



T. Rowe Price

Investment Policy on Human Rights

Updated as of March 2024

This document reflects the investment policy on human rights of T. Rowe Price Associates, Inc. (TRPA), and its investment advisory affiliates, including T. Rowe Price Investment Management, Inc. (TRPIM), collectively referred to as “T. Rowe Price.” TRPIM was established as a separately registered U.S. investment adviser, with a separate ESG team from TRPA. Decisions for TRPA and TRPIM ESG teams are made completely independently, but use a similar approach, framework, and philosophy.

T. Rowe Price supports and respects the protection of human rights and, where it operates, complies with all laws and regulations designed to protect human rights. Our support for the protection and preservation of human rights aligns with our core values and our culture of ethics and integrity.

At T. Rowe Price, we integrate environmental, social, and governance (ESG) factors into our investment analysis for the purpose of maximizing investment performance; this includes human rights-related factors. We view ESG integration as foundational—it is a core investment capability, which we have embedded in our equity and fixed income investment research platforms. With ESG integration, our fiduciary duty remains a top priority and, therefore, it is applied in the management of our investment products, where applicable.¹ Additionally, we recognize that many of our clients’ goals are not purely financial. As such, we offer select investment products that seek to invest in ways that align with our clients’ sustainable objectives.

This policy provides an overview of the way T. Rowe Price integrates the analysis of human rights factors into the investment process and describes how these can affect the investments we make on behalf of our clients.

Background

The topic of human rights is broad and complex – the United Nations defines human rights as the universal right of every individual to be treated with dignity, “inherent to all human beings, regardless of race, sex, nationality, ethnicity, language, religion or any other status. Human rights include the right to life and liberty, freedom from slavery and torture, freedom of opinion and expression, the right to work and education, and many more.”²

¹ Our philosophy is that ESG factors are a component of the investment decision—meaning that they are not the sole driver of an investment decision, nor are they considered separately from more traditional investment factors such as valuation, financials, industry trends, and macroeconomics.

² Source: <https://www.un.org/en/global-issues/human-rights#:~:text=Human%20rights%20are%20rights%20inherent.and%20education%2C%20and%20many%20more>

How Human Rights factors are considered in our investment process

We believe it is our fiduciary duty to understand how our investee companies, as well as sovereign, municipal, and securitized bond issuers, are assessing their exposure to human rights-related risks and opportunities. Our practice at T. Rowe Price has been to embed ESG factors throughout our investment research platforms, including the consideration of human rights issues. We rely on a combination of fundamental analysis (by analysts and portfolio managers), thematic research (by ESG specialist teams), and our proprietary RIIM analysis.³

RIIM analysis provides two key benefits for our analysts and portfolio managers. First, RIIM proactively and systematically searches for weak performance or abuses relating to human rights in corporate and sovereign issuers—this is an important feature as human rights data are not required disclosure, nor are they standardized like financial data. Second, RIIM provides a framework for evaluating human rights-related factors—in essence, it creates a common language for our analysts and portfolio managers to discuss how an investment is performing on human rights-related factors as well as compare securities within the investment universe.

For clients with a sole mandate to deliver financial performance, human rights-related factors will be evaluated alongside financials, macroeconomics, and industrial factors as our portfolio managers seek to select the securities that will deliver the best financial outcomes. The only exception is in the case of a select number of securities that are on a firmwide human rights violators restricted list. The human rights violators restricted list targets issuers that exhibit a blatant disregard concerning genocide and/or crimes against humanity and that have repeatedly been involved in supporting governments carrying out genocide and/or crimes against humanity.

For those clients who have elected to apply a dual financial and social objective to their investment portfolio, social factors (including those relating to human rights) will be considered in a manner that can help that client to meet their social investment objective. Generally, clients electing for a dual mandate will target human rights through the application of restricted lists and/or stewardship.

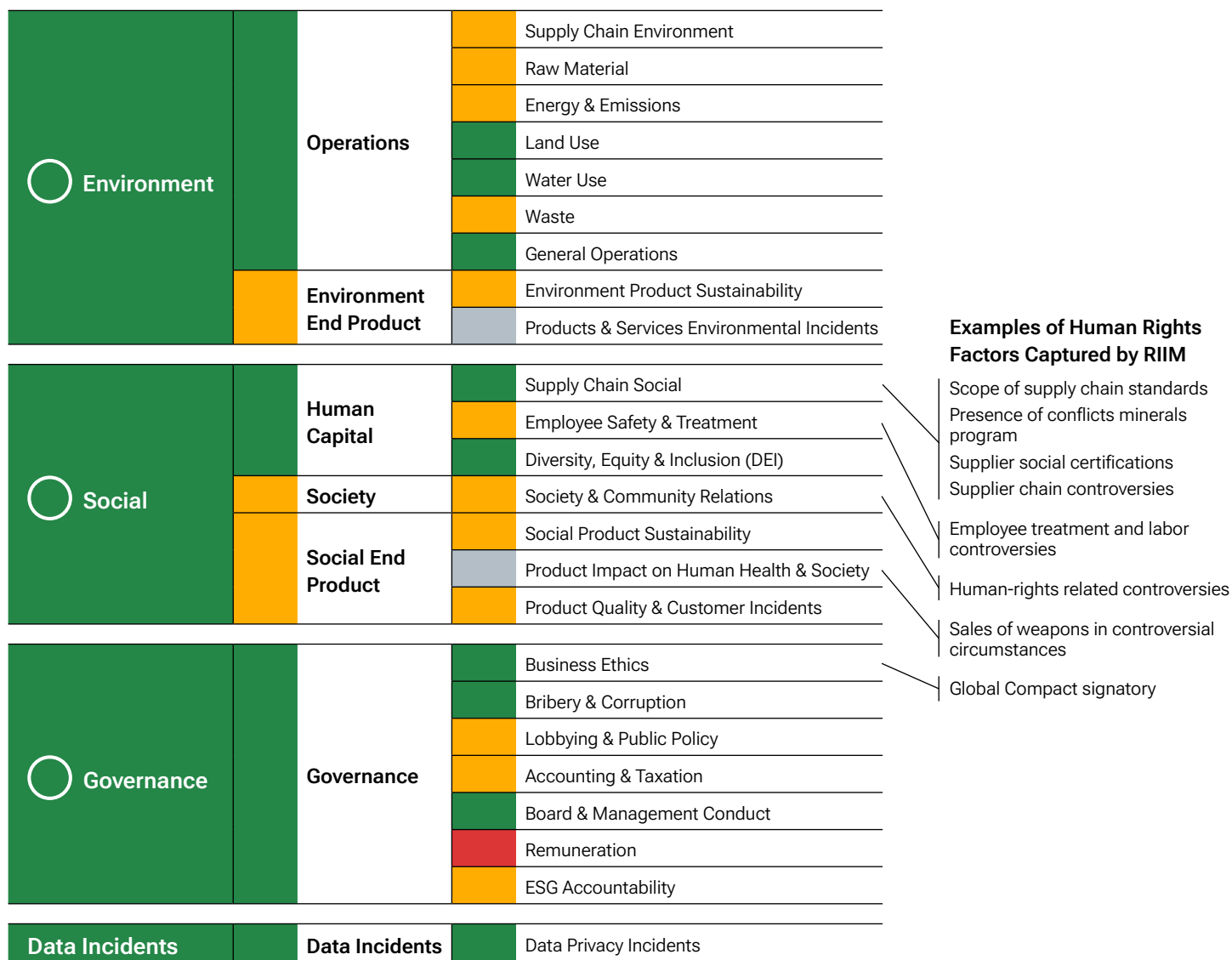
In addition to the firmwide human rights violators restricted list, T. Rowe Price has two exclusion lists targeting human rights issues that are applied at the vehicle-level, strategy-level or to specific separate accounts. These are the controversial weapons restricted list and conduct-based restricted list that are included in our [Exclusion Policy](#).

³ RIIM analysis refers to the proprietary responsible investing indicator models (collectively RIIM) built by TRPA and TRPIM. RIIM rates issuers using a traffic light system; where green indicates no/few ESG concerns, orange indicates medium ESG concerns, and red indicates high ESG concerns/risk. The implementation and oversight of RIIM for TRPA and TRPIM differ. The TRPA RIIM model has a framework for rating corporate, sovereign, securitized and municipal issuers, whereas the TRPIM RIIM model only has a framework for rating corporate issuers.

Equities/Corporate bonds

- While many companies describe commitments to protect the human rights in their operations, supply and use of their end products, there is a very wide variation in the quality of programs, their scope, monitoring and grievance processes that ensure these commitments are met. Within our RIIM analysis, we monitor for human rights related programs and standards, but we also monitor for any human rights violations or controversies.

The graphic below shows a non-exhaustive list of data points that can serve as human rights indicators and how they are embedded within RIIM.

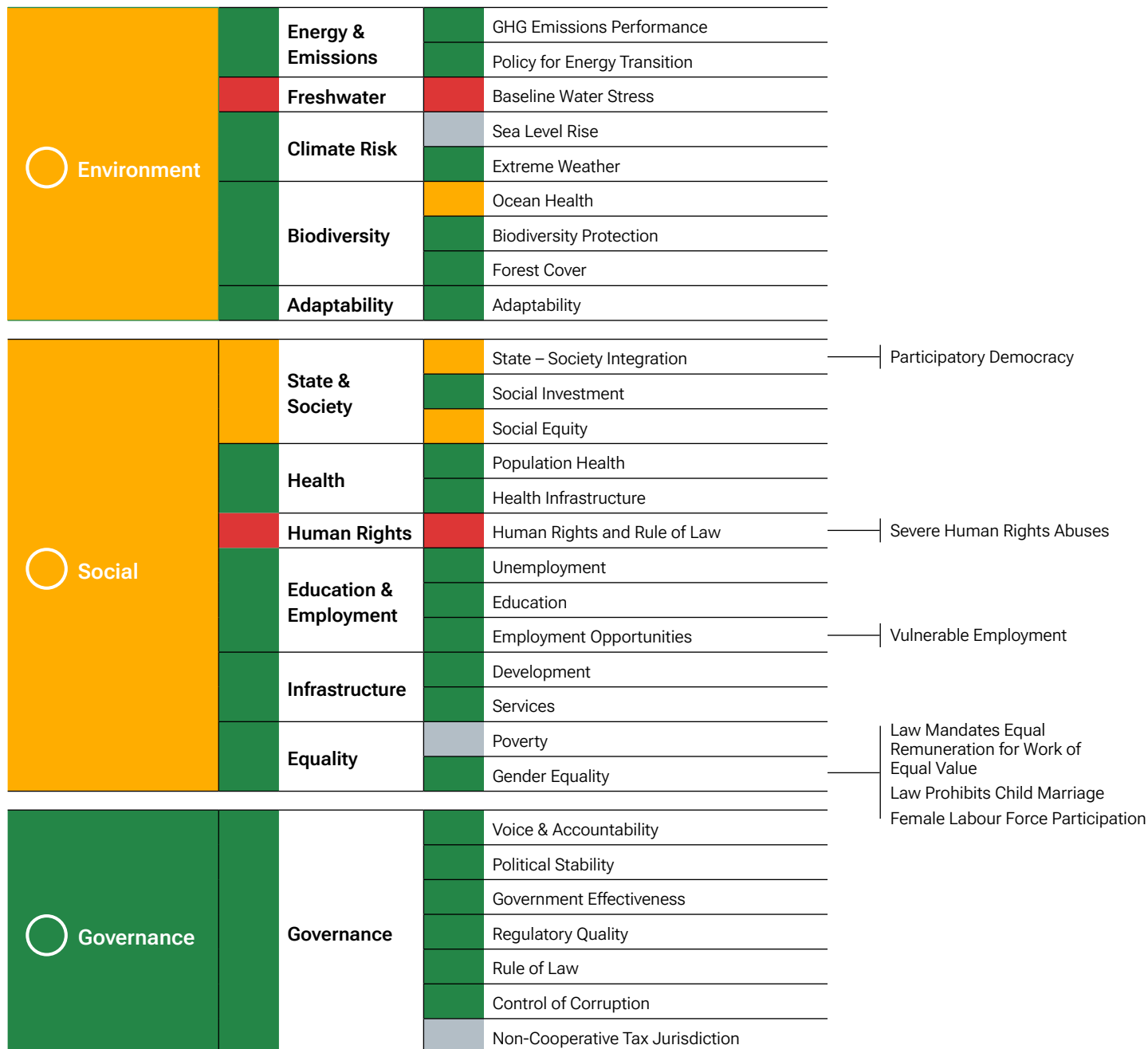


The illustrative RIIM framework and analysis will differ across ESG teams at TRPA and TRPIM and could evolve over time.

Sovereigns⁴

The RIIM Sovereign framework considers economic, social and cultural rights, such as adequate standards of living for health and well-being, the right to education, and the right to work. Additionally, the RIIM framework considers political and civil rights, such as the right to freedom of expression, gender equality, and the right to freedom of religion. Finally, we actively monitor sanctions programs adopted by governments and global regulatory bodies around the world with respect to human rights, including as appropriate sovereign level United Nations resolutions and other issues of concern and maintain a thorough process for complying with prohibitions on investments.

The illustrative graphic below shows a non-exhaustive list of human rights indicators and how they are embedded within our RIIM framework.



For illustrative purposes only.

⁴ This analysis is currently conducted at T. Rowe Price Associates, Inc.

Municipal & Securitized bonds⁵

The ESG data universe for municipal and securitized issuers is developing but datasets are not yet identified that reliably integrate directly into our investment process. Instead, we use third party ESG research alongside our own fundamental research to develop a RIIM profile for each issuer, which includes, where appropriate, consideration of human rights-related factors.

Stewardship

Engagement with management teams or Board members, or sovereign representatives on human rights-related concerns is usually conducted as part of a multifaceted discussion on many investment considerations for that particular issuer. Given that T. Rowe Price has predominantly actively managed portfolios, our portfolio managers may elect to screen out specific companies, sovereign, supranational and agency (SSAs), municipal, or securitized issuers with onerous human rights-related risk if they believe it will negatively impact the investment case. As a result, the profile of invested securities across T. Rowe Price portfolios may look meaningfully different than peers—particularly passive peers. That is why our engagements on specific ESG issues tend to be in-depth discussions, where we believe our engagement can be effective.

If we do not see sufficient progress in a reasonable time frame, then we will typically escalate the dialogue in a number of ways. One option is to undertake collaborative engagement alongside our direct conversation. Another would be to use our vote to encourage the company to take a different approach. A third option would be to make a public statement, perhaps by pre-disclosing how we intend to vote before or around the time of the meeting.

A proxy vote against management is, in almost all cases, an escalation of our engagement efforts. We use our proxy vote thoughtfully and carefully. It is not our objective to use our vote to increase the level of conflict with the companies where our clients hold investments. Instead, our objective is to use engagement and proxy voting to increase the probability that the company will deliver better outcomes than its peers, helping to enable our clients to achieve their investment goals. A proxy vote is an important shareholder right, but its power is limited to the one day per year when a company convenes its annual meeting.

In an environment where large institutional shareholders are often rated by outside parties based on how frequently we vote against the board's recommendations, we think it is important to take into account that actively managed portfolios have the ability to select holdings with fewer ESG issues and sell holdings with ESG issues. For these reasons, we believe the voting track records of active and passive strategies are not comparable.

Collaborative engagement

Occasionally, we participate with other investors in industry-level initiatives aimed at improving disclosure or business practices on a market wide level. To facilitate such opportunities for collaborative engagement, T. Rowe Price has joined or led various initiatives to bring investors together for purposes of advocacy or engagement related to human rights, such as the Access to Medicine Index, the Access to Nutrition Initiative (ATNI), the UK Investor Forum and Farm Animal Investment Risk and Return (FAIRR).

Human Rights-related financial disclosure

One of the more difficult aspects of evaluating human rights-related risks and opportunities is the lack of availability of disclosures, both qualitative and quantitative. We expect corporate issuers to adopt industry best practice regarding ESG disclosures. To this end, we have advocated for disclosures aligned to the Sustainability Accounting Standards Board (SASB) and the Task Force on Climate-Related Financial Disclosures (TCFD)—both globally recognized frameworks that emphasize financial materiality. As both these standards have been acquired by the International Sustainability Standards Board (ISSB), we will expect companies to transition to ISSB reporting over time. Additionally, for smaller issuers of private credit and syndicated loan transactions, we advocate using the ESG Integrated Disclosure Project (ESG IDP) reporting template.

⁵ This analysis is currently conducted at T. Rowe Price Associates, Inc.

Divestment

T. Rowe Price has adopted a firmwide policy to refrain from investing in certain corporate and sovereign securities that, in our opinion, pose high risk due to their exposure to supporting governments carrying out genocide and/or crimes against humanity. The policy targets companies and sovereign securities that exhibit a blatant disregard for due diligence on genocide and/or crimes against humanity and that have repeatedly been involved in supporting governments carrying out these events. Please refer to our [Exclusion Policy](#) for more details.

Outside the firmwide human rights violators restricted list, we typically do not apply blanket or category-specific exclusions without a specific mandate from our clients or if specified in product offering documentation. Instead, we prefer to focus on direct company and issuer engagement and advocacy for improved practices and disclosures. We do this for a number of reasons:

- Divesting from an asset does little to reduce real-world impact and correspondingly does not reduce systemic risk and uncertainty; and
- Divesting may not be appropriate for an investment product with a sole mandate to deliver financial performance, as divesting from an asset limits our ability to navigate for our clients' maximum benefit if valuations or circumstances change.

However, as active investors, we do not have to own every security and will not hold securities if we deem the financial investment case to be unfavorable. It may be the case that human rights-related risks do make certain investments unattractive over certain time frames.

Oversight and Accountability

The Nominating and Corporate Governance Committee of the Board of Directors of T. Rowe Price has oversight on ESG investment activity at the firm. The Board regularly receives an update on ESG investment activities at T. Rowe Price. T. Rowe Price's leadership is aware of the risks and opportunities environmental, social and governance factors may pose to its business and, through our ESG specialist teams, which are responsible for developing and managing the firm's sustainability initiatives in their respective areas of focus, ensures that the agreed-upon risk measures are implemented. Day-to-day tasks involve the identification, assessment, tracking, and mitigation of ESG-related risks and opportunities (including human rights).

Oversight of our ESG investing policies, ESG integration, engagement, and proxy voting processes resides with the firm's ESG Investing Committees, which are made up of senior leaders at the firm. The ESG Investing Committees' primary purpose is to assist the U.S. Equity Steering Committee, International Steering Committee, Multi-Asset Steering Committee, Fixed Income Steering Committee, and TRPIM Steering Committee of T. Rowe Price Group in establishing the firm's investment advisers' policies and processes for:

- the integration of environmental, social, and corporate governance (ESG) issues;
- the development of ESG data and controls;
- the development and maintenance of ESG-related exclusions;
- the engagement with issuers on ESG issues;
- the maintenance of an appropriate set of proxy voting guidelines, and
- the oversight of ESG investing policies.

The committees report regularly, as appropriate, to the T. Rowe Price Funds'/Trusts' Board of Directors and management companies and investment advisers summarizing voting results, policies, procedures, and other noteworthy items.



⁶ Independent Board members only.

⁷ T. Rowe Price Investment Management, Inc., was established as a separately registered U.S. investment adviser, with a separate ESG team from T. Rowe Price Associates, Inc. Decisions for TRPA and TRPIM ESG teams are made completely independently, but use a similar approach, framework, and philosophy.

INVEST WITH CONFIDENCE™

T. Rowe Price focuses on delivering investment management excellence that investors can rely on—now and over the long term.

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 March 2024 and is subject to change without notice.

The information provided in this material does not include content relating to Oak Hill Advisors, L.P., an alternative credit manager, which T. Rowe Price Group, Inc., acquired on December 29, 2021.

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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