



# 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”.

## TABLE OF CONTENTS

Responsibility to vote proxies	p.2
Fiduciary considerations	p.2
Proxy Administration	p.2
Monitoring and resolving potential conflicts of interest	p.2
Specific conflict-of-interest situations	p.2
Securities lending and proxy voting	p.3
Limitations on voting proxies of certain U.S. banks	p.3
Global voting framework	p.3
A discussion of engagement	p.3
Proxy vote disclosure	p.3
T. Rowe Price voting guidelines	
Americas	p.4
Europe, Middle East, Africa	p.7
Asia/Pacific	p.9
Impact investments	p.12
Executive compensation guidelines	p.12

## **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 Environmental, Social and Governance ("ESG") Committee develops our firm's positions on all major proxy voting issues, creates guidelines, and oversees the voting process. The ESG 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 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 ESG 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 ESG Committee's guidelines, they are required to document their reasons in writing to the Committee. Annually, the 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 ESG Committee, ISS maintains and implements custom voting policies for the Price Funds and other client accounts.

## **MONITORING AND RESOLVING POTENTIAL CONFLICTS OF INTEREST**

The ESG 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 ESG 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 ESG 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 ESG Committee reviews all such proxy votes in order to determine whether the portfolio manager's voting rationale appears reasonable. The ESG 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 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 ESG Committee members with a personal conflict of interest regarding a particular proxy vote must recuse themselves and not participate in the voting decisions with respect to that proxy.

## **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](http://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](http://www.troweprice.com) and on the SEC's Internet site at [www.sec.gov](http://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 2020. These guidelines are reviewed and updated annually.

### KEY VOTING GUIDELINES: AMERICAS

Auditor ratification	<p>Generally FOR approval of auditors. However AGAINST ratification of auditors and/or AGAINST members of the audit committee if:</p> <ul style="list-style-type: none"> <li>■ An auditor has a financial interest in or association with the company, and is therefore not independent;</li> <li>■ There is reason to believe that the auditor has rendered an opinion that is neither accurate nor indicative of the company's financial position;</li> <li>■ The auditor has issued an adverse opinion on the company's most recent financial statements;</li> <li>■ 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;</li> <li>■ Pervasive evidence indicates that the committee entered into an inappropriate indemnification agreement with its auditor; or</li> <li>■ Non-audit fees are excessive in relation to audit-related fees without adequate explanation.</li> </ul>
Auditor indemnification and limitation of liability	<p>Generally AGAINST auditor indemnification and limitation of liability that limits shareholders' ability to pursue legitimate legal recourse against the audit firm.</p>
Election of directors	<p>Generally FOR slates with a majority of independent directors, or the minimum independence standard established by regional corporate governance codes.</p> <p>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.</p> <p>AGAINST individual directors in the following cases:</p> <ul style="list-style-type: none"> <li>■ Inside directors and affiliated outside directors who serve on the board's Audit, Compensation or Nominating committees;</li> <li>■ Any director who missed more than 25 percent of scheduled board and committee meetings, absent extraordinary circumstances;</li> <li>■ Any director who serves on more than five public company boards; or</li> <li>■ Any director who is CEO of a publicly traded company and serves on more than one additional public board.</li> </ul> <p>AGAINST members of the Nominating and Corporate Governance Committee and the Lead Independent Director (or Independent Chair) in the following case:</p> <ul style="list-style-type: none"> <li>■ 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.</li> </ul>

## KEY VOTING GUIDELINES: AMERICAS (continued)

<p>Election of directors (continued)</p>	<p>AGAINST members of the Compensation Committee in the following cases:</p> <ul style="list-style-type: none"> <li>■ Company re-prices underwater options for stock, cash or other consideration without prior shareholder approval;</li> <li>■ Company has demonstrated poor compensation practices, taking into consideration performance results and other factors; or</li> <li>■ Compensation Committee members approve excessive executive compensation or severance arrangements.</li> </ul> <p>AGAINST the entire board, certain committee members or all directors in the following cases:</p> <ul style="list-style-type: none"> <li>■ Directors failed to take appropriate action following a proposal that was approved by a majority of shareholders;</li> <li>■ Directors adopted a poison pill without shareholder approval, unless the board has committed to put it to a vote within the next 12 months;</li> <li>■ Directors exhibit persistent failure to represent shareholders' interests or fail in the oversight of material governance, environmental, or social risks, in the opinion of T. Rowe Price; or</li> <li>■ One or more directors remain on the board after having received less than 50 percent of votes cast in the prior election.</li> </ul>
<p>Board diversity policy</p>	<p>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. Our experience leads us to observe that boards lacking in diversity represent a sub-optimal composition and a potential risk to the company's competitiveness over time.</p> <p>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.</p>
<p>Require independent board chair</p>	<p>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.</p>
<p>Majority voting</p>	<p>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.</p>
<p>Proxy contests</p>	<p>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.</p> <p>A detailed statement on this topic is available in our publication <b>T. Rowe Price Perspective on Shareholder Activism</b>. For a copy of this publication, visit <a href="http://www.troweprice.com/esg">www.troweprice.com/esg</a></p>
<p>Proxy access</p>	<p>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.</p> <p>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.</p>

## KEY VOTING GUIDELINES: AMERICAS (continued)

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

## KEY VOTING GUIDELINES: AMERICAS (continued)

Shareholder proposals of a social or environmental nature	<p>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.</p> <p>For a detailed description of how we take environmental and social factors into consideration during our investment process, see our <b>Responsible Investment Guidelines</b>. The guidelines are available on <a href="http://www.troweprice.com/esg">www.troweprice.com/esg</a></p>
Shareholder proposals related to political spending and lobbying	<p>CASE-BY-CASE, if we believe the decision to engage in political or lobbying activities poses a unique risk for a particular company and it is unclear whether the board oversees and monitors such risk adequately, T. Rowe Price will generally support shareholder resolutions seeking additional disclosure. A company's level of disclosure on this issue relative to its peers is a secondary consideration.</p>

## KEY VOTING GUIDELINES: EMEA

Approve financial results, director reports, auditor reports	<p>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.</p>
Appointment of auditors and auditor fees	<p>FOR the reelection of auditors and proposals authorizing the board to fix auditor fees.</p> <p>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.</p> <p>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.</p> <p>AGAINST, if the company has not disclosed the auditor's fees.</p>
Approve allocation of income	<p>Generally FOR. In cases of payout ratios on either end of the extreme (less than 30% or greater than 100%), CASE-BY-CASE.</p>
Board diversity policy	<p>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. Our experience leads us to observe that boards lacking in diversity represent a sub-optimal composition and a potential risk to the company's competitiveness over time.</p> <p>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 Continental Europe, the U.K., and Ireland we generally oppose the re-elections of Governance Committee members if we can find no evidence of board diversity.</p>
Discharge of board and management	<p>Generally, FOR.</p> <p>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.</p>
Related party transactions	<p>CASE-BY-CASE</p>

## KEY VOTING GUIDELINES: EMEA (continued)

Election of Directors	<p>Generally, FOR.</p> <p>AGAINST if:</p> <ul style="list-style-type: none"> <li>■ Adequate disclosure has not been provided in a timely manner;</li> <li>■ There are clear concerns over questionable finances or restatements;</li> <li>■ There have been questionable transactions with conflicts of interest;</li> <li>■ There are any records of abuses against minority shareholder interests; or</li> <li>■ The board fails to meet minimum corporate governance standards</li> </ul> <p>Vote FOR individual nominees unless there are specific concerns about the individual, such as criminal wrongdoing, breach of fiduciary responsibilities or egregious failure to oversee material governance, environmental, or social incidents.</p> <p>Vote AGAINST individual directors if repeated absences (&gt;25%) at board meetings have not been explained (in countries where this information is disclosed).</p> <p>Vote AGAINST shareholder nominees unless they demonstrate a clear ability to contribute positively to board deliberations.</p> <p>Vote AGAINST labor representatives if they sit on either the audit or compensation committee, as they are not required to be on those committees.</p> <p>Vote AGAINST insiders and affiliated directors if the board does not meet local best-practice standards for overall independence.</p> <p>Vote AGAINST the entire board if, at a minimum, the names of the director nominees are not disclosed in advance of the meeting.</p> <p>(UK only) Vote AGAINST executives holding a combined CEO and Chair role, absent a compelling explanation for why this non-standard structure is appropriate.</p> <p>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.</p>
Renew partial takeover provision	FOR
Lower disclosure threshold for stock ownership	AGAINST
Issue shares (with or without preemptive rights)	<p>General Issuances:</p> <ul style="list-style-type: none"> <li>■ Generally, FOR issuance requests with preemptive rights to a maximum of 50% over currently issued capital.</li> <li>■ Vote FOR issuance requests without preemptive rights to a maximum of 10% of currently issued capital, in most markets.</li> <li>■ 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.</li> </ul> <p>Specific Issuances:</p> <ul style="list-style-type: none"> <li>■ Vote CASE-BY-CASE on all requests, with or without preemptive rights.</li> </ul>
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	<p>Vote AGAINST proposals to adopt unlimited capital authorizations.</p> <p>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.</p> <p>Vote FOR specific proposals to increase authorized capital to any amount, unless:</p> <ul style="list-style-type: none"> <li>■ The specific purpose of the increase (such as a share-based acquisition or merger) does not meet TRP guidelines for the purpose being proposed.</li> <li>■ The increase would leave the company with less than 30% of its new authorization outstanding after adjusting for all proposed issuances.</li> </ul>

## KEY VOTING GUIDELINES: EMEA (continued)

Equity Plans	<p>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.</p> <p>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.</p>
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	<p>CASE-BY-CASE</p> <p>Vote AGAINST if the companies do not provide sufficient information to make an informed voting decision.</p>
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	<p>FOR the reelection of auditors and proposals authorizing the board to fix auditor fees.</p> <p>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.</p> <p>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.</p> <p>AGAINST, if the company has not disclosed the auditor's fees.</p>
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	<p>FOR, unless:</p> <ul style="list-style-type: none"> <li>■ There are serious concerns about the statutory reports presented or the audit procedures;</li> <li>■ Questions exist concerning any of the statutory auditors being appointed; or</li> <li>■ The auditors have previously served the company in an executive capacity or can otherwise be considered affiliated with the company.</li> </ul>
Related party transactions	CASE-BY-CASE

## KEY VOTING GUIDELINES: ASIA-PACIFIC (continued)

Election of Directors	<p>Generally, FOR.</p> <p>Vote AGAINST if:</p> <ul style="list-style-type: none"> <li>■ Adequate disclosure has not been provided in a timely manner;</li> <li>■ There are clear concerns over questionable finances or restatements;</li> <li>■ There have been questionable transactions with conflicts of interest;</li> <li>■ There are any records of abuses against minority shareholder interests; or</li> <li>■ The board fails to meet minimum corporate governance standards</li> </ul> <p>Vote FOR individual nominees unless there are specific concerns about the individual, such as criminal wrongdoing, breach of fiduciary responsibilities or egregious failure to oversee material governance, environmental, or social incidents.</p> <p>Vote AGAINST individual directors if repeated absences (&gt;25%) at board meetings have not been explained (in countries where this information is disclosed).</p> <p>Vote AGAINST shareholder nominees unless they demonstrate a clear ability to contribute positively to board deliberations.</p> <p>Vote AGAINST insiders and affiliated directors if the board does not meet local best-practice standards for overall independence.</p> <p>Vote AGAINST the entire board if, at a minimum, the names of the director nominees are not disclosed in advance of the meeting.</p> <p>(Japan only) If cross-shareholdings are in place, directors of each company will not be considered independent under T. Rowe Price policy.</p> <p>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.</p>
Board diversity policy	<p>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. Our experience leads us to observe that boards lacking in diversity represent a sub-optimal composition and a potential risk to the company’s competitiveness over time.</p> <p>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 India, Japan, and South Korea, we generally oppose the re-elections of Governance Committee members if we can find no evidence of board diversity.</p>
Renew partial takeover provision	FOR
Lower disclosure threshold for stock ownership	AGAINST
Issue shares (with or without preemptive rights)	<p>General Issuances:</p> <ul style="list-style-type: none"> <li>■ Generally, FOR issuance requests with preemptive rights to a maximum of 50% over currently issued capital.</li> <li>■ Vote FOR issuance requests without preemptive rights to a maximum of 10% of currently issued capital, in most markets.</li> </ul> <p>Specific Issuances:</p> <ul style="list-style-type: none"> <li>■ Vote CASE-BY-CASE on all requests, with or without preemptive rights.</li> </ul>
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.

## KEY VOTING GUIDELINES: ASIA-PACIFIC (continued)

Increase authorized capital	<p>Vote AGAINST proposals to adopt unlimited capital authorizations.</p> <p>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.</p> <p>Vote FOR specific proposals to increase authorized capital to any amount, unless:</p> <ul style="list-style-type: none"> <li>■ The specific purpose of the increase (such as a share-based acquisition or merger) does not meet TRP guidelines for the purpose being proposed.</li> <li>■ The increase would leave the company with less than 30% of its new authorization outstanding after adjusting for all proposed issuances.</li> </ul>
Equity Plans	<p>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.</p> <p>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.</p>
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	<p>CASE-BY-CASE</p> <p>Vote AGAINST if the companies do not provide sufficient information to make an informed voting decision.</p>
Poison pills	Generally, AGAINST.
Expansion of business activities	Generally, FOR.
Debt issuance requests	<p>FOR proposals to issue convertible debt instruments unless they create excessive dilution under TRP's equity issuance guidelines.</p> <p>FOR proposals to restructure debt, unless the terms of the restructuring would adversely affect shareholder rights.</p> <p>Vote non-convertible debt issuance requests on a CASE-BY-CASE basis, with or without preemptive rights.</p>
Pledging of assets for debt	CASE-BY-CASE
Share reissuance plans	Generally FOR unless there is evidence of past abuse of this authority.
Increase borrowing power	CASE-BY-CASE
Shareholder proposals	CASE-BY-CASE

## IMPACT INVESTMENTS

T. Rowe Price Impact Strategies	A separate set of proxy voting guidelines is administered for the T. Rowe Price Impact strategies. These portfolios require a separate voting policy because they have two express mandates: competitive financial returns as well as positive social and environmental impact. In order to meet these objectives, the Impact portfolios may vote differently from other Price Funds, particularly on director elections and shareholder resolutions.
Election of Directors	Generally, FOR. Vote AGAINST as per the governance guidelines for the relevant region. Vote AGAINST if deficiencies in ESG disclosure are not addressed within a reasonable time period. Vote AGAINST for inadequate oversight of ESG controversies, including insufficient preparedness for the low-carbon transition.
Shareholder proposals	CASE-BY-CASE

## EXECUTIVE COMPENSATION GUIDELINES

Votes on compensation matters take a number of different forms in markets around the world, including:

- votes to approve new equity plans;
- votes to approve adding new shares to an existing equity plan;
- votes to approve specific grants of shares to executives;
- advisory votes on executives' compensation ("Say on Pay");
- binding votes on executives' compensation or pay plans; and
- shareholder resolutions addressing certain aspects of executive compensation.

Generally, our approach to all of these categories is to assess how reasonable the resolution is in light of the company's strategy, relative performance, absolute performance, industry, size, and location. Our objective is to identify and support compensation resolutions that are both aligned with the long-term interests of shareholders and thoroughly explained in the company's public disclosures.

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, large gaps in internal pay equity, 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 quartile 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.

## **THE IMPACT OF THE PANDEMIC ON PAY DECISIONS**

The year 2020 was an exceptional period, with the pandemic leaving no part of society untouched. For our 2021 proxy voting decisions, alongside our traditional assessment of pay-for-performance alignment, pay practices and absolute level of pay, we will also assess pay outcomes through the lens of fairness. Pandemic-related pay decisions where none of the key groups (executives, employees and other stakeholders including shareholders) disproportionately benefit compared to others can expect our support. Companies that have not taken a sufficiently long-term and balanced perspective risk damaging their relationships with key stakeholders, which ultimately may impact the sustainability of their business models.

## **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.

### **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 February 2021 and is subject to change without notice; these views may differ from those of other T. Rowe Price associates. This information is not intended to reflect a current or past recommendation, investment advice of any kind, or a solicitation of an offer to buy or sell any securities or investment services. The opinions and commentary provided do not take into account the investment objectives or financial situation of any particular investor or class of investor. Investors will need to consider their own circumstances before making an investment decision.

Information contained herein is based upon sources we consider to be reliable; we do not, however, guarantee its accuracy.

© 2021 T. Rowe Price. All rights reserved. T. ROWE PRICE, INVEST WITH CONFIDENCE, and the bighorn sheep design are, collectively and/or apart, trademarks or registered trademarks of T. Rowe Price Group, Inc.