T. Rowe Price®

INVEST WITH CONFIDENCE

ESG

At T. Rowe Price, our central mission is to help our clients reach their long-term financial goals. Consistent with that objective, we have an obligation to understand the long-term sustainability of the companies in which we invest – which is why Environmental, Social and Governance (ESG) factors are a key consideration in our investment approach.

Defining ESG at T. Rowe Price

It is important to set out what we mean by 'ESG' and how we approach it, as the umbrella term has given rise to a myriad of interpretations in the asset management industry.

As a signatory of the United Nations-supported Principles for Responsible Investment (PRI) since 2010, we subscribe to the association's definition of responsible investment as the "strategy and practice to incorporate environmental, social and governance (ESG) factors in investment decisions and active ownership."

The PRI sets out three primary approaches in which ESG issues can be incorporated into investments; integration, screening and thematic.

At T. Rowe Price, we also believe that there are three styles of ESG investing:

- ESG Integration
- Social Responsible Investment (SRI) Strategies
- Impact Strategies

ESG Integration Philosophy

Core Tenets Of Our Approach To Responsible Investing:

- Responsibility for integrating ESG factors into investment decisions lies with our analysts and portfolio managers
- In-house ESG Specialists provide quantitative tools, research and subject matter expertise to support analysts and portfolio managers
- Focus is on ESG factors we consider most likely to have a material impact on investment performance

T. Rowe Price ESG Approach

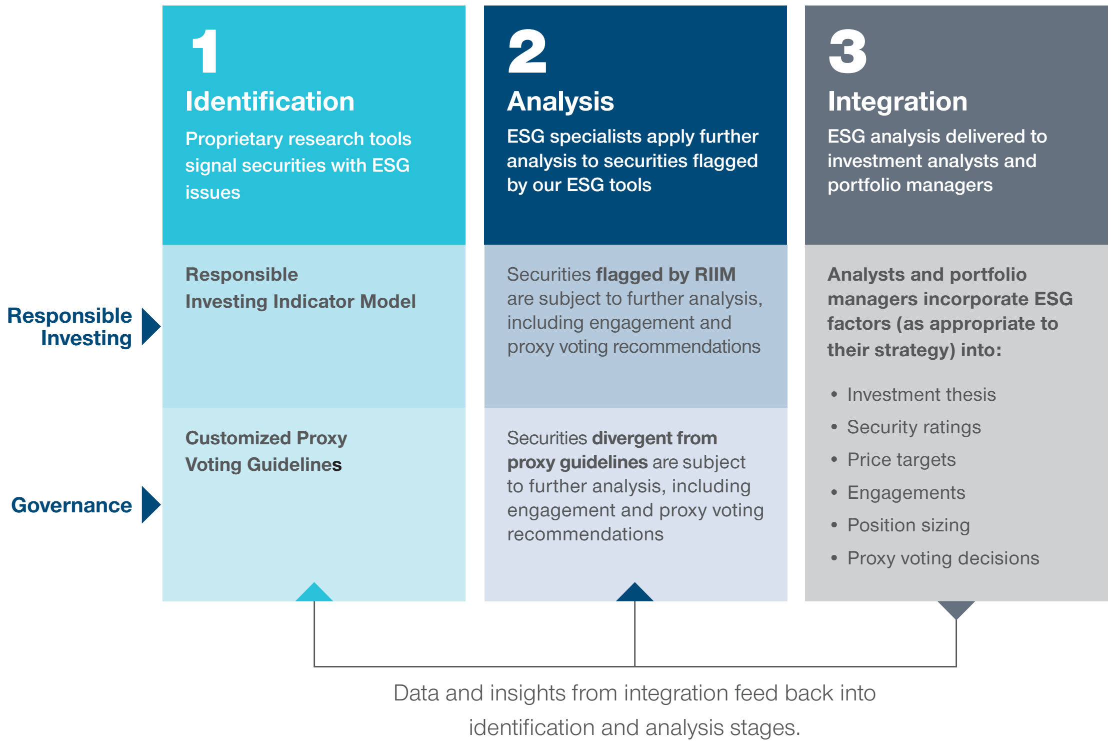
ESG Integration	**SRI** Strategies	**Impact** Strategies
Incorporating environmental, social and governance factors into investment analysis **for the purpose of maximizing investment performance.** Fiduciary duty remains top priority.	Imposing values based investment parameters on a portfolio regardless of their potential impact on performance. Client elects to have values goals supersede financial goals.	Investment is made with the intent to make a positive social or environmental change through the direction of investment dollars (e.g. not capitalising coal companies) or using shareholder status to influence corporate/issuer outcomes (e.g. pressuring a company to divest coal assets).
Capability	**Products**	

Integrating ESG Into Our Investment Process

While ESG terminology tends to group environmental, social and governance factors into one bucket, we believe the 'E' and 'S' factors need to be treated differently to the 'G' factor. Corporate governance standards are well established and generally uniformly disclosed across the world, while disclosure of environmental and social factors is comparatively limited.

As a result, our dedicated in-house ESG resource comprises two teams: **Responsible Investing** ('RI'), which covers environmental and social factors, and **Governance**. Collectively, these teams help our investment teams identify, analyse and integrate the ESG factors most likely to have a material impact on the long-term performance of an investment. Our analysts and portfolio managers (PMs) can integrate this research as appropriate to their investment process.

A Three-Stage Process for Proactive, Systematic ESG Integration



The integration of ESG factors into our investment process starts with the initial research at the inception of an investment idea and continues through the life of the investment.

This relies on a three-step process:

1) Identification

Both the Responsible Investing (Environment & Social) and Corporate Governance teams use a screening process to help identify outliers – both on the positive and negative side. The Corporate Governance team uses our proxy voting standards to establish a screen, while the Responsible Investing team uses our proprietary Responsible Investing Indicator Model (RIIM). Both screens act as flagging tools to help the ESG specialists identify where we should focus our efforts.

2) Analysis

The ESG specialists conduct more in-depth analysis on companies that are flagged in step 1. This further analysis is sometimes conducted solely by the ESG specialist, but often the sector analyst will be involved. This further analysis usually results in a report being published on our research platform, the Research Management System (RMS), detailing the ESG risks/opportunities of a specific investment.

3) Integration

Analysts and portfolio managers leverage the ESG research to incorporate these factors in their investment process. For example, an analyst may make changes to their financial estimates or a portfolio manager may decide to alter their position size in a particular investment.

Responsible Investing Indicator Model (RIIM)

Our dedicated Responsible Investing (RI) team assesses the environmental and social profiles of individual securities and portfolios. The team also assists with company engagement.

Since 'E' and 'S' data points are not always readily disclosed by companies and other issuers, we have built a proprietary model that systematically and proactively screens the RI profile of an investment in regard to three pillars; Environment, Social and Ethics.

The Responsible Investing Indicator Model (RIIM) is our proprietary tool for screening environment, social and ethics factors.

RIIM flags any elevated RI risks with an investment, however can also serve to identify investments with positive RI characteristics and manage RI factor exposures at the portfolio level.

RIIM processes data from T. Rowe Price systems, company reports, non-governmental organizations (NGOs), and select third-party vendors to assess the responsible investing profiles of more than 15,000 corporate and sovereign entities, globally.

RIIM INDICATOR

— Not Material ● No/Few Flags ■ Medium Flags ▲ High Flags

○ **Environment**	■ **Operations**	● Supply chain (environment)
		▲ Raw materials
		■ Energy and emissions
		▲ Land use
		■ Water use
		● Waste
		● General operations
	● **End Product**	▲ Product sustainability
		● Products and services environmental incidents
○ **Social**	● **Human Capital**	▲ Supply chain (social)
		▲ Employee safety and treatment
		● Evidence of meritocracy
	● **Society**	● Society and community relations
	● **End Product**	● Product sustainability
		● Product impact on human health and society
		● Product quality and customer incidents
□ **Ethics**		■ Business ethics
		● Bribery and corruption
		■ Lobbying and public policy
		▲ Accounting and taxation
		● Board and management conduct
		▲ ESG accountability
		▲ **Data and privacy incidents**

As illustrated in the diagram above, a rating of red, orange or green highlights the extent of a security's environmental, social, and ethical risks or positive characteristics.

Advantages of our Responsible Investing Indicator Model (RIIM) over third-party ESG analysis

Designed to measure a company's environmental, social and ethical profile and flag those companies with elevated risks and/or opportunities, our RIIM model allows these factors to more easily be considered alongside financial, economic and industry related insights. Our analysts and PMs can integrate this added information as appropriate to their investment process.

We believe there are many advantages to our model, including:

Relevant Assessment

- Factor materiality is more closely aligned with investment materiality as it is assigned at the sub-industry level
- RIIM helps to screen out the effects of 'greenwashing'
- RIIM is better able to handle a lack of ESG disclosure

Improved Accuracy

- As a framework for analysis, RIIM allows for expanded coverage beyond that of third-party vendors on the same 'apples for apples' basis
- Third party vendor information can be out of date
- Third party vendors may penalize a company for lack of disclosure, despite it having a clean track record
- Third party vendors may force-rank an industry resulting in a company flagging as an underperformer, even though RI practices are not that differentiated between high and low scoring companies in the industry
- As a proprietary model, RIIM analysis is updated to reflect information gathered from our ESG engagements with issuers

Extended analysis

- It complements traditional investment analysis by leveraging data sets that are outside the wheelhouse of standard financial analysis. These data sets include:
- ESG performance data (i.e. number of accidents, carbon emissions, strength of whistle-blower programs)
- ESG targets (i.e. plans to reduce carbon emissions, increase diversity, etc.)
- ESG incident/controversy data (i.e. environmental fines paid, local community controversies/protests against a company, etc.)

Compatibility

- Our proprietary model is designed for practical application by our analysts and fund managers
- It helps quantify the environmental, social and ethical profiles of companies so that an analyst or PM is in a better position to balance an ESG factor within his/her traditional analysis (financial, industrial, macro, etc.). It also assists in comparing the profile of one company versus another

Corporate Governance

Proxy voting is a crucial link in the chain of stewardship responsibilities we execute on behalf of our clients. Our overarching objective is to cast votes to foster long-term, sustainable success for the company and its investors.

Corporate Governance analysis starts with our proxy voting guidelines, which are set annually by our ESG Committee. In addition to informing our proxy voting process, the guidelines reflect T. Rowe Price's perspective of the appropriate governance standards in each region.

T. Rowe Price portfolio managers are ultimately responsible for the voting decisions within the strategies they manage. They receive recommendations and support from a range of internal and external resources:

- The T. Rowe Price ESG Committee
- Our global industry analysts
- Our specialists in corporate governance and responsible investment
- ISS, our external proxy advisory firm

Our proxy voting program serves as 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, including engagement, investment diligence, and investment decision-making.

Our investment-driven engagement program frequently identifies targets through our proprietary RIIM analysis, governance screening, and analysts' fundamental research. ESG engagement meetings are carried out by our ESG specialists as well as by portfolio managers and analysts from our equity and fixed income teams.

Our participation in collaborative industry initiatives is undertaken on a selective and strategic basis. Often, our collaborative initiatives target improved disclosure or business practices on a market-wide level. In key markets around the world, we are concerned about a weakening of important shareholder rights and investor protections. Through both direct advocacy and participation in governance-oriented investor associations, we have worked to persuade regulators that stronger disclosure requirements and basic investor protections are essential if we are to maintain the fair, liquid, and resilient capital markets upon which investors depend.

Principles for Responsible Investment (PRI)

T. Rowe Price has been a signatory of the United Nations-supported Principles for Responsible Investment since 2010. Launched in 2006, the Principles for Responsible Investment (PRI) are a set of voluntary best practice standards that asset owners and asset managers pledge to uphold in order to incorporate environmental, social, and governance (ESG) issues into their investment processes.

Each year we prepare a report for the PRI outlining our approach to responsible investing and the developments we have made to incorporate Environmental, Social and Governance (ESG) factors into our investment process, and the PRI assesses our efforts accordingly.

For our 2020 PRI Assessment Report we have been awarded the highest rating of A+ across all 7 categories. In addition this is the third year running where T. Rowe Price has been above median in every category.

The PRI Assessment scoring methodology is available at unpri.org and T. Rowe Price's most recent Transparency Report is available via the PRI data portal at dataportal.unpri.org. PRI is not affiliated with T. Rowe Price.

Member:

IIGCC The Institutional Investors Group on Climate Change

riaa Responsible Investment Association Australasia

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