T. Rowe Price

For or against? The year in shareholder resolutions–2024

From the Field

Executive Summary

This is the fifth year that we have published analysis of our voting results on shareholder resolutions on environmental, social, and political topics.[1] The 2021 proxy voting season was the high-water mark for overall support of such resolutions. In this year's report, we explore the reasons for the subsequent changes in voting outcomes.

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Changing dynamics in North America

Amid persistent 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 four years, the utility of such resolutions has deteriorated, from our perspective, particularly in the U.S. and Canada, which together represent 88% of the 555 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 was understood to be for longstanding investors to offer nonbinding recommendations for consideration by other shareholders on ways a company might increase shareholder value or reduce its risks by improving transparency, oversight, or governance practices that were generally tied to value creation.

Today, our analysis suggests that proposals of this nature represent less than half of the total. About 40% of resolutions we examined for 2024 fit under the general description of efforts to enhance company performance for shareholders by improving transparency or operations around a key aspect of the business. To be clear, we often still disagreed with the proponents that the specific actions or additional reporting requested were 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, more than 58% of proposals in 2024 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 further a particular social or environmental cause having no connection to value creation, to request reports that the company already clearly provides, or to advocate for changes motivated by considerations other than long-term performance. It is a notable and unfortunate development, in our view, that for the second year in a row a majority of shareholder proposals brought in our clients' portfolios in 2024 can be categorized as either untethered to or negatively aligned with economic outcomes for investors.

[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.

Comparing effectiveness of engagement versus use of shareholder resolutions

We recognize that, relative to some other asset managers, we have shown a consistent and longstanding tendency to be more selective in the shareholder resolutions we support. This is because of our general conclusion that, for large asset managers 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 experience and reputation of T. Rowe Price afford us excellent access to the leaders of the companies in which we invest. Where appropriate, we use that access to address matters of material concerns in the oversight of environmental risks or social matters. Shareholder proposals are, by their nature, seen by companies as much more contentious than ongoing, direct engagement with their large, long-term investors.[2] This is why we find engagement, in most cases, is the more effective path.

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 unrelated to investor returns. Resolutions that can be directly tied to long-term value creation—and where management has not yet sufficiently addressed the concern—are the only proposals we may be inclined to support.

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 proposals sponsored by nongovernmental organizations and anti-sustainability activists illustrates this problem and compounds it. When we conduct analysis of shareholder resolutions, the lens we apply for T. Rowe Price's strategies focused solely on financial performance is narrowly focused on financial risk and returns. When proposals are put forward that, in our view, carry clear political and social motivations instead of financial ones, we will not consider backing them.

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 five years we have been publishing the results of our analysis, the number of resolutions covering environmental, social, and political topics has increased 60% in portfolios managed by TRPA: from 346 votes covered in our 2020 report to 555 in the 2024 edition.

An array of options for clients with differing objectives

A subset of our institutional investor clients (such as pension funds) desires 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 45% of environmentally focused shareholder proposals in 2024.

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.

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 issues not linked to financial returns.

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 sustainability arena or to demonstrate the return on investment of such initiatives. In our first edition of this report, we identified 12 such counterproposals. By 2024, that figure had risen to 106, representing almost 20% of the total pool of proposals.

[2] Source: U.S. Securities and Exchange Commission, 2024-2025 No-Action Responses Issued Under Exchange Act Rule 14a-8.

These dramatic shifts in the landscape validate our longstanding commitment to an analytical, financially centered approach to assessing shareholder-sponsored proposals of all types. It is more important than ever to understand the company's overall circumstances, disclosure levels, and performance and any material governance and sustainability risks before determining whether these proposals are aligned with our clients' financial 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, 8% of resolutions were in the Asia Pacific region and 4% were brought in Continental Europe and the UK.

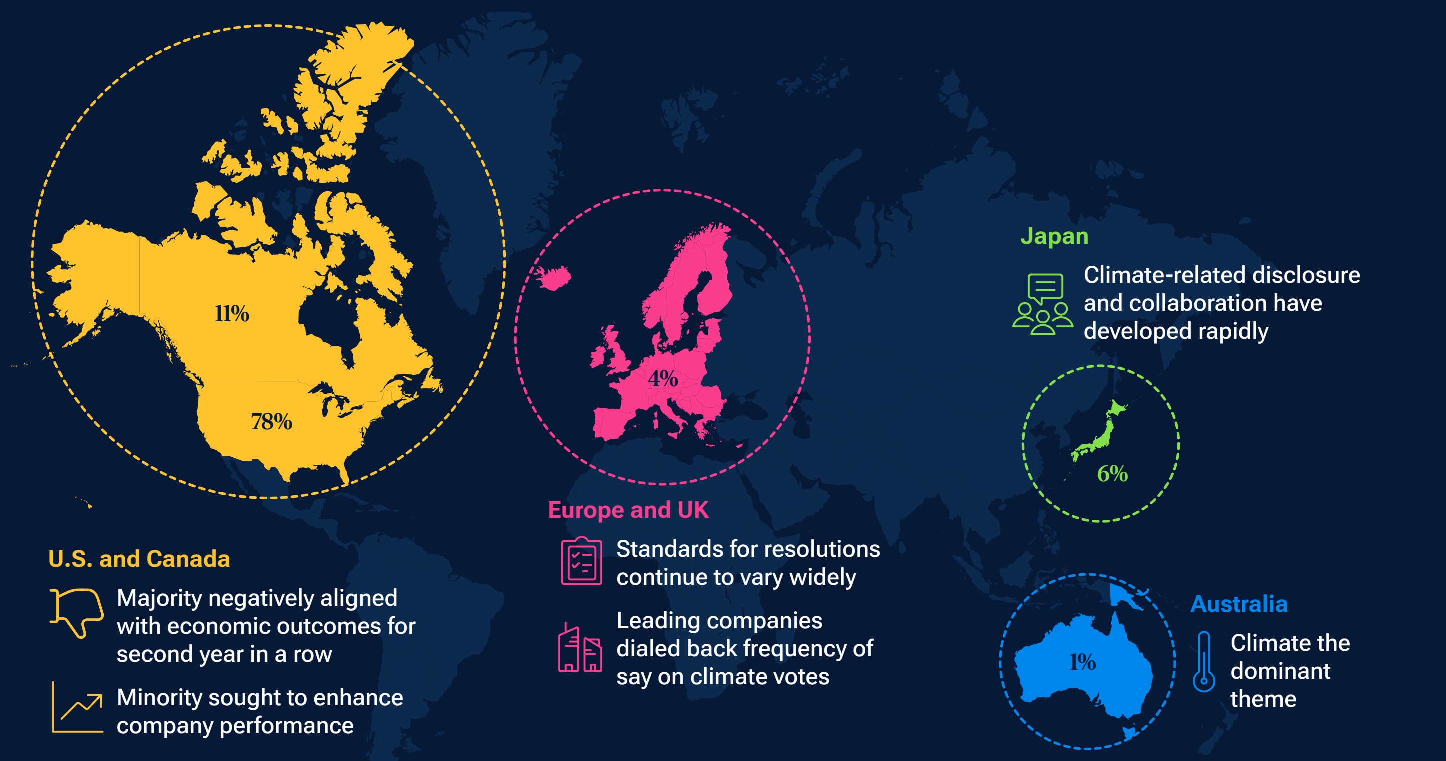
In Asia Pacific, proposals are rarely observed outside of two markets: Australia and Japan. In Japan, proposals focused on climate issues have only been present in our portfolios since 2020. Initial support from investors was strong, with resolutions at the largest Japanese banks exceeding 30%. However, such support has subsequently declined into the high teens as climate-related disclosure improved, encouraged by Japanese companies' participation in global initiatives.

In Australia, climate topics remain 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 concluded it was not prudent to ask companies to adopt a different approach.

Across Europe, Australia, 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 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 offer shareholders an opportunity to review and provide nonbinding approval of the companies' climate strategies on a periodic basis. In 2024, a noteworthy development was that bellwether companies Shell plc and Glencore plc dialed back the frequency of these votes for investors, switching from annual to triennial votes. At a high level, 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' climate transition planning.

Geographic trends in shareholder proposals in 2024 based on TRPA analysis[1]

The U.S and Canada represent 88% of environmental, social and political proposals analyzed in this report



[1] Resolutions covering environmental, social, and political topics—breakdown by region. For Illustrative purposes only. Source: T. Rowe Price.

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. 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.

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 governance and sustainability 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.

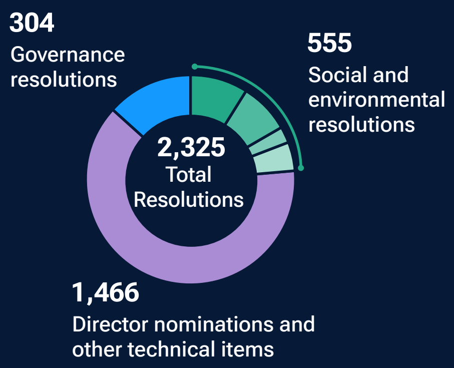
Analyzing our 2024 voting outcomes

In 2024, TRPA portfolio managers voted on a total 2,325 shareholder-sponsored items across all markets. Of those, 1,466 were situations where shareholders were nominating directors to a company's Board or the procedural proposals related to such elections. Another 304 were resolutions asking companies to adopt a specific corporate governance practice.

Here, we focus on the 555 remaining proposals that specifically addressed environmental, social, or political matters. We classify these proposals into four distinct categories as illustrated in Figure 1.

Shareholder resolutions voted on in 2024

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



	Resolutions	Supported (%)	Opposed (%)	Elected not to vote[1] (%)
Social	207	8	91	1
Environmental	181	4	95	1
Political	61	18	79	3
Counterproposals	106	0	98	2

As of December 31, 2024.
Chart shows the number of shareholder resolutions we voted on in 2024 by proposal topic. For "Social and environmental resolutions," we classify the proposals into 4 distinct categories.
[1] 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.
Source: T. Rowe Price Associates.

Understanding our voting rationale

We classify social and environmental 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	As part of our normal engagement program, we encourage companies to improve their environmental disclosures. The current lack of standardization in many markets makes it more difficult for us to analyze companies' environmental exposure. This is why we support the International Sustainability Standards Board (ISSB) framework as it develops. Shareholder proposals asking companies to adopt reduction targets for their Scope 3[3] emissions represent a particularly challenging category for us as investors who assess such requests through a strictly returns-oriented lens. Our perspective is these resolutions are, in most cases, misaligned with our interests as investors. In essence, they ask the Board to direct the company to forgo revenues or increase capital spending in the near term to pursue an objective that is not within the company's control and 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. 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.
2024 Voting Outcomes	**We supported 4% of proposals and opposed 95%. In 1% of cases we elected not to vote due to technical reasons.** Our reasons for opposing resolutions in this category: – 29% were because the companies already provide robust disclosure on the matter raised, and we do not believe additional reporting is necessary. – 20% were because we disagreed in principle with the proponents' objectives. – 18% were resolutions where we had multiple concerns, generally that the proposals were prescriptive, focused on topics not material to the company, and driven by nonfinancial concerns. – 10% were because the environmental 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. – 8% were because the issue raised was not financially material for the company. – 8% were because the proposal was overly prescriptive in nature. – 1% were because the company had already made a commitment to or initiated a project in line with what the proponent requested. – 1% were because the proponent's objectives clearly were not financially motivated.

[3] 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 social and environmental 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 stated intentions of the proponents, and our engagement history with the company.
2024 Voting Outcomes	**We supported 8%, opposed 91%, and did not vote 1% due to technical reasons.** Our reasons for opposing resolutions in this category: – 41% were because we found that the companies already provide robust disclosure on the matter raised, and we do not believe additional reporting is necessary. – 19% were resolutions where we had multiple concerns, generally that the proposals were prescriptive, focused on topics not material to the company, and driven by nonfinancial concerns. – 16% were because we disagreed in principle with the proponents' objectives. – 11% were because the issue raised was not financially material for the company. – 2% were because the proponent's objectives clearly were not financially motivated. – 1% were because the proposal was overly prescriptive in nature. – 1% 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 three 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.
2024 Voting Outcomes	**We supported 18% of proposals, opposed 79%, and did not vote 3% due to technical reasons.** Our reasons for opposing resolutions in this category: – 52% were because our analysis indicated that the company already provides an appropriate level of transparency around its political spending and lobbying. – 12% were because the issue raised was not financially material for the company. – 8% were resolutions where we had multiple concerns, generally that the proposals were misleading, prescriptive, and focused on topics not material to the company. – 7% were because we disagreed in principle with the proponents' objectives.

Understanding our voting rationale (continued)

We classify social and environmental resolutions into four distinct categories:

	4. Counterproposals
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 diversity initiatives or environmental and social objectives. These 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 opposed 98% of these proposals during the year and elected not to vote 2% due to technical reasons.
2024 Voting Outcomes	**We opposed all 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. In addition, the membership includes cross-functional expertise from internal legal counsel 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 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 mature companies in high-emitting industries, we generally oppose Board members if the companies fail to disclose sufficient greenhouse gas emissions data to enable investors to assess their exposure to climate risk.
- **Board Diversity:** We apply a minimum standard for Board diversity in every market globally, with escalated 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, financial materiality is a key consideration because it is suboptimal to distract the company and its Board with resolutions on issues that are not related to value creation.
- To determine materiality, we use frameworks specifically designed for that purpose: the Sustainability Accounting Standards Board (SASB) disclosure framework and our proprietary scoring system, the Responsible Investing Indicator Model (RIIM).

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. Less than half of resolutions are submitted out of a sincere desire to improve the company's practices for the benefit of investors.[4]
- In the other cases, 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.

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 generally 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.

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. 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.
- 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. 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 is specifically around limiting a company's greenhouse gas emissions to meet the objectives of the Paris Climate Agreement.
- Adequate disclosure is the first step to assessing a company's preparedness for a low-carbon transition.
- 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.

[4] Source: T. Rowe Price analysis.

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.

The TRPA ESG Investing Committee reports regularly 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 and 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 sustainability-related matters in that it oversees the corporation's environmental footprint, human capital management, risk management, and other related functions.

The responsible investing capabilities of the investment advisers is a strategic issue of interest to the Group Board. For this reason, TRPA's senior Governance and Responsible Investing leaders provide periodic updates to the Group Board. Our proxy voting activity is generally not part of the discussion because oversight for such investment activities is the responsibility of the funds' Boards.

Conclusion

TRPA has 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 risks, opportunities, and disclosure.

The quality, intent, and utility of shareholder resolutions on social and environmental 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 2024, 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 continue to apply the thoughtful, investment-focused framework we have used over many years.

> "We have concluded that it is not appropriate to use our clients' voting power to support actions designed to achieve outcomes unrelated to investor returns.
>
> – Donna Anderson
> Head of Corporate Governance

INVEST WITH CONFIDENCE®

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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