (Item 8: Report on Scenario Analysis) at the ExxonMobil shareholder meeting on May 25.	

Proxy Voting Case Study

The following case study illustrates the decision-making process at T. Rowe Price Associates, Inc. (TRPA) around a particular shareholder meeting.

Case study		
Company Rongsheng Petrochemical Co., Ltd	Symbol 002493 (Shenzhen)	Meeting date 20 May 2022
Reason for highlighting this case study	This case study highlights a situation where our new climate transparency gap voting policy resulted in a vote against directors.	
Analysis	<p>Our Election of Directors policy includes the possibility that T. Rowe Price Associates may choose to oppose directors for failure in the oversight of material environmental risks. In 2022, we changed our screening process under this policy, allowing us to identify in a more systematic way directors who are responsible for providing inadequate climate disclosure.</p> <p>Our expectation is that companies in the Americas, EMEA and Asia-Pacific regions operating businesses in industries with the highest carbon intensity disclose, at a minimum, their total absolute Scope 1 and Scope 2¹ greenhouse gas emissions as of the 2021-year end. Failure by companies in these industries to disclose this data leaves their investors unable to properly analyze their exposure to climate change risk.</p> <p>To implement this policy, we have identified those companies that are both highly exposed to the impact of climate change and have demonstrated insufficient preparedness for the energy transition. Our screening methodology uses a three-step process:</p> <ol style="list-style-type: none"> 1) We use the European Union's Sustainable Finance Disclosure Regulation's list of high impact climate sectors to define the scope of companies with high exposure. 2) We use our proprietary Responsible Investment Indicator Model (RIIM) to screen within these sectors for companies that may not be adequately managing their climate risks. As a minimum standard, if companies in these sectors are reporting their Scope 1 and 2 greenhouse gas emissions, they are deemed exempted from this policy. 3) We identify any mitigating or idiosyncratic circumstances that indicate it is not appropriate to apply the policy to a company at this time. For example, exceptions may be made for very small or very newly public companies. <p>Rongsheng specializes in the production and marketing of petrochemical and chemical fiber and is one of the largest commodity chemical producers globally. The petrochemicals industry is the world's third largest industrial producer of carbon emissions and is thought to account for about 5 percent of global industrial greenhouse gas emissions and for about 12% of global oil demand. Given the scale of the emissions and the dependence on fossil-fuel based feedstock, we view the entire industry as being highly exposed to energy transition risk.</p> <p>Despite its elevated exposure to this risk, Rongsheng does not yet have a clearly defined strategy for navigating the energy transition nor for mitigating its impact on climate change. The company does not currently report its scope 1 or 2 greenhouse gas emissions. Although we have seen some progress in recent years including increased disclosure of certain environmental metrics and the introduction of several initiatives to lower CO2 emissions from its operations, the company has not yet set any quantitative reduction targets at a group level. We have not identified any mitigating circumstances in this case.</p> <p>For this climate transparency gap, we generally oppose the re-elections of all non-executive incumbent directors. There are five non-executives up for re-election at the 2022 shareholder meeting, and we will vote against all of them as we consider this transparency gap evidence of a failure of board oversight.</p>	
Vote decision	T. Rowe Price Associates, Inc. (TRPA), on behalf of the T. Rowe Price funds and certain of its advisory clients, will be voting against Yongqing Li (item 18.2), Yiping Shao (item 19.2), Jianmiao Yan (item 19.1), Fengdi Yu (item 18.5) and Xiaodong Zheng (item 19.3).	

¹ Scope 1 (direct emissions from owned or controlled sources), Scope 2 (indirect emissions from the generation of purchased electricity, steam, or cooling).

As at 13 May 2022

Proxy Voting Case Study

The following case study illustrates the decision-making process at T. Rowe Price Associates, Inc. (TRPA) around a particular shareholder meeting.

Case study		
Company	Symbol	Meeting date
Kohl's Corp.	KSS (NYSE)	11 May 2022
Reason for highlighting this case study	This is a contested board election in a company where TRPA has a large stake.	
Analysis	<p>TRPA is a long-term shareholder of U.S. retailer Kohl's Corp. Kohl's represents a differentiated offering among department stores. The company has experienced setbacks in the past several years including COVID-related store closures, missed revenue targets, and strategic initiatives that have been slow to gain traction.</p> <p>In April 2021, the company settled with a group of activist funds led by Macellum Capital Management, appointing three new directors to the Board of Directors as part of the agreement.</p> <p>Earlier this year, Macellum expressed disappointment in the company's progress over the past nine months and disclosed its nomination of 10 directors to replace a majority of the Kohl's board. The investor's stated objectives are to have the new board initiate a process to sell the company or, in the event a deal is not reached, to implement a series of operational changes and/or real estate transactions in an effort to enhance value.</p> <p>At the same time, the company announced in March that it received preliminary indications of interest from potential strategic or financial buyers.</p> <p>In contested elections where TRPA is a significant shareholder, our practice is to meet with both parties as we form our voting decision. We did so in this case.</p> <p>We engage with members of the Kohl's board and its management periodically as part of our regular, ongoing investment dialogue with companies in our clients' portfolios and proprietary funds. These conversations gave us a solid understanding of the board's guiding philosophy on capital allocation, and their perspectives on the strategic direction of the company. We find strong evidence that the incumbent board is committed to choosing the path it believes has the highest likelihood of shareholder value creation. Furthermore, we are confident the board is employing an independent and rigorous process to determine the appropriate path for the company.</p> <p>Kohl's continues to have challenges ahead of it. Company management has laid out profitability targets and operational goals, and we have encouraged the board to hold the management team accountable by publishing frequent, transparent assessments of its progress against these goals. We also offered suggestions as to how its executive incentive program may be amended to become more closely aligned with these targets.</p> <p>In addition, we evaluated the possibility of a sale-leaseback transaction, one of the recommendations Macellum has put forth in public filings. We would have concerns about such a transaction, as it could unduly increase leverage of this cyclical company at the wrong point in the cycle.</p> <p>We reviewed these previous engagements as we made our vote decision. We also considered the unusual circumstances the board finds itself in at the moment, simultaneously undertaking a proxy contest and the evaluation of a potential sale of the company. Each of these is a time-consuming and distracting endeavor at a time when it's critical that the company continue to execute its value-creation strategy. In our view, our final vote decision reflects the path we believe is most constructive, enabling the company to focus on the decisions most likely to benefit shareholders over time.</p>	
Vote decision	T. Rowe Price Associates, Inc. (TRPA), on behalf of the T. Rowe Price funds and certain of its advisory clients support the Management slate at the shareholder meeting on May 11. This means we intend to vote FOR the 13 nominees presented by the Kohl's board. We do not intend vote on the Macellum card, and we will not support any of its 10 nominees.	

As at 13 April 2022

Important Information

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Prepared by T. Rowe Price Associates, Inc., investment adviser for T. Rowe Price funds and strategies.

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