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T. ROWE PRICE

INVESTMENT POLICY ON CLIMATE CHANGE

UPDATED AS OF MARCH 2023

This document reflects the investment policy on climate change of T. Rowe Price Associates, Inc. (TRPA), and its investment advisory affiliates, including T. Rowe Price Investment Management, Inc. (TRPIM), collectively referred to as "T. Rowe Price."

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.

As asset managers, it is incumbent on us to identify and analyze large systemic change, often driven by technological advances and/or regulation, and the corresponding risks and opportunities it could bring. We see climate change and the transition toward net zero as one such systemic change that will likely have a material impact across the investment universe. It will likely be the source of both value creation and destruction across industries, securities, and portfolios.

At T. Rowe Price, we integrate environmental, social, and governance (ESG) factors into our investment analysis for the purpose of maximizing investment performance; this includes climate-related factors. We view ESG integration as foundational—it is a core investment capability, which we have embedded in our investment research platforms across asset classes. With ESG integration, fiduciary duty remains top priority and, therefore, it is applied to all of our investment products, where applicable.[1] Additionally, we recognize that many of our clients' goals are not purely financial. As such, we offer select investment products that seek to invest in ways that align with our clients' sustainable objectives, including climate-related objectives.

This policy provides an overview of the way T. Rowe Price integrates the analysis of climate change factors into the investment process across various product ranges and describes how climate change can affect the investments we make on behalf of our clients.

BACKGROUND

For the world to have a chance of at least minimizing the impact of climate change, it is necessary to keep global temperatures to within 1.5°C above preindustrial levels. Earth has already experienced at least a 1.1°C increase in global average temperature since the industrial revolution.[2] Historical cumulative net carbon dioxide (CO_2) emissions from 1850 to 2019 were 2,400 $GtCO_2$ ± 240 $GtCO_2$, with about 42% of these emissions occurring between 1990 and 2019 (1,000 ± 90 $GtCO_2$).[3] Climate scientists estimate that to have a 50% probability of staying within a 1.5°C warming scenario, the remaining emissions budget from 2020 is approximately 500 $GtCO_2$—assuming emissions remained flat at the 2019 levels, this implies a budget of just under 10 years.

Staying within this boundary will not just require greenhouse gas (GHG) emissions to reach net zero[4] by 2050—it will also require staying within an appropriate emissions pathway and then an extended period where more emissions are being absorbed than emitted. The United Nations' Intergovernmental Panel on Climate Change (IPCC) "Climate Change 2022: Mitigation of climate change" report released in April 2022 indicated that global emissions would need to peak by 2025 and then decline 48% by 2030 to keep the global temperature rise to 1.5°C.

The result of excess emissions into the atmosphere and our oceans has already been felt around the world, and climate scientists have illustrated how the impact of 2.0°C warming will be materially worse than 1.5°C. Even keeping global warming within 1.5°C means there will be climate change impacts that will affect the investment landscape, such as rising sea levels, increased storm frequency, hotter and more heat waves, and shifts in growing seasons. Potentially even more material to many investment cases is how the regulatory landscape would evolve to meet a +1.5°C or even +2.0°C scenario.

[1] Our philosophy is that ESG factors are a component of the investment decision—meaning that they are not the sole driver of an investment decision, nor are they considered separately from more traditional investment factors such as valuation, financials, industry trends, and macroeconomics.
[2] RNASA Earth Observatory, 2022 Tied for Fifth Warmest Year on Record (January 2023).
[3] IPCC Sixth Assessment Report; Working Group III.
[4] Net zero refers to a state where greenhouse gas emissions are balanced by removals (e.g., forests, carbon capture, and storage).

In its "2019 Global Warming of 1.5°C" report, the IPCC aggregates the various scientific climate models that keep global warming within a +1.5°C pathway. Taking the midpoint of these models implies a massive reengineering of the world's energy infrastructure, including significant energy efficiency gains as well as transitioning away from fossil fuels and into renewables between now and 2050. One of the most broadly used net zero reference scenarios is that provided by the International Energy Agency (IEA), which assumes that only one-fifth of energy supply in 2050 comes from fossil fuels. These remaining fossil fuels are used in goods where the carbon is embodied in products such as plastics, in facilities fitted with carbon capture and storage and in sectors where low-emissions technology options are not feasible. The Science Based Targets initiative (SBTi)[5] guides that most companies will require decarbonization of 90% across their value chain to meet net zero, and carbon offsets can only be used to neutralize residual, hard-to-abate emissions that are not possible to eliminate.

HIGHLIGHTS OF VARIOUS IMPACTS OF PHYSICAL CLIMATE RISK

OCEAN ACIDIFICATION

About one-quarter of carbon emitted into the atmosphere dissolves in the oceans, where it alters the chemistry and decreases the pH of the surface.

A more acidic environment makes it hard for coral reefs and other organisms to grow and survive. This will drive a profound shift in ocean ecosystems and potentially drastically reduce fish stocks.

Ocean acidity has already increased by 30%.

SEA LEVEL RISE

The National Oceanic and Atmospheric Administration (NOAA) reports a 0.21–0.24 meter rise in sea level has already occurred.

At 1.5°C warming, sea levels are forecast to rise 0.26–0.77 meters by 2021.

At 2.0°C warming, sea levels are forecast to rise 0.61–1.10 meters by 2021.

ICE SHEETS MELTING

The ice sheets of Greenland and Antarctica store roughly two-thirds of the world's fresh water and are losing ice due to warming of the Earth's surface and oceans. Roughly one-third of sea level rise has come from these melting ice sheets since 1993.

At 1.5°C warming, we can expect to experience 1/10 ice-free summers in the Arctic Ocean. At 2.0°C warming, we can expect 1/100.

MARINE ECOSYSTEMS

Rising temperatures will alter the geographic ranges of many marine species, prompting a shift to higher latitudes.

The relocation of species will provide some areas, such as Northern Hemisphere fisheries, with short-term gains, but overall the impact will be mostly negative for humans.

BIODIVERSITY

Biodiversity is sensitive to climate factors such as temperature and weather pattern changes.

At 1.5°C warming, 6% of insects, 8% of plants, and 4% of vertebrates are expected to see their geographic range more than halved. At 2.0°C warming, these figures increase to 18%, 16%, and 8%, respectively.

Pollinators will have significantly reduced geographic ranges, negatively impacting food supply.

LAND ECOSYSTEMS

Changing temperatures are expected to drive biome shifts in many regions. For example, the Mediterranean biome is expected to become more arid, while tundra and boreal forests are also at high risk.

At 1.5°C warming, 7% of the Earth's land will see an ecosystem shift. At 2.0°C warming, this will be 13%.

At 1.5°C warming, 17%–44% of permafrost is expected to thaw. At 2.0°C warming, 28%–59% is expected to thaw.

EXTREME TEMPERATURES

Temperatures will rise unevenly around the world. The strongest warming is expected to happen in mid-latitudes in the summer and in the Arctic in the winter.

At 1.5°C warming, extremely hot days in mid-latitudes will be about 3.0°C hotter. At 2.0°C warming, they will be about 4.0°C hotter.

At 1.5°C warming, the Arctic's coldest nights will be about 4.5°C warmer. At 2.0°C warming, they will be about 5.5°C warmer.

MIGRATION

Climate-related migration has typically stayed within national borders with rural migrants moving to urban areas after losing homes or livelihoods due to drought, sea level rise, or other climate-related issues. As the rising impact of climate change puts further pressures on cities, migration is likely to become more cross-border.

Over the next 30 years, 143 million people are likely to migrate due to rising seas, drought, high temperatures, and other climate catastrophes.

HUMAN HEALTH IMPACTS

The warming of urban areas creates an environment that traps and increases pollution (as smog contains ozone particles that increase rapidly at higher temperatures).

At 1.5°C warming, 1 billion people are exposed to severe heat waves every one in five years. At 2.0°C warming, 2.7 billion people are exposed.

At 2.0°C warming, the deadly heat waves experienced in India and Pakistan in 2015 may occur annually.

Sources: "Global Warming of 1.5°C," Intergovernmental Panel on Climate Change, 2019; "Climate Change 2022: Impacts, Adaptation and Vulnerability," Intergovernmental Panel on Climate Change, 2022. Ocean acidity figures since the industrial revolution began over 200 years ago.

[5] The Science Based Targets initiative (SBTi) is a partnership between the Carbon Disclosure Project, the World Resources Institute, the World Wide Fund for Nature, and the United Nations Global Compact. It provides companies with a clearly defined pathway to future-proof growth by specifying how much and how quickly they need to reduce their greenhouse gas emissions.

HOW CLIMATE FACTORS ARE CONSIDERED IN OUR INVESTMENT PROCESS

How our investments are positioned to navigate climate change—both energy transition and physical adaptation—is a factor considered by our analysts and portfolio managers. We believe it is part of our fiduciary duty to understand how our investee companies, as well as sovereign, municipal, and securitized bond issuers, are assessing their exposure to climate change and building environmental sustainability into their long-term strategic planning. We believe that almost the entire investment universe will feel some impacts of climate change—through revenues, sourcing, energy costs, carbon taxes, financing costs, etc.—and **issuers that can create economic value with a low or zero greenhouse gas footprint will generally be better positioned than their peers** in a world of rising environmental regulation over a long-term investment horizon.

Our practice at T. Rowe Price has been to embed ESG factors throughout our investment research platforms, including climate-related risks and opportunities. We rely on a combination of fundamental analysis (by analysts and portfolio managers), thematic research by (by ESG specialist teams), and our proprietary Responsible Investing Indicator Model (RIIM)[6] analysis. This includes assessing an issuer's net zero status and taking appropriate stewardship measures to safeguard our clients' investment objectives. For clients with a sole mandate to deliver financial performance, climate factors will be evaluated alongside financials, macroeconomics, and industrial factors as our portfolio managers seek to select the securities that will deliver the best financial outcomes. For those clients who have elected to apply a dual financial and sustainable objective to their investment portfolio, ESG factors (including climate) will be considered in a manner that allows that client to meet their sustainable investment objective.

RIIM analysis provides two key benefits for our analysts and portfolio managers. First, RIIM proactively searches for environmental indicators and controversies on companies and sovereign issuers—this is an important feature as environmental data are not required disclosure nor are they standardized like financial data. Second, RIIM provides a framework for evaluating environmental factors—in essence, it creates a common language for our analysts and portfolio managers to discuss how an investment is performing on environmental factors as well as compare securities within the investment universe. Our evaluation of climate change factors focuses on energy transition and physical risk, but we also believe that an issuer's environmental footprint and track record are important indicators that can help us understand how they may perform in a tightening regulatory environment.

Within our RIIM assessment, we consider our investments' environmental characteristics holistically. Key areas of focus include:

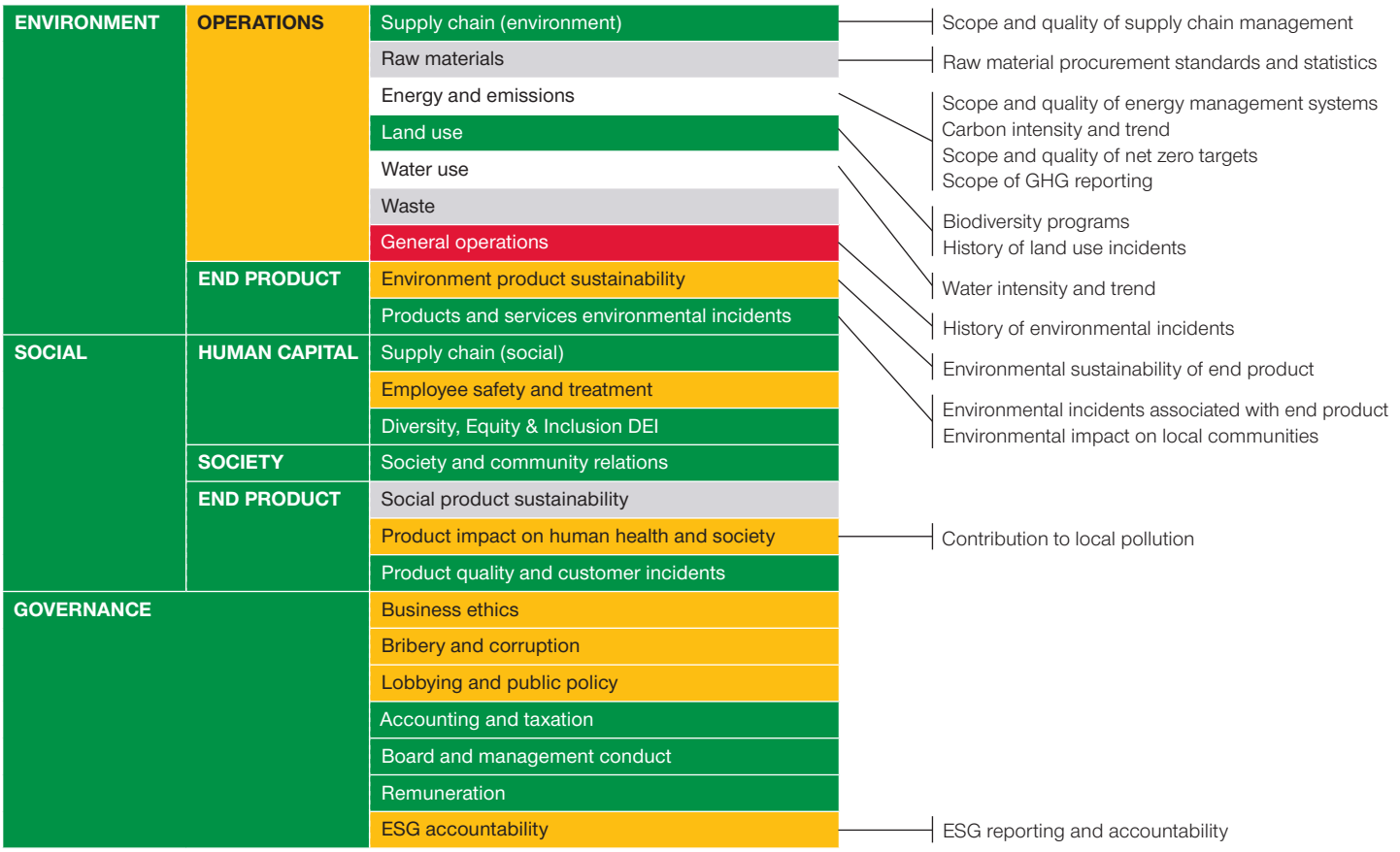
- Energy transition risk
- Net zero status
- Physical risk
- Biodiversity impact
- Circular economy contribution
- Exposure to climate solutions
- Land use
- Water use
- Track record on environment
- Accountability and transparency for ESG (including climate change)

Please note, not all factors may be considered within the RIIM assessment for each T. Rowe Price adviser.

[6] RIIM analysis will be different across advisers.

EQUITIES/CORPORATE BONDS

We believe that RIIM is particularly useful as it proactively and systematically identifies climate change considerations beyond greenhouse gas emissions. While greenhouse gas emissions are the focus of public debate and data are widely available, we believe limiting analysis to this factor is short-sighted. Many other climate change factors—such as biodiversity impacts, water availability, local pollution, and waste management—also need to be considered. The graphic below shows a non-exhaustive list of data points that can serve as climate change indicators and how they are embedded within RIIM.[7]



[7] This illustrative RIIM framework and analysis will be different across ESG teams at TRPA and TRPIM and could evolve over time.

The table below outlines some examples of climate change issues our investment professionals[8] consider across various sectors.

SECTOR	EXAMPLES OF CLIMATE CHANGE FACTORS
Communication Services	Intelligent and efficient network infrastructure, GHG emissions management (including F-gases[9])
Consumer Discretionary	Electric vehicles, eco-design consumer products, apparel and footwear supply chain impact
Consumer Staples	Responsible raw material sourcing, HCFCs[10] phaseout, organic products, deforestation and biodiversity impacts, water use
Energy	Long-term oil and gas demand, fugitive methane emissions, gas flaring, risk of stranded assets, refinery and chemical plant emissions
Financials	Sustainable financing, financed emissions, climate stress tests, insured emissions, environmental-related insurance products (e.g., drought protection)
Health Care	Water usage, waste disposal
Industrials	Energy efficiency products, intermodal transportation shifts
Information Technology	Exposure to products enhancing energy efficiency, data center efficiency, cloud offerings powered via renewable energy, software applications altering energy demand patterns
Materials	Emissions, efficient building products, agribusinesses, impact of fertilizers/pesticides, genetically modified organisms
Real Estate	Eco-friendly buildings, "new cities" infrastructure
Utilities	Shift from centralized to distributed power networks, grid stability, renewables growth within electricity mix, risk of stranded assets, electricity storage, energy efficiency

In many cases, the data inputs we use to analyze a company's environmental profile will vary by industry and even sub-industry; however, one series of data inputs where there is relative commonality across sectors are the net zero indicators. With more than 80% of the world's greenhouse gas emissions coming from countries with national net zero targets in place, we believe a company's ability to adjust its business model in a net zero-focused regulatory landscape will be a financially material factor across our investment universe.

For some sectors or industries, the decarbonization trajectory may be extremely financially material and closely tied to growth prospects and/or valuation, while for others it may not be as significant. Similarly, the focus on scope 1–2 versus scope 3 emissions will vary by sector. Scope 1–2 emissions represent a company's direct emissions (energy generated by owned assets, vehicles, and the purchases of energy—i.e., electricity, steam, or cooling), while scope 3 emissions represent a company's indirect emissions (supply chain, use of sold products, business travel, etc.). Scope 3 emissions, see the chart overleaf, are broken down into 15 different categories, and very few companies provide reporting on all 15 today.

At T. Rowe Price, we consider scope 1–2 emissions across the corporate investment universe. For scope 3 emissions, we focus on high-emitting sectors and on a company-specific basis. Ideally, we would evaluate scope 1–3 emissions across our entire investment universe; however, data availability currently makes this impractical. Because scope 3 emissions do not fall under a company's direct control, the company will typically need to rely on estimating standards and tools developed by organizations such as the GHG Protocol. These standards point companies toward putting the most effort into accurately estimating the most relevant scope 3 categories for their business and using broader estimates for the other categories.[11] At T. Rowe Price, our analysis will take a similar approach and, where there are enough data to analyze scope 3 emissions, we will focus on the specific categories that are most relevant for the industry.

[8] Analysis will be different across advisers.
[9] Fluorinated.
[10] Hydrochlorofluorocarbons.
[11] The GHG Protocol recommends that a company should focus on which scope 3 activities are expected to generate the most significant emissions, offer the most significant GHG reduction opportunities, and are the most relevant to the company's business goals. As a first step, companies should conduct a screening process using less-specific data (i.e., industry average data). Next, each category should be examined to determine whether to further refine the emissions estimates.

OVERVIEW OF SCOPE 1–3 EMISSIONS MATERIALITY ASSESSMENT BY SECTOR

<- Lower materiality | Higher materiality ->

Low | Moderate | Medium | High | Extreme

Sector	Industry	Scope 1-2	Scope 3
Communications Services	Media & Entertainment		
	Telecommunication Services		
Consumer Discretionary	Automobiles & Components		
	Consumer Discretionary Distribution		
	Consumer Durables		
	Apparel, Footwear & Textiles		
	Consumer Services		
Consumer Staples	Beverages		
	Consumer Staples Distribution & Retail		
	Food Products		
	Household Products		
	Personal Care Products		
	Tobacco		
Energy	Energy & Equipment		
	Oil & Gas and Consumable Fuels		
Financials	Financials		
Health Care	Health Care		
Industrials	Aerospace & Defense		
	Air Freight & Logistics		
	Building Products		
	Commercial Services & Supplies		
	Construction & Engineering		
	Electrical Equipment		
	Ground Transportation		
	Industrials Conglomerates		
	Machinery		
	Marine Transport		
	Passenger Airlines		
	Professional Services		
	Trading Companies & Distribution		
	Transportation Infrastructure		
Information Technology	Software & Services		
	Technology Hardware & Equipment		
	Semiconductors & Semiconductor Equipment		
Materials	Chemicals		
	Construction Materials		
	Containers & Packaging		
	Metals & Mining		
	Paper & Forest Products		
Real Estate	Real Estate		
Utilities	Utilities		

Scope 3 Emissions Categories

1. Purchased Goods & Services
2. Capital Goods
3. Fuel & Energy-Related Activities
4. Upstream Trans. & Dist.
5. Waste Generated in Operations
6. Business Travel
7. Employee Commuting
8. Upstream Leased Assets
9. Downstream Trans. & Dist.
10. Processing of Sold Products
11. Use of Sold Products
12. EOL Treatment of Sold Products
13. Downstream Leased Assets
14. Franchises
15. Investments

Source: T. Rowe Price as at March 2023.

We view best practice as adopting a science-based net zero aligned to a 1.5°C pathway that covers scope 1–2 and the most relevant scope 3 emissions. 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. For the majority of companies, we believe this is an appropriate expectation; however, we recognize that not all companies or sectors start in the same position when considering decarbonization targets. Additionally, not all companies will feel comfortable setting a net zero target if the technology to reach net zero is not yet available or economically viable. Similarly, some companies will see the establishment of a net zero target as a way to build the motivation to reach this ambition. As such, our net zero analysis does not solely focus on whether a company has a net zero target in place; it also includes a company's short- and medium-term GHG reduction targets and the credibility of its emissions trajectory. It is underpinned by the principles established by the Paris Aligned Investment Initiative Net Zero Framework and includes the following areas of focus:

- Net zero target by 2050 or earlier
- Medium-term GHG reduction targets
- Short-term GHG reduction targets
- Assessment of the credibility of the pathway to achieve targets
- SBTi validation
- Recent emissions trajectory

When analyzing the net zero or other GHG reduction targets set by our investee companies, it is our expectation that companies try to align with a 1.5°C pathway. We recognize this may be difficult in some sectors and regions; additionally, we understand that sometimes companies may start off with a 2.0°C-aligned target and then seek to improve over time. However, our measurement of net zero status will be based on alignment to a 1.5°C pathway.

The majority of our assets under management have a sole mandate to deliver financial performance—for these strategies, our portfolio managers will consider an underlying holding's net zero status as one of many inputs that could influence the investment thesis. As we view climate change as a systemic risk, assessing climate-related risks and opportunities is an important consideration that can impact our equity and credit ratings, target prices, position sizes, or decision buy or sell a security. In some cases, our portfolio managers may decide to avoid a security with higher climate-related risks, while in other cases they may be willing to take on more risk in this area. Willingness to hold a security with climate-related risk can be driven by a number of factors—for example, a portfolio manager may be able to mitigate the risk at the portfolio level, or a long-dated risk may be accounted for in the valuation of the security. One way we can help mitigate climate-related risks in our portfolios is through engagement and proxy voting.

A small but growing number of clients have elected to apply various net zero or GHG reduction targets to their investment portfolios. These clients have directed a dual mandate to deliver on climate-related outcomes as well as financial performance—these types of mandates tend to fall into the three areas outlined below.

Net Zero Stewardship	Net Zero Mandate	Client-Specific Targets
The portfolio analyzes net zero factors for the purpose of maximizing investment performance and deploys stewardship activities aimed at promoting a net zero objective. ▪ Specific targets are set for engagement with portfolio holdings that have a net zero status of "not aligned" or "no data" (minimum 70% of financed emissions) ▪ Proxy voting reflects net zero objective ▪ Engagement also takes place on net zero issues with other holdings in the portfolio	The portfolio has a specific objective to reach net zero by 2050. As part of this objective, the portfolio is mandated to: ▪ Set firm targets on engagement with holdings that are not aligned (minimum 70% of financed emissions) ▪ Set firm target for 2050 that 100% of holdings have to be Achieved on net zero status ▪ Set firm target for 2040 that 100% of holdings have to be Achieved, Aligned, or Aligning on net zero status ▪ Set "comply or explain" target on net zero status for five years forward ▪ Set "comply or explain" target on GHG emissions reduction (aligned to FTSE Climate Transition Benchmark (CTB) or FTSE Paris-Aligned Benchmark (PAB) methodology) ▪ Track climate solutions alignment	Clients with separate accounts may be more targeted on the specific net zero factors they want to contribute to their net zero mandate—e.g., GHG reduction along specific trajectory, climate solutions, engagements, etc. Some or all of the following are included in target setting and data tracking: (1) net zero status (2) GHG emissions (3) alignment to climate solutions (4) engagement

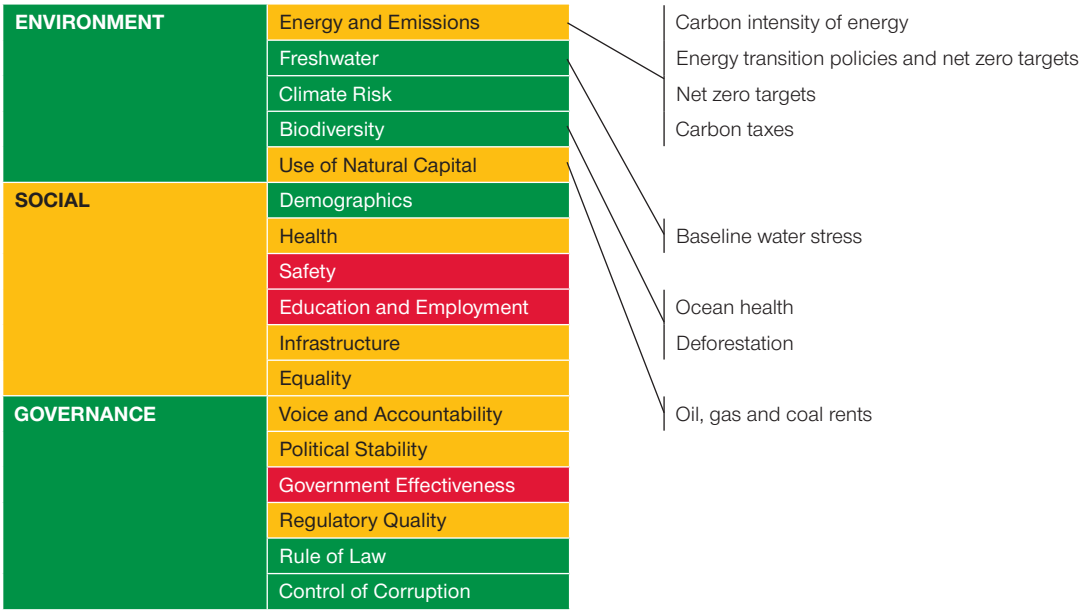
SOVEREIGNS[12]

Climate change is a complex issue to address from an investment perspective. In some cases, its impact will be revealed through a gradual shift that may play out over many decades. In others, it will be a binary event. We believe this global challenge will have impact across the sovereign bond universe and could ultimately have repercussions on a sovereign issuer's ability and willingness to pay contractual debt obligations. When considering the impact of climate change on sovereign bonds, we see two key areas of focus:

- How the country will be impacted by climate change itself (e.g., temperature fluctuation, sea level rise, higher storm risk) and
- How the country's economic forecasts will be impacted by regulation intended to mitigate climate change.

Most countries will feel varying pressures from climate change, and each country will have differing levels of ability to tackle the impact of climate change (both in terms of economic resources and political will).

The illustrative graphic below shows a non-exhaustive list of climate change indicators and how they are embedded within our RIIM[13] framework:



MUNICIPAL BONDS[13]

We believe that municipal debt issuers are explicitly exposed to climate change as a risk that impacts an issuer's ability and willingness to repay coupons and principal. In the case of general obligation municipal bonds, which are dependent on an issuer's credit and tax-raising potential, as against a specific secured cash flow stream, we believe climate change can materially impact a jurisdiction's property value and, in some instances, lead to lower property and other taxes. This has clear implications on the ability and willingness to repay contractual bond obligations. In the separate instance of revenue bonds, where cash flow streams are directly linked to specified revenue from an entity or project, municipal issuers are also susceptible to climate change. In this instance, unmitigated climate change could lead to the destruction or impairment of a project. For example, a toll road could be washed away by a hurricane, requiring material additional CAPEX and, in some instances, even threaten the financial viability of the project, thus directly impacting both ability and willingness to repay contractual debt obligations.

Our RIIM framework for municipal issuers incorporates a fundamental assessment of both existing climate exposure and environmental preparedness for municipal bond issuers, which includes, but is not limited to, the use of climate geolocation scoring to determine vulnerability to a number of natural perils that are exacerbated by climate change, such as wildfire, flood, and hurricane exposure.

[12] This analysis is currently conducted at T. Rowe Price Associates, Inc.

SECURITIZED BONDS[13]

We believe that securitized debt issuers are explicitly exposed to climate change, as a risk that impacts an issuer's ability and willingness to repay coupons and principal. Within mortgage-backed securities (MBS), the underlying pools constitute a large number of mortgages amalgamated into a pool, where the underlying collateral could be adversely impacted by climate change. Examples include, but are not limited to, the destruction of the underlying collateral due to climate change-induced weather events, which has implications on the amount of collateral backing the loan, but also the ability and willingness to repay contractual debt obligations. Separately in the case of asset-backed securities (ABS), the underlying pool of collateral could be adversely impacted by climate change-induced weather events—for example, an adverse weather event could lead to the impairment of a large portion of an automobile-backed ABS pool, ultimately impacting the ability and willingness to repay.

Our RIIM framework for securitized issuers incorporates a fundamental assessment of both existing climate exposure and environmental preparedness for securitized bond issuers. Our RIIM evaluation process involves an assessment of the collateral underlying the respective pools of assets and potential exposure to climate change-induced changes in collateral value.

CLIMATE STEWARDSHIP

We believe climate-related risks are financially material, especially in high-emitting industries, and it is therefore important that we engage with companies on this topic. We believe companies that engage in long-term strategic planning, including in-depth analysis of ESG factors such as climate change, benefit from that experience. Looking inward to assess their own mission and purpose; to think about how the competitive landscape is evolving over long periods of time; and to consider how changes in the broader community, society, and planet might affect the company are all processes that improve the alignment of the company's direction with the interests of long-term shareholders. Furthermore, when a company's radar is tuned to long-term climate shifts, it may be better positioned to create new opportunities.

Engagement with management teams or Board members on climate change is usually conducted as part of a multifaceted discussion on many investment considerations for that particular company but occasionally could focus only on climate change implications. Given that T. Rowe Price has predominantly actively managed portfolios, our portfolio managers may elect to screen out specific companies with onerous climate change risk if they believe it will negatively impact the investment case. As a result, the profile of invested companies across T. Rowe Price portfolios may look meaningfully different than peers—particularly passive peers. That is why our engagements on specific ESG issues like climate change tend to be in-depth discussions, where we believe our engagement can be effective.

One of the more difficult aspects of evaluating climate change risks and opportunities in corporate securities is the lack of disclosure on key environmental metrics, strategy, and accountability. At T. Rowe Price, we expect companies to adopt industry best practice disclosure standards. To this end, we advocate for disclosures aligned to the Sustainability Accounting Standards Board (SASB) and the Task Force on Climate-Related Financial Disclosures (TCFD)—both globally recognized frameworks that emphasize financial materiality. Additionally, for smaller issuers of private credit and syndicated loan transactions that may find SASB and TCFD difficult to achieve in the near term, we advocate using the ESG Integrated Disclosure Project (ESG IDP) reporting template.

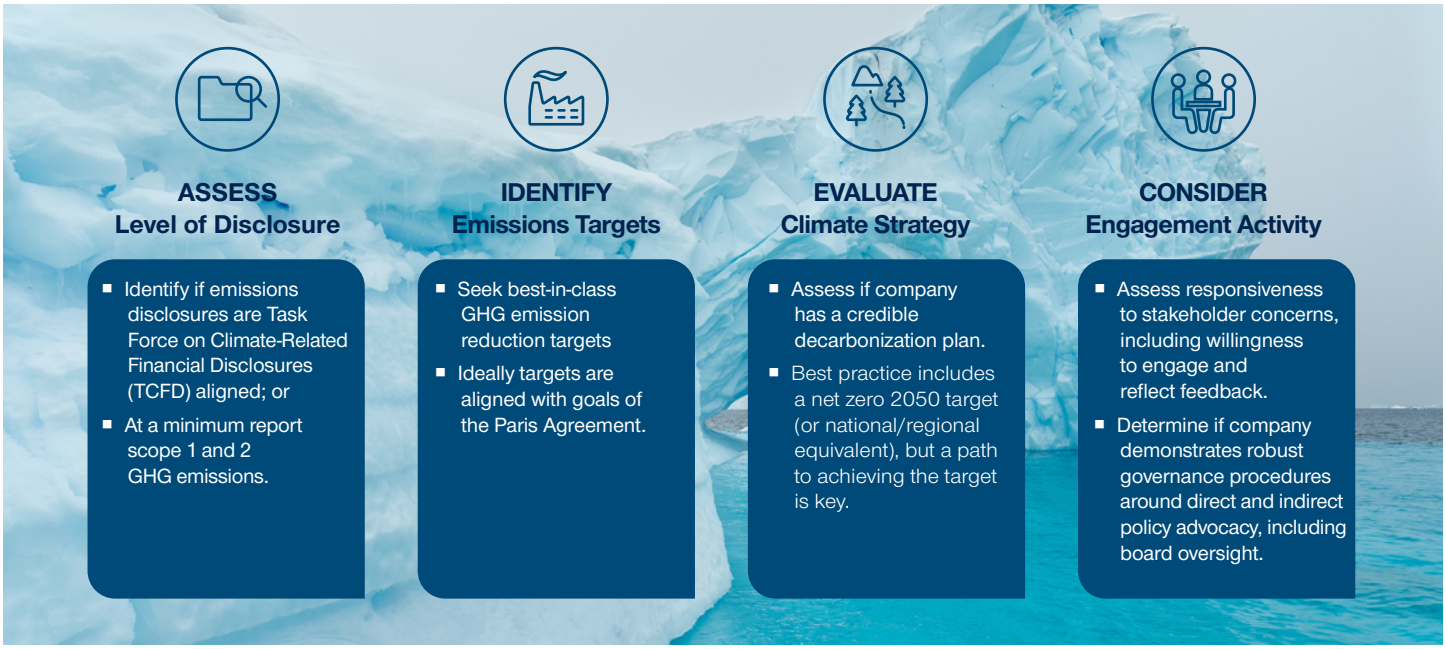
We emphasize the importance of reporting greenhouse gas emissions and encourage all our investee companies to report their scope 1–3 emissions. For high-emitting companies, our minimum expectation is that absolute scope 1–2 emissions are reported annually—for those not meeting this bar, we will generally vote against the reelections of all non-executive incumbent directors at the next shareholder meeting.

We strongly encourage all issuers to report their scope 1–3 emissions. We recognize that reporting scope 3 emissions adds much more complication than simply reporting scope 1–2 emissions and that for some industries estimating methodologies are still evolving. Given these issues, we do not think it is appropriate for us to unilaterally expect all issuers to report a full suite of scope 3 emissions; however, we do expect that the landscape and our expectations will evolve over the next 12–36 months. In the interim, we strongly encourage issuers to report the scope 3 emissions categories most material to their business. For high-emitting companies, our minimum expectation is they disclose absolute scope 1–2 greenhouse gas emissions on an annual basis. Failure by companies in these industries to disclose this data leaves us unable to properly analyze their exposure to climate change risk. For this transparency gap, we will generally oppose the reelections of all non-executive incumbent directors at the next shareholder meeting.

[13] This analysis is currently conducted at T. Rowe Price Associates, Inc.

Where a company has elected to publish a climate transition plan, we consider it against our framework for assessment of climate-related action.

Engagement is only part of the stewardship toolbox. If we do not see sufficient progress in a reasonable time frame, then we will typically escalate the dialogue in a number of ways. One option is to undertake collaborative engagement alongside our direct conversation. Another would be to use our vote to encourage the company to take a different approach. A third option would be to make a public statement, perhaps by pre-disclosing how we intend to vote before or around the time of the meeting.



DIVESTMENT

While implementing prescribed divestment rules may appeal to some, we typically do not apply blanket or category-specific exclusions without a specific mandate from our clients or if specified in product offering documentation. Instead, we prefer to focus on direct company engagement and advocacy for improved practices and disclosures. We do this for a number of reasons:

- Divesting from an asset does little to reduce real-world emissions and correspondingly does not reduce systemic risk and uncertainty;
- Divesting may not be appropriate for an investment product with a sole mandate to deliver financial performance, as divesting from an asset limits our ability to navigate the transition for our clients' maximum benefit if valuations or circumstances change; and
- Divesting from an asset may fail to take into account future technological advances or shifts in business strategy that may enable a high emitter today to flourish in a future net zero world (e.g., acquisition allowing for easier decarbonization route, application carbon capture and storage, etc.).

However, as active investors, we do not have to own every security and will not hold securities if we deem the financial investment case to be unfavorable. It may be the case that climate-related risks do make certain investment unattractive over certain time frames.

POLICY ON CLIMATE-RELATED LOBBYING

Issuers should be aware of the potential for conflict between their stated positions on climate risk and their lobbying activities, such as those conducted via trade associations. While organizations may join trade groups for a variety of valid business reasons, and they may not align with every position the association takes, the Board of Directors should be actively engaged on any areas where the company's core values conflict with its direct or indirect lobbying activities. In addition to engaged Board oversight, from our perspective, the best practices to employ for mitigation of such conflicts are public transparency of lobbying, political spending, and trade association memberships; strong communication within organizations to align their sustainability and public affairs practices; and advocacy within the trade association when a gap exists between the company's values and the organization's. In particular, when a company identifies climate change as a significant risk to its business but also chooses to remain a member of a trade association known to be resisting legislative solutions to the problem, the company has a duty to explain how it prioritizes these competing objectives and how it will escalate and resolve the conflict within the trade organization.

T. Rowe Price utilizes this best practice framework and our research findings on climate-related lobbying to inform our proxy voting decisions and engagement priorities.

REPORTING ON CARBON FOOTPRINT

We assess and report on the carbon footprint of our equity and credit strategies (for portfolios where we have more than 75% data coverage) on a quarterly basis to our clients. The report includes data on total emissions and weighted average carbon intensity.

COLLABORATIONS ON CLIMATE CHANGE

We recognize that meeting the necessary GHG reduction targets will require bold, coordinated action across both the public and private sectors around the world. We view advocacy as a means to improve our ability to analyze whether the issuers we've invested in are on target against the appropriate net zero pathway. Advocacy takes two primary forms. First, we contribute frequently in public comment exercises as market regulators fine-tune their stances on environmental disclosure or target setting. Second, we participate in collaborative industry initiatives on a selective and strategic basis. These initiatives support our core engagement program. We seek to understand where collaboration can provide the most viable and impactful supplement to our powerful internal capabilities. T. Rowe Price is a member of the following organizations/ principles related to climate change.

ORGANIZATION	STATUS	JOINED
Investment Association Climate Change Working Group	Member	2020
Institutional Investors Group on Climate Change (IIGCC)	Member	2020
Task Force on Climate-Related Financial Disclosures (TCFD)	Supporter	2020
Farm Animal Investment Risk and Return (FAIRR)	Member	2020
Task Force on Nature-Related Financial Disclosures (TNFD)	Forum Member	2022
International Capital Market Association (ICMA) Climate Transition Finance Working Group	Member	2022
Net Zero Asset Managers Initiative	Signatory	2022

Note: At least one T. Rowe Price adviser is a member of the above organizations.

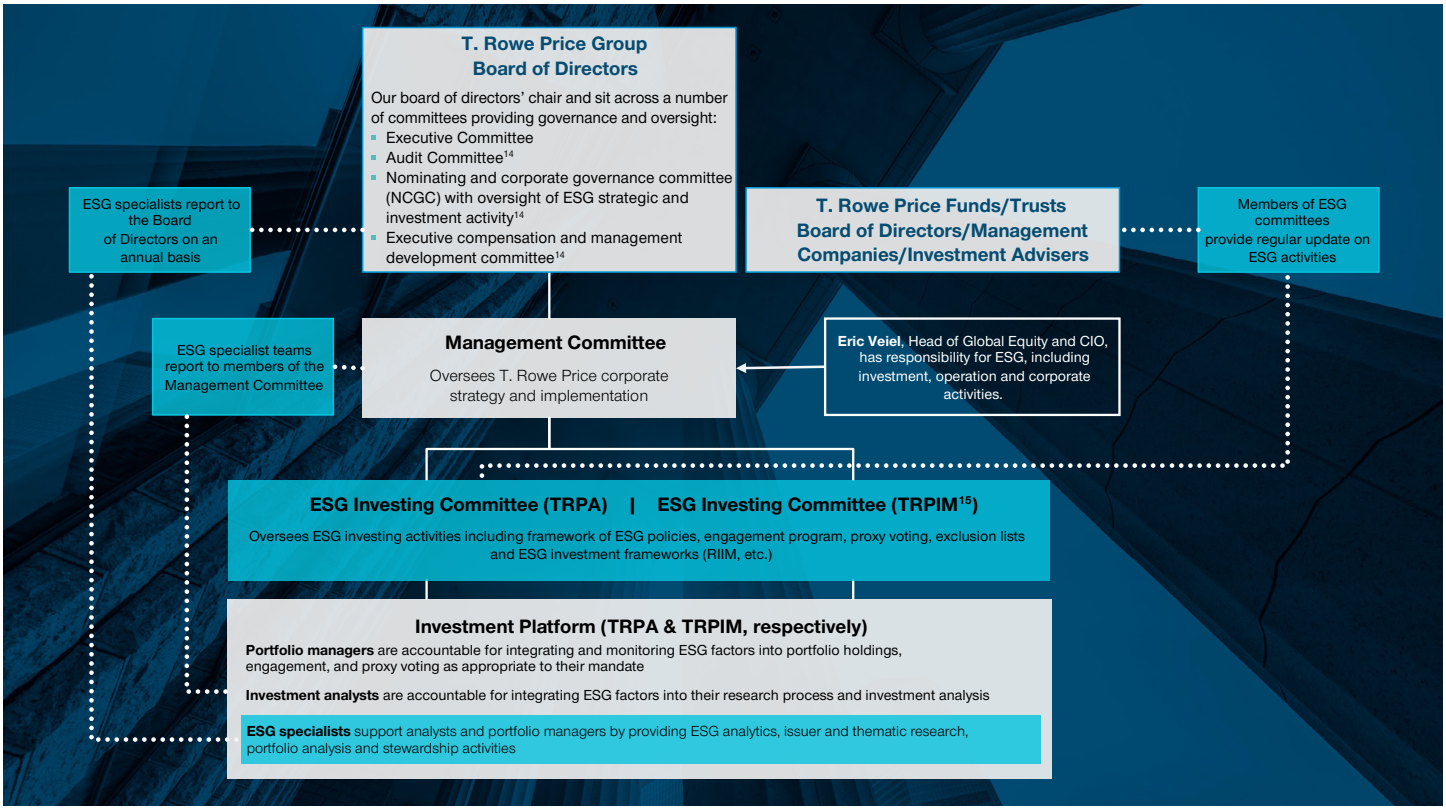
OVERSIGHT AND ACCOUNTABILITY FOR CLIMATE CHANGE

The Nominating and Corporate Governance Committee of the Board of Directors of T. Rowe Price has oversight on ESG investment activity at the firm, which includes climate-related issues. The Board receives an update on ESG investment activities at T. Rowe Price on an annual basis (at minimum). T. Rowe Price's leadership is aware of the risks and opportunities climate change may pose to its business and, through our ESG specialist teams, which are responsible for developing and managing the firm's sustainability initiatives in their respective areas of focus, ensures that the agreed-upon risk measures are implemented. Day-to-day tasks involve the identification, assessment, tracking, and mitigation of climate risks and opportunities.

Oversight of our ESG investing policies, ESG integration, engagement, and proxy voting processes resides with the firm's ESG investment committees, which are made up of senior leaders at the firm. The ESG investment committees' primary purpose is to assist the U.S. Equity Steering Committee, International Steering Committee, Multi-Asset Steering Committee, Fixed Income Steering Committee, and TRPIM Steering Committee of T. Rowe Price Group in establishing the firm's frameworks for:

- Assessing environmental, social, and corporate governance issues;
- Maintaining an appropriate set of proxy voting guidelines; and
- Overseeing and approving exclusions lists for use in various investment capacities.

The committees report regularly, as appropriate, to the T. Rowe Price Funds'/Trusts' Board of Directors and management companies/advisers summarizing voting results, policies, procedures, and other noteworthy items.



[14] Independent Board members only

[15] T. Rowe Price Investment Management, Inc., (TRPIM) was established as a separately registered U.S. investment adviser, with a separate ESG team from T. Rowe Price Associates, Inc (TRPA). Decisions for TRPA and TRPIM ESG teams are made completely independently, but use a similar approach, framework, and philosophy.

T. Rowe Price®

Important Information

This material is provided for informational purposes only and is not intended to be investment advice or a recommendation to take any particular investment action.

The information contained herein is as of March 2023 and is subject to change without notice.

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.

This information is not intended to reflect a current or past recommendation, investment advice of any kind, or a solicitation of an offer to buy or sell any securities or investment services. The opinions and commentary provided do not take into account the investment objectives or financial situation of any particular investor or class of investor. Investors will need to consider their own circumstances before making an investment decision.

Information contained herein is based upon sources we consider to be reliable; we do not, however, guarantee its accuracy.

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