



POLICY STATEMENT ON ENVIRONMENTAL, SOCIAL, AND GOVERNANCE ISSUES

UPDATED AS OF JULY 2020

BACKGROUND

At T. Rowe Price, fundamental analysis is the foundation of our investment decisions. Through our bottom-up approach, we endeavor to understand the long-term sustainability of a company's business model, and the factors that could cause it to change. We believe that environmental, social and governance (ESG) issues can influence investment risk and return and, therefore, incorporate ESG risk considerations into our fundamental investment analysis.

Accordingly, T. Rowe Price is a signatory of the Principles for Responsible Investment (PRI).¹ We support the PRI framework as an effective means to encourage better dialogue among investors and improve disclosure from companies globally. Our ESG analysis serves to complement our ultimate objective of delivering superior long-term investment returns to clients.

GUIDING PRINCIPLES

The primary responsibility for determining the impact of ESG factors on clients' investments lies with our analysts and portfolio managers, who are supported by two groups of internal investment specialists: our Responsible Investment and Corporate Governance teams. Our approach is driven by the following principles:

- 1. Integration**— At T. Rowe Price, we have embedded environmental, social, and governance analysis into the investment process, meaning the responsibility for integrating ESG factors into investment decisions lies with our analysts and portfolio managers.
- 2. Collaboration**— In order to support our investment professionals' capacity to incorporate ESG factors into their decision-making, we have specialists in ESG and 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.
- 3. Materiality**— We focus on the ESG factors we consider most likely to have a material impact on the performance of the investments in our clients' portfolios.

¹ Launched in 2006, the Principles for Responsible Investment (PRI) are a set of voluntary best-practice standards that asset owners and asset managers pledge to uphold in order to incorporate environmental, social and governance (ESG) issues into their investment processes.

HOW DO WE INTEGRATE ESG ISSUES?

When we assess the suitability of an investment for our clients' portfolios, we consider a variety of factors. Broadly defined, these factors can include: the company's capital stewardship, accountability, transparency, leadership quality, strategy and execution, the competitive dynamics in its industry, its management of human capital, and its efficient use of resources.

The evaluation of ESG factors is highly dependent on the country, industry, company and management we are analyzing. Therefore, the particular issues considered vary with each investment. Some specific examples of the broad range of ESG issues we may consider in our investment research process are:

- long-term environmental considerations such as regulation, the availability and costs of raw materials, water, energy and other significant inputs
- a company's incentive structure and how closely aligned it is with stated corporate strategy
- supply-chain risks, work stoppages and labor controversies
- the quality and diversity of a company's Board
- the current and potential regulatory environment, particularly with regard to highly regulated industries or controversial situations as the world's economy and industries evolve over time
- the relative quality of a company's disclosures, its degree of focus on investors' interests, and its philosophy regarding stakeholder communications and engagement

Responsibility for incorporating ESG risks into investment decisions is embedded across the research platform. At T. Rowe Price we have analysts who are experts in their fields. They cover a specific region or sector, and may well follow some companies for over 10 years. Their responsibilities include meeting the management teams, conducting site visits, and producing detailed company and industry analysis.

In order to supplement our analysts' assessment of ESG risk factors, we have internal teams of specialists who focus on responsible investment issues, corporate governance, and proxy voting. These specialists are integrated into our investment research teams. These internal experts work with our investment analysts and portfolio managers to help them understand the environmental, social, and governance issues most relevant to their investments, as well as to lead our engagement with corporate issuers on these topics.

OUR ULTIMATE GOAL: SUPERIOR LONG-TERM INVESTMENTS FOR OUR CLIENTS

All portfolios are managed to provide long-term reward commensurate with acceptable risk. By assessing and understanding the range of ESG risks, together with many other investment criteria, we believe we will be better positioned to deliver consistent, superior long-term investment returns for our clients.

WHERE TO FIND OUT MORE

For more information about T. Rowe Price's approach to stewardship and responsible investment, please visit: www.troweprice.com/esg. This site contains our Responsible Investment Guidelines, our Engagement Policy, our Proxy Voting Policies & Procedures, our Proxy Voting Records, and additional topical research and disclosure.

IMPORTANT INFORMATION

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

The information contained herein is as of July 2020 and is subject to change without notice; these views may differ from those of other T. Rowe Price associates.

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