



# PROXY VOTING CASE STUDIES

A series of T. Rowe Price  
Associates, Inc. (TRPA)  
pre-vote intentions for the  
2022 calendar year



## Our approach to proxy voting

Proxy voting is a critical component of our approach to corporate governance. We offer our clients a high degree of transparency related to the votes we cast on their behalf.

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 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.

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- 👉 [2021 proxy voting summary](#)

## Our approach to engagement

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For copies of our policies and guidelines please visit our website:

- 👉 [troweprice.com/ESG](http://troweprice.com/ESG)

### Not a proxy statement

These case studies are not a proxy statement nor a solicitation of proxies from the holders of the named company's common stock and represents T. Rowe Price Associates, Inc. (TRPA) and its investment advisory affiliates, excluding T. Rowe Price Investment Management, Inc., voting intention which is subject to change. T. Rowe Price Investment Management, Inc. votes proxies independently from the other T. Rowe Price related investment advisers and has adopted its own proxy voting guidelines.





## Proxy Voting Case Study

As at 1 November 2022

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

Case study		
Company <b>Constellation Brands Inc.</b>	Symbol <b>STZ (NYSE)</b>	Meeting date <b>9 November 2022</b>
Reason for highlighting this case study	<p>The company is presenting an unusual proposal to collapse its longstanding dual-class capital structure into a single class of common stock.</p>	
Analysis	<p>T. Rowe Price Associates, Inc., is a shareholder of Constellation Brands Inc, a global producer of wine, beer and spirits.</p> <p>The company has been controlled by its founding family since its inception in 1945. Control has been maintained via the use of a dual-class capital structure, with 10:1 voting rights for family stockholders. In April, the board received a proposal from the Sands family to collapse the dual-class structure and do away with the unequal voting rights via an exchange ratio at a premium to the common share price.</p> <p>The board invited comment from shareholders as it formed a Special Committee to evaluate the proposal. We provided a detailed comment letter making a case in favor of simplifying the company's capital structure. We did not prescribe a specific premium to be paid to the founding family, but we offered multiple considerations for the committee as it considered how to fairly price any premium it deemed necessary.</p> <p>We also recommended a path of corporate governance improvements to accompany the new one-share-one-vote structure. These had to do with the roles of Sands family members on the board going forward, the need for refreshment of the board's committees and leadership roles, and strengthening shareholder rights after decades of being insulated from investor influence by the controlling shares' voting rights.</p> <p>In August, we were pleased to see the board announce a final plan for shareholder approval. A lower premium was negotiated, to be paid in cash instead of shares. The corporate governance improvements we hoped to see were adopted on a timetable even shorter than we had expected.</p> <p>Our conclusion is the Special Committee negotiated a reasonable compromise with the company's controlling shareholders. Over the long term, we believe shareholders will benefit from the simplified capital structure and the enhanced board accountability that accompanies the conversion from a controlled company to one with equal voting rights for all investors. We believe there is greater potential for the company's valuation to improve as its management team demonstrates consistency and transparency in its strategic decision-making, and as the market comes to appreciate that the risk profile of the enterprise has changed now that there is no controlling stockholder whose interests have not always aligned with those of outside investors.</p>	
Vote decision	<p>T. Rowe Price Associates, Inc. (TRPA), on behalf of the T. Rowe Price funds and certain of its advisory clients will vote FOR the management proposal to approve the amended and restated charter to effectuate the reclassification at the Constellation Brands Inc. special shareholder meeting on November 9.</p>	



## Proxy Voting Case Study

As at 7 October 2022

Case study		
Company <b>Commonwealth Bank of Australia</b>	Symbol <b>CBA (ASX)</b>	Meeting date <b>12 October 2022</b>
Reason for highlighting this case study	This vote illustrates our approach to a high-profile climate-related shareholder resolution which was informed by engagement with both the proponent of the resolution and the company.	
Analysis	<p>Items 5A and 5B are two climate-related shareholder resolutions, which our investment analyst and ESG team discussed with both the proponent and the company. The proponent in this case is Market Forces, a non-governmental organization (NGO). We chose to engage to ensure we had the full picture, given how important climate is as a theme for many of our portfolio holdings.</p> <p>Item 5A is an enabling resolution which seeks to amend the company's constitution. The drafting of the text to be inserted is quite broad, and many shareholders are concerned that voting for a change of this type could result in unintended consequences. Thus, typically shareholders vote against such amendments, which makes it hard for investors to employ the mechanism of a shareholder resolution to truly hold a company to account. For item 5B to be enacted, item 5A must first be approved by 75% of the shareholders; this level of support is unlikely.</p> <p>T. Rowe Price would support the introduction of a framework which permitted non-binding shareholder resolutions in the Australian market. Where these are permitted in other jurisdictions, shareholder resolutions can serve as an additional tool for institutional investors to push for enhanced company disclosure on governance and sustainability risks or more robust policies and procedures. However, this approach is not currently permissible in Australia.</p> <p>Under item 5B, the resolution requests Commonwealth Bank of Australia (CBA) to demonstrate how its financing will not be used for the purposes of new or expanded fossil fuel projects. The proponent states that CBA continues to finance companies and projects that expand the scale of the fossil fuel industry, which they believe is contrary to CBA's commitment to the Paris Agreement and its target of net zero emissions by 2050.</p> <p>The bank said that it is committed to playing a leadership role in Australia's transition to a net zero emissions economy by 2050. It is their ambition to support a purposeful transition in three main ways: lending to support the transition; helping customers navigate the transition; and leading the transition conversation. To this end, the bank is looking to work with clients to help them transition, rather than taking a purely exclusionary approach. This approach is underpinned by their public-facing environmental and social framework which lays out some restrictions on the types of customers it will finance as well as requirements customers must abide by to obtain financing. For example, the bank will undertake assessments of certain customers to ensure they are in line with the goals of the Paris Agreement. In addition, from 2025 onward these clients are expected to have published Transition Plans which include a time-bound decarbonisation plan consistent with the goals of the Paris Agreement.</p> <p>Our responsible investing team analysed the disclosure provided by CBA in their 2022 climate report and found it to be aligned with best practices in this market. The report provides a detailed description on the governance, strategy, risk management and associated metrics/targets linked to climate risks. The bank has also measured the financed emissions across approximately 90% of its lending portfolio and reports on the progress against their interim sectoral targets. The bank has also reported on the output from its engagements with their carbon-intensive customers during the year. Finally, CBA has also partnered with a government agency - the Commonwealth Scientific and Industrial Research Organisation (CSIRO), to develop scientific pathways for the Australian market and lead the transition conversation in the local market.</p> <p>It is paramount that a bank financing a "high emitting transitioner" has a robust process to ensure the borrower has a genuine, credible plan to achieve net-zero. Thus our dialogue explored how CBA assesses the credibility of customer's transition plans. The bank shared their assessment approach, highlighting areas such as public reporting, business strategies and the alignment of capex/investment when determining the credibility of the customers' transition plans. Although what we heard was reassuring, we recommended the bank provide some additional disclosure in future climate reports to help shareholders understand the bank's assessment of customers transition plans in more detail. Finally, we recognize this approach may result in a bank excluding may high-emitting customers, but this will only occur after a thoughtful evaluation of their business plans. In our discussion with the bank, CBA provided some indication on the number of customers that are no longer financed.</p>	
Vote decision	<p>T. Rowe Price Associates, Inc. (TRPA), on behalf of the T. Rowe Price funds and certain of its advisory clients, will be voting AGAINST items 5A and 5B, the enabling shareholder resolution and the climate risk safeguarding resolution respectively.</p> <p>Our conclusion is the resolutions are unnecessary because the company is already taking appropriate steps toward an orderly transition for its clients faced with heavy climate-related risks.</p>	



## Proxy Voting Case Study

As at 19 July 2022

Case study										
Company <b>Informa plc</b>	Symbol <b>INF;LN</b>	Meeting date <b>16 June 2022</b>								
Reason for highlighting this case study	<p>We highlight this vote because of our history of active engagement with the board and because of the unusually contentious vote outcome this year. At the June 2022 shareholder meeting, 71% of investors voted against the remuneration report to reflect disagreement with the company's second pandemic-related adjustment to the Long-Term Incentive Plan (LTIP) in two years.</p>									
Analysis	<p>In recent years, Informa plc has been the subject of significant investor dissent on pay. As set out in the engagement timeline below, we were initially supportive of the remuneration practices. Even though they were not fully in line with best practices in the UK market, we wanted to see the management team focused on rebuilding the business post-pandemic. Although the relevant dialogue was held directly with the company, we also joined the UK Investor Forum collaborative engagement to amplify our concerns about how the board was undertaking its remuneration consultations.</p>									
	<table border="1"> <thead> <tr> <th>Pay issue at shareholder meeting</th> <th>Outcome</th> </tr> </thead> <tbody> <tr> <td> <p><b>June 2020</b> – The AGM (Annual General Meeting) saw the company bring its triennial remuneration policy back before shareholders early but fail to address some key areas of non-compliance with the UK Corporate Governance Code. The pension arrangement for incumbent executive directors was high and not aligned with the broader workforce. Also, there was no post-cessation shareholding requirement.</p> </td><td>35% of shareholders voted against the remuneration policy in June 2020.</td></tr> <tr> <td> <p><b>Autumn 2020</b> – The company consulted on a new share plan which replaced performance shares and the deferred portion of the bonus with restricted shares. We supported the new remuneration policy and plan. It was broadly in line with UK practice for a restricted share plan and addressed the areas of noncompliance with the UK Corporate Governance Code.</p> </td><td>41% of shareholders voted against the pay approach (remuneration policy and plan) presented in December 2020.</td></tr> <tr> <td> <p><b>June 2021</b> – At the AGM, we voted against the remuneration report as the company had used significant COVID-related discretion to the long-term incentive plan payout without consulting shareholders. We were disappointed to be surprised in this way, given we had consulted extensively with the company prior to the Equity Revitalisation Plan approval in December 2020.</p> </td><td>62% of shareholders voted against the remuneration report. As an escalation strategy to show our concern, we and 47% of shareholders voted against the re-election of the chair of the Remuneration Committee at the 2021 AGM.</td></tr> </tbody> </table>	Pay issue at shareholder meeting	Outcome	<p><b>June 2020</b> – The AGM (Annual General Meeting) saw the company bring its triennial remuneration policy back before shareholders early but fail to address some key areas of non-compliance with the UK Corporate Governance Code. The pension arrangement for incumbent executive directors was high and not aligned with the broader workforce. Also, there was no post-cessation shareholding requirement.</p>	35% of shareholders voted against the remuneration policy in June 2020.	<p><b>Autumn 2020</b> – The company consulted on a new share plan which replaced performance shares and the deferred portion of the bonus with restricted shares. We supported the new remuneration policy and plan. It was broadly in line with UK practice for a restricted share plan and addressed the areas of noncompliance with the UK Corporate Governance Code.</p>	41% of shareholders voted against the pay approach (remuneration policy and plan) presented in December 2020.	<p><b>June 2021</b> – At the AGM, we voted against the remuneration report as the company had used significant COVID-related discretion to the long-term incentive plan payout without consulting shareholders. We were disappointed to be surprised in this way, given we had consulted extensively with the company prior to the Equity Revitalisation Plan approval in December 2020.</p>	62% of shareholders voted against the remuneration report. As an escalation strategy to show our concern, we and 47% of shareholders voted against the re-election of the chair of the Remuneration Committee at the 2021 AGM.	
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	<p>This public spat over pay has become a distraction from the core investment opportunity. When we saw the Chair after the 2021 AGM, we advocated that the Remuneration Committee should select a new Chair to reset relations with investors. We were pleased when the appointment was subsequently made, but disappointed that in our first meeting with the new Chair we were told that the Remuneration Committee had decided to make another pandemic-related adjustment to the LTIP. We had advised the company that any negative surprises on pay this year would be poorly received by investors, and yet the same dynamic continued under the new Chair. Given our continued frustration, we were amongst the 71 percent of shareholders who voted against the remuneration report at the 2022 AGM. Dissent of this magnitude is extremely unusual in the UK market.</p>									
Vote decision	<p>T. Rowe Price Associates, Inc. (TRPA), on behalf of the T. Rowe Price funds and certain of its advisory clients, voted against the remuneration report at the 2022 AGM, to express our concern with how the LTIP adjustment had been handled and communicated to shareholders. We also abstained on the reappointment of the former Chair of the Remuneration Committee, but he decided not to seek re-election just prior to the AGM.</p>									



## Proxy Voting Case Study

As at 21 June 2022

Case study		
Company <b>Mitsubishi Corp.</b>	Symbol <b>8058; JP</b>	Meeting date <b>24 June 2022</b>
Reason for highlighting this case study	<p>The company received two high-profile climate-related shareholder resolutions. Some of our Portfolio Managers decided to support one of the two resolutions, and we wanted to explain our approach.</p>	
Analysis	<p>Mitsubishi is one of the largest Japanese trading company in terms of earnings and assets, and has the second highest exposure to commodities amongst peers. This year the company has received two climate-related shareholder resolutions from non-governmental organizations Market Forces, Friends of the Earth Japan and Kiko Network. To formulate our vote decision, our governance team attended a webinar where the proponents presented their resolutions, engaged with the company, and discussed the situation with our investment analyst who follows the company. Our ultimate decision was to vote AGAINST item 6. However, there was a range of views on item 5, with some holders voting FOR and some AGAINST. This memo explains how our portfolio managers reached their decisions.</p> <p>Item 5 asks the company to improve its disclosure by adopting and disclosing a business plan with Paris-aligned short- and mid-term greenhouse gas emissions reduction targets. The targets will cover Scope 1, 2 and 3 emissions<sup>1</sup>, and progress reporting will be provided annually. The company's current disclosure has two main opportunities for improvement: the addition of a short-term target and comprehensive coverage of Scope 3 targets. In engagement, the company told us that they plan to improve their Scope 3 disclosure later in the year, but were reluctant to disclose a short-term target even though an internal roadmap to the mid-term 2030 target exists. We appreciate the need for flexibility, but suggested that an indicative range could be provided rather than an exact number in the next iteration.</p> <p>Our Portfolio Managers who voted with management on item 5 felt that the company is already making substantial efforts on decarbonization and that additional disclosure could be counterproductive. Specifically, providing the requested level of detail might negatively impact the company's negotiating leverage if it becomes necessary to dispose of such assets. However, our Portfolio Managers who voted FOR item 5 felt this additional disclosure would be useful to shareholders. Furthermore, their view is it's a reasonable request since the company has been a Task Force on Climate-Related Financial Disclosures (TCFD) supporter since July 2018 and already has both a 2030 mid-term target and a commitment to reach net zero by 2050.</p> <p>We would note that T. Rowe Price proxy voting decisions are made at the investment strategy level. While it is uncommon for managers who own the same stock to take different views on a voting matter, split decisions such as this are allowed under our voting guidelines and facilitated under our normal voting procedures.</p> <p>Item 6 asks the company to include in its annual corporate reporting how a net zero by 2050 pathway would affect the assumptions around new material capital investments and planned future investments in the development of new oil and gas assets. The company recently published a new mid-term corporate strategy which established processes for aligning its investment with short and medium-term targets within the net-zero framework. Under this new structure, the company identified "Green" businesses that present significant transition opportunities and "Transform" businesses that face key transition risks. In the next reporting cycle, the company expects to disclose more investment assumptions which we feel will go some way towards meeting the expectations under this shareholder resolution. The company has committed that both "Green" and "Transform" businesses will be assessed in line with a 1.5C scenario consistent with net zero by 2050.</p> <p>While we recognise the Japanese national target of net zero by 2050, we question the proponent's use of IEA's Net Zero Emissions by 2050 (NZE) scenario as a base case for capital allocation. We also note the current volatility caused by the conflict in Ukraine, and that the company has already committed to making significant near-term portfolio adjustments. Thus, all T. Rowe Price strategies elected to support management on this proposal. We plan to monitor progress and re-engage with the company ahead of the 2023 shareholder meeting.</p>	
Vote decision	<p>Certain strategies managed by T. Rowe Price Associates, Inc. (TRPA), on behalf of the T. Rowe Price funds and certain of its advisory clients, will vote FOR item 5 (Amend Articles to Disclose Greenhouse Gas Emission Reduction Targets) while others will vote AGAINST. All strategies will vote AGAINST item 6 (Amend Articles to disclose evaluation concerning consistency between capital expenditures and net zero greenhouse gas emissions by 2050 commitment) at the 2022 AGM of Mitsubishi Corp.</p>	

<sup>1</sup> Scope 1 (direct emissions from owned or controlled sources). Scope 2 (indirect emissions from the generation of purchased electricity, steam, or cooling). Scope 3 (all other indirect emissions).



## Proxy Voting Case Study

As at 13 May 2022

Case study		
Company <b>ExxonMobil Corp.</b>	Symbol <b>XOM (NYSE)</b>	Meeting date <b>25 May 2022</b>
Reason for highlighting this case study	<p>Given the significant public interest in this company's 2021 shareholder meeting, we communicated via the press how we had voted just before the meeting. This year, we observe that investors continue to exhibit a high level of interest in environmental resolutions brought to a vote at the company. This case study covers one of those resolutions.</p>	
Analysis	<p>TRPA is a shareholder of ExxonMobil, a global energy company. In 2021, activist investors Engine no. 1 ran a proxy contest to replace members of the board. The campaign was rooted in the perception that, relative to its global peers, ExxonMobil's long-term capital allocation decisions have remained anchored to a core assumption that demand for hydrocarbons will continue to grow in the decades to come. This assumption drives the company's decisions around capital allocation and strategy, leaving little room for error if the demand for fossil fuels does not grow as the company predicts.</p> <p>Another concern raised in the 2021 campaign was board composition. For many years, the ExxonMobil board was composed of multiple former CEOs of multinational corporations, but very few with energy industry experience.</p> <p>During the campaign, the company added three board members, one from an investment company, one communications executive and one from an Asian oil producer. Later, however, at the shareholder meeting, investors voted to replace three of the board's nominees including one of the newly appointed directors. T. Rowe Price voted with the majority of investors in that contest, supporting the activist's three nominees who were ultimately placed on the board.</p> <p>In the 12 months since that contest, we have observed that the culture inside the company appears to be changing quickly. The company is moving its corporate headquarters from a location where it was isolated from the businesses into a location where it has significant operations, aligning corporate functions more closely with the operating companies. ExxonMobil has also filled several prominent positions with external hires, a departure from their longstanding practice. Finally, the company has exhibited a new level of commitment to transparency on climate issues and substantive shareholder engagement, publishing multiple reports about climate issues over the past year.</p> <p>At the 2021 shareholder meeting, in addition to the contested director election, there were seven shareholder proposals. One of these asked the company to publish an audited report "assessing how applying the assumptions of the International Energy Agency's (IEA) Net Zero by 2050 pathway would affect the assumptions, costs, estimates, and valuations underlying its financial statements, including those related to long-term commodity and carbon prices, remaining asset lives, future asset retirement obligations, capital expenditures and impairments." The proposal received the support of 49% of investors including T. Rowe Price.</p> <p>Earlier this year, in response to that vote, ExxonMobil published a report titled Advancing Climate Solutions in which it provided some scenario analysis similar to that requested by the proponent. However, the scenarios contemplated in the report rely on a key assumption of steady growth in demand for hydrocarbons through and beyond the year 2050. The scenarios presented in the report would all result in surface temperature increases well over the 1.5C degree target that the IEA defines as necessary to prevent catastrophic outcomes.</p> <p>The same shareholder resolution is on the ballot again in 2022. While we are pleased to see the company engaging more substantively with investors and investing in climate solutions, scenario analysis and disclosure, T. Rowe Price Associates concludes that another edition of this report using a wider range of hydrocarbon demand scenarios would be relevant and useful for investors.</p> <p>In certain instances, before we make a voting decision on a shareholder resolution, we speak with both the proponent of the resolution and company management. We did so in this case. Before the vote, we spoke with Christian Brothers Investment Services, the proponent, and ExxonMobil management.</p>	
Vote decision	<p>T. Rowe Price Associates, Inc. (TRPA), on behalf of the T. Rowe Price funds and certain of its advisory clients will vote FOR the Shareholder Proposal (Item 8: Report on Scenario Analysis) at the ExxonMobil shareholder meeting on May 25.</p>	



## Proxy Voting Case Study

As at 13 May 2022

Case study		
Company <b>Rongsheng Petrochemical Co., Ltd</b>	Symbol <b>002493 (Shenzhen)</b>	Meeting date <b>20 May 2022</b>
Reason for highlighting this case study	This case study highlights a situation where our new climate transparency gap voting policy resulted in a vote against directors.	
Analysis	<p>Our Election of Directors policy includes the possibility that T. Rowe Price Associates may choose to oppose directors for failure in the oversight of material environmental risks. In 2022, we changed our screening process under this policy, allowing us to identify in a more systematic way directors who are responsible for providing inadequate climate disclosure.</p> <p>Our expectation is that companies in the Americas, EMEA and Asia-Pacific regions operating businesses in industries with the highest carbon intensity disclose, at a minimum, their total absolute Scope 1 and Scope 2<sup>1</sup> greenhouse gas emissions as of the 2021-year end. Failure by companies in these industries to disclose this data leaves their investors unable to properly analyze their exposure to climate change risk.</p> <p>To implement this policy, we have identified those companies that are both highly exposed to the impact of climate change and have demonstrated insufficient preparedness for the energy transition. Our screening methodology uses a three-step process:</p> <ol style="list-style-type: none"> <li>1) We use the European Union's Sustainable Finance Disclosure Regulation's list of high impact climate sectors to define the scope of companies with high exposure.</li> <li>2) We use our proprietary Responsible Investment Indicator Model (RIIM) to screen within these sectors for companies that may not be adequately managing their climate risks. As a minimum standard, if companies in these sectors are reporting their Scope 1 and 2 greenhouse gas emissions, they are deemed exempted from this policy.</li> <li>3) We identify any mitigating or idiosyncratic circumstances that indicate it is not appropriate to apply the policy to a company at this time. For example, exceptions may be made for very small or very newly public companies.</li> </ol> <p>Rongsheng specializes in the production and marketing of petrochemical and chemical fiber and is one of the largest commodity chemical producers globally. The petrochemicals industry is the world's third largest industrial producer of carbon emissions and is thought to account for about 5 percent of global industrial greenhouse gas emissions and for about 12% of global oil demand. Given the scale of the emissions and the dependence on fossil-fuel based feedstock, we view the entire industry as being highly exposed to energy transition risk.</p> <p>Despite its elevated exposure to this risk, Rongsheng does not yet have a clearly defined strategy for navigating the energy transition nor for mitigating its impact on climate change. The company does not currently report its scope 1 or 2 greenhouse gas emissions. Although we have seen some progress in recent years including increased disclosure of certain environmental metrics and the introduction of several initiatives to lower CO<sub>2</sub> emissions from its operations, the company has not yet set any quantitative reduction targets at a group level. We have not identified any mitigating circumstances in this case.</p> <p>For this climate transparency gap, we generally oppose the re-elections of all non-executive incumbent directors. There are five non-executives up for re-election at the 2022 shareholder meeting, and we will vote against all of them as we consider this transparency gap evidence of a failure of board oversight.</p>	
Vote decision	T. Rowe Price Associates, Inc. (TRPA), on behalf of the T. Rowe Price funds and certain of its advisory clients, will be voting against Yongqing Li (item 18.2), Yiping Shao (item 19.2), Jianmiao Yan (item 19.1), Fengdi Yu (item 18.5) and Xiaodong Zheng (item 19.3).	

<sup>1</sup> Scope 1 (direct emissions from owned or controlled sources), Scope 2 (indirect emissions from the generation of purchased electricity, steam, or cooling).



## Proxy Voting Case Study

As at 13 April 2022

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

Case study		
Company <b>Kohl's Corp.</b>	Symbol <b>KSS (NYSE)</b>	Meeting date <b>11 May 2022</b>
Reason for highlighting this case study	<p>This is a contested board election in a company where TRPA has a large stake.</p>	
Analysis	<p>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.</p> <p>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.</p> <p>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.</p> <p>At the same time, the company announced in March that it received preliminary indications of interest from potential strategic or financial buyers.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p>	
Vote decision	<p>T. Rowe Price Associates, Inc. (TRPA), on behalf of the T. Rowe Price funds and certain of its advisory clients support the <b>Management</b> 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 to vote on the Macellum card, and we will not support any of its 10 nominees.</p>	

## Important Information

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Prepared by T. Rowe Price Associates, Inc., investment adviser.

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