

For or against? The year in shareholder resolutions—2023

From the Field
April 2024

Executive Summary

This is the fourth year that we have published analysis of our voting results on shareholder resolutions on environmental, social, and political topics.¹ Since the 2021 proxy voting season, when these resolutions earned unusually high support, we have observed a bifurcation among proponents of these resolutions, particularly in the U.S. and Canada. Many resolutions are still put forward under a traditional framework of advocating for actions that could increase the value of the corporation or reduce the risks it faces. However, a new approach has taken hold in these markets that we believe is not tethered to value creation for shareholders. We explore the effects of this bifurcation in this year's report.



Donna Anderson
*TRPA Head of
Corporate Governance*



Jocelyn Brown
*TRPA Head of Governance,
EMEA and APAC*

Changing dynamics in North America

Amid growing demands on the private sector to align businesses in ways that also address significant societal challenges, shareholder resolutions have long been used as one mechanism to foster dialogue between investors and corporate leaders. However, in the past three years, the utility of such resolutions has deteriorated, from our perspective, particularly in the U.S. and Canada, which together represent 82% of the 527 proposals analyzed in this report.

The primary cause of this deterioration is what we would characterize as misuse of the shareholder proposal vehicle in these markets. Traditionally, the purpose of shareholder-sponsored resolutions in these markets was understood to be for long-standing investors to offer nonbinding recommendations for consideration by other shareholders on ways a company might increase shareholder value or reduce risk by improving transparency or oversight of certain practices clearly tied to value creation.

¹ This document summarizes the proxy voting guidelines and voting information of T. Rowe Price Associates, Inc. ("TRPA"), and certain of its investment advisory affiliates. It excludes T. Rowe Price Investment Management, Inc. ("TRPIM"), except where stated otherwise. TRPIM votes proxies independently from the other T. Rowe Price related investment advisers and has adopted its own proxy voting guidelines.

Today, our analysis suggests that proposals of this nature represent less than half of the total. About 45% of resolutions we examined for 2023 fit under the general description of efforts to enhance company performance by improving transparency or operations around a key aspect of the business. To be clear, we often still disagreed with the proponents that additional reporting was necessary for the companies targeted by these resolutions. However, we recognize that these proposals exhibited a basic sense of alignment with the goal of enhancing the long-term performance of the company.

On the other hand, about 55% of proposals in 2023 exhibited no such alignment. These resolutions, in our assessment, were designed to direct the company to change the mix of its business in a meaningful way, to raise awareness of a particular social or environmental issue having no connection to value creation, or to advocate for changes motivated by considerations other than long-term performance. It is a notable and unfortunate development, in our view, that more than half of shareholder proposals brought in our clients' portfolios in 2023 can be categorized as either untethered to, or negatively aligned with, economic outcomes for investors.

Comparing effectiveness of engagement versus use of shareholder resolutions

We recognize that, relative to some other asset managers, we have shown a long-standing tendency to be more selective in the environmental, social, and governance (ESG) shareholder resolutions we support. This is because of our general conclusion that, for large institutional investors such as ourselves, the shareholder resolution vehicle is a much less effective mechanism than direct engagement with the management teams of companies in our portfolios. We believe that the reputation of T. Rowe Price affords us excellent access to the leaders of the companies in which we invest. Where appropriate, we use that access to address matters of concern in the oversight of environmental risks or social matters. In many cases, this obviates the need to support shareholder resolutions in these areas.

Our primary concern with the current state of shareholder resolutions in North America is that a majority of such proposals are initiated and used toward a variety of objectives that have little to do with shareholder value. They are often crafted to raise awareness of a particular social issue, to gain the attention of a management team, to strengthen a proponent's bargaining power, or to make a political point. The rapid rise of ESG counterproposals illustrates this problem and can be viewed as compounding it. Our analysis of shareholder resolutions does not take these objectives into consideration.

Given the very wide spectrum of social views held by the clients we serve, we have concluded that it is not appropriate to use our clients' voting power to support actions designed to achieve outcomes that

An array of options for clients with differing objectives

A subset of our institutional investor clients (such as pension funds) desire investment mandates that do not have financial performance as their sole objective. These clients place equal importance on social and/or environmental impact objectives or have explicit net zero goals as well as financial returns goals. Clients in such mandates accept the potential trade-offs inherent with this approach. Within this set of impact and net zero strategies, we supported 75% of environmentally focused shareholder proposals in 2023.

Because these impact and net zero portfolios have different objectives than other TRPA portfolios, they need their own proxy voting guidelines. The voting guidelines for these strategies place equal weighting on value creation and social/environmental outcomes. As a result, these strategies' voting patterns in the areas of shareholder resolutions and director elections are quite distinct from those of our purely financially driven strategies. The analysis in this report reflects only those votes falling under the main TRPA voting guidelines because that policy covers the overwhelming majority of our assets under management.

are unrelated to investor returns. We are only inclined to support resolutions that can be directly tied to long-term value creation.

As quantity increases, quality declines

Another notable development in proxy voting trends in recent years is the increase in the number of shareholder-sponsored resolutions submitted to companies. Over the four years we have been publishing the results of our analysis, the number of resolutions covering environmental, social, and political topics has increased 52% in portfolios managed by T. Rowe Price Associates (TRPA): from 346 votes covered in our 2020 report to 527 in the 2023 edition.

There are multiple reasons for this increase. In the U.S., the main driver was a 2021 decision by the Securities and Exchange Commission (SEC) to adapt its interpretation of what types of resolutions were eligible to be added to a company's proxy. The SEC allowed more proposals across a wider range of environmental and social topics to move forward. Our observation is that the increase in the volume of proposals was accompanied by a decrease in their overall quality. Since the change in guidance from the SEC, we have consistently observed more inaccuracies in proposals, more poorly targeted resolutions, and more proposals addressing non-core issues.

In addition, we observed a marked increase in the level of prescriptive requests. Proponents have moved swiftly from disclosure-based requests (seeking additional reporting on ESG matters) to action-based requests (seeking specific commitments, capital investments, or structural changes from the targeted companies). At the same time, proponents exhibited a lower propensity to negotiate settlements with issuers before taking a proposal to a vote.

The rush by proponents to file proposals advocating an ever-widening set of environmental and social actions has also resulted in increased activity by proponents who disagree with these objectives. These proponents have become prolific filers of resolutions asking companies to unwind their initiatives in the ESG arena or to demonstrate the return on investment of such initiatives. In our first edition of this report, we identified 12 such ESG counterproposals. In 2023, the figure was 77, and we expect that to increase in 2024.

These dramatic shifts in the landscape validate our long-standing commitment to a common sense approach to assessing shareholder-sponsored proposals of all types. It is more important than ever to understand the company's overall circumstances, disclosure levels, performance, and material ESG risks before determining whether these proposals are aligned with our clients' financial best interests.

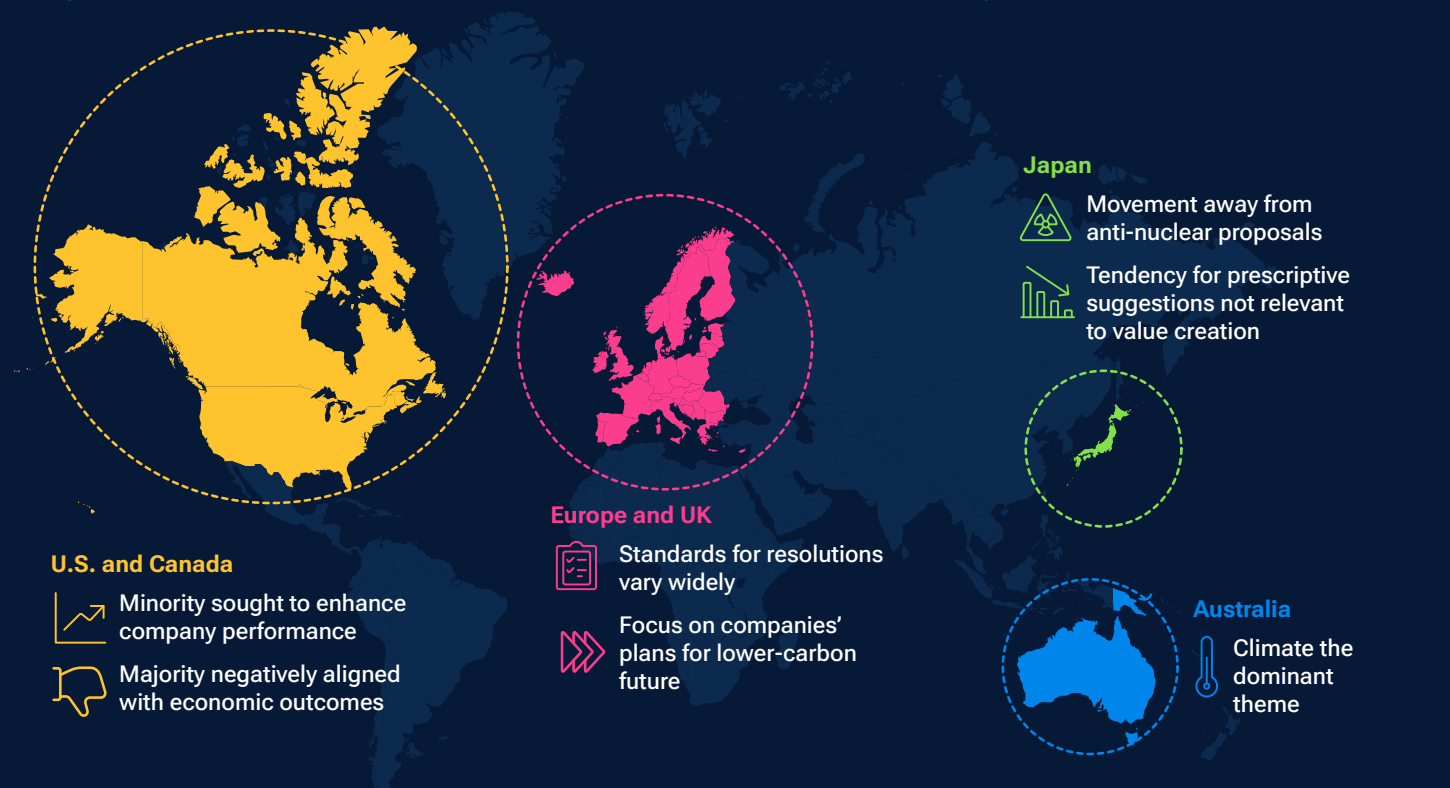
Key characteristics of proposals outside North America

While the geographic breakdown of shareholder proposals analyzed in this report skews heavily toward the U.S. and Canada, 10% of resolutions were in the Asia Pacific region and 8% were brought in Europe and the UK.

In Asia Pacific, proposals are rarely observed outside of two markets: Australia and Japan. In Japan, we have observed a movement away from proposals focused almost exclusively on reducing reliance on nuclear power, a theme that has been dominant in this market since the 2011 Fukushima accident. In 2023, Japanese companies received a mix of proposals addressing climate-related issues and company-specific operational issues. Resolutions in this market are dominated by individual investor proponents offering prescriptive suggestions to companies on matters we do not consider to be relevant to value creation. For this reason, we supported only 7% of proposals in Japan in 2023.

In Australia, climate was the dominant theme of shareholder resolutions. These proposals have largely targeted companies that are already providing comprehensive disclosure of their environmental impact as well as robust climate-transition plans. In these situations, we do not conclude it is prudent to ask companies to adopt a different approach.

Geographic trends in shareholder proposals in 2023 based on TRPA analysis



For illustrative purposes only. Source: T. Rowe Price.

Across Europe and the UK, the standards for submitting shareholder resolutions vary widely. Most markets do not allow such resolutions at all, while others allow owners of a single share to put forth resolutions. As a result, the topics proposed cover a wide range of issues and it is difficult to categorize this region's proposals by theme. However, one trend worth noting is that a few dozen companies are now conducting periodic, nonbinding votes to approve their climate strategies. These so-called Say on Climate votes are not covered in this report because they are put on the proxy by the companies themselves, not by shareholders. However, our observation is that the presence of Say on Climate votes has channeled much of the investor/issuer dialogue on climate away from shareholder proposals and toward a more holistic assessment of companies' plans for a lower-carbon future.

The role of proxy voting in stewardship

We see proxy voting as a crucial link in the chain of stewardship responsibilities that we execute on behalf of our clients. From our perspective, the vote represents both the privileges and the responsibilities that come with owning a company's equity instruments. We vote our clients' shares in a thoughtful, investment-centered way, considering both high-level principles of corporate governance and company-specific circumstances. We take an inclusive approach to these decisions, with involvement from our specialists in Responsible Investing and Governance.

Our overarching objective is to cast votes in support of the path most likely to foster long-term, sustainable economic performance for the company and its investors.

Our view is that the proxy vote is an asset belonging to the underlying clients of each TRPA investment strategy. This means that our portfolio managers are ultimately responsible for making the voting decisions within the strategies they manage. To fulfill this responsibility, they receive recommendations and support from a range of internal and external resources, including:

- The T. Rowe Price Associates ESG Investing Committee
- Our global industry analysts
- Our specialist Corporate Governance team
- Insights generated from our proprietary Responsible Investing Indicator Model (RIIM) and our Responsible Investing team
- Our external proxy advisory firm, Institutional Shareholder Services (ISS)

Prudent use of our voice

Our proxy voting program is one element of our overall relationship with corporate issuers. We use our voting power in a way that complements the other aspects of our relationship with these companies. For example, other contexts in which we might share our perspectives with an issuer include:

- Regular, ongoing investment diligence meetings
- Engagement with management on ESG issues
- Meetings with members of the Board of Directors or senior management
- Decisions to increase or decrease the weight of an investment in a portfolio
- Decisions to initiate or eliminate an investment
- On occasion, issuing a public statement about a company— either to support the management team or to encourage it to change course in the long-term best interests of the company

In an environment where large institutional shareholders like TRPA are routinely rated by third parties according to how frequently they vote against Board recommendations, we wish to be clear: It is not our objective to use our vote to create conflict with the companies whose securities are held in our clients' portfolios.

Voting framework: Principles-based or case by case

When it comes to proxy voting issues, there is some debate as to the best approach: Is it best to look at each issue individually and consider the company's circumstances or to apply a set of principles evenly across all companies? In our view, the answer is both.

There are many areas within proxy voting where a principles-based approach can be implemented effectively. For example, our proxy voting guidelines are designed to promote an appropriate level of Board independence, robust shareholder rights, and a strong link between executives' compensation and company performance. However, there are other areas where a case-by-case approach is necessary in order to achieve full alignment between our guidelines and our voting outcomes. This is very much the case for shareholder resolutions.

The main reason why shareholder resolutions are hard to implement with a principles-based voting approach is because they are more nuanced than other proxy voting categories, particularly in this era when a majority of proposals do not have value creation or preservation as their objective.

For example, we employ an objective set of indicators to determine a director’s independence. It is a straightforward decision to vote against existing directors and suggest that the company replaces them with independent Board members.

In the case of many shareholder proposals, the message to the company is that it needs to make a change and the proponent prescribes a method to do so. We sometimes agree that a change to a company’s management of an environmental or social issue needs to be made but not with the proponent’s prescribed remedy.

The activities of the anti-ESG movement in the U.S. added complexity to our decision-making framework in 2023. Because we have built multiple avenues to seek feedback from our global clients, we know that many of them place a high priority on ESG integration or impact investing. However, we have many more clients who express no views on such matters. Some even hold negative views about the potential effects an ESG orientation may have on their investment outcomes or regional economies. Our objective is to ensure we receive a balanced picture of our clients’ priorities and perspectives with regard to the role that ESG considerations play in our investment activities.

It is important to note that our overall approach for integrating ESG factors into the TRPA investment framework—which includes proxy voting—is research-centered. Its purpose is to produce investment insights for our internal teams of analysts and portfolio managers. As a global asset manager serving as a fiduciary for clients with different perspectives, beliefs, time horizons, and investment goals, it is not our objective to build investment strategies to reflect a specific set of values. Instead, our objective is to use different lenses (including environmental, social, governance, and ethical) to deepen our understanding of the investments held in our clients’ portfolios.

In 2023, TRPA portfolio managers voted on a total 1,921 shareholder-sponsored items across all markets. Of those, 1,031 were situations where shareholders were nominating directors to a company’s Board or the procedural proposals related to such elections. Another 363 were resolutions asking companies to adopt a specific corporate governance practice.

Here, we focus on the 527 remaining proposals that specifically addressed environmental, social, or political matters. We classify these proposals into four distinct categories² as illustrated in Figure 1.

² In previous reports, we have broken proposals into 5 categories: the 4 presented here, as well as anti-nuclear power proposals in Japan. With the 2023 proxy season, the number of these resolutions was so small that we elected to fold them into the social category instead of analyzing them separately.

Shareholder resolutions voted on in 2023

(Fig. 1) Digging deeper into environmental and social resolutions

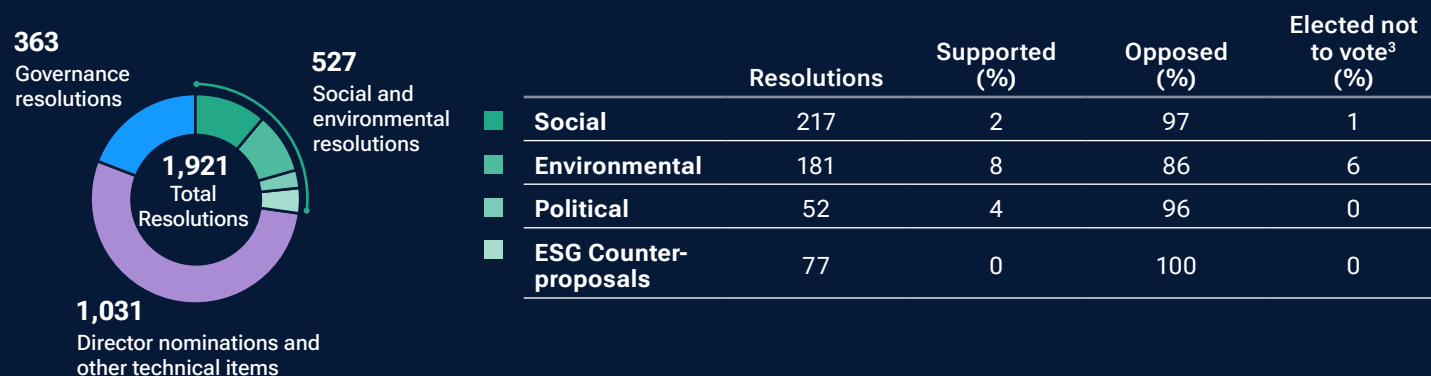


Chart shows the number of shareholder resolutions we voted on in 2023 by proposal topic. For “Social and environmental resolutions,” we classify the proposals into 4 distinct categories.

³In some cases, we elected not to vote due to proxy contests or share blocking. Share blocking is a requirement in certain markets that impose liquidity constraints in order to exercise voting rights. We generally do not vote in these markets. There are two reasons we elect not to vote a certain resolution. The first is a technical requirement when voting in contested elections, where we vote on the proxy card of one side, but we enter “DO NOT VOTE” instructions on the other card. The second is due to share blocking, a requirement in certain markets that impose liquidity constraints in order to exercise voting rights. We generally do not vote in these markets.

As of December 31, 2023.

Source: T. Rowe Price Associates.

Understanding our voting rationale

We classify environmental and social resolutions into four distinct categories:

1. Environmental	
Proposal	These proposals request that companies either disclose certain environmental data or adopt specific environmental policies or practices.
Approach	<p>As part of our normal ESG engagement program, we encourage companies to improve their environmental disclosures. The current lack of standardization makes it more difficult for us to analyze companies' environmental exposure. This is why we advocate using two specific reporting frameworks: the Sustainability Accounting Standards Board (SASB) and the Task Force on Climate-Related Financial Disclosures (TCFD), and we are supporting the International Sustainability Standards Board (ISSB) framework as it develops.</p> <p>Shareholder proposals asking companies to adopt reduction targets for their Scope 3⁴ emissions represent a particularly challenging category for us as investment professionals. Our perspective is that such resolutions are inappropriate in most cases. In essence, these resolutions are asking the Board to direct the company to forgo revenues or increase capital spending in the near term to pursue an objective that may not be within the company's control or may result in significant economic harm to investors. Such resolutions also fail to reflect the complexity of the investments that will be required as part of an energy transition, the time scale of the transition, and the role that certain companies will play in enabling their customers to prepare for the transition. In most cases, we conclude that the Board is the appropriate party to determine the feasibility of establishing Scope 3 targets for a company; shareholder proposals are a suboptimal way to address this complex question.</p> <p>For resolutions other than those requesting Scope 3 targets, the primary factors in our voting decisions include the materiality of the issue for the company; our prior engagement with the company on environmental matters; the views of our Responsible Investing team; the identity of the proponents, if available, and their stated intentions; and the degree to which the proposal is prescriptive or unrealistic.</p>
2023 Voting Rationale	<p>We supported 8% of proposals and opposed 86%. In 6% of cases we abstained or elected not to vote due to technical reasons.</p> <p>Our reasons for opposing resolutions in this category:</p> <ul style="list-style-type: none"> — 37% were because we found that the companies already provide robust disclosure on the matter raised, and we do not believe additional reporting is necessary. — 25% were because we found the resolutions to be too prescriptive. Examples of proposals in this category include those asking the company to close plants, cease some of their operations in the short term, or devote significant capital expenditure toward changing the company's primary businesses. Proposals to establish absolute Scope 3 targets fit into this category. We believe it is inappropriate for such decisions to be made via shareholder resolution; they are best decided by the company's Board. — 8% were because we disagreed in principle with the proponents' objectives. — 7% were because the company had already made a commitment to or initiated a project in line with what the proponent requested. — 5% represented resolutions we believed were of poor quality. These proposals are vague, inaccurate, or address a topic that's not relevant for the company. — 5% were resolutions where we had multiple concerns, generally that the proposals were both prescriptive and not material.

⁴ 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).

Understanding our voting rationale (continued)

We classify environmental and social resolutions into four distinct categories:

2. Social	
Proposal	This category contains a wide variety of proposals on issues ranging from specific operational practices of companies to broader societal issues such as diversity, equity, and inclusion.
Approach	We assess proposals in the social category on a case-by-case basis, considering the materiality of the issue being raised, the company's existing level of disclosure, the degree to which the resolution is prescriptive, the views of our Responsible Investing team, the stated intentions of the proponents, and our engagement history with the company
2023 Voting Rationale	<p>We supported 2%, opposed 97%, and did not vote due to technical reasons 1%.</p> <p>Our reasons for opposing resolutions in this category:</p> <ul style="list-style-type: none">– 37% were because we found that the companies already provide robust disclosure on the matter raised, and we do not believe additional reporting is necessary.– 25% were because we disagreed in principle with the proponents' objectives.– 12% were because we found the resolutions to be too prescriptive. Examples of proposals in this category include those asking the company to phase out sales of certain products, switch the type of power generation they produce, report on the languages that directors speak, and donate to or withdraw support from specific organizations. We believe it is inappropriate for such decisions to be made via shareholder resolution; they are best decided by the company's Board.– 11% were resolutions where we had multiple concerns, generally that the proposals were both prescriptive and not material.– 4% were because the company had already made a commitment to or initiated a project in line with what the proponent requested.– 4% were because the topic raised by the proponent is not a material issue for the company.– 4% were because the social issue raised by the proponent is not one that shareholders have any meaningful way of addressing. The topic would be more appropriately addressed by other stakeholders, often government.




3. Political spending and lobbying	
Proposal	These proposals seek disclosure of a company's direct political contributions as well as indirect spending via trade associations.
Approach	We believe corporate participation in the political process, where allowed by law, can be appropriate. We encourage companies to assess whether their corporate programs to address environmental or social concerns are aligned with their political spending priorities. To the extent we find mismatches of this nature, or generally poor disclosure regarding the Board's oversight of political activity, we may support shareholder resolutions asking for more transparency. However, in the past two years we have observed a significant improvement in the quantity and quality of corporate reporting on political involvement as investors have made their expectations known. For this reason, our support for shareholder resolutions in this category dropped in 2023.
2023 Voting Rationale	<p>We supported 4% of proposals and opposed 96%.</p> <p>Our reasons for opposing resolutions in this category:</p> <ul style="list-style-type: none">– 96% were because our analysis indicated that the company already provides an appropriate level of transparency around its political spending and lobbying.



Understanding our voting rationale (continued)

We classify environmental and social resolutions into four distinct categories:

4. ESG Counter-proposals	
Proposal	The stated purpose of these resolutions is to roll back company initiatives on environmental and/or social concerns. An additional purpose seems to be to use the shareholder proposal mechanism to draw attention to companies the proponents believe are too supportive of ESG principles. These ESG counterproposals are so distinct from the overall category of shareholder resolutions that we believe they need to be analyzed and reported separately.
 Approach	These resolutions are sponsored by proponents whose aim is to persuade companies to roll back environmental initiatives; curtail charitable giving; or deemphasize diversity, equity, and inclusion. TRPA did not support any of these proposals during the year.
2023 Voting Rationale	We opposed 100% of these proposals because we disagreed with the proponents' objectives on principle.

The policy formation process at TRPA

Our approach to voting on shareholder resolutions related to sustainability is one small part of our overall responsibilities related to proxy voting. This approach continuously evolves along with the overall corporate backdrop. It is informed by changes in regulation, improvements in corporate disclosure, campaigns by stakeholders, company-specific events, and our investment professionals' views on these matters.

The TRPA ESG Investing Committee is made up of experienced investment professionals, including analysts and portfolio managers from our Equity, Fixed Income, and Multi-Asset Divisions as well as Investment Division leadership. In addition, the membership includes cross-functional expertise from internal legal counsel, business unit management, and investment operations. The committee is cochaired by our Head of Corporate Governance and our Director of Research for Responsible Investing.

Each year, the committee reviews proxy voting activity from the year before to reassess the suitability of our voting guidelines and to consider adding to or amending the guidelines.

Multiple avenues of accountability for ESG performance

It is important to note that shareholder resolutions are not the only way that our views on environmental and social factors are expressed in the TRPA proxy voting program. For almost every company around the world, directors are reappointed as part of the regular business of the shareholder meeting. Before we vote to reelect them, we assess these directors' performance across multiple dimensions, including their oversight of environmental and social business issues.

Three specific voting guidelines are examples of how these considerations are factored in to voting decisions:

- **Climate Transparency Gap:** For companies deemed to be in high-emitting industries, we generally oppose Board members if the companies fail to disclose sufficient greenhouse gas emissions (GHG) data to enable investors to assess risk.
- **Board Diversity:** We apply a minimum standard for Boards' gender diversity in every market globally, with higher standards applied in regions where there is governing regulation or a market standard.
- **Shareholder Rights:** We generally oppose Board members at seasoned U.S. companies that continue to elect directors in staggered, three-year terms, as these structures reduce Boards' accountability to investors.

Voting decision elements

The following table details the specific considerations that we take into account when assessing environmental or social resolutions.

Does the resolution address an environmental or social issue that is material for this company?

- In our view, materiality is a key consideration because it is suboptimal to distract the company and its Board with resolutions on issues that are not financially material.
- To determine materiality, we use frameworks specifically designed for that purpose: the SASB disclosure framework and our proprietary scoring system, the Responsible Investing Indicator Model (RIIM), which forms the foundation of our ESG integration process.

TRPA Perspective

If an environmental or social issue brought before a shareholder meeting falls into a category deemed material by these frameworks, we are more likely to support it.

Who are the proponents of the resolution, and are our objectives aligned with theirs?

- It is not always possible to obtain the identity of the proponents of shareholder resolutions, but when it is disclosed, we believe it is an important consideration. About half of shareholder resolutions are submitted out of a sincere desire to improve the company's practices for the benefit of shareholders and other stakeholders.
- In other cases, however, shareholder resolutions are used as a tactic to bring public pressure onto a company as part of a larger dispute unrelated to the company's long-term economic success. In some instances, shareholder resolutions are used with the aim of benefiting certain types of shareholders over others.

TRPA Perspective

If our objectives as long-term investors are compatible with the objectives of the proponents, we are more likely to support their proposals.

Is the environmental or social proposal asking for new disclosure, additional disclosure, or specific action?

- Most environmental or social proposals for companies in our portfolios each year seek disclosure on a particular environmental or social topic. For example, the proposal may ask the company to report on its human rights policies or political spending activities. The company may or may not already provide some level of disclosure on the subject.
- Some proposals go beyond disclosure and ask the company to make a specific operational decision, adopt a specific policy, add a Board member or committee, close a business operation, or take similar explicit actions.
- Our view on these prescriptive proposals is that they usurp management's responsibility to make operational decisions and the Board's responsibility to guide and oversee such decisions. However, for companies in our clients' portfolios that are most acutely exposed to climate risk, the market is moving from disclosure-oriented proposals to those seeking specific action. For example, a growing number of proposals ask companies to set specific targets for reducing their greenhouse gas emissions.

TRPA Perspective

- If a resolution seeks additional disclosure, we closely examine the extent of the company's existing discussion on the topic. We support the resolutions in cases where we believe the additional disclosure would be useful in our investment process.
- If a resolution seeks disclosure on a material issue against which the company does not currently report, we are likely to support it.

Voting decision elements (continued)

The following table details the specific considerations that we take into account when assessing environmental or social resolutions.

Are shareholders the optimal stakeholders to address the core issue that is the subject of the resolution?

- Some resolutions ask companies to address social or environmental concerns that are already subject to regulation.
- Some resolutions ask investors to impose company-level, private-market solutions to problems that are clearly better addressed by other stakeholders, including regulators, legislation, the courts, or communities.

TRPA Perspective

- If a proposal asks an individual issuer to adopt a standard that is higher than the regulatory requirement and peers' practices, we will take potential competitive harm into consideration in our voting decision.
- If a proposal seeks to apply company-level solutions to a broad societal problem and the company has little influence over the problem, we may deem the resolution to be poorly crafted or misdirected.

Are there any specific considerations given to climate-related resolutions?

- A subset of proposals in the environmental category are specifically around limiting a company's greenhouse gas emissions to meet the objectives of the Paris Climate Agreement.

TRPA Perspective

- Adequate disclosure is the first step to assessing a company's preparedness for the low-carbon transition. We support the TCFD, and we tend to support resolutions encouraging companies to disclose against this disclosure framework.
- Resolutions calling for a company to undertake specific actions, such as divesting from certain businesses, are likely to be deemed too prescriptive for us to support.
- If a resolution seeks specific action or targets, we assess the degree of alignment between the requested action and the interests of long-term investors.

Oversight of governance and responsible investing

Proxy voting is an investment function within T. Rowe Price and is subject to the oversight of the Boards of Directors of the various T. Rowe Price investment advisers (including TRPA and TRPIM). Each adviser has fiduciary responsibilities. Our view is that it is the duty of the advisers to vote shares in portfolio companies solely in the interests of their clients, taking into account factors relevant to a long-term investor.

TRPA ESG Investing Committee reports annually to all the funds' (U.S. mutual funds, SICAVs, trusts, and OEICs) Boards of Directors. TRPA provides a detailed overview of year-over-year changes in voting patterns, amendments to the voting guidelines, and a discussion of the management of potential conflicts of interest. We also provide a detailed analysis of our votes on environmental, social, and political matters.

In addition to the funds' Boards, which exercise direct oversight over the investment advisers, T. Rowe Price Group, Inc. (Group), is a publicly traded corporation with a separate Board of Directors. The Group Board also has an interest in ESG matters in that it oversees the corporation's ESG strategy, environmental footprint, human capital management, risk management, and other related functions.

The ESG capability of the investment advisers is a strategic issue of interest to the Group Board. For this reason, TRPA's senior ESG leaders provide annual updates to the Group Board. These presentations focus on the firm's investment in our ESG capabilities: technology resources, talent, tools, training, and products managed under ESG objectives. Our proxy voting activity is generally not part of the discussion because oversight for such investment activities is the responsibility of the funds' Boards.

Review of alignment between corporate and investment perspectives on climate risk

In response to a request by the Group Board of Directors, in 2023 we completed another review of the firm's corporate-level policies, views, and statements on climate change against the proxy voting activities of the firm's investment advisers. Detailed information on this review, including methodology and findings, is provided as an appendix to this document (Appendix: Climate Risk Alignment Review).

Conclusion

The investment advisers have dedicated significant resources toward building expertise and insight on sustainability and governance matters. Consistent with our active management approach, voting decisions on these matters are made using case-by-case analysis, taking into account the company's particular ESG risks, opportunities, and disclosure.

The quality, intent, and utility of shareholder resolutions on ESG matters are highly variable at this time. Some well-targeted resolutions are helpful in persuading companies to strengthen their management of certain risks, leading to improved outcomes for investors. In 2023, TRPA found that a majority of resolutions clearly reflected that the objectives of the proponent did not align with economically oriented, long-term investors. This is why we believe that the most responsible approach to voting such resolutions is to apply the thoughtful, investment-focused framework we have used consistently over time.

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The quality, intent, and utility of shareholder resolutions on ESG matters are highly variable at this time.

– Donna Anderson
Head of Corporate Governance

Appendix: Climate risk alignment review

Since 2021, we have conducted an annual analysis comparing the firm's corporate-level policies, views, and statements on climate change against the proxy voting activities of the firm's investment advisers (TRPA and TRPIM)¹.

For purposes of this section of the report, we refer to "corporate" activities as those pertaining to T. Rowe Price Group, Inc. ("Group"), as overseen by its Board of Directors. We refer to "investment" activities as those pertaining to the various T. Rowe Price investment advisers established to advise and manage assets on behalf of our advisory clients—including all of our U.S. mutual fund and other commingled fund shareholders—and other investment advisory clients. Collectively, these companies (including TRPIM) are referred to as the "Price Advisers," and they are overseen by and accountable to separate Boards of Directors.

We note that T. Rowe Price Group, Inc., and its Board of Directors are not responsible for overseeing the proxy voting activities of the investment subsidiaries of the company. Such activities are conducted at the direction of, and overseen by, the Price Advisers. The shareholders and stakeholders of these entities are distinct, and they may have different interests. Nevertheless, we elected to take this opportunity to evaluate the question of whether incongruities exist between the investment advisers' proxy voting records and the policies of T. Rowe Price Group, Inc.

To conduct this analysis, we compared climate-related statements from the following documents:

T. Rowe Price Group, Inc.: Corporate Documents

- Proxy Statement 2023
- Corporate Responsibility webpage
- 2022 ESG Corporate Annual Report²
- 2022 ESG Corporate Report Summary²
- 2022 TCFD Report²

Price Advisers: Investment Documents

- Investment Policy on Climate Change
- ESG Policy
- Engagement Policy—TRPA and TRPIM Proxy Voting Guidelines
- ESG Investing Annual Report 2022²
- For or Against? The Year in Shareholder Resolutions—2022
- Proxy Voting Case Studies (TRPA)
- 2023 Proxy Voting summary reports (TRPA and TRPIM)

²As of March 2024, when the analysis was conducted, these are the most recent editions available.

Step 1: High-level perspective

Documents from both Price Advisers and Group (collectively "both entities") address climate change directly. Our corporate disclosures state "Our support of the TCFD demonstrates that we acknowledge climate as a material risk and understand the need for improved disclosures across the asset management ecosystem." They also address our status as both investment advisers and a corporate issuer and the way climate stretches across both.

As an asset manager, we are a fiduciary first and foremost. We view climate change considerations through a fiduciary's lens, with a focus on financial performance and risk management. We believe that a smooth climate transition should create a more stable economic environment, reduce uncertainty, and enable business investment. This should result in better long-term outcomes for the companies and securities in which we invest on behalf of our clients.

¹ T. Rowe Price Investment Management, Inc. (TRPIM). TRPIM was established as a separately registered U.S. investment adviser, with a separate ESG team from TRPA. Decisions for TRPA and TRPIM ESG teams are made completely independently, but use a similar approach, framework, and philosophy. Each entity has its own distinct proxy voting guidelines.

Our ESG Investing webpages offer comprehensive disclosure into how we incorporate the analysis of climate-related issues into our investment processes.

The most significant change in the 2023 disclosures from prior periods is that T. Rowe Price Group Inc., became a member of the Net Zero Asset Managers initiative (NZAM) during the period.

Conclusion: For both entities, climate change features as a prominent topic in our sustainability disclosures.

Step 2: Disclosure

Documents from both entities mention disclosure of greenhouse gas emissions and plans to reduce them as key early steps that corporations can take to allow investors to begin to assess and mitigate risks around climate change. Our Group disclosures for this period include our Scope 1 and Scope 2 greenhouse gas emissions as well as material Scope 3 emissions. This is consistent with the expectations of other corporate issuers that we express in our Price Advisers policies.

Both entities specifically highlight the Task Force on Climate-Related Financial Disclosures as their preferred framework for approaching such disclosure. They also both mention the Sustainability Accounting Standards Board as their preferred disclosure framework for sustainability issues more generally.

On the corporate side, Group is a public supporter of the TCFD framework and published a 2022 TCFD Report. This report includes both medium- and long-term greenhouse gas reduction targets.

On the Price Advisers side, the ESG Investing Annual Report 2022 and other documents mention that our engagement efforts with portfolio companies often center on advocacy for better environmental disclosure, including recommending adoption of the TCFD framework.

Conclusion: Both entities espouse the value of using common frameworks for environmental reporting, specifically TCFD and SASB.

Step 3: Proxy voting

Consistent with its duties to vote shares in portfolio companies solely in the best interests of our clients, ESG Investing Committees have been established within TRPA and TRPIM, which serve an independent function to oversee the voting process and to establish and maintain custom voting guidelines. The guidelines mention climate change as a voting issue in several places. However, there is no specific guideline set out for any shareholder resolutions of an environmental nature.

This is due to the Price Advisers' belief, as fundamentally oriented investors, that these issues must be viewed through a company-specific lens in every case.

TRPA's perspective is that issuers have very different exposure to climate-related risks, depending on their geographic locations, their business models, regulation, leadership, and the long-term nature of the energy transition. Issuers also provide very different levels of disclosure on these issues, ranging from full TCFD-aligned reporting provided by certain larger companies in more climate-sensitive industries to smaller companies that have not yet started to measure their emissions. Therefore, TRPA's voting guidelines lay out an approach to analyze such proposals on a case-by-case basis.

A review of the documents on the corporate side confirms that there are few disclosures that discuss the Price Advisers' proxy voting activities in detail. This is appropriate, considering that the corporate entity and its Board of Directors are not responsible for voting or overseeing the proxy voting activity of the Price Advisers.

Finally, our disclosures around the NZAM membership emphasize that our commitment falls within a fiduciary duty umbrella. Membership in NZAM does not carry specific restrictions around investment decisions or proxy voting guidelines. When the Price Advisers determine that a proxy proposal is not aligned with our clients' economic interests, it is the fiduciary duty framework that guides that assessment.

Conclusion: No conflicts are identified between the proxy voting activities of the Price Advisers and the policies and disclosures of T. Rowe Price Group, Inc.

Summary of findings

After reviewing the documents listed, we conclude the following:

(i) that both entities' general, high-level perspectives on the investment risks associated with climate change are aligned, (ii) that both entities' strong support for the TCFD and SASB reporting frameworks is further evidence of alignment, and (iii) that there is no misalignment between both entities' disclosures on proxy voting.

Furthermore, we conclude that the Price Advisers' proxy voting records for 2020–2023 (since this analysis was undertaken) have been consistent with their Proxy Voting Guidelines and strongly demonstrate a case-by-case analysis of each climate-oriented proposal voted by Price Advisers' portfolios.

T. Rowe Price understands and embraces our various stakeholders' interests in climate change as an important investment consideration. This applies to stakeholders of the

corporation, such as T. Rowe Price Group, Inc., shareholders; our communities; and our associates. It also applies to stakeholders of the Price Advisers, such as our investment clients.

We are committed to providing consistent reporting and candid assessments of our activities on both the corporate and investing

sides of our business. This is the fourth year we have published this “For or against? The year in shareholder proposals” report providing detailed reporting around T. Rowe Price Associates’ proxy voting on environmental, social, and political resolutions. We will continue to publish this analysis annually in addition to our detailed, company-level vote disclosures, which are provided twice a year.

T. Rowe Price identifies and actively invests in opportunities to help people thrive in an evolving world, bringing our dynamic perspective and meaningful partnership to clients so they can feel more confident.

RISKS:

The risks of international investing are heightened for investments in emerging market and frontier market countries. Emerging and frontier market countries tend to have economic structures that are less diverse and mature, and political systems that are less stable, than those of developed market countries. There is no assurance that any investment objective will be met.

The information provided in this material does not include content relating to Oak Hill Advisors, L.P., an alternative credit manager, which T. Rowe Price Group, Inc., acquired on December 29, 2021. The OHA ESG team is separate from TRPA and TRPIM, and decisions for the OHA ESG team are made independently and reported separately.

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