Proxy Voting Case Study

The following case study provides insight into how T. Rowe Price Associates, Inc. (TRPA), intends to vote.

**Case study**

<table>
<thead>
<tr>
<th>Company</th>
<th>Symbol</th>
<th>Meeting date</th>
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<tr>
<td>Kohl’s Corp.</td>
<td>KSS (NYSE)</td>
<td>11 May 2022</td>
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**Reason for highlighting this case study**

This is a contested board election in a company where TRPA has a large stake.

**Analysis**

TRPA is a long-term shareholder of U.S. retailer Kohl’s Corp. Kohl’s represents a differentiated offering among department stores. The company has experienced setbacks in the past several years including COVID-related store closures, missed revenue targets, and strategic initiatives that have been slow to gain traction.

In April 2021, the company settled with a group of activist funds led by Macellum Capital Management, appointing three new directors to the Board of Directors as part of the agreement.

Earlier this year, Macellum expressed disappointment in the company’s progress over the past nine months and disclosed its nomination of 10 directors to replace a majority of the Kohl’s board. The investor’s stated objectives are to have the new board initiate a process to sell the company or, in the event a deal is not reached, to implement a series of operational changes and/or real estate transactions in an effort to enhance value.

At the same time, the company announced in March that it received preliminary indications of interest from potential strategic or financial buyers.

In contested elections where TRPA is a significant shareholder, our practice is to meet with both parties as we form our voting decision. We did so in this case.

We engage with members of the Kohl’s board and its management periodically as part of our regular, ongoing investment dialogue with companies in our clients’ portfolios and proprietary funds. These conversations gave us a solid understanding of the board’s guiding philosophy on capital allocation, and their perspectives on the strategic direction of the company. We find strong evidence that the incumbent board is committed to choosing the path it believes has the highest likelihood of shareholder value creation. Furthermore, we are confident the board is employing an independent and rigorous process to determine the appropriate path for the company.

Kohl’s continues to have challenges ahead of it. Company management has laid out profitability targets and operational goals, and we have encouraged the board to hold the management team accountable by publishing frequent, transparent assessments of its progress against these goals. We also offered suggestions as to how its executive incentive program may be amended to become more closely aligned with these targets.

In addition, we evaluated the possibility of a sale-leaseback transaction, one of the recommendations Macellum has put forth in public filings. We would have concerns about such a transaction, as it could unduly increase leverage of this cyclical company at the wrong point in the cycle.

We reviewed these previous engagements as we made our vote decision. We also considered the unusual circumstances the board finds itself in at the moment, simultaneously undertaking a proxy contest and the evaluation of a potential sale of the company. Each of these is a time-consuming and distracting endeavor at a time when it’s critical that the company continue to execute its value-creation strategy. In our view, our final vote decision reflects the path we believe is most constructive, enabling the company to focus on the decisions most likely to benefit shareholders over time.

**Vote decision**

T. Rowe Price Associates, Inc. (TRPA), on behalf of the T. Rowe Price funds and certain of its advisory clients support the Management slate at the shareholder meeting on May 11. This means we intend to vote FOR the 13 nominees presented by the Kohl’s board. We do not intend vote on the Macellum card, and we will not support any of its 10 nominees.

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