Environmental, Social, and Governance

ESG

2021 AGGREGATE PROXY VOTING SUMMARY

In this report, we summarize our proxy voting record for the 12-month period ended June 30, 2021 (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.

OUR OBJECTIVE

Thoughtful Decisions Leading to Value Creation

At T. Rowe Price, proxy voting is an integral part of our investment process and a critical component of the stewardship activities we carry out on behalf of our clients. When considering our votes, 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.

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

The following table is a broad summary of some of our proxy voting patterns and results for the reporting period covering July 1, 2020, through June 30, 2021, across our global equity-focused portfolios.

SUMMARY OF MAJOR PROPOSAL ITEMS
July 1, 2020—June 30, 2021

PROPOSAL	% VOTED WITH MANAGEMENT	% VOTED AGAINST MANAGEMENT
I. Proposals Sponsored by Management		
Add/amend antitakeover provisions	47%	53%
Reduce/repeal antitakeover provisions	97%	3%
Appoint or ratify auditors	99%	1%
Capital structure provisions	92%	8%
Compensation issues		
i. Director/auditor pay	94%	6%
ii. Employee stock purchase plans	92%	8%
iii. Executive plans	71%	29%
iv. Say on pay	88%	12%
Elect directors (uncontested)	91%	9%
Mergers and acquisitions	93%	7%
Routine operational provisions	93%	7%
Amend/enhance shareholder rights	91%	9%
Approve environmental policies	86%	14%
II. Proposals Sponsored by Shareholders		
Remove antitakeover provisions	19%	81%
Amend compensation policies	88%	12%
Appoint an independent Board chair	54%	46%
Amend/adopt shareholder rights	81%	19%
Environmental proposals	72%	28%
Social issues proposals	81%	19%
Political activity proposals	78%	22%
Anti-ESG proposals	100%	0%
Anti-nuclear proposals (Japan)	100%	0%
III. Contested Elections		
Elect directors in proxy contest	47%	53%
IV. Totals		
Total management proposals	91%	9%
Total shareholder proposals	86%	14%

Themes From Vote Results

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

This voting period was an unusually contentious one across several major markets around the world. Whereas in 2020 shareholders exhibited forbearance and patience as companies were in the midst of adapting their operational and capital decisions in the early days of the pandemic, in 2021 such forbearance had run out. The three main categories where we observed this pattern were in executive compensation, activism, and proposals of a social or environmental nature.

Executive Compensation

Annual advisory votes on executive compensation—the nonbinding resolutions known as “say on pay”—are a common practice globally. As a result, executive compensation decisions remain a central point of focus for the dialogue that routinely takes place between companies and their shareholders. In our view, corporate disclosure in the annual proxy filings improves every year as Board members endeavor to explain not only what they paid their executive teams, but why. In the past year, T. Rowe Price voted against the “say on pay” vote at 12% of companies.

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

Due to the pandemic and the related economic disruption in many parts of the world, many companies fell short of the predetermined objectives set out in 2018 and 2019, leading Boards to decide whether to allow the awards to be forfeited or to amend them to account for the highly unusual circumstances. Generally, T. Rowe Price found that Boards used restraint with these amendments, making it clear that the changes will be temporary. In assessing these votes for 2021, we looked at not only the nature of such amendments to executive pay plans but also the overall experience of their relevant stakeholders. For example, we believe companies that reduced their workforces significantly or received government assistance due to the pandemic should be particularly conservative regarding efforts to amend pay plans to benefit their executives.

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. In 2020, activism campaigns were notably quieter as a result of the pandemic. However, activist activity bounced back quickly this year, with two especially prominent contests at Toshiba Corp. (Japan) and ExxonMobil (U.S.).

Often, the presence of activist shareholders does not result in a voting event, as the company and activists negotiate some form of mutually agreeable outcome. In some cases, however, negotiations stall and investors face a contested Board election—a choice between incumbent company directors and the activist’s nominees. T. Rowe Price assesses each of these situations carefully in an effort to determine which set of directors is best suited to lead the company over the long term. Our voting record on contested elections reflects our case-by-case approach. This year, we supported incumbent management candidates in 47% of contests.

Social, Environmental, and Political Proposals

This year has been described as a “breakout” year for resolutions addressing environmental, social, and political issues. Issues such as racial justice, income inequality, worker safety, and climate change have been on prominent display within the corporate sector due to a confluence of events, including the pandemic. By extension, resolutions addressing such issues have received greater average support and higher visibility this year.

In this report, we break down these votes into five subcategories due to some unique patterns within the broader group of environmental, social, and political proposals. The subcategories we extract for separate disclosure are:

- **Political/lobbying proposals.** Corporate participation in the political process, where allowed by law, is appropriate. However, we have recently observed a widening disconnect between what companies publicly disclose about their approach to environmental and governance matters and what their trade organizations advocate on their behalf. To the extent that we find mismatches of this nature, or generally poor disclosure about the Board's oversight of political activity, we support shareholder resolutions asking for more transparency on political spending and lobbying activities. In this Reporting Period, we supported 22% of these proposals.

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

In our case-by-case analysis of environmental proposals, the company's current level of disclosure is our most important consideration, followed by factors such as the materiality of the specific environmental issue for the company in question; the disclosure framework being requested by the proponent; our prior engagement with the company on environmental matters; the views of our Responsible Investment team; the identity of the proponents, if available, and their stated intentions; and the level of prescriptiveness embedded in the proposal. In this Reporting Period, T. Rowe Price supported 28% of environmental resolutions, up from 17% the year before.

- **Social proposals.** This category contains a wide range of proposals on issues ranging from specific operational practices at companies to broader societal issues such as diversity. As investors intensify our focus on racial inequality in the corporate world, we are seeing a large increase in the number of resolutions dealing with human capital management, diversity, and inclusive practices. Our approach to socially oriented resolutions is similar to the environmental category. We assess them on a case-by-case basis, taking into account the materiality of the issue being raised; the company's existing level of disclosure; the degree of prescriptiveness in the resolution; the views of our Responsible Investment team; the identity of the proponents, if available, and their stated intentions; and our engagement history with the company on the topic. In this Reporting Period, T. Rowe Price supported 25% of the proposals in this category, up from 17% last year. The types of proposals we support most often are around human capital management. Note: In this category, a growing number of corporate Boards recommend in favor of the proposal, recognizing the importance of improving their reporting on social issues. As a result, a vote in support of the shareholder proposal may also be a vote in line with the Board's recommendation.

- **Anti-ESG proposals.** Although small in number, there is a set of resolutions each year sponsored by proponents whose aim is to persuade companies to roll back environmental initiatives, curtail charitable giving, or de-emphasize diversity and inclusion. The objectives of these proposals are so distinct from the overall category of shareholder resolutions that we believe they need to be analyzed and reported separately. Anti-ESG proposals represented 2% of the broader category during this Reporting Period. T. Rowe Price did not support any of these.

- **Anti-nuclear proposals.** Ever since the 2011 earthquake and subsequent nuclear accident in Fukushima, Japan, individual investors in this region have mounted a persistent campaign to get Japanese utilities to generate power from sources other than nuclear plants. Publicly traded Japanese utilities receive multiple resolutions of this nature every year. In total, these proposals represent 11% of the overall social, environmental, and political category. T. Rowe Price does not support any of these resolutions as they are extremely prescriptive in nature, asking companies to change their operations. Our view is that operational decisions are best left to the Board.

Election of Directors

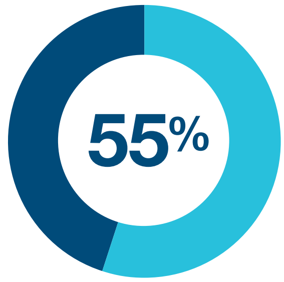
At T. Rowe Price, we recognize that it is the Board of Directors' responsibility to develop and guide corporate strategy and oversee management's implementation of that strategy. We generally do not support shareholder-led initiatives that we believe may infringe upon the Board's authority. However, one of the fundamental principles underlying our proxy voting guidelines is accountability. We believe that 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 a Board's composition, including its diversity and independence, recognizing that regional corporate governance codes around the world apply different expectations. Where there is cause for concern, we vote against the reelection of individual directors, the members of a key Board committee, or, in some cases, the entire Board. Examples of situations where we believe shareholders are best served by voting to remove directors include:

- maintaining an insufficient level of diversity at the Board level;
- failing to remove a fellow director who received less than a majority of shareholder support in the prior year;
- neglecting to adopt a shareholder-proposed policy that was approved by a majority vote in the prior year;
- adopting takeover defenses or bylaw changes that we believe put shareholders' interests at risk;
- maintaining significant outside business or family connections to the company while serving in key leadership positions on the Board;
- promoting the decoupling of economic interests and voting rights in a company through the use of dual-class stock with superior voting rights for insiders, without adopting a reasonable sunset mechanism;
- failing to consistently attend scheduled Board or committee meetings; 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 55% of our total number of voting decisions this year. Almost all of these elections are uncontested, meaning that 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.

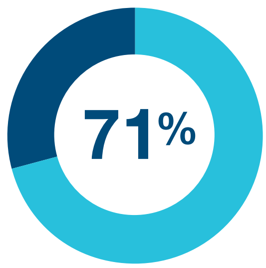
As in past years, T. Rowe Price voted consistently in favor of proposals to strengthen certain shareholder rights. One example is majority voting for the election of directors. We believe directors should relinquish their Board seats if they are opposed by a majority of their shareholders, even in the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



Elections of company directors represented 55% of our total voting activity this year.

Broad-Based Equity Compensation Plans

T. Rowe Price believes that a company's incentive programs for executives, employees, and directors should be aligned with the long-term interests of shareholders. Under the right conditions, we believe that equity-based compensation plans can be an effective way to create that alignment. Ideally, we look for plans that provide incentives consistent with the company's stated strategic objectives. This year, we supported the adoption or amendment of such compensation plans approximately 71% of the time. For the 29% of compensation plans we did not support, our vote was usually driven by the presence of a practice that we felt undermined the link between executive pay and the company's performance, such as:



We supported the adoption or amendment of 71% of equity compensation plans.

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

Mergers and Acquisitions

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

Takeover Defenses

T. Rowe Price portfolio managers consistently vote to reduce or remove antitakeover devices in our portfolio companies. We oppose the introduction of shareholder rights plans (so-called poison pills) because they can prevent an enterprise from realizing its full market value and create a conflict of interest between directors and the shareholders they represent. We routinely vote against directors who adopt poison pill defenses without subjecting them to shareholder approval.

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

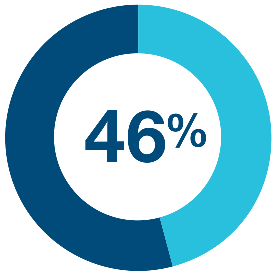
Separate Board Chair and CEO

In many markets, the most common Board leadership structure has separate roles for the chair and the company's chief executive officer. Under the U.S. proxy rules, companies are required to discuss their leadership structure and the reasons that a particular arrangement (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 that a designated lead director role provides adequate protection of shareholders' interests. In other situations, we conclude that shareholders' interests would be better served under an independent chair. This Reporting Period, T. Rowe Price voted in favor of shareholder proposals to appoint an independent Board chair 46% of the time.

Conclusion

Company-specific voting records are made available on our website each year on or around August 31, reflecting a Reporting Period of July 1 of the preceding year to June 30 of the current year. This report serves as a complement to these detailed voting records, rolling them up into key themes. In addition to this report, we provide an overview of our voting activity each year in our ESG Annual Report.

For more information, visit troweprice.com/esg.



We voted in favor of shareholder proposals to appoint an independent Board chair 46% of the time.

Our proxy voting policies and procedures are available on our website and can be found at, troweprice.com.

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 June 30, 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.

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