



Investing for **CLIENTS**

Putting Clients First

In 1937, Thomas Rowe Price, Jr., founded T. Rowe Price on the principle that, if our clients succeed, our firm will succeed. Ever since then, this belief has been a vital part of our daily work, and it continues to inform our approach to every aspect of our business—both now and in the long term.

OUR APPROACH TO ANALYZING ESG CONSIDERATIONS

Our mission is to help our clients reach their financial goals through a thoughtful, disciplined approach to managing investments. To this end, we have an obligation to understand the long-term sustainability of a company's business model and the factors that could cause it to change.

Environmental, social, and governance factors comprise a broad spectrum of issues, which our investment analysts consider in the context of a given company, industry, or region of the world. We assess and understand the ESG factors that are most likely to have a material impact on the performance of the companies in our clients' portfolios, guided by the following principles:

Collaboration

We believe companies, investors, and governments all have a role to play in improving corporate disclosure and strengthening the sustainability of business practices over time.

Accountability

Our investment analysts are responsible for assessing the full range of factors likely to have a meaningful impact on the company's performance.

Fundamental Research

We believe ESG analysis and engagement are most effective when led by experienced investors who know the company well and are best positioned to evaluate these considerations in the appropriate context.

Stewardship

We believe our responsibilities as diligent investors don't end with the decision to purchase a security. We maintain regular dialogue with the managers of our portfolio companies.

Materiality

We focus on the ESG factors we consider most likely to have a material impact on the performance of the companies in our clients' portfolios over our investment time horizon.



Demonstrating Our Commitment and Collaborating for Collective Action

We believe collaboration with other institutions benefits our clients. We share insights and engage with other investors through participation and leadership in the following initiatives:

- > Asian Corporate Governance Association
- > Associação de Investidores no Mercado de Capitais
- > Commonsense Corporate Governance Principles
- > Council of Institutional Investors
- > Investor CDP signatory
- > Investor Stewardship Group
- > Japan's Stewardship Code
- > Principles for Responsible Investment
- > UK Financial Reporting Council's Stewardship Code
- > UK Investor Forum

Notably, in 2016, we became founding members of the UK Investor Forum and Investor Stewardship Group, which provide regular opportunities for collaborative engagement on ESG issues.



Associate Spotlight: MARIA ELENA DREW

Director of Research,
Responsible Investing,
T. Rowe Price

Deepening Our Analysis of ESG Considerations

In 2017, T. Rowe Price hired Maria Elena Drew to deepen the firm's research on ESG considerations and focus on the continued incorporation of ESG analysis into the firm's investment decisions. In the new role of director of research, responsible investing, Maria will build a team of responsible investing analysts. She will also partner with Donna Anderson, head of corporate governance, and work closely with the firm's investment teams to develop and integrate an ESG framework across geographies and asset classes.

By integrating ESG considerations into our investment process, we are able to identify well-managed, more forward-thinking companies that are leaders in their industry.

Responsibility for incorporating ESG considerations into investment decisions is embedded across our research platform. Analysts who are experts in their fields cover a specific region or sector, and may follow some companies for more than 10 years. Their responsibilities include meeting the management teams, conducting site visits, and producing detailed company and industry analysis.

To support our analysts' ability to assess ESG investment factors, we have built a rich set of specialized resources for them to use, both internally and externally. We have a team of full-time specialists who are integrated into our research teams to work with our investment analysts and portfolio managers to help them understand the ESG issues relevant to their portfolios. We also have retained an array of external research partners specializing in data on environmental and social issues, corporate governance, executive compensation, and regulatory matters.

T. Rowe Price's Key Criteria for ESG Considerations

GOVERNANCE	ENVIRONMENTAL ISSUES
Strategic objectives Capital stewardship Leadership quality and credibility Accountability and transparency Competitive environment Governance and management incentive structures Reputation and brand equity Operational efficiency and execution Willingness to engage with investors	Long-term sustainability Impact of regulatory changes Long-term availability of key resources
SOCIAL ISSUES	
	Corporate values and integrity Employment practices Supply chain management Treatment of stakeholders Ability to attract and retain talent

Proxy Voting

Proxy voting is a critical component of our approach to corporate governance and our fiduciary responsibility to our clients. We provide extensive disclosure—to clients and to the public—about our proxy voting decisions and the context in which they are made. When considering the voting items on our portfolio companies' proxies each year, 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. For more information about our approach to proxy voting, please visit our [Proxy Voting Guidelines](#).

30,238

Director Votes

89,380

Proxy Votes

6,718

Shareholder Meetings

Data represents the 2016 calendar year



Q&A With Donna Anderson

Head of Corporate Governance, T. Rowe Price

An increasing number of asset management companies are incorporating ESG into investment decisions. What makes T. Rowe Price's approach distinct from other asset managers?

We have an investment-driven approach that is laser-focused on understanding how ESG considerations will affect the performance of a company in our clients' portfolios. In our view, ESG issues are investment issues. Because our engagement priorities are so tightly connected to our investment views on a company, we conduct our company-level engagements privately.

What was new in 2016 and 2017?

The benefits of having a diverse Board of Directors is increasingly supported by data. We own multiple North American companies in our portfolios that do not have

and have never had a woman serve on their Board. We have begun actively engaging with these companies to encourage more gender diversity on their Boards of Directors.

Additionally, the assessment of political risk took on heightened importance across our strategies. Recent political events—in particular the UK vote to exit the European Union and the presidential election in the U.S.—had a significant effect on our investments across a number of strategies and asset classes. Our regulatory specialists, analysts, portfolio managers, and firm management created multiple opportunities for our investment teams to discuss the short- and long-term implications of these events. For example, we brought in external speakers, including former members of Parliament, U.S. government officials, and currency experts, to offer their perspectives.

In what ways does T. Rowe Price engage with portfolio companies?

We have varying degrees of engagement depending on the circumstance. Our approach usually fits into one of two categories: light or heavy engagement.

Also, we directly connect with Boards to strengthen our relationships with companies; gain incremental insights; and share a point of view about the companies' performance, prospects, governance, and business practices. In fact, our analysts and portfolio managers were invited to present to a number of Boards of Directors of companies in which we have large stakes.

Categories of Engagement

LIGHT ENGAGEMENT

- > High number of brief engagements
- > Fewer resources devoted to each engagement

We frequently initiate short-term engagements with companies when we discover that they are poorly rated by our external research providers who specialize in environmental and social risks. Often, we learn that a poor relative ranking by these third-party services is driven more by spotty disclosure than by poor risk management. We find that small- and mid-cap companies rarely receive feedback from their investors about their disclosure, so they devote few resources to reporting. As a consequence, they are poorly rated. In our experience, this problem is often easily addressed.

HEAVY ENGAGEMENT

- > Low number of intensive, often multiyear engagements
- > More resources devoted to each engagement

We have significant investments in three large U.S. companies in the financial services, health care, and business services sectors, all of which have recently experienced material controversies related to business practices, litigation exposure, and failures of oversight. In all three cases, disclosure of these incidents has resulted in extensive negative media coverage, senior management turnover, increased litigation, stock underperformance, reputational damage, or all of the above. We have initiated discussions with the senior management teams and members of the Boards of all three companies. Correcting the poor business practices that occurred is just the first phase of the process. Addressing the cultural or structural factors that allowed the incidents to happen is a more complex undertaking. These issues are long term in nature, and our heightened level of discussion with these companies is likely to continue over the next two to three years.

Corporate Governance

Our disciplined investment process extends to how we govern our own business. Our Management Committee includes investment professionals who have spent decades observing and studying effective corporate governance practices.

In order to earn and maintain our clients' confidence, we have established a governance structure and corporate governance guidelines to safeguard their interests, as well as those of our other stakeholders.

APPROACH

The firm's senior leadership and Board of Directors are ultimately responsible for ensuring that the firm adheres to sound corporate governance policies that align with our values as an organization. We have a coordinated approach centered on five highly collaborative functions.

Business Units

All T. Rowe Price associates are expected to conduct themselves according to the highest level of integrity and ethics. This philosophy is applied to all business processes and reinforced regularly through our hiring criteria, our associate training, and our [Code of Ethics and Conduct](#). Each business unit retains first-line responsibility for identifying and managing risk within its business processes, maintaining a strong control environment, and designing procedures to meet regulatory compliance requirements.

Enterprise Risk Management

Enterprise Risk Management coordinates with the business units to proactively identify and manage risks within the organization, particularly: strategic risk, operational risk, business continuity risk, human capital risk, compliance risk, and financial risk. Enterprise risk also ensures that the firm's oversight

processes and technology around investment risk are well matched to our continually evolving profile as a global, active investment manager.

Firmwide Compliance

Our compliance program ensures that we maintain sound compliance practices according to local laws and regulations across the globe. The U.S. director of Strategic Compliance coordinates and supports T. Rowe Price's overall compliance program. Meanwhile, our head of International Compliance, based in the UK, ensures that we operate in accordance with the regulations of each country in which we are involved.

Internal Audit

Internal Audit is managed by the head of Internal Audit and reports to the chief financial officer and the Audit Committee of the T. Rowe Price Board of Directors, providing independent assurance of effective control of risks across the firm. Internal Audit prepares an annual risk-based strategic audit plan that is reviewed and approved by the Audit Committee.

Business Continuity

Our business continuity program is designed to ensure we are able to maintain the operational integrity of critical business functions, as well as reduce the potential risks resulting from disruptions at any of our offices.



Associate Spotlight: PAUL WOJCIK

Chief Risk Officer, T. Rowe Price

As chief risk officer, Paul Wojcik ensures T. Rowe Price is focused on holistically assessing and managing all types of risk facing the firm, from investment risk to business risk, third-party risk, and fraud. Under Paul's leadership, his team evaluates existing and emergent financial instruments, such as stocks, bonds, currencies, and derivatives to ensure that T. Rowe Price is making the best financial decisions for our clients. "We believe in transparency when it comes to risk management—understanding possible options and outcomes based on the evolving markets and regulations—so we are prepared as a firm and so our investors can help align clients' portfolio risk to their objectives."

Ethics and Integrity

As a global investment management firm, T. Rowe Price is committed to conducting its business with the highest level of integrity and ethics.

CODE OF ETHICS

This commitment is formalized and reinforced through our Code of Ethics and Conduct (Code), which has been in effect for more than 30 years. The Code is applicable to all associates and directors of the company, as well as contractors, consultants, vendors, and temporary workers who perform ongoing services for the firm. All associates must participate in annual continuing education and training related to the Code that promotes honest conduct; full, timely, and accurate reporting; compliance with laws; and accountability for adherence to the Code, including internal reporting of any violations.

The Code is also maintained and administered by an Ethics Committee, appointed by the Management Committee, which identifies and addresses activities that could create conflicts with the interests of our clients, associates, or the firm itself—imposing sanctions for violations of the Code, with approval by the Management Committee.

SECURITY AND PRIVACY

At T. Rowe Price, safeguarding our clients' online security and privacy is a top priority. Through strict security measures, as well as protocols outlined in our [Privacy Policy](#), we work to ensure that online communications and transactions are safe and reliable.

WHISTLEBLOWER PROGRAM

Our whistleblower program provides employees the opportunity to submit a complaint without the fear of dismissal or retaliation. It is clearly and regularly communicated through the Code and the firm's intranet site and is reinforced through annual training. Complaints can be filed in writing or through a toll-free, 24/7 anonymous hotline.

ANTI-BRIBERY POLICY

The values and global business practices of T. Rowe Price are expressly designed to prevent bribery and corruption. As such, the firm maintains a strict global compliance program that prohibits illegal payments and provides guidelines for associates regarding acceptable business activities. To ensure understanding and compliance, all associates are required to complete annual anti-bribery training.

EXECUTIVE COMPENSATION

We align our executive compensation with the interests of our clients and stockholders and provide it primarily in the form of a low base salary relative to overall compensation, annual cash incentive compensation, and long-term equity incentive awards.

The Executive Compensation and Management Development Committee oversees T. Rowe Price's compensation, talent development, and succession planning. The committee reviews and approves firmwide compensation policies, as well as specific compensation levels of the CEO and other executive officers. Additionally, the committee annually reviews succession and talent development plans for key senior roles across the firm.

Our executive compensation recognizes both shorter- and longer-term success, and our focus is to reward intermediate- and longer-term performance of our top management. Key measures include the financial performance and financial stability of the firm, the relative investment performance of our mutual funds and investment portfolios for



Honors

- > FTSE4Good Index
- > MSCI Global Sustainability Index series
- > MSCI Global Socially Responsible Index series
- > Sustainalytics—ranked in the 84th percentile (scored 64 out of 100)
- > The Women's Forum of New York 2017 Corporate Champions

clients, and performance against goals and objectives. Increases and decreases in bonuses paid to our executives have consistently been in line with changes in the company's financial performance.

POLICY ON CAMPAIGN CONTRIBUTIONS

As part of our responsibilities to stockholders and clients, T. Rowe Price regularly monitors and evaluates public policy issues affecting our business. Over the years, we have focused our public policy efforts on areas affecting our clients, including ensuring fairness and best practices in investment management, mutual funds and other investment vehicles, retirement savings, tax policies, and capital markets. Leaders across the firm's business units, as well as our Legal and Compliance Department, work closely to determine whether, and in what way, to engage lawmakers, regulators, trade associations, or other third parties in the dialogue. As part of our engagement in the public policy process, we maintain memberships and participate in a number of industry associations.

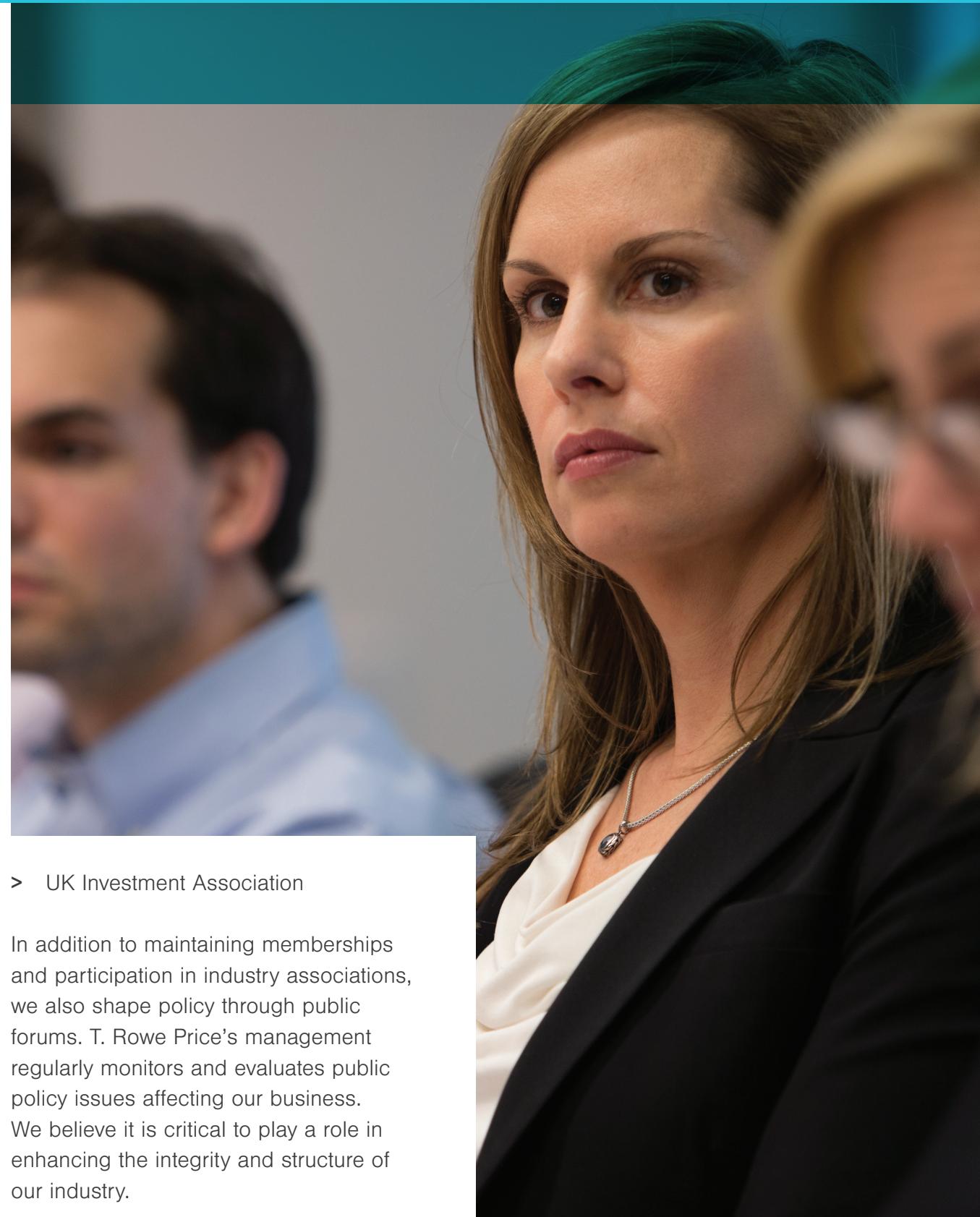
We adhere to rules and regulations that limit the political activities of investment advisors that provide advisory services to government entities. We do not make corporate contributions to political

candidates, parties, or committees, nor does the firm maintain a political action committee. Associates are required to obtain prior approval for all political contributions from the Legal Department, which is responsible for monitoring compliance with our policy.

ENGAGING ON KEY INDUSTRY ISSUES

T. Rowe Price associates are actively involved with policy and industry organizations through leadership roles or committee participation, including:

- > American Benefits Council
- > Australian Institute of Superannuation Trustees
- > Employee Benefit Research Institute (EBRI)
- > European Fund and Asset Management Association
- > Financial Services Information Sharing and Analysis Center
- > Forum of European Asset Managers
- > Hong Kong Investment Funds Association
- > Investment Adviser Association
- > Investment Company Institute (ICI)
- > ICI Global
- > SPARK Institute
- > UK Investment Association



In addition to maintaining memberships and participation in industry associations, we also shape policy through public forums. T. Rowe Price's management regularly monitors and evaluates public policy issues affecting our business. We believe it is critical to play a role in enhancing the integrity and structure of our industry.

Simplifying Clients' Charitable Giving

Since 2000, the T. Rowe Price Program for Charitable GivingSM, a national, donor-advised fund founded by T. Rowe Price, assists clients with planning and managing their charitable giving.

The Program for Charitable Giving, governed by an independent Board of Directors, brings expert oversight in providing an efficient and effective means for initiating, growing, and distributing charitable gifts. Through highly personalized service, flexible tax advantages, and low annual fees, individuals and corporations can actively engage in philanthropy and support qualified charitable organizations throughout the United States.

THE PROGRAM FOR CHARITABLE GIVING

Since its inception, the Program for Charitable Giving has distributed more than \$220 million in grants to public charities, private operating foundations, and government entities. In 2016, donor contributions totaled more than \$69 million, bringing total assets to over \$245 million as of December 31, 2016. During this time, nearly \$40 million in grants were made. The Program for Charitable Giving continues to see significant growth while also maintaining high efficiencies in donation processing and in meeting donor needs.

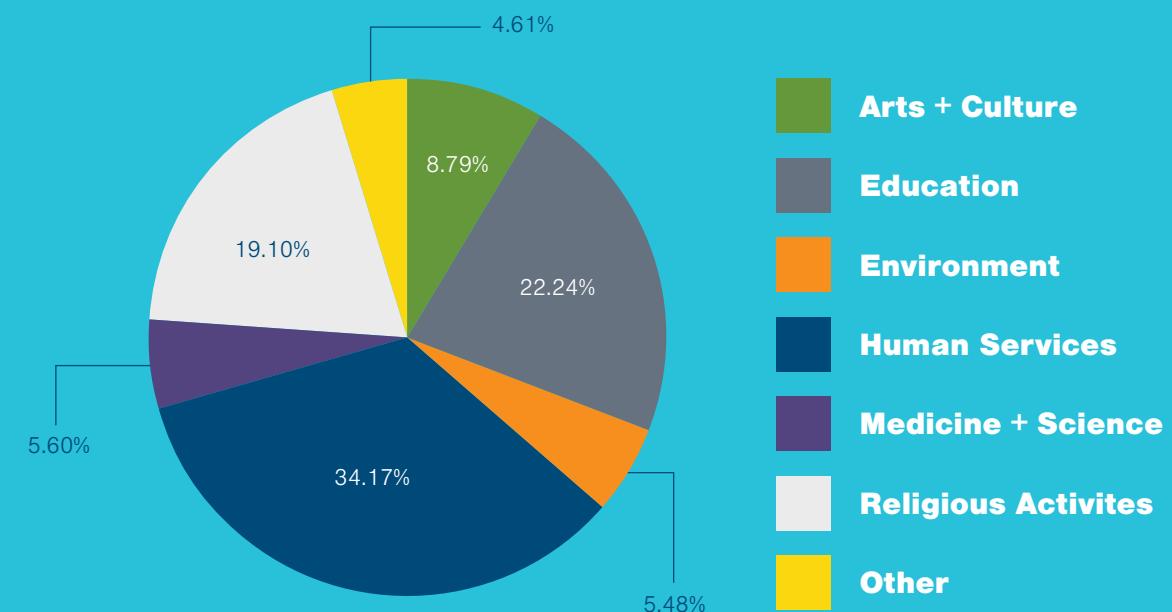
To learn more about the Program for Charitable Giving, visit ProgramForGiving.org or email us at PCGQuestions@ProgramForGiving.org.

“We are longtime T. Rowe Price clients, as are many family members and friends. T. Rowe [Price] makes it easy to donate appreciated stock to our donor-advised fund with the Program for [Charitable] Giving.”

CHRISTY AND MATTHEW WYSKIEL

T. Rowe Price Clients and Cofounders of the Baltimore Next Generation Investing Event

Percentage of Total Program for Charitable Giving Grants by Cause



Program for Charitable Giving Grants and Donations



All data are as of December 31, 2016



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