

T. Rowe Price UK Limited - Remuneration Policy Statement

1. Introduction

T. Rowe Price UK Limited (**TRPUK**) is authorised as a UCITS Management Company and as such, acts as the Authorised Corporate Director (**ACD**) for the T. Rowe Price Funds OEIC (the **OEIC**), an open-ended investment company that qualifies as an Undertaking for Collective Investments in Transferable Securities (**UCITS**) under Directive 2009/65/EC, as amended, (the **UCITS Directive**).

This Remuneration Policy Statement (**RPS**) sets out the policies, practices and procedures followed by TRPUK in order to comply with:

- the UCITS Remuneration Code as specified in SYSC 19E of the FCA Handbook; and
- the associated European Securities and Markets Authority's "Guidelines on sound remuneration policies under the UCITS Directive", published March 31st, 2016 (the UCITS Guidelines and referred to as the Guidelines).

2. Application to TRPUK

TRPUK is a wholly owned subsidiary of T. Rowe Price International Limited (**TRPIL**) which in turn is a wholly owned subsidiary of T. Rowe Price Group, Inc. (**TRPG**).

TRPUK has appointed a number of executive and non-executive directors. In addition, the Firm has an agreement in place with other group entities the effect of which is to place the resources of other group entities (predominately TRPIL) at its disposal.

In accordance with SYSC 19E 1.3 G and for the purpose of this RPS, remuneration includes payments made by a seconding organisation, which is not subject to the UCITS Remuneration Code, to a secondee in respect of their employment by a management company which is subject to the UCITS Remuneration Code. The policies, practices and procedures described herein are predominately reflecting those of TRPG. The effect of those policies, as described in this RPS, is to ensure a remuneration incentive regime which is at least equivalent to that under SYSC 19E and the UCITS Guidelines.

References within this RPS to "T. Rowe Price" and "the company" refer to TRPG; references to the "firm", "UCITS management company", "UCITS authorised corporate director" TRPUK.

3. Proportionality

The FCA has not issued guidance on how to apply SYSC 19E. However, there are many points of correspondence between the remuneration requirements of the UCITS V Directive and AIFMD, and between the ESMA guidelines applicable to each Directive, which the FCA has suggested firms review as the principles in its existing AIFMD guidance will be relevant to the expectations for remuneration policies and practices under the UCITS Directive.

The table below summarises the assessment undertaken to reach the determination that rules in relation to (1) retained units, shares or other instruments (SYSC 19E.2.18R); (2) deferral (SYSC 19E.2.20R); and (3) performance adjustment (SYSC 19E.2.22R) (collectively "Pay-Out Process Rules" will not be applied by TRPUK.

In addition, TRPUK is not required to establish a remuneration committee because it is not a significant management company as defined in SYSC 19E 2.9 R.

Proportionality	Factor	Assessment for TRPUK
Size	Number of partners, members, employees and consultants performing services for TRPUK.	The current size of the funds means that the number of remuneration code staff, when compared to other similar firms, is limited.
Internal Organisation	Whether TRPUK is listed and traded on a regulated market.	TRPUK is part of a listed group but it is not itself listed and therefore this favours the disapplication of the Pay-Out Process Rules.
	Ownership structure -whether a significant portion of TRPUK's equity or such other appropriate legal and/or economic interests is held by investors.	As explained below, T. Rowe Price grants long-term equity-based compensation from the T. Rowe Price Group 2012 Long-Term Incentive Plan, which was approved by shareholders on 17 April 2012. This would favour the disapplication of some or all of the Pay-Out Process Rules on the grounds of proportionality in respect of the senior management, such as the requirement on ex-post incorporation of risk. TRPUK's existing equity program, based on our long term incentive program for TRPG stock, is a prudent and effective method of aligning risk and all of our constituents' interests.
Nature, scope and complexity of activities	Investment strategies	The sub-funds within the OEIC are equity and bond funds and have a broad range of geographical focus, and in some instances make use of derivative products.
	Risk management and monitoring.	We apply regulatory investment restrictions, which prescribe to a degree PM risk taking and that in addition we have an investment risk team and investment management governance processes to monitor and if necessary to take action to limit PM risk taking. This favours disapplication of the deferral and retention requirements
	Nature and structure of sub-funds	Each of the sub-funds is a clone of an existing investment strategy managed by one of TRPUK's affiliates, which act as master portfolios.
	Level of risk.	It is expected that TRPUK will have the lowest conduct and prudential score (P3,C3). In addition the funds are suitable for retail investors and therefore have a low level of investment strategy implementation

		risk.
	The nature of any delegation arrangement between TRPUK and its delegate.	TRPUK delegates investment management to TRPIL, an FCA regulated U.K. group company that is subject to the FCA's BIPRU Remuneration Code. This is a similar situation to example (e) in the FCA's General guidance on the AIFM Remuneration Code (SYSC 19B) [1] in which the FCA states that "We would consider these arrangements appropriate because the full implementation of the AIFMD remuneration regime would bring negligible additional benefit in terms of appropriate risk alignment relative to the additional costs that would be incurred for the AIFM Remuneration Code to be implemented in full."
	The nature of certain fee structures such as performance fees or carried interest.	This factor may be considered where fee structures satisfy the objectives of alignment of interest with investors and avoid incentives for inappropriate risk-taking. There are no performance fees charged by TRPUK which means that there is no incentive for the delegated investment manager to engage in excessive risk taking in pursuit of higher performance fees.

4. Remuneration Principles

4.1 Identified Staff

The Guidelines note that UCITS must identify the staff covered by the Guidelines and classify them as "Identified Staff". The definition of Identified Staff covers the following categories of staff unless it can be shown that they have no material impact on the UCITS' risk profile.

- Board members
- Senior management
- Control Functions (i.e. risk management, compliance, internal audit)
- Staff responsible for portfolio management, administration, marketing and HR
- Other risk takers who can exert a material influence on the TRPUK's risk profile.
- Individuals receiving equivalent remuneration to anyone already included as "Identified Staff" from the criteria above
- Staff of delegate entities whose professional activities have a material impact of the risk profile of the UCITS that the management company manages

[1] <https://www.fca.org.uk/publication/finalised-guidance/fq14-02.pdf> [fca.org.uk]

Under the Guidelines the following staff are therefore categorized as Identified Staff:

All TRPUK board members (excluding independent board members) and senior management: Robert Higginbotham, Simon Cooper, Helen Ford, John Yule, Emma Beal, Jeremy Fisher, Louise Johnson, Mitchell Todd and Jeremy Ellis.

Similarly the Circular applies to members of the administrative and management bodies of TRPUK and those whose activities can have a material impact on the risk profile of TRPUK. This RPS therefore applies to the same individuals as are classified as Identified Staff under the Guidelines.

4.2 **Remuneration schemes**

4.3 **Fixed**

It is TRPUK's policy to pay staff a basic salary which is sufficiently high to attract talent in a highly competitive marketplace and effectively retain that talent for long periods of time and to provide a fair reward for the services rendered in line with their education, seniority and expertise. The fixed component of associate's remuneration is always sufficiently high to allow for a fully flexible bonus policy.

4.4 **Variable**

T. Rowe Price has an annual bonus pool which is administered by our Management Compensation Committee (the **MCC**) and used to provide cash incentive compensation to our employees generally. All employees are eligible to participate in this bonus pool; over 6,700 associates participated in 2017. Variable compensation is delivered as a cash bonus and long-term equity awards. The Executive Compensation and Management Development Committee (the **ECMDC**) of the T. Rowe Price Group Board of Directors oversees and approves the total amount allocated to the annual bonus pool, and approves annual long-term equity awards for our associates. Individual bonus and/or long-term equity awards are based on individual performance against a combination of financial, operational or other strategic objectives. Individual performance for our investment management staff is considered over a multi-year timeframe, and factors in both relative investment performance and other non-financial contributions to the company's long-term performance and development of talent.

The size of the overall bonus and long-term equity pools will vary annually, based upon the MCC and the ECMDC consideration of the company's financial performance, progress toward stated financial and non-financial objectives relating to the firm's long-term strategies and reputational success over time. We focus on valuing performance that serves the needs of our clients (such as investment performance and service quality for clients), and the best interests of our stockholders. Multiple years are typically considered to determine relevant performance and the size of the bonus and long-term equity pools. This emphasis on multi-year results helps keep our employees focused on long-term performance for our clients and stockholders, and reduces in some respects, the year-to-year volatility of the aggregate pool. The size of the pools are not solely formulaic, therefore reducing the risk that a specific action could result in a pre-determined funding level or award amount to any one individual. Additionally, total bonus and long-term equity compensation spend is considered in the context of company financial performance, including revenue and operating income, and in the context of the competitive environment for talent.

T. Rowe Price grants long-term equity-based compensation from the T. Rowe Price Group 2012 Long-Term Incentive Plan, which was approved by shareholders on 17 April 2012.

Under this plan, the ECMDC has the authority to grant stock appreciation rights, restricted stock awards, restricted stock units and stock options to plan participants. Participants receive their annual award value in the form of restricted stock units (**RSUs**) that vest over a five year period - in equal tranches. All RSU awards are settled in stock, and sales of company stock are subject to the Company's Personal Trading Policy.

T. Rowe Price considers long-term equity-based incentives crucial in order to maintain a strong association between the compensation of our top managers and key professionals and our stockholders' long-term interests. The vesting of RSUs over 5-years aligns the value of those awards to longer-term interests of the company's clients. We believe that our long-term equity-based compensation program is a significant factor in achieving this goal. Similar to our bonus planning process, business unit leaders provide recommendations for long-term incentive awards to the Management Compensation Committee. In 2017, there were approximately 820 associates who received long-term equity awards.

4.5 **Governance**

The board of TPRUK will undertake a review of this RPS at least annually. The board is also responsible for the implementation of the RPS. The adoption and review will be undertaken by members who do not perform any executive functions in the management company concerned and have expertise in risk management and remuneration.

As noted above on the basis of proportionality TRPUK does not have its own Remuneration Committee. Remuneration for TRPUK associates is however subject to the oversight of several committees within the TRPG compensation process which have different roles within our compensation processes:

The MCC currently consists of TRPG CEO, who chairs the committee, the Vice-Chairman of TRPG and CEO of TRPIL, the Chief Investments Officer of TRPG, the Co-Head of Global Equity, the head of Global Investment Management Services and the Head of Human Resources of TRPG. The committee is responsible for:

- overseeing and managing the philosophy, approach and scope of the compensation programs at T. Rowe Price, including long-term incentive plans;
- considering the initial recommendations from the Business Unit Leaders for the annual salary increase targets, and in turn, setting those targets
- determining bonus funding for the bonus program (in concert with the company's Management Committee);
- reviewing annual compensation recommendations (base, bonus and long term incentives) for the senior-most positions in the organization as well as all investment and sales roles; ensuring that the corporation is responsibly managing the compensation budget, while providing market competitive, internally equitable, performance-based pay.

The ECMDC is comprised of the outside directors of T. Rowe Price Group's Board of Directors. Bill Stromberg (TRPG CEO), Ed Bernard (TRPG Vice Chairman and CEO of TRPIL) and Dee Sawyer (Head of Human Resources of TRPG), each members of the MCC, are typically are invited to each meeting. The ECMDC has also retained an independent compensation consultant to assist in its important governance responsibilities. The ECMDC is responsible for:

- determining the compensation of the chief executive officer and other executive officers;
- reviewing and approving general salary and compensation policies for the rest of our senior officers;
- overseeing the administration of our Annual Incentive Compensation Pool, stock incentive plans, and employee stock purchase plan;
- assisting management in designing compensation policies and plans; and
- reviewing and discussing with management the Compensation Discussion and Analysis of TRPG's annual 10k and the annual proxy statements filed with the U.S. Securities and Exchange Commission and any other compensation disclosures.

In addition to the above committees, the Human Resources department plays a key role in vetting compensation issues across the company, both during the year and in the year-end incentive award processes. The MCC reviews and approves the company's year-end compensation award recommendations. In addition, Human Resources has firm wide compliance oversight for the RPS to ensure the RPS and our practices are in agreement.

4.6 **Interest alignment**

As noted above, the ECMDC is comprised of all non-executive directors of the company. The company believes that its compensation programs are designed to reward executives and other senior officers for building and strengthening the very core of our company's long-term viability, which contributes to long-term value creation for our clients and stockholders. We seek to accomplish this through a balance of short-term fixed and variable cash compensation, and long-term equity-based incentives. We believe the stability of our management team over long periods of time, our executives' and staff-wide level of ownership in the company, and our unwavering focus on generating outstanding long-term performance for our clients are evidence that we have created a powerful alignment of incentives between our executive team, our associates, our clients and our stockholders.

Each year, the ECMDC meets with senior management to identify goals, which are consistent with the company's long-term objectives. Also, annual assessments focus on performance and factors related to positioning the company for long-term success. Building a company that can sustainably generate strong investment performance for our clients as well as TRPG stockholders requires a complex mix of managerial abilities. We believe the keys to such long-term success are:

- attracting talent in a highly competitive marketplace and effectively retaining that talent for long periods of time;
- protecting our corporate integrity and reputation as the keys to maintaining our valued clients' trust;
- providing our highest possible level of service quality and client focus;
- offering only products that we believe add value and can produce sustainable performance over complete market cycles;
- nurturing a culture of quality, collaboration and independent thought to create an organization of motivated, engaged, team-oriented professionals who are loyal to our clients and our company.

A significant amount of our executive officers' and senior managers' annual compensation is equity-based, with five year vesting requirements. This significantly aligns their pay to the continued success of the company.

4.7 **Control functions**

The control functions supporting TRPUK are appropriately empowered and have the necessary authority, independence and expertise to carry out their function and duties. The TRPUK board ensures that the necessary resources are dedicated to TRPUK's control functions, both in terms of quantity and quality of associates within the functions; with a significant focus on recruiting and retaining high quality individuals. Reports from the control functions are standing agenda items for the TRPUK board.

Each control function has its own organizational structure which is independent of the business areas they oversee.

Control function remuneration pools are determined with reference to the performance of each individual function.

We routinely monitor the remuneration of our staff against industry market data to ensure that we are paying competitively.

4.8 **Consistency with sound and effective risk management**

It is intended that TRPUK's RPS is consistent with, and promotes, sound and effective risk management and does not encourage risk-taking that is inconsistent with the risk profile, rules or governing documents of the OEIC managed.

In determining an individual's compensation, we analyse the goals, objectives and the results of each individual. Inherent in that analysis is reviewing "how" the individual achieved his or her results. Thus, risk analysis is imbedded in how we evaluate an associate's performance. Any risk management or compliance concerns which are raised about an associate may be taken into consideration when assessing the associate's performance. For example a regulatory or Code of Ethics breach by an associate, which is identified by Legal & Compliance, are reported to the associate's line manager. Based on the circumstances, such breaches may be taken into consideration when assessing an individual associate's performance, and ultimately therefore impacting their compensation. Likewise, if an associate contributes to inappropriate risk taking that resulted or could have resulted in a material exposure to the firm or the OEIC it would be taken into consideration in the determination of both annual cash and equity-based compensation adjustments.

Additionally, the TRPUK board reviews this RPS annually to ensure remuneration practices are consistent with the firm's risk profile.

Investment discretion for the OEIC is strictly controlled within mandated parameters. These parameters are generally coded within the Investment Manager's automated compliance system, strictly limiting the amount of risk that can be taken within the OEIC.

4.9 **Delegation**

Where the firm delegates investment management activities, it shall require confirmation from the delegate entity that either 1. It is subject to equally as effective regulation on remuneration, which shall include the rules of the Capital Requirements Directive, or 2. it sets its remuneration in compliance with a remuneration policy that is compliant with the relevant remuneration regulations.

4.10 **Pension Policy**

TRPUK provides a non-discretionary company pension plan to its employees; the plan is aligned with the business strategy, objectives, values and long-term interests of the firm and the OEIC. The pension plan is designed to provide competitive benefits in order to attract and retain appropriately skilled and experienced staff. The benefits under plan accrue based on a formulaic set percentage of basic salary. The plan does not therefore present plan participants with potential conflicts of interest and is consistent with the principles of sound risk management.

4.11 **Guaranteed Variable Remuneration**

Guaranteed variable remuneration is exceptional and would in any case be limited to the first year of service, in the context of new hires.

4.12 **Severance Pay (payments related to early termination)**

Severance pay is at the firm's absolute discretion but will reflect performance and not reward failure.

4.13 **Personal Investment Strategies**

Employees must not use personal hedging strategies which could undermine the risk alignment effects embedded in remuneration policies.

4.14 **Disclosure**

TRPUK will make this RPS available on request to all investors in the OEIC. Additionally TRPUK will disclose in the annual report to investors of the OEIC, the total remuneration paid by TRPUK to the Identified Staff. A summary of the RPS is also disclosed in the prospectus of the OEIC.