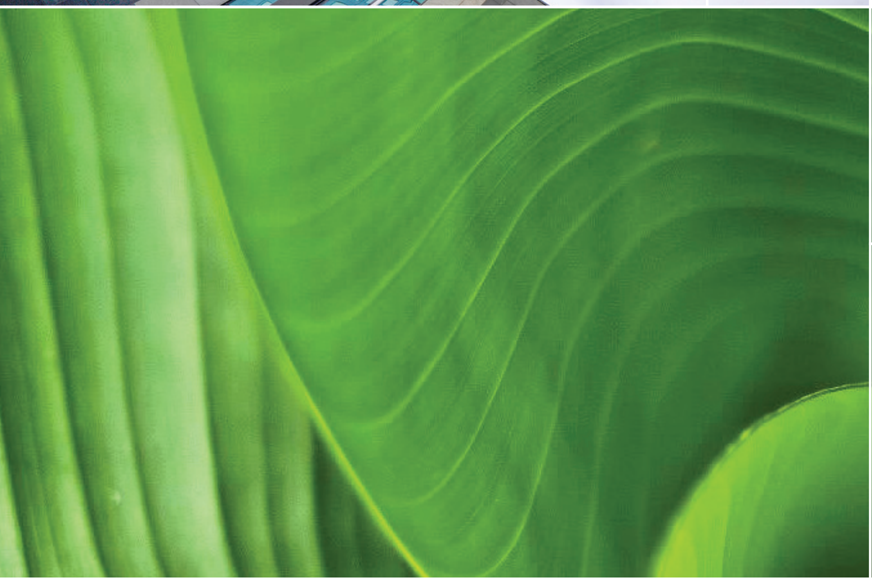
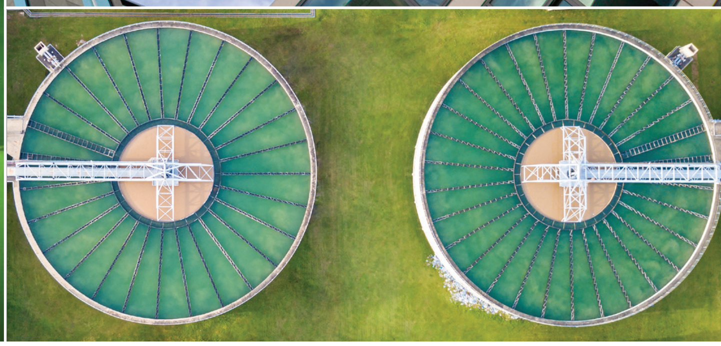
Shareholder Rights Directive II:

Stewardship at T. Rowe Price





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The Shareholder Rights Directive II (SRD II) is a European Union (EU) directive that sets out to strengthen the position of shareholders and to reduce short termism and excessive risk taking by companies. SRD II establishes requirements in relation to the exercise of certain shareholder rights attached to voting shares of companies. This applies to companies that have their registered office in the EU and their shares listed on an EU-regulated market. It also establishes specific requirements to encourage shareholder engagement, particularly for the long term. The requirements apply to:

- The identification of shareholders,
- The transmission of information to shareholders,
- The facilitation of exercise of shareholders rights,
- The transparency of institutional investors,
- Asset managers and proxy advisors, and
- The renumeration of directors and related-party transactions.

STEWARDSHIP AT T. ROWE PRICE

This document has been drafted in the context of the Shareholder Rights Directive II to provide our clients with a summarized and centralized view of our approach to stewardship at T. Rowe Price. This document intends to clearly describe how we integrate engagement into our investment strategy within the framework of the Shareholder Rights Directive II. For a detailed understanding of the arrangements in place, we invite clients to consult the documents referred to and listed below. These documents address how we monitor investee companies on relevant matters, including strategy; financial and nonfinancial performance and risk; Environmental, Social, and Governance (ESG) factors; and capital structure. The documents also describe the actions we take to handle conflicts of interest, conduct dialogues with investee companies, cooperate with other shareholders, and exercise voting and other rights attached to shares. In addition, specific documents govern our use of proxy advisors and detail our voting records. We invite any of our clients based in the European Union to read this document and contact us with any questions.

Our full collection of policies, perspectives, and results of implementation can be found across the following resources:

Engagement Policy
ESG Annual Report
Responsible Investment Guidelines
Proxy Voting Guidelines
Annual Aggregate Proxy Voting Summary

ENGAGEMENT AT T. ROWE PRICE

Engagement is defined as any interaction between T. Rowe Price and an issuer of corporate securities with the intent of learning about, influencing, or exchanging perspectives on the company's environmental practices, corporate governance, or social issues affecting the business. At T. Rowe Price, we believe it is our responsibility as an asset manager to safeguard our clients' interests through active ownership, monitoring, and mutual engagement with the issuers of the securities we hold in our clients' portfolios. Thanks to the trust our investment clients have placed in us, T. Rowe Price is a significant investor for many of the world's leading companies. This affords us, in most cases, access to company management teams and board members. We believe our responsibilities as diligent investors do not cease with the decision to purchase a security. We maintain regular dialogue with the managements of issuers represented across our portfolios.

Engagement, proxy voting activities, and assessment of a broad range of investment considerations—including ESG issues—are integrated into T. Rowe Price's investment processes. Based on our view that these issues are important investment considerations, our engagement program is driven by our investment professionals and usually focused on a matter that is material to the investment case. The program 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.

Frequency

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. For a typical equity investment, our assigned industry analyst generally speaks with the management of the company 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.

WHAT ARE WE MONITORING?

Strategy

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 macroeconomics in tandem with intangible investment factors related to the environment, social, and corporate governance. The primary responsibilities of these analysts are monitoring our current investments and assessing potential future investments.

Financial and nonfinancial performance and risk

We employ primarily long-term-oriented, actively managed investment strategies. As such, active monitoring of and engagement with our investee companies are fundamental components of our investment processes. At T. Rowe Price, we strive to help our clients reach their long-term financial goals through a thoughtful, disciplined approach to managing investments. Consistent with that mission, we have an obligation to understand the long-term sustainability of a company's business model and the factors that could cause it to change. In this process, our dedicated, in-house research analysts consider tangible investment factors such as financial information, valuation, and macroeconomics in tandem with intangible investment factors related to the environment, social, and corporate governance.

Social and environmental impact and corporate governance

Our investment approach is rooted in proprietary fundamental analysis, with ESG factors assessed alongside financial, macro, and other qualitative factors. We believe ESG integration is most effective when executed by experienced investors who know the company or issuer well, which is why the responsibility for integrating ESG into investment decisions lies with our analysts and portfolio managers. Our research analysts incorporate ESG factors into company valuations and ratings, while our portfolio managers balance the ESG factor exposures at a portfolio level. Our in-house ESG specialists support the investment team through all stages of the investment process: identification, analysis, and integration. Our dedicated in-house ESG resource comprises two teams: Responsible Investing (RI), which covers environmental and social factors, and Governance. Together, these teams help our investors identify, analyze, and integrate the ESG factors most likely to have a material impact on the long-term performance of an investment.

T. Rowe Price publicly discloses how we have applied our Engagement Policy on an annual basis in our ESG Annual Report.

CAPITAL STRUCTURE

The graphic below is an illustration of the different aspects of an investee company's capital structure that we consider as part of our analysis.

FINANCIAL ANALYSIS	VALUATION	MACROECONOMICS & INDUSTRY ANALYSIS	ENVIRONMENTAL	SOCIAL	GOVERNANCE
Equities and Bonds Balance sheet quality Capital structure Cash flow growth Debt/equity Dividend sustainability Earnings growth/ quality Earnings track record EPS "surprise" potential FCF/debt Inventory turnover Leverage ratios Management quality Off-balance sheet items Operating margins Operational effectiveness Receivables turnover Scenario analysis **Sovereign Bonds** Balance of trade Cash reserves External debt Fiscal performance Foreign liquidity Government finances	**Equities** DCF Dividend yield EV/EBITDA Price/book Price/earnings FCF yield **Corporate Bonds** Credit spread risk Default risk Rating downgrade risk Spread per unit of leverage Yield to maturity **Sovereign Bonds** Spread to gov't. benchmark Spread per unit of leverage Yield to maturity	**Equities and Bonds** Barriers to entry Competitive dynamics Cost of capital Economic growth Foreign exchange Industry cost curves Industry life cycle Inflation Market share gain/loss Industry growth Population growth Pricing power Real wage growth Supply/demand balance Supply/demand elasticity Threat of substitutes Yield curve **Sovereign Bonds** Debt ceilings/limits Demographics Economic growth Monetary flexibility Tax collection dynamics Tax structure Trade balance	**Equities and Bonds** Adaptability of sourcing Biodiversity impact Emissions intensity Environment 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 (management) Water intensity **Sovereign Bonds** Agricultural capacity Air pollution/emissions Climate change impact Ecosystem quality Energy dependency Energy resources Risk of stranded assets Water resources	**Equities and Bonds** 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 **Sovereign Bonds** Crime and safety Education levels Employment levels Food security Human rights Poverty Public health Trust in institutions	**Equities and Bonds** Accounting standards Audit practices Board composition Board expertise Financial transparency Management remuneration **Equities** Antitakeover provisions Share issuance policies Shareholder rights **Corporate Bonds** Bond covenants **Sovereign Bonds** Bond covenants Corruption Institutional strength Rule of law Trust in institutions

HOW DO WE ENGAGE?

Conducting dialogues and communicating with stakeholders

Our engagement program 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.

Cooperating with other shareholders

To the extent we believe collaboration with other institutions both benefits our advisory clients and is allowable under the applicable regulatory framework, we are willing to share insights and work collaboratively with other investors. While we do not have an extensive history of collaborating with others to bring our concerns to an investee company's attention, our participation in collaborative initiatives has increased in the past two years. The primary vehicles we use for collaborative engagement are investor associations that have been established for such a purpose.

Addressing conflicts of interest

With regard to voting and engagement activities, T. Rowe Price has adopted safeguards to ensure that these activities are not influenced by interests other than those of our advisory clients. Generally speaking, the ownership structure of our company serves to mitigate certain categories of potential conflicts of interest with regard to our stewardship activities. T. Rowe Price Group, Inc., the parent company of our investment managers T. Rowe Price (Luxembourg) Management S.ÀR.L. and T. Rowe Price International Ltd, is a publicly traded issuer, listed on the Nasdaq exchange in the United States. Our primary line of business is providing investment advisory services to clients, supported by certain ancillary services such as brokerage. We do not encounter potential situations of conflicts of interest related to transactional relationships with issuers of corporate securities across various divisions of our firm that we might encounter if we had a different ownership structure.

T. Rowe Price also maintains the "Global Conflicts of Interest Policy" to ensure all appropriate steps. are taken to prevent or manage conflicts of interest. The policy covers our identification of potential conflicts, management of conflicts of interest, disclosure, and maintenance of our register. The entities where required by local regulation also adopt local conflicts of interest policies.

Exercising voting and other rights

T. Rowe Price recognizes and adheres to the principle that one of the privileges of owning stock in a company is the right to vote in the election of directors and on matters affecting important aspects of the company's business. As an investment management firm with a fiduciary responsibility to its clients, T. Rowe Price analyzes the proxy statements of issuers whose stock is owned by our advisory clients who have delegated proxy voting authority to us. 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.

The Proxy Voting Guidelines document also provides a detailed discussion of our use of proxy advisors. We are clients of one such advisor at this time: ISS. The services it provides range from vote execution and recordkeeping keeping to research and recommendations. T. Rowe Price maintains a custom set of voting guidelines, which is administered with the assistance of ISS. Our fund managers, analysts, and corporate governance specialists actively monitor the votes pending in our portfolios and may decide to override our guidelines at any time with sufficient supporting rationale. In the absence of any other instructions, all eligible shares are voted in accordance with our custom guidelines.

Under U.S. securities regulation, the voting policies, procedures, and decisions of T. Rowe Price's U.S.-regulated mutual fund portfolios are required to be disclosed on an annual basis. The disclosures are updated on August 31 of each year, covering the date range of July of the prior year through June of the current year. 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. Upon their request, we also make available to our institutional clients a customized record of their portfolios' voting activities. Our reporting will include an explanation of the most significant votes, and our initial disclosure can be found on page 84 of this document. Because our holdings in the mutual funds largely mirror those of all clients' accounts, we believe these reports sufficiently address the disclosure requirements. Please see the Proxy Voting Summary for an annual analysis of our proxy voting trends, including a year-over-year comparison by category. Our voting records are available via a searchable database for the most recent reporting period.

T. ROWE PRICE ENGAGEMENT POLICY

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T. ROWE PRICE ENGAGEMENT POLICY

At T. Rowe Price, we believe it is our responsibility as an asset manager to safeguard our clients' interests through active ownership, monitoring, and mutual engagement with the issuers of the securities we hold in our clients' portfolios. Thanks to the trust our investment clients have placed in us, T. Rowe Price is a significant investor for many of the world's leading companies. This affords us, in most cases, access to company management teams and board members. We believe our responsibilities as diligent investors do not cease with the decision to purchase a security. We maintain regular dialogue with the managements of issuers represented across our portfolios. Where we find areas of concern, we make those concerns known to them.

DEFINING ENGAGEMENT

While we engage with companies in a variety of investment contexts, engagement within the scope of this policy is defined as interaction between T. Rowe Price and an issuer of corporate securities with the intent of learning about, influencing, or exchanging perspectives on the company's environmental practices, corporate governance, or social issues affecting the business.

GENERALLY, WE HAVE THREE POSSIBLE OBJECTIVES WHEN INITIATING ENGAGEMENT:

1. to obtain information from an issuer to assist us in making a voting decision;
2. to share our perspective with an issuer on a particular matter relating to corporate governance or sustainability; or
3. to accommodate an issuer's request to share information or perspective with us.

Note: This policy statement is focused on engagements where we enter into a dialogue with an issuer of corporate securities in which our clients have an investment. Corporate securities include equity instruments, high yield, and investment-grade debt.

ENGAGEMENT PHILOSOPHY

Engagement, proxy voting activities, and assessment of a broad range of investment considerations — including environmental, social, and governance (ESG) issues — are integrated into T. Rowe Price's investment processes. Based on our view that these issues are important investment considerations, our engagement program is driven by our investment professionals and usually focused on a matter material to the investment case. It 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. Our engagement approach is driven by 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 program 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 bondholders during the period before the instrument matures?

The central focus of our engagement program is at the company level. Generally, we do not identify broad themes and then engage with multiple companies on the same issue. Instead, we identify specific factors through our research that could be potential impediments to a security's performance. We may ask a company to make a specific change, or we may just seek to gain more information on an ESG issue to ensure our investment decisions are well informed.

We believe this company-specific approach results in the highest impact because it is aligned with our core investment approach: *active management rooted in fundamental investment analysis.*

ENGAGEMENT IN PRACTICE

Our engagement program 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.

ESG engagements can serve a variety of purposes:

- maintain a dialogue on ESG issues, which can serve to promote best practices, share our views on a specific ESG topic, and/or inform proxy voting decisions;
- gain a better understanding of ESG issues that could impact our investment thesis;
- request a specific change at a company.

Routine Engagement

We hold hundreds of short, direct conversations with companies over the course of each year, focused on issues that may fall outside the scope of our analysts' normal ongoing due diligence meetings with companies. In the U.S., most of these engagements are conducted via conference call and do not involve board members. Outside the U.S., in-person meetings that include directors are more common. Typically, the parties involved are the company's general counsel, investor relations officer, and subject matter experts. From our side, participants may include our industry analyst and our governance or sustainability specialists. The purpose of these conversations is usually for us to gather information about a specific aspect of the company's environmental, social, or governance profile. We find these exchanges add to our overall mosaic of information about the issuer.

Research-Oriented Engagement

As ESG factors are frequently material to our investment thesis, we commonly have engagements for the purpose improving our understanding of how a company is addressing ESG issues. In some cases, these meetings may focus on one specific ESG issue we have identified through our research, while in other cases these meetings may focus on a company's overall sustainability profile.

The primary objective of our research-oriented engagements is to inform our investment thesis; however, if a company does not appear to be adequately managing ESG issues, this may lead to an action-oriented engagement where we request that a company make changes to a specific practice.

ACTION-ORIENTED ENGAGEMENT

On occasion, a more intensive, in-depth exchange with a company management or board becomes necessary. The purpose of this type of engagement is to share our perspective about what we view as a significant impediment to our ability to meet our investment goals and to explore ways to work constructively with the issuer to address the concern. In our experience, such engagement is most effective when it is directly led by our fund managers and reflects their view that a serious concern is present but potentially may be ameliorated through cooperation between companies and their investors — either equity holders, fixed income investors, or both. These are the situations where we concentrate our investment of time and resources because we believe they have the highest probabilities of meaningful and successful outcomes for our clients.

Engagement for Contested Elections

In the event of a proxy voting contest, where there are more candidates for election than available board seats, we endeavor to meet with both parties in the contest. The specific purpose of these meetings is to enable us to make a fully informed voting decision.

Collaborative Engagement

Occasionally, we participate with other investors in industry-level initiatives aimed at improving disclosure or business practices on a market-wide level. To facilitate such opportunities for collaborative engagement, T. Rowe Price has joined or led various initiatives to bring investors together for purposes of advocacy or engagement. See the list below for our current memberships.

Organization	Description	T. Rowe Price Status
Asia Corporate Governance Association (ACGA)	Pan-Asian association for institutional investors	Member
Associação de Investidores no Mercado de Capitais (AMEC)	Association of minority investors in Brazil	Member
Council of Institutional Investors (CII)	U.S. association of institutional investors, corporate issuers, and asset managers	Associate Member
Investor CDP	Advocacy group for better disclosure of carbon emissions	Signatory
Investor Stewardship Group (ISG)	Investors advocating for core governance principles for U.S. market participants	Founding Member
Japan Stewardship Code	Public commitment to uphold stewardship principles	Signatory
Principles for Responsible Investment	Global initiative for responsible investment	Signatory
UK Investor Forum	Collaborative engagement association for investors in UK companies	Founding Member
UK Stewardship Code	Public commitment to uphold stewardship principles	Signatory

TRACKING ESG ENGAGEMENT

ESG engagement meetings are carried out by portfolio managers and analysts from our equity and fixed income teams as well as our ESG specialists. In order to ensure we are leveraging insights from these engagements across our investment platform, we publish notes on these meetings on our internal research platform. These notes are published alongside our other investment research.

ENGAGEMENT, PROXY VOTING, AND INVESTMENT DECISIONS

Because the assets of T. Rowe Price's clients are predominantly actively managed, we have the option to sell the security in most cases. When a company is exhibiting poor business practices around environmental, social, or governance issues, our first step is often to assess whether or not we believe our engagement efforts will be successful. If we do not believe engagement will yield a positive outcome, we may choose to underweight or sell the shares and/or bonds.

In the case of equity investments, we have an additional tool at our disposal — the proxy vote. We see proxy voting as a crucial link in the chain of stewardship responsibilities we execute on behalf of our clients. From our perspective, the vote represents both the privileges and the responsibilities that come with owning a company's equity instruments. We take our responsibility to vote our clients' shares in a thoughtful, investment-centered way very seriously — taking into account both high-level principles of corporate governance and company-specific circumstances. Our overarching objective is to cast votes in support of the path most likely to foster long-term, sustainable success for the company and its investors.

A proxy vote against management is in almost all cases an escalation of our engagement efforts. We use our proxy vote thoughtfully and carefully. *It is not our objective to use our vote to increase the level of conflict with the companies where our clients hold investments*.
Instead, our objective is to use our influence — through both engagement and proxy voting — to increase the probability that the company will outperform its peers, enabling our clients to achieve their investment goals. A proxy vote is an important shareholder right, but its power is limited to the one day per year when a company convenes its annual meeting. Influence — earned over time and applied thoughtfully — is a tool we use every day.

In an environment where large institutional shareholders are often rated by outside parties based on how frequently we vote against the board's recommendations, we think it is important to take into account that actively managed portfolios have the ability to:

- firstly, select holdings with fewer ESG issues;
- secondly, conduct engagements with a greater level of influence; and
- thirdly, sell holdings with ESG issues.

For these reasons, the voting track records of active and passive funds are not comparable.

PRIORITIZATION OF ENGAGEMENT

Given that T. Rowe Price offers predominantly actively managed portfolios, in most cases we have the option not to invest in a situation where we see an impediment to reaching our investment goals. As a result, we are careful and selective in entering into an action-oriented engagement. Before embarking on any such engagement, we consider the following questions:

- Are we significant shareholders or bondholders?
- Do we expect to remain long-term investors in the security?
- To the extent that there are multiple portfolio managers within T. Rowe Price who own the security, do they all agree on the nature and extent of the problem?
- Do we have both a concrete understanding of the problem and a constructive solution to offer?
- Do we believe this engagement can lead to the change necessary in order to improve the investment's risk/return profile?

MANAGING POTENTIAL CONFLICTS OF INTEREST

With regard to voting and engagement activities, T. Rowe Price has adopted safeguards to ensure that these activities are not influenced by interests other than those of our advisory clients.

Generally speaking, the ownership structure of our company serves to eliminate certain categories of potential conflicts of interest with regard to our stewardship activities. T. Rowe Price Group, Inc., the parent company of our regional wholly owned investment advisers, is a publicly traded issuer, listed on the NASDAQ exchange in the United States.
Our primary line of business is providing investment advisory services to clients, supported by certain ancillary services such as brokerage.

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 and have made our firm one of the strongest in the industry. Without preoccupation regarding stability and viability, we are enabled 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 had a different ownership structure.

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- Do we expect to remain long-term investors in the security?
- To the extent that there are multiple portfolio managers within T. Rowe Price who own the security, do they all agree on the nature and extent of the problem?
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FREQUENTLY ASKED QUESTIONS

Q: Does T. Rowe Price publish the results of its engagements with companies?

A: Periodically, we publish high-level engagement statistics in our ESG Annual Report and our annual UNPRI assessment, which we make publicly available. Additionally, we periodically publish case studies illustrating the facts and outcomes of select engagements without disclosing the names of the companies. Because our engagement priorities are so tightly connected to our investment views on a company, it's important that we conduct our company-level engagement activities privately in most cases.

Q: Under what circumstances does T. Rowe Price participate in engagement initiated by a company?

A: Generally, we are interested in engaging on ESG matters with any issuers in our clients' portfolios who wish to initiate such a dialogue. Due to capacity constraints, we are usually only able to speak with companies in which we hold a sizable stake in one or more actively managed, fundamentally oriented portfolios. We would define a stake as sizable when we are among the company's top 50 shareholders. We are not generally available to engage with companies where we do not hold a significant position in the security.

Q: How should issuers contact T. Rowe Price if they are interested in engagement?

A: Issuers may request meetings by emailing Engagement@TRowePrice.com. It is helpful if the company provides:

- a clear, specific request (*"We are requesting a conference call" is preferred over "We are checking in to see if you would like to provide any feedback"*);
- a general description of the topics the company's management would like to discuss;
- the desired time frame and nature of the meeting (conference call or in person); and
- contact details for the person in charge of arranging the meeting.

When requests are received through the Engagement@TRowePrice.com mailbox, an administrator will determine whether they should be directed to our Corporate Governance group, Responsible Investment group, or both. Then, a member of the appropriate group will respond to arrange the meeting.

Note: Issuers should not feel obligated to initiate engagement with T. Rowe Price if they do not find it useful or if there are no particular areas of concern at the present time. There is no expectation on our part that outreach should be conducted on a particular frequency, such as annually. Communication with the managements of the companies in our clients' portfolios is a core component of our process as active managers; additional engagement on ESG matters is not necessary in every case.

Q: Who should attend an engagement meeting from the issuer side? Who participates from the T. Rowe Price side?

A: For routine engagement, it is generally best to have the appropriate members of management (general counsel, chief human resources officer, investor relations officer, corporate secretary, head of sustainability) on the call, speaking with the T. Rowe Price specialist in governance or sustainability, or both, as appropriate. The agenda for the meeting should dictate the list of participants.

On occasion, T. Rowe Price may seek to initiate a higher-level discussion with a company when we believe there is an issue of governance or sustainability that has not been sufficiently addressed by management and may impede our ability to achieve our investment objectives. These discussions generally begin at the management level, but afterward we may request a meeting with one or more members of the Board of Directors. For these meetings, the optimal set of participants includes members of company management, directors, our corporate governance/sustainability specialist, our industry analyst, and the portfolio managers who hold the security in their clients' portfolios.

Q: What types of materials and preparation are useful in an engagement context?

A: It is not necessary to send materials in advance of a call, but we find summary presentations to be particularly useful as we build and maintain a history of the dialogue between each issuer and T. Rowe Price. Useful summary presentations generally contain:

- an overview of the company's performance highlights for the past year;
- a high-level description of the management incentive plan;
- a table describing the board members and their particular skills and experience;
- a description of any environmental or social key performance indicators the company considers material; and
- a list of key company contacts.

Issuers may also wish to review the **T. Rowe Price Proxy Voting** and **Responsible Investment** guidelines in advance of a call. The guidelines are located here: www.troweprice.com/esgpolicy

From our side of the table, we endeavor to prepare for each engagement call by reviewing the company's most recent proxy filing, voting results from the most recent shareholder meeting, recent internal analyst reports, the corporate sustainability report, and company news. In our experience, engagement meetings are more productive when each participant has the proper context ahead of time.

Q: Can engagement meetings be arranged by proxy solicitors or other third-party advisors?

A: Third parties may email Engagement@TRowePrice.com to schedule meetings on behalf of their clients. Please keep the following guidance in mind:

- Third-party advisors and proxy solicitors are not permitted to join T. Rowe Price engagement calls without our express permission in advance of the meeting.
- All participants on an engagement call should introduce themselves at the beginning of the call. It is unacceptable to listen in on the call without announcing your presence.
- Proxy solicitors should not use the email address above for purposes other than arranging meetings.
- Proxy solicitors should not contact T. Rowe Price investment analysts or portfolio managers directly under any circumstances.

ESG Annual Report

T. Rowe Price®

SUSTAINABLE INVESTING

Environmental, Social, and Governance

ESG

2019 Report

INVEST WITH CONFIDENCE®

Issued
April 2020

CONTENTS

Our mission is to help our clients reach their long-term financial goals. Consistent with that objective, we have an obligation to understand the long-term sustainability of the companies in which we invest. Which is why environmental, social, and governance factors are key considerations in our investment approach.

Visit our website or contact T. Rowe Price for our complete range of ESG resources including insights, white papers, voting records, and engagement and responsible investing policies.

troweprice.com/ESG

FOREWORD

ROB SHARPS
Head of Investments and
Group Chief Investment Officer

When we decided to bolster our in-house environmental, social, and governance (ESG) capabilities in 2017 with the addition of a responsible investing team, our objective was to build a research function that would help our investors gain better insights on the securities in which they invest. It would enhance the deep insights we were already generating on the governance side. The value that a proactive and systematic ESG integration process brings is to help investors more clearly identify long-term trends and how companies or other issuers are positioned against them. It also helps us identify companies that are generating profits at the expense of other stakeholders–a business strategy that will rarely be successful over the long term.

At T. Rowe Price, we have a history of building "value added" capabilities into our investment research platform—this has included a data insights team, quantitative tools, and an analyst dedicated to policy and regulatory research. Extending the research platform beyond traditional security analysis is not new to us, but environmental and social analysis brings a unique set of challenges. Specifically, it comes with an underdeveloped dataset–which is partly quantitative, partly qualitative, and not uniformly reported–and has a tendency to get confused with ethically based investment philosophies.

The dataset challenge is a formidable one. In order to overcome it, we have invested heavily to build our proprietary Responsible Investing Indicator Model (RIIM). In building RIIM, we have created a better filter of the environmental and social datasets that are oriented to fact-based indicators and material to that particular investment. All the data is readily accessible to portfolio managers and analysts on their desktops.

I wanted to emphasize the issue of environmental and social data, in particular, in this year's letter as we have found heightened ESG interest is impacting our interactions with our clients, the companies in which we invest, and regulators. On the client side, we see more clients wanting to add some level of "ESG" to their portfolios—be it ESG integration or reflecting specific values in their portfolios.

What you will see from us on product construction is continued incorporation of ESG factors across our suite of products—simply using environmental, social, and governance factors to make better investment decisions. Also, we plan to launch more products aimed at clients who want to express values goals in their portfolios. In the first quarter of 2020, we launched a new sustainable range of products for European clients, which excludes certain types of investments (namely adult entertainment, assault-style weapons, coal producers, controversial weapons, tobacco producers, and companies with conduct-based issues).

We intend to launch more ESG-oriented products in the coming years—you can expect our incorporation of environmental and social datasets in the portfolio construction process to be thoughtful and implemented in a robust way.

Our discussions with companies and regulators have mainly focused on corporate disclosure. We have found that many of our investee companies are looking for guidance on ESG reporting—so many that we established a seminar for investor relations professionals on the topic. We think all market participants can benefit from the implementation of more globally consistent and standardized environmental and social disclosure.

Over the past several years, we believe we have built a world-class ESG program through investment in people and technology. This ESG Annual Report is intended to give you a flavor of the work we have done over the past year to implement our program across integration, engagement, and proxy voting activities.

RESPONSIBLE INVESTING

PROGRESS OVERVIEW

MARIA ELENA DREW
Director of Research,
Responsible Investing

Maria Elena Drew

2019 was another exciting year for ESG at T. Rowe Price. The responsible investing team has continued to grow in size, and we now have dedicated ESG staff represented in each of our major regions—Baltimore, London, and Hong Kong. We have continued to focus on building ESG data tools that allow our analysts and portfolio managers to more easily understand their investment universe from an environmental, social, and ethical perspective.

One big advancement made in 2019 was creating an interface to our Responsible Investing Indicator Model (RIIM) on our investment professionals' desktops. This interface allows them to access the RIIM profile for a universe of approximately 14,000 securities and dig into each of the underlying data points, so they can see what is driving a company's score on supply chain, employee treatment, business ethics, or other factors. By being able to easily access the underlying data points feeding our RIIM analysis, our analysts can quickly understand if that company has any ESG-related controversies, ESG-related targets and programs, and/or reports relevant ESG data. In some cases, our analysts can "self-service" from the RIIM tool, while in other cases they may ask the responsible investing team for more analysis.

Another way that we utilize RIIM is for portfolio analysis. In 2019, we were able to automate RIIM portfolio analysis, making the process more efficient to analyze how our equity and credit portfolios compare with their benchmarks.

Another big advancement made in 2019 was the creation of a RIIM tool for sovereign issuers. The sovereign RIIM tool was built by the responsible investing team with consultation from our sovereign analysts and portfolio managers. Analysis of social and governance factors has always been a core part of any analysis of a sovereign issuer, so the RIIM tool gives our investors a new lens to evaluate these "S" and "G" factors. However, the inclusion of the environment pillar is new and is the first time we have systematically embedded environmental factors into our sovereign analysis (environmental factors had been considered qualitatively before, but more on a case-by-case basis).

As I write this letter, I am working from home practicing social distancing, and it is hard to ignore the coronavirus pandemic and the impact it is having on markets. There are many ESG-related investment themes that emanate from the pandemic, but the one dominating many of our discussions with companies is treatment of employees during this turbulent and uncertain time. As our equity and fixed income analysts adjust their financial models, target prices, and investment thesis on individual securities, they do have a significant advantage—thinking about how companies treat their employees is not new to them. Our RIIM analysis has a category devoted to employee treatment. The data points captured in this category will vary by the subindustry of that company, but includes items like employee turnover, training, health and safety certifications, and controversies/incidents.

Looking ahead, we expect to continue to deepen our ESG research capabilities across T. Rowe Price's investment research platform. Using technology to make ESG data more accessible and user-friendly for our investment professionals will remain a priority. Also, we will continue to work to improve ESG transparency for our clients.

T. Rowe Price ESG Integration Journey

2007	2008	2010	2012	2013
Governance Donna Anderson hired to head governance expertise	**Corporate Responsibility** Corporate responsibility policy established	**PRI** T. Rowe Price becomes signatory to the Principles for Responsible Investment	**CSR Report** First Corporate Social Responsibility Report issued	**"E" and "S" Research** Sustainalytics appointed as specialized ESG research provider

As we reflect on our firm's ESG highlights from 2019, global markets are in the midst of extreme uncertainty related to the coronavirus pandemic. It is too early to draw conclusions about the long-term effect this virus will have on companies and economies, but what is clear at this stage is that the culture and values of corporate issuers around the world are being tested like never before. Companies' previous statements about their management of human capital, health and safety, community involvement, and the overall importance of stakeholders to their businesses will be assessed in a whole new context by investors and other stakeholders, and we predict these topics will quickly become central to the engagement that takes place between investors and corporations.

Looking back at 2019, our governance and stewardship function continued to build on a solid foundation established over many years. Our firm continued to invest heavily in our responsible investment and governance teams, adding experienced associates and strengthening our technology resources. These investments enable us to extend, deepen, and systematize our research on ESG issues across the T. Rowe Price investment platform.

With these investments in personnel and technology, we were able to increase the quality and quantity of engagement meetings we conducted with the companies in our clients' portfolios. This report details the nature of those engagements, and how they span across public and private companies. The notes and materials from our ESG-centered conversations with companies are published in our firm's collection of proprietary research, which is shared across our entire investment division and contains fundamental, quantitative, and ESG analysis. Sharing these notes across our research platform has served to enhance our overall understanding of the key risks and attributes of our investments, as we analyze them through multiple lenses.

In 2019 our governance program was also focused on advocacy. In key markets around the world, we are concerned about a weakening of important shareholder rights and investor protections. Through both direct advocacy and participation in governance-oriented investor associations, we have worked to persuade regulators that stronger disclosure requirements and basic investor protections are essential if we are to maintain the fair, liquid, and resilient capital markets upon which investors depend.

As a recovery takes shape following the peak of the coronavirus crisis, we will be focused on the many governance-related ramifications of this period. In our view, these issues are likely to include:

- compensation (for executives and employees),
- the effects of the crisis on stakeholders,
- the effectiveness of "virtual" shareholder meetings,
- government relations and lobbying,
- share buybacks,
- operational resilience, and
- postcrisis regulatory reform.

While the virus-related upheaval adds a new dimension to our governance efforts, we are confident that we have the resources and processes in place to address these issues in 2020.

PROGRESS OVERVIEW

DONNA F. ANDERSON
Head of Corporate Governance

Donna F. Anderson

2014

Sustainalytics
Sustainalytics ESG ratings are embedded in company notes templates

2015

ESG Sovereigns
Sovereign team embeds World Bank governance indicators in its investment process

2017

Responsible Investing
Maria Elena Drew hired as Director of Research to establish in-house responsible investing expertise (environmental and social)

2018

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

2019

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

2020

Launch of Socially Responsible Products
T. Rowe Price launches its first sustainable products in Europe

ESG Reporting
T. Rowe Price plans to implement portfolio level ESG reporting for applicable products in select markets

Investing With ESG Insights

ESG analysis is one of the many building blocks that make up our investment research platform. We have invested heavily in people and systems to develop a comprehensive, systematic, and proactive process for evaluating environmental, social, and ethical factors across corporate investments.

Our ESG philosophy is based on the following principles:

INTEGRATION

Environmental, social, and governance analysis is integrated into our fundamental investment process. ESG factors are considered in tandem with traditional criteria such as financial, valuation, macroeconomic, industry-related, and other factors as part of investment decision-making. Our analysts and portfolio managers have responsibility for integrating ESG factors into investment decisions.

COLLABORATION

Our analysts and portfolio managers are supported by specialist ESG teams that have created proprietary tools to identify ESG factors that may impact an investment case, provide written research on ESG topics (both investment specific and thematic), and provide subject matter expertise on specific issues.

MATERIALITY

Our investment approach focuses on the ESG factors deemed to be more likely to have a material impact on the performance of investments in our clients' portfolios. This approach helps to focus on the ESG issues most relevant to a specific business model.

ESG Specialist Teams

In the past year we have expanded the number of ESG-dedicated investment personnel from seven to eleven. Our in-house ESG resources comprise **responsible investing (RI)**, which covers environmental and social factors, **governance**, and **regulatory research**. Together, these teams help our investors identify, analyze, and integrate the ESG factors most likely to have a material impact on an investment's long-term performance.

Our dedicated RI team conducts analysis on the environmental and social profiles of individual securities and portfolios. The team also assist with company engagement. Our RI resources have been in place since 2017. Prior to developing our own in-house research, our analysts and portfolio managers were able to leverage ESG research from Sustainalytics, which had been embedded in our research management systems since 2014.

T. Rowe Price has had dedicated governance resources since 2007. The team assesses governance issues among existing and potential investments and provides insights for analysts and portfolio managers. It assists with company engagement, facilitates proxy voting, and participates on leading governance initiatives in the asset management industry.

A Three-Stage Process for Proactive, Systematic ESG Integration

	1 Identification	2 Analysis	3 Integration
	Proprietary research tools signal securities with ESG issues	ESG specialists apply further analysis to securities flagged by our ESG tools	ESG analysis delivered to investment analysts and portfolio managers
Responsible Investing	**Responsible Investing Indicator Model**	Securities **flagged by RIIM** are subject to further analysis, including engagement and proxy voting recommendations	**Analysts and portfolio managers incorporate ESG factors into:** • Investment thesis • Security ratings • Price targets • Engagements • Position sizing • Proxy voting decisions
Governance	**Customized Proxy Voting Guidelines**	Securities **divergent from proxy guidelines** are subject to further analysis, including engagement and proxy voting recommendations	

Data and insights from integration feed back into identification and analysis stages.

Responsible Investing Indicator Model

Our proprietary Responsible Investing Indicator Model (RIIM) is one of many components that contribute to our deep, fundamental investment research. It builds an environmental, social, and ethical profile of corporate entities and an environmental, social, and governance profile of sovereign entities largely using non-financial data and incident history—data not traditionally used in mainstream investing.

RIIM systematically and proactively assesses the responsible investing profiles of more than 14,000 corporate and sovereign entities, globally. It processes data from T. Rowe Price systems, company reports, non-governmental organizations (NGOs), and select third-party vendors.

RIIM Analysis–Individual Company Level

RIIM builds a distinct responsible investing (RI) profile of each corporate entity, flagging any elevated RI risks or positive RI characteristics. Analysts and portfolio managers have desktop access to each company's RI profile. As illustrated in the diagram below, a rating of red, orange or green highlights the extent of a security's environmental, social, and ethical risks or positive characteristics.

By measuring companies' RI profiles in this way, they can more easily be used as building blocks for an investment thesis for each security we research—alongside financial, economic, and industry-related insights.

RIIM INDICATOR

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

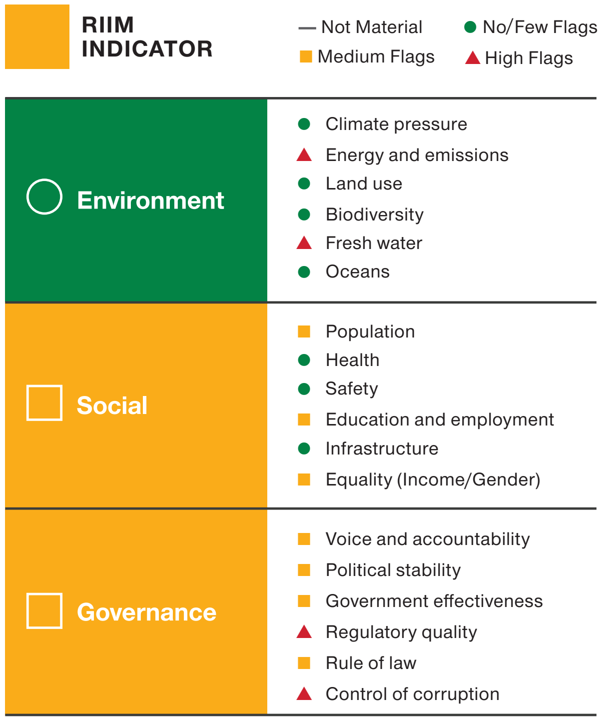
○ **Environment**	■ **Operations**	● Supply chain (environment) ▲ Raw materials ■ Energy and emissions ▲ Land use ■ Water use ● Waste ● General operations
	● **End Product**	▲ Product sustainability ● Products and services environmental incidents
○ **Social**	● **Human Capital**	▲ Supply chain (social)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

▲ **Data and privacy incidents**

RIIM Analysis–Sovereign Debt Issuer Level

A second RIIM module is designed to build ESG risk profiles of sovereign debt issuers. In addition to a range of environmental and social factors, the model quantitatively assesses governance factors such as political stability, government effectiveness, regulation and corruption.

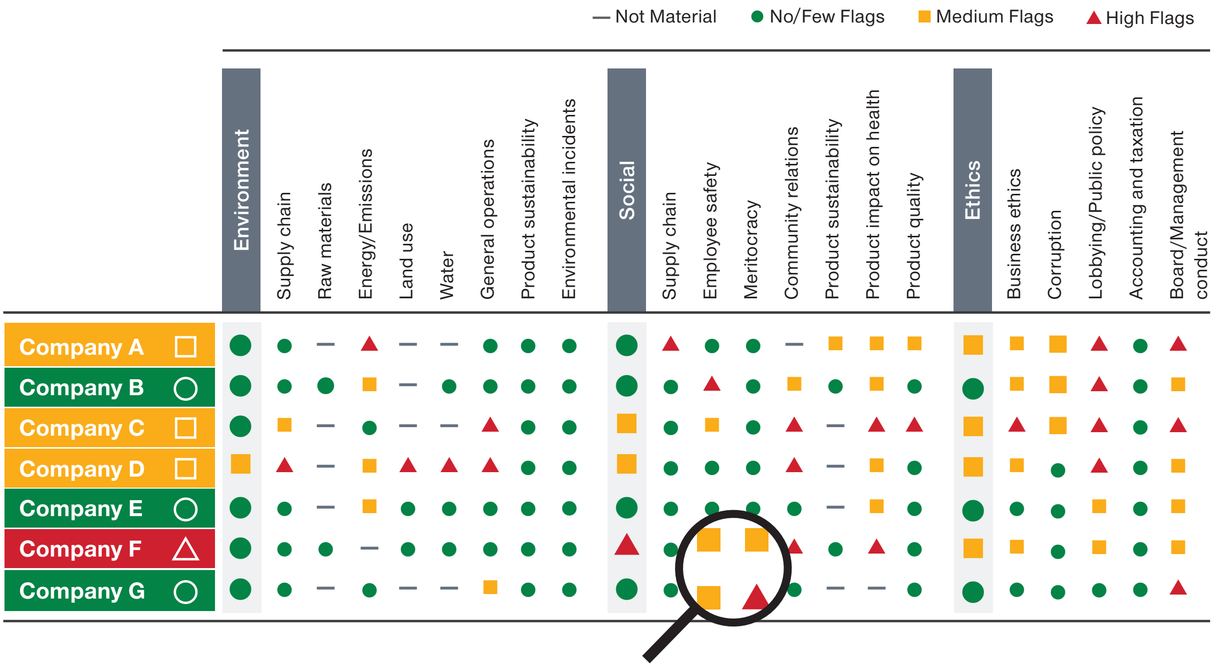
Portfolio managers integrate this ESG risk analysis into their assessment of the underlying financial qualities of the sovereign debt.



RIIM Analysis–Portfolio Level

RIIM also allows our portfolio managers to understand if there are concentrated environmental, social or ethical factor risks in an overall portfolio. Portfolio-level ESG analysis and scoring is available for both equity and fixed income portfolios. The responsible investing team conducts regular reviews with portfolio managers to discuss areas of concentrated risk, or positive themes identified during the portfolio screening process.

An illustration of the RIIM output at a portfolio level is provided below. RIIM indicators for each holding in the portfolio and across a range of ESG factors help to pinpoint specific themes and potential risks.



RIIM portfolio analysis allows for comparison of the portfolio vs benchmark for overall RIIM ratings and at the individual factor level. The analysis highlights both positive themes and areas of concentrated risk.

Aligning to Global ESG Frameworks

United Nations Sustainable Development Goals

The UN Sustainable Development Goals (SDGs) are a blueprint for a more sustainable world. Countries signing up to the SDGs are expected to establish a national framework for achieving each of the 17 goals.

While the SDGs are a tool for countries to implement sustainability regulations, they are commonly adapted as a framework for ESG measurement of corporate entities. The goals are represented across the range of factors we measure within RIIM.

Companies are likely to face greater scrutiny in relation to the sustainability objectives of the UN SDGs over time. This could include greater regulatory burdens, taxation, litigation, and/or consumer dissatisfaction. Conversely, companies that provide solutions are likely to have much more sustainable business models. Consequently, it makes sense to ensure these factors are captured and measured within our RIIM calculations.

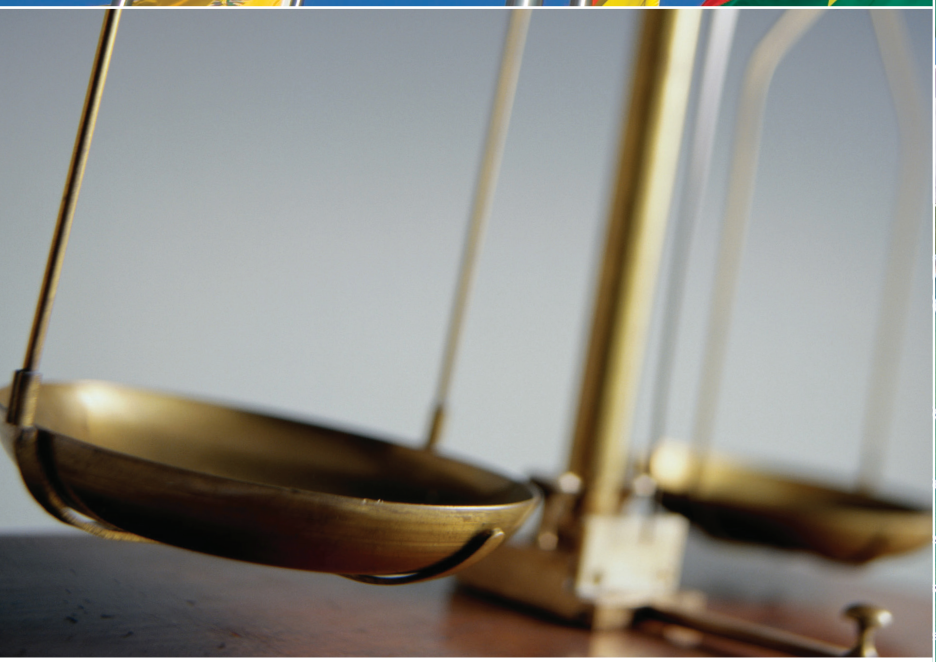
United Nations Global Compact (UNGC)

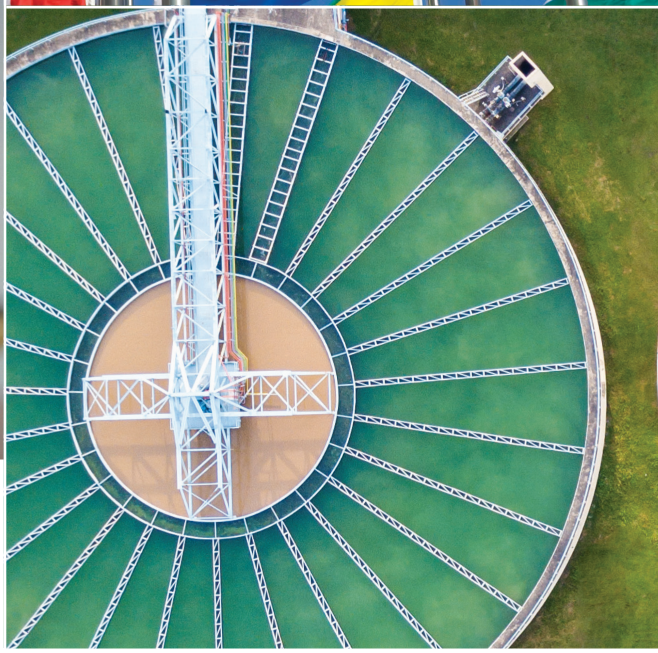
Established in 1999, the UNGC has 10 principles, built around human rights, labor standards, the environment, and anticorruption. In addition to capturing whether companies are signatories to the UNGC, RIIM measures UNGC values at multiple levels:

- Human Rights and Labor Standards: Management of human capital is assessed through supply chain analysis for human rights violations, as well as an evaluation of employee treatment that looks at labor-related incidents, accident rates, and other factors.
- Environment: This is assessed via energy use and emissions, water and waste outputs and targets, sustainable sourcing of raw materials, and end-product sustainability and impact on the environment.
- Anticorruption: Programs in place and the company track records are evaluated within the RIIM ethics analysis.

Reporting Frameworks

A frequent question we receive from our investee companies is how and what they should report when it comes to environmental and social data. We recommend that companies follow a simple principle: Consider which environmental and social factors are material to your business and report them alongside financial data. We also recommend providing comparable historical data. As for specific frameworks, we recommend using the **Sustainability Accounting Standards Board (SASB)** and **Task Force on Climate-Related Financial Disclosure (TCFD)**.





ESG INTEGRATION IN ACTION

JOHNNY ROWLES
Health Care Sector Equity Analyst

"Bayer's goal is to integrate sustainability into its core business strategy."

BAYER AG

ESG Engagement Underpinned Investment Thesis

In 2019, an engagement program with Bayer AG (Bayer) helped to provide one of our global health care analysts, Johnny Rowles, with confidence that the company was actively addressing certain key risks, including ESG-related concerns.

Description

Bayer is a German conglomerate composed of four key divisions: Pharmaceuticals, Crop Science, Consumer Health, and Animal Health.

Investment Case

- Bayer had been generating a healthy free cash flow yield and was allocating capital efficiently.
- Litigation risk relating to claims its Roundup herbicide causes cancer, prompted blanket selling from worried investors.
- Our engagements on ESG topics such as board oversight, product sustainability, lobbying practices, and ESG accountability, helped us gain confidence that the company was working to resolve these issues (many of which had been inherited from the acquisition of Monsanto). In early 2020, Bayer unveiled a new sustainability strategy, which included a clear accountability structure for ESG and a commitment to redevelop its pesticide products to meet more sustainable standards.

ESG in Depth

- Bayer recently announced a comprehensive set of sustainability measures and new commitments from 2020 onward, including expanding global access to consumer health and pharmaceutical products, and achieving carbon neutrality in its operations by 2030.
- Bayer's CEO was appointed Chief Sustainability Officer, assuming responsibility for sustainability issues in a move that strengthens ESG accountability. The company has also announced plans to hire an independent sustainability council to support target setting and ensure it stays ahead of sustainability trends.
- Bayer announced improved guidelines and oversight of practices it had used to influence public opinion and regulators on its products. The move involved terminating many of the public relations and lobbying activities that had been conducted by Monsanto.

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Improving Business Environment and Quality of Governance Set Georgia Apart From Peers

Peter Botoucharov, sovereign fixed income analyst, explains how Georgia is leading its emerging market ("EM") peers on governance quality.

PETER BOTOUCHAROV
Sovereign Fixed Income Analyst

Description

Situated at the intersection of Europe and Asia, Georgia gained independence from the Soviet Union in 1991. In 2003, the so-called 'Rose Revolution' saw the country undergo a peaceful, pro-Western, change of power. Georgia issued its first Eurobond in 2008, and its foreign currency debt is rated Ba2 by Moody's Investors Service, as of January 31, 2020.[1]

Investment Case

- Georgia has been supported by robust fundamentals.
- From a valuation standpoint, Georgia's U.S. dollar bonds are attractive relative to peers.
- Georgia has shown significant improvement in governance standards over the past two decades. Today, the country boasts a strong track record of prudent macroeconomic policies, structural reforms, and an improving business environment.

ESG in Depth

- Among EM peers, Georgia is a leading light in terms of improving rule of law and quality of business environment. The 2003 Rose Revolution was the catalyst for the start of a far-reaching reform agenda. One of the first areas tackled by the new government was corruption, adopting a zero-tolerance approach that continues to this day.
- Nearly two decades later Georgia continues to make progress. In the 2018 Worldwide Governance Indicators from the World Bank, Georgia achieved its highest-ever ranking for regulatory quality, ahead of most of its EM peers and narrowing the gap with developed countries.
- Georgia's improving rule of law and business environment is similarly reflected in the fact that Georgia is also ranked 7th of 190 countries on the World Bank's ease of doing business index. Our analysts have monitored Georgia's progress throughout, conducting numerous research trips to see, first hand, the impact of reforms on the country's governance and business environment.

"Among EM peers, Georgia is a leading light in terms of improving rule of law and quality of business environment."

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AIA GROUP

ESG INTEGRATION IN ACTION

ZENON VOYIATZIS
Insurance Sector Equity Analyst

"As a leading company and major investor in the Southeast Asia region, sustainability is integral to AIA's long-term business strategy."

A Strong Focus on Responsible Investment Reduces Potential Exposure to Downside Risks

Insurance sector equity analyst, Zenon Voyiatzis, explains how a positive ESG assessment for pan Asian insurance provider, AIA Group (AIA), was a key input into his investment analysis.

Description

AIA is a life insurer operating across Southeast Asia. Spun out of U.S. insurance giant AIG in 2010, AIA is one of the preeminent financial brands in Asia today. AIA derives half of its premiums from Hong Kong, Thailand, and Singapore, and is growing rapidly in China, Malaysia, and Indonesia.

Investment Case

- AIA has an un-replicable footprint across Southeast Asia, a structurally growing market. The company benefits from strong management with a track record of successful execution.
- Investors continue to underestimate the durability and resilience of AIA's growth, in our view.
- AIA's strong focus on responsible investing, in the portfolio of businesses in which it invests, provides further support for our investment analysis.

ESG in Depth

- AIA incorporates ESG factors, such as water scarcity, climate change, environmental regulations, and labor issues, across all asset classes in which it invests, thereby reducing exposure to potential downside risks in its portfolio.
- AIA is active in addressing sustainability challenges in many of its markets, often working alongside or supporting community initiatives.
- RI team analysis confirmed AIA's robust environmental management program, with a particular emphasis on climate change factors.

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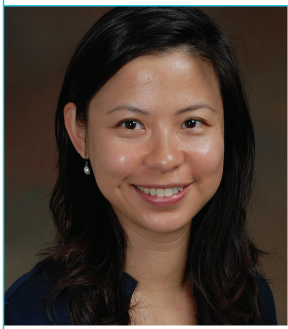
Industry-Leading Environmental Management Is a Key Factor in Our Investment Analysis

Technology sector equity analyst, Alison Yip, explains how Taiwan Semiconductor Manufacturing Company's ("TSMC") focus on ESG-related issues was a key factor in our investment analysis.



ALISON YIP
Technology Sector Equity Analyst

Description

TSMC is one of the world's largest pure-play semiconductor foundries producing custom-built chips for a broad global customer base. TSMC's advanced chip technology is utilized in a range of applications, from smartphones and high-performance PCs, to automotive electronics, medical devices, and fighter jets.

Investment Case

- TSMC is a global leader in leading-edge chip production, providing good pricing power.
- The company is well placed to capture growing market share as more companies outsource chip production as a 'non-primary' business function.
- TSMC's robust management of ESG issues was a factor in our investment analysis. As a large-scale foundry, TSMC has a distinct environmental footprint; however, this is carefully managed by a structured environmental strategy.

ESG in Depth

- TSMC does not have a history of notable ESG-related incidents. Its "green" environmental management strategy promotes mutual prosperity between its business and the environment by implementing improvement projects that focus on carbon reduction, energy conservation, pollution control, water management, and waste reduction.
- For semiconductor manufacturers, exposure to conflict materials can be a key risk. TSMC only purchases raw materials from smelters certified "conflict-free" by the Responsible Minerals Assurance Process—the highest level of industry compliance.
- TSMC also has a strong track record of employee treatment/safety, with no notable reported employee incidents and good disclosure on company diversity.

"TSMC is an industry leader in its approach to environmental management, setting clear performance targets and providing regular disclosure."

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ESG INTEGRATION IN ACTION

ARCHIBALD CIGANER
Portfolio Manager,
Japan Equities

In Japan, Improved Governance Is Being Driven From the Top

Japan Equities Portfolio Manager, Archibald Ciganer, discusses how improving ESG standards are a key feature of broader changes in Japan's corporate landscape

How do you think of ESG factors within your investment process?

Global investors in Japan predominantly use passive and exchange-traded fund approaches. These investors are compelled to hold all the stocks in the index. As active investors, our capacity to be selective means we can choose companies that score strongly on ESG measures and avoid those that don't. For example, we can actively single out progressive companies with strong or improving ESG standards. ESG factors are therefore a key input into our company analysis, with research from our dedicated responsible investing and governance teams fully integrated into our investment process.

As a market, Japan is also defined by dynamic change and disruption. We believe that successful investing in this market demands an investment process that actively seeks to identify sustainable companies positioned on the right side of change. As an active, locally based manager, this puts us in a strong position to identify potential opportunities.

How important are ESG factors in Japan?

Historically, Japanese companies and investors have paid little attention to ESG considerations. However, governance improvements have been a notable feature of the country's now widely lauded "Abenomics" reforms over the past decade, with Japanese companies required to meet higher regulatory standards and practices.

Improving ESG standards and practices are being advanced by a combination of government directives, as well as demands from large local pension funds, and the expectations of foreign investors. These have driven regulatory advances, including new Corporate Governance and Stewardship Codes.

What are the ESG trends to watch in Japan?

The implementation of new Corporate Governance and Stewardship Codes represents important regulatory advances. One of the areas of focus under the regulations is the promotion of greater diversity at the board level. The so-called "womenomics" policy introduced by Prime Minister Abe in 2013 was designed specifically to encourage more women into the workforce. While disclosure remains an issue, our analysis shows that female board representation, while still relatively low, is improving. Also, the variance between the most, and least, progressive companies is considerable.

This presents opportunities for us to actively discern between companies that understand the long-term value in fostering business diversity, and those that do not. Here, we draw heavily upon the dedicated research of our responsible investing team. This allows us to move our focus beyond whether or not a company has a woman on its board, to also focus on gender diversity at the executive committee, management, and employee levels, as well as any employee controversies the company has experienced. Numerous academic studies indicate that company diversity is correlated to improved business performance.

"With new corporate governance and stewardship codes in place, Japanese companies are rapidly embracing higher ESG standards."

Within High Yield Credit, ESG Standards Can Be a Real Differentiator

European High Yield Portfolio Manager, Mike Della Vedova, explains how ESG factors are incorporated into his research process, serving as an important input into his decision-making.

ESG INTEGRATION IN ACTION

MIKE DELLA VEDOVA
Portfolio Manager,
European High Yield Credit

How do you think of ESG factors within your investment process?

Bottom-up research is at the heart of our approach, so to a certain extent, we have always incorporated ESG factors into our investment process. The area of governance is particularly important to sub-investment-grade companies as they tend to be younger with less of a track record. They often have higher debt ratios and more complex capital structures than investment-grade companies. That's why in-depth, integrated research is so important because it is vital to understand when ESG issues could have a material impact on our investment case.

Our analysts consider a range of ESG factors, including supply chain sourcing, health and safety records, and accounting standards. Additionally, they collaborate closely with our dedicated ESG specialists, to ensure all material factors are considered as part of our decision-making. This dual approach really helps us to identify ESG risks, as well as gauge the potential impact of these on the company in the future. Ultimately, we are looking for long-term, improving stories, so if there is a trend of positive ESG progression, this is usually a good sign.

How important are ESG factors within Europe?

ESG has been growing in importance for some time in Europe, and not just from an investor perspective. Authorities are taking significant steps, particularly with regard to the environment. The European Commission, for example, recently unveiled its "Green Deal for Europe" setting out a range of environmental initiatives and targets aimed at making Europe the first carbon-neutral continent by 2050.

Other significant developments include the new head of the European Central Bank, Christine Lagarde, stating that tackling climate change is a "mission critical" priority for the bank, and will form part of the strategic review into its monetary policy toolkit. There are also government-led efforts across Europe aimed at improving diversity on company boards. All these developments underline how important ESG has become in the region, and they are having a trickle-down effect on companies.

What are the ESG trends to watch in high yield credit?

When it comes to ESG considerations, high yield credit starts from a lower base than other major asset classes. That is because high yield companies are typically younger with shorter track records and less reporting history than investment-grade companies. This usually leaves more space for improvement and active engagement. It is also important to remember that a higher proportion of high yield companies are owned by private-equity firms. These typically have fewer reporting and disclosure requirements than their publicly listed counterparts. Nevertheless, we are seeing a greater awareness of ESG among high yield companies. The trend is certainly on an improving trajectory, even if the pace might be a little slower than other sectors, such as investment grade.

What is an example of ESG factors directly influencing your investment decision?

A good example of this is in relation to a North America-based pharmaceutical company that develops and manufactures a range of pharmaceutical and medical device products. In 2018, with a new management team in place, the company underwent a name change, underlining a shift in its business strategy.

Under the former CEO, the company pursued an aggressive growth strategy, favoring buying established drug firms over investing in its own research and development. In 2015, however, serious concerns were raised about the company's social and governance standards, including its practice of buying established drugs and significantly raising the prices. Close ties with a specialty online pharmacy company, where executives were convicted of large-scale fraud, also damaged the company's reputation with investors, causing its share price to fall sharply.

To address and move on from these controversies, the company made sweeping changes, including bringing in a new CEO and CFO. A number of businesses were sold as the company prioritized reducing its large debt burden, pricing practices were changed, and the company began to focus on its own research and development once more. These changes, and our meetings with the new management team, gave us confidence that governance standards are clearly on an improving trend. A marked improvement in overall transparency seemed to confirm this positive trend, adding to our conviction in the company.

Climate Change—Rising Risks Not Yet Factored in by Markets

FOCUS THEMES

MARIA ELENA DREW
Director of Research,
Responsible Investing

Limited impact on near-term cash flows is masking longer-term vulnerability

In 2019, we saw a dramatic increase in concern over climate change, which was reflected in its prominence as an investment issue. Despite all this attention however, climate change has only had a significant impact on the valuations of select sectors—specifically those facing extremely elevated transition risk, such as fossil fuel producers. We believe valuation dislocations have been limited to a narrow universe of companies because climate change has not been particularly impactful to near-term cash flows for the broader market.

This is not to say that companies are not vulnerable to climate change today, but more that they are not yet directly feeling the impact. In many instances, insurance is covering physical risks. Meanwhile governments have not started to regulate or tax companies for greenhouse gas (GHG) emissions, deforestation, or other catalysts of climate change. We believe that valuations will eventually start to factor in climate change risks, and opportunities, affecting virtually our entire investment universe (albeit to varying degrees).

The Science Behind Climate Change

For the world to have a chance of at least minimizing the impact of climate change, it is necessary to keep global temperatures to within +1.5°C from preindustrial levels. To experience less severe impacts from climate change, global temperatures need to stay within +2.0°C. The United Nation's Intergovernmental Panel on Climate Change (IPCC) Special Report on Climate Change found that keeping the global temperature rise to 1.5°C would require a 45% reduction in net emissions by 2030 and net zero emissions by 2050. Keeping to +2.0°C would require a 25% reduction in emissions by 2030 and net zero by 2070.

Required Reduction in Net Emissions

Global Temperature Rise Target	Reduction Needed in Net Emissions by 2030	Year to Achieve Net Zero Emissions
+1.5°C scenario	45%	2050
+2.0°C scenario	25%	2070

The generally accepted estimate is that human activities created 1,900 $GtCO_2$ of cumulative GHG emissions since the preindustrial period and caused a +1.0°C rise in global temperature as of 2017[2]. Given that GHGs absorb heat and release it gradually over time (like bricks in a fireplace after the fire goes out), we know that past emissions have yet to be fully reflected in global temperatures. The IPCC estimates that past emissions will likely result in a less than +0.5°C increase in global mean standard temperature (GMST) over the next 20–30 years (i.e. if all GHG emissions had stopped in 2018, we would likely experience less than +1.5°C from preindustrial levels).

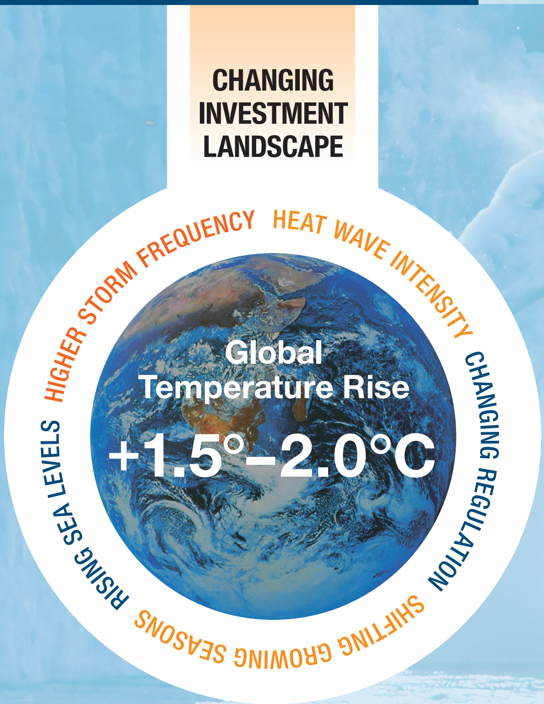
Of course, the world did not stop emitting GHGs in 2018 and it is not reasonable to expect net zero carbon emissions in the short term, so the science indicates that keeping the GMST rise to less than +1.5°C will be extremely challenging, if not impossible.

Viewing Our Investments Through a 1.5°C and 2.0°C Lens

In our view, the probability that our investments will need to be capable of adapting to either a +1.5°C or +2.0°C scenario, is high. Even keeping global warming within these parameters means there will be climate change impacts that will affect the investment landscape, such as rising sea levels, increased storm frequency, hotter and more frequent heat waves, and shifts in growing seasons. Potentially even more material to many investment cases is how the regulatory landscape would evolve to meet a +1.5°C or +2.0°C scenario.

In its 2019 Global Warming of 1.5°C report, the IPCC aggregates the various scientific climate models that keep global warming within a +1.5°C pathway. Taking the midpoint of these models implies a massive re-engineering of the world's energy infrastructure, including significant energy efficiency gains as well as transitioning away from fossil fuels and into renewables between now and 2050. In a 1.5°C pathway, some fossil fuels can remain so long as they can be absorbed by forests, other vegetation and soils or through man-made carbon capture, but the amount of primary energy generated from fossil fuels is still greatly reduced. (If the world was reliant on only the existing stock of natural carbon sinks, carbon emissions would have to fall by more than two-thirds to reach net zero.)

	Examples of Sectors Facing Primary Impact (Revenue)	Examples of Sectors Facing Secondary Impact (Supply Chain, Operational and Capital Expenditure)
ENERGY EFFICIENCY	Industrials, Technology	Apparel and Textiles, Manufacturing and Construction, Transportation, Real Estate, Other Industry and Large Energy Consumers
DECARBONIZATION	Energy, Utilities	
NON-CARBON GHG REDUCTION	Natural Gas and Pipelines, Agriculture, Waste Management	Food and Beverage, Food Retailers
IMPROVED LAND USE	Food & Beverage, Forestry and Paper Products and Other Packaging, Agricultural Chemicals	Apparel and Textiles, Food Retailers, Packaging



Material Climate Change Factors Across Sectors

Climate Change in Our Investment Analysis

How our investee companies are assessing their exposure to climate change and are building environmental sustainability into their long-term strategic planning are key concerns for our analysts and portfolio managers. We believe that almost the entire investment universe will feel some impacts of climate change—through revenues, sourcing, or their cost structure—and companies that can create economic value with a low or zero carbon footprint will be better positioned than their peers in a world of rising environmental regulation. The graphic on the previous page illustrates some examples of where we believe climate change factors are most material across equity and fixed income credit markets.

When we evaluate climate change factors in our investment thesis, we believe that fundamental analysis coupled with our Responsible Investing Indicator Model (RIIM) analysis is a real strength. RIIM can help our analysts compare how one potential investment stacks up versus another on a range of climate-related issues. In addition, applying RIIM portfolio analysis can help a portfolio manager quantify the amount of risk he or she is taking on climate-related issues across the whole portfolio and compared with its benchmark.

In addition to our RIIM analysis, the responsible investing team works closely with our sector analysts in evaluating climate change factors. Work done by the responsible investing team can range from company-specific analysis, such as assessing environmental ratings on real estate companies, to more thematic work like creating a carbon tool. This tool allows our analysts to input their own gross domestic product (GDP), energy efficiency, de/re-forestation and other forecasts, to understand how certain assumptions compare to a +1.5°C and +2.0°C pathway.

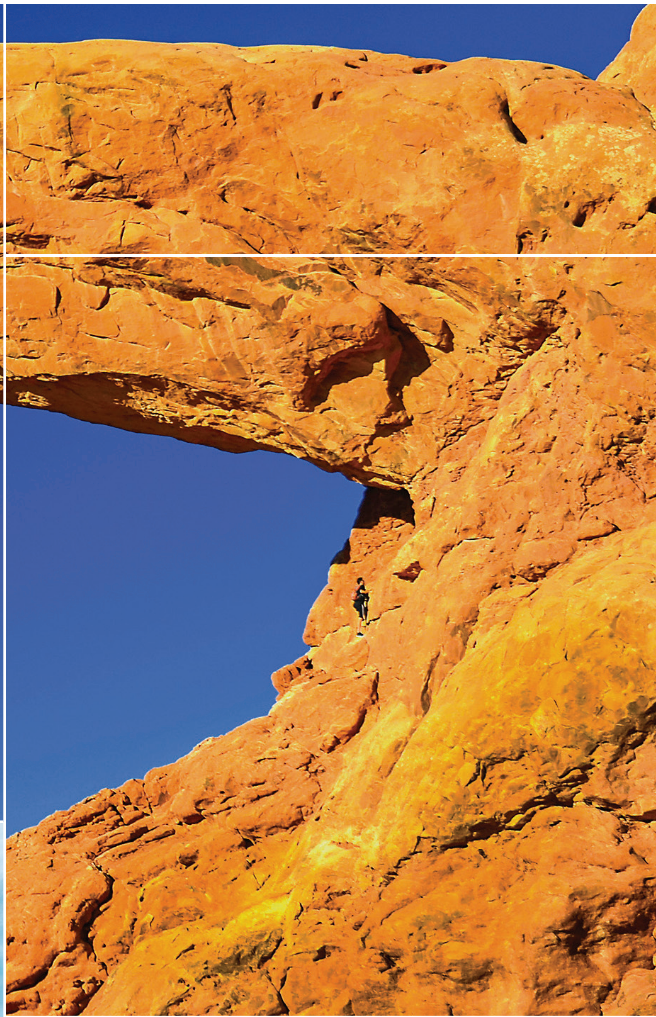
The Gap Between Science, Policy and Corporate Reporting

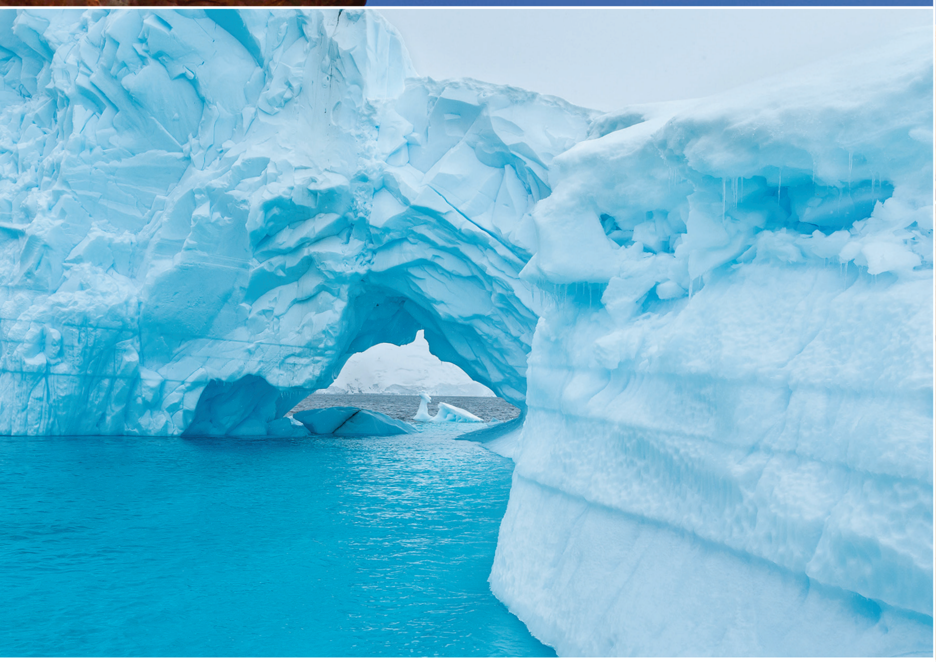
As pointed out in last year's ESG annual report, there is a profound disparity between science and policy regarding climate change. While climate change increased its societal mind share in 2019, we have seen varying levels of commitment from governments on combating rising temperatures. On the global stage, nations were unable to come to an agreement at the UN Climate Change Conference COP 25 summit held in Madrid, Spain. However, on a regional and national level, there has been action to push policy closer to science. Perhaps the most notable is the proposed EU Green Deal, which contains a series of proposed legislation aimed at moving the European Union to net zero greenhouse gas emissions by 2050.

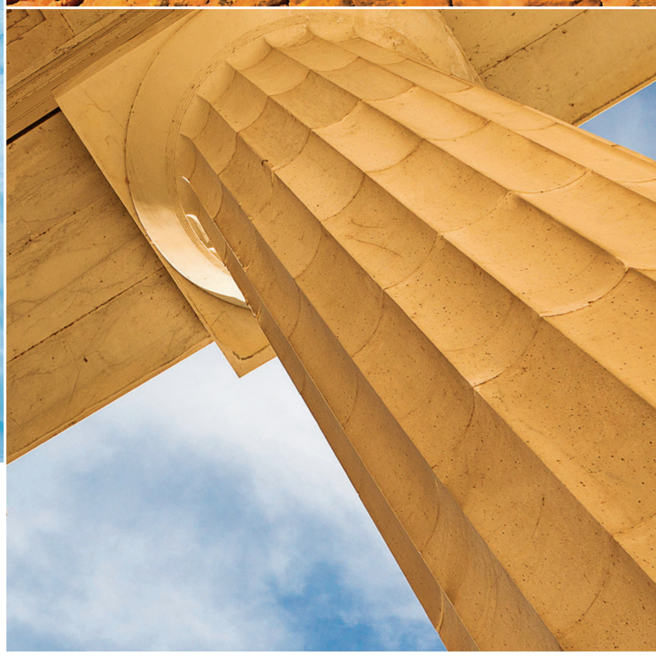
Various climate change-oriented regulatory measures that have been passed are aimed at financial markets. While we have seen a steady upward trend in clients raising their ESG and climate change due diligence over the past years, this phenomenon has obviously accelerated in countries with passed or pending regulations. While moving policy in the direction of science is a positive, the fact that regulation on financial markets has moved faster than that on corporations creates a problem with the quality of ESG reporting we can provide to our clients. For example, if we take the most widely reported environmental metrics—total GHG emissions and carbon emissions—we find that disclosure levels are low across most benchmarks.

We can compensate to some degree for low disclosure levels by using estimated carbon emissions (provided by third parties), but it still doesn't allow for full coverage of benchmarks and portfolios in many cases. Additionally, we note that estimating carbon emissions for a company is a very difficult task—so accuracy is a concern. We think estimated datasets are very useful as an indicator of a portfolio's carbon footprint, but we caution clients about making decisions based solely on this quantitative dataset. As companies start to report these data more consistently (and in a standardized format), we will likely see notable adjustments.

"When we evaluate climate change factors in our investment analysis, we believe that fundamental analysis coupled with our Responsible Investing Indicator Model (RIIM) analysis is a real strength."







The Social and Economic Impact of Rising Income Inequality

FOCUS THEMES

ROY ADKINS
Sovereign Analyst

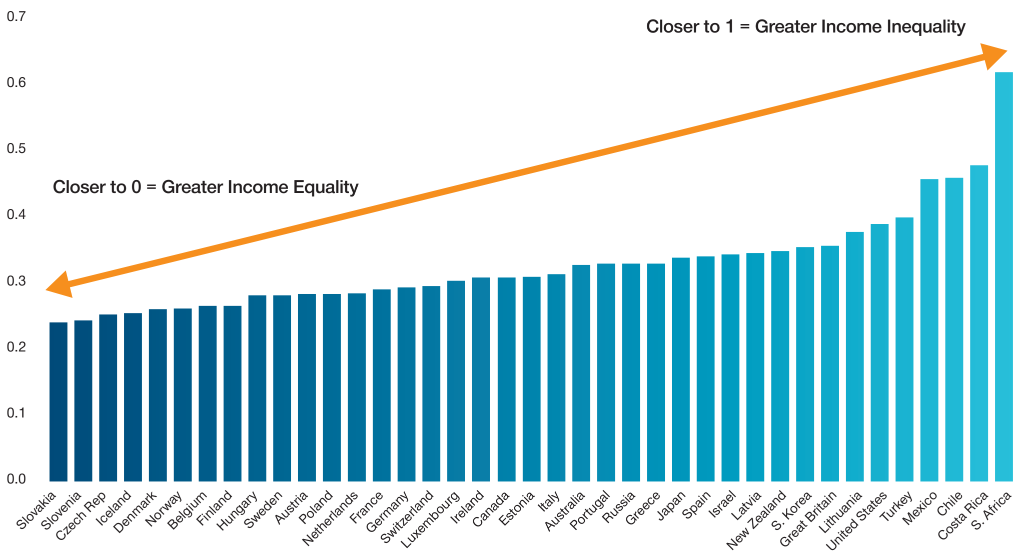
Income inequality is driving changes in global demand for goods and services

Income inequality is one of the defining socioeconomic issues of our time. Although levels of inequality vary considerably across the globe, the Gini coefficient, which measures income distribution and inequality, suggests that, globally, the average person has lived in a country where income disparities are widening. If this continues, it will likely lead to increased indebtedness, steeper yield curves, inflation, higher corporate taxes, and tighter trade restrictions. It will also create sectoral opportunities as consumption patterns change and the demand for cheaper goods and services grows.

There are several drivers of widening income inequality. One is that the redistributive effect of taxes and transfers has decreased as rules for claiming benefits have been tightened and tax rates on the richest 1% have fallen. Another is that many industries are becoming more concentrated, consolidating economic power within a smaller number of firms.

Changes in labor markets, including the automation of low-skilled jobs, and the rise of part-time and short-term work, have also helped to drive income inequality. In advanced economies, this has been further entrenched by the outsourcing of manufacturing to countries where wages are lower.

The Gini Coefficient—Measuring National Income Inequality



Source: OECD Income Inequality Indicator model. As of December 31 2019.
The Gini coefficient is a measure of income inequality that condenses overall income distribution for a country into a single number between 0 and 1: the higher the number, the greater the degree of income inequality. 2019 data used or latest available.
South Africa has the highest net Gini score, and the U.S. the highest for an advanced economy.

Wage Disparities Fuel Populism

Income inequality has significant implications for investors. It hurts growth: the International Monetary Fund finds that making the rich richer by one percentage point lowers a country's GDP growth over the next five years by 0.08 percentage points, whereas making the poor and middle class richer by one percentage point can raise GDP growth by 0.38 percentage points. Income inequality also creates inequality of opportunity by denying people on lower incomes the opportunity to invest in their health and education.

Disparities in income give rise to struggles over government resources. This creates political volatility, which, in turn, can fuel the rise of populist causes and deepen social divisions. Support for closed economies has grown among blue collar workers in developed countries who feel—with some justification—that they have not benefited from globalization, while the independence of central banks is under threat as the investment-friendly environment they have sought to create has not benefited everyone.

Political volatility typically leads to higher public spending as both right- and left-wing populists demand greater social mobility and equality. This typically results in greater indebtedness, steeper yield curves, and more accommodative monetary policies, raising inflation expectations. Inequality has led to hostility to trade, with the result that multinational corporations are likely to face increased regulation and more stringent taxation.

Changing Consumption Will Create Sectoral Opportunities

Increasing income inequality is likely to negatively impact luxury goods manufacturers, but will create opportunities in other areas. If the potential for social mobility and employment opportunities becomes more limited, for example, we believe the demand for affordable leisure will increase, leading to innovations in the tourism and leisure industry. At the same time, the high cost of accommodation in growing urban areas will provide opportunities for companies providing solutions.

As learning will be the most likely path to higher earnings for most low-income people, we believe there will be a huge market for companies providing high-quality but affordable education, such as the Curro independent school network in South Africa. Similarly, innovative health care providers will likely find major opportunities arising.

In emerging market countries, increasing numbers of people are seeking access to financial services, creating opportunities for companies that use technology to help low-income customers better manage their finances. Tinkoff Bank in Russia and the Kenyan mobile-based money transfer company M-Pesa are early examples of this.

How Income Inequality Influences Our Investment Decisions

At T. Rowe Price, our in-house ESG specialists support our sovereign investment teams through all stages of the investment process. To achieve this, we have developed a Responsible Investing Indicator Model, through which we identify, analyze and integrate the ESG factors most likely to have a material impact on the long-term performance of a sovereign bond. Income inequality is a key consideration in the "social" component of ESG, and, therefore, has a strong influence on our sovereign debt investment decisions.

Further policy changes will occur as governments continue to respond to demands for wider access to affordable services and better protection for workers. As corporations respond to these changes, sector-based opportunities will continue to arise. We will continue to monitor income inequality around the world and incorporate it into our analysis in striving to maximize investment performance for our clients.

Governance—Public Versus Private Company Engagement

As a significant investor in private companies, we often receive questions from our clients about how our investing approach differs for privately held companies, versus those that are publicly owned. To answer this, it is necessary to understand the evolving life cycle of a private company, and the stewardship responsibilities that we undertake once we have invested.

FOCUS THEMES

DONNA ANDERSON
Head of Corporate Governance

"T. Rowe Price does not apply different standards to private and public companies. We do not consent to any practices at private companies that we would not approve at public companies."

Why Does T. Rowe Price Invest in Private Companies?

When considering private company investments, our aim is to identify innovative businesses that can compound wealth as they transition from fledgling to durable growth companies. An allocation to early-stage, dynamic, private companies offers the potential for above-average returns compared with public company investors. Investing in private companies also offers other potential benefits, such as providing insights into potential industry disrupters, as well as the opportunity to assess companies before they go public.

However, investing in private companies that may still be years from going public is always challenging. These securities are more illiquid and carry greater risk than investments in more established, public companies with longer track records.

Company Monitoring and Maintenance: A Deeper Dive

When T. Rowe Price invests in a private company, our responsibilities as investors are, in many respects, very similar to any publicly traded investment. Our analysts closely monitor the company's progress against expectations, meet with key personnel, and receive periodic updates from management about how the business is performing and how effectively the strategy is being implemented. In other respects, however, ownership of a private investment involves a different level of responsibility for investors, particularly in relation to corporate governance.

Private Investment Stewardship

Diligent and attentive stewardship of our clients' capital is a pillar of our investment philosophy and process. This applies to all asset classes and to both public and private investments. There are some unique aspects of private company investments, however, that require a slightly different approach with regard to our stewardship activity and oversight.

The composition of a private company's board is a good example of a governance issue that evolves as the company moves from the private capital markets toward a public listing. During the company's early stages, its board tends to be made up of a small number of its own executives, venture capital investors, and other key business partners. This is an appropriate composition while the company is still primarily focused on operational matters: building scale, growing market share, research, and development.

However, as the company moves closer to a public listing, and its investor base expands, the board has a fiduciary duty to a much larger group of stakeholders and so must dedicate the necessary level of attention and oversight. This shift requires independent director representation on the board, free of any transactional or familial ties to the company, and ideally with previous experience leading companies through similar early growth phases.

For public companies, we believe it is important to have a majority of independent directors on the board. However, for newly public companies, we think it is reasonable to achieve this independence standard within two years after the initial public offering (IPO).

Proxy Voting for Private Companies

Private companies do not hold annual general meetings of shareholders, nor do they offer proxy voting. Instead, these companies use a mechanism called written consent to seek shareholder approval of corporate matters, such as director elections and equity compensation plans.

Under written consent, the company selectively notifies investors, asking them to approve the item or items in question. These items do not have to be shared with all stockholders, nor is any advance notification required. Companies can simply ask for the consent of certain investors, one by one, until they achieve the 50% needed for approval. The remaining stockholders are then informed of the event after the fact.

This process is very different from a public company shareholder meeting, which requires advance notice be provided to all stockholders, publicly, and weeks ahead of the meeting date. All stockholders are informed at the same time of the items up for vote, and all have the chance to express their view.

Written consent clearly reduces the complexity and costs of holding a shareholder meeting, which is important for private companies that need to receive stockholder approval in a quick and efficient manner. However, this also reduces transparency for those investors whose consent is not sought by the company.

Often, our clients observe that private companies owned in T. Rowe Price portfolios proceed to IPO with unusual or onerous corporate governance provisions. These might include dual-class stock structures with superior voting rights for founders, allowing them to maintain control of the company. Or it might relate to unusual compensation packages where large IPO bonuses are embedded within. Understandably, our clients question us about why we support such provisions for private companies but vote against them for public companies.

It is important to make clear that T. Rowe Price does not apply different standards to private and public companies. We do not consent to any practices at private companies that we would not approve at public companies.

Unfortunately, our ability to effect change at private companies is limited by the written consent mechanism, given that they can easily obtain the consent needed from other investors or company insiders.

Evolution of Governance

For certain governance structures we see as problematic, we feel it is important to register our concerns with management of private companies in our portfolios and their outside advisers. We do this by declining to consent to such structures and discussing our concerns directly with company management.

However, a far more common scenario is that T. Rowe Price serves as an informal advisor to private companies on matters of corporate governance, capital allocation, investor relations, and business strategy. For example, we might provide guidance on the need for a company's governance to evolve over time. The governance provisions, takeover defenses, and board structures of a company in its first year after its IPO are likely to be very different from its needs after 5 or 10 years.

A Potential Turning Point

Looking ahead, 2020 could prove to be a meaningful turning point in the private company ecosystem. During a prolonged period of plentiful capital flowing into private, emerging-growth, companies from both venture capital funds and traditional public investors like T. Rowe Price, the founders of these companies have had their pick of potential funding sources. The enormous demand for promising growth investments caused power to shift away from the providers of capital and toward company founders. Accordingly, it has been difficult for investors to negotiate protective provisions or shareholder rights that safeguard their interests because company founders had a long line of other capital providers to choose from.

However, there are signs that this power imbalance has started to shift. In just the past few quarters, there have been some important developments involving major investors and capital providers demanding more stringent requirements from companies seeking capital funding. Heightened market volatility, more recently, has only accelerated this trend, as companies scramble to secure funding.

If our prediction is correct, we should see a healthier and more balanced dynamic emerge in the market for private, growth-oriented, companies.

Engagement Program Overview

At T. Rowe Price, we are fortunate to manage US$1.2 trillion[3] of assets for our clients, in predominantly actively managed portfolios. 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.

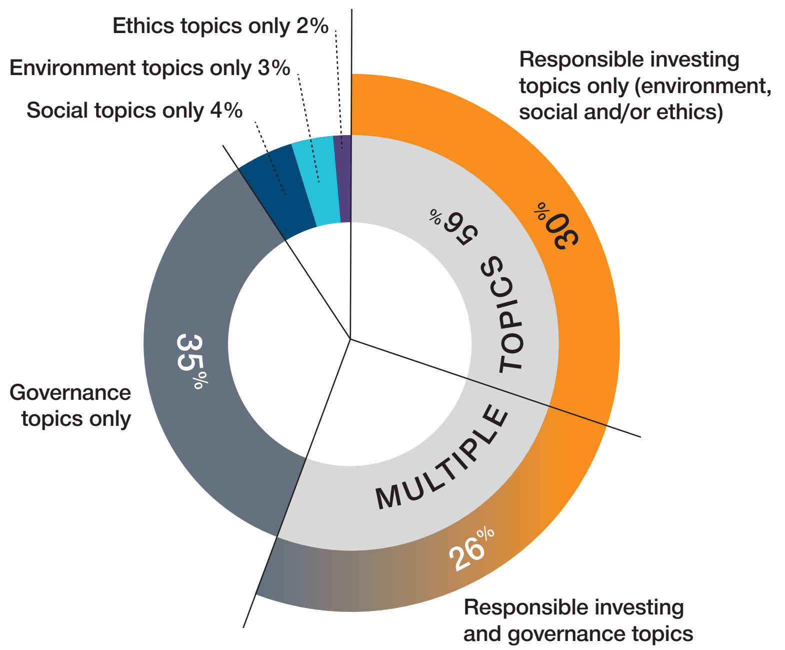
Our principal focus on actively managed portfolios also affords us real influence. In most cases, if we see an impediment to reaching our investment goals, such as a company's poor business practices or disclosure, we have the option not to invest. This contrasts with managers of passive portfolios,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

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

While we engage with companies in a variety of investment contexts, ESG engagement focuses on learning about, influencing, or exchanging perspectives on the environmental practices, corporate governance, or social issues affecting their businesses.

Through the course of 2019, we held over 11,000 meetings with the managements of existing and prospective investments. Of those 11,000+ meetings, we classify 656 as ESG engagements as they contained a notable discussion on ESG issues.

2019 Engagements by Category



Top 5 Engagement Topics

ENVIRONMENT

1. Environmental disclosure
2. Product sustainability
3. Greenhouse gas emissions
4. Responsible investing
5. Environmental management

SOCIAL

1. Social disclosure
2. Employee safety and treatment
3. Proxy voting social
4. Diversity
5. Society and community relations

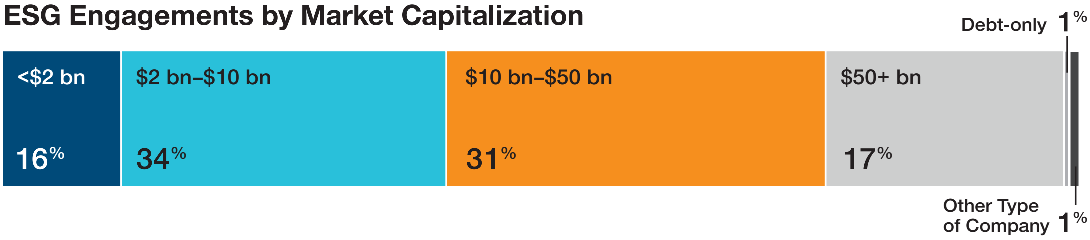
ETHICS

1. Bribery and corruption
2. Lobbying activities
3. Proxy voting ethics
4. Regulatory changes
5. Compliance programs

GOVERNANCE

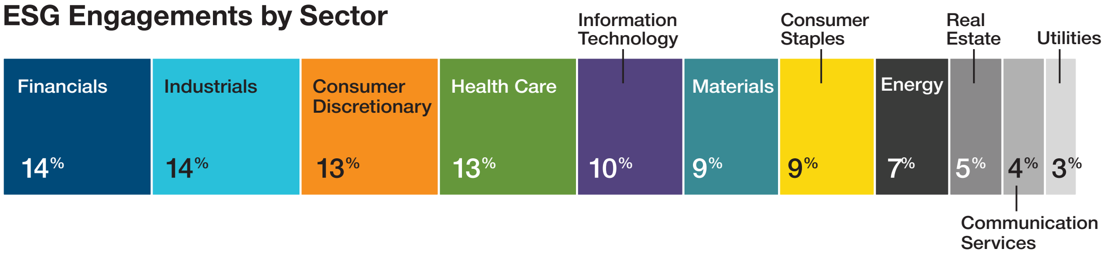
1. Executive compensation
2. Board composition
3. Governance structure
4. Shareholder rights
5. Succession

ESG Engagements by Market Capitalization



ESG Engagements by Region

ESG Engagements by Sector



Improving Disclosure on Environmental Issues

Climate change-related disclosure has recently been in the spotlight. Many clients are seeking greater transparency about the climate impact of companies in their investment portfolio. Understanding how their asset manager seeks and influences disclosures on these matters is increasingly important.

We believe that climate change is a critical investment issue—it is a global challenge that will touch virtually our entire investment universe. The potential impact on company performance and financial markets is still only in its very early stages. Regulations to mitigate climate change remain limited, but we expect they will broaden and intensify in the coming years. These new regulations have the potential to impact corporate performance and profits, spanning sectors and geographies. As a result, we see corporate disclosure of environmental data as an essential factor in our ability to measure how a company is placed to respond to changing regulations and, as such, how attractive it will be as an investment.

Over the past several years, disclosure of environmental data has been rising. However, in most cases, comprehensive environmental disclosure is not available. At T. Rowe Price, we've been active in using our scale and influence to drive change. In fact, ESG disclosure was our #1 engagement topic of 2019, with environmental disclosure a feature of 38% of our ESG engagements.

Our engagement activities have sought to nurture steady improvements in ESG disclosure. Our aim in these engagements is to help companies understand how they should report environmental data (as there is no uniformly adopted standard), how we use ESG data in our investment analysis and decision-making, and how our clients use ESG data to evaluate their aggregated portfolios.

Given the extent of our disclosure-related ESG engagements, in 2019 we also established a dedicated ESG education seminar for investor relations professionals. We held our first of these seminars in December and plan to hold several more through 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

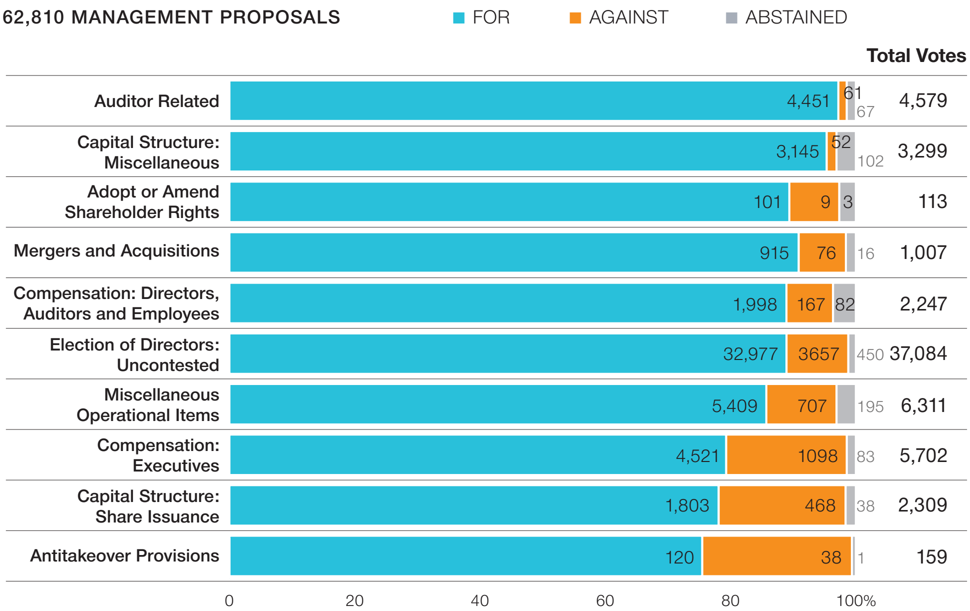
Our proxy voting program serves as one element of our overall relationship with corporate issuers. We use our voting power in a way that complements the other aspects of our relationship with these companies, including engagement, investment diligence, and investment decision-making.

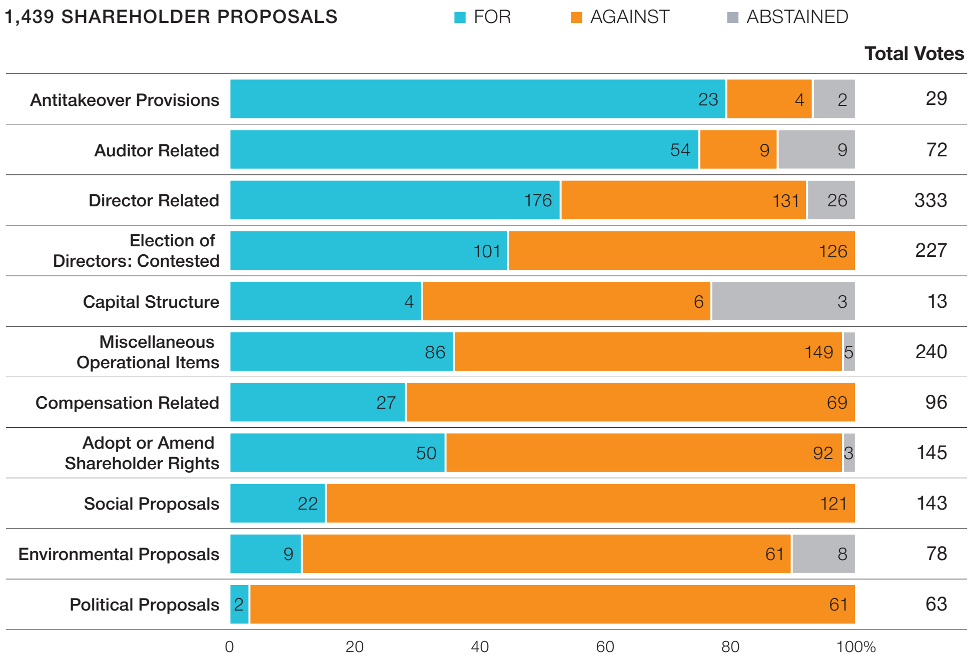
2019 Highlights

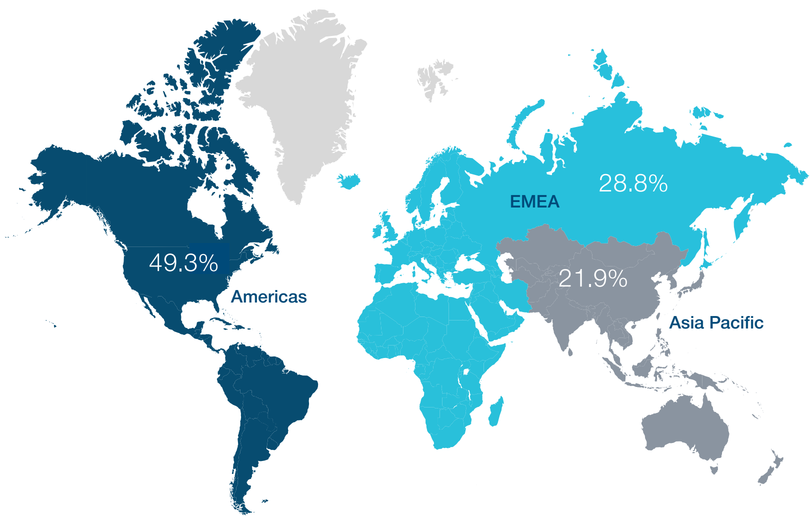
The following charts illustrate T. Rowe Price's global proxy voting activity for 2019. We voted on 64,249 proposals globally at 6,350 meetings, representing 99.2% of all meetings held.

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.

62,810 MANAGEMENT PROPOSALS







Proxy Voting Geographies

82 Countries Across 3 Regions

Percentage Voted FOR—Regional Breakdown

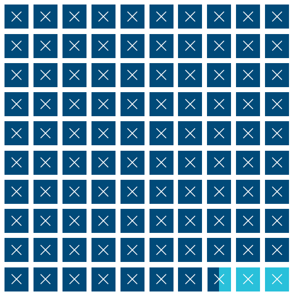
Management Proposals	**Americas**	**EMEA**	**Asia Pacific**
Election of Directors: Uncontested	88%	86%	93%
Miscellaneous Operational Items	66%	87%	94%
Compensation: Executives	81%	74%	85%
Auditor Related	99%	92%	97%
Capital Structure: Share Issuance	49%	88%	69%
Compensation: Directors, Auditors, and Employees	90%	87%	91%
Shareholder Proposals			
Director Related	51%	44%	63%
Adopt or Amend Shareholder Rights	34%	50%	N/A
Miscellaneous Operational Items	32%	8%	65%
Social Proposals	23%	20%	0%
Environmental Proposals	12%	14%	7%
Political Proposals	3%	0%	N/A

As of December 31, 2019

Shareholder Proposals in the Spotlight

In just a few markets around the world, shareholders of a corporation are afforded the right to present items to be voted upon at the annual general meeting. These resolutions are subject to varying degrees of regulation and qualification. In some markets such as Japan, North America, and the Nordic region, filing requirements are minimal. As a result, it is common to see many resolutions submitted by individual investors in these markets. In other markets, where sponsors are required to have large, long-term holdings to be eligible to submit proposals, shareholder resolutions are relatively uncommon.

In 2019, there were 1,439 shareholder proposals relating to companies within our portfolios. Excluding shareholder-nominated directors and auditors, there were 738 shareholder resolutions seeking a vote on ESG matters: 375 addressed governance issues, 330 addressed environmental and social concerns, and 33 were withdrawn right before the meeting.



Management Proposals
62,810

Shareholder Proposals
1,439

701 Directors and Auditors
375 Governance
330 Environmental and Social
33 Not Presented

Although the 330 environmental and social items represented just one-half of 1% of all proposals we voted on, understandably, we see keen interest in our approach to voting on such resolutions, given mounting investor concern in this area.

T. Rowe Price does not have a standing voting policy on any matters of a social or environmental nature; each voting decision is reviewed by our portfolio managers on a case-by-case basis. Shareholder proposals are nonbinding votes that are nearly always opposed by the company's management and typically find little support. As a result, on issues like disclosure-focused shareholder resolutions, which represented the majority of the 330 environmental and social proposals we voted in 2019, we consider whether alternative or more practical opportunities may be available to yield the disclosures desired. For example:

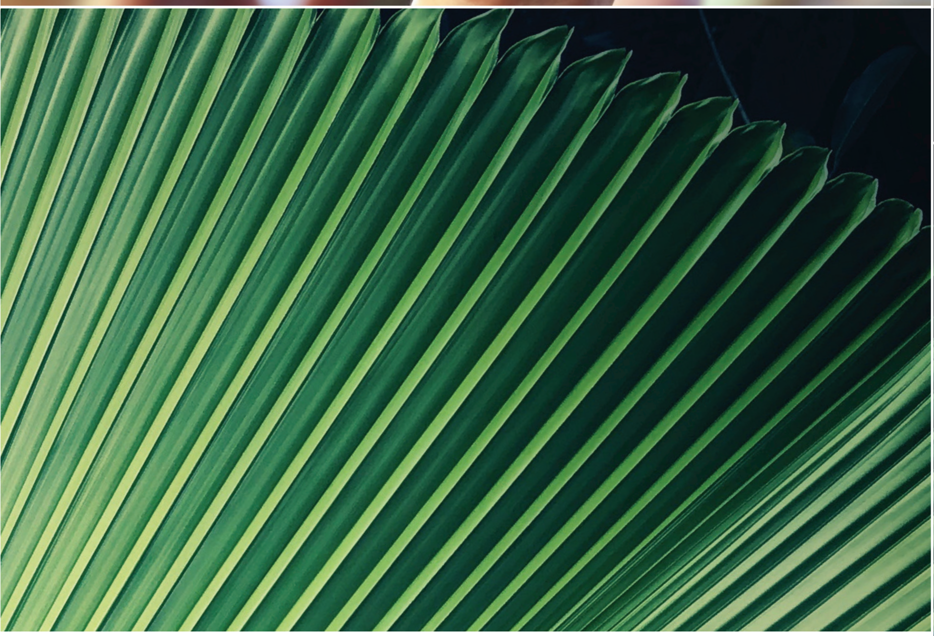
Recognized Lack of Disclosure: There are instances when we find a company has not disclosed the information necessary to assess its environmental impact, emissions, or practices. However, many companies in this situation also accept their responsibility to be more transparent. When a company has given us assurances that it will publish ESG data within a short time frame, we are unlikely to support shareholder proposals asking for disclosure.

Poorly Targeted Disclosure Requests: We may disagree with the proponent of a shareholder proposal that additional disclosure is needed. For example, when a small or mid-size company receives a request to produce a comprehensive sustainability report, we assess whether this would be the best use of the company's limited resources. We may instead recommend that it disclose the data that are most material to its business model. Additionally, we advocate making ESG disclosure that is aligned with the Sustainability Accounting Standards Board (SASB) and the Task Force on Climate-related Financial Disclosures (TCFD) as best practice, so we are unlikely to support shareholder proposals that ask for other types of disclosure.

Overly Prescriptive Requests: A minority of environmental and social shareholder proposals asked the company to take a specific action. These included requests to adhere to a certain employment policy, to curtail a particular line of business, to establish a board committee, to change the executive compensation program, and so on. T. Rowe Price rarely supports prescriptive shareholder resolutions such as these. In our view, the board is better positioned than shareholders to make decisions about the operations of the company. Our recourse, if we disagree with the board's decisions, is to oppose the election of directors, engage with the company, or use our prerogative as an active owner to sell or underweight the position.

Redundant Disclosure Requests: In some instances, shareholder proposals seek ESG disclosure despite the company already demonstrating a high level of transparency. For example, if a company already makes SASB and TCFD disclosure and/or participates in the Carbon Disclosure Project's (CDP) intensive survey focused on a climate-readiness assessment, we are unlikely to support proposals asking for additional climate reports.

Our experience after many years of assessing ESG issues as part of our investment process is that direct, one-on-one engagement with companies produces better outcomes than shareholder resolutions. It is important that this small subset of voting is viewed in the context of our broader voting activity that includes management resolutions and our wider engagement program.

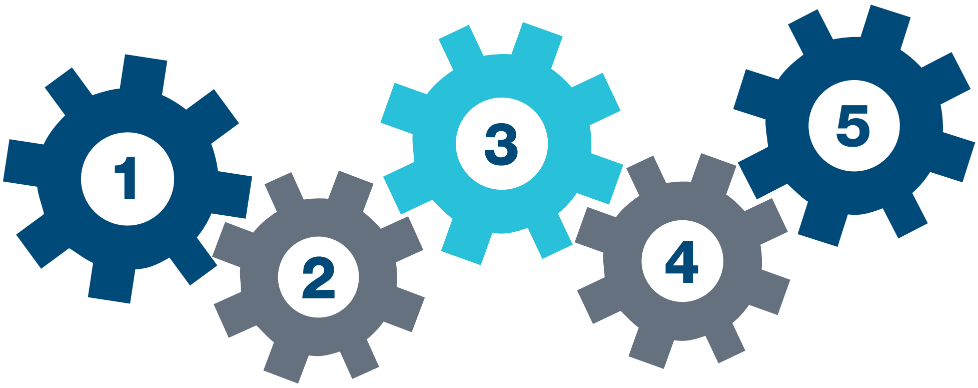


Collaborative Engagement and Industry Leadership

Our participation in collaborative industry initiatives is undertaken on a selective and strategic basis. These initiatives support our core engagement program, they do not drive it. We seek to understand where collaboration can provide the most viable and impactful supplement to our powerful internal capabilities.

Five key considerations for collaborative engagement

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



ALIGNMENT
How closely aligned is this engagement opportunity with our investment holdings? Does it include companies where we are significant shareholders?

IMPACT POTENTIAL
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?

RESOURCE FOCUS
Does the engagement make the most efficient use of our internally dedicated engagement resources?

PRACTICALITY
Have we already undertaken the same engagement or very similar engagements unilaterally with success?

TANGIBILITY
Is the scope of the collaborative engagement clear and are we confident that it will not change over time?

Often, our collaborative initiatives target improved disclosure or business practices on a market-wide level. For example, in 2017 T. Rowe Price joined a coalition of 16 large investors to become a founding member of the Investor Stewardship Group (ISG). ISG was formed to bring investors together to address fundamental issues of corporate governance and investment stewardship in the United States, where there was no market-wide governance code.

T. Rowe Price has also joined or led the following initiatives to bring investors together for purposes of advocacy and engagement:

Council of Institutional Investors (CII)	U.S. association of institutional investors, corporate issuers, and asset managers	Associate Member	1989
Principles for Responsible Investment (PRI)	Global initiative for responsible investment	Signatory	2010
UK Stewardship Code	Public commitment to uphold stewardship principles for UK investors	Signatory	2010
Japan Stewardship Code	Public commitment to uphold stewardship principles for Japanese investors	Signatory	2014
Associação de Investidores no Mercado de Capitais (AMEC)	Association of minority investors of Brazil	Member	2015
Asia Corporate Governance Association (ACGA)	Pan-Asian association for institutional investors	Member	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 U.S. 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	Member	2020
Investor CDP (formerly the Carbon Disclosure Project)	Advocacy group for better disclosure of carbon emissions	Signatory	>5 years

As of February 2020

Leading Change in Corporate Governance—The Japan Stewardship Initiative

The Japan Stewardship Initiative (JSI) was launched in November 2019 to encourage free and wide-ranging discussions among asset owners, asset managers, and other interested parties on issues related to stewardship and to create a place where the outcomes of those discussions will benefit everyone in the industry. T. Rowe Price was one of 40 organizations and individuals to sign on as original members.

With an ever-increasing focus on ESG factors—and many investors wanting to understand more about the companies they own—the Japanese market has experienced considerable structural change in recent years.

This change is resulting in participants across the country's entire investment industry—asset owners, asset managers, and investee companies—enhancing their stewardship activities. This move to more thorough oversight has been encouraged by recommendations from new stewardship codes, including the Japan Stewardship Code introduced in 2014 and the Corporate Governance Code introduced in 2015.

The Japan Stewardship Code has become an important part of the Japanese asset management business. As T. Rowe Price's local presence has grown extensively in the last few years—with notable recognition as the largest local-domiciled project launch of the year in 2019—it is important for us to demonstrate our corporate citizenship in the industry. We are proud to be a founding member of the JSI and look forward to collaborating with peers and asset owners to press for stewardship practices in Japan.

From our perspective as an investor, it is encouraging that the importance of ESG has been embraced so quickly in the Japanese market. However, the path to gaining meaningful insights from ESG data can be chaotic because companies, asset owners, and asset managers have different ideas about what should be reported. The JSI is an innovative solution to that problem, and T. Rowe Price is delighted to now be part of that solution.

Principles for Responsible Investment

T. Rowe Price has been a signatory of the PRI since 2010, and we report to the PRI annually. We support the PRI framework as an effective means of encouraging better dialogue among investors and better disclosure from companies globally about these important issues.

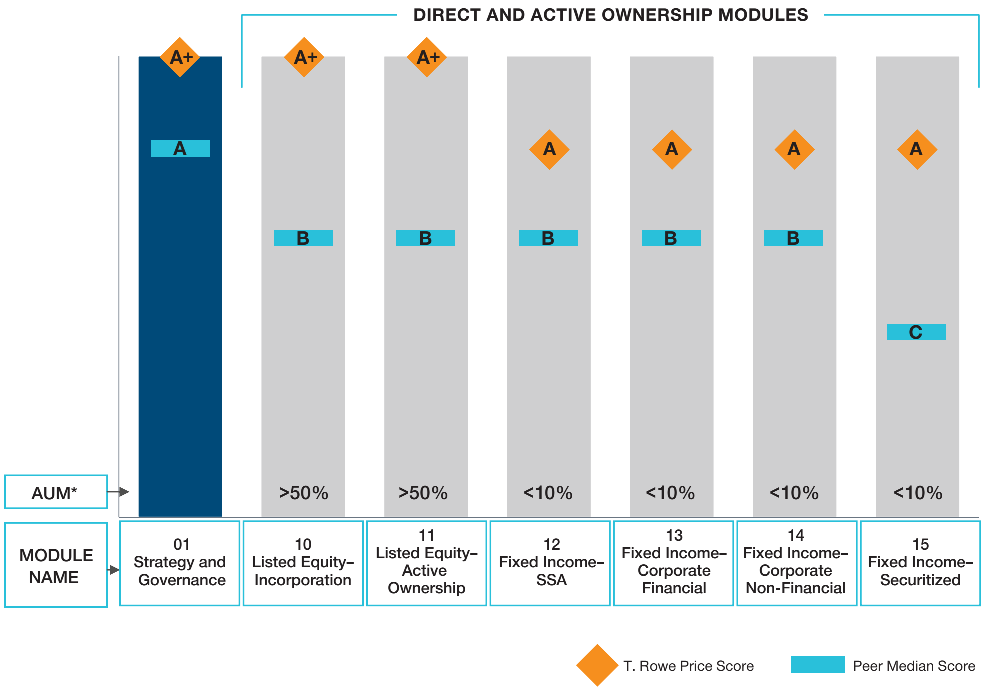
Under the PRI's transparency requirements, all signatories complete an annual self-assessment. T. Rowe Price's most recent Transparency Report is available via the PRI data portal at **dataportal.unpri.org**.

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). The PRI Assessment scoring methodology is available at **unpri.org**.

T. Rowe Price PRI Scorecard 2019

As of July 2019

T. Rowe Price has been a signatory of the PRI since 2010.



*Asset classes were aggregated to four ranges: 0%, <10%, 10%–50%, and >50%. T. Rowe Price AUM, as of December 31, 2018.

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Source: PRI Assessment report 2019, showing the applicable T. Rowe Price scores.

ESG Accountability

The Nominating and Governance Committee of the Board of Directors of T. Rowe Price oversees the firm's ESG activity and receives annual updates.

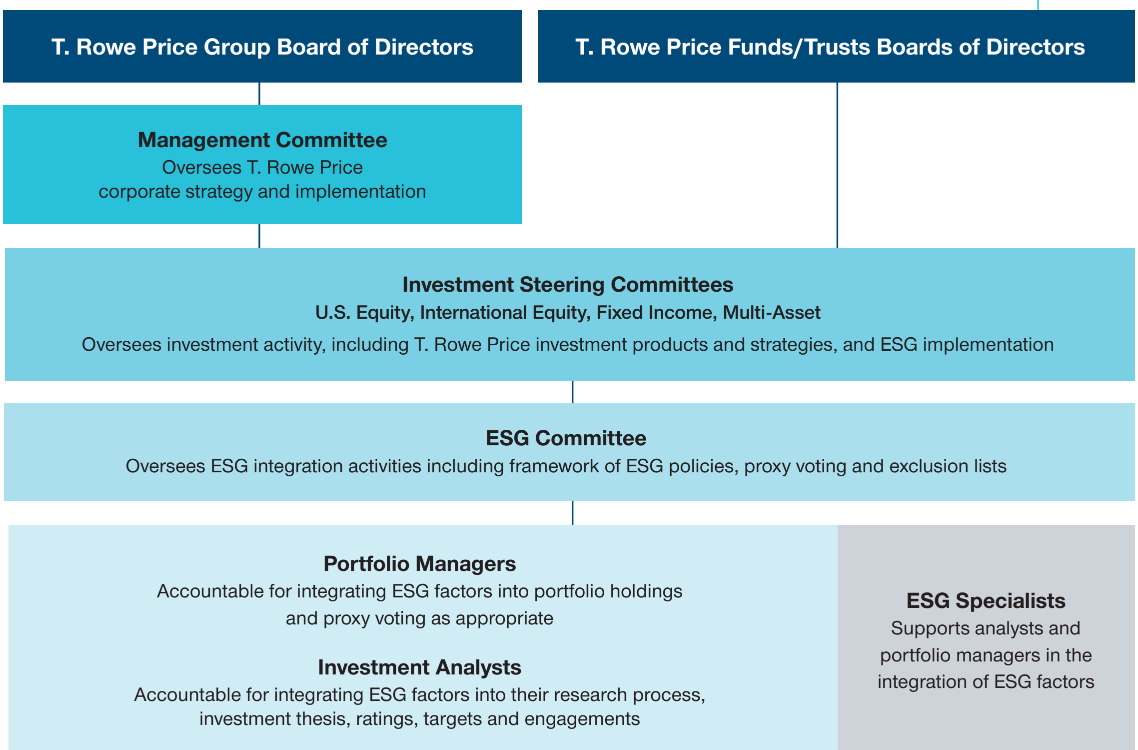
The ESG Committee, made up of senior leaders, oversees ESG integration. It is cochaired by the Head of Corporate Governance and the Director of Research, Responsible Investing. The committee's primary purpose is to assist the Equity Steering Committee, International Steering Committee, Multi-Asset Steering Committee, and Fixed Income Steering Committee of T. Rowe Price Group in establishing the firm's investment advisors' frameworks for:

- assessing environmental, social, and corporate governance issues,
- maintaining an appropriate set of proxy voting guidelines, and
- overseeing and approving exclusion lists for use in various investment capacities.

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

Our dedicated, in-house ESG resources report directly to senior management level. The Director of Research, Responsible Investing (Maria Elena Drew) reports to the Head of Investments and Group Chief Investment Officer (Rob Sharps). The Head of Corporate Governance (Donna Anderson) reports to the co-head of Global Equity (Eric Veiel).

Our analysts are responsible for incorporating ESG factors into their investment recommendations, as such it is incorporated in their annual performance review. The Directors of Research (DOR) for equity and fixed income oversee the investment analysts and how they implement ESG factors in their investment process, receiving input from the Director of Research, Responsible Investing, and the Head of Corporate Governance. Our portfolio managers are responsible for incorporating ESG factors into their investment decisions, as such it is incorporated in their annual performance review as appropriate to their fund's mandate.



ESG Team

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Maria Elena Drew
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Responsible Investing (London)

Gabrielle Frederick
Associate Analyst (Baltimore)

Suha Read
Business Manager,
Responsible Investing (London)

Joe Baldwin
Associate Analyst (London)

Iona Richardson
Associate Analyst (Hong Kong)

Duncan Scott
Associate Analyst (London)

Scott Petrie
Associate Analyst (London)

GOVERNANCE

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Head of Corporate Governance
(Baltimore)

Jocelyn Brown
Head of Governance,
EMEA & APAC (London)

Kara McCoy
Governance Analyst (Baltimore)

PROXY VOTING

Amanda Falasco
Lead Manager (Baltimore)

REGULATORY RESEARCH

Katie Deal
Washington and Regulatory
Research (Baltimore)

ESG Committee

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

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Associate Portfolio Manager,
Global Growth Equity

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Amanda Falasco
Lead Manager,
Proxy Services

LQ Huang
General Manager,
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Michael Lambe
Credit Investment Analyst

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U.S. Fixed Income

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Head of U.S. Investment,
Middle Office

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Senior Legal Counsel,
Legal

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Sally Patterson
General Manager,
International Equity

Preeta Ragavan
Equity Investment Analyst

Jeff Rottinghaus
Portfolio Manager,
U.S. Large-Cap Core Equity

John C.A. Sherman
Equity Investment Analyst

Justin Thomson
Chief Investment Officer,
Portfolio Manager,
International Equities

Mitchell Todd
Associate Head,
EMEA Equity

Eric Veiel
Co-head, Global Equity

Ernest Yeung
Portfolio Manager,
Emerging Markets
Discovery Equity

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INVEST WITH CONFIDENCE®

T. Rowe Price focuses on delivering investment management excellence that investors can rely on—now and over the long term.

Responsible Investment Guidelines

T.RowePrice®
INVEST WITH CONFIDENCE

T. Rowe Price ESG Integration

GUIDELINES FOR INCORPORATING ENVIRONMENTAL AND SOCIAL FACTORS

At T. Rowe Price, we strive to help our clients reach their long-term financial goals through a thoughtful, disciplined approach

to managing investments. Consistent with that mission, we have an obligation to understand the long-term sustainability of a company's business model and the factors that could cause it to change. In this process, our dedicated, in-house research analysts consider tangible investment factors such as financial information, valuation, and macroeconomics in tandem with intangible investment factors related to the environment, society, and corporate governance.

As identifying the potential impact of environmental, social, or governance (ESG) factors can be a more subjective process than traditional financial analysis, each of our investors defines a potential investment's ESG-related risk and reward based on its industry, geography, and company dynamics. Our research analysts work closely with our in-house ESG specialists to determine which factors will be most material to the underlying fundamentals of a particular investment.

When it comes to integrating environmental and social factors into investment decisions, we believe special considerations need to be taken into account. First, environmental and social factors are generally intertwined with industry and/or regional trends, meaning a tailored approach is important. Second, the quality and availability of environmental and social data is not uniform across geographies or sectors, making a fundamental (or active) investment approach more valuable.

Integration of environmental and social factors into our investment process starts with the initial research at the inception of an investment idea and continues through the life of the investment. This analysis is applied to multiple stages and includes such steps as:

- identification and monitoring of environmental and social data for company analysis;
- consideration of environmental and social risks or "red flags" through fundamental analysis;
- consideration of environmental/social risks and/or tailwinds in portfolio construction;
- engagement with boards or managements; and
- proxy voting.

While we engage with companies in a variety of investment contexts, engagement within the scope of this policy is defined as interaction between T. Rowe Price and an issuer of corporate securities with the intent of learning about, influencing, or exchanging perspectives on the company's environmental practices, corporate governance, or social issues affecting the business.

IDENTIFYING THE APPROPRIATE ENVIRONMENTAL AND SOCIAL FACTORS

While terminology in the asset management industry tends to group environmental, social, and governance factors into one ESG bucket, we believe the "E" and "S" factors need to be treated differently than the "G" factors in the investment process. Corporate governance standards are well established around the world and more uniformly disclosed. This is not the case when it comes to disclosure of environmental and social data. When determining which data points to evaluate across an industry/region, we take a thoughtful analysis of each criterion and ask ourselves a series of questions, including:

- Is the factor material to the underlying investment?
- Is the factor a meaningful contributor to environmental or societal burdens/tailwinds?
- Is there a data point underpinning that factor?
- Is the data point a quantitative or qualitative assessment?
- If the data point is qualitative, what level of subjectivity has been incorporated?

- Are the data uniformly disclosed? Are issuers using the same reporting standard?
- Are the data commonly disclosed within an industry/region?

ENVIRONMENTAL AND SOCIAL FACTORS IN THE INVESTMENT PROCESS

At T. Rowe Price, we have integrated (or embedded) ESG analysis into the investment process, meaning the responsibility for integrating ESG factors into investment decisions lies with our analysts and portfolio managers. In order to support our investment professionals' capacity to incorporate ESG factors into their decision-making, we have specialists in ESG and legislative affairs within our investment research teams who work with our analysts and portfolio managers to delve into situations where these issues are particularly significant.

ASSET CLASS CONSIDERATIONS FOR ENVIRONMENTAL AND SOCIAL FACTORS

Across various asset classes, the integration of environmental and social factors remains a component of the investment process, but the selection of factors can be differentiated between asset classes. The following graphic includes a non-exhaustive list of factors used across each component of the investment process with asset class considerations.

FINANCIAL ANALYSIS	VALUATION	MACROECONOMICS & INDUSTRY ANALYSIS	ENVIRONMENTAL	SOCIAL	GOVERNANCE
Equities and Bonds Balance sheet quality Capital structure Cash flow growth Debt/equity Dividend sustainability Earnings growth/quality Earnings track record EPS "surprise" potential FCF/debt Inventory turnover Leverage ratios Management quality Off-balance sheet items Operating margins Operational effectiveness Receivables turnover Scenario analysis **Sovereign Bonds** Balance of trade Cash reserves External debt Fiscal performance Foreign liquidity Government finances	**Equities** DCF Dividend yield EV/EBITDA EV/EBITDA Price/book Price/earnings FCF yield **Corporate Bonds** Credit spread risk Default risk Rating downgrade risk Spread per unit of leverage Yield to maturity **Sovereign Bonds** Spread to gov't. benchmark Spread per unity of leverage Yield to maturity	**Equities and Bonds** Barriers to entry Competitive dynamics Cost of capital Economic growth Foreign exchange Industry cost curves Industry life cycle Inflation Market share gain/loss Industry growth Population growth Pricing power Real wage growth Supply/demand balance Supply/demand elasticity Threat of substitutes Yield curve **Sovereign Bonds** Debt ceilings/limits Demographics Economic growth Monetary flexibility Tax collection dynamics Tax structure Trade balance	**Equities and Bonds** Adaptability of sourcing Biodiversity impact Emissions intensity Environ. 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 **Sovereign Bonds** Agricultural capacity Air pollution/emissions Climate change impact Ecosystem quality Energy dependency Energy resources Risk of stranded assets Water resources	**Equities and Bonds** 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 **Sovereign Bonds** Crime and safety Education levels Employment levels Food security Human rights Poverty Public health Trust in institutions	**Equities and Bonds** Accounting standards Audit practices Board composition Board expertise Financial transparency Mgmt. remuneration **Equities** Antitakeover provisions Share issuance policies Shareholder rights **Corporate Bonds** Bond covenants **Sovereign Bonds** Bond covenants Corruption Institutional strength Rule of law Trust in institutions

SECTOR CONSIDERATIONS FOR ENVIRONMENTAL AND SOCIAL FACTORS

Our approach to environmental and social factor integration is highly differentiated at the sector and industry level. Materiality to the underlying business model is one of the key determinants used in our analysis.

	ENVIRONMENTAL FACTORS	SOCIAL FACTORS
Consumer Discretionary	Eco-design product/electric vehicles Responsible sourcing (cotton, synthetic textiles, etc.) Waste management	Treatment of workers in the supply chain Employee relations (unions/"living wage" workers) Customer behavior (online shift)
Consumer Staples	Organic products HCFCs phase-out Responsible sourcing (palm oil and other agri-products)	Fair trade products Supply chain management (vulnerable agri-chains) Human health impact (sugar, tobacco, etc.)
Energy	Methane emissions Risk of standed assets Refinery/chemical emissions	Employee and contractor health and safety Relations with local communities Bribery and corruption
Financials	Sustainable financing Environmentally-related products (drought protection) Natural catastrophe risk	Human capital management (talent retention) Cybersecurity Business ethics
Health Care	Water usage Waste disposal	Product safety Cybersecurity Appropriate marketing/lobbying practices
Industrials	Energy-efficient products Intermodal transportation shifts Manufacturing environmental footprint	Bribery and corruption (aerospace and defense) Product safety Robotics
Information Technology	"Smart" appliances and infrastructure Water usage (semiconductors) Product end-of-life	Data privacy Responsible sourcing (conflict minerals) Human capital management (talent retention)
Materials	Emissions Efficient building products Responsible pesticide usage	Employee and contractor health and safety Relations with local communities Bribery and corruption
Real Estate	Eco-friendly buildings "New cities" infrastructure	Local communities/affordable housing Demographic shift/aging population
Telecommunications	Intelligent and efficient network infrastructure	Cybersecurity Improving lives through connectivity Responsible sourcing (conflict minerals)
Utilities	Shift toward distributed power Electric mix shift toward renewables/grid stability Stranded assets	Employee and contractor health and safety Relations with local communities Human health impact (particulate emissions)

APPLYING ENVIRONMENTAL AND SOCIAL FACTORS TO PORTFOLIO CONSTRUCTION

Our ESG integration process asserts that any specific environmental or social factor is just one component of the overall investment decision, which is made in tandem with other investment components such as financial analysis, valuation, macroeconomic, factors, and portfolio risk management. As such, our ESG integration process doesn't yield blanket exclusions or prohibitions based solely on any specific environmental or social factor. At T. Rowe Price, we implement limited sets of official exclusions at times, all of which reflect our interpretation of legal requirements or market expectations in the region, such as:

1. We maintain a global exclusion list on issuers with significant business ties to the government of the Republic of Sudan and its connection to human rights abuse.
2. In the SICAV portfolios, we maintain an exclusion policy on certain issuers deemed to be engaged in the manufacture, production, or assembly of cluster-munitions systems.
3. In the Australian Unit Trust portfolios, we maintain an exclusion policy on issuers engaged in the manufacture of tobacco products.
4. 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 U.S. or international sanctions.

Our philosophy is that exclusions established solely due to environmental and/or social factors need to be paired with a specific client's values requirement. As the decision to make these exclusions is made without consideration of other investment components (e.g., financial analysis, valuation, etc.), there is the potential for a trade-off of financial return in exchange for achieving a "values"-driven target.

ENGAGEMENT ON ENVIRONMENTAL AND SOCIAL ISSUES

We believe it is incumbent on T. Rowe Price as an asset manager to safeguard our clients' interests through active ownership, monitoring, and engagement with companies and other issuers we believe to be applying a substandard level of oversight in certain key areas. In our experience, such engagement is most effective when it is directly led by our fund managers and reflects their view that a serious concern is present but potentially may be ameliorated through our efforts. These are the situations where we have and will continue to concentrate our investment of time and resources because we believe they have the highest probability of a successful outcome for our clients.

Occasionally, we participate with other investors in industry-level initiatives aimed at improving disclosure or business practices on a market-wide level. However, the central focus of our engagement program is at the company level. Generally, 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. (More information on our engagement practices is available in our Engagement Policy document.)

PROXY VOTING

Proxy voting is a critical component of our approach to corporate governance. We offer our clients a high degree of transparency related to the votes we cast on their behalf. Disclosure of our proxy voting guidelines and voting record can be found on our corporate website.

Shareholder proposals of an environmental or social nature have become more frequent in recent years. It is T. Rowe Price policy to take a case-by-case approach to analyzing these proposals. To do this, we utilize research reports from our external proxy advisor, company filings and sustainability reports, public research from other investors and nongovernmental organizations, our internal industry research analysts, and our in-house sustainability experts. Generally speaking, we support well-targeted proposals addressing concerns that are particularly relevant for a company's business that have not yet been adequately addressed by management. (More information on our proxy voting practices is available in our Proxy Voting Policies & Procedures document.)

FREQUENTLY ASKED QUESTIONS

Q: What determines if a factor is material to an underlying investment?

A: We deem an environmental or social factor as material when it has the potential to sway an investment's risk/reward profile enough to make it no longer attractive. Our investment professionals can use many techniques to evaluate the impact of an environmental or social factor, including:

1. embedding specific data into a financial model;
2. scenario analysis overlaid on a base-case model; or
3. considering the factor risk across the portfolio.

Q: What determines if a factor is a meaningful contributor to environmental/social burdens/tailwinds?

A: We use several external sources to help guide us in understanding environmental and social pressure points. We believe these are relevant to the investment process, as issuers contributing to these pressures are likely to face greater societal scrutiny over time. This could come in the form of more regulatory burdens, taxation, litigation, and/or consumer dissatisfaction. Conversely, issuers that act as "solutions providers" likely have much more sustainable business models. Some of the external sources we use include:

- United Nations Sustainable Development Goals
- United Nations Global Compact Principles
- OECD Guidelines for Multinational Enterprises

Q: How does your investment process reflect climate change considerations?

A: The implications of climate change are creating rapidly changing regulations and consumer demands around the world. Our investment professionals capture the impact of climate change as part of their ESG analysis, which is embedded in our investment process. Climate change implications are considered in company and industry research, investment decisions, and engagements with management teams.

We believe that speaking with company managements and other stakeholders about climate change is a good way to gather valuable investment insights as to the management's process for assessing long-term risks and helps reinforce the notion that climate-related risk assessment should remain a priority. We believe companies that engage in long-term strategic planning, including in-depth analysis of ESG factors such as climate change, benefit from that experience. Looking inward to assess their own mission and purpose, to think about how the competitive landscape is evolving over long periods of time, and to consider how changes in the broader community might affect the company are all processes that improve the alignment of the company's direction with the interests of long-term shareholders. Furthermore, when a company's radar is tuned into long-term climate and societal shifts, it may be better positioned to create new opportunities.

Engagement with management teams or board members on climate change is usually conducted as part of a multifaceted discussion on many investment considerations for that particular company but occasionally could focus only on climate change implications. Given that T. Rowe Price has predominantly actively managed portfolios, we have the option not to invest in a company with onerous climate change risk. As a result, our engagements on specific ESG issues like climate change tend to be in-depth discussions, where we believe our engagement can be effective.

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

SECTOR	EXAMPLES OF CLIMATE CHANGE FACTORS
Consumer Discretionary	Electric vehicles, eco-design consumer products, apparel and footwear supply chain impact
Consumer Staples	Responsible palm oil sourcing, HCFCs phase-out, organic products
Energy	Long-term oil and gas demand, fugitive methane emissions, gas flaring, risk of stranded assets, refinery and chemical plant emissions
Financials	Sustainable financing, environmental-related insurance products (e.g., drought protection)
Health Care	Water usage, waste disposal
Industrials	Energy efficiency products, intermodal transportation shifts
Information Technology	"Smart" appliances and infrastructure, software applications leveraging consumer demand patterns
Materials	Emissions, efficient building products, agri-businesses, impact of fertilizers/pesticides, GMOs
Real Estate	Eco-friendly buildings, "new cities" infrastructure
Telecommunications	Intelligent and efficient network infrastructure
Utilities	Shift from centralized to distributed power networks, grid stability, renewables growth within electricity mix, risk of stranded assets, electricity storage, energy efficiency

Proxy Voting Guidelines

PROXY VOTING GUIDELINES

This document summarizes the proxy voting guidelines of T. Rowe Price Associates, Inc., and its investment advisory affiliates, collectively referred to as "T. Rowe Price" or "TRP".

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RESPONSIBILITY TO VOTE PROXIES

T. Rowe Price recognizes and adheres to the principle that one of the privileges of owning stock in a company is the right to vote on issues submitted to shareholder vote.

The registered investment companies which T. Rowe Price sponsors and serves as investment adviser (the "Price Funds") as well as other investment advisory clients have delegated to T. Rowe Price certain proxy voting powers. As an investment adviser, T. Rowe Price has a fiduciary responsibility to such clients when exercising its voting authority with respect to securities held in their portfolios.

FIDUCIARY CONSIDERATIONS

T. Rowe Price's decisions with respect to proxy issues 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 the client, Price Fund shareholders or, where employee benefit plan assets are involved, in the interests of plan participants and beneficiaries.

PROXY ADMINISTRATION

The T. Rowe Price Proxy Committee develops our firm's positions on all major proxy voting issues, creates guidelines, and oversees the voting process. The Proxy Committee, composed of portfolio managers, investment analysts, operations managers, and internal legal counsel, analyzes proxy policies based on whether they would adversely affect shareholders' interests and make a company less attractive to own. In establishing our proxy policies each year, the Proxy Committee relies upon our own fundamental research, independent research provided by an outside proxy advisor, and information presented by company managements and shareholder advocates.

Once the Proxy Committee establishes its recommendations, they are distributed to the firm's portfolio managers as voting guidelines. Ultimately, the portfolio managers decide how to vote on the proxy proposals of companies in their portfolios. Because portfolio managers may have differences of opinion on portfolio companies and their unique governance issues, the Price Funds may cast different votes at the same shareholder meeting. When portfolio managers cast votes that are counter to the Proxy Committee's guidelines, they are required to document their reasons in writing to the Proxy Committee. Annually, the Proxy Committee reviews T. Rowe Price's proxy voting process, policies, and voting records.

T. Rowe Price has retained Institutional Shareholder Services ("ISS"), an expert in the proxy voting and corporate governance area, to provide proxy advisory and voting services. These services include custom vote recommendations, research, vote execution, and reporting. In order to reflect T. Rowe Price's issue-by-issue voting guidelines as approved each year by the Proxy Committee, ISS maintains and implements a custom voting policy for the Price Funds and other client accounts.

MONITORING AND RESOLVING POTENTIAL CONFLICTS OF INTEREST

The Proxy Committee is also responsible for monitoring and resolving possible conflicts between the interests of T. Rowe Price and those of its clients with respect to proxy voting. We have adopted safeguards to ensure that our proxy voting is not influenced by interests other than those of our fund shareholders and clients. While membership on the Proxy Committee is diverse, it does not include individuals whose primary duties relate to client relationship management, marketing, or sales.

Since our voting guidelines are predetermined by the Proxy Committee, application of the T. Rowe Price guidelines to vote clients' proxies should in most instances adequately address any possible conflicts of interest. However, for proxy votes inconsistent with T. Rowe Price guidelines, the Proxy Committee reviews all such proxy votes in order to determine whether the portfolio manager's voting rationale appears reasonable. The Proxy Committee also assesses whether certain business or other relationships between T. Rowe Price and a portfolio company could have influenced an inconsistent vote on that company's proxy. Issues raising possible conflicts of interest are referred to designated senior members of the Proxy Committee for immediate resolution prior to the time T. Rowe Price casts its vote.

With respect to personal conflicts of interest, T. Rowe Price's Code of Ethics requires all employees to avoid placing themselves in a compromising position where their interests may conflict with those of our clients and restricts their ability to engage in certain outside business activities. Portfolio managers or Proxy 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.

SPECIFIC CONFLICT-OF-INTEREST SITUATIONS

Voting of T. Rowe Price Group, Inc. common stock (NASDAQ:TROW) by certain T. Rowe Price Index Funds will in all instances be cast in accordance with T. Rowe Price policy, and votes inconsistent with policy will not be permitted. In the event that there is no previously established guideline for a specific voting issue appearing on the T. Rowe Price Group proxy, the Price Funds will abstain on that voting item.

In addition, T. Rowe Price has voting authority for proxies of the holdings of certain Price Funds that invest in other Price Funds. In cases where the underlying fund of an investing Price Fund, including a fund-of-funds, holds a proxy vote, T. Rowe Price will mirror vote the fund shares held by the upper-tier fund in the same proportion as the votes cast by the shareholders of the underlying funds (other than the T. Rowe Price Reserve Investment Funds).

SECURITIES LENDING AND PROXY VOTING

The Price Funds and our institutional clients may participate in securities lending programs to generate income. Generally, the voting rights pass with the securities on loan; however, lending agreements give the lender the right to terminate the loan and pull back the loaned shares provided sufficient notice is given to the custodian bank in advance of the applicable deadline. T. Rowe Price's policy is generally not to vote securities on loan unless we determine there is a material voting event that could affect the value of the loaned securities. In this event, we have the discretion to pull back the loaned securities in order to cast a vote at an upcoming shareholder meeting. A monthly monitoring process is in place to review securities on loan and how they may affect proxy voting.

LIMITATIONS ON VOTING PROXIES OF CERTAIN U.S. BANKS

T. Rowe Price has obtained relief from the U.S. Federal Reserve Board (the "FRB Relief") which permits, subject to a number of conditions, T. Rowe Price to acquire in the aggregate on behalf of its clients, 10% or more of the total voting stock of a bank, bank holding company, savings and loan holding company or savings association (each a "Bank"), not to exceed a 15% aggregate beneficial ownership maximum in such Bank. One such condition affects the manner in which T. Rowe Price will vote its clients' shares of a Bank in excess of 10% of the Bank's total voting stock ("Excess Shares"). The FRB Relief requires that T. Rowe Price use its best efforts to vote the Excess Shares in the same proportion as all other shares voted, a practice generally referred to as "mirror voting," or in the event that such efforts to mirror vote are unsuccessful, Excess Shares will not be voted. With respect to a shareholder vote for a Bank of which T. Rowe Price has aggregate beneficial ownership of greater than 10% on behalf of its clients, T. Rowe Price will determine which of its clients' shares are Excess Shares on a pro rata basis across all of its clients' portfolios for which T. Rowe Price has the power to vote proxies.

GLOBAL VOTING FRAMEWORK

T. Rowe Price applies a two-tier approach to determining and applying global proxy voting policies. 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. 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, recognizing that no single set of policies is appropriate for all markets.

Practicalities and costs involved with international investing may make it impossible at times, and at other times disadvantageous, to vote proxies in every instance. For example, we might refrain from voting if we or our agents are required to appear in person at a shareholder meeting or if the exercise of voting rights results in the imposition of trading restrictions.

A DISCUSSION OF ENGAGEMENT

At T. Rowe Price, we believe it is our responsibility as an asset manager to safeguard our clients' interests through active ownership, monitoring, and mutual engagement with the issuers of the securities we hold in our clients' portfolios. We do not outsource any element of our engagement activity to outside parties. Thanks to the trust our investment clients have placed in us, T. Rowe Price is a significant investor for many of the world's leading companies. This affords us, in most cases, access to company management teams and board members. We believe our responsibilities as diligent investors do not cease with the decision to purchase a security. We maintain regular dialogue with the managements of issuers represented across our portfolios. Where we find areas of concern, we make those concerns known to them.

Our engagements with company management on topics of an environmental, social, or governance nature are described in our Engagement Policy. For a copy of this policy, visit www.troweprice.com. Navigate to Investing Approach, then Conducting Business Responsibly.

PROXY VOTE DISCLOSURE

The Price Funds make broad disclosure of their proxy votes on www.troweprice.com and on the SEC's Internet site at www.sec.gov.

All funds, regardless of their fiscal years, must file with the SEC by August 31, their proxy voting records for the most recent 12-month period ended June 30.

T. ROWE PRICE VOTING GUIDELINES

Following are selected voting issues and the T. Rowe Price proxy voting guidelines for 2019. These guidelines are reviewed and updated annually.

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.

KEY VOTING GUIDELINES: AMERICAS	
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**. For a copy of this publication, visit www.troweprice.com. Navigate to Investing Approach, then Conducting Business Responsibly.
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.

KEY VOTING GUIDELINES: AMERICAS	
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.

KEY VOTING GUIDELINES: AMERICAS	
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**. The guidelines are available on www.troweprice.com. Navigate to Investing Approach, then Conducting Business Responsibly.
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.

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

KEY VOTING GUIDELINES: EMEA	
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.
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.

KEY VOTING GUIDELINES: EMEA	
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.

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

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.
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.

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.
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.

Following are more detailed explanations of our voting guidelines in the three main areas of executive compensation: **Equity Plans**, **Say on Pay** and **Shareholder Proposals**

Executive Compensation Issues—**Equity Plans**

We believe long-term equity plans, used appropriately, provide strong alignment of interests between executives and investors. These plans can be effective in linking executives' pay to the company's performance as well as attracting and retaining management talent. We evaluate requests to approve or renew equity plans on a case-by-case basis, taking into account the overall cost of the plan (absolute and relative to peers); the company's past performance; the company's size, industry and growth rate; vesting provisions; and the key qualitative features of the plan. We oppose plans that are excessively costly, as well as those with problematic features such as evergreen or repricing provisions. We may also oppose equity plans at any company where we deem the overall compensation practices to be problematic.

We generally oppose efforts to reprice options in the event of a decline in value of the underlying stock unless such requests appropriately balance shareholder and employee interests and are subject to shareholder approval.

Executive Compensation Issues—**Say on Pay**

Shareholder votes to approve executive compensation — generally votes of an advisory nature — have become common in markets around the world. It is challenging to apply a rules-based framework to compensation votes because every pay program is a unique reflection of the company's performance, industry, size, geographic mix, and competitive landscape. Additionally, factors such as executives' individual performance, achievement of goals, experience, tenure, skills, and leadership should be taken into account in evaluating the overall compensation context. For these reasons, T. Rowe Price takes a case-by-case approach to "Say on Pay" votes.

Outside the U.S., we generally assess a company's disclosure about its executive compensation program in relation to contemporary standards in its home market. Further analysis is focused on the degree of alignment between the company's long-term performance and the payouts generated under its compensation program. We use research reports from our outside proxy-services specialist, ISS, as an important input into our analysis.

Within the U.S., T. Rowe Price votes more "Say on Pay" resolutions than in any other market due to the frequency of these votes and our number of holdings. Therefore, we have adopted a screening approach to identify companies with persistent gaps in their pay/performance alignment and companies using compensation practices or structures that may be problematic. The screen looks at compensation through four different perspectives:

a) Pay/Performance Alignment
We look at correlation between executive pay and company performance over periods of three, four, and five years. Performance is defined in terms of total shareholder return and financial measures appropriate for the company's primary industry.

b) Pay Practices
We consider the presence of compensation practices that may be outdated or may, in our experience, impede the alignment of executives' and shareholders' interests. Examples of such practices include supplemental executive retirement plans, excessive golden parachutes, unreasonable perquisites, tax gross-up provisions, single triggers in the change-of-control plan, automatic benchmarking in the top half of the company's peer group, and the use of special, one-time equity grants for retention or similar purposes.

c) External Perspectives
The recommendations of our outside proxy advisor, ISS, and the results from the prior year's advisory compensation vote (if any) form the third lens through which we assess pay programs. These external data points are indicators of the overall market's assessment of the company's approach to compensation.

d) Absolute Level of Pay
The fourth element of our screen is a look at the absolute level of reported executive pay. We assess this figure relative to other companies whose stocks are held in our clients' portfolios, companies we would deem loosely similar in size, industry, and growth profile. The purpose of this analysis is to identify outliers, which we define as companies paying their executives in the top decile of their respective sectors. In our view, it may be appropriate for the board's Compensation Committee to decide to pay at the top end of the peer set if the company also delivers persistently strong relative performance. Additionally, there may be unique, one-off circumstances causing a company to appear at the top end of the peer group in a single year, such as when there has been a succession in the executive suite. However, when we find companies consistently delivering industry-leading compensation without also delivering consistent industry-leading results, our screen triggers further analysis.

The screen is just the first stage of the process. If a company's compensation profile registers high negative scores in one or more of the four areas described above, it leads to a qualitative review. In this review, we assess the circumstances that led to the high score, review the company's proxy filing for the rationale behind the compensation decisions in that period, and consult the T. Rowe Price equity analyst who follows the company. Often, we engage with the company to request additional context and perspective. After this second-stage review, we put forth a recommendation to the Portfolio Managers who own shares of the company in their clients' portfolios: either to support or oppose the resolution.

With regard to the question of how frequently U.S. companies should offer shareholders a "Say on Pay" vote, we generally prefer an annual cycle.

Executive Compensation Issues—**Shareholder Proposals**

Shareholder resolutions on compensation matters are relatively uncommon. The T. Rowe Price voting guidelines generally oppose shareholder resolutions of a prescriptive nature, which aim to change a particular element of a company's compensation program. Examples of such resolutions include proposals asking that executives be subject to mandatory holding periods on their equity awards and proposals asking for specific financial metrics or sustainability goals to be added to the pay program. Generally, we believe such questions are highly dependent on the company's specific circumstances and therefore should be left to the discretion of the board's Compensation Committee.

Some resolutions are aimed at compensation practices that we have found to be persistently problematic across a range of companies, so we are more likely to support resolutions of this nature. One example is a proposal to update certain provisions of a company's golden parachute plan. Since we frequently find outdated provisions in such plans, and we believe they can reduce the alignment of interests between executives and shareholders, we often find these types of resolutions constructive.

Conclusion

Well structured incentive programs can be key contributors to executive management decisions that serve to enhance value creation over time. The corollary is also true: incentive programs with inappropriate performance objectives or other design weaknesses tend to impede the alignment of management's incentives with investors' interests. In our view, it is our responsibility as engaged investors to understand the compensation programs of the companies we've invested in and to provide feedback to those companies — through our proxy votes and through direct engagement — where we find cause for concern.

ADDITIONAL RIGHTS OF SHAREHOLDERS

The scope of this document is limited to T. Rowe Price's exercise of the voting rights that accompany our clients' investments in equity securities. Shareholders are occasionally entitled to additional rights, such as dividend elections and rights offerings. These rights are evaluated and processed by our Corporate Actions group, which is part of our Investment Operations division.

Annual Aggregate Proxy Voting Summary

2019 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, 2019 (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 our fiduciary responsibility to our clients. When considering votes on our company proxies, we support actions we believe will enhance the value of the companies in which we invest, and we oppose actions or policies that we see as contrary to shareholders' interests.

Furthermore, we believe an investment-centered, company-specific approach to analyzing corporate governance issues based on our investment process is the appropriate framework for T. Rowe Price. Therefore, we do not shift responsibility for our voting decisions to outside parties, and our voting guidelines allow ample flexibility to take company-specific circumstances into account.

Following is a broad summary of some of our proxy voting patterns and results for the Reporting Period across our global equity-focused mutual funds. Ultimately, the portfolio managers of each Price Fund are responsible for voting the proxy proposals of companies in their portfolios.

SUMMARY OF MAJOR PROPOSAL ITEMS
July 1, 2018—June 30, 2019, Mutual Funds Only

PROPOSAL	% VOTED WITH MANAGEMENT	% VOTED AGAINST MANAGEMENT
I. Proposals Sponsored by Management		
Add/amend antitakeover provisions	47%	53%
Reduce/repeal antitakeover provisions	96%	4%
Appoint or ratify auditors	99%	1%
Capital structure provisions	91%	9%
Compensation issues		
i. Director/auditor pay	92%	8%
ii. Employee stock purchase plans	94%	6%
iii. Executive plans	77%	23%
iv. Say on pay	86%	14%
Elect directors (uncontested)	91%	9%
Mergers and acquisitions	94%	6%
Routine operational provisions	90%	10%
Amend/enhance shareholder rights	90%	10%
II. Proposals Sponsored by Shareholders		
Remove antitakeover provisions	30%	70%
Amend compensation policies	86%	14%
Appoint an independent Board chair	47%	53%
Amend/adopt shareholder rights	73%	27%
Environmental proposals	87%	13%
Social issues proposals	91%	9%
Political activity proposals	95%	5%
III. Contested Elections		
Elect directors in proxy contest	56%	44%
IV. Totals		
Total management proposals	91%	9%
Total shareholder proposals	76%	24%
Total Proposals	**90%**	**10%**

Election of Directors

At T. Rowe Price, we recognize that it is the responsibility of the Board of Directors 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.

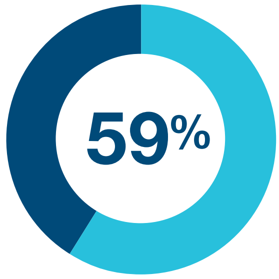
In our global portfolios, we take a market-by-market approach to assessing Board composition and independence, recognizing that regional corporate governance codes around the world apply different expectations. In the U.S., we generally support a company's nominees for director when at least a majority 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 an 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:

- 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 may 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 interest 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;
- maintaining an insufficient level of diversity at the Board level; and
- 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 59% 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 91% 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 majority voting has the potential to substantially improve the U.S. system for electing corporate directors, increasing their accountability to shareholders. 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 two 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. For companies that have already adopted acceptable standards of proxy access and special meetings, we do not support shareholders' efforts to revise these. This is the reason our overall support for proposals in the Shareholder Rights category has fallen.



Elections of company directors represented 59% 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. Often, the presence of activist shareholders does not result in a voting event, as the company and the activist negotiate some form of mutually agreeable outcome. In some cases, however, negotiations stall and investors end up with 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. Whereas last year, we supported incumbent management candidates in 37% of contests, this year that figure rose to 56%.

For a full discussion of our perspective on shareholder activism, refer to: **Investment Philosophy on Shareholder Activism**.

Executive Compensation

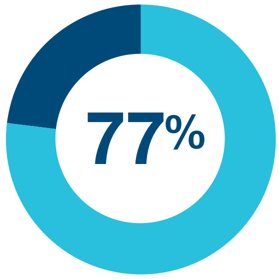
Annual advisory votes on executive compensation, nonbinding resolutions known as "say on pay," are a common practice globally. As a result, executive compensation decisions remain a central point of focus for the dialogue that routinely takes place between companies and their shareholders. In our view, 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 14% 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 the compensation of its executives over a multiyear period. However, the annual shareholder meeting is not our only opportunity to provide feedback to the companies in our clients' portfolios. We are also engaged in constructive dialogue with Board members and management teams of a number of companies at any point in time, and compensation practices feature prominently in these conversations.

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 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 77% of the time.

We oppose compensation plans that, in our view, provide disproportionate awards to a few senior executives or have the potential to excessively dilute existing shareholders' stakes. Also, we oppose any plans with auto-renewing "evergreen" provisions or plans that give Boards the ability to reprice out-of-the-money stock options without shareholder approval. These practices undermine the link between executive pay and performance.



We supported the adoption or amendment of 77% of compen-sation plans.

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.

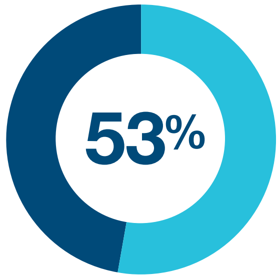
Antitakeover Provisions

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 have the potential to impede an enterprise from realizing its full market value and because they can 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.

A positive development in the U.S. over the past several years is the 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 Chairman and CEO

In many markets, the most common Board leadership structure has separate roles for the Board chair and the company's chief executive officer (CEO). Under the U.S. proxy rules, companies are required to discuss their leadership structure and the reasons that a particular arrangement (i.e., 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 the combination of an independent Board chair and a designated lead director provides adequate protection of shareholders' interests. In other situations, we conclude that shareholders' interests would be better served by separating the roles. This year, T. Rowe Price voted in favor of shareholder proposals to appoint an independent Board chair 53% of the time.



T. Rowe Price voted in favor of shareholder proposals to appoint an independent Board chair 53% of the time.

Social and Environmental Proposals

T. Rowe Price evaluates all social and environmental shareholder proposals on a case-by-case basis, and we support those resolutions addressing potentially material investment risks that have not, in our opinion, been adequately addressed by management. Our general observation is that companies have significantly improved their disclosure on environmental and social issues, including the potential risks and opportunities such issues may pose to the business over the long term.

Many shareholder proposals within this category prescribe a specific set of reporting guidelines that companies should adopt instead of targeted reports addressing specific, relevant issues. At this time, we do not support the principle that companies should adhere to one disclosure framework over another. We also believe it is often unnecessary for a company to produce a broad-based sustainability report covering all manner of environmental, human capital, social, and labor issues when their investors' most significant exposure lies in only one of these areas. Instead, we believe companies should tailor their reporting toward the most significant drivers or risk factors in their businesses. As overall environmental disclosures have improved, our support for shareholder proposals in this area tends to be relatively low.

This year, we supported 13% of shareholder proposals concerning environmental issues. In addition, we supported 9% of socially oriented proposals, particularly those advocating for nondiscriminatory employment policies or strengthening the diversity of the company's Board. We do not generally support shareholder proposals relating to a company's political activities, but we may do so in instances where we believe such activities pose significant risks for shareholders.

For more information about our funds' proxy voting policies and procedures, you may call us at 1-800-225-5132 or visit the SEC's website, **sec.gov**, to request a fund's Statement of Additional Information (SAI). The description of our proxy voting policies and procedures is also available on our website, **troweprice.com**. To access it, click on the "About T. Rowe Price" column, then the "What We Do" tab at at the top the page, then "Policies". The annual proxy voting summary report as well as each fund's most recent annual proxy voting record is available on our website and through the SEC's website.

Significant Votes

DISCLOSURE OF SIGNIFICANT VOTES

TRP has established special operating procedures for any vote deemed particularly significant or "Critical" by the Head of Corporate Governance. In 2019, there were two Critical Votes at Occidental Petroleum and EQT Corp. We propose to base our first significant vote disclosure on this global process, and we explain our voting below, setting the vote in the broader engagement context. In addition we have selected a number of illustrative votes, including those on sustainability topics, at meetings which were high-profile or contentious in nature. We will review our definition of significant votes ahead of the next reporting cycle, taking on board how market practice and regulatory guidance are developing.

#1: OCCIDENTAL PETROLEUM

Objectives: To express serious reservations about a major transaction.

Scope and Process: A large US oil and gas company announced a significant acquisition early in 2019 that, in our view, was problematic in many respects. Not only did we object to the transaction on financial grounds, we also objected to the manner in which the negotiation was handled and the way the transaction was structured to avoid a shareholder vote. We took the unusual step of registering our objectives publicly in this case, via the financial press. All T. Rowe Price strategies voted AGAINST the full board of the acquiring company. The vote was followed by a meeting with the board to explain our rationale.

#2: EQT CORP.

Objectives: To support a change in leadership and strategy at an underperforming company.

Scope and Process: A mid-sized US integrated energy company faced an activist campaign in 2019 led by former executives of the company. The dissidents were seeking a complete turnover of a majority of the board. During the process, we met with each side of the campaign on multiple occasions, and we assessed each side's qualifications and plans. We took the unusual step of declaring our voting intentions publicly in this case, via a press release. All T. Rowe Price strategies voted in favor of the dissident nominees, along with 90% of the shareholder base.

#3: DANSKE BANK

Objectives: To use our voting power to support a new management team put into place following an ethics scandal.

Scope and Process: A Danish financial services company had discovered incidents of ethical breaches and corruption in one of its divisions. After a full investigation, the company paid significant fines, replaced its management team, and replaced most of the board.

Typically, we would oppose the re-elections of any board members who presided over the time of a corruption scandal. In this case, there was only one director who remained on the board for continuity purposes. The director had not been a member of the board for very long before the scandal unfolded. We determined that continuity was important in this case, and we voted FOR the director at the 2019 AGM. The company's performance and compliance have improved significantly under the new management.

#4: BAYER AG

Objectives: To support a campaign for change at a troubled company.

Scope and Process: We are long-term shareholders of a large German life sciences company. We have been in ongoing engagement with the Supervisory Board due to concerns about performance, oversight of management, strategic decision-making and product safety. As we have for the past several years, we voted AGAINST the discharge of the Supervisory Board and AGAINST all directors standing for re-election at the 2019 AGM. We accompanied our vote with a letter to the board explaining our rationale.

The company's response to shareholders after the AGM included legal opinions which confirmed that the members of the management board fulfilled their fiduciary duties in concluding the Monsanto merger and a voluntary special audit into the company's due diligence procedures which concluded that the company's approach to M&A transactions is appropriate. While we continue to monitor the situation, it was positive to see the appointment of a director as Chairman who joined the board after the merger was announced; thus we were able to give cautious support at the 2020 AGM.

#5: ATMOS ENERGY CORP

Objectives: To address a lack of environmental reporting.

Scope and Process: We are the largest shareholder of a US midcap distributor of natural gas. In 2018, the company had experienced some serious incidents involving gas leaks, which caused environmental damage, injuries, and a financial impact. As a result, the company received shareholder proposals in 2019 asking it to improve its reporting on environmental risk mitigation.

T. Rowe Price portfolios voted differently on the proposal to report on methane leaks and management actions. While all of our Portfolio Managers agreed that the 2018 incidents were serious and that the company needed to improve its disclosures, at the time when the shareholder proposal was presented, management had already committed to provide new environmental risk reporting within the ensuing six months. Some fund managers determined that this commitment – which management did successfully deliver – was enough for the moment. Others determined that we should use our vote to communicate to the board that it should continue to place a high priority on these safety and environmental issues. The shares were voted in accordance with each Portfolio Manager's views at the 2019 AGM.

#6: XPO LOGISTICS

Objectives: To support a well targeted shareholder resolution.

Scope and Process: A US transportation company received a shareholder proposal at its 2019 AGM asking the company to produce a report on sexual harassment, specifically measures the company is taking to reduce incidents of harassment. Ordinarily, T. Rowe Price does not support proposals of this nature if the company's human capital disclosures already address the topic of harassment. However, in this case, the company's disclosure was inadequate, and the matter was particularly relevant because the company had been found deficient in preventing harassment and had paid significant fines. The proposal did not pass.

#7: CONDUENT INC

Objectives: To encourage investigation of a director's allegations.

Scope and Process: We are large shareholders of a US small-cap software company serving primarily government clients. The company had experienced a number of operational failures and financial restatements, indicating serious issues around corporate controls.

A director of the company resigned from the board and issued a public statement about his concerns. He cited inappropriate government relations, ineffectual controls, security gaps in the company's software and a number of other issues as reasons for his departure. The director stated he had recommended that the board implement a full investigation, but he was unable to persuade the other directors.

In response to this news, we examined the director's accusations and engaged with him and the company management. We concluded that the issues were legitimate. We voted AGAINST all the directors not appointed by outside parties and the incentive plans at the 2019 AGM as a message that we supported the notion of a full investigation. In the ensuing year, the company's operational issues worsened. The state conducted an investigation, levied fines against the company, and required the board to replace the CEO. We consider the engagement closed, and the new management team is resolving the issues.

#8: THE ST. JOE COMPANY

Objectives: To use our voting power to encourage boards to focus on diversity

Scope and Process: Since 2018, our voting guidelines in select regions of the world have called for voting AGAINST members of a company's board if there is no evidence of ethnic or gender diversity on the board. This was the case in 2019 at this mid-sized US real estate company. In this instance, we opposed the re-elections of the three members of the board's Nominating Committee, and we reached out to the company in advance of the vote to explain why we believe the lack of diversity on the board poses significant disadvantages to us, as a large, long-term investor in the company.

INVEST WITH CONFIDENCE®

T. Rowe Price focuses on delivering investment management excellence that investors can rely on— now and over the long term.

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