T.RowePrice®

T. Rowe Price

UK STEWARDSHIP CODE

2020

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INVEST WITH CONFIDENCE®

Issued
October 2021

Contents

Introduction

On behalf of T. Rowe Price International Ltd (T. Rowe Price), I am pleased to introduce our disclosure against the 2020 version of the UK Stewardship Code.

At T. Rowe Price, we are focused on helping clients meet their objectives and achieve their long-term financial goals. One way we do this is through the integration of material environmental, social and governance (ESG) factors, whether the client is seeking to enhance performance, pursue sustainable objectives or both. Given the importance of ESG to our investment process, we welcome the opportunity to discuss in the following sections how our investment and research processes observe each of the principles under the Code.

Under Principle 1, our culture of integrity puts our clients' interests first. I was pleased to see T. Rowe Price retain its position in the *Pensions and Investments* list of 'Best Places to Work' in 2020. Collaboration and inclusion are at the heart of our way of working and have been central to how we responded to this exceptional year.

The pandemic has left no part of society untouched, and fairness is higher on investors' agendas than ever before. Within T. Rowe Price, we have enhanced the scope of our in-house initiatives to include diversity, equity and inclusion (DEI). When speaking with companies on pay, we emphasise that decisions where none of the key groups (executives, employees and other stakeholders including shareholders) disproportionately benefit compared with others can expect our support. Whether looking at ourselves or our investment universe, we believe that companies that do not take a sufficiently long-term and balanced perspective ultimately risk the sustainability of their business models.

We hope you enjoy reading about our stewardship activities. Our Governance and Responsible Investing teams can be reached via **Engagement@troweprice.com.**

Justin Thomson
Chief Investment Officer, International Equity

29 October 2021

T. Rowe Price International Ltd has submitted to become a signatory to the UK Stewardship Code. Until the outcome of such submission it will continue to hold itself and aspire to equal standards of compliance as required by the UK Stewardship Code.

Purpose and Governance

Principle 1:

Signatories' purpose, investment beliefs, strategy, and culture enable stewardship that creates long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society.

What is our purpose?

"If our clients succeed, our firm will succeed"

This is the principle on which Thomas Rowe Price Jr. founded our firm in 1937. And it remains the principle that guides our focus today on delivering successful outcomes for our clients.

First and foremost, we put our clients first. We believe that the firm's success follows those of our clients and we strive to build long-term relationships based on their trust in our investment capabilities.

Our core aim as investment managers is to be admirable stewards of client and shareholder capital. Our ability to succeed is built on the two core values that underpin everything we do:

FIDUCIARY DUTY	SHAREHOLDER FOCUS
We have a fiduciary duty to maximise long-term returns both for our clients and for our shareholders.	We have a duty to act responsibly and a desire to bring about positive change on behalf of our clients, our associates (employees), our shareholders, suppliers and our community.

As an independent company focused only on asset management, we are dedicated to delivering investment excellence. But we do not define excellence simply in terms of returns. We believe investment success requires integrity, transparency and responsible decision-making.

Principle 1: **Delivering investment success – effective stewardship of client capital**

(continued)

ALLOCATION

The first step in effective stewardship is high-quality decision-making in the allocation of clients' capital. Fundamental analysis is the foundation of all of our investment decisions. Through our bottom-up approach, we endeavour to understand the long-term sustainability of a company's business model, and the factors that could cause it to change – this includes incorporating environmental, social and governance factors into our investment process.

We cover our approach to investing in more detail under Principle 7.

RISK MANAGEMENT

We employ prudent risk management. We do not wait for change; we seek to get ahead of it. We understand geopolitical, market, and economic factors and react to them opportunistically or defensively when necessary. We analyse companies' and governments' environmental impact and policies, social standards and governance and procedures to understand both the risks and any possible mitigations.

We cover our approach to risk management in more detail later in Principle 1 and under Principle 4.

MONITORING

We scrutinise all portfolios on their alignment with client goals and guidelines. We monitor our own conduct of business and that of service providers, holding all parties to account on behalf of our clients.

We cover our approach to managing conflicts of interest under Principle 3. We discuss our internal review and assurance processes under Principle 5 and our monitoring of service providers under Principle 8.

ENGAGEMENT

We actively engage with investee companies to nurture strong governance and responsible business conduct.

Stewardship responsibilities executed on behalf of our clients include proxy voting.

We cover our approach to voting and engagement in more detail under Principles 9, 10, 11 and 12.

TRANSPARENCY

We are committed to the highest standards of communication and transparency with our clients. Clients have direct access to portfolio managers (PMs), investment specialists, analysts and economists as well as receiving regular updates on markets and their portfolio. We provide numerous detailed reports, including performance attribution, engagement and voting examples and reporting on the carbon footprint of the portfolio.

We also nurture a strong culture of transparency internally in how we operate, how we take decisions and how we perform against operational and investment objectives.

We cover our approach to transparency in more detail under Principle 6.

Principle 1:

(continued)

Making a difference – people, assets and clients at a scale that counts

OUR PEOPLE		ASSETS IN OUR CARE		CLIENTS WE LOOK AFTER	
Number of investment professionals	724	Client assets we manage	USD $1.47 trillion*	Client countries of origin	Clients in 51 countries
Total number of employees ('associates')	7,678	Asset classes	• Equities • Fixed income • Multi-asset	Our clients	• Private individuals • Intermediaries • Institutions and pension funds • Consultants

Well-informed decision-making for better outcomes that make a difference

Source: T. Rowe Price, as at 31 December 2020
*Firmwide AUM includes assets managed by T. Rowe Price Associates, Inc. and its investment advisory affiliates.

As discussed under Principle 6, in 2020 the majority of our total assets under management were in equities and the remainder in fixed income securities. We use these building blocks to provide multi-asset solutions to our clients. We do not manage private equity, real estate or infrastructure investments as a separate asset class.

The volume of assets we manage means that we are able to invest at scale throughout the capital structure of the companies we select for our clients. We believe our active engagement can be a significant support to our investee companies (see Principle 9).

Our key company characteristics

We believe we have a number of key characteristics as a firm that underpin the trusted relationships we have with investors, regulators and other stakeholders.

INDEPENDENCE	STABILITY	SCALE	CULTURE	RESPONSIBILITY
■ Public holding company ■ Sole focus on investment management	■ Strong balance sheet (no long-term debt) ■ Continued investment in research resource ■ Investment professionals average tenure: 17 years	■ Investment research across major public asset classes ■ Offices in 16 countries	• Research-led and collaborative in everything we do • Career-focused for all our associates • Diverse and inclusive workforce, progressive DE&I policies • Extensive charity and community engagement	• Focus on delivering strong long-term investment performance and world-class service to our clients. • ESG considerations fully integrated into decision-making

A stable, independent company investing for our clients' futures

"At T. Rowe Price, we have one business – investments – and one purpose – to help our clients create more secure financial futures."

Principle 1:

(continued)

As an active investment manager, we are committed to proprietary research as the principal driver of better investment decisions and better outcomes for our clients and employees. Our independence and our strong financial position have enabled us to continue growing our global research team year-on-year consistently for the last 20 years – even through the global financial crisis in 2008 and the onset of the Covid-19 pandemic in 2020.

Workforce engagement during COVID-19

As the threat of COVID-19 began to emerge, we quickly took precautions to protect our associates. In mid-March 2020, almost overnight, 97% of our global associates switched to working from home full time. Our longstanding investment in technology and commitment to business continuity planning helped ensure a seamless transition and the preservation of our highly collaborative work environment, despite the physical distance. Further details on our response can be found in our most recent Sustainability Report.

Our culture differentiates us and helps drive the investment success we aim to create for our clients. That's why preserving our culture is a top priority. Initiatives for nurturing the well-being of our associates include:

- Prioritised and ensured our associates' well-being and safety by swiftly moving approximately 97% of our workforce to work-from-home arrangements.
- Offered comprehensive health care, including coverage of COVID-19 testing.
- Provided additional wellness days, backup childcare and eldercare options, and 24/7 doctor visits via telemedicine.
- Facilitated free counselling through our Employee Assistance Programme.

Creating long-term value: our investment beliefs

We invest our clients' assets in accordance with our investment beliefs which underpin our role as stewards of our clients' financial well-being.

Our investment principles

LONG-TERM	FORWARD-LOOKING	RESEARCH-LED	COLLABORATIVE	RESPONSIBILITY
▪ Our portfolio managers (PMs) are focused on long-term client needs, rather than short-term peer group performance rankings ▪ We reward our PMs on the basis of multi-year excess returns, not on the size of portfolios they manage	▪ Our analysts are specialists in their industry or sector ▪ They look beyond the numbers, working on the ground in local markets	▪ Our research across companies' capital structures gives us a real understanding of the investments we choose for our clients' portfolios	▪ Sector and asset class teams share views and scrutinise investments from every angle – the most effective way to reveal their true potential, now and in the future	▪ ESG considerations integrated in our research process ▪ Strong understanding of ESG risks and opportunities ▪ Diverse global workforce

Stewardship that creates long-term value for clients and beneficiaries

Principle 1:

(continued)

Strategic investing

Markets are dynamic, and we believe investing should be too. We are active, strategic investors, focusing on the fundamental drivers of companies' future success, including their environmental impact, their social standards and their governance. We strive to be forward-looking, anticipating disruption before it happens or quickly changing our approach once it occurs.

Our investment professionals do not just sit behind their screens, they go out into the field to talk to customers, suppliers, employees and managers to learn first-hand where a company stands and where it could go in the future.

The emphasis on forward-looking insights of change and strategic, long-term thinking in our investment decision-making instils in us a natural and intrinsic focus on the behaviour, direction and impact of the companies we select for our clients' portfolios.

The responsibility for integrating environmental, social and governance factors (including climate-related risks and opportunities) into investment decisions lies with our analysts and portfolio managers. We believe that formal integration of ESG considerations into our fundamental research has helped us to identify well-managed companies that are leaders in their industries, more forward-thinking, better at anticipating and mitigating risk, and focused on the long term.

Plurality of ideas

We do not have a single "house view" imposed on all client portfolios. Portfolio managers source and adopt our shared macro-economic research and expertise in accordance with the mandate for their portfolio. They are individually accountable for investment decision-making, but the responsibility for the quality of insights and intelligence is shared across our global investment and research teams.

Risk management

There are three main pillars to our approach to risk management:

IDENTIFYING AND MEASURING RISK	SELECTING INTENDED RISK, MINIMIZING UNINTENTIONAL RISK	IMPLEMENTATION
■ Dedicated global economists ■ Local security and industry research ■ Technical backdrop	■ Fundamental company and industry research ■ Independent security rating system ■ Scenario analysis	■ Risk budgeting ■ Regional/sector exposure ■ Relative value analysis ■ Proprietary trading platform ■ Liquidity monitoring

These principles are how we help our clients achieve their long-term financial goals.

Principle 1:

(continued)

Our culture: working together for clients and community

The working culture at T. Rowe Price is collegiate and collaborative, built on strong foundations of inclusion and mutual respect. Diverse thinking and healthy debate are deeply ingrained into the T. Rowe Price culture.

We believe that our associates' knowledge, insight, enthusiasm and creativity all contribute to client success. Our culture helps drive the investment success we aim to create for our clients. That is why preserving our culture is a top priority. We do that by attracting and retaining diverse talent and maintaining our focus on development and succession planning. We are taking material steps to increase the recruitment and retention of ethnically diverse individuals and women – two underrepresented groups in asset management. These include:

- **Taking a fresh approach to recruitment**

We recognise that talent is distributed equally but opportunity is not. Since 2014 we have operated an apprenticeship scheme in the UK. We work in collaboration with the East London Business Alliance (ELBA), sourcing local talent that might have otherwise been overlooked via traditional recruitment approaches.

- **Developing and strengthening our internal affinity**

Our collaborative culture ensures that views are constantly sought and shared between experts from diverse backgrounds. We believe that looking at investment opportunities from multiple perspectives is the most reliable way to reveal their true potential. Macro-level views are contrasted with information gathered on the ground. Company-level insights are tested and shared across regions, affiliated industries and supply chains.

Making a difference: enhancing our standards of stewardship

Actions and outcomes in 2020

As a company, we are committed to ensuring that our investment beliefs, strategy and culture enable effective stewardship of client portfolios and stakeholder well-being.

The year 2020 was a challenging and rapidly changing environment. In terms of stewardship, it was a year of learning for us and for many of our peers. The COVID-19 pandemic has driven our understanding of how intertwined economic outcomes are with the well-being of the planet and its inhabitants.

Here are some of our corporate actions and achievements in 2020, reflecting our focus on diversity, culture and climate.

Principle 1: **Our people**

(continued)

Hiring and retention amongst underrepresented groups

Our goal is to increase our hiring and the retention and development of talent from groups that are underrepresented in asset management, including both ethnically diverse individuals and women. Each year we establish annual corporate diversity, equity and inclusion goals to continue improving our hiring, development, advancement, and retention of diverse talent and our overall diverse representation.

2020

- ✓ 63% of new hires firmwide in 2020 were either female or ethnically diverse
- ✓ At the end of 2020, women composed 44% of our associates globally
- ✓ 29% of our US associates were racially and ethnically diverse individuals
- ✓ 60% of independent directors on our Board are women and/or ethnically diverse

Best Place to Work for LGBTQ Equality
We were pleased to be included in the Human Rights Campaign Foundation's Corporate Equality Index (CEI) for 2020, as one of 686 US businesses that earned the designation of being a "Best Place to Work for LGBTQ Equality".

Training

We support the development of our staff through relevant training and development opportunities such as completion of the Chartered Financial Analyst® (CFA®)* qualification. In 2020 we appointed a new ESG Education lead and onboarded three new education partner companies.

2020

Team training and awareness: ESG Learning Certificate
We believe training is key to ensuring that ESG is incorporated across our business. In 2020, we rolled out our ESG Foundation Certificate training programme for our distribution team.

More information on our training programmes is included in **Principle 2.**

*CFA® and Chartered Financial Analyst® are registered trademarks owned by CFA Institute.

Principle 1:

(continued)

Community

Community activities

At the community level, we stewarded a corporate collaborative to fund grassroots, community-based organisations, working on child hunger during the pandemic, and donating respirator masks to local hospitals in our major corporate locations in the US (Maryland, Colorado, and New York). The company also provided direct grants and a capacity-building programme to help strengthen local nonprofits and fill funding gaps.

2020

- Delivered a nationally recognised trust-based community engagement model.
- Continued sponsorship support for nonprofit events.
- Developed a webpage to provide learning resources to community partners and help them transition to a virtual environment.
- Northern Italy was one of the first and worst-hit regions in the pandemic. T. Rowe Price Milan started a partnership with a local nonprofit Fondazione di Comunita Milano, to support the ZumBimbi project, which is a daycare project for the children of COVID-19 victims.

Corporate sustainability

Target setting

We have targets to manage our own climate-related risks and opportunities in two areas: greenhouse gas emissions and waste. We recognise the need to set other climate risk-related targets, both on-site and in our supply chains, and seek to iterate location-appropriate solutions at a devolved level with our teams.

Greenhouse gas emissions

We have set the target of reducing our emissions by 13% by 2025, compared with a 2010 baseline. This is primarily tracked through absolute reduction targets applied to our Scope 1, 2 and 3 emissions. For comparison, there was a 71% increase in associate population between 2010 and 2020, based on assigned workspaces.

The absolute targets are measured following the methodology set forth by The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (Revised Edition), which is used to estimate Scope 1, 2 and 3 (Categories 5 and 6) GHG emissions. We continue to be on track to meet this target in advance of the 2025 deadline and, therefore, we aim to build on this progress by exploring what new, future-proof carbon and energy targets would be most appropriate for our business.

Waste

We have set a target of reducing the waste we send to landfill by 92% by 2025, compared with a 2010 baseline. The absolute target is measured by collecting data from each facility on tons of waste sent to landfills. Following best practice, data are also collected on tons of waste recycled, composted, and sent for energy recovery. We remain on track to meet this target in advance of the 2025 deadline. We are committed to building on this momentum, by seeking out circular economy options, which can be used to tackle both our operational and embodied waste. As part of this endeavour, we embrace the need to shift from managing waste once it is created to designing out waste before it is generated.

Principle 1:

(continued)

Reporting on our own impact

We have started reporting under the framework of the Task Force on Climate-Related Financial Disclosures (TCFD) in our annual Sustainability report.

2020

14th in Barron's "Most Sustainable Companies" list

In 2020, T. Rowe Price ranked 14th in Barron's 4th annual "100 Most Sustainable Companies" list, up from 26th place in 2019. To develop the list, Barron's evaluated the 1,000 largest publicly traded companies and ranked each on how they performed for shareholders, employees, customers, community, and the planet.

Communication

Internal and client communications

The COVID-19 pandemic has underscored the links between sustainability and risk. We had to focus on how best to support our associates, clients, and communities. We stayed close to clients and amongst internal teams through virtual meetings and web-based content on global markets and personal finance.

2020

- Provided an "Insight Webinar Series" for institutional clients on topics such as CIO outlooks, health care and energy.
- During the height of market volatility in March 2020, we hosted a call for one of our largest institutional clients so they could speak with our fixed income trading team to understand how the client's desire to deploy more capital into risk assets might play out in rapidly-changing market conditions. T. Rowe Price did not stand to benefit from this as the investment allocations would be received by other managers, but the client was in a more informed position to refine its decision making and investment activity from the real-time insights we were able to offer to them.

ESG in our investment approach

Enhancing our ESG indicators and analysis in 2020

In 2020, our ESG teams worked on the ongoing integration of our proprietary Responsible Investing Indicator Model (RIIM) within the investment process. We continued to grow the ESG specialist teams supporting our analysts and portfolio managers and established a technology team dedicated to supporting our ESG research tools. We also expanded our RIIM analysis beyond the existing corporate and sovereign frameworks to new asset classes – namely municipal bonds and securitised bonds.

Engagement and disclosure

To promote greater comparability of ESG disclosure amongst investee companies, we have publicly supported the use of the Sustainability Accounting Standards Board (SASB) and Task Force on Climate-Related Financial Disclosure reporting frameworks. We engaged with 528 companies on the topic of environmental and social disclosure in 2020.

Principle 1:

(continued)

Growing our ESG resource and capability

We continued to resource our ESG efforts, bolstering the number of dedicated investment professionals. At the end of December 2020, we had a team of 14 investment professionals dedicated to environmental, social, and governance research who support our analysts and portfolio managers.

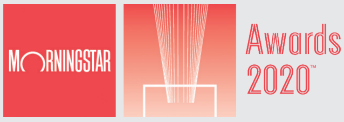
2020

Values-driven investment portfolios
In 2020, we launched a range of responsible funds in response to client demand. The funds impose values-based parameters via the overlay of our proprietary exclusion list. Further information related to the client-led development of these funds is included in Principle 6.

"A+" PRI ratings*
We received an "A+" rating across each of the modules we report on from the Principles for Responsible Investment (PRI), marking the third consecutive year we have been above the median in every category. While we were pleased to achieve this rating, we recognise that there is more to be done.

We were pleased that our distinctive culture and commitment to investing excellence was recognised by Morningstar with the award of the 2020 US Morningstar Exemplary Stewardship Award.

T. ROWE PRICE EARNS TWO 2020 US MORNINGSTAR AWARDS FOR INVESTING EXCELLENCE



In June 2020 T. Rowe Price was honoured with the 2020 US Morningstar Exemplary Stewardship Award for the firm, and the 2020 US Morningstar Outstanding Portfolio Manager Award for Jerome Clark.

The Exemplary Stewardship award recognises the firm that best demonstrates an investor-focused corporate culture and an alignment of interests between investors and the people who control the destiny of the investment strategies, according to Morningstar. Mr. Clark is a portfolio manager in T. Rowe Price's Multi-Asset Division.

In combination, we believe these corporate, cultural and investment-related actions have delivered meaningful and sustainable benefits to the economy, the environment and society, as well as our clients and our associates.

* Used with permission. PRI is not affiliated with T. Rowe Price.

Principle 2:

Signatories' governance, resources and incentives support stewardship.

Governance structures and processes for effective stewardship and oversight

Governance starts from the top. T. Rowe Price Group, Inc.'s Board of Directors strives to ensure that we deliver excellence for our global clients and that our policies reflect the highest levels of ethics and integrity.

T. Rowe Price Group, Inc. Board committees

AUDIT COMMITTEE	EXECUTIVE COMPENSATION AND MANAGEMENT DEVELOPMENT COMMITTEE	NOMINATING AND CORPORATE GOVERNANCE COMMITTEE	EXECUTIVE COMMITTEE

Additional layers of oversight

MANAGEMENT COMMITTEE	APPLICABLE FUNDS' BOARD OF DIRECTORS/ T. ROWE PRICE FUNDS/TRUSTS BOARD OF DIRECTORS MANAGEMENT COMPANIES/ INVESTMENT ADVISERS
The T. Rowe Price Group, Inc., Board has also authorised a Management Committee that is made up of senior officers of the company. The Management Committee oversees T. Rowe Price corporate strategy and implementation.	The applicable T. Rowe Price Funds' Board of Directors approve the investment management agreements annually and receive periodic updates on our ESG initiatives.

Oversight of ESG matters

The Board took steps in 2020 to heighten our focus on the company's environmental, social, and governance matters.

"As such issues have become increasingly important to T. Rowe Price's business, we determined the time was right to formalise Board oversight of ESG. In 2020, we amended the Nominating and Corporate Governance Committee's charter to include oversight of these issues and their impact on our employees, stockholders, citizens and communities".

Olympia Snowe
Chair, Nominating and Corporate Governance Committee

Principle 2: **Resourcing and aligning effective stewardship activities**

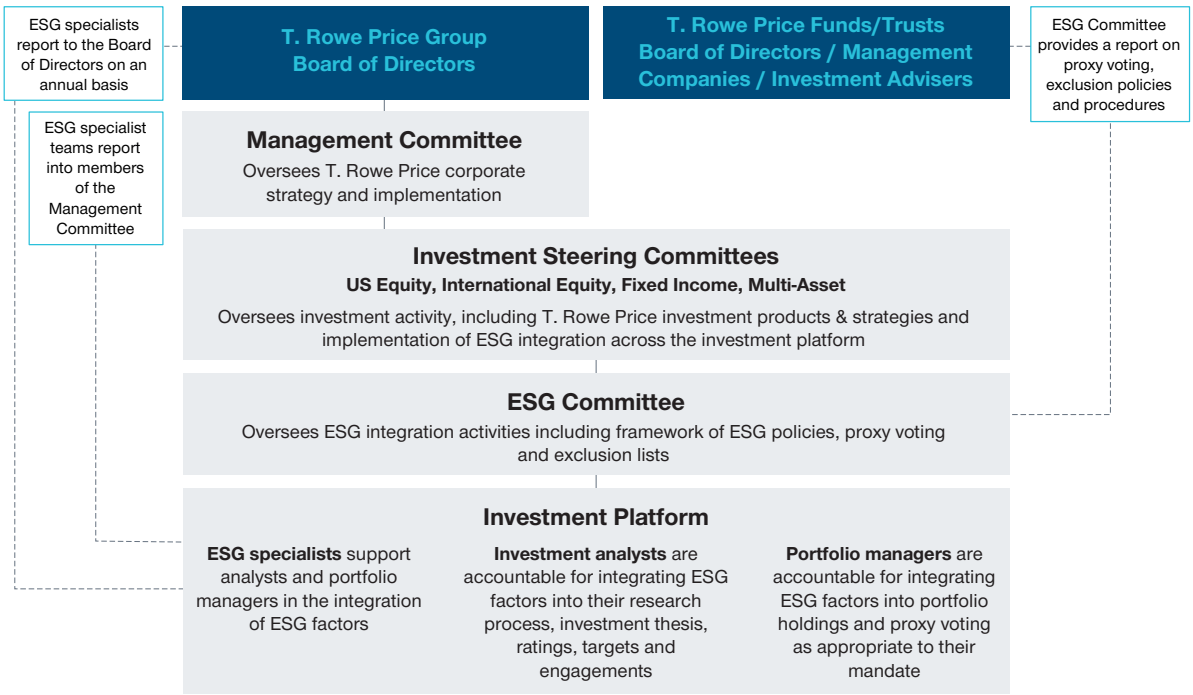
(continued)

Our dedicated, in-house ESG resources are located within the Investments division and report directly to senior management. The Director of Research, Responsible Investing reported to the Head of Investments and Group Chief Investment Officer. The Head of Corporate Governance reported to the co-Head of Global Equity.

T. Rowe Price governance framework

Accountability for ESG at T. Rowe Price starts at the top, both in our Group Board of Directors and the in the boards of our fund structures.

T. Rowe Price Boards and Committees



ESG Committee

The ESG Committee, made up of senior leaders, oversees ESG integration across our investment portfolios. It is co-chaired by the Head of Corporate Governance and the Director of Research, Responsible Investing. The ESG Committee´s primary purpose is to assist the Investment Steering committees (US Equity, International Equity, Multi-Asset and Fixed Income) of T. Rowe Price Group in establishing the frameworks for:

- Assessing environmental, social and governance issues within our investment process
- Maintaining an appropriate set of proxy voting guidelines, and overseeing their implementation
- Overseeing and approving exclusion lists

The Committee submits an annual report to the applicable T. Rowe Price Funds' Board of Directors summarising voting results, policies, procedures and other noteworthy items.

Principle 2:

(continued)

The membership of the ESG Committee as at 31 December 2020:

DONNA F. ANDERSON
Co-Chair, Head of Corporate Governance

MARIA ELENA DREW
Co-Chair, Director of Research, Responsible Investing

KAMRAN BAIG
Director of Equity Research, EMEA and Latin America

HARI BALKRISHNA
Portfolio Manager, Global Impact Equity

OLIVER BELL
Associate Head, International Equity

R. SCOTT BERG
Portfolio Manager, Global Growth Equity

BRIAN W. BERGHUIS
Portfolio Manager, US Mid-Cap Growth Equity

JOCELYN BROWN
Head of Governance, EMEA and APAC

ARCHIBALD CIGANER
Portfolio Manager, Japan Equity

ANNA M. DOPKIN
Strategic Project Manager

AMANDA FALASCO
Lead Manager, Proxy Services

RYAN HEDRICK
Associate Portfolio Manager, US Large-Cap Equity

LQ HUANG
General Manager, US Equity

ARIF HUSAIN
Head of International Fixed Income

MICHAEL LAMBE
Associate Director of Research

MATT LAWTON
Sector Portfolio Manager

MATTHEW LEEF
Head of US Investment, Middle Office

RYAN NOLAN
Senior Legal Counsel, Legal

GONZALO PÁNGARO
Portfolio Manager, Emerging Markets Equity

SALLY PATTERSON
General Manager, International Equity

PREETA RAGAVAN
Equity Investment Analyst

JEFF ROTTINGHAUS
Portfolio Manager, US Large-Cap Core Equity

JOHN C.A. SHERMAN
Equity Investment Analyst

JUSTIN THOMSON
Chief Investment Officer and Head of International Equities

MITCHELL TODD
Portfolio Manager, UK Equity

ERIC VEIEL
Co-head, Global Equity

CHRISTOPHER WHITEHOUSE
ESG Specialist, focusing on the US SMID Universe

ERNEST YEUNG
Portfolio Manager, Emerging Markets Discovery Equity

Principle 2:

(continued)

ESG Taskforce

Separate to the ESG Committee, our ESG Taskforce is responsible for communication and understanding of ESG-related issues and activities. Its areas of focus fall into three main workstreams:

COMMUNICATIONS	Drive our ESG marketing, communication and education efforts
MARKET INTELLIGENCE	Surface key market trends and client insights globally to assist the development of our ESG investing capabilities and communications
CLIENT REPORTING	Advise and promote guidance to the teams executing on the delivery of ESG reporting, based on insights from the Communications and Market Intelligence initiatives

The ESG Taskforce reports to the Investment Management Steering Committee (IMSC). The executive sponsor of the ESG Taskforce is the Head of EMEA Distribution and the two co-chairs are the Director of Research, Responsible Investing and the Head of ESG Marketing and Communications. The members as at the end of 2020 are listed below.

ZOE GODFREY Co-Chair, Head of ESG Marketing and Communications	**MARIA ELENA DREW** Co-Chair, Director of Research, Responsible Investing
HELEN FORD Global Head of Investment Specialists Group	**LOUISE MCDONALD** Head of Product Development, EMEA
AMANDA HALL Head of International Equity Product Management	**SELINA PATTYRANIE** Relationship Manager, Nordics & Lead ESG Market Intelligence Workstream
MAREY HERRFELDT Group Manager, Product Engagement	**SUHA READ** Business Manager, Responsible Investing & Lead ESG Client Reporting Workstream
GABRIELA INFANTE Director, ESG	**CHRISTOPHER WHITEHOUSE** ESG specialist, focusing on the US SMID Universe
SCOTT KELLER Head of EMEA Distribution (Executive Sponsor of the ESG Taskforce)	

The purpose of the ESG Taskforce is to increase the level of ESG awareness and communication within the business to develop a more globally calibrated perspective on ESG practices, and to shape better communication of our activities with clients (and all other stakeholders). This Taskforce and its sub-workstreams will be discussed in more detail under Principles 5 and 6.

Principle 2: **Stewardship expertise and alignment**

(continued)

Our ESG team members bring extensive and broad experience across a wide range of perspectives to their roles.

Governance

Donna F. Anderson, MBA, CFA
Global Head of Corporate Governance
25 years investment experience
Baltimore

Jocelyn Brown, MBA
Head of Governance, EMEA, and APAC
13 years investment experience
London

Kara McCoy
Governance Analyst, Operations.
29 years at T. Rowe Price
Baltimore

Regulatory Research

Katie Deal
Analyst, Washington Research
4 years investment experience
Baltimore

Proxy Services*

Amanda Falasco
Lead Manager
22 years at T. Rowe Price
Baltimore

* Part of Investment Operations Group

Principle 2:

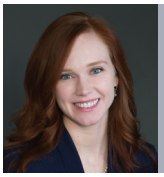
(continued)

Responsible Investing

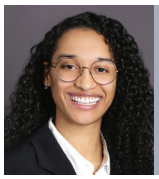
Maria Elena Drew
Director of Research, Responsible Investing
23 years investment experience
London

Suha Read
Business Manager, Responsible Investing
16 years of experience in the investment management industry
London

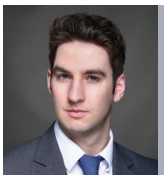
Joseph Baldwin
Associate Analyst (financial services and real estate), Responsible Investing team
3.5 years investment experience
London



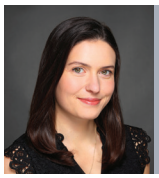
Ashley Hogan
Associate Analyst (US technology), Responsible Investing
4 years at T Rowe Price
Baltimore



Natalie McGowen
Associate analyst (US consumer), Responsible Investing
Joined T. Rowe Price in 2020
Baltimore



Scott Petrie, CFA
Associate Analyst (government and municipal bonds), Responsible Investing
6 years investment experience
London



Iona Richardson, CFA, certified (EFFAS)
Associate ESG analyst (ex-US consumer and global industrials), Responsible Investing
7 years investment experience
Hong Kong

Duncan Scott
Associate Analyst (energy, materials, utilities), Responsible Investing
5 years investment experience
London

Christopher Whitehouse
ESG specialist, focusing on the US SMID Universe
24 years investment experience
London

We support the development of our staff through relevant training and development opportunities such as completion of the Chartered Financial Analyst® (CFA®) qualification. In terms of demographic diversity, our core Responsible Investing and Governance teams are two-thirds female and one-third male.

Training and development

We are committed to helping our associates achieve their long-term career goals. We prioritise developing our associates' knowledge, skills and experience by providing them with access to a career site with hundreds of live and self-paced training programmes and a tuition reimbursement programme. During 2020, associates completed more than 140,000 hours of firm-sponsored training. Our employees undertake rigorous training relating to our Code of Ethics and Conduct, which sets out basic principles to guide employee conduct.

2020

- 140,000+ hours of firm-sponsored training completed by our associates
- Appointed a new ESG Education lead
- Onboarded a number of new expert education partners
- Launched new ESG certification programme that was delivered to our EMEA and APAC associates.

Principle 2:

(continued)

Our aim is to continue to develop and roll out the programmes to our global business and to our clients in the future.

We also hold regular live sessions on a variety of ESG topics presented by our investment staff which are included in an expanding library of content including podcasts, online content, recordings and interviews.

> **"Completing the ESG Certificate programme has provided me not only a much greater insight into ESG factors in the investment industry, but also a deeper understanding into the strength of the decisions around ESG factors that we are making at T. Rowe Price".**
>
> **Scott Keller**
> Head of EMEA Distribution

Performance management and incentivisation

We use performance management and reward programmes to incentivise our associates, including for the integration of stewardship procedures and integrated ESG investment decision-making.

Our dedicated Responsible Investing and Corporate Governance teams have clear objectives and are compensated with variable pay related to achieving these objectives.

To ensure affinity across different teams and different perspectives, we appraise our research analysts on the extent to which they test their ideas with other teams and their contribution to wider idea generation and validation.

The compensation of our portfolio managers is viewed over a long time horizon. Several factors, including the absolute, relative and risk-adjusted performance of the portfolios they manage over 1, 3, 5 and 10 year periods are considered. The more consistent a manager's performance over time, the higher the compensation opportunity. Fluctuation in assets under management is not a material factor.

Variable compensation for senior investment staff is delivered as a combination of a cash bonus and long-term equity incentive plan (LTIP) awards that vest over five years.

Portfolio managers and analysts are expected to take ESG factors into account when making an investment decision. This is monitored in all investment professionals' qualitative performance assessments. As part of the process, feedback is provided by the Director of Research, Responsible Investing and the Head of Corporate Governance. This input is qualitative and is an assessment of the extent to which they are considering ESG factors in their process.

Our Director of Research, Responsible Investing reports to our Group President, CIO and Head of Investments, who has oversight of Responsible Investing with related goals in his targets for 2020.

Our client-facing distribution teams are increasingly embedding ESG knowledge and insights across our distribution channels, to better support clients and their needs. For example, our Global Consultant Relations team now includes an ESG representative, who also sits on the ESG Taskforce to keep clients' and consultants' needs at the forefront of how we do business. These representatives also have ESG objectives built into their appraisal process.

Employee well-being

We have a number of policies and initiatives in place to attract and retain the highest quality talent. We provide strong, competitive and region-specific benefits and programmes that promote the health and wellness of our associates, both personally and financially.

At the onset of the COVID-19 pandemic and enforced periods of working from home, we offered all associates a number of wellness days and access to free counselling to combat associated stress and fatigue.

Principle 2:

(continued)

2020
PENSION & INVESTMENTS

We were delighted to be included in *Pensions & Investments* list of Best Places to Work in Money Management (published in December 2020).

"T. Rowe Price has a unique culture. With a focus on collaboration and inclusion, its employees feel appreciated and respected. This was most recently demonstrated by the firm's handling of the pandemic. In a survey of its workforce in April, 88% of employees were satisfied with the way T. Rowe Price has responded to their needs, and 82% felt that T. Rowe Price is taking a genuine interest in their well-being."

Diversity, Equity and Inclusion

Our goal is to increase our hiring, retention and development of talent from groups that are underrepresented in asset management. Each year we establish annual corporate diversity, equity & inclusion goals to continue improving our hiring, development, advancement and retention of diverse talent and our overall diverse representation. Furthermore, we are committed to pay equity for employees doing similar work, regardless of gender, race or ethnicity. We conduct pay equity analyses on a regular basis and adjust our associates' pay accordingly.

2020
RECOGNITION FOR OUR DIVERSITY, EQUITY AND INCLUSION INITIATIVES

Our diversity, equity & inclusion initiatives have garnered recognition. We were pleased to be included in the Human Rights Campaign Foundation's Corporate Equality Index (CEI) for 2020, as one of 686 US businesses who earned the designation of being a "Best Place to Work for LGBTQ Equality."

Top-rated CEI employers took concrete steps to ensure greater equity for LGBTQ workers and their families in the form of comprehensive policies, benefits and practices. The CEI rating criteria have three key pillars:

- Nondiscrimination policies across business entities
- Equitable benefits for LGBTQ workers and their families
- Supporting an inclusive culture and corporate social responsibility

Principle 2:

(continued)

Associate-led DE&I Initiatives

Our associate-led business resource groups (BRGs) — MOSAIC, PRIDE, WAVE and VALOR — offer employee engagement opportunities and strengthen a sense of belonging for ethnically and culturally diverse, LGBTQ+, and female associates as well as veterans.

MOSAIC @ T. Rowe Price	Our ethnicity employee resource group, MOSAIC, was established in the US in 2017 and expanded to EMEA in late 2020. MOSAIC partnered with our Human Resources team on addressing recent racial injustices through Diversity Dialogues offered to the US and EMEA workforce. These provided a safe space for our ethnically diverse minority associates to express their experiences as well as a safe environment for allies to ask questions and increase their awareness of ethnic diversity issues.
PRIDE @ T. Rowe Price	PRIDE is our resource group for LGBTQ+ associates and allies. Its mission is to create an environment where LGBTQ+ associates can bring their full selves to work each day. Our EMEA group marked UK National Inclusion Week with our UK-based PRIDE chair sharing his tips for inclusion to internal and external audiences as part of our partnership with LGBT Great on their #EachOneReachOne campaign.
wave @ T. Rowe Price	WAVE, our resource group for women and allies, supports the firm by increasing the recruitment, development, advancement and retention of women and cultivating a culture that fosters gender balance and inclusion.
VALOR @ T. Rowe Price	VALOR's mission is to attract veterans and active reservists to the wide variety of roles available at T. Rowe Price and make sure they and their families are supported.

ESG in our investment approach

Systems, processes, research and analysis for effective stewardship

ESG analysis is one of the many building blocks that makes up our investment research platform. We have invested in our in-house ESG scoring framework, the Responsible Investing Indicator Model (RIIM) to widen its coverage across a broader range of asset classes.

As described under Principle 7, proprietary RIIM indicators score companies on environmental, social and ethics criteria, largely using non-financial data and incident history – data not traditionally used in mainstream investing.

We launched RIIM for corporate investments in 2018, and it continues to evolve and expand, delivering greater insights across asset classes.

RIIM – rollout and expansion of investment coverage

2018	■ Corporates (equity & credit)
2019	■ Sovereigns
2020	■ Municipal Bonds ■ Securitised Bonds

Principle 2: **We have made significant progress in our ESG journey**

(continued)

2021

Impact Strategy
T. Rowe Price launches its first impact strategy

United Nations Global Compact
T. Rowe Price becomes a signatory

2020

RIIM Municipal Bonds
RIIM Securitised Bonds
Rollout of proprietary ESG rating system for municipal bonds and securitised bonds

Socially Responsible Strategies
The firm launches its first socially responsible strategies in Europe

ESG Reporting
Implemented portfolio level ESG reporting

TCFD Sponsor
Commenced sponsorship of the Task Force on Climate-related Financial Disclosures

2019

RIIM Sovereigns
The firm rolls out proprietary ESG rating system for sovereigns

2018

RIIM Corporates
Proprietary ESG rating system for equity and credit rolled out

2017

Responsible Investing
Established in-house responsible investing research capabilities (environmental and social)

2014

Sustainalytics
Sustainalytics ESG ratings are embedded in company note templates

2013

"E" and "S" Research
Sustainalytics appointed as specialized ESG data and research provider

2012

CSR Report
First Corporate Social Responsibility Report issued

2010

PRI[1]
T. Rowe Price becomes signatory to the Principles for Responsible Investment

2008

Corporate Responsibility
Investment policy on corporate responsibility established

2007

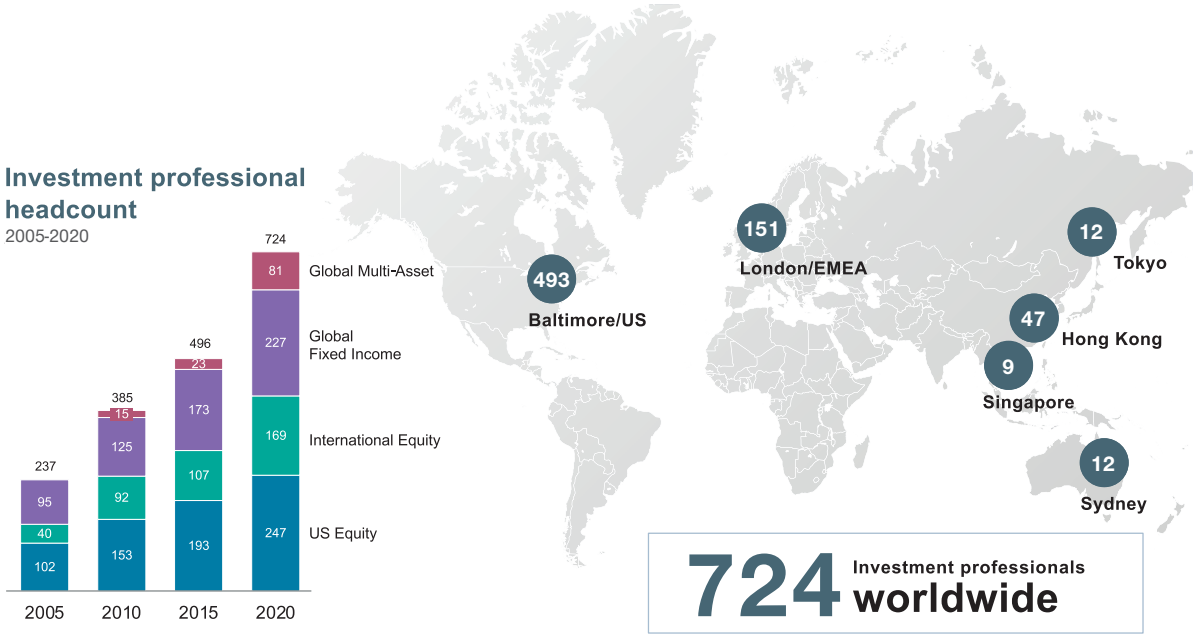
Governance
Established in-house governance research capabilities

RIIM = Responsible Investing Indicator Model

[1] Principles for Responsible Investment. The PRI is an independent investor initiative supported by, but not part of, the United Nations.

Principle 2: **Continued growth of our global investment capabilities**

(continued)



Source: T. Rowe Price as at 31 December 2020. Includes portfolio managers, investment analysts, portfolio specialists/generalists, data management, economist, portfolio modelling and management.

Use of external service providers

Our approach to ESG is tightly integrated into our investment process. We conduct our own fundamental research, using the processes outlined in Principle 7, but due to the scale of our holdings, we seek to work effectively by undertaking initial screening using data from third-party suppliers, which is then augmented with qualitative analysis by our investment analysts and ESG specialists.

We take a best-of-breed approach to working with third-party data. Details of our vendor oversight are provided in Principle 8. The main use of external data is as follows:

- Our in-house Responsible Investing Indicator Model pulls initial data from Sustainalytics, company-reported data and databases developed internally at T. Rowe Price. In addition to the data inputs that feed directly into RIIM, we also utilize third-party research from other vendors.
- Our primary data provider for exclusion screening is MSCI; however, we also utilize some information from Sustainalytics and Bloomberg.
- We use proxy voting research from external provider ISS as an input to our own custom research policy (as detailed in Principle 12).

These external and proprietary sources efficiently and consistently provide the data we need to build a preliminary ESG profile of a security and conduct our ESG screening, which are used in our analysts' detailed fundamental research.

Principle 2: **Effectiveness of our governance structures and areas for improvement**

(continued)

We believe the structures and resources we have in place equip us to be effective stewards of client funds and stakeholder well-being.

However, we recognised certain opportunities for improvement, and these were addressed in 2021 as detailed below.

ESG Committee composition

The focus of our ESG Committee was historically skewed to equities, as the Committee had evolved from the former Proxy Voting Committee. Fixed income representatives served as committee members in 2020, but in 2021 more were appointed, and we added a representative from multi-asset for the first time in 2021.

ESG capability and resourcing

It became clear in 2020 that the demand for ESG expertise from our investment teams was going to continue to grow. We have therefore committed to recruit one Governance analyst and four additional Responsible Investing specialists in 2021. We also committed to growing the ESG technology team and business support, including a new ESG investment specialist to facilitate client outreach regarding our ESG investing capabilities.

Principle 3:

Signatories manage conflicts of interest to put the best interests of clients first.

Client reporting and disclosures on portfolio ESG profiles and proxy voting

Based on our ongoing dialogue with clients and our understanding of their needs, we have developed a number of standard reports on our investment portfolios' ESG profile and proxy voting history. These reports will continue to evolve based on availability of data, client demand and the evolving ESG landscape. Our current reports are detailed under Principle 6.

Our conflicts policy and how this has been applied to stewardship

Our overarching approach to dealing with potential conflicts of interest is to resolve them by taking the path which best serves our clients' interests.

Conflicts may arise as a result of a range of issues including ownership structures, differences in stewardship policies of managers and their clients, and fixed income and equity managers' objectives.

We established our Conflicts of Interest Policy to ensure that all appropriate steps are taken to prevent or manage conflicts of interest, the existence of which may be detrimental to the interests of clients. Where conflicts cannot be avoided, we seek to mitigate conflicts through effective organisational and administrative controls and, where necessary, disclosure of their existence to clients. The Conflicts of Interest Policy sets the minimum standards for managing conflicts of interest in compliance with the various global regulatory regimes under which the firm operates. It does not replace our obligation to observe any additional local regulatory requirements when identifying and managing conflicts of interest.

The firm has developed a number of additional policies and procedures to help guide us in circumstances where a conflict might arise in the course of business activities. These policies are outlined in the firm's **disclosures**, Code of Ethics and Conduct (Code), Proxy Voting Policies and Procedures, and other internal policies.

Our Code of Ethics and Conduct

The company's Code of Ethics and Conduct sets the tone for how associates should think about conflicts, recognising the firm's fiduciary duty to our clients. All associates are expected to identify and report conflicts of interest in accordance with T. Rowe Price policies.

- Where a policy does not exist, actual or potential conflicts should be escalated to the appropriate person, group, or committee for further review and resolution. The Code provides guidance to aid associates with recognising and addressing conflicts in a manner consistent with the firm's expectations. The firm's Ethics Committee has overall responsibility for developing, maintaining, and administering the Code.
- While the Code places the duty to report certain conflicts on the associate, the overall structure of the firm's compliance program, and those specific to its subsidiaries, place an emphasis on the responsibility of business units to identify and address conflicts of interest particular to their areas.
- Business units aim to identify conflicts of interest that arise in the normal course of business including, for example, those between:
  - a) the firm, including its managers, employees or any person directly or indirectly linked to the firm, and a client, fund or the investors in such fund; and
  - b) a client, fund or the investors in such fund, and another client, fund or the fund's investors.
- The firm's Management Committee and the respective Boards of subsidiaries of T. Rowe Price also have accountability to identify conflicts and ensure they are appropriately managed. There is a robust assurance programme in support of the various groups and individuals identified. This includes the Internal Audit group, Compliance teams, Legal Department, Risk Management teams, and various quality and compliance resources embedded within the business units themselves.

Principle 3: **Managing potential conflicts**

(continued)

Where a conflict is identified, T. Rowe Price will seek to organise its business activities in a manner which avoids such a conflict. However, the avoidance of all conflicts is not always feasible in a commercial environment.

The remedies for avoidance are fact-specific, but may include:

- Prohibiting certain employee activities
- Segregation of duties
- Implementing information barriers
- Declining to provide a particular product or service.

Where conflicts cannot be avoided, we seek to mitigate conflicts through effective organisational and administrative controls. In addition to the Code and various global compliance policies, business unit operating procedures and oversight committee charters may include references to specific conflicts of interest and how they are managed.

Potential conflicts with respect to ownership structure

We have been in the investment management business since 1937 and have operated as a publicly traded corporation since 1986. The firm's size provides a solid, debt-free financial foundation to support our clients' needs. Our strong balance sheet and considerable financial resources are conservatively managed allowing associates to focus on serving the investment management needs of our clients. Consequently, we do not encounter conflicts of interest related to transactional relationships with issuers of corporate securities across various divisions of our firm that we might encounter if we were part of a diversified financial services group.

Identifying and managing potential conflict on an individual level

Conflicts of interest can also occur on an individual level. Our Code of Ethics and Conduct requires all employees to avoid placing themselves in a "compromising position" in which their interests may conflict with those of our clients and restrict their ability to engage in certain outside business activities. The firm has a variety of risk identification and assessment procedures in place in order to identify potential conflicts of interest. Programmes are in place to monitor personal trading, gifts and entertainment, outside business activities, and political contributions, among other potential conflicts of interest areas.

Portfolio managers or ESG Committee members with a personal conflict of interest regarding a particular proxy vote must recuse themselves and not participate in the voting decisions with respect to that proxy. An example of a personal conflict of interest would be a close relative serving on a public company board.

We have not experienced a material breach of our business unit policies and procedures designed to eliminate conflicts of interest.

Register of material conflicts in 2020

T. Rowe Price's Compliance department maintains a register of certain material conflicts. Generally, conflicts that are not directly those of T. Rowe Price or its staff (e.g. client or vendor conflicts) would not be included. Entries generally include the nature of the conflict, the parties responsible for oversight, and any relevant policies, procedures, and/or disclosures that may be applicable. The register and associated policies and procedures undergo periodic reviews, including discussions and involvement from relevant business units. The register is a tool that helps to inform compliance assessments, internal testing plans and disclosure reviews.

Investment and stewardship conflicts of interest

With regards to stewardship activities, we believe that the most likely source of any potential conflicts between the interests of our firm and the interests of our clients would arise in the context of proxy voting or escalated forms of engagement such as formal, written correspondence with a portfolio company.

Principle 3:

(continued)

Proxy Voting Policy

The T. Rowe Price ESG Committee is responsible for monitoring and resolving potential conflicts between the interests of T. Rowe Price and those of its clients with respect to proxy voting. We have adopted technological and compliance safeguards to ensure that our proxy voting is not influenced by interests other than those of our clients.

We ensure against internal conflicts of interest by limiting membership to our ESG Committee to individuals whose job responsibilities do not include client relationship management, marketing or sales. Additionally, we believe any votes that follow our pre-determined, standard proxy voting guidelines would not tend to result in potential conflicts of interest.

Proxy votes that are cast contrary to our pre-determined guidelines could result in a potential conflict of interest if the investee company is also a significant business partner, trading counterparty, supplier or client of our firm. Therefore, we require that portfolio managers document their reasoning for any votes contrary to our voting policies, and we subject these votes to an extra level of scrutiny by a group of experienced ESG Committee members before the vote is cast.

Proxy Voting: steps to monitor and resolve potential conflicts of interest

1 ANALYSIS OF BUSINESS RELATIONSHIPS

Annual analysis by our Compliance division of business relationships that may cause a potential conflict of interest (including the investment advisory clients for each of our distribution channels, our recordkeeping clients, our trading counterparties, and our vendors).

2 SCHEDULE OF BUSINESS RELATIONSHIPS FOR PUBLICLY LISTED EQUITIES

For each category, our Compliance division updates a list of our significant business relationships for each, then reduces the list to entities with publicly listed equity securities.

3 SCHEDULE OF SHARED DIRECTORSHIPS

We add to the list any public companies where a T. Rowe Price Group director or a member of the T. Rowe Price Mutual Funds' Board of Directors also serves as a director. Typically, the final list comprises about 100 issuers globally and is uploaded into our proxy voting platform annually.

4 VOTING GUIDELINES

Our voting guidelines are predetermined by the ESG Committee and disclosed publicly, application of any standard T. Rowe Price guideline to vote as clients' proxies should generally avert any potential conflicts of interest.

5 FLAGGING NONSTANDARD VOTING

For proxy votes inconsistent with T. Rowe Price guidelines, where one or more portfolio manager overrides our guidelines to vote in favour of management, our proxy voting platform performs several automated actions to identify such instances.

6 SCANNING FOR CONFLICTS OF INTEREST

As soon as a vote inconsistent with a standard guideline is entered, the system scans the list of companies representing potential conflicts of interest.

This information is not visible to portfolio managers at any time.

7 RATIONALE FOR OVERRIDE

If the system finds a match, details of the vote and the rationale for the override are sent to a subset of senior members of the ESG Committee for review prior to votes being cast.

8 PROCESS OF APPROVAL

This group determines whether the portfolio manager's voting rationale appears reasonable and well supported.

Approval from at least two members of the group must be received.

Systematic identification and assessment of nonstandard proxy voting

Principle 3:

(continued)

Conflict between different share classes or asset classes

One area where our clients may encounter potential conflicts of interests with each other is when they own different securities of the same issuer. For instance, we may have some strategies that purchase preferred stock while other clients hold common stock. Or we may invest in both debt and equity instruments of a particular issuer. There are instances when the interests of the owners of these various securities could conflict with each other. Our mechanisms for managing these potential conflicts include:

1) Involvement of the senior management of our firm, and

2) Full internal transparency among the interested parties.

As we highlight in **Principles 10** and **11**, for example, when a portfolio manager wishes to write a letter to the Board advocating for a particular change in strategic direction or an improvement in corporate governance practices, our Compliance division checks to see whether our clients also own any debt instruments of the company. If they do, the fixed income portfolio manager is given an opportunity to review the letter and provide comments. Similarly, initiatives instigated by a fixed income portfolio manager would in turn allow for equity portfolio managers to contribute. The leaders of our Equity and Fixed Income Divisions, together with our legal and compliance staff, would be called in to assess the ways that our recommendations to the company would affect the performance of its various securities if they were to be adopted.

Generally speaking, we refrain from sending any letter to a company if doing so would bring advantages to one class of securities owned by our clients at the expense of any other class. We would note that our portfolio managers and analysts routinely engage with managements of the companies in our clients' portfolios. These discussions generally focus on company strategy, financial and operational performance, industry conditions, and capital allocation, although they often include some discussion of environmental, social, or governance topics as well. Internal transparency is the mechanism we employ to manage such potential conflicts. All meetings with management teams are open and fully visible on a calendar shared across our equity, fixed income and multi-asset teams. Credit and equity analysts routinely participate in management meetings together, providing feedback to companies from their individual perspectives. By providing full internal transparency and access to these meetings, we ensure that the interests of clients across all strategies are fairly represented.

Conflict between holdings in a target and acquirer in an M&A scenario

In the scenario outlined here, we would vote the shares of the acquirer and the target solely in the interest of the shareholders of each entity. To illustrate, let us imagine Company A is acquiring Company B at a price that includes a premium we consider excessive. To exercise our fiduciary duty to the shareholders in each company, we would vote for the transaction at Company B but against at Company A.

Potential conflicts when client assets are invested in existing clients of the firm

From time to time, client assets may be invested in the securities of companies that have appointed T. Rowe Price or an affiliated entity as an investment adviser. In addition, client assets may be invested in companies which have invested in T. Rowe Price funds, or in companies which are clients of other affiliated entities of T. Rowe Price or in companies which provide products or services to T. Rowe Price or its affiliates. Investments for our clients' accounts are made in accordance with our fiduciary obligation without regard to other relationships.

Principle 3:

(continued)

Proxy voting in 2020

We believe neither our regular research activities nor our ESG-related engagement routinely gives rise to any potential conflicts of interest.

With regards to proxy voting, no potential conflicts of interest were identified for the 2020 reporting period. However, in the previous year we identified a small number of them. Below are some examples of potential conflicts of interest identified with respect to proxy voting and how they were resolved.

Examples of how we have addressed actual or potential conflicts

VOTING IN A TOP-TIER TRADING COUNTERPARTY

ISSUE	■ Investment analyst recommending a different voting decision to our external proxy adviser in a company on our pre-determined list of potential conflicts of interest
REVIEW	■ Detailed review by a subset of our ESG Committee
OUTCOME	■ Approval of the exception ■ Voted with management, in contrast to proxy adviser's recommendation

We recently voted at the Annual General Meeting (AGM) of a global financial services firm that is also one of our firm's top-tier trading counterparties. This company had experienced a significant amount of controversy in the period related to incidents of money laundering and other breaches of internal controls. Our external proxy adviser recommended a vote against the item to discharge the board and management of its duties. Ordinarily, our policy on this voting item is to follow our adviser's recommendation. However, in this instance, the analyst who follows the company felt that the recommendation was premature.

An investigation into the incidents was still ongoing, and there had been no resolution yet to cases brought by regulators. We elected to vote in favour of the discharge resolution and to reassess the situation the following year. Because our standard voting policy was overridden and the company was on our pre-determined list of potential conflicts of interest, the vote was subjected to an additional level of review by a subset of our ESG Committee. The members approved the exception, and a vote with management was lodged.

VOTING IN A SOFTWARE COMPANY THAT IS A SIGNIFICANT VENDOR TO THE FIRM AND HAS AN UNFAVOURABLE SHARE CLASS VOTING STRUCTURE	
ISSUE	■ Portfolio managers requesting to vote to re-elect a director in a software supplier to the firm with a dual-class share voting structure (our normal policy is to oppose re-election of select board members in companies with this structure)
REVIEW	■ Detailed review by a subset of our ESG Committee ■ Analysis of the role and contribution of this co-founding director ■ Consideration of the message to management of voting to remove this board member
OUTCOME	■ Approval to override standard voting policy to vote in favour of this director's re-election

We recently voted at the AGM of a US software company that is also a significant vendor to our firm. The company is controlled by its founders by means of dual-class stock with superior voting rights. It is T. Rowe Price's general policy to vote against select board members of companies that maintain this dual-class structure. Our perspective is, over the long term, these structures result in a misalignment of interests between founders and shareholders. Over our period of ownership in the company, we have generally followed the policy and opposed the re-election of certain outside directors under this policy. However, in 2019, a subset of portfolio managers who owned the stock elected to make an exception for one director who is particularly important to the company. The director is a co-founder who remains actively involved in business development and internal culture-building initiatives at the company.

The managers who chose to support his re-election felt it would send the wrong message to the company if they were to vote to remove him from the board. Because our standard voting policy was overridden and the company was on our pre-determined list of potential conflicts, the vote was subjected to an additional level of review by a subset of our ESG Committee. The members approved the exception, and a vote for the director was lodged.

Disclosure of conflicts of interest

We ensure that material conflicts of interest are disclosed to clients on SEC Form ADV Part 2A. These forms require us to prepare narrative brochures that disclose our business practices, fees, conflicts of interest, disciplinary information and other applicable regulatory disclosures. Additionally, where we believe the management of conflicts of interest is insufficient to ensure, with reasonable confidence, that risks of damage to the interests of a client, fund or the investors in such fund would be prevented, the firm may choose to disclose specific conflicts. Any such disclosures would follow the requirements of the relevant jurisdictions and regulatory bodies applicable to the specific scenario and include the general nature and/or source of the conflict to enable clients to make informed decisions. Client disclosures are also periodically reviewed to ensure the practices described remain current.

Principle 4:

Signatories identify and respond to market-wide and systemic risks to promote a well-functioning financial system.

Risk management in 2020

2020 saw our preparedness tested with the near-term threats of market volatility and pandemic-related economic disruption. Longer-term macro risks continued to have an impact, as localised political upheaval, and climate risk was brought front and centre with more frequent episodes of extreme weather.

We have responded to these challenges by strengthening our risk framework and extending the remit of T. Rowe Price's Nominating and Corporate Governance Committee to include climate-related issues.

How we identify market-wide and systemic risks

Identifying and monitoring emerging issues is a key component of our risk management process and includes the assessment of industry, market, political, and other events for indications of emerging issues or trends to determine whether an internal response is needed.

The T. Rowe Price Board of Directors is accountable for risk and oversight of the risk management process. The Board recognises that risk is inherent in the business and the markets in which we operate. Effective risk management and internal controls are therefore central to the firm's business model.

Structure and resourcing of our risk monitoring and risk management

Over the past five years we have maintained the long-term growth of our resources in risk management to meet the needs of the organisation, business goals and our clients. Notably in 2019, we organised our Business Risk teams by geographical region.

We also added additional headcount in our Investment Risk team to support the continued growth of our business in EMEA and APAC.

Principle 4:

(continued)

Assessment of market risk

In terms of assessing market risk, the foundation of the investment process at T. Rowe Price is proprietary, fundamental, bottom-up research on securities for our clients' portfolios. Assessing the potential for political risk is an important component of this process.

We have invested in significant internal and external resources in order to understand political and regulatory risks at the industry level. Our full-time specialist analyst in our Equity Division works with our industry analysts to identify the most significant sources of potential regulatory and political change, and how such change will likely affect the industries and companies they follow. This analyst has built a large network of contacts over the years, including state and federal legislators, staffers, regulatory officials, industry trade group leaders, lobbyists and others. Meeting with people in these positions allows our analysts to hone their analysis of the potential for political impact within their industry groups. Finally, we also have access to a number of external research providers who specialise in political analysis for investors.

Particular investment considerations

Fixed Income

Our Fixed Income Division has analysts dedicated to sovereign and corporate credit analysis, and a significant part of their responsibility is assessing political risk. Research conducted by this team consists of macroeconomic analysis and key quantitative variables for each country such as gross domestic product (GDP) growth, inflation, fiscal budgets, debt levels, and the current account balance as well as qualitative factors such as political and institutional stability, government transparency and geopolitical threats in each country considered for investment.

One of the primary outputs of our research process is the establishment of a proprietary country rating, which helps to identify long-term relative value. On-site formal research visits are an integral part of this research process and frequently include meetings with key government officials and corporate management teams. Sovereign analysts visit policymakers from their respective countries several times a year, regularly making trips to the country under review. During these due diligence trips, analysts may meet with central bank officials, government leaders, and representatives from large government-owned enterprises. During 2020, the pandemic limited travel, but our analysts maintained dialogue through video conferencing.

CASE STUDY: LOOKING BEYOND TRADITIONAL MACRO RISK FACTORS

RISK	■ Russian mining companies' operations amid changing climate conditions
ASSESSMENT	■ Analysis of impact of climate change on logistics and infrastructure
OUTCOME	■ Amended our risk premia model and judged one company not suitable for investment

Our analysts also look beyond traditional geopolitical and economic risk factors in their analysis. A recent example is our analysis of the impact of climate change on Russian mining companies with infrastructure built on permafrost (ground that remains frozen at zero degrees or below for at least two consecutive years). As the permafrost layer has begun to thaw and subside due to the warming of the climate, some companies' logistics infrastructure suffered collapses, including rail lines and storage tanks. These issues will be costly to remedy and will require ongoing investment.

As a result, we added an additional risk premium to reflect the extent to which the asset base of affected bond issuers is vulnerable to thawing permafrost. Having reassessed the risk premia, we judged one issuer uninvestible and put one issuer in a higher risk category.

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Principle 4:

(continued)

Assessing Company Vulnerability to Permafrost Thawing

Incorporating a risk premium[1] for thawing into our bond evaluation

Lowest Risk Premium

- Lower risk exposure to thawing.
- Asset base is modern and able to better withstand permafrost changes.
- Balance sheet flexibility to address possible disruptions from environmental damage.

Medium Risk Premium

- At risk from thawing but bearing capacity deterioration not yet severe.
- Likely to have flexibility for higher capital expenditure.

Highest Risk Premium

- Majority of assets in permafrost areas, likely to require significant investment.
- Under pressure to maintain elevated dividend payments to shareholders.
- Balance sheet offers only a modest margin of error for permafrost-related incidents.

Emerging Markets Equity

Similar to our fixed income approach, our Emerging Markets Equity team employs a process that combines macro-economic analysis with bottom-up company research. The team takes into account a range of country- and company-specific factors. In order to meet the strategy's high-quality sustainable growth criteria, an emerging market company must exhibit sound fundamentals and operate within micro- and macro-economic frameworks that are conducive to its long-term growth. While we believe stock-level decision-making is the most important, an understanding of country factors is also crucial, particularly in the context of unintended risk. Our portfolio managers and analysts develop macro-economic perspectives in collaboration with our emerging markets debt team. In addition to the political environment, currency factors and monetary and fiscal policies, we also evaluate the repatriation of assets and the treatment of foreign shareholders. On a periodic basis, our portfolio managers rank each country based on micro-economic factors, as well as levels of foreign direct investment. Low rankings can and do influence our country exposure.

Incorporation of market-wide ESG risks in RIIM

Our sovereign debt Responsible Investing Indicator Model (RIIM) considers social factors such as the age dependency ratio, income inequality, female participation in the workforce, unemployment and literacy rates in a country's profile; it also considers World Bank governance indicators. Additionally, sovereign RIIM tracks metrics related to an issuer's policy response to climate change. This analysis is used to assess sovereign debt issuances, but more broadly informs our perspective on an individual country or region for analysts and portfolio managers in any asset class.

This is an illustrative example of how ESG factors may be incorporated into the investment process by Portfolio Managers. The views expressed may differ from those of other Investment Professionals at T. Rowe Price.

How we promote a well-functioning financial system

Our Legal and Regulatory Affairs function monitors new and amended regulatory requirements globally, including those relevant to the work of the Responsible Investing and Governance teams.

The Responsible Investing and Governance teams participate in advocacy initiatives on a selective and strategic basis. We recognise there is an opportunity to make our voice heard more frequently in the future. Sometimes we will engage individually in policy advocacy, participating in public comment periods offered by regulators, as in the examples below. Under Principle 10 we discuss further how we participate in collaborative investor initiatives on both company and policy engagement.

Principle 4:

(continued)

2020 CASE STUDY

SUBMISSION TO THE US DEPARTMENT OF LABOR, JULY 2020

EFFECTING CHANGE	Advocating to the US Department of Labor on the fitness of proposed rules related to ESG factors

We wrote to the US Department of Labor in July 2020 providing comments on the proposed rule, Financial Factors in Selecting Plan Investments Proposed Regulation, noting three central shortcomings of the proposed rule with respect to ESG:

First, the proposal is premised on an assumption – unsupported by any cited facts – that fiduciaries under the Employee Retirement Income Security Act (ERISA) are currently misusing ESG.

Second (and relatedly), the proposed rule does not make sufficient distinction between healthy and appropriate integration of ESG considerations into investment decisions and the distinct task of evaluating ESG-themed investments.

Third, the proposal fails to recognise the breadth of financial or pecuniary factors, and the complexity of evaluating them.

These flaws work together to create a rule that, if adopted, may cause more harm to participants than good, first by causing fiduciaries unnecessarily to avoid investments and managers that appropriately employ ESG integration, and second by discouraging fiduciaries from selecting ESG-themed investments that might improve financial outcomes in retirement for their participants and beneficiaries.

2020 CASE STUDY

SUBMISSION TO THE US SECURITIES AND EXCHANGE COMMISSION, DECEMBER 2020

EFFECTING CHANGE	Lobbying the SEC in support of proposed Nasdaq rule changes on Board diversity

We wrote to the US Securities and Exchange Commission in December 2020 providing comments on the proposed Nasdaq rule change related to Board diversity SR-2020-081. We support the proposal both as a Nasdaq-listed issuer and as an investment adviser.

If approved by the SEC, the new listing rules would require all companies listed on Nasdaq's US exchange to disclose diversity statistics regarding their board of directors. Additionally, the rules would require most Nasdaq-listed companies to have, on a comply or explain basis, at least two diverse directors, including one who self-identifies as female and one who self-identifies as either an underrepresented minority or LGBTQ+. Subsequently, the rule change was approved by the SEC.

2020

In 2020 we also wrote to the Bangladeshi Securities and Exchange Commission expressing serious concerns about prolonged disruptions to trading.

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Our role in relevant industry initiatives

We believe collaboration with other institutions on industrywide issues benefits our advisory clients. We are active members of our local investor trade bodies, including the UK Investment Association and the European Fund and Asset Management Association (EFAMA.) Our policy advocacy is conducted jointly by members of the relevant business team and our Legal & Regulatory Affairs function. We may provide feedback to the trade bodies' submissions to policymakers, but we believe it is more impactful given our size to comment directly on matters of particular relevance.

Principle 4:

(continued)

How we align our investments with local legal requirements and market expectations

We contribute to a well-functioning financial system by implementing official exclusions which reflect our interpretation of legal requirements or market expectations in the region.

EXAMPLES OF OFFICIAL EXCLUSIONS		
	REPUBLIC OF SUDAN	Global exclusion list on issuers with significant business ties to the government of the Republic of Sudan and its connection to human rights abuse.
	WEAPONS	Exclusion policy on certain issuers deemed to be engaged in the manufacture, production, or assembly of controversial weapons (defined as anti-personnel land mines, biological/chemical weapons, cluster munitions and incendiary weapons) for portfolios registered in the UK, Luxembourg and Canada.
	TOBACCO	Exclusion policy on issuers engaged in the manufacture of tobacco products for portfolios registered in Australia.

All portfolios can be subject to sanction-related exclusions. At any point in time, a portfolio may be prohibited from investing in certain sovereign or corporate instruments associated with targeted US or international sanctions.

Portfolio construction

Responsible risk mitigation is reflected in our approach to portfolio construction, which seeks to create portfolios with diversified factor, currency and sovereign risk.

In addition, T. Rowe Price has no outstanding debt and maintains substantial cash reserves, so our balance sheet strength could, in the event of a liquidity issue in one of our funds, see us solve a mismatch for the benefit of clients. It is also a source of strength in an industry which, by its exposure to volatile markets, is inherently operationally geared.

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Principle 4: **Successful promotion of well-functioning markets**

(continued)

We engage across asset classes and geographical regions, as shown by the two examples below.

2020 CASE STUDY

ESG LABELLED BONDS

INDUSTRY CHANGE	Introduction of new product class
OUR CONTRIBUTION	Shaping emerging good market practice
IMPLEMENTATION	Developed an assessment framework and communicated our expectations to stakeholders

US$512 billion of ESG-labelled bonds were issued in 2020 – an increase of 67% over the prior year. Unfortunately, this fast-growing and still nascent category has proven vulnerable to greenwashing and not all green, social and sustainability-linked bonds have adequate safeguards in place to ensure that their proceeds will indeed target sustainable activities. At T. Rowe Price, we need more than a label to validate the environmental or social credentials of a bond. We leverage our RIIM analysis and fundamental research as well as a new framework for ESG-labelled bond analysis (which we developed in 2020) to evaluate the issuer. The ESG-labelled bond framework ensures that we are consistent in our evaluation of the credibility of the use of proceeds, the quality of the post-issuance reporting, alignment with industry standards and whether the issuer has obtained external verification.

To communicate our expectations, in 2020 our portfolio managers and ESG specialists engaged with the market, syndicates and issuers to share our views of structures which we believe to have the highest level of credibility in terms of achieving ESG goals, as well as providing investor protection in the event those goals are not met. We also spoke about our concerns regarding some of the issuance practices around ESG-labelled bonds, including at the Credit Roundtable in the US. Specifically, we are concerned about bonds lacking “additionality” (e.g. issuing a green bond for operational expenditures on renewable energy procurement that was already taking place) and sustainability-linked bond structures that allow an issuer to recall the bond before sustainability target dates or where the step-up for meeting the target is immaterial. By sharing our expertise, we aim to prevent bad practice taking root in this fast-developing space.

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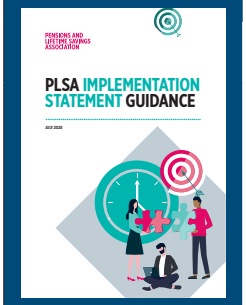
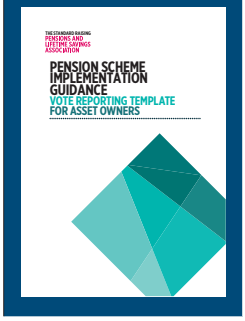
Principle 4:

(continued)

2020 CASE STUDY

T. ROWE PRICE CONTRIBUTION TO PLSA GUIDANCE ON STRATEGY-LEVEL VOTE REPORTING





OUR CONTRIBUTION	Key participant in the PLSA working group
INDUSTRY CHANGE	Provision of managers' voting record at strategy level
IMPLEMENTATION	Developing an automated process for vote reporting Recruited a new team member with core responsibility for voting record reporting (2021)

Perhaps our biggest impact on local market practice in the UK in 2020 was through our role in the PLSA working group. T. Rowe Price was one of two asset managers in the industry working group convened by the PLSA. We played a key role in shaping the Implementation Statement Guidance for pension trustees and have actively been promoting its uptake amongst pension funds, consultants and other asset managers. The group was also responsible for the Vote Reporting Template.

Since 2019, a UK pension scheme's Statement of Investment Principles must include the trustees' policies on financially material ESG factors. From 2020 pension schemes must also produce an annual Implementation Statement which describes their voting and engagement behaviours. The guidance and vote reporting template assists trustees of both defined benefit (DB) and defined contribution (DC) hybrid schemes in producing the Implementation Statement, including what information to request from a manager on their significant votes.

The template requested up to ten votes from the manager at the strategy rather than the house level. This was an important development in the market as it was a source of frustration to trustees not to receive this level of granular detail on request. Currently UK managers are only required by the FCA to report at the firm level, although pension fund trustees require this information at the fund or mandate level to meet their reporting obligations. Since the PLSA template was launched, we have completed it on request to clients on an annual basis. We were pleased to receive requests from UK clients, and have seen interest in the template format from outside the UK too.

To view the reports click here for PLSA Implementation Statement Guidance and/or Pension Scheme Implementation Guide.

For illustrative purposes only.

Principle 5:

Signatories review their policies, assure their processes and assess the effectiveness of their activities.

How we reviewed our policies to ensure they enable effective stewardship

The committees or working groups within T. Rowe Price which review policies, practices and communications related to ESG are detailed below.

ESG Committee

As described under Principle 2, the work of the Responsible Investing and Governance teams is overseen by the ESG Committee. The majority of the ESG Committee are investors, with other representatives drawn from the Responsible Investing, Governance, and Legal teams.

The ESG Committee meets twice a year, in January and July. In January the agenda focuses on governance topics, including the approval of the annual voting policy update, while in July the agenda focuses on responsible investment topics, such as the review of ESG policies and updating of the exclusion lists. The specific outcomes of the 2020 meetings are detailed below.

2020 ESG Committee decisions

JANUARY 2020 MEETING	
1 BOARD GENDER DIVERSITY POLICY	Extend the gender guideline within our board diversity policy into key European markets. (In the US and Canada, we have been voting against the entire Nominating Committee where gender balance is inadequate, since 2019.)
2 EXTERNAL BOARD COMMITMENTS	Adopt a tougher position on what we believed was an excessive number of external board commitments for a director

JULY 2020 MEETING	
1 UPDATED ESG POLICY	Update of the language and more accurate reflection of current areas of focus
2 CONTROVERSIAL WEAPONS POLICY	Add biological and chemical weapons to our controversial weapons policy
3 CANNABIS EXCLUSION POLICY	Add a cannabis exclusion policy

ESG Taskforce

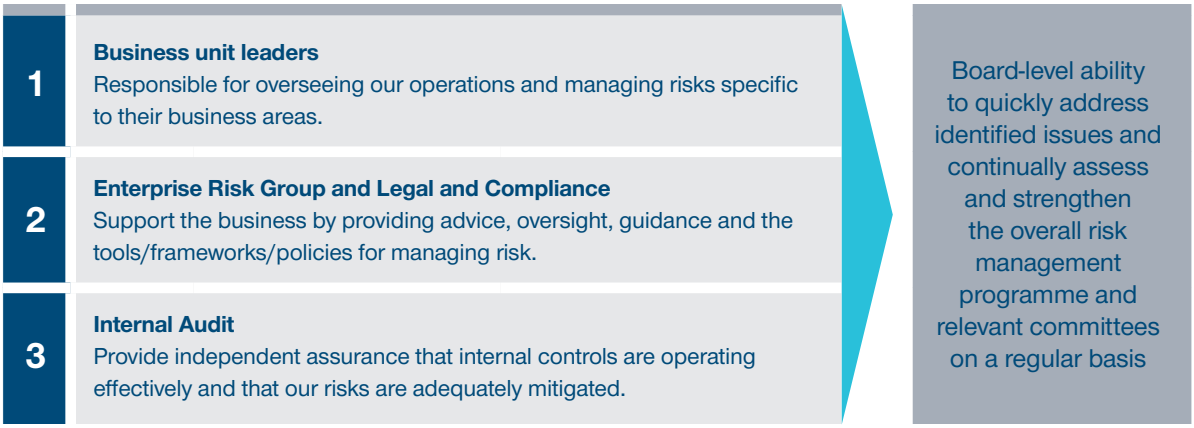
As discussed under Principle 2, the ESG Taskforce reports to the Investment Management Steering Committee (IMSC). The executive sponsor of the ESG Taskforce is the Head of EMEA Distribution, and the two co-chairs are the Director of Research, Responsible Investing and the Head of ESG Marketing and Communications. The purpose of the ESG Taskforce is to increase the level of ESG awareness and communication within the business to develop a more globally calibrated perspective on ESG practices, and to shape better communication of our activities with clients (and all other stakeholders). This Taskforce and its sub-workstreams will be discussed in more detail under Principle 6.

Principle 5:

(continued)

Internal and external assurance of our stewardship approach

We operate the industry-standard three lines of defence within our risk management approach. Further assurance is provided via our external audit firm.



Business unit

Each business unit has controls and processes in place. As discussed above, oversight of our activities is provided by the ESG Committee. Additional working groups, formed with representatives of the ESG Committee and under its remit, are set up either for specific projects or on an ongoing basis. Two examples are as follows:

- **Exclusion List Advisory Group**

This ongoing group oversees the various exclusion lists applied to certain strategies.

- **Proxy Voting Subcommittee**

This is a subcommittee of the ESG Committee which specifically reviews proxy operations, providing an extra level of operational oversight.

Legal and Compliance

Legal and Compliance provide legal and regulatory advice to the business units on EGS related matters.

2020 case study – Review of our ESG marketing materials by Global Communications Compliance (GCC)

In July 2020 GCC completed a one-time forensic test of the firm's ESG marketing materials and client disclosures. GCC found that the materials were reasonably designed to comply with the anti-fraud provisions of the US Advisers Act of 1940.

2020 case study – Review of our proxy voting by Group Strategic Compliance

In July 2020 our Group Strategic Compliance team reviewed the oversight and monitoring of proxy voting decisions executed by our proxy adviser, Institutional Shareholder Services (ISS), on behalf of T. Rowe Price Associates, Inc., and its affiliated investment advisers. No issues were identified during the review, either with the process design or its application.

Principle 5:

(continued)

Internal Audit

The Responsible Investing and Governance teams are subject to assurance by Internal Audit. The head of the Internal Audit Department and staff execute an annual strategic audit plan under the guidance of the Audit Committee of the Board of Directors (the "Board") of T. Rowe Price Group, Inc. Audits are proposed based on risk attributes, process maturity and industry developments. The annual audit plan is reviewed and approved by the Audit Committee of the Board, with regional plans being developed as appropriate.

As part of the audit plan, the Internal Audit Department reviews all key areas of T. Rowe Price and its entities, including Investments, Distribution, Corporate functions and associated processes to ensure the adequacy of operational processes and controls and recommend remediation where appropriate. Both senior management and business unit leaders also employ the Internal Audit Department for special projects which may include new processes, system implementations, or special investigations. All audit findings require written responses from the applicable business unit head, which include implementation strategies, dates of implementation, and assigned ownership. The Internal Audit Department also monitors all audit findings and remediation activities and reports the status to the Audit Committee and the firm's Management Committee.

External audit

Our internal control framework is designed to manage our risk and provide a sound operational environment through monitoring key risks and controls. In addition, our external auditors make an assessment for the current reporting period ending in September of each calendar year which is published as part of the SOC-01 report.

Why we chose this approach

Our decision to rely on our firm's Internal Audit function instead of seeking external assurance is a function of several factors. The main one is that there is no clear, widely accepted standard for the assurance of stewardship processes. It is our intention to consider external assurance as market practice develops. Another consideration is we receive very little indication from clients that external validation is required at this time. Finally, we believe assurance by our Internal Audit team – in consultation with our Compliance and Risk teams – is suitable because they bring to bear their knowledge of our business and our internal controls framework to the assessment.

Generally, subjecting our stewardship functions to internal audit has resulted in minor findings and recommendations, such as updates to the wording of policy documents to reflect how our practices have evolved. Several years ago, a more substantive change was implemented at the recommendation of our Risk and Internal Audit teams. This was to reassign the reporting lines of our Proxy Vote Execution team from our Investments division into our Investment Operations group.

2020 A CASE STUDY

IMPLEMENTING RECOMMENDATIONS FROM INTERNAL AUDIT

Within the Investments division, the team served the specialised function of executing, monitoring and reporting on proxy voting. The assessment concluded that there was insufficient succession planning and cross-training in proxy voting because of the team's small size and narrow remit. Under Investment Operations, the proxy voting team sits within a larger group and has cross-trained other associates to step in during high-volume periods or to fill in when there is staff turnover. For clarification, this realignment applies to the execution element of voting only.

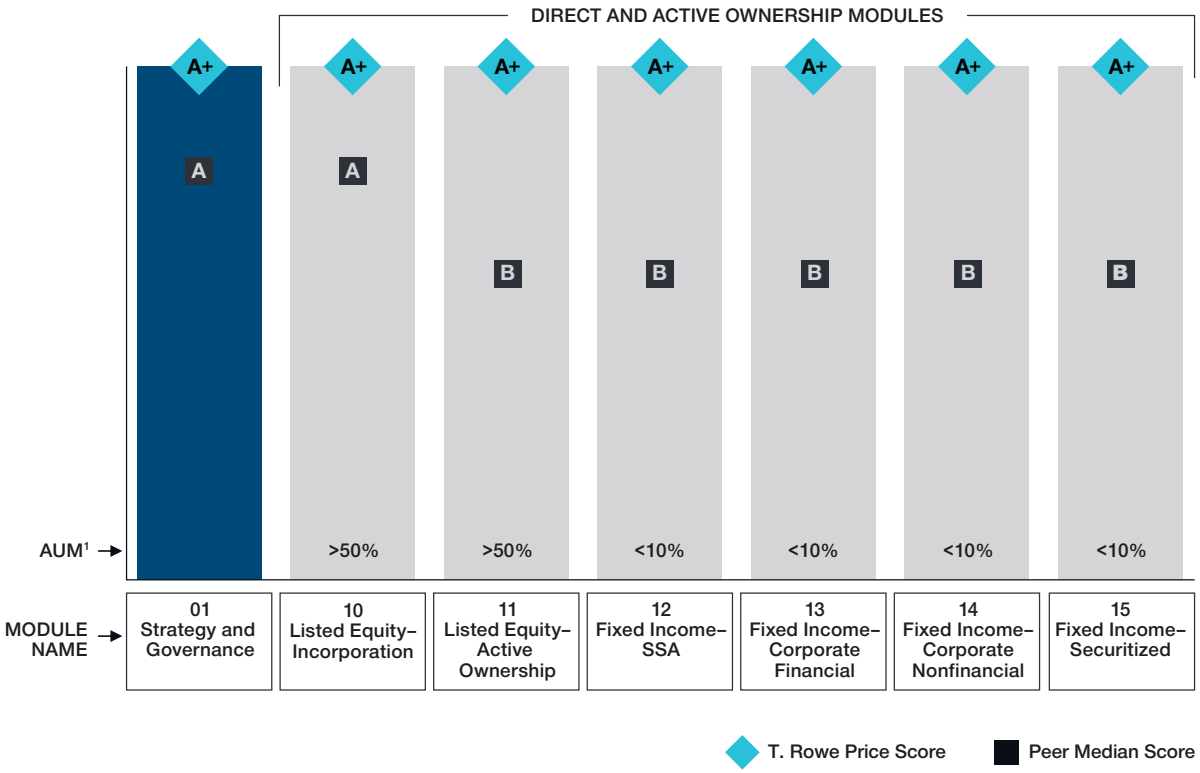
Principle 5:

(continued)

A key part of our annual self-assessment and internal reflection on opportunities for improvement is our disclosure against the reporting framework of the Principles for Responsible Investing. We became a signatory in 2010 and report to the PRI annually. The PRI summary scorecard below provides an overview of our aggregate score for each module assessed and the median score. These bands range from A+ (top band) to E (lowest band.)

T. Rowe Price earned an A+ rating across all 7 categories in the 2020 Principles for PRI assessment report. A signatory of the United Nations-supported PRI since 2010, we have held a strong commitment to the principles as we have integrated ESG into our equity and fixed income fundamental research over time.

UN Principles for Responsible Investing
T. Rowe Price PRI Scorecard (July 2020)



For illustrative purposes only.
Under the PRI's transparency requirements, all signatories complete an annual self-assessment. A significant portion of this report must be publicly disclosed on the PRI's website. T. Rowe Price's most recent Transparency Report is available via the PRI data portal www.unpri.org. The PRI Summary Scorecard provides an overview of our aggregate score for each module assessed and the median score. These bands range from 'A+' (top band) to 'E' (lowest band). The PRI Assessment scoring methodology is available at www.unpri.org.
Source: PRI Assessment Report 2020, showing the applicable T. Rowe Price scores.
[1] Asset classes were aggregated to four ranges: 0%, <10%, 10%-50% and >50%.

How we have ensured that our stewardship reporting is fair, balanced and understandable

To support the submission process, a Stewardship Code Working Group was formed. Primary representation was from Investments, Marketing, Corporate ESG, Legal and Compliance, with additional support from other business units, particularly those which are client-facing.

Legal, UK Compliance Advisory and Global Communications Compliance served on the Stewardship Code Working Group to ensure the resubmitted version of the disclosure was fair, balanced and understandable. The review by UK Compliance Advisory focused on the standards of our ongoing monitoring and documentation under each principle and how we report and evidence these standards. Our Global Communications Compliance team have also reviewed this submission in accordance with local regulatory and internal firm requirements. Legal participated to provide a holistic assessment of the disclosure.

Principle 5:

(continued)

An independent reviewer supported the document creation, by providing the working group with a sounding board to discuss how we could best communicate our practices in line with the UK Stewardship Code's expectations and developing market practice. He provided a report to the ESG Committee on the support he had provided as part of the review and sign-off process.

The document was reviewed and approved by the ESG Committee before it was passed to Justin Thomson, Chief Investment Officer and Head of International Equities, for final sign-off.

How did our review and assurance lead to the continuous improvement of our stewardship policies and processes?

As discussed under Principle 2, the ESG Committee oversees our stewardship policies and is responsible for ensuring they remain fit for purpose.

The Stewardship Code Working Group supports the ESG committee by developing the disclosure to demonstrate our commitment to the UK Stewardship Code and recommending any necessary improvements to reporting and practices. The working group will be the core body through which we produce our stewardship report for the 2021 calendar year.

Principle 6:

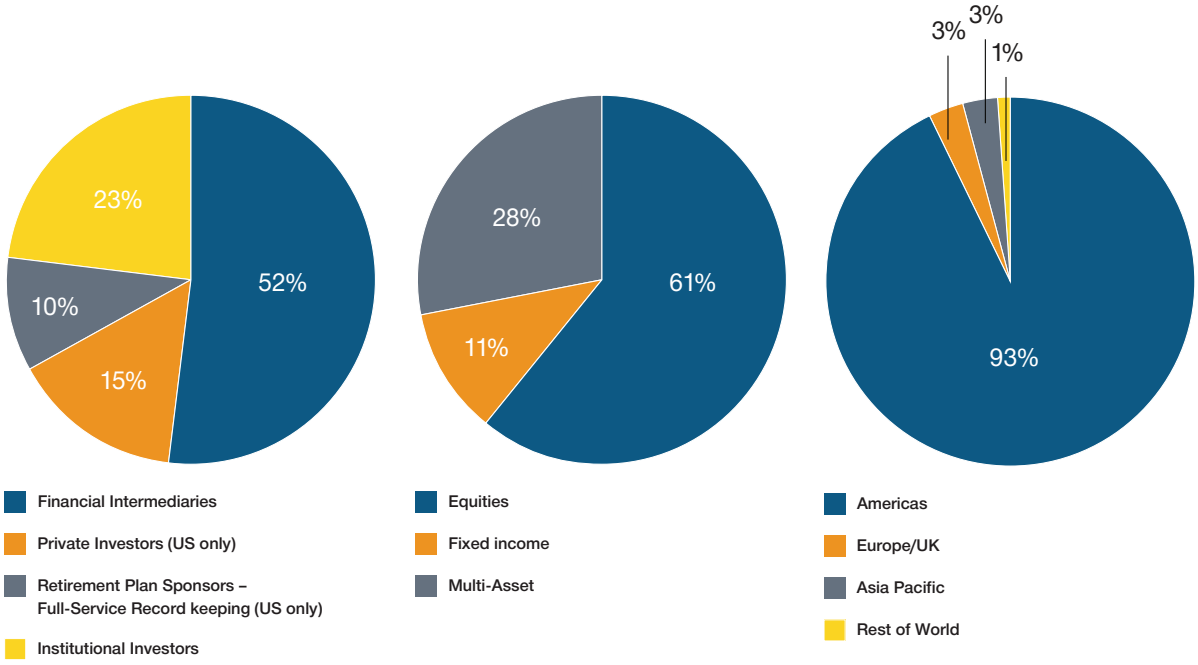
Signatories take account of client and beneficiary needs and communicate the activities and outcomes of their stewardship and investment to them.

We believe that the firm's success follows that of our clients. We strive to build long-term relationships with them, to actively listen, develop strategies that respond to their needs and be open in our communication with them.

Diverse assets and clients on a global scale

T. Rowe Price is an independent investment management firm, with clients in 51 countries. In 2020, the majority of our total assets under management were in equities and the remainder in fixed income securities. We use these building blocks to provide multi-asset solutions to our clients. We do not manage private equity, real estate or infrastructure investments as a separate asset class.

AUM by client type **AUM by Asset Class** **AUM by Client Geography**



Source: T. Rowe Price, as at 31 December 2020

Invested for the long term

We employ long-term-oriented, actively managed investment strategies. We articulate and communicate this long-term approach clearly and consistently to both our existing and potential clients. This generally aligns well with the long-term financial goals of our clients – both institutional and retail – whose assets are typically linked to pensions and/or long-term savings portfolios.

Our investment beliefs, which include our long-term orientation, are described under **Principle 1.** Precise horizons will vary depending on the mandate of each portfolio, but many of our strategies have an investment time horizon over a full economic cycle, which we interpret as five to eight years. Taking a longer-term perspective as an active manager leaves us better placed to capture excess returns for our clients.

Principle 6:

(continued)

How we seek our clients' views

Engaging with our clients and understanding their views are invaluable to our business and our stewardship duties. Across our varied client base, we use a number of methods most appropriate to each type of client to seek out our clients' views.

How we engage

Institutional clients
Regular communication to understand their views with respect to ESG issues. Clients' interest in and expectations around ESG and stewardship are generally in the early stages.

Investment consultants
Regular engagement on ESG issues, including consultants' questionnaires on our ESG capabilities. We also work with consultants to develop the reporting their clients need to meet their regulatory requirements.

Non-institutional clients
We use customer surveys and our distribution partners to understand the needs and expectations from the retail clients with whom we often do not have a direct relationship.

We share insights from our client engagement internally across our global distribution teams, ensuring visibility of client needs from all regions and investor types.

Understanding our client base

Over the course of 2020, we have made a concerted effort to build a more formal mechanism for bringing 'the voice of the client' and their ESG needs, issues and opportunities into our business. Having a greater awareness of client needs also acts as a guide for our stewardship duties.

With this in mind, the Market Intelligence workstream was established in 2020 under the ESG Taskforce (as discussed under Principle 2).

GLOBAL MARKET INTELLIGENCE WORKSTREAM
REVIEWS ESG-RELATED CLIENT REQUESTS TO IDENTIFY ESG-RELATED MARKET TRENDS

RELATIONSHIP MANAGEMENT	PRODUCT	MARKET RESEARCH	MARKETING

To ensure we get sufficiently granular feedback to act upon, there are also regional workstreams (US, EMEA, APAC) that report into the Global Market Intelligence Workstream.

Principle 6:

(continued)

What we learnt from our clients in 2020

KEY THEMES	
PACE OF CHANGE	ESG is generally increasing in importance across client segments and regions. Our clients are at different stages along their ESG journeys, but the pace is picking up for all of them, given the heightened focus on this area. As a global organisation, it is essential for us to understand how the rate of change differs across different types of clients and geography.
REGIONAL VARIATION	In certain regions there are themes that surface more prominently. Attitudes are shifting towards values, social concerns, and evaluating performance in the context of ESG. For example: • Europe: Climate change is a key consideration, with clients increasingly focused on understanding the climate risk implications of their investments. • US: Social issues – notably diversity, equity and inclusion – are rising in importance for investors globally, but particularly in the US, given the events we saw in 2020. There is also a heightened interest in supply chain risk, in part due to the push by regulators (e.g., through the UK Modern Slavery Act), to encourage companies to be more transparent on how they are managing human rights in their direct operations and within their supply chains.
THE 'S' IN ESG	Clients are asking more questions on social aspects, not only when it comes to their investments, but also the policies we have in place on a corporate level (e.g., our diversity, equity and inclusion policies).
EDUCATION	While some clients are confident in setting out their ESG priorities, there are other segments and regions that may value support in developing their expertise around ESG, particularly where there is still a perception that there is a trade-off between performance and ESG. We value the opportunity to work closely with these clients in order to provide on-request educational support. For example, we have worked with our education partner Fitch to develop ESG training modules.
CLIENT NEEDS	Clients in northern Europe are leading the way in terms of ESG awareness and pushing the bar in terms of what they expect from us. In most cases this relates to ongoing reporting where they are demanding increased transparency.
REGULATION	In Europe the evolving regulatory regime has been an important push factor requiring clients to act. Clients are trying to understand the implications and are in many cases working in tandem with us to understand the best approach.

Principle 6:

(continued)

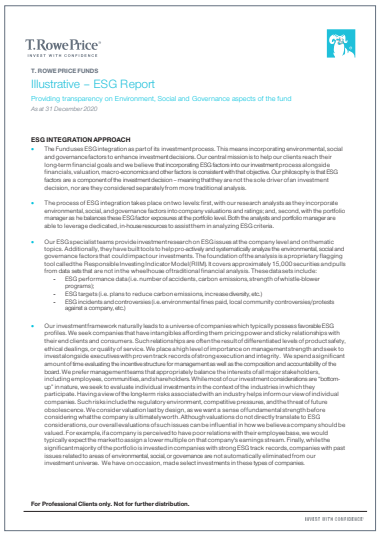
Taking account of our clients' views and what actions we have taken as a result

One of the key outputs from the work of our market intelligence workstream is the development of enhanced reporting of ESG at the portfolio level. Through collaboration with our clients and listening to their needs, we have developed and rolled out ESG reporting across all our co-mingled fund vehicles. These reports accompany our standard reporting on investment performance.

In addition, we provide and company engagement reporting, see Principles 9 and 10.

- Our **ESG Report** is published quarterly and includes selected engagement examples.
- Our **Carbon Footprint report** contains the total carbon emissions per sector, and the top 10 company contributors to the portfolio's total carbon emissions. This is provided quarterly on equity and corporate bond strategies (where we have carbon data available for a minimum of 75% of the fund's AUM),
- Our **Proxy Voting Summary report** breaks down voting records for the annual reporting period into categories with statistics indicating our level of support for each category type. These reports are available annually.

Examples of our ESG, Carbon Footprint and Proxy Voting Summary reports



T.RowePrice
INVEST WITH CONFIDENCE

T. ROWE PRICE FUNDS

Illustrative – ESG Report

Providing transparency on Environment, Social and Governance aspects of the fund

As at 31 December 2020

ESG INTEGRATION APPROACH

- The Fund uses ESG integration as part of its investment process. This means incorporating environmental, social and governance factors to enhance investment decisions. Our central mission is to help our clients reach their long-term financial goals and we believe that incorporating ESG factors into our investment process alongside financials, valuation, macro-economics and other factors is consistent with that objective. 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 analysis.
- The process of ESG integration takes place on two levels: first, with our research analysts as they incorporate environmental, social, and governance factors into company valuations and ratings; and, second, with the portfolio manager as he balances these ESG factor exposures at the portfolio level. Both the analysts and portfolio manager are able to leverage dedicated, in-house resources to assist them in analyzing ESG criteria.
- Our ESG specialist teams provide investment research on ESG issues at the company level and on thematic topics. Additionally, they have built tools to help pro-actively and systematically analyze the environmental, social and governance factors that could impact our investments. The foundation of the analysis is a proprietary flagging tool called the Responsible Investing Indicator Model (RIIM). It covers approximately 15,000 securities and pulls from data sets that are not in the wheelhouse of traditional financial analysts. 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 incidents and controversies (i.e. environmental fines paid, local community controversies/protests against a company, etc.)
- Our investment framework naturally leads to a universe of companies which typically possess favorable ESG profiles. We seek companies that have intangibles affording them pricing power and sticky relationships with their end clients and consumers. Such relationships are often the result of differentiated levels of product safety, ethical dealings, or quality of service. We place a high level of importance on management strength and seek to invest alongside executives with proven track records of strong execution and integrity. We spend a significant amount of time evaluating the incentive structure for management as well as the composition and accountability of the board. We prefer management teams that appropriately balance the interests of all major stakeholders, including employees, communities, and shareholders. While most of our investment considerations are "bottom-up" in nature, we seek to evaluate individual investments in the context of the industries in which they participate. Having a view of the long-term risks associated with an industry helps inform our view of individual companies. Such risks include the regulatory environment, competitive pressures, and the threat of future obsolescence. We consider valuation last by design, as we want a sense of fundamental strength before considering what the company is ultimately worth. Although valuations do not directly translate to ESG considerations, our overall evaluations of such issues can be influential in how we believe a company should be valued. For example, if a company is perceived to have poor relations with their employee base, we would typically expect the market to assign a lower multiple on that company's earnings stream. Finally, while the significant majority of the portfolio is invested in companies with strong ESG track records, companies with past issues related to areas of environmental, social, or governance are not automatically eliminated from our investment universe. We have on occasion, made select investments in these types of companies.

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T. ROWE PRICE FUNDS

Illustrative – Carbon Footprint

As at 30 September 2020

At T. Rowe Price, we recognize that many of our clients wish to understand the carbon footprint of their portfolios and, as such, we provide the following analysis. While carbon footprint analysis can be a useful tool for comparing portfolios, we would caution that a significant portion of the carbon emissions data set is estimated as many companies do not report this figure. Additionally, the statistic of carbon intensity can lack informational relevance in some cases. Carbon intensity is a calculation of carbon emissions divided by revenues, so a low emitting company selling an inexpensive product has a higher carbon footprint than a high emitting company selling an expensive product; and trend movements can be skewed by currency moves affecting revenues.

The following analysis is produced by T. Rowe Price using data provided by Sustainalytics.

The comparator benchmark of the Fund is the S&P 500 Index with net dividends reinvested.

EXECUTIVE SUMMARY

	Data Availability				Carbon Metrics		
	Total Percentage of Data Available %	Percentage of Data Reported %	Percentage of Data Estimated %	Percentage of Carbon Metrics Pro-rated %	Total Carbon Emissions $mtCO_2$	Carbon Emissions per US$1 mn Invested $mtCO_2$ / US$1 mn Audit	Weighted Average Carbon Intensity $mtCO_2$ / US$1 mn Revenue
Fund	96.55	75.41	21.13	3.45	647	40.53	183.33
Benchmark	99.28	74.06	25.23	0.72	1,106	69.33	150.02
Fund vs Benchmark					-41.5%	-41.5%	22.2%

The benchmark carbon metrics are calculated using the total net assets of the Fund invested according to the composition of the benchmark.

GLOSSARY OF TERMS

$mtCO_2$ - Metric tons of carbon dioxide.
Percentage of Data Reported - The percentage for which Carbon Emissions data is reported by Companies.
Percentage of Data Estimated - The percentage for which Carbon Emissions data is estimated by Sustainalytics.
Percentage of Carbon Metrics Pro-rated - The percentage of the Fund and Benchmark which are pro-rated based on the Carbon Metrics of the remainder.
Total Carbon Emissions - Total amount of Scope 1 and Scope 2 carbon dioxide emissions that are released by the Fund holdings that are attributable to the % ownership of the Fund in each company, aggregated to give the total carbon emissions for the Fund. This metric is grossed up using the percentage of data available to give the overall carbon footprint of the Fund. Only applicable to equities.
Carbon Emissions per US$1mn investment in the Fund - This metric enables an investor to calculate the carbon emissions of their investment in the Fund. Only applicable to equities.
Weighted Average Carbon Intensity - The weighted average, by Fund weight, of the total carbon emissions per US$1mn of revenues for each of the Fund holdings. This metric gives the Fund's exposure to carbon intensive companies and can be applied across equity and fixed income portfolios. This is the Task Force on Climate-Related Financial Disclosures (TCFD) recommended metric.

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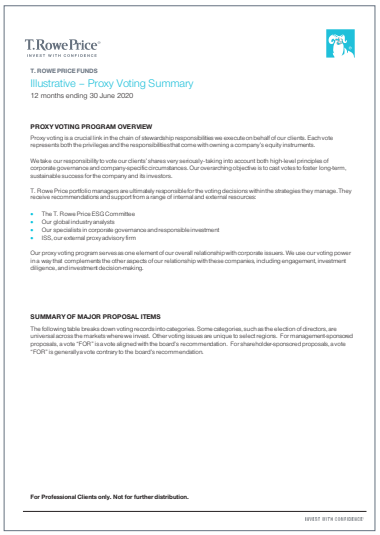

T.RowePrice
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T. ROWE PRICE FUNDS

Illustrative – Proxy Voting Summary

12 months ending 30 June 2020

PROXY VOTING PROGRAM OVERVIEW

Proxy voting is a crucial link in the chain of stewardship responsibilities we execute on behalf of our clients. Each vote represents both the privileges and the responsibilities that come with owning a company's equity instruments.

We take our responsibility to vote our clients' shares very seriously-taking into account both high-level principles of corporate governance and company-specific circumstances. Our overarching objective is to cast votes to foster long-term, sustainable success for the company and its investors.

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.

SUMMARY OF MAJOR PROPOSAL ITEMS

The following table breaks down voting records into categories. Some categories, such as the election of directors, are universal across the markets where we invest. Other voting issues are unique to select regions. For management-sponsored proposals, a vote "FOR" is a vote aligned with the board's recommendation. For shareholder-sponsored proposals, a vote "FOR" is generally a vote contrary to the board's recommendation.

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For illustrative purposes only

Evaluating the effectiveness of our chosen methods to understand our clients' needs

Our clients' interests have always been central to the firm's principles and practices, and we work hard to understand and meet their needs.

We monitor the following quantitative metrics within our individual channels, where available:

- Service levels
- Service quality
- Error rates percentage
- Satisfaction and net promoter scores
- Fraud/privacy incidents
- Number of complaints filed

We also consider the following qualitative information:

- Client feedback through our relationship management teams
- Industry research
- Market trends
- Proprietary client surveys

Principle 6:

(continued)

Progress and challenges against these measures are routinely shared and discussed with internal oversight committees and, in some instances, boards.

2020	We introduced a proprietary, global client satisfaction survey on an annual basis to enhance our understanding of our clients' evolving needs and to identify potential opportunities for improvement.

How we manage assets to align with our clients' stewardship and investment policies

We take our role as fiduciaries seriously. That means, as a matter of principle, we put our clients' interests first. To justify the trust each client places with us, we work to deeply understand their needs and find solutions to satisfy those needs.

In our institutional sales process, we are client-led in terms of ESG and stewardship considerations. ESG criteria are normally specified by the client when they submit their Request for Proposal and then confirm it during their due diligence process. For institutional clients, specific ESG requirements can be incorporated directly into the investment mandate.

Ensuring our products are appropriate for our clients' needs

We regularly conduct training on a range of topics that span product, pricing and marketing topics and tactics for both client-facing (sales and marketing) and supporting teams. This helps ensure that the products we offer are appropriate for our clients' needs, and their features are well understood by the professionals who position them.

We launch new funds only after careful analysis and documentation of:

- Investor need and appetite
- Investment objectives and an enduring investment case
- Commercial viability
- Ability to develop capabilities that are valuable to our existing clients

Only when we are entirely satisfied with the suitability and viability of an investment strategy and its purpose we will commit to a fund launch.

On an ongoing basis, we conduct regular reviews of existing products to assess if the products continue to deliver the stated outcomes and benefits to clients.

For our intermediated clients, we manage our funds according to the policies we set out in the literature relating to the product in which they are invested.

Principle 6:

(continued)

Expansion of our fund range to meet clients' needs

2020 CASE STUDY

LISTENING TO CLIENT NEEDS FOR PRODUCT DESIGN AND PRODUCT DEVELOPMENT

Another example of taking our clients' needs into account was our registration in Sweden in 2020 of three new responsible funds. This decision was heavily influenced by the engagement of our clients in the Nordic region.

Our proprietary exclusion screen was developed in response to the most common ESG concerns expressed by our clients. The responsible range of funds, however, were ultimately made possible by the early commitment and support of two key clients, Söderberg & Partners and SPK.

The new responsible fund is managed by the same team as the original fund, which aligns well with our clients' sustainability policies, the mandate they set and their overall approach to ESG.

Proactive client communication about stewardship and investment activities

We welcome discussions with clients on ESG topics, either as part of regular monitoring discussions or on an ad hoc basis as issues arise. Indeed, the ESG Taskforce (also discussed under Principle 5) created sub-workstreams to ensure that what we hear is reflected in on our ESG communications and client reporting.

KEY ESG REPORTING TO CLIENTS		
ESG ANNUAL REPORT	ANNUAL	Comprehensive report on all investment activity relating to ESG and stewardship
PROXY SUMMARY REPORT	ANNUAL	A regular summary of governance and voting trends
ENGAGEMENT REPORTING	QUARTERLY	Selected examples of engagements on ESG topics at a strategy level
PROXY VOTING SUMMARY REPORT	ANNUAL	Voting statistics for the strategy, produced annually
STRATEGY LEVEL SIGNIFICANT VOTES	AD HOC	Provided on request (in accordance with the new PLSA Vote Reporting Template – see Principle 4)
CARBON FOOTPRINT REPORT	QUARTERLY	Where we have carbon data available for a minimum of 75% of the fund's AUM
ESG REPORTING FOR SEPARATE ACCOUNTS	AD HOC	Provided on request

Principle 6:

(continued)

Over the course of 2020, in the midst of significant uncertainty, we increased our communication with clients. We sponsor third-party events and curate our own; in 2020 many of our events took the form of webinars. These were opportunities not only for us to give updates, viewpoints and access to our portfolio managers, but also for us to receive feedback from clients attending the events. Some of the events in 2020 included:

- Investing with ESG Insights
- TRP Insights: When Diversification Fails – Reexamining Portfolio Construction Strategies Amid the Coronavirus Crisis
- Insights Webinar: How COVID has Accelerated the Sustainability Agenda
- TRP Insights: US Election 2020 – Implications for Investors.

Principle 7:

Signatories systematically integrate stewardship and investment, including material environmental, social and governance issues, and climate change, to fulfil their responsibilities.

Our approach to ESG Integration varies by product range

ESG integration is the incorporation of environmental, social and governance factors into investment analysis for the purpose of maximising investment performance. ESG integration is a core investment capability, which we have embedded in our investment research platform across asset classes. ESG integration is applied to all of our investment products, where applicable, across all geographies.

In addition, our responsible fund range caters to clients who want to reflect their values in their investments by not investing in securities with direct exposure to specific categories (adult entertainment, assault-style weapons, controversial weapons, gambling, thermal coal, tobacco and conduct-based violators). In 2021 we will launch our first impact fund, which will have a dual mandate to seek positive environmental and social impact and outperform its benchmark.

INVESTMENT CAPABILITY	APPLIED TO SELECT PRODUCTS	
ESG INTEGRATION Incorporating environmenal, social, and governance factors into investment analysis **for the purpose of maximising investment performance** Fiduciary duty remains top priority	**SRI** Imposing values-based investment parameters on a portfolio regardless of their potential impact on performance. **Client elects to have values goals supersede financial goals.**	**IMPACT** Investment made with the intention to generate positive environmental and social impact alongside a financial return.
At T. Rowe Price, we have embedded ESG through our investment research platform.	At T. Rowe Price, we have launched a responsible fund range that imposes values-based parameters to our existing portfolios via the overlay of our proprietary exclusion list.	At T. Rowe Price, we will launch an impact fund range in 2021.

Our ESG integration process, and the role of the Responsible Investing Indicator Model (RIIM)

ESG integration

The primary responsibility for incorporating ESG factors in investment decisions lies with our analysts and portfolio managers, who are supported by our Responsible Investing and Corporate Governance teams. Our approach is driven by the following principles:

1. Integration

As ESG integration requires balancing environmental, social and governance factors with other investment factors, the responsibility for integrating ESG factors lies with our analysts and portfolio managers.

2. Collaboration

In order to support our investment professionals' capacity to incorporate ESG factors into their decision-making, we have specialists in ESG and regulatory research within our investment research teams who work closely with our analysts and portfolio managers and provide ESG research.

3. Materiality

We focus on the ESG factors we consider most likely to have a material impact on the performance of the investments in our clients' portfolios.

The process of ESG integration takes place on two levels: first, with our research analysts as they incorporate ESG factors into security ratings and valuations and, second, with the portfolio managers as they balance ESG factor exposure at the portfolio level. Both the analysts and portfolio managers are able to leverage dedicated, in-house resources to assist them in analysing ESG criteria.

Principle 7:

(continued)

Our ESG specialist teams provide investment research on ESG issues at the security level and on thematic topics, as well as providing portfolio-level analysis. We have a team of 14 investment professionals dedicated to environmental, social and governance research who support our analysts and portfolio managers. These ESG specialists are spread across three teams—governance, regulatory research, and responsible investing (RI). Together, they help our analysts and portfolio managers identify, analyse and integrate the ESG factors most likely to have a material impact on an investment's financial performance. Our ESG specialist teams are further supported by an operations team focused on proxy voting execution and a technology team focused on ESG data integration.

Our ESG specialists have built tools to help proactively and systematically analyse the environmental, social and governance factors that could impact our investments. One such tool is a proprietary scoring system called the Responsible Investing Indicator Model (RIIM), which forms the foundation of our ESG integration process. The RIIM framework provides two key benefits:

1. Proactive and systematic analysis

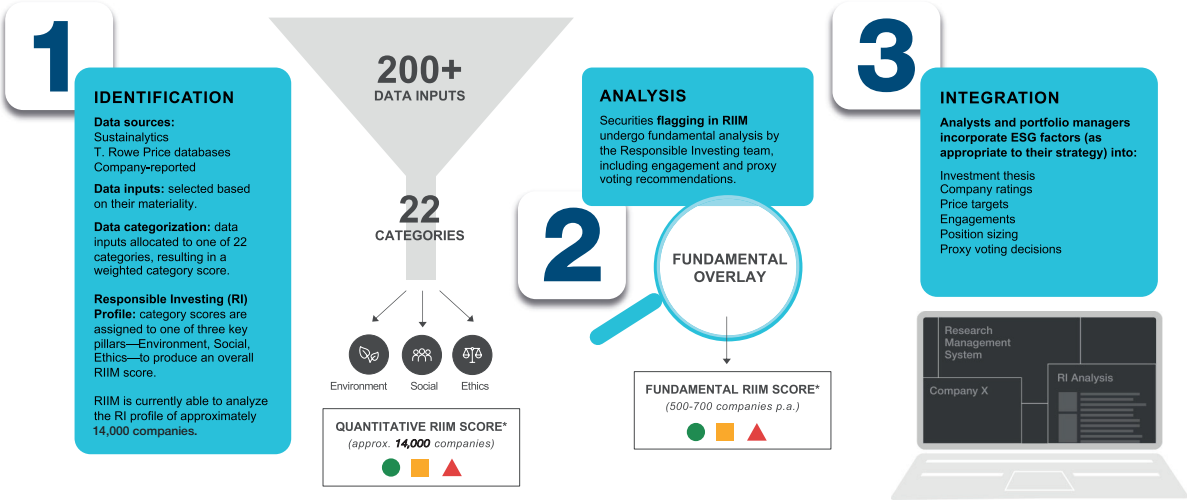
RIIM provides a uniform standard of due diligence on ESG factors across our investment platform.

2. Common language

RIIM establishes a common language for our analysts, portfolio managers and ESG specialists to discuss how an investment is performing on ESG factors and compare securities within the investment universe.

We have developed RIIM frameworks across asset classes covering equities and corporate bonds, sovereign bonds, municipal bonds and securitised bonds. The RIIM frameworks are unique for each asset class as the level and type of ESG data available vary across asset classes. For equities, corporate bonds and sovereign bonds, we have a three-step ESG integration process: identification, analysis and integration.

Illustrative example: RIIM framework for equities and corporate bonds



For illustrative purposes only. *Quantitative RIIM score rating of red, orange or green are used to highlight the extent of a security's environmental, social, and ethical risks or positive characteristics.

In step 1 **(identification)**, we leverage ESG datasets and feed those directly into our RIIM framework. This allows us to generate a quantitative RIIM profile for approximately 14,000 corporate issuers and approximately 200 sovereign issuers. This quantitative set of scores is an important starting point in our ESG evaluation process as it helps us quickly identify any outliers, both positive and negative. Additionally, it creates a baseline of understanding of our investment universe from which we delve deeper using fundamental analysis on a narrower universe of securities. The output of our quantitative analysis is also instrumental in informing our engagement programme.

Principle 7:

(continued)

Figure 1: The RIIM framework for corporate and sovereign issuers

EQUITIES & CORPORATE BONDS

RIIM Corporates

RIIM generates an RI profile for approximately 14,000 companies. This provides our investors with a way to measure ESG factors in a systematic way – giving us a common language for comparing the ESG profiles of companies.

The corporate RIIM framework leverages external quantitative datasets to scan for factors that could influence our investments (either positively or negatively). Additionally, it incorporates datasets we have built in-house.

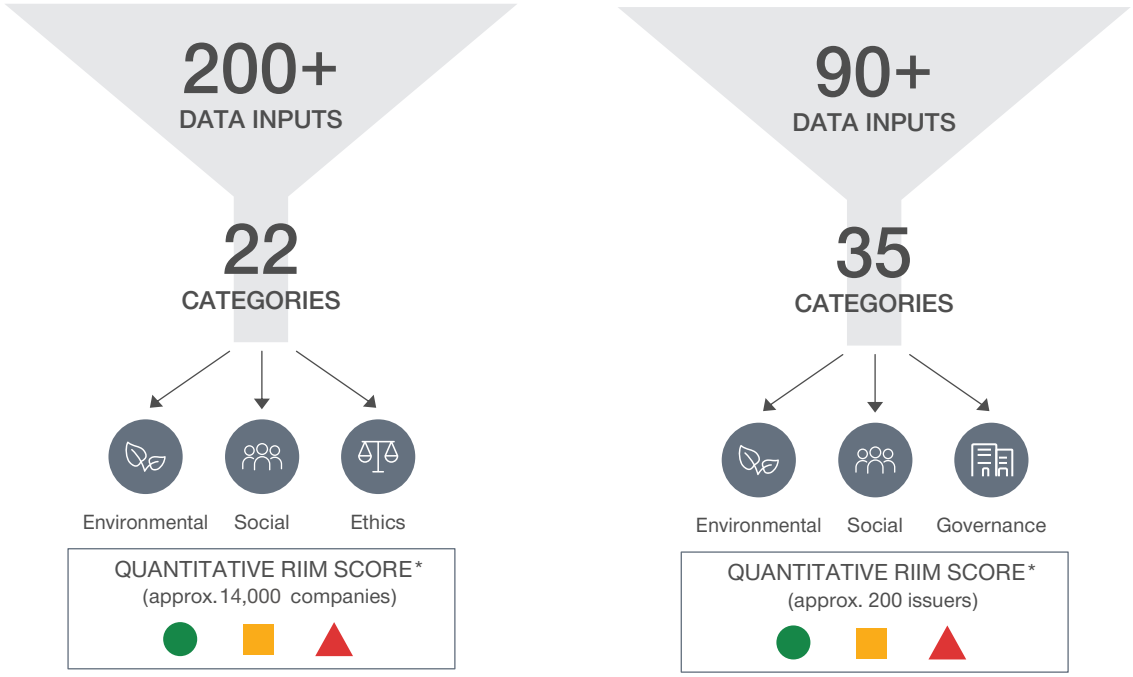
SOVEREIGN BONDS

RIIM Sovereigns

RIIM generates an RI profile for sovereign issuers. This provides our investors with a way to measure ESG factors in a systematic way – giving us a common language for comparing the ESG profiles of sovereign issuers.

The sovereign RIIM framework leverages external quantitative datasets as well as our own research on these issuers.

The sovereign RIIM scores are incorporated in the overall sovereign issuers score, which also includes factors such as GDP, inflation and other traditional factors.



In establishing our own proprietary framework for ESG analysis, we are able to ensure we are applying our own views on materiality. We believe that the financial materiality of specific ESG factors (supply chain, raw materials procurement, health and safety, etc.) will vary in importance based on a company's business model. As such, we assign materiality weighting at the sub-industry level. The same holds true for sovereign issuers, where our RIIM sovereign framework will modify the weight of specific factors based on geography or other national characteristics.

Principle 7:

(continued)

Another benefit of RIIM is that we have full control and visibility of the underlying data that is feeding our model. The benefit of using quantitative datasets is that it makes our process scalable (e.g. RIIM covers 14,000+ corporates and 200+ sovereigns); however, we recognise that ESG datasets are still in a relatively nascent stage – both data availability and quality can be notable issues.

In RIIM, we focus on selecting data inputs that address ESG topics based on their relevance and data quality, e.g. frequency of update, latest year of data availability, reputation of data source, vulnerability to greenwashing, etc. One of the big challenges is finding a data input that appropriately represents each topic and is widely available across our investment universe. Given that the ESG data universe is rapidly evolving, RIIM is designed so that we can easily add or eliminate data inputs as sources and availability improve.

Another benefit of using a proprietary framework is that our analysts and portfolio managers have full visibility into how a score is generated and each data point behind it.

In step 2 **(analysis)**, we add a deeper layer of fundamental analysis for a smaller number of companies. (This figure has been around 500-700 securities per annum.) Our process for determining which companies receive a fundamental overlay is driven by the regular portfolio reviews the ESG specialists conduct with portfolio managers – this means we tend to focus on securities that are orange or red rated in RIIM or larger positions. The other main driver comes from an analyst requesting further analysis. Additionally, some companies are selected by the ESG specialists – either due to anomalies in the scoring or as part of a broader piece of work.

In step 3 **(integration)**, our analysts and portfolio managers balance ESG factors against all the other factors that will drive an investment decision. Importantly, the process of ESG integration is ongoing through the life cycle of an investment, not just at the start. This analysis is applied to multiple stages and includes such steps as:

- Identification and monitoring of ESG data for security analysis
- Consideration of ESG risks or “red flags” through fundamental analysis
- Consideration of ESG risks and/or opportunities in portfolio construction
- Engagement with boards, managements, non-financial stakeholders or government officials
- Proxy voting (for equities).

Principle 7:

(continued)

ESG analysis by asset class – summary of RIIM process

	1 IDENTIFICATION	2 ANALYSIS	3 INTEGRATION
Equities and Corporate Bonds	RIIM creates a Responsible Investing (RI) profile for approximately 14,000 companies using third-party ESG datasets, company – reported data and datasets created internally.	Securities flagged in our RIIM and governance analysis are subject to further review, including engagement and, for equities, proxy voting recommendations.	**Analysts and portfolio managers incorporate ESG factors (as appropriate to their strategy) into:** ▪ Investment theses ▪ Company ratings ▪ Price targets ▪ Credit ratings ▪ Engagements ▪ Position sizing ▪ Proxy voting decisions
Sovereign Bonds	RIIM creates an ESG profile for approximately 200 sovereign issuers, leveraging datasets created by non-governmental organizations (NGOs) and third parties as well as datasets created internally.		
Municipal Bonds	Our municipal bond analysts create an ESG rating for issuers by evaluating specific criteria for individual issuers. To establish RIIM ratings, the analysts conduct research in-house. Environmental and social analysis leverages geospatial research tools.		
Securitised Bonds	Our securitised bond analysts create an ESG rating for issuers by evaluating specific criteria for individual issuers. To establish RIIM ratings, the analysts conduct research in-house leveraging external data sources, as well as their own direct research. Where there is overlap on issuers, the analysts can leverage RIIM scores from other asset classes.		

Principle 7: **Assessment of corporate governance factors**

(continued)

We focus on the governance factors that we consider to be most relevant given the issuer's sector, region, and asset class. However, our objective is to support governance practices that enhance and protect long-term shareholder value. We employ a governance lens to our company analysis throughout the life cycle of an investment. While we maintain a highly contextual, company-specific approach to assessing corporate governance, we believe the following principles can be applied to corporates across the globe:

- The importance of board accountability to investors
- Shareholder rights in reasonable proportion to economic ownership
- A board structure that fosters independence, a mix of perspectives and effectiveness
- Incentive structures for boards, management, and employees that are aligned with the company's strategy

Other factors that we consider include the robustness of the internal controls framework and whether the external auditor provided a qualified opinion. We also expect to have independent directors on a company's Audit Committee to provide robust oversight of the financial reporting and control framework.

Working with service providers

This will be discussed in more detail under Principle 8. The factors we consider are set out in the proxy voting guidelines, including those elements within our custom policy which we use in addition to the research provided by ISS, as discussed in Principle 12.

Principle 7:

(continued)

ESG factors per asset class

The table below shows a list of typical factors used for ESG integration in each asset class.

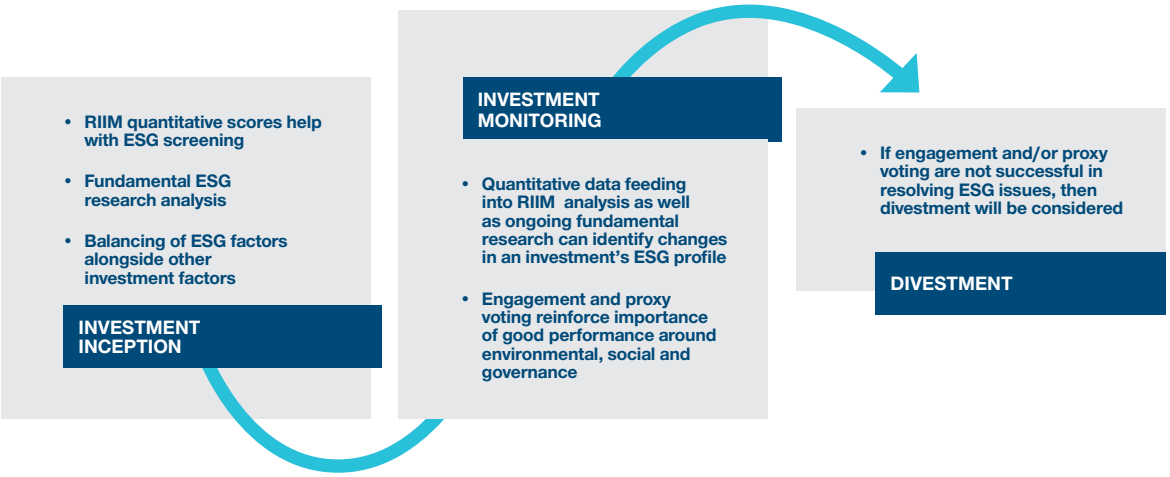
	ENVIRONMENTAL	SOCIAL	GOVERNANCE
Equities & Corporate Bonds	Adaptability of sourcing Biodiversity Emissions intensity Environmental track record Hazardous chemicals use Impact of carbon taxation Integration of eco-design 'New cities' infrastructure Pesticide safety standards Product end of life Regulatory dynamics Site restoration provisions Stranded asset risk Sustainable product sales Sustainable raw materials Waste recycling (mgmt.) Water intensity	Access to skilled labor Bribery/corruption record Conflict minerals sourcing Customer preference shift Data privacy standards Diversity statistics Fair trade sourcing Health and safety record Lobbying standards Local community relations Marketing standards Product safety record Robotics integration Stakeholder relations Supply chain standards Talent retention Technology shift	Accounting standards Audit practices Antitakeover provisions Board composition Board expertise Bond covenants Financial transparency Mgmt. remuneration Share issuance policies Shareholder rights
Sovereign Bonds	Agricultural capacity Air pollution/emissions Climate change impact Ecosystem quality Energy dependency Energy resources Risk of stranded assets Water resources	Crime and safety Education levels Employment levels Food security Human rights Income inequality Institutional quality Poverty Public health	Bond covenants Corruption Institutional strength Rule of law Institutional quality
Securitised Bonds	Exposure to green activites – e.g. renewables, electric vehicles, etc. Exposure to energy transition risk Exposure to physical climate change risk Green building certifications Energy efficiency	Exposure to affordable housing Income inequality Level of homeownership Population dynamics Contribution to wealth inequality	Bond covenants ESG disclosure Internal controls and loan modification standards Originator ESG standards & track record Sponsor performance and legal history Originator underwriting practices Regulatory standards Timelines and quality of financial reporting
Municipal Bonds	Exposure to green activites – e.g. renewables, electric vehicles, etc. Exposure to energy transition risk Exposure to physical climate change risk Issuer's management of environmental footprint	Accessibilty of health care Crime and safety Education levels Employment levels Exposure to social activities – e.g. hospitals, schools, transport, etc. Income inequality Population dynamics and trends Positive social contributions Poverty levels Quality of infrastructure	Bond covenants Quality of management Quality of governance & Board Quality of elected officials and key government staff Timelines and quality of financial disclosure

For illustrative purposes only.

Principle 7:

(continued)

ESG analysis through the life cycle of an investment



We believe that our three-step process for proactive and systematic ESG integration enables us to effectively monitor our investments and adjust our RIIM ratings to reflect information learned during our engagements with corporates and other issuers. Given the level of primary research conducted by our analysts, portfolio managers and ESG specialists, we believe RIIM gives us a distinct advantage over using ratings provided by a third-party vendor. It also allows for a much more practical application of ESG factors in the investment process as our ESG scores can accurately reflect our latest thinking on a specific security.

For municipal and securitised issuers, the ESG data universe is still developing. As we have not yet found ESG datasets that we believe are robust enough to integrate directly into the RIIM framework, we have a two-step ESG integration process: 1) analysis; and 2) integration. Our credit analysts conduct ESG analysis on each security. To do this, they utilise the RIIM framework to ensure a uniform standard to ESG due diligence is conducted on each security. Our credit analysts leverage our in-house ESG specialists, third-party research and their own fundamental research to develop a RIIM profile for issuers.

Examples of ESG integration

These ESG analytical frameworks support our analysts and portfolio managers in fully integrating material ESG factors into the investment decision-making. Three examples are set out below.

The security identified and described is intended to illustrate the ESG security evaluation process of T. Rowe Price investment professionals and does not necessarily represent securities purchased or sold by T. Rowe Price. No assumptions should be made that the security analysed, or other securities analysed, purchased or sold, was or will be profitable. This is not a recommendation to buy or sell any security. The views and opinions are as of December 2020 and are subject to change.

2020 EXAMPLE: ANALYSIS OF ENERGY TRANSITION STRATEGY

XCEL ENERGY – UPGRADE ON THE BASIS OF CONVICTION IN THEIR APPROACH

ASSET CLASS: EQUITY

COUNTRY: US

Xcel Energy Inc. is an electric and gas utility holding company serving eight US states through four utility subsidiaries. It was the first US utility to announce a 2050 net zero target, and it also targets an 80% reduction in greenhouse gas (GHG) emissions by 2030. We held a meeting with the CFO to understand more about their approach to the low-carbon transition. T. Rowe Price was represented by a portfolio manager, an investment analyst and a Responsible Investing analyst.

The meeting strengthened our conviction in the management team, and we see the stock as a high-quality way to gain exposure to the long-term electrification and decarbonisation themes. The consistency in execution, strong regulatory relationships and renewable-favourable geographies are why Xcel trades at a significant premium to other regulated utilities. After the meeting, the investment analyst upgraded their rating on the stock.

Principle 7:

(continued)

2020 EXAMPLE: ANALYSIS OF GOVERNANCE AND INVESTMENT RISK

GINNIE MAE MBS

ASSET CLASS: DEBT-BASED SECURITY

COUNTRY: US

The US Government National Mortgage Association, or Ginnie Mae, is a corporation of the United States federal government within the Department of Housing and Urban Development. Since 1971, it has helped finance housing loans for more than 53 million Americans through its mortgage-backed securities (MBS) programme.

The Ginnie Mae MBS sector has at times experienced "churning" in its MBS programme, an unscrupulous practice by some participating loan issuers who aim to refinance mortgages multiple times to generate fees. In addition to exploiting borrowers, these predatory lending practices increase mortgage prepayment speeds, which harms MBS performance and makes the sector a less attractive investment. At times, this risk factor has influenced our positioning along the Ginnie Mae MBS coupon structure to target securities that are less exposed to prepayment risk. Positively, Ginnie Mae has responded to investors' concerns by taking actions to curtail loan churning.

2020 EXAMPLE: BROAD INCORPORATION OF ESG FACTORS IN AN INVESTMENT THESIS

TSMC

ASSET CLASS: EQUITY

COUNTRY: TAIWAN

An investment in a semiconductor company was supported by our positive view on their environmental and social management. Our investment case was driven by the following factors:

1) The company has a virtual monopoly in leading-edge chip production and commands good pricing power. We anticipate above industry growth from the company, due to higher average prices for its chips.
2) We expect to see accelerating earnings momentum as it benefits from the growing penetration of 5G technology and potentially more chip production being outsourced.
3) Sound environmental management – which is supported by clear performance targets, providing regular disclosure and a lack of ESG-related incidents – should help the company stay ahead of increasing environmental regulations and make its chips more attractive to customers looking for "greener" supply chains. (The company also only purchases raw materials from smelters certified "conflict-free" by the Responsible Minerals Assurance Process – the highest level of industry compliance – which should also help make its chips more attractive to clients.)
4) The company's strong track record of employee treatment/safety, evidence of merit-based advancement and a lack of notable reported employee incidents also contributed to our overall view on the company's high-quality management practices.

The company's robust management of environmental and social issues was a contributing factor in our decision to invest in the company.

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Principle 7:

(continued)

2020 EXAMPLE: BROAD INCORPORATION OF ESG FACTORS IN AN INVESTMENT THESIS

AIA

ASSET CLASS: EQUITY

COUNTRY: HONG KONG

An investment in a life insurance company was supported by its strong focus on responsible investment, which we believe potentially reduces exposure to downside risks. Our investment case was driven by the following factors:

1.) The company is a compelling asset with an un-replicable footprint across South East Asia, a structurally growing market.

2.) The company benefits from strong management with a track record of successful execution. Additionally, our RIIM analysis points to culture of meritocracy that is supportive of a diverse workforce (e.g. the company became the first Hong Kong-based business to be included on the Bloomberg Gender Equality Index).

3.) Investors continue to underestimate the durability and resilience of the firm's growth, in our view. Our forecasts for both earnings growth and return on equity, exceed consensus expectations. Substantial cash reserves also provide additional optionality.

4.) It incorporates ESG factors, such as water scarcity, climate change, environmental regulations, and labor issues, across all asset classes in which it invests.

5.) The company incorporates inclusive community initiatives as an integral part of its long-term business strategy, which we view as a good indicator of working with multiple stakeholders to build a sustainable business.

The company's strong focus on responsible investment within its investment portfolio helped to support our positive thesis. Other ESG factors such as workforce diversity and community inclusion practices helped confirm our view that this is a well-run company.

2020 EXAMPLE: RATING DOWNGRADE WHERE CIRCULAR ECONOMY RISK WAS A CONTRIBUTING FACTOR

DOW, INC.

ASSET CLASS: EQUITY

COUNTRY: US

We adjusted our underlying growth assumptions downward for a commodity chemical producer based on demand dynamics for single-use plastics and recycling. Our investment thesis had been predicated on the following drivers:

1.) The company has a dominant, best-in-class position in polyethylene production with significant low-cost assets on the US Gulf Coast.

2.) Our analysis of the longer-term outlook for plastics demand highlighted existing and pending global regulatory changes – all aimed at reducing single-use plastics. Additionally, growth in recycling is likely to limit virgin polyethylene demand further. This analysis caused us to lower expectations for polyethylene demand growth. This was a direct reflection of the anticipated deceleration in consumption driven by the sustainability challenges.

3.) The company's commanding industry position, low-cost production, and track record of disciplined capital allocation, have provided a compelling risk/reward proposition, offsetting certain longer-term challenges.

Our target price and valuation assumptions were structurally lowered from historical norms.

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Principle 7:

(continued)

2020 EXAMPLE: FORMALIZATION OF EXPLICIT ENERGY TRANSITION FACTORS INTO ENERGY ANALYST'S INVESTMENT FRAMEWORK

INTEGRATED OIL & GAS COMPANIES

ASSET CLASS: EQUITY

COUNTRY: GLOBAL

Energy transition analysis prompted our integrated oil analyst to modestly adjust his investment framework for the sector. The framework adjustment reinforced factors such as:

1.) Lowest oil price break-evens taking into account the carbon intensity of each company's production.

2.) Assessment of each company's positioning for a future transition to low/zero carbon fuels. This includes positioning for the 10 to 30 year window where "transition" fuels like natural gas could play an elevated role as well as each company's long-term viability in a low/zero carbon world.

3.) Assessment of management's ability to navigate a shift to a low/zero carbon world.

The adjustment of the framework was modest in that these factors had already been considered qualitatively by the analyst, but the formal incorporation into the framework had two impacts: 1.) it contributed to the overall assessment of the sector in terms of cost structure and valuation, and 2.) It established a clear view on each company's positioning within the sector. An additional benefit of this exercise is that it helped the analyst and portfolio managers have an even more constructive dialog with company managements on the issue of energy transition.

This work was conducted by the integrated oil analyst with collaboration from utilities analysts and the ESG specialists.

2020 EXAMPLE: GROWTH OF SUSTAINABLE PRODUCT RANGE UNDERPINNED INVESTMENT THESIS

AMCOR

ASSET CLASS: EQUITY

COUNTRY: AUSTRALIA

Given the magnitude of the problem that plastic waste is causing, we believe that segments of the plastics industry will be fundamentally reshaped. Today it looks like the reshaping will happen in four areas: (1) reduced usage (2) increased recycling (3) increased incineration (waste-to-energy) and (4) replacement by plastic alternatives and/or new biodegradable plastics. Amcor is a portfolio holding whose business model and highly aligned to these trends:

- Reducing use: Amcor's ASSET tool helps clients to fully understand the environmental footprint of packaging, including energy usage, water consumption, and GHG emissions. This information is used to highlight how sustainability aspects could be improved through lightweighting or use of alternative materials.
- Promote and aid recycling: The majority of Amcor's plastic is already recyclable, but the company is further innovating to develop other forms of recyclable material. Amcor also considers ways that product design can aid separation and recycling following end-use. Meanwhile, the company works with customers, suppliers, NGOs, and governments to accelerate development of recycling infrastructure. Within its own operations, Amcor pursues greater use of recycled materials.
- Plastic alternatives: Amcor has invested heavily in next generation products such as bio-based materials derived from renewable and plant-based sources. One strength for Amcor would be its global scale and reach, allowing it to commercialise any new technology and meet the global needs of the global FMCG customers who are wanting to do more in the environmentally friendly area. In the past, they have both acquired technologies and developed technologies in-house in an effort to continue to add value for their customers.

Amcor has pledged to develop all packaging to be recyclable or reusable by 2025. This commitment to be more environmentally friendly, while improving value for customers and efficiency for shareholders, was influential in our decision to hold this stock.

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Principle 7:

(continued)

2020 EXAMPLE: BROAD INCORPORATION OF ESG FACTORS IN AN INVESTMENT THESIS

AC ENERGY

ASSET CLASS: FIXED INCOME

COUNTRY: PHILIPPINES

AC Energy is owned by Ayala Corp., one of the best-known conglomerates in the Philippines with a strong track record on governance and with both fixed income and equity investors. With a growing renewables portfolio that already accounts for half of power generation capacity, AC Energy has demonstrated clear direction in environmental strategy by selling down stakes in its legacy thermal businesses; proceeds have gone to further reinvestment in renewables. It has ambitious targets for further deployment of solar, wind, and geothermal capacity, as well as to be coal-free by 2030. We built an overweight position in 2019 and have maintained it in 2020 as leverage improved with the completion of new projects.

2020 EXAMPLE: BROAD INCORPORATION OF ESG FACTORS IN AN INVESTMENT THESIS

REPUBLIC OF CHILE

ASSET CLASS: FIXED INCOME (SOVEREIGN)

COUNTRY: CHILE

We have exposure to Chilean sovereign bonds and have an overweight duration posture. The country screens positively overall in our ESG analysis. While the country does have certain social and environmental issues, Chile is making progress. As highlighted by unrest in late 2019, Chile struggles with high income inequality. Decades of market orientated policies have created rapid economic growth and helped improve absolute poverty levels; however, this has generated high levels of inequality, although income inequality as measured by the World Bank's Gini index has been slowly improving since 1990.

In response to the 2019 protests regarding a proposed increase in public transportation fees, the government reacted through spending and constitutional reforms. The Piñera government's new social agenda proposal focuses on redistributing wealth from the rich towards the poor and middle class. Key measures include a basic minimum income, a boost in pension contributions, and subsidies or price controls for things like medicine and utilities. A 40-hour work week (from 45 previously) is also expected to pass in 2020. Meanwhile, taxes on the rich will go up (maximum tax bracket of 40% vs 35% previously), and a prior commitment to lower corporate taxes has been scrapped. While this expanded social agenda requires increased countercyclical spending in the near term, the government is highly committed to its fiscal rule which should lend credibility to budgets going forward. That said, more work will need to be done in order to fully accommodate increasing social demands over the medium to long term. Chile has set more ambitious targets for absolute emissions, a carbon budget and a peak in emissions by 2027 in the 2019 draft update to the Paris Agreement pledge to combat its reliance on fossil fuel.

The government's steps to address inequality issues were a contributing factor to our positive investment thesis.

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Principle 8:

Signatories monitor and hold to account managers and/or service providers.

At T. Rowe Price, we are active managers. Proprietary fundamental research is core to our investment approach. We conduct rigorous analysis at the regional, sector, industry and company level. As such, the vast majority of our research across all asset classes is conducted in-house. This approach is reflected in the size of our research teams globally, covering different regions and industry sectors.

Use of external service and data providers

Although proprietary research is the main driver of all our investment decision-making, we do supplement our capabilities with data and services from a number of selected external providers. This is to achieve operating efficiency and gain specific market expertise. For example:

- We use data from Sustainalytics and other providers to feed our proprietary Responsible Investing Indicator Model (RIIM).
- We use research from MSCI and other providers to manage our exclusion lists.
- Several other service providers are used for conducting ESG research across equity and fixed income.

In terms of corporate governance and voting advisory services, we use proxy voting research from external provider Institutional Shareholder Services (ISS) as an input to our own custom research policy.

Contribution of external providers to our ESG research process

Outside service providers and the data and services they provide are a complementary addition to our in-house research tools and processes, including those relating to ESG and stewardship. External research providers provide two main functions in our ESG analysis – some providers are used to perform screening and quantitative analysis, while others are used for fundamental research.

- **Quantitative Analysis**

  A good example of our quantitative analysis is RIIM (our proprietary ESG rating system discussed in Principle 7). Both our corporate and sovereign RIIM modules leverage quantitative data, which allows for coverage of approximately 14,000 corporates and approximately 200 sovereigns. Our corporate RIIM utilizes data from external service providers such as Sustainalytics and Bloomberg, which we complement with databases we have built in-house at T. Rowe Price as well as our own fundamental research. Meanwhile, sovereign RIIM uses data from many sources including the World Bank and NGOs.

- **Screening**

  A good example of screening is the data we use to manage the exclusion lists we apply to various funds. Our primary external data provider for exclusion lists is MSCI; however, we also supplement MSCI with other external ESG data providers as well as our own fundamental research.

Fundamental analysis: We use a much wider array of external service providers to conduct fundamental research. In most cases, our fundamental research occurs after the establishment of a RIIM score, and a wide variety of research providers will be used including traditional ESG research vendors, brokerage providers, non-governmental organisations, regulators, shareholder groups and industry publications, and through our memberships in organisations such as the Principles for Responsible Investing. In some cases, we may use fundamental research to establish a RIIM score for a security that is not covered by our primary data providers in RIIM (meaning there will be insufficient data to create a quantitative score). In this situation, we will leverage data available from the issuer and use an external service provider to screen for any controversy exposure. In other cases, we may want to utilize an ESG data vendor that brings more regional and/or asset class expertise. For example, our municipal bond analysis utilises geospatial ESG data.

Principle 8:

(continued)

How we monitor service providers to ensure services have been delivered to meet our needs

We follow stringent internal policies and procedures and other applicable regulations in the selection of the service providers that we use. T. Rowe Price has a Supplier Management Program to assess, manage and mitigate the risk with these third-party service provider relationships. Providers are selected after a rigorous RFP process which includes risk assessments, due diligence (financial, operational, and corporate), on-site visits, and thorough reviews with internal subject matter experts.

Once service providers are onboarded, we review certain sub-service organisations on an annual basis, or more frequently, depending upon the nature and scope of the services provided. Criteria reviewed include:

- Quality
- Performance
- Financial status
- Operating procedures
- Cybersecurity
- Technical infrastructure
- Contingency plans

We use a mix of questionnaires, site visits, reviews of third-party control reports and contingency plans, and an assessment of financial viability and performance. With our key service providers, standard service reviews are generally held monthly to discuss ongoing performance and any operational issues that have arisen.

We monitor the service of our third-party data and services providers closely. If performance standards and expectations are not being met, we would communicate our dissatisfaction and ask the vendor to set out a remediation plan. If the vendor was not able to deliver on this plan in a reasonable time period, we would ultimately terminate their contract.

CASE STUDY
TERMINATION OF ESG DATA VENDOR CONTRACT FOR OPERATIONAL SHORTCOMINGS

ISSUE	■ Supplier data system and supply failed to meet expected operational standards
ACTION	■ Opportunity for vendor to redress the situation ■ Escalation vendor's to Chief Operating Officer (COO)
OUTCOME	■ No improvement ■ Termination

We terminated our contract with a key ESG data provider in 2016, when their system failed to perform to the operational standards specified in the contract. The company was unable to address our concerns, and we made it clear that this was unacceptable long term. The situation was escalated to their COO, but still no improvement was forthcoming. Ultimately, we terminated their contract and took an equivalent service from a competitor, who we still use today.

Principle 8:

(continued)

2020 CASE STUDY
TERMINATION OF DATA VENDOR NOW SURPLUS TO REQUIREMENT

ISSUE	■ Insight provided by data supplier now available industrywide
ACTION	■ Assessment of requirements and scope of supplier capability
OUTCOME	■ No longer any need for their service ■ Termination

When we adopted our first board diversity policy, we sourced board gender data from a third-party supplier, but it only covered US and Canada. Over time, they became less relevant to our needs once companies started disclosing the information themselves, which meant that the data began to be captured by ISS and appeared in proxy research. This removed the need for a supplementary data source, and by the time the annual review was conducted in 2020, it was clear that the value was minimal. Hence, the contract was terminated in December 2020.

Reflecting on our own standards and performance

A key opportunity for the Responsible Investing and Governance teams to step back and reflect upon the appropriateness of their practices is at the ESG Team Offsite. This is typically held in the autumn, to reflect on the lessons learned from the peak AGM season which takes place from March to July in most developed markets. At the September 2019 offsite meeting, a session was dedicated to reviewing the appropriateness of the third-party data sources available to the Responsible Investing and Governance teams. The data sources used by the team in 2020 reflect that discussion, as well as the needs arising from any projects initiated during the year.

Contribution of ISS to our proxy voting needs

We use a highly customised set of guidelines for proxy voting but welcome the benefits of the services that ISS adds to our voting process. Our specific guidelines for the Americas, EMEA, Asia Pacific and for impact-driven portfolios are included at the end of **Principle 12.**

We apply a two-tier approach to determining and applying global proxy voting policies.

■ **Tier 1**

The first tier establishes baseline policy guidelines for the most fundamental issues, which apply without regard to a company's domicile. An example of such baseline policies would be the importance of having independent directors on a company's audit committee.

■ **Tier 2**

The second tier takes into account the various governance codes and norms in different regions, making allowances for local market practices as long as they do not conflict with the fundamental goal of good corporate governance. Our objective is to enhance shareholder value through the effective use of the shareholder franchise, recognising that no single set of policies is appropriate for all markets.

We actively participate in ISS's own policy development process. Each year, we participate in ISS's policy survey, as well as smaller roundtables that ISS establishes to discuss specific policy proposals. When ISS publishes its list of new guidelines each year, the T. Rowe Price ESG Committee assesses the list to determine whether or not we believe it is appropriate to add the new policies to our custom guidelines.

Principle 8:

(continued)

Oversight of proxy voting advisory services

T. Rowe Price's ESG Committee is charged with overseeing the activities of our proxy research provider, ISS. In this regard, the ESG Committee conducts various service provider oversight activities throughout the year and reviews reports on ISS's performance and service levels. On an annual basis, we request due diligence information from ISS which includes:

1) A copy of their most recent type II-level SSAE-16 (conducted by Deloitte)

2) Current ADV (SEC registration document)

3) A summary of their business continuity plan.

Furthermore, we ask them to provide voting results for a select sample of votes cast to ensure they were transmitted to the issuer in a timely and accurate manner. These documents are reviewed by select members of the ESG Committee and are retained by the Global Proxy Services team. In addition to reviewing documentation, meetings are held periodically with ISS staff and senior management throughout the year, which include discussions on ISS's business plans, their service levels and forward-looking trends in corporate governance.

On a weekly basis, members of our Global Proxy Operations team, based in our Baltimore headquarters, and the Lead from our Service Provider Management function, who oversees the ISS relationship, meet with two senior members of the ISS Governance Client Success Team, an ISS Regional Director and our Client Success Manager. The weekly agenda will reflect any particular matters arising, but will also include a review of operational tasks such as account openings, client reporting, and workflow issues within ISS' ProxyExchange, our voting platform, as well as any upcoming development and releases within ISS' Proxy Exchange.

On a monthly basis, ISS provides reporting showing volumes of meetings and ballots voted as well as accuracy and timelines of research and recommendations. We monitor against agreed benchmarks. To date there have been no issues where ISS has fallen below the benchmarks. However, if this were to occur, we have a service credits arrangement in place and would also look to ISS to provide an explanation and potential remediation. We also monitor for availability of the Proxy Exchange platform. Finally, Proxy Operations poll the Governance team regularly for any policy errors. In the event of a policy application (or any other error), we would receive an incident write-up including root cause and remediation and track the remediation. Any errors or performance issues would also be reviewed during our annual proxy voting due diligence review.

2020	No instances of ISS falling below benchmark standards on accuracy or timeliness of research and recommendations

Principle 9:

Signatories engage with issuers to maintain or enhance the value of assets.

Our engagement programme is conducted by our portfolio managers with the support of our industry-focused analysts and our in-house specialists in corporate governance and sustainability in order to leverage their expertise on specific companies, industries, or issues of an environmental, social, or governance nature. We do not employ any third-party organisations to engage on our behalf.

How we monitor our investments

The frequency of our monitoring activity is a function of the asset class of the investment, its reporting cycle, the size of our investment and the degree to which we have concerns about performance. Due to our long-term time horizon and fundamentally driven approach to investing, monitoring of the management, performance, strategy and governance of our investee companies is a natural extension of our investment process. Our dedicated, in-house research analysts consider tangible investment factors such as financial information, valuation and macro-economics in tandem with intangible investment factors related to the environment, social factors and corporate governance.

Whether our investment is held in an equity or fixed income strategy, our approach is the same. The equity or credit analyst generally speaks with the management of the company or other issuer following the public release of any significant news, financial results, or strategic developments. In between such events, our analysts are responsible for monitoring the public filings of the company as well as information from a variety of sources: broker-sponsored research, investment conferences, industry publications and analyst days. Our RIIM analysis also assists in the monitoring process as it will capture new data released and/or exposure to new controversies.

When we engage

Our starting point is that we assume any ESG engagement will be relevant to the holders, whether the security is held within a fixed income or equity strategy. We have an open-door meeting policy and a single calendar of upcoming company meetings across the organisation. Any analyst or portfolio manager is welcome to attend any company meetings, whether they cover or hold the company's securities or not. There may be a diversity of views in any company meeting, but the responsibility for leading the dialogue with the company sits with the relevant investment analyst.

We may choose to open a dialogue with a company on an environmental, social or governance topic for a variety of reasons.

- Ahead of an AGM, we may seek further information before we make the voting decision. This is particularly likely if we are a significant shareholder and the company is actively held, but we will also request additional information from companies where our holding is extremely small or held in an index product, if we believe it is warranted by the existing disclosure and the nature of the resolution.
- We may seek further information relating to the company's environmental, social and governance disclosures and practices, for example if a change to the company's RIIM rating was flagged in a portfolio review **(see Principle 7).** If we have previously identified there is room for improvement, we may engage to encourage the company to strengthen these.
- The company may have been involved in a significant controversy, and we are speaking to understand their perspective.
- We may have concerns over the company's strategy towards a sustainability topic, such as climate change or employee treatment.

Engagement requests may also be initiated by the investee company. These may be requested for a few reasons, including:

- Ahead of an AGM, companies may request the opportunity to speak with us if an item on the ballot is particularly controversial and they have received a negative vote recommendation from one of the proxy advisers.
- Companies seek feedback on environmental, social and governance disclosures which have been published or to invite comment on practices which the company is thinking of amending.
- If the company has been involved in a significant controversy, they may wish to share their perspective with shareholders.

Principle 9:

(continued)

Our engagement approach

Our engagement approach is driven by company-specific investment issues such as:

- Who represents shareholders on a company's board? Is the board a strategic asset for the company?
- Which factors drive the executive compensation programme, and therefore the incentives of management?
- How robust are shareholders' rights at the company?
- How well is the company managing its environmental risks, human capital, facilities, stakeholder relations and long-term access to critical resources?
- Are there ESG risks that could negatively affect the interests of shareholders or bondholders (during the period before the instrument matures)?

Generally, as bottom-up investors we do not identify broad themes and then engage with multiple companies on the same issue. We believe our company-specific approach results in the highest impact because it is aligned with our core investment approach: active management rooted in fundamental investment analysis.

We apply the same approach to engaging with companies whether the holding is in an equity or fixed income portfolio, and across all geographies. However, with non-corporate entities, the nature of these engagements means that each instance requires a unique approach, based on the size of our investment, our relationship with the issuer, the state of the credit (whether in default or not) and other factors.

PRE-AGM ENGAGEMENT

Why engage?
Ahead of an AGM, we may seek further information before we make a voting decision.

How do we define a successful engagement?
That we have sufficient information to make an informed voting decision.

What happens next?
If we were not able to support the resolution following engagement, we will tell the company why. This may be through a pre-AGM notification email or we will tell the company directly if they ask. We do not tell third parties (even those working on behalf of the company) how we plan to vote, as we consider this a confidential matter.

2020 PRE-AGM ENGAGEMENT CASE STUDY: CAIRN HOMES
DIRECTOR'S REMUNERATION

FOCUS OF OUR ENGAGEMENT	Unusually favourable treatment of ex-director's shareholding

Many of our pre-AGM calls seek to understand the broader context to pay decisions which have been flagged by the T. Rowe Price Custom Policy as contentious. One of these dialogues was with Cairn Homes, ahead of their May 2020 AGM, to discuss the treatment of the former Finance Director.

When he departed the firm, the company chose to treat him as a 'good leaver' even though he was leaving for another firm which would typically make him a 'bad leaver.' Good leavers are usually retiring or stepping down on health grounds, and receive the full market value of their shares, while the awards tend to lapse for bad leavers.

This was unusually favourable treatment, and the rationale provided by the company was that he was responsible for the completion of three complex transactions during his notice period. We were uncomfortable with the explanation provided, given the reward this decision unlocked and the fact that it was not in line with typical market practice. Hence, we voted against the remuneration report, along with 19% of shareholders.

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Principle 9:

(continued)

AD HOC (NON-AGM RELATED) ENGAGEMENT

Why engage?
Outside of AGM season, we may seek further information related to a company's environmental, social and governance disclosures and practices.

How do we define a successful engagement?
That we have improved our understanding of the company's practices.

What happens next?
If we have identified there is room for improvement, we will encourage the company to strengthen their approach.

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2020 AD HOC ENGAGEMENT CASE STUDY: EDISON INTERNATIONAL
ENVIRONMENTAL RISK AND REPORTING

FOCUS OF OUR ENGAGEMENT	Management of wildfire risks and ESG disclosures

Edison International is a US renewable energy company which (through its subsidiaries) generates and distributes electric power and invests in energy services and technologies.

The company operates in California and faces elevated wildfire risks. We have engaged with the company on how they are working with the State of California to manage wildfire risk. Additionally, we have recommended that the company improve its ESG disclosures to report in line with the SASB and TCFD frameworks.

Principle 9:

(continued)

CONTROVERSY-LED ENGAGEMENT

Why engage?
A company may have been involved in a significant controversy, and we are speaking to understand their perspective.

How do we define a successful engagement?
That we have improved our understanding of the company's practices, and the context to the incident.

What happens next?
If we have identified there is room for improvement, we will encourage the company to strengthen their approach.

2020 AD HOC AND CONTROVERSY ENGAGEMENT CASE STUDY: AMAZON.COM
EMPLOYEE SAFETY AND ESG DISCLOSURE

FOCUS OF OUR ENGAGEMENT	1. Employee well-being and mechanisms for employee engagement 2. ESG disclosure

We had a call with Amazon's Head of ESG Engagement and Associate General Counsel to discuss a wide range of ESG issues. The focus of our discussion was to better understand how Amazon is handling employee controversies that flag in RIIM and to better understand how Amazon intends to meet its ambitious climate pledge. In our RIIM analysis, Amazon was orange rated on both Environment and Ethics as well as having an orange flag on the Employee Safety & Treatment category.

Lack of disclosure weighed on Amazon's RIIM score, which was also apparent in external ratings for Amazon such as Sustainalytics, etc. To this end, Amazon has hired a new Head of ESG Engagement, who noted that her role will entail ensuring the company is providing an appropriate level of ESG disclosure for its shareholders. We have asked that Amazon provide more data over time to address the following: 1.) breakdown of GHG emissions by business; 2.) more granularity on the path to net zero 2040; and 3.) evidence of environmental product sustainability (e.g. efficiency of their platform vs. traditional retail). At Amazon's request, we also provided an extensive list of data points that would help their overall rating on RIIM and external ESG ratings.

On environment, Amazon sits in an interesting situation in that the company has announced a very ambitious net zero target for 2040 (10 years ahead of Paris Agreement-aligned guidance of net zero 2050) and is the founding company of the Climate Pledge, which is encouraging other companies to make a net zero 2040 commitment. In addition, the company has committed to series of targets outlined in the table below. Despite these public commitments, Amazon's level of environmental disclosure was extremely limited. In fact, it was so limited that there simply isn't enough information to evaluate whether or not the company can credibly deliver on these targets. The problem with Amazon's lack of environmental disclosure is two-fold: 1) it makes it difficult for the market to give the company full credit for its ambitious targets and 2) it makes it difficult to monitor how Amazon is managing its day-to-day environment impact (e.g. waste discharged, water use, etc.).

Target	Date	Applies to	Notes
Renewable energy	2025	100% of operations	Amazon was at 42% renewables for 2019
Shipment zero	2030	100% Amazon shipments 50% of all shipments	Net zero measurement is from shelf at fulfillment center to customer's door.
Electric vehicles	2030	100,000 electric vehicles (EVs) on the road	Rivan orders targets 10,000 EVs by 2022 & 100,000 EVs by 2030. Amazon has also signed EV deal with Mercedes Benz in Europe
Net zero carbon	2040	Entire business	Includes scope 1-3 GHG emissions. theclimatepledge.com
Reduce 18.5 mln tons CO2 from atmosphere	2031	n/a	Unclear if this is 18.5 mln cumulative only.

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Principle 9:

(continued)

Continued

A last point on environment is that we would like Amazon to provide some statistical evidence on the environmental sustainability of their products. They indicated to us that in the United States buying groceries from Amazon platforms is 40% less carbon intensive than traditional grocery retail but publishing more comprehensive figures around this topic would be helpful. We know other online retailers, like Ocado, have commissioned similar studies and plan to publish the results in the future.

With the onset of the coronavirus pandemic, we started to see an elevated number of controversies flagging in our RIIM analysis around employee safety at Amazon. We engaged with the company on multiple occasions through 2020 to discuss the topic. Specifically, we wanted to understand if Amazon was adequately assessing whether or not employees felt safe at work. The company walked us through the technology solutions that help them assess employee morale and address any issues. These include employee surveys with anonymous responses, third-party hotlines where employees can report issues as well as "voice of the associate" boards posted at facilities, where employees can post questions or grievances anonymously and have them addressed by management.

Additionally, during the initial stages of the pandemic, Amazon provided a +US$2/hour bonus. This was in recognition of the volume surge they experienced as online shopping took market share from traditional retailers. While Amazon has experienced a number of labour-related controversies, the response appeared comprehensive and we continue to monitor the company's actions in this area.

2020 Engagement Activity

We believe the scale and scope of our business puts us in a powerful position compared with many of our peers when we carry out our ESG engagements with companies. The sheer size of our assets under management has clout. Simply put, it gives us better access to company management.

Our active investment approach also affords us real influence. In most cases, if we see an impediment to reaching our investment goals, such as a company's poor business practices or disclosure, we have the option not to invest. This contrasts with managers of passive portfolios, which typically have no choice but to hold an investment despite any evidence of business practice or disclosure concerns.

Through the course of 2020, we engaged with companies on 1,002 separate occasions on ESG topics. We engaged with nine companies four times across the year, with twenty-nine companies three times in the year and 128 companies twice in the year. These include meetings where companies reached out to us proactively as well as meetings we sought.

2020	1,002 company engagements on ESG

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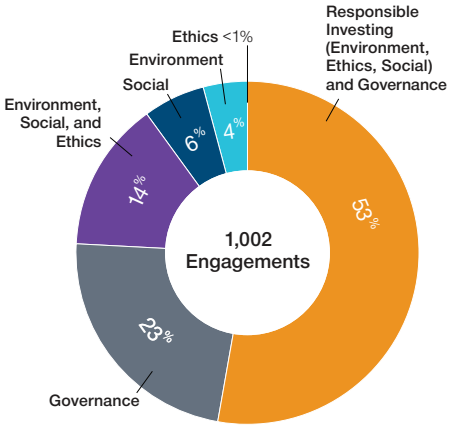
Principle 9:

(continued)

The engagements by topic are shown in the chart below. The engagement topics are categorised in line with the RIIM pillars (environment, social and ethics) plus governance. The chart below highlights the richness of these discussions. In just over half of all cases, the meeting agenda covered environment, social, ethics and governance considerations.

2020 Engagements by Category

Engagements by Topic (2020)



Top 5 Engagement Topics

ENVIRONMENT

1. Disclosure of environmental data
2. Greenhouse gas emissions
3. Product sustainability
4. Environmental management
5. Water and waste management

SOCIAL

1. Disclosure of social data
2. Diversity, equity and inclusion
3. Employee safety and treatment
4. Society and community relations
5. Product safety and sustainability

ETHICS

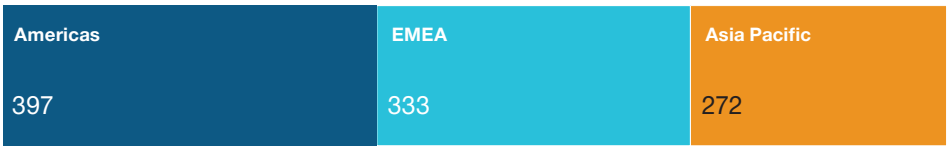
1. Compliance programs
2. Regulatory changes
3. Bribery and corruption
4. Lobbying activities
5. Facial recognition technology

GOVERNANCE

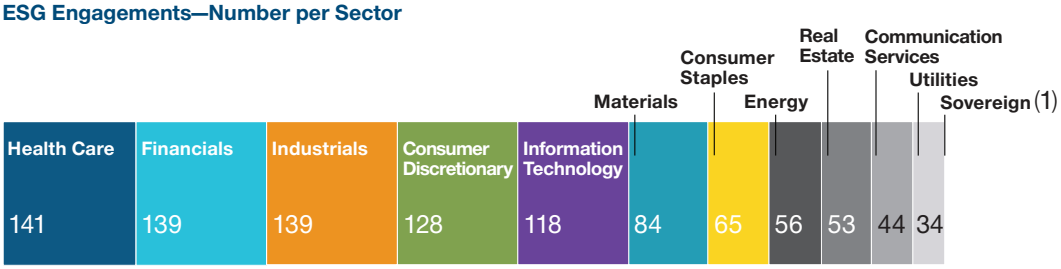
1. Executive compensation
2. Board diversity
3. Shareholder proposals
4. Board composition
5. ESG accountability

ESG Engagements—Number by Market Capitalisation

ESG Engagements—Number per Region



ESG Engagements—Number per Sector



As of December 31, 2020.

Principle 9: **How we engage with companies**

(continued)

Our company engagement programme primarily takes place through formal letters to Boards of Directors, private meetings in our offices, conference calls and proxy voting. When a company is participating in a business practice related to ESG issues that we believe could inhibit our ability to reach our investment goals, we make that view known to the company's leadership through all means at our disposal. Our Engagement Policy (publicly available for investors via our website) sets out our approach in more detail.

The examples below demonstrate different types and purposes of engagement we had with investee companies in 2020.

2020 ENGAGEMENT CASE STUDY: HINDALCO INDUSTRIES
DIALOGUE LED BY AN EQUITY ANALYST

FOCUS OF OUR ENGAGEMENT	Guidance on ESG reporting and practices

Hindalco Industries is the largest downstream aluminium roller for cans and autos in the world and the second largest Indian upstream aluminium producer. Hindalco's management requested a meeting so that T. Rowe Price could provide feedback and guidance on their ESG reporting and practices.

Engagement summary

During the meeting, we informed Hindalco management about the emphasis that many stock market participants were placing on environmental considerations for smelters of other metals. We also discussed with management how if Hindalco was not leading the way for aluminium to be an environmentally superior material choice (both in terms of actual fact as well as how they communicate Hindalco's environmental performance) Hindalco was potentially at risk of becoming un-investable to large parts of the market.

Engagement outcome

Hindalco's subsequent investor presentations have made environmental matters much more central and easier to understand. In the FY2021 presentation for Hindalco's aluminium rolling subsidiary Novelis in May 2021, it announced quantitative CO2 reduction targets, including a 30% CO2 reduction by 2026 and an aim for carbon neutrality by 2050. It also announced that it had successfully issued a $588m green bond to be used for carbon emission reductions which will likely be used to fund additional aluminium recycling capacity.

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Principle 9:

(continued)

2020 ENGAGEMENT CASE STUDY: SUN HUNG KAI PROPERTIES

DIALOGUE LED BY A CREDIT ANALYST, AN EQUITY ANALYST, THE PORTFOLIO MANAGERS AND THE RESPONSIBLE INVESTING TEAM

FOCUS OF OUR ENGAGEMENT	Lack of disclosure on environmental initiatives, safety and compliance

Sun Hung Kai Properties is a Hong Kong-based property developer and commercial landlord.

Engagement summary

T. Rowe Price's Director of Credit Research, portfolio managers, an investment analyst and a responsible investing analyst engaged with an Associate Member of the Executive Committee and Corporate Planning Representatives from Sun Hung Kai Properties on a range of ESG topics. Our focus was on areas that had been flagged (largely due to a lack of disclosure) in our RIIM analysis; these included environmental initiatives, safety record and compliance programmes.

Engagement outcome

In relation to its environmental initiatives, the company highlighted that in 2019 it achieved its 10% energy reduction target (from a 2014 baseline) a year ahead of schedule, and that it is in the process of setting a new 10-year target for 2030. Last year, the company also increased the number of green building certificates to cover 45% of its total portfolio.

We also discussed Sun Hung Kai Properties' safety record in Hong Kong, which is around 90% better than the industry average. The company attributed this to spending more than competitors on appropriate oversight of the entire construction process. There are on-site safety briefings, specific safety targets at each site and regular audits of managed properties.

The company's compliance programmes have improved over time, demonstrated by enhancements to its whistleblower programme and employee training. We also believe there is sufficient monitoring of ethical misconduct by its suppliers and contractors; if they do not meet the company's standards, they can be downgraded or delisted from the approved tender list.

The engagement provided us with good evidence of the company's management of ESG risks. We made adjustments to our RIIM analysis accordingly.

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Principle 9:

(continued)

2020 ENGAGEMENT CASE STUDY: FIRSTRAND
DIALOGUE LED BY THE EQUITY ANALYST AND THE ESG TEAM

FOCUS OF OUR ENGAGEMENT	Engagement on good practice in financial companies and proxy voting plans

FirstRand is the second-largest bank in South Africa by assets, providing a comprehensive range of retail, commercial, corporate, and investment banking services.

Engagement summary

We spoke with the Board Chair of FirstRand in November 2019 regarding two shareholder resolutions focusing on climate change at its upcoming AGM. This was an opportunity to provide feedback on what we saw as emerging good practice in the financial sector, as well as to inform our proxy voting decision.

Engagement outcome

During 2020 FirstRand significantly improved their reporting on this topic. Key points they now publicly disclose include:

- The bank has created a climate steering committee, chaired by the Chief Risk Officer, mandated to manage climate-related risks and opportunities and will provide updates to the board regularly.
- The bank has published policies on lending to the coal and fossil fuel sectors and has committed to limit new coal financing to below 0.5% of group loans.
- The bank has signed up to a number of climate-specific industry bodies, including the Banking Association South Africa Climate Risk Committee, UNEP-FI and the Partnership for Carbon Accounting Financials (PCAF).
- The bank has disclosed its exposure to the fossil fuel sector (1.5% of loan book) and its thermal coal exposure is lower than peers.

While the bank has made substantial progress, there are a number of areas where it falls below best practice, including publication of a standalone TCFD report, assessment of broader sectors such as agriculture and real estate, stress-testing the loan book against different climate scenarios and setting a science-based reduction target for the financed emissions. However, the bank included these areas as key objectives in its roadmap out to 2025.

Outside of its climate strategy, FirstRand continued generally to score well in both the social and ethical criteria in RIIM. Gender and minority group representation among the bank's employees were strong relative to sector peers.

However, in any company engagement, the pace of progress will vary in different areas. We voted with the majority of shareholders (59%) against a pay-related proposal tabled by FirstRand at its 2020 annual general meeting—specifically due to problematic retention awards designed to compensate executives for long-term incentive plans that lapsed due to the impact of the pandemic. We have engaged with company management in 2021 to understand how they plan to respond to shareholder concerns.

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Principle 9:

(continued)

2020 ENGAGEMENT CASE STUDY: SAMSUNG ELECTRONICS
DIALOGUE LED BY THE INVESTMENT ANALYST AND THE ESG TEAM

FOCUS OF OUR ENGAGEMENT	Samsung's focus on environmental and governance issues

Samsung is one of the market leaders in the production of key components along the technology food chain, including memory, LCD panels, and logical semiconductors. The company is also a world leading seller of flat-screen TVs and the second-largest mobile handset company.

Engagement summary

We met with the investor relations team in February 2020 to discuss a range of ESG topics. We discussed the company's focus on environmental topics (emissions reduction, eco product design and e-waste) and progress around governance and compliance topics.

In September 2020 we engaged again to gain an update on recent sustainability milestones reached by Samsung.

Engagement outcome

The key take away from our February 2020 meeting was that Samsung has bolstered accountability for ESG topics. From an ethics standpoint, the corruption charges against the Vice Chairman continue to weigh on the RIIM score, but a new Compliance and Oversight Committee is evidence that Samsung is trying to address corruption issues at the company. This year Samsung have appointed an independent Chairman for the first time. This follows the separation of Chief Executive Officer (CEO) and Chairman roles in 2018.

In the September meeting we noted that Samsung continues to display solid progress on a range of environmental, social and ethics issues. With regards to disclosure, in response to shareholder engagement, Samsung has aligned its reporting and climate action plan with the TCFD and SASB recommendations.

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2020 ENGAGEMENT CASE STUDY: BANCO BRADESCO S.A.
DIALOGUE LED BY OUR PORTFOLIO MANAGERS AND THE ESG TEAM

FOCUS OF OUR ENGAGEMENT	Understanding the company's ESG practices

Banco Bradesco provides banking and financial services in Brazil and internationally.

Engagement summary

The meeting was mixed, with the company taking positive steps in integrating ESG factors into their lending process. However, areas for improvement remain around their governance processes. Notably, the bank has no independent directors on its board, and we encouraged them to consider such an appointment.

Engagement outcome

At the 2020 AGM the bank appointed two independent directors to the Board for the first time.

Principle 9:

(continued)

How we engage with non-corporate issuers

Our investment analysts will engage directly with any relevant non-corporate entity as part of their ongoing monitoring. Recently we have chosen to enhance our approach by joining an investor initiative specialising in sovereign engagement (see Principle 10). An example dialogue through that forum, the Emerging Markets Investors Alliance, is described below.

2020 CASE STUDY – GOVERNMENT OF BELARUS
SOVEREIGN DEBT

During a group meeting with representatives of the Government and Central Bank of Belarus, we discussed the energy and emissions flag identified through our RIIM analysis. They indicated that the country intends to reduce its hydrocarbon intensity and improve its energy diversification through a pipeline of green energy projects. We were reassured of their commitment to the low carbon transition.

How companies can engage with us

The central contact point for inbound engagement requests on ESG topics is through the shared inbox engagement@troweprice.com. This allows our globally-distributed team to see all incoming requests in a single location.

We pride ourselves on our longstanding relationships with the companies in which we invest. The testimonial below from ASOS plc explains their perspective on the experience of partnering with T. Rowe Price.

T. Rowe Price has a distinctive approach to working with our investee companies. As an active manager, we seek to be a constructive partner to companies capable of delivering high performance. We invest in companies both financially, and by sharing our knowledge of emerging ESG good practice. An example of a such a company is ASOS plc.

ASOS Chief Financial Officer (CFO), Mat Dunn: "As one of our largest and long-standing shareholders, T. Rowe Price was a great partner in 2020, participating in a capital raising when the pandemic caused widespread market volatility. Since then they have supported us in developing our ESG practices."

In 2021 our Responsible Investing team provided input on which environmental, social and governance topics are most material to ASOS, and our investment process and decision making. Following on from the materiality survey, the RI team spoke with ASOS and its external sustainability consultant to share our views on ESG best practices in fashion. Additionally, we indicated that reporting aligned with the TCFD and SASB disclosure frameworks is our preference. We also shared our view that ASOS's position as a brand aggregator gives it a significant opportunity to elevate standards across third party fashion companies.

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Principle 9: **Nurturing better disclosure**

(continued)

We also run a series of regional webinars for investor relations officers to share our expectations regarding ESG disclosure.

"Getting to know T. Rowe Price" engagement programme

As part of our initiative to improve ESG disclosure at our investee companies, we have held seminars for investor relations professionals to discuss several ESG topics including:

1) How T. Rowe Price utilises ESG factors in the investment process

2) Best practices on ESG disclosure

3) Our views on key governance issues.

Principle 10:

Signatories, where necessary, participate in collaborative engagement to influence issuers

We have not historically prioritised collaboration with other institutions because of our size. However, increasingly, where we believe collaboration with other institutions benefits our advisory clients and is allowable under the applicable regulatory framework, we use this type of collaboration as a means of escalating a concern we have identified in an individual dialogue (see Principle 11).

Our participation in collaborative initiatives has increased in the past two years, and is expected to increase further in 2021.

Five key considerations for collaborative engagement

When considering participation in a collaborative engagement initiative, we weigh the following factors:

ALIGNMENT	IMPACT POTENTIAL	RESOURCE FOCUS	PRACTICALITY	TANGIBILITY
How closely aligned is this engagement opportunity with our investment holdings? Does it include companies where we are significant shareholders?	Would our participation help the engagement initiative? Does it need a large asset manager merely to gain attention, or does it already have broad support?	Does the engagement make the most efficient use of our internally dedicated engagement resources?	Have we already undertaken the same engagement or very similar engagements unilaterally with success?	Is the scope of the collaborative engagement clear, and are we confident that it will not change over time?

Why engage through investor associations?

We primarily use investor associations or other initiatives that have been established specifically for collaborative engagement either with policymakers or companies, since we believe this to be the most efficient and appropriate method. Please see below a full list of organisations of which we are members.

Principle 10:

(continued)

Membership of investor associations

Organisation	Description	Joined
Council of Institutional Investors (CII)	U.S. association of institutional investors, corporate issuers, and asset managers	1989
Principles for Responsible Investment (PRI)	Global initiative for responsible investment	2010
Associacão Investidores no Mercado de Capitais (AMEC)	Association for minority investors in Brazil	2015
Asia Corporate Governance Association	Pan-Asian association for institutional investors	2016
UK Investor Forum	Collaborative engagement association for investors in UK companies (founding member)	2016
Investor Stewardship Group (ISG)	Investors advocating for core governance principles for US market participants (founding member)	2017
Japan Stewardship Initiative	Investor forum for stewardship solutions and sharing of best practices (founding member)	2019
Investment Association Climate Change Working Group	Group to direct the work of the UK investment management industry trade body in relation to climate change	2020
Institutional Investors Group on Climate Change (IIGCC)	European membership body for investor collaboration on climate change	2020
Emerging Markets Investors Alliance	Organisation that facilitates investor advocacy to improve policies and practices of governments and companies in the emerging markets	2020
Task Force on Climate-Related Financial Disclosures (TCFD)	The Financial Stability Board created the TCFD to improve and increase reporting of climate-related financial information	2020
Responsible Investment Association Australasia (RIAA)	Champions responsible investing and a sustainable financial system in Australia and New Zealand	2020
FAIRR	A collaborative investor network that raises awareness of the ESG risks and opportunities caused by intensive animal production	2020

Principle 10:

(continued)

We discuss our policy advocacy under Principle 4. Collective engagement with companies may be used sparingly in some jurisdictions, perhaps due to legal uncertainties around the practice, or a lack of suitable forums with expert secretariat support.

Activity in 2020

In 2020 we focused our collaborative efforts with companies through two primary channels. The first was the UK Investor Forum, and the second the Japan Working Group of the Asian Corporate Governance Association (ACGA).

We participated in four collaborative dialogues globally. Three of these were facilitated by the UK Investor Forum and one by the ACGA. All of these were selected to enable escalation of our concerns either alongside or after direct engagement on governance issues showed a limited degree of success.

The value we draw from these initiatives is not limited to the specific opportunities or topics for collective engagement. The research and speaker events provide valuable input to our analysis, both of a specific company and of the emerging policy landscape. Through the year, we participated in 53 engagements in tandem with other investors. The difference between the two meeting types are collaborative engagements have an agenda set by the investor initiative, and group meetings were typically arranged by the company or their representatives. As well as a means of adding weight to any concerns or questions we share with peer investors, we view these group meetings as a way for the investee company to communicate to multiple investors in a time-efficient manner. But we also believe them to be a valuable forum for us to widen our understanding of a company's approach to matters of ESG concern.

Principle 10:

(continued)

Below are two examples of our collaborative engagement with industry peers

CASE STUDY: COLLABORATION IN PRACTICE
BOOHOO GROUP, 2020

JULY 2020	**Press reports of serious supply chain controversies** A media report cited wide-spread labour abuses in the Boohoo supply chain. Boohoo initially denied the issues, but then appointed Alison Levitt QC to investigate the allegations and to review the company's monitoring of its supply chain and compliance with the law. The allegations were discussed by the equity analyst and the Responsible Investing and Governance teams. We decided to wait for the publication of Levitt's report before engaging.
SEPTEMBER 2020	**Initial ESG engagement** Levitt's Independent Review was published and finds the allegations of unacceptable working conditions and underpayment of workers were substantially true. At the interim results presentation, the company set out a comprehensive set of commitments in response to the Independent Review, including that the Board would be strengthened in the near-term with a new Audit Committee Chair. It was clear that monitoring progress against Levitt's recommendations was key to building confidence in the company's commitment to improving its environmental, social and governance (ESG) practices. To augment our direct dialogue with the company, we decided to opt into a collaborative engagement run by the UK Investor Forum.
OCTOBER 2020	**Initial individual and group engagement meetings** We attended a group meeting with Boohoo's Deputy Chair, which was convened by the Investor Forum. The following day the Deputy Chair met with a number of our Portfolio Managers, with the relevant equity analyst and members of the Responsible Investing and Governance teams. In both meetings, the background to the issues in the Levitt report and progress on the commitments made at the interim results presentation were discussed. Our takeaway from the calls was that Boohoo was a company that had outgrown its governance and risk processes but was now committed to putting in place what was needed through the "Agenda for Change" programme. This agenda seeks to address all the recommendations in Levitt's Review.
2021	**Ongoing research, engagement, and analysis** We continued to engage intensively with the company into 2021, including attending another pre-AGM group meeting run by the UK Investor Forum. Signs of progress included: ■ The appointment of the new Audit Committee Chair in late 2020; ■ The publication of the Independent Progress Report by the retired judge Sir Brian Leveson in January 2021, which continues to track the progress of the Agenda for Change programme. A year on from a controversy that uncovered major shortcomings in Boohoo's factory working conditions, we reviewed the progress of management on ESG risks at the company.

Conclusion

The company's sustainability plan outlines some positive goals, but given the scale of Boohoo's controversy, we will need to see further actions (rather than words) before its ESG scores in our RIIM model can begin to reflect significant progress. We will continue to monitor progress and engage with the company on a regular basis given we are a significant shareholder.

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Principle 10:

(continued)

CASE STUDY: COLLABORATION IN PRACTICE
PLAYTECH PLC, FEBRUARY-APRIL 2020

COLLABORATION PARTNER	UK Investor Forum
ENGAGEMENT TOPIC	On governance, particularly remuneration
OUTCOME	Change in board leadership

Another example where we engaged through the UK Investor Forum was on the topic of Playtech's Chair succession, run between February and April 2020.

The company had been the subject of governance controversies, notably around pay. At the time we held over 7% of the company and were keen to see matters settled to allow the company to focus on their strategy and performance.

We signed a letter prepared by the UK Investor Forum to the Chair and Senior Independent Director in February 2020. Progress was disrupted by the pandemic but the Board Chair stepped down at the 2020 AGM and was succeeded by a non-executive on an interim basis.

After a meeting with T. Rowe Price's Head of Governance, EMEA & APAC, the relevant equity analyst and the interim Chair, we considered the engagement closed.

Conclusion

Collective engagement is valuable as an escalation tool, whether it runs in parallel to an individual dialogue or as the sole communication channel. A well-run group dialogue allows investors to amplify their voices and to develop a more rounded understanding of the company's practices, based on how it is perceived by other stakeholders, including shareholders.

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Principle 11:

Signatories, where necessary, escalate stewardship activities to influence issuers.

Our approach to escalation

We endeavour to select companies that can meet our expectations over the long term for our clients' actively-managed portfolios. Occasionally, however, we may conclude that a series of events or decisions on the part of a company's management or board has reduced the probability that our investment in the company's securities will generate the returns we expected. At that point, the investment analyst and the portfolio manager(s) will discuss the root cause of the underperformance. Frequently we see a cluster of related issues, some of which may be ESG-related and, if so the relevant members of the Responsible Investing and Governance teams will also be asked to provide input. Similarly, if a company is involved egregious misconduct relating to environmental, labour or human rights abuses or corruption, the Responsible Investing and Governance teams may raise the issue for escalation.

Because we are an active manager, the ultimate escalation is to sell the stock. However, this decision is not made lightly. While the investment analyst will have their perspective on the company's situation, the ultimate decision on how to escalate – whether that be to vote against the directors if the company is held in an equity strategy or to divest – sits with the portfolio managers. Over/under weighting is a tool used much more often than divestment. When an ESG risk or benefit is identified, it may cause the PM to adjust his or her weighting of the holding.

Given their different mandates, there may be a range of views amongst the portfolio managers responsible for the T. Rowe Price holding on the shareholder register of a single company. In practice, we have a bottom-up approach to escalation which seeks to build a consensus on next steps between the holders of a particular security at a point in time. Some portfolio managers may choose to sell while others continue to hold, and so members of the core T. Rowe Price holders' group may change over time, which can also influence the approach. When deciding whether to engage following a severe ESG controversy, we would consider any client questions either on the company or the thematic issue. We are most likely to seek to escalate an engagement rather than sell the position where:

- We own a substantial amount of the company's share capital and we intend to remain long-term owners
- We have general agreement amongst our portfolio managers as to the nature of the concern and its potential solutions
- We believe there is a reasonable probability that the company's leadership will enter into constructive dialogue with us and seek to address the issue in question.

How we engage

Financial underperformance

If there is a period of financial underperformance, the investment analyst would seek to understand the broader context from the company's public reporting. Typically, the escalation path would be for a meeting with the company executive leadership, usually the CEO or CFO, which would be hosted by the investment analyst with all the current and prospective T. Rowe Price holders of the stock in attendance.

ESG controversy (see Principles 7 and 9)

If there has been a severe ESG controversy, the relevant member of the Responsible Investing or Governance team would prepare a set of questions to ask the company in conjunction with the analyst. Here, the escalation path would be an initial meeting with the company investor relations team, with the relevant governance and sustainability specialists also in attendance. Depending on what we heard, we might ask for another meeting with a Board member; a key question in the handling of any serious ESG controversy is. "What did the board know when?, and what are they doing to remediate the issue?"

Principle 11:

(continued)

It is important that companies communicate clearly and openly to all stakeholders in a crisis, including shareholders. We often see companies hold a group meeting for investors to set out their perspective and we see these as valuable opportunities to compare what the company is telling us in individual meetings with what they say in front of other investors. One of our escalation strategies is to look for the opportunity to join a collective engagement with the company through a third-party initiative where we believe the dialogue will constructively raise issues of concern. This is a core tactic on our UK holdings, and as described under Principle 10, in 2020 we participated in three collective engagements facilitated by the UK Investor Forum. Their annual report lists the engagements completed in 2020, of which we participated in two; one is still ongoing. In other jurisdictions collective engagement may be used more sparingly, perhaps due to legal uncertainties around the practice, or a lack of suitable forums with expert secretariat support.

CASE STUDY: ESCALATED ENGAGEMENT ON INCIDENT RESPONSE AND REFORMS
RIO TINTO LTD

ISSUE	■ Response, reforms and remuneration post-Juukan Gorge incident
ESCALATION	■ On governance, particularly remuneration
OUTCOME	■ Voted against re-election of chairman ■ One portfolio manager sold their holding

We engaged with Rio Tinto on their response to the Juukan Gorge incident several times in 2020, in parallel to the ongoing dialogue between the analyst and Rio Tinto's investor relations team around business performance and strategy. The objective of the engagement was to understand the chain of events that led to the Juukan Gorge incident and what steps the company is taking to identify and implement reforms to its internal processes and engagement programmes with traditional owners.

In May 2020, Rio Tinto destroyed a 46,000-year-old aboriginal site at the Juukan Gorge in the Pilbara region of Western Australia during the expansion of an iron ore mine, sparking outraged press comment around the world and fury from both NGOs and investors. In June, a parliamentary inquiry was launched to investigate the incident, and in parallel, an investigation was undertaken by the Board. We initially engaged with the company in July, and undertook further meetings in August, both before and after the publication of the Board Review of Cultural Heritage Management. When the Board Review was published in August, the company sought to draw a line under the incident. In addition to acknowledging the lessons learned, the board financially penalised three senior executives. This did not satisfy certain investors, and on 11 September 2020 the company announced the three executives would depart the business.

We continued to monitor the situation and in December 2020 we attended a group meeting with most of the Board and a selection of European and American investors arranged by the UK Investor Forum. The Interim Report by the Parliamentary Inquiry on the Juukan Gorge incident was published a week prior to the meeting. The tone was sombre and the company seemed to be genuinely trying to get to the root cause of what happened, making both cultural and process changes. The only contentious note was the treatment of the three departing executives.

However, as we headed towards the 2021 AGM, the company refused to revisit the pay issue and we also sensed a hardening in tone. In the end, we, along with 60% of shareholders, voted against the remuneration report at the Rio Tinto Limited and Rio Tinto plc 2021 AGMs because the company allowed the former CEO to retain a significant proportion of his outstanding long-term equity incentive plan awards, subject to pro-rating for time and performance. We do not believe the Remuneration Committee's decisions were appropriate, and suspect they were influenced by a lack of adequate succession planning. The responsibility for this ultimately sits with the Chairman. He has committed to step down by the 2022 AGM but we voted against his re-election at the 2021 Rio Tinto Limited AGM. Taking the business fundamentals into consideration alongside the Board's handling of this crisis was a trigger for at least one of our portfolio managers to sell the stock, although we continue to hold it in other portfolios.

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Principle 11:

(continued)

Escalation considerations in fixed income

The escalation path for fixed income is a little different. For both ESG-labelled bonds and traditional bonds, T. Rowe Price analysts continuously monitor corporate performance. In the case of underperformance or if environmental or social targets are not met, analysts have several options.

First, they will try to get a better understanding using publicly available information. Typically, this is followed by a meeting with management accompanied by T. Rowe Price portfolio managers and/or the Responsible Investing associate to understand the cause of the underperformance and provide guidance if necessary.

The aim of the meeting is to assess whether the underperformance is temporary or structural. In the case of the former, the analyst will increase creditor scrutiny, with frequent management engagement and credit updates to ensure that the underperformance genuinely was temporary. If the underperformance proves to be structural, this may eventually lead to a scenario where the portfolio manager decides to sell the respective bond.

Example of Escalation

In many cases a period of engagement is sufficient to encourage a company to take action. However, on rare occasions we may decide to share our concerns via a public statement (see the case study below). As a last resort we will consider commencing legal action to recover shareholders' funds when we believe that the Board has acted inappropriately or negligently (see the case of 58.com discussed as a significant vote under Principle 12). To date we have not submitted a shareholder resolution but would do so if we thought it was in the interests of our clients.

Principle 11:

(continued)

CASE STUDY: PUBLIC ESCALATION OF GOVERNANCE CONCERNS
THE WE COMPANY

ISSUE	■ Unsuccessful engagement on governance concerns
ESCALATION	■ Public escalation via fund reports and "on the record" press comment
PURPOSE	■ Correcting misinformation in the media ■ Cautionary signal to other private companies

T. Rowe Price does not manage portfolios of private equity investments as a separate asset class. However, for many years we have made sizable investments in more than 250 late-stage private companies. These investments are held in our regular pooled vehicles, as appropriate, and in certain separate client accounts where allowed under the client's investment guidelines.

In late 2014 and early 2015, we made two investments in WeWork, which later came to be known as The We Company. At first this investment met our expectations with regard to performance, although we had certain concerns about corporate governance, which we expressed in private meetings with management. Unfortunately, in 2016, our perspective changed. The company's valuation was stretched, in our view, by an influx of cash from price-insensitive investors. The management team, and in particular the founder, became less disciplined about capital allocation. The company's strategy changed from a focus on building co-working sites into ancillary businesses. Cultural issues within the company became apparent. Finally, a series of transactions raised serious concerns about the board's ineffective management of conflicts of interest.

Unsuccessful escalation of our engagement

Over this period of time, from our last purchase in 2015 to the company's ultimate failed IPO in 2019, we engaged regularly with members of the board, management and the founder on corporate governance issues. Some example engagements:

- On multiple occasions we declined to consent when the company needed shareholder approval of certain transactions or operational items.
- We escalated the engagement with a formal letter to the board in 2018.

Our engagement efforts over this time were unsuccessful in persuading the company to enhance its practices, and we lost all confidence in the management and board.

Managing our clients' investment

The company was an illiquid, private investment; in general we were unable to reduce our exposure through sales of shares. However, on multiple occasions over this period, the company raised funds via additional private offerings, sometimes two per year. These transactions were often accompanied by offerings to purchase secondary shares, giving us an opportunity to sell a proportionate amount of our holdings. On every occasion where such offerings were available, we sold the maximum number of shares we were entitled to sell.

Public escalation

After the company's failed public offering in 2019, there was a high degree of interest in The We Company in the media. From our perspective, there was also a fair amount of misinformation circulated about events that had transpired. For this reason, in late 2019 and early 2020 we made the unusual decision to speak publicly about our experience with the company. In the first quarter of 2020, the Mid-Cap Growth T. Rowe Price investment team published its annual fund report, highlighting as it always does the best and worst investments from the prior year. This candid report labelled the company "a terrible investment" and described our efforts to escalate engagement on our concerns around "eroding corporate governance" practices and the company's spending. The report concluded, "They [The We Company's management] took our advice for a few months, but new investors soon arrived who convinced management to put its foot back on the accelerator." Separately, we also spoke on the record with *The Wall Street Journal* on a few occasions as it reported on the company's failures. Our objective in speaking publicly about the company was to correct misinformation we observed in the media, to communicate openly with our clients and stakeholders about why our investment thesis changed over the five-year period before the failed offering, and to send a cautionary signal to other private companies that, at the time, were exhibiting some of the same lack of financial discipline and lax governance standards that we observed at The We Company.

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Principle 12:

Signatories actively exercise their rights and responsibilities.

Active stewards of our clients' assets

We take our responsibility to vote on behalf of our clients' assets very seriously, considering the high-level principles of corporate governance and circumstances specific to each entity. Our overarching objective is to cast votes in a thoughtful, investment-centred way, to foster long-term success for the entity and its investors.

T. Rowe Price's portfolio managers are ultimately responsible for the voting decisions within the strategies they manage. Their decision-making is enabled by recommendations and support from:

- The T. Rowe Price ESG committee
- Our global industry analysts
- Our specialists in corporate governance and responsible investing
- Our external proxy advisory firm, Institutional Shareholder Services (ISS)

OVERSIGHT BY ASSET CLASS	
EQUITIES	The investment team typically: ■ Understands the governance practices, incentives and board quality of corporate issuers ■ Assesses ESG issues using training they have been given in these aspects upon initiation of a new investment ■ Monitors for changes and highlight any concerns about these issues in their research reports, which are distributed internally ■ Considers governance practices holistically for at least once a year in the run-up to the AGM, in conjunction with the governance team ■ Expresses our views on company performance at the AGM ■ Uses the opportunity in the off-season ahead of the next AGM to understand how the company is considering the feedback from shareholders on their performance ■ Tries to influence what is presented for approval at the next AGM
FIXED INCOME	The investment team typically: ■ Understands the governance practices, incentives and board quality of corporate issuers ■ Assesses ESG factors using training they have been given in these aspects upon initiation of a new investment ■ Monitors for changes and highlights any concerns about these issues in their research reports, which are distributed internally ■ Participates in a key engagement at the start of our due diligence, before investing in a bond issuer, when we review the documentation with the aim of assessing the level of creditor protection offered ■ Engages when an issuer is seeking to amend the terms in the bond documentation for an existing bond ■ Engages in the event of an impairment scenario

Principle 12:

(continued).

Our process in fixed income

As part of our extensive due diligence before investing in a bond issuer, a T. Rowe Price analyst reviews bond documentation with the aim of assessing the level of creditor protection that the documentation offers. If the covenant package or transaction structure proves to be weak the analyst has several options. In the case of prospective new issue bonds, the analyst can highlight the weak structures with the portfolio manager and fixed income legal team, who may choose not to invest. Potential remedies include providing feedback directly to the bond issuer, as well as requesting amendments to the terms and conditions of the indentures with the syndicate arranging the transaction.

When an issuer is seeking to amend terms of securities we already hold, such as to relax or waive covenants, the analyst and portfolio manager analyse and assess the implications of the proposed amendments to determine how to vote on the proposed amendments. If required, the analyst will reach out to the issuer for additional publicly available information, other bondholders, internal and external counsel and other external sources to make a well-informed vote that is in the best interest of our clients.

Similarly, T. Rowe Price will act in the best interest of the client in scenarios where we risk impairment. T. Rowe Price has dedicated fixed income research specialists who focus exclusively on understanding, negotiating and maximising our legal and economic interests when issuers face difficulty or attempt to impair our rights. We also have dedicated in-house legal resources and use outside advisers in these situations. T. Rowe Price participates, via the respective analyst and other specialists, in discussion and negotiations with other bondholders and issuers to achieve the best outcome for our clients.

Our process in listed equities

Voting policy development

T. Rowe Price maintains a custom set of voting guidelines, which is administered with the assistance of ISS. Our starting point for voting is always the T. Rowe Price customised set of **proxy voting guidelines**. The guidelines are tailored to include regional/country norms, but, for all our equity strategies, the process for voting was the same on a global basis in 2020. The voting guidelines are updated annually by the ESG Committee and disclosed on our website.

How we arrive at the voting decision

The overarching principle of T. Rowe Price's voting policy is that decisions are made in light of the anticipated impact of the issue on the desirability of investing in the portfolio company. Proxies are voted solely in the interests of our clients and we manually review all votes. Although the ISS benchmark policy analysis is an input to our voting process, there are areas where we take a different view in our custom policy from what is in the benchmark. We also drive our custom voting policy through proprietary data which reflects our house perspective, rather than that of ISS.

EXAMPLE: CUSTOM POLICY DIFFERING FROM THE ISS BENCHMARK

TENURE	We do not agree that a director should automatically receive a vote against their re-election as soon as they reach the local market norm for tenure. We believe that an entrenched board solely made up of long-serving directors is likely to be problematic, but we prefer to assess individual directors' contributions to the board more holistically.

Principle 12:

(continued).

EXAMPLE: CUSTOM POLICY REFLECTING OUR PERSPECTIVE

'HIGH-CONCERN' DIRECTORS	These are directors who exhibit persistent failure to represent shareholders' interests. Our portfolio managers and analysts discuss any high-profile examples of shareholder value destruction which the individual has overseen when the list is updated annually by the ESG Committee. The Responsible Investing and governance teams may also nominate individuals who bear responsibility for poor oversight of egregious corporate behaviour or an inadequate response to a serious controversy during the year.

In addition to our proxy voting guidelines, we rely on a company's disclosures, its board's recommendations, a company's track record, country-specific codes of best practice, our external research providers and — most importantly — our investment professionals' views as we make voting decisions.

Vote execution

Our portfolio managers, analysts and corporate governance specialists may decide to override our guidelines at any time if there is sufficient supporting rationale. In the absence of any other instructions, all eligible shares are voted in accordance with our custom guidelines. Our vote is then executed by ISS on our behalf.

Communicating our voting decisions to companies

Where T. Rowe Price is a significant investor in a company and we are planning to vote against the board of director's recommendation on one or more items, we generally disclose our voting intentions to the company in advance. The purpose of this dialogue (as discussed under Principle 9) is to determine whether there are additional considerations or context that the board believes we should consider.

The circumstances under which we may not disclose our voting intentions in advance are as follows:

1) When the company does not respond to our outreach or does not exhibit interest in this discussion, or

2) When the company employs a third party such as a broker or proxy solicitor to collect feedback on our vote intentions. We do not disclose such information to third parties.

The use of abstention

Generally, we do not use the option to abstain on any voting items, except in a small minority of cases. These cases may be where we do not have sufficient information to vote either for or against an item, or where an item has been withdrawn after the agenda has been issued.

EXAMPLE: USE OF ABSTENTION

In the recent UK AGM season, a number of companies had an item on the agenda to approve the final dividend, but decided not to pay it given the deterioration in market conditions between when the notice of meeting was published and the actual AGM. An example would be Ascential plc, who chose to withdraw the resolution to pay their final dividend at their 6 May 2020 AGM. Under the circumstances, we felt Abstain was the most appropriate vote option on this resolution.

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Principle 12:

(continued).

In a very small number of cases, the Abstain vote option was used in the UK market in 2020 as a warning signal to companies with problematic pay practices. However, this was on a strictly exceptional basis as we believe we have an obligation to make an affirmative voting decision, either FOR or AGAINST each item contained in the proxy, wherever possible.

Share blocking

Across all markets, we endeavour to vote in all proxies for which we are eligible to vote. An exception is in markets where voting would require that we block our clients' shares from trading for a designated period of time; this is standard practice in Egypt and Morocco, for example. In most instances, we do not vote in share-blocking markets because we believe the potential risk of the temporary illiquidity exceeds the potential benefit of the proxy vote.

Compliance with the UK Corporate Governance Code

To date, we have not held a significant number of investments in UK companies that were both subject to the UK Corporate Governance Code and materially out of compliance with it. On the occasions where we may encounter this issue, we would discuss with the company its reasons for non-compliance in the period before its Annual General Meeting.

- If the reason for non-compliance is well explained and reasonable given the company's unique circumstances, or if the non-compliance is seen as a temporary state, then we would be likely to support the company management at the AGM.
- If we are concerned that the stated reasons for non-compliance will lead to a misalignment of interests between company management and investors, then we are likely to oppose management on certain key voting items.

Directed voting

Separate account clients, i.e. those who have opted for a segregated mandate, may choose from three options:

1) To retain voting authority for themselves

2) To delegate voting authority to T. Rowe Price

3) The client may direct the vote in exceptional circumstances, but otherwise delegates the voting authority to T. Rowe Price.

Vote reporting

Under US securities regulation, the voting policies, procedures and decisions of T. Rowe Price's US-regulated mutual fund portfolios are required to be disclosed on an annual basis. The disclosures are updated on 31 August of each year, covering the 12 months to 30th June.

In addition, we publish a report for our clients each autumn, highlighting important corporate governance trends from the prior 12 months and aggregating our proxy voting decisions into categories. A copy of the 2020 Proxy Voting Summary can be found in the **Appendix**. Upon request, we also make available to our institutional clients a customised record of their portfolios' voting activities. Because our holdings in the mutual funds largely mirror those of all clients' accounts, we believe these reports sufficiently address the disclosure envisioned by this Code.

Principle 12:

(continued).

In 2020 48.7% of all our voting activity took place at companies in the Americas. 21.7% at companies in the Asia Pacific region and 29.6% at companies in EMEA.

The table below shows our voting across all resolution types across our portfolio globally in the 2020 calendar year.

PROPOSALS SPONSORED BY COMPANY MANAGEMENT	% VOTED WITH MANAGEMENT	% VOTED AGAINST MANAGEMENT
ADD/AMEND ANTI-TAKEOVER PROVISIONS	53%	47%
REDUCE/REPEAL ANTI-TAKEOVER PROVISIONS	95%	5%
APPOINT OR RATIFY AUDITORS	99%	1%
CAPITAL STRUCTURE PROVISIONS	91%	9%
COMPENSATION ISSUES		
DIRECTOR/AUDITOR PAY	94%	6%
EMPLOYEE STOCK PURCHASE PLANS	91%	9%
EXECUTIVE PLANS	76%	24%
SAY ON PAY	87%	13%
ELECTION OF DIRECTORS, UNCONTESTED	92%	8%
MERGERS, ACQUISITIONS AND REORGANISATIONS	91%	9%
ROUTINE/PROCEDURAL PROPOSALS	93%	7%
AMEND/ENHANCE SHAREHOLDER RIGHTS	97%	3%

Principle 12:

(continued).

PROPOSALS SPONSORED BY SHAREHOLDERS	% VOTED WITH MANAGEMENT	% VOTED AGAINST MANAGEMENT
REMOVE ANTI-TAKEOVER PROVISIONS	41%	59%
AMEND COMPENSATION POLICIES	92%	8%
APPOINT INDEPENDENT BOARD CHAIR	46%	54%
AMEND/ADOPT SHAREHOLDER RIGHTS	78%	22%
ENVIRONMENTAL PROPOSALS	81%	19%
SOCIAL ISSUES PROPOSALS	88%	12%
POLITICAL ACTIVITY PROPOSALS	70%	30%
ANTI-ESG PROPOSALS	100%	0%
ANTI-NUCLEAR PROPOSALS (JAPAN)	100%	0%

CONTESTED ELECTIONS	% VOTED WITH MANAGEMENT	% VOTED AGAINST MANAGEMENT
ELECT DIRECTORS IN PROXY CONTEST	50%	50%

TOTALS	% VOTED WITH MANAGEMENT	% VOTED AGAINST MANAGEMENT
TOTAL MANAGEMENT PROPOSALS	91%	9%
TOTAL SHAREHOLDER PROPOSALS	78%	22%

In the following section we seek to show how our voting reflects regional norms by providing for each region (Americas, EMEA, Asia Pacific) the proxy voting guidelines and the voting statistics for that region. This includes the top five management and shareholder resolutions by type per region.

Principle 12:

(continued).

KEY VOTING GUIDELINES: AMERICAS	
Auditor ratification	Generally FOR approval of auditors. However AGAINST ratification of auditors and/or AGAINST members of the audit committee if: ▪ An auditor has a financial interest in or association with the company, and is therefore not independent; ▪ There is reason to believe that the auditor has rendered an opinion that is neither accurate nor indicative of the company's financial position; ▪ The auditor has issued an adverse opinion on the company's most recent financial statements; ▪ A material weakness under applicable accounting rules rises to a level of serious concern, there are chronic internal control weaknesses, or there is an absence of effective control mechanisms; ▪ Pervasive evidence indicates that the committee entered into an inappropriate indemnification agreement with its auditor; or ▪ Non-audit fees are excessive in relation to audit-related fees without adequate explanation.
Auditor indemnification and limitation of liability	Generally AGAINST auditor indemnification and limitation of liability that limits shareholders' ability to pursue legitimate legal recourse against the audit firm.
Election of directors	Generally FOR slates with a majority of independent directors, or the minimum independence standard established by regional corporate governance codes. FOR slates with less than a majority of independent directors if the company has a shareholder (or group of shareholders) who controls the company by means of economic ownership, not supervoting control. AGAINST individual directors in the following cases: ▪ Inside directors and affiliated outside directors who serve on the board's Audit, Compensation or Nominating committees; ▪ Any director who missed more than 25 percent of scheduled board and committee meetings, absent extraordinary circumstances; ▪ Any director who serves on more than five public company boards; or ▪ Any director who is CEO of a publicly traded company and serves on more than two additional public boards. AGAINST members of the Nominating and Corporate Governance Committee and the Lead Independent Director (or Independent Chair) in the following case: ▪ For U.S. companies controlled by means of dual-class stock with superior voting rights, our guidelines are to oppose the key board members responsible for setting corporate governance standards. Over many years of investing in the U.S. equities market, we have reached the conclusion that companies controlled by means of dual-class stock present more disadvantages to long-term investors than any potential advantages. We have become alarmed, in recent years, to see the number of such companies growing due to IPOs. In our view, supporting the re-elections of the Nominating and Governance Committees at such companies sends the message that we are comfortable maintaining their dual-class structures indefinitely. In fact, this is not the case. If we conclude that the positive attributes of the investment, in total, outweigh the risks, we may make the decision to maintain an investment in the company despite the dual-class structure. However, we feel a responsibility to attempt to engage in dialogue with these companies about potential ways they could transition to a one-share, one-vote capital structure over time. Due to the nature of voting at controlled companies, our opposition to board members carries no possibility of changing the outcome. Nevertheless, we believe this voting guideline, accompanied by letters of explanation, is the appropriate way to express our view that control by means of dual-class stock with superior voting rights does not serve the long-term interests of investors.

Principle 12:

(continued).

KEY VOTING GUIDELINES: AMERICAS (continued)	
Election of directors (continued)	AGAINST members of the Compensation Committee in the following cases: ▪ Company re-prices underwater options for stock, cash or other consideration without prior shareholder approval; ▪ Company has demonstrated poor compensation practices, taking into consideration performance results and other factors; or ▪ Compensation Committee members approve excessive executive compensation or severance arrangements. AGAINST the entire board, certain committee members or all directors in the following cases: ▪ Directors failed to take appropriate action following a proposal that was approved by a majority of shareholders; ▪ Directors adopted a poison pill without shareholder approval, unless the board has committed to put it to a vote within the next 12 months; ▪ Directors approved egregious corporate governance actions or exhibit persistent failure to represent shareholders' interests, in the opinion of T. Rowe Price; or ▪ One or more directors remain on the board after having received less than 50 percent of votes cast in the prior election.
Board diversity policy	Board diversity is an important issue for a growing number of investors, including T. Rowe Price. At a high level, the composition of the average company board does not reflect the diversity of the stakeholders these companies represent — their employees, customers, suppliers, communities, or investors. A substantial body of academic evidence supports our own observation as investors: that boards lacking in diversity represent a sub-optimal composition and a potential risk to the company's competiveness over time. We recognize diversity can be defined across a number of dimensions. However, if a board is to be considered meaningfully diverse, in our view some diversity across gender, ethnic, or nationality lines must be present. For companies in the U.S. and Canada, we generally oppose the re-elections of Governance Committee members if we can find no evidence of board diversity.
Require independent board chair	CASE-BY-CASE, taking into consideration primarily the views of the portfolio manager as to whether the role of board chair should be a separate position. Secondary considerations include the role of the board's Lead Independent Director and the board's overall composition.
Majority voting	FOR proposals asking the Board to initiate the process to provide that director nominees be elected by the affirmative majority of votes cast at an annual meeting of shareholders. Resolutions should specify a carve-out for a plurality vote standard when there are more nominees than board seats.
Proxy contests	CASE-BY-CASE, considering the long-term financial performance of the target company relative to its industry, management's track record, the qualifications of the shareholder's nominees, and other factors. A detailed statement on this topic is available in our publication T. Rowe Price Perspective on Shareholder Activism.
Proxy access	T. Rowe Price believes significant, long-term investors should be able to nominate director candidates using the company's proxy, subject to reasonable limitations. We believe the orderly process required under these provisions would ultimately prove to be a better corrective mechanism in the U.S. markets than our current state, where activist shareholders drive many of the changes on corporate boards, whether or not they share long-term investors' objectives. Generally, FOR shareholder proposals offering a balanced set of limitations and requirements for proxy access. We support proposals suggesting ownership of three percent of shares outstanding with a three-year holding period as the standard for access to the proxy. We do not believe there should be undue impediments to a proponent's ability to aggregate holdings with other shareholders in order to qualify for access to the proxy. Generally, we will vote AGAINST proposals (whether sponsored by shareholders or by management) putting forth requirements materially different from these thresholds. We will also vote AGAINST shareholder proposals to amend existing proxy access bylaws if the company has already adopted a bylaw that meets the general parameters described above.

Principle 12:

(continued).

KEY VOTING GUIDELINES: AMERICAS (continued)	
Adopt or amend poison pill (management proposals)	Generally, AGAINST.
Amend/rescind poison pill (shareholder proposals)	FOR, unless the shareholders have already approved the pill, or the company commits to giving shareholders the right to approve it within 12 months.
Annual vs. staggered board elections	AGAINST proposals to elect directors to staggered, multi-year terms. FOR proposals to repeal staggered boards and elect all directors annually.
Adopt cumulative voting	AGAINST
Shareholder ability to call special meetings	FOR proposals allowing shareholders to call special meetings when either (a) the company does not already afford shareholders that right, or (b) the threshold to call a special meeting is greater than 25 percent. AGAINST proposals to reduce the threshold of shareholders required if the company has in place a standard of no more than 25 percent. AGAINST proposals to restrict or prohibit shareholders' ability to call special meetings.
Shareholder ability to act by written consent	Generally, AGAINST proposals that would allow shareholder action by written consent.
Simple majority vs. supermajority provisions	AGAINST proposals to require a supermajority shareholder vote. Generally FOR proposals to adopt simple majority requirements for all items that require shareholder approval.
State or country of incorporation	CASE-BY-CASE on domestic, state-to-state reincorporations. AGAINST proposals to reincorporate offshore. FOR proposals that call for companies incorporated in offshore tax havens to reincorporate in the United States. AGAINST shareholder proposals to move incorporation from one state to another.
Dual-class equity	AGAINST proposals that authorize the issuance of shares that would create disproportionate voting rights. FOR proposals to implement a capital structure with one share, one vote. For additional context, see above our guidelines on director elections at companies controlled by means of dual-class stock.
Authorization of additional common stock	CASE-BY-CASE
Reverse stock split	Generally, FOR proposals where there is a proportionate reduction in the number of authorized shares.
Preferred stock	Generally, FOR proposals to create a class of preferred stock where the company specifies acceptable voting, dividend, conversion and other rights. AGAINST proposals to create a blank check preferred stock with unspecified voting, dividend, conversion, and other rights.
Director compensation	Generally FOR proposals to award cash fees to non-executive directors, unless fees are excessive. Generally FOR director equity plans that are subject to reasonable stock ownership guidelines, have an appropriate vesting schedule, represent a prudent mix between cash and equity, provide adequate disclosure and do not include inappropriate benefits such as post-retirement payments or executive perks.
Mergers, acquisitions and corporate restructurings	CASE-BY-CASE
Adjourn meeting or other business	AGAINST, as the company should abide by the vote results as of the date of the meeting.

Principle 12:

(continued).

KEY VOTING GUIDELINES: AMERICAS (continued)	
Shareholder proposals of a social or environmental nature	It is T. Rowe Price policy to analyze every shareholder proposal of a social or environmental nature on a CASE-BY-CASE basis. To do this, we utilize research reports from our external proxy advisor, company filings and sustainability reports, research from other investors and non-governmental organizations, our internal Responsible Investment team, and our internal industry research analysts. Generally speaking, we will consider supporting well targeted proposals addressing concerns that are particularly relevant for a company's business but have not yet been adequately addressed by management. To the extent we conclude that a company's existing disclosure on an environmental or social topic is adequate for our needs as investors, we do not believe it is prudent to ask the company to spend additional resources on incremental improvements to such disclosure. In such cases, we generally vote AGAINST the shareholder proposal. For a detailed description of how we take environmental and social factors into consideration during our investment process, see our Responsible Investment Guidelines.
Shareholder proposals related to political spending and lobbying	Generally, AGAINST, unless we believe the decision to engage in political activities poses a unique risk for a particular company and it is unclear whether the board oversees and monitors such risk adequately. A company's level of disclosure on this issue relative to its peers is a secondary consideration.

AMERICAS | 31,843 Management and Shareholder Proposals

Management Proposals	# of Proposals	% With Mgmt
Elect Directors (Uncontested)	21,540	89.3%
Management Compensation: Say on Pay and Equity Plans	4,060	83.8%
Appoint Auditors/Approve Auditor Fees	3,239	98.9%
Routine Business and Operational Matters	932	72.7%
Capital Structure Items	775	75.0%
Other	713	72.9%
Total	**31,259**	

Shareholder Proposals	# of Proposals	% With Mgmt
Social, Political, or Environmental Matters	206	71.8%
Proposals to Adopt or Amend Shareholder Rights	154	77.3%
Related to Director Policies	113	58.4%
Related to Compensation Policies	39	82.1%
Related to Auditors	33	97.0%
Other	39	53.9%
Total	**584**	

As of December 31, 2020.

Principle 12:

(continued).

KEY VOTING GUIDELINES: EMEA	
Approve financial results, director reports, auditor reports	FOR, unless there are concerns about the accounts presented or the audit procedures used, or if the company does not provide adequate information to make a decision.
Appointment of auditors and auditor fees	FOR the reelection of auditors and proposals authorizing the board to fix auditor fees. AGAINST if there are serious concerns about the accounts presented or the audit procedures used; the auditors are being changed without explanation; or non audit-related fees are substantial or are routinely in excess of standard annual audit-related fees. AGAINST the appointment of external auditors if they have previously served the company in an executive capacity or can otherwise be considered affiliated with the company. A "cooling off" exception will be considered after three years for retired partners of a company's auditor. AGAINST, if the company has not disclosed the auditor's fees.
Approve allocation of income	Generally FOR. In cases of payout ratios on either end of the extreme (less than 30% or greater than 100%), CASE-BY-CASE.
Discharge of board and management	Generally, FOR. AGAINST if significant and compelling controversy exists surrounding the board's execution of its duties, or if legal action is being taken against company directors.
Related party transactions	CASE-BY-CASE
Election of Directors	Generally, FOR. AGAINST if: ▪ Adequate disclosure has not been provided in a timely manner; ▪ There are clear concerns over questionable finances or restatements; ▪ There have been questionable transactions with conflicts of interest; ▪ There are any records of abuses against minority shareholder interests; or ▪ The board fails to meet minimum corporate governance standards Vote FOR individual nominees unless there are specific concerns about the individual, such as criminal wrongdoing, breach of fiduciary responsibilities or egregious corporate governance failure. Vote AGAINST individual directors if repeated absences (>25%) at board meetings have not been explained (in countries where this information is disclosed). Vote AGAINST shareholder nominees unless they demonstrate a clear ability to contribute positively to board deliberations. Vote AGAINST labor representatives if they sit on either the audit or compensation committee, as they are not required to be on those committees. Vote AGAINST insiders and affiliated directors if the board does not meet local best-practice standards for overall independence. Vote AGAINST the entire board if, at a minimum, the names of the director nominees are not disclosed in advance of the meeting. (UK only) Vote AGAINST executives holding a combined CEO and Chair role, absent a compelling explanation for why this non-standard structure is appropriate. In cases where a negative vote is warranted for the Chair of any company, T. Rowe Price may enter an ABSTAIN to keep our response proportionate to the issue.

Principle 12:

(continued).

KEY VOTING GUIDELINES: EMEA	
Renew partial takeover provision	FOR
Lower disclosure threshold for stock ownership	AGAINST
Issue shares (with or without preemptive rights)	General Issuances: ▪ Generally, FOR issuance requests with preemptive rights to a maximum of 50% over currently issued capital. ▪ Vote FOR issuance requests without preemptive rights to a maximum of 10% of currently issued capital, in most markets. ▪ Exceptions are made for smaller cap European companies, for which we would generally approve requests up to 100% with pre-emptive rights and 20% without rights. Specific Issuances: ▪ Vote CASE-BY-CASE on all requests, with or without preemptive rights.
Share repurchase plans	CASE-BY-CASE. Generally FOR repurchase authorities up to 10% of issued share capital, unless there is clear evidence of past abuse of the authority, or the plan contains no safeguards against selective buybacks.
Increase authorized capital	Vote AGAINST proposals to adopt unlimited capital authorizations. Vote FOR non-specific proposals to increase authorized capital up to 100% over the current authorization unless the increase would leave the company with less than 30% of its new authorization outstanding. Vote FOR specific proposals to increase authorized capital to any amount, unless: ▪ The specific purpose of the increase (such as a share-based acquisition or merger) does not meet TRP guidelines for the purpose being proposed. ▪ The increase would leave the company with less than 30% of its new authorization outstanding after adjusting for all proposed issuances.
Equity Plans	CASE-BY-CASE, taking into account plan features such as the number of shares reserved for issuance, the growth characteristics of the company, any discounts applied to the exercise price, the plan's administration, performance and vesting criteria, the repricing policy, the breadth of distribution of options within the company, and other features. CASE-BY-CASE consideration of stock grants outside of established plans, taking into account the total potential dilution of the grant when combined with existing plans.
Incentive plans (ESPPs and share option schemes)	CASE-BY-CASE, taking into account employee eligibility, dilution, offering period and offering price, discounts, participation limits and loan terms.
Ratify remuneration report ("Say on Pay")	Assess each company's compensation practices on a CASE-BY-CASE basis, taking into account company performance, terms of executive contracts, level of compensation, mix of compensation types, the quality of disclosure on compensation practices, and the company's overall governance profile.
Mergers and acquisitions	CASE-BY-CASE Vote AGAINST if the companies do not provide sufficient information to make an informed voting decision.
Mandatory takeover bid waivers	CASE-BY-CASE
Expansion of business activities	Generally, FOR.

Principle 12:

(continued).

EMEA | 19,345 Management and Shareholder Proposals

Management Proposals	# of Proposals	% With Mgmt
Elect Directors (Uncontested)	6,656	88.9%
Routine Business and Operational Matters	4,585	91.9%
Management Compensation: Say on Pay and Equity Plans	3,219	80.8%
Capital Structure Items	3,208	90.1%
Appoint Auditors/Approve Auditor Fees	978	92.4%
Other	452	84.7%
Total	**19,098**	

Shareholder Proposals	# of Proposals	% With Mgmt
Related to Routine Business and Operational Matters	120	91.7%
Related to Director Policies	45	97.8%
Related to Auditors	41	100.0%
Social, Political, or Environmental Matters	31	58.1%
Related to Compensation Policies	8	100.0%
Other	2	50.0%
Total	**247**	

As of December 31, 2020.

KEY VOTING GUIDELINES: ASIA-PACIFIC

Approve financial results, director reports, auditor reports	FOR, unless there are concerns about the accounts presented or the audit procedures used, or if the company does not provide adequate information to make a decision.
Appointment of auditors and auditor fees	FOR the reelection of auditors and proposals authorizing the board to fix auditor fees. AGAINST if there are serious concerns about the accounts presented or the audit procedures used; the auditors are being changed without explanation; or non audit-related fees are substantial or are routinely in excess of standard annual audit-related fees. AGAINST the appointment of external auditors if they have previously served the company in an executive capacity or can otherwise be considered affiliated with the company. A "cooling off" exception will be considered after three years for retired partners of a company's auditor. AGAINST, if the company has not disclosed the auditor's fees.
Approve allocation of income	Generally FOR. In cases of payout ratios on either end of the extreme (less than 30% or greater than 100%), CASE-BY-CASE.
Appointment of internal statutory auditors	FOR, unless: ▪ There are serious concerns about the statutory reports presented or the audit procedures; ▪ Questions exist concerning any of the statutory auditors being appointed; or ▪ The auditors have previously served the company in an executive capacity or can otherwise be considered affiliated with the company.
Related party transactions	CASE-BY-CASE

Principle 12:

(continued).

KEY VOTING GUIDELINES: ASIA-PACIFIC	
Election of Directors	Generally, FOR. Vote AGAINST if: ▪ Adequate disclosure has not been provided in a timely manner; ▪ There are clear concerns over questionable finances or restatements; ▪ There have been questionable transactions with conflicts of interest; ▪ There are any records of abuses against minority shareholder interests; or ▪ The board fails to meet minimum corporate governance standards Vote FOR individual nominees unless there are specific concerns about the individual, such as criminal wrongdoing, breach of fiduciary responsibilities or egregious corporate governance failure. Vote AGAINST individual directors if repeated absences (>25%) at board meetings have not been explained (in countries where this information is disclosed). Vote AGAINST shareholder nominees unless they demonstrate a clear ability to contribute positively to board deliberations. Vote AGAINST insiders and affiliated directors if the board does not meet local best-practice standards for overall independence. Vote AGAINST the entire board if, at a minimum, the names of the director nominees are not disclosed in advance of the meeting. (Japan only) If cross-shareholdings are in place, directors of each company will not be considered independent under T. Rowe Price policy. In cases where a negative vote is warranted for the Chair of any company, T. Rowe Price may enter an ABSTAIN to keep our response proportionate to the issue.
Renew partial takeover provision	FOR
Lower disclosure threshold for stock ownership	AGAINST
Issue shares (with or without preemptive rights)	General Issuances: ▪ Generally, FOR issuance requests with preemptive rights to a maximum of 50% over currently issued capital. ▪ Vote FOR issuance requests without preemptive rights to a maximum of 10% of currently issued capital, in most markets. Specific Issuances: ▪ Vote CASE-BY-CASE on all requests, with or without preemptive rights.
Share repurchase plans	CASE-BY-CASE. Generally FOR repurchase authorities up to 10% of issued share capital, unless there is clear evidence of past abuse of the authority, or the plan contains no safeguards against selective buybacks.
Increase authorized capital	Vote AGAINST proposals to adopt unlimited capital authorizations. Vote FOR non-specific proposals to increase authorized capital up to 100% over the current authorization unless the increase would leave the company with less than 30% of its new authorization outstanding. Vote FOR specific proposals to increase authorized capital to any amount, unless: ▪ The specific purpose of the increase (such as a share-based acquisition or merger) does not meet TRP guidelines for the purpose being proposed. ▪ The increase would leave the company with less than 30% of its new authorization outstanding after adjusting for all proposed issuances.

Principle 12:

(continued).

KEY VOTING GUIDELINES: ASIA-PACIFIC	
Equity Plans	CASE-BY-CASE, taking into account plan features such as the number of shares reserved for issuance, the growth characteristics of the company, any discounts applied to the exercise price, the plan's administration, performance and vesting criteria, the repricing policy, the breadth of distribution of options within the company, and other features. CASE-BY-CASE consideration of stock grants outside of established plans, taking into account the total potential dilution of the grant when combined with existing plans.
Incentive plans (ESPPs and share option schemes)	CASE-BY-CASE, taking into account employee eligibility, dilution, offering period and offering price, discounts, participation limits and loan terms.
Ratify remuneration report ("Say on Pay")	Assess each company's compensation practices on a CASE-BY-CASE basis, taking into account company performance, terms of executive contracts, level of compensation, mix of compensation types, the quality of disclosure on compensation practices, and the company's overall governance profile.
Mergers and acquisitions	CASE-BY-CASE Vote AGAINST if the companies do not provide sufficient information to make an informed voting decision.
Poison pills	Generally, AGAINST.
Expansion of business activities	Generally, FOR.
Debt issuance requests	FOR proposals to issue convertible debt instruments unless they create excessive dilution under TRP's equity issuance guidelines. FOR proposals to restructure debt, unless the terms of the restructuring would adversely affect shareholder rights. Vote non-convertible debt issuance requests on a CASE-BY-CASE basis, with or without preemptive rights.
Pledging of assets for debt	CASE-BY-CASE
Share reissuance plans	Generally FOR unless there is evidence of past abuse of this authority.
Increase borrowing power	CASE-BY-CASE
Shareholder proposals	CASE-BY-CASE

APAC | 14,217 Management and Shareholder Proposals

Management Proposals	# of Proposals	% With Mgmt
Elect Directors (Uncontested)	8,600	93.8%
Capital Structure Items	1,770	89.5%
Routine Business and Operational Matters	1,476	91.9%
Management Compensation: Say on Pay and Equity Plans	1,266	83.9%
Mergers & Acquisitions	388	88.4%
Other	385	91.9%
Total	**13,885**	

Shareholder Proposals	# of Proposals	% With Mgmt
Related to Director Policies	142	94.4%
Related to Routine Business and Operational Matters	80	62.5%
Social, Political, or Environmental Matters	63	95.2%
Related to Auditors	24	95.8%
Related to Compensation Policies	16	62.5%
Other	7	71.5%
Total	**332**	

As of December 31, 2020.

Principle 12:

(continued).

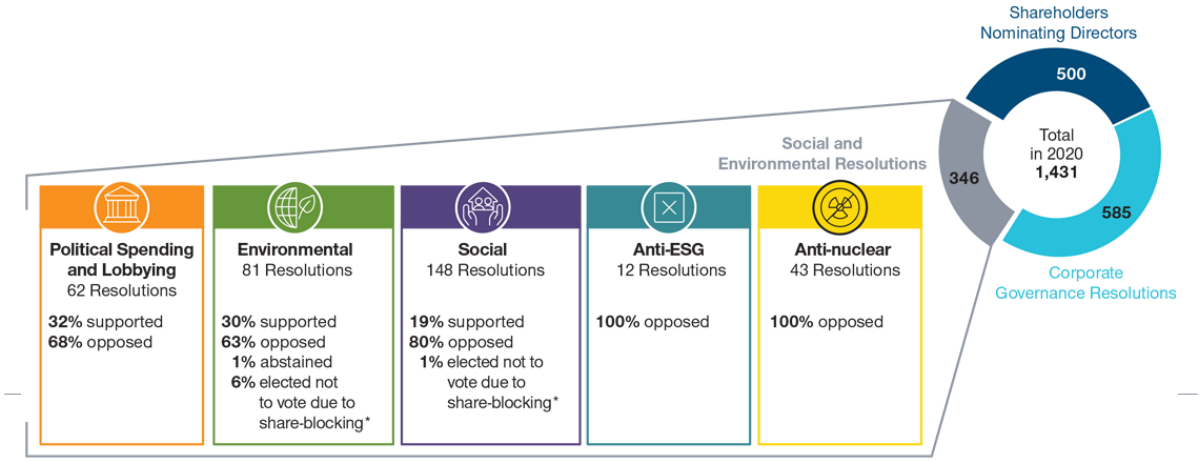
Shareholder resolutions

We approach shareholder resolutions by assessing the materiality of the proposal. Our analysis considers company-specific circumstances, including the current level of disclosure. We are unlikely to support resolutions which are excessively prescriptive, or where we think the company is already taking action to address the stated concerns. There may also be cases where we disagree in principle with what the resolution is proposing.

The 2020 Aggregate Proxy Voting Summary describes our voting for different categories of shareholder resolution as at mid-2020. Our report, **"For or Against? The Year in Shareholder Resolutions"** notes that the T. Rowe Price portfolios voted on 1,431 shareholder resolutions across all markets in 2020. Of those, 500 were situations where shareholders were nominating directors to a company's board. Another 585 were resolutions asking companies to adopt a specific corporate governance practice. 346 proposals specifically addressed environmental and social (E&S) issues within five distinct categories.

Shareholder resolutions voted on in 2020

Looking deeper into resolutions focusing on environmental and social issues



*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. Figures may not total 100% due to rounding. As of December 31, 2020.
Source: T. Rowe Price.

Principle 12:

(continued).

2020 EXAMPLE: VOTING ON A SHAREHOLDER RESOLUTION GENUINE PARTS COMPANY, APRIL 2020 AGM	At their AGM on 27 April 2020, the Genuine Parts Company, a US automotive distributor, received a shareholder resolution requesting it issue a workforce diversity report prepared in consideration of the metrics and guidelines set forth in the SASB Multiline and Specialty Retailers & Distributors standard's provisions on workforce diversity and inclusion and labour practice requirements. A key consideration when deciding how to vote on social issues is the company's existing level of disclosure. We supported the diversity proposal because the company published no information on its workforce demographics, diversity and inclusion programs, or human capital management policies. The report (item 4) received 79% support from shareholders, including T. Rowe Price.
ASSET CLASS: EQUITY	
COUNTRY: US	

Documentation and reporting

The documents below detail our policies and our activity in proxy voting, responsible investing, engagement and shareholder activism. They are all publicly available in the ESG section of our website.

PROXY VOTING POLICIES	A detailed set of guidelines reflecting what we believe to be best practice on various corporate governance issues. The key points of each regional guideline are detailed in this Principle.
PROXY VOTING SUMMARY	An annual analysis of our proxy voting trends, including a year-over-year comparison by category. The key points are detailed in this Principle.
RESPONSIBLE INVESTING GUIDELINES	A detailed description of how we identify material ESG factors for the issuers we analyse for potential investment.
ENGAGEMENT POLICY	Detailed guidance for companies seeking to engage with T. Rowe Price on ESG matters.
OUR PHILOSOPHY ON SHAREHOLDER ACTIVISM	A detailed description of our policies on interaction with other investors in an activism context, and guidance for companies that are subjects of campaigns.
VOTING RECORD	A searchable database of our proxy voting records for the most recent reporting period.

The security identified and described is intended to illustrate the ESG security evaluation process of T. Rowe Price investment professionals and does not necessarily represent securities purchased or sold by T. Rowe Price. No assumptions should be made that the security analysed, or other securities analysed, purchased or sold, was or will be profitable. This is not a recommendation to buy or sell any security. The views and opinions are as of December 2020 and are subject to change.

Principle 12:

(continued).

An example of a meeting record on our vote disclosure site is shown below. The company name and meeting details are shown as well as how we voted. It is also possible to filter to see only how a particular Fund voted at the meeting rather than all Funds, although at this meeting all Funds voted the same way.

BHP Group PLC

Ticker BHP	Meeting Date 15-Oct-2020	Record Date 13-Oct-2020	Security ID G10877127	Meeting Type Annual	Industry Sector Metals & Mining	Country United Kingdom

Item #	Proposal	Mgmt Rec	Vote
	Management Proposals		
1	Accept Financial Statements and Statutory Reports	For	For
2	Reappoint Ernst & Young LLP as Auditors	For	For

The vote rationale will be present for any votes against management or votes against the T. Rowe Price Custom Policy for meetings on or after 1 July 2020. We also aim to provide an explanation for our voting on any high-profile shareholder resolutions, like the examples below at the BHP meeting. The voting rationale in this case reflects the analysis undertaken by the Responsible Investing and Governance teams, including insights drawn from our engagement with the company.

	Shareholder Proposals		
23	Amend Constitution of BHP Group Limited	Against	Against
24	Adopt Interim Cultural Heritage Protection Measures *Voting rationale:* *The drafting in the resolution that the moratorium should apply until relevant laws are strengthed is too imprecise as only the WA Act is currently under consultation.*	Against	Against
25	Approve Suspension of Membership of Industry Associations where COVID-18 Related Advocacy is Inconsistent with Paris Agreement Goals *Voting rationale:* *The Company has recently published its Global Climate Policy Standards and has adopted a series of changes to its approach to industry associations, including improving its reporting on this topic.*	Against	Against

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Principle 12:

(continued).

Significant votes

The votes listed below are those where we had a significant holding, where the situation was particularly contentious or the vote illustrates a key aspect of our voting approach. The ten votes below are considered our "most significant" for 2020 at a house level.

2020 SIGNIFICANT VOTE: ALKERMES

SIGNIFICANT SHAREHOLDING – VOTING AGAINST RE-ELECTION AND PAY RESOLUTIONS

ASSET CLASS: EQUITY

COUNTRY: IRELAND (LISTED ON NASDAQ)

Following an unsatisfactory engagement with the Lead Director of Alkermes plc, at the May 2020 AGM we voted against the re-election of all incumbent adirectors and the pay resolutions to communicate to the Board that the underlying issues with performance and insider selling still have not been addressed. We held nearly 15% of the stock at that time.

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Even in the most contentious situations, portfolio managers may differ in how they wish to express their concerns through voting.

2020 SIGNIFICANT VOTE: TEXTRON

SIGNIFICANT SHAREHOLDING – VARIED PORTFOLIO MANAGER VOTING ON RE-ELECTIONS AND PAY

ASSET CLASS: EQUITY

COUNTRY: US

In their voting at the April 2020 AGM of Textron, Inc., our portfolio managers concluded that management had allocated time and capital to an unsuccessful acquisition, failed to capitalise on opportunities to simplify and unlock value, and rewarded a flat operating profit for six years with higher compensation. Certain portfolio managers chose to express this by voting against the full Board except for one new director, while others chose to just vote against the members of the Compensation Committee. All portfolio managers voted against the say-on-pay.

Principle 12:

(continued).

Our corporate governance dialogues in Japan have covered succession and capital allocation.

2020 SIGNIFICANT VOTE: FUJITEC

VOTING AGAINST CEO RE-ELECTION AND IN SUPPORT OF SHAREHOLDER RESOLUTIONS ON CAPITAL MANAGAEMENT

ASSET CLASS: EQUITY

COUNTRY: JAPAN

At the June 2020 AGM of Fujitec Co. Ltd, we voted against the re-election of the CEO to encourage the Board to undertake a review of strategy and performance with more urgency than they currently exhibit. We also supported two shareholder resolutions related to capital management filed by an activist. Given the company's low revenue growth and suboptimal capital structure, there is a large valuation gap versus peers. We have engaged with Fujitec on three corporate governance topics, specifically the need for an external strategic review to improve operational efficiency, the need to improve capital allocation, and the need to lift governance standards across the business. We expressed our views directly to senior management through our investment team via a series of calls, then sent a letter to the Board of Directors. We were encouraged by progress during the year, and voted in support of all resolutions at the 2021 AGM.

We continue to assess all mergers, acquisitions and corporate restructurings on a case-by-case basis, based on the expected impact on shareholder value.

2020 SIGNIFICANT VOTE: UNILEVER

VOTING FOR A MERGER

ASSET CLASS: EQUITY

COUNTRY: NETHERLANDS & UK

At the September and October 2020 meetings of Unilever NV and Unilever plc, we voted for the changes to the Anglo-Dutch Group's corporate structure, which unified the current dual-parent holding company structure to create a single UK-domiciled Unilever parent company. This simplification made it more straightforward to unlock value from future portfolio reviews.

2020 SIGNIFICANT VOTE: 58.COM

VOTING AGAINST DELISTING; PARTICIPATION IN DISSENTERS' RIGHTS LAWSUIT

ASSET CLASS: EQUITY

COUNTRY: CAYMAN ISLANDS

We voted against the June 2020 delisting of Chinese online classifieds business 58.com as we believe the price offered by a consortium of insiders and private equity buyers was too low. Subsequently, we took part in a dissenters' rights lawsuit in the Cayman Islands aimed at securing a fair price for this asset on behalf of our clients.

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Principle 12:

(continued).

We analyse company board's oversight of environmental, social and governance controversies in our voting decisions.

2020 SIGNIFICANT VOTE: THE BOEING COMPANY

VOTING AGAINST LONG-SERVING DIRECTORS' RE-ELECTION OVER STRATEGY AND CULTURE FAILURES

ASSET CLASS: EQUITY

COUNTRY: US

At the April 2020 AGM of The Boeing Company, some T. Rowe Price portfolios voted against four long-serving directors at the US aerospace company because of the Board's apparent failure to exercise sufficient oversight of management strategy and corporate culture, which contributed to two fatal 737 MAX crashes. Other portfolios voted against two long-serving directors, demonstrating the range of views amongst our portfolio managers.

2020 SIGNIFICANT VOTE: STANDARD BANK GROUP

VOTING AGAINSAT VICE-CHAIR RE-ELECTION OVER BOARD REFUSAL TO TABLE CLIMATE-RELATED SHAREHOLDER RESOLUTIONS

ASSET CLASS: EQUITY

COUNTRY: SOUTH AFRICA

At the June 2020 AGM of South African Standard Bank Group, we voted against the Vice Chair, the most senior director standing for election, due to the company's refusal to table certain climate-change related shareholder proposals at the meeting. The company claimed it was not appropriate to put the resolutions on the ballot because "the matter in question must be one on which the shareholders are entitled to exercise voting rights. The proposed resolutions do not relate to matters on which shareholders are entitled to vote." This was a curious judgement because at the 2019 AGM two such proposals were on the ballot, and one passed with majority support.

As we will discuss in the **Proxy Voting Summary Report in the Appendix**, 2020 saw a significant increase in our support for shareholder resolutions calling on companies to provide improved transparency around their political lobbying.

2020 SIGNIFICANT VOTE: CENTENE CORPORATION

VOTING IN SUPPORT OF SHAREHOLDER RESOLUTION ON POLITICAL CONTRIBUTIONS DISCLOSURE

ASSET CLASS: EQUITY

COUNTRY: US

At the April 2020 AGM of Centene Corporation, we voted in support of the shareholder resolution on political contributions disclosure. We held over 10% of the issued share capital at that time, and the resolution passed with support from 51% of shareholders. Lobbying is a material topic in healthcare and the company's disclosure lags behind peers.

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Principle 12:

(continued).

2020 SIGNIFICANT VOTE: CHEVRON CORPORATION

VOTING IN SUPPORT OF SHAREHOLDER RESOLUTION CALLING FOR A REPORT ON LOBBYING ACTIVITY

ASSET CLASS: EQUITY

COUNTRY: US

Along with 53.5% of shareholders, we supported a resolution at the May 2020 AGM of Chevron Corporation which called on the company to report whether its climate-related lobbying is aligned with Paris Agreement goals. The proponents requested that the board evaluate whether there is any misalignment between Chevron's direct and indirect lobbying activities regarding the Paris Agreement's climate goals.

We also increased our support for shareholder resolutions calling for improved environmental disclosure.

2020 SIGNIFICAANT VOTE: MIZUHO FINANCIAL GROUP

VOTING IN SUPPORT OF SHAREHOLDER RESOLUTION FOR DISCLOSURE ON ALIGNMENT WITH PARIS AGREEMENT

ASSET CLASS: EQUITY

COUNTRY: JAPAN

In March 2020 environmental NGO Kiko Network submitted a proposal calling on Mizuho Financial Group to disclose a plan to align its investment activities with the goals of the Paris Agreement. This was the first climate- related shareholder resolution in Japan.

Mizuho has been a TCFD signatory since December 2017, but it did not publish its first TCFD Report until May 2020. While it was positive to see the commitments made, we voted for the resolution at the June 2020 AGM to encourage the company to further improve its disclosure in future reporting cycles, along with 34.5% of shareholders.

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Securities lending

We recognise the potential impact on proxy voting of securities lending programmes. T. Rowe Price has only a limited lending programme in place at this time, so there are exceedingly few occasions when it becomes necessary to consider recalling shares for purposes of voting. However, we have a monthly review process in place to identify such potential situations and recall or restrict securities from lending if necessary. The Heads of Governance review all stock currently out on loan as well as the names either restricted (i.e. their securities cannot be loaned out) or currently potentially subject to recall based on their knowledge of upcoming contentious meetings.

Stewardship priorities for 2021

Maria Elena Drew
Director of Research, Responsible Investing
23 years investment experience
London

Donna F. Anderson, MBA, CFA
Global Head of Corporate Governance
25 years investment experience
Baltimore

The year 2020 was another dynamic one on the environmental, social, and governance (ESG) front for T. Rowe Price. Continued expansion of our ESG investment capabilities and a focus on improving ESG data integrity were principal objectives.

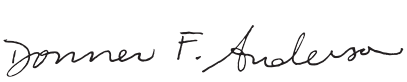
We expanded the teams dedicated to ESG analysis and the technology team that supports them. This facilitated the launch of new products that carry ESG objectives—in January 2020, we launched our responsible product range for European clients, which excludes certain types of investments.

Looking forward, the following priorities are top of our agenda:

- Much of this report is focused on our investment adviser activity, but we also work closely with the corporate parent T. Rowe Price Group, Inc., on its transparency around sustainability. In 2021 we will continue improving the quality of our corporate ESG disclosures, particularly with respect to climate change and human capital management.
- To support our clients' increased interest in ESG, we will be hiring a dedicated ESG investment specialist. This role is a portfolio specialist who is responsible for explaining our portfolio managers' strategy and activities to clients. We will also continue the rollout of the ESG reporting across our strategies, building on the work in 2020.
- In 2021 we launched our first Impact strategy.
- We will continue to hire more ESG analysts and invest in automation support to meet changing client and regulatory expectations, notably those tied to the European Union Sustainable Finance Disclosure Regulation (SFDR.)
- We will undertake more collaborative engagement, in a wider range of markets and on a more diverse range of themes than in 2020.
- We will continue to reflect our house view on ESG topics in the T. Rowe Price proxy voting guidelines, including – when warranted - stepping up voting against directors for poor oversight of ESG controversies

As co-chairs of the ESG Committee, we look forward to discussing these with you in our 2021 UK Stewardship Code disclosure.

Maria Elena Drew



Donna F Anderson

Appendix – Proxy Summary Report 2020

T.RowePrice®
INVEST WITH CONFIDENCE

2020 AGGREGATE PROXY VOTING SUMMARY (U.S. Mutual Funds)

Environmental, Social, and Governance

ESG

In this report, we summarize our proxy voting record for the 12-month period ended June 30, 2020 (the "Reporting Period"). Our goal is to highlight some of the critical issues in corporate governance during the Reporting Period and offer insights into how we approach voting decisions in these important areas.

This report is not an all-inclusive list of each proxy voted during the Reporting Period, but rather it is a summary of the year's most important themes. In conjunction with this report, we have filed with the U.S. Securities and Exchange Commission (SEC) and posted on troweprice.com each T. Rowe Price Fund's votes on all proxy proposals voted during the period.

OUR OBJECTIVE

Thoughtful Decisions Leading to Value Creation

At T. Rowe Price, proxy voting is an integral part of our investment process and a critical component of the stewardship activities we carry out on behalf of our clients. We support actions that we believe will enhance the value of the companies in which we invest, and we oppose actions or policies we see as contrary to shareholders' interests.

We analyze proxy voting issues using a company-specific approach based on our investment process. Therefore, we do not shift responsibility for our voting decisions to outside parties, and our voting guidelines allow ample flexibility to account for company-specific circumstances. Ultimately, the portfolio managers of each T. Rowe Price Fund are responsible for voting the proxy proposals of companies in their portfolios.

The following table is a broad summary of some of our proxy voting patterns and results for the reporting period covering July 1, 2019 through June 30, 2020, across our global equity-focused mutual funds.

SUMMARY OF MAJOR PROPOSAL ITEMS
July 1, 2019—June 30, 2020, Mutual Funds Only

PROPOSAL	% VOTED WITH MANAGEMENT	% VOTED AGAINST MANAGEMENT
I. Proposals Sponsored by Management		
Add/amend antitakeover provisions	49%	51%
Reduce/repeal antitakeover provisions	97%	3%
Appoint or ratify auditors	99%	1%
Capital structure provisions	91%	9%
Compensation issues		
i. Director/auditor pay	95%	5%
ii. Employee stock purchase plans	93%	7%
iii. Executive plans	79%	21%
iv. Say on pay	87%	13%
Elect directors (uncontested)	92%	8%
Mergers and acquisitions	91%	9%
Routine operational provisions	92%	8%
Amend/enhance shareholder rights	96%	4%
II. Proposals Sponsored by Shareholders		
Remove antitakeover provisions	47%	53%
Amend compensation policies	82%	18%
Appoint an independent board chair	44%	56%
Amend/adopt shareholder rights	80%	20%
Environmental proposals	83%	17%
Social issues proposals	83%	17%
Political activity proposals	68%	32%
Anti-ESG proposals	100%	0%
Anti-nuclear proposals (Japan)	100%	0%
III. Contested Elections		
Elect directors in proxy contest	37%	63%
IV. Totals		
Total management proposals	91%	9%
Total shareholder proposals	83%	17%

Themes from Vote Results

The categories above represent a subset of our total voting activity during the Reporting Period, but these are the most prevalent and significant voting issues. In the section below, we discuss some of these categories in detail.

Election of Directors

At T. Rowe Price, we recognize that it is the board of directors' responsibility to develop and guide corporate strategy and oversee management's implementation of that strategy. We generally do not support shareholder-led initiatives that we believe may infringe upon the board's authority. However, one of the fundamental principles underlying our proxy voting guidelines is accountability. We believe directors are the designated representatives of shareholders' interests. Therefore, our voting reflects our assessment of how effectively they fulfill that duty.

In our global portfolios, we take a market-by-market approach to assessing board composition and independence, recognizing that regional corporate governance codes around the world apply different expectations. In the U.S., we generally support a company's nominees for director when at least a majority of the board's directors are independent and when those directors' performance in the prior year has not given us cause for concern. Where there is cause for concern, we vote against the reelection of that individual director, the members of a key board committee, or, in some cases, the entire board.

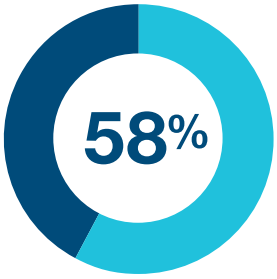
Examples of situations where we believe shareholders are best served by voting to remove directors include:

- maintaining an insufficient level of diversity at the board level;
- failing to remove a fellow director who received less than a majority of shareholder support in the prior year;
- neglecting to adopt a shareholder-proposed policy that was approved by majority vote in the prior year;
- adopting takeover defenses or bylaw changes that we believe put shareholders' interests at risk;
- maintaining significant outside business or family connections to the company while serving in key leadership positions on the board;
- promoting the decoupling of economic interests and voting rights in a company through the use of dual-class stock with superior voting rights for insiders, without adopting a reasonable sunset mechanism;
- failing to consistently attend scheduled board or committee meetings;
- implementing a policy or practice that we believe is a breach of basic standards of good corporate governance.

Elections of directors are by far the most common voting item on company proxies worldwide, representing 58% of our total number of voting decisions this year. Almost all these elections are uncontested, meaning there is only one nominee for each available board seat. This year, we supported 92% of the director candidates nominated by the boards of the companies in T. Rowe Price portfolios globally.

As in past years, T. Rowe Price voted consistently in favor of proposals to strengthen certain shareholder rights. One example is majority voting for the election of directors. We believe directors should relinquish their board seats if they are opposed by a majority of their shareholders, even in the case of uncontested elections.

Generally, we also support the notion that companies should offer shareholders certain safeguards, such as proxy access and the right to call special meetings. In the past three years, however, we have seen a sharp rise in the number of shareholder-led initiatives to ease the standards by which such safeguards can be used. When companies adopt acceptable standards of proxy access and special meetings, we do not support shareholders' efforts to revise them. This is the reason our overall support for proposals in the shareholder rights category has fallen.



Elections of company directors represented 58% of our total voting activity this year.

Shareholder Activism

Investment strategies involving shareholder activism have had a notable impact in a number of markets over the past few years, especially in the U.S., Europe, and Japan. Year-to-date, activism campaigns have been notably quieter, which we presume is a result of meeting and travel constraints related to the pandemic.

Often, the presence of activist shareholders does not result in a voting event, as the company and activists negotiate some form of mutually agreeable outcome. In some cases, however, negotiations stall and investors face a contested board election—a choice between incumbent company directors and the activist's nominees. T. Rowe Price assesses each of these situations carefully in an effort to determine which set of directors is best suited to lead the company over the long term. Our voting record on contested elections reflects our case-by-case approach. Last year we supported incumbent management candidates in 56% of contests, this year that figure dropped to 37%.

A full discussion of our perspective on shareholder activism can be found **here**

Executive Compensation

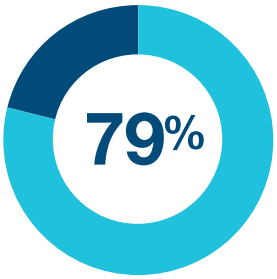
Annual advisory votes on executive compensation, the nonbinding resolutions known as "say on pay," are a common practice globally. As a result, executive compensation decisions remain a central point of focus for the dialogue that routinely takes place between companies and their shareholders. In our view, corporate disclosure in the annual proxy filings improves every year as board members endeavor to explain not only what they paid their executive teams, but why. In the past year, T. Rowe Price voted against the "say on pay" vote at 13% of companies.

Generally speaking, our portfolio managers are most likely to express concerns about a compensation program when they have observed a persistent gap between the performance of the business and executive compensation over a multiyear period. Other common reasons for our opposition to these resolutions are situations where: (a) the board uses special retention grants without sufficient justification, and (b) the use of equity for compensation is high but executives' ownership of the stock remains low.

For the 2021 proxy year, we are anticipating a notable increase in the complexity of our decisions around compensation. Due to the pandemic and the related economic disruption in many parts of the world, we expect many companies to fall short of the pre-determined objectives set out in 2018 and 2019, leading to forfeiture of awards that would have vested in 2020. Boards may decide to amend or waive these performance conditions out of concern for retaining executive talent, given the pandemic's impact on their business. This may be a reasonable path in some cases but, from our point of view, other factors must also be considered. Companies should be mindful of the overall experience of their relevant stakeholders when deciding to waive or amend their compensation programs. For example, we believe companies that reduced their work forces significantly or received government assistance due to the pandemic, should be particularly conservative regarding efforts to amend pay plans to benefit their executives.

Broad-Based Equity Compensation Plans

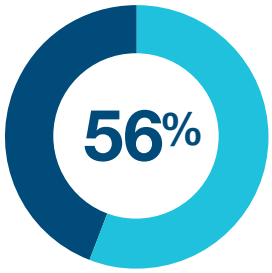
T. Rowe Price believes that a company's incentive programs for executives, employees, and directors should be aligned with the long-term interests of shareholders. Under the right conditions, we believe that equity-based compensation plans can be an effective way to create that alignment. Ideally, we look for plans that provide incentives consistent with the company's stated strategic objectives. This year, we supported the adoption or amendment of such compensation plans approximately 79% of the time.



We supported the adoption or amendment of 79% of compensation plans.

For the 21% of compensation plans we did not support, our vote was usually driven by the presence of a practice that we felt undermined the link between executive pay and the company's performance such as:

- compensation plans that, in our view, provide disproportionate awards to a few senior executives;
- plans that have the potential to excessively dilute existing shareholders' stakes;
- plans with auto-renewing "evergreen" provisions; or
- equity plans that give boards the ability to reprice out-of-the-money stock options without shareholder approval.



We voted in favor of shareholder proposals to appoint an independent board chair 56% of the time.

Mergers and Acquisitions

T. Rowe Price portfolio managers generally vote in favor of mergers and acquisitions after carefully considering whether our clients' portfolios would receive adequate compensation in exchange for their shares. In considering any merger or acquisition, we assess the value of our holdings in a long-term context and vote against transactions that, in our view, underestimate the true underlying value of our investment.

Takeover Defenses

T. Rowe Price portfolio managers consistently vote to reduce or remove antitakeover devices in our portfolio companies. We oppose the introduction of shareholder rights plans (so-called "poison pills") because they can prevent an enterprise from realizing its full market value and create a conflict of interest between directors and the shareholders they represent. We routinely vote against directors who adopt poison pill defenses without subjecting them to shareholder approval. However, in the current environment, where the pandemic has disproportionately impacted certain industries, many companies believe their current valuation does not reflect their actual intrinsic value. To protect themselves against unfair bids from potential acquirors, some of these companies have adopted temporary poison pills. For the rest of 2020 and in 2021, T. Rowe Price will consider these unique circumstances before making any determination to oppose directors for this decision.

A positive development in the U.S. over the past several years has been a trend of companies dismantling their long-standing antitakeover provisions at the urging of their shareholders. When such provisions (for example, a supermajority vote requirement) are embedded in the company's charter, a shareholder vote is required in order to remove them. T. Rowe Price enthusiastically supports management efforts to remove takeover defenses.

Separate Board Chair and CEO

In many markets, the most common board leadership structure has separate roles for the chair and the company's chief executive officer. Under the U.S. proxy rules, companies are required to discuss their leadership structure and the reasons that a particular arrangement (e.g. an independent board chair, a separate but non-independent chair, or a combined chair/CEO role) is the most appropriate one for the company. We consider the need for independent board leadership on a company-by-company basis. In many cases, we find that a designated lead director role provides adequate protection of shareholders' interests. In other situations, we conclude that shareholders' interests would be better served under an independent chair. This Reporting Period, T. Rowe Price voted in favor of shareholder proposals to appoint an independent board chair 56% of the time.

Social, Environmental, and Political Proposals

In this report, we have broken down these votes into five sub-categories due to some unique patterns within the broader group of environmental, social, and political proposals. The sub-categories we have extracted for separate disclosure are:

- **Political/lobbying proposals.** In 2020, the T. Rowe Price ESG Committee, which establishes and oversees our Proxy Voting Guidelines, made a change to our approach to politically oriented proposals in the U.S. Historically, we have usually deferred to management on these resolutions because we believe corporate participation in the political process, where allowed by law, is appropriate. However, recently we have observed a widening disconnect between what companies publicly disclose about their approach to environmental and governance matters and what their trade organizations represent on their behalf. To the extent that we find mismatches of this nature, or generally poor disclosure about the board's oversight of political activity, we have been supporting shareholder resolutions asking for more transparency on political spending and lobbying activities. In this Reporting Period, we supported 32% of these proposals, up from 5% last year.

- **Environmental proposals.** As part of our normal ESG engagement program, we have been encouraging companies to improve their environmental disclosure. The current lack of standardization on environmental reporting makes it more difficult for us to analyze companies' environmental performance, and, as such, we specifically recommend the Sustainability Accounting Standards Board (SASB) and Task Force on Climate-Related Financial Disclosures (TCFD) reporting frameworks. While we support the aim of many environmental proposals to improve disclosure, we find that a significant number of them ask for non-standardized or ancillary disclosures. In these cases, we often find it difficult to support the shareholder proposal, but will use the opportunity to engage with the company on improving its environmental disclosure and recommend use of the SASB and TCFD reporting frameworks.

In our case-by-case analysis of environmental proposals, the current level of disclosure is our most important consideration, followed by factors such as the materiality of the specific environmental issue for the company in question; the disclosure framework being requested by the proponent; our prior engagement with the company on environmental matters; the recommendations of our Responsible Investment team; the identity of the proponents, if available, and their stated intentions; and the level of prescriptiveness embedded in the proposal. In this Reporting Period, T. Rowe Price supported 17% of environmental resolutions, up from 13% the year before.

- **Social proposals.** This category contains a wide range of proposals on issues ranging from specific operational practices at companies to broader societal issues such as diversity. In 2021, as investors intensify our focus on racial inequality in the corporate world, we expect a large increase in the number of resolutions dealing with human capital management, diversity, and inclusive practices. Our approach to socially oriented resolutions is similar to the environmental category. We assess them on a case-by-case basis, taking into account the materiality of the issue being raised; the company's existing level of disclosure; the degree of prescriptiveness in the resolution; the views of our Responsible Investment team; the identity of the proponents, if available, and their stated intentions; and our engagement history with the company on the topic. In this Reporting Period, T. Rowe Price supported 17% of the proposals in this category, up from 9% last year. The types of proposals we support most often are around human capital management.

- **Anti-ESG proposals.** Although small in number, there is a growing set of resolutions each year sponsored by proponents whose aim is to persuade companies to roll back environmental initiatives, curtail charitable giving, or de-emphasize diversity and inclusion. The objectives of these proposals are so distinct from the overall category of shareholder resolutions that we believe they need to be analyzed and reported separately. Anti-ESG proposals represented 4% of the broader category during this reporting period. T. Rowe Price did not support any of these.

■ **Anti-nuclear proposals.** Ever since the 2011 earthquake and subsequent nuclear accident in Fukushima, Japan, individual investors in this region have mounted a persistent campaign to get Japanese utilities to generate power from sources other than nuclear plants. Publicly traded Japanese utilities receive multiple resolutions of this nature every year. In total, these proposals represent 12.5% of the overall social, environmental, and political category. T. Rowe Price does not support any of these resolutions as they are extremely prescriptive in nature, asking companies to change their operations. Our view is that operational decisions are best left to the board.

Conclusion

The detailed voting records of the T. Rowe Price Funds are made available on our web site each year on or around August 31, reflecting a Reporting Period of July 1 of the preceding year to June 30 of the current year. This report serves as a complement to these detailed voting records, rolling up our company-level voting records into key themes. In addition to this report, we provide a detailed overview of our voting activity each year in our ESG Annual Report.

For more information, visit troweprice.com.

Index of case studies

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