

2024 TRPIM Aggregate Proxy Voting Summary



From the Field
September 2024

Executive Summary

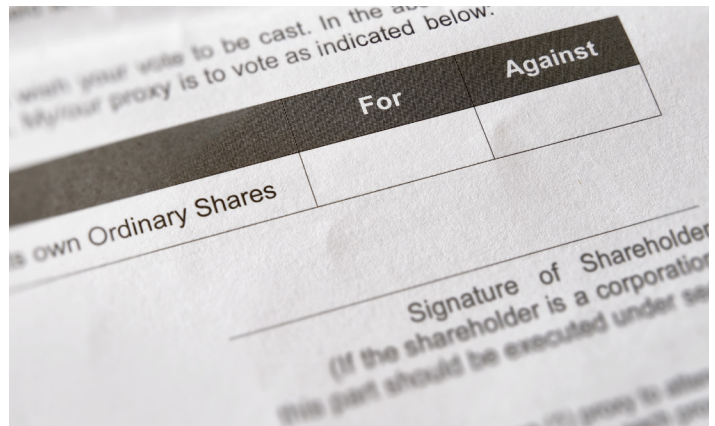
In this report, we summarize T. Rowe Price Investment Management, Inc.'s proxy voting record for the 12-month reporting period ended June 30, 2024.¹ Our goal is to highlight some of the critical issues in corporate governance during the period and offer insights into how we approach voting decisions in these important areas. This report is not an all-inclusive list of each proxy voted during the year but is instead a summary of the year's most important themes.



Chris Whitehouse
Head of ESG, T. Rowe Price Investment Management, Inc.

Voting is a privilege and a responsibility

T. Rowe Price Investment Management, Inc. (TRPIM) 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 a shareholder vote. True to our obligations to clients, we support actions that we believe will enhance the long-term value of the company and oppose actions and policies that we see as detrimental to value. To reflect this, we vote each proxy using internally developed guidelines and policies while also recognizing individual circumstances. To arrive at the best judgment, we leverage the expertise of our corporate governance experts and financial analysts, with portfolio managers maintaining ultimate responsibility for voting on behalf of their clients.



¹ This document is not applicable to T. Rowe Price Associates, Inc. ("TRPA") and its investment advisory affiliates including Oak Hill Advisors, L.P. ("OHA"), a T. Rowe Price company since December 31, 2021. TRPIM votes proxies independently from the other T. Rowe Price-related investment advisers and has adopted its own proxy voting guidelines.

The table below is a broad overview of our voting actions within our U.S. equity funds, grouped into appropriate categories of interest, which we describe in more detail later in the report.

Summary of major proposal items

(Fig. 1)

Proposal	% Voted With Management	% Voted Against Management	% Declined to Vote ¹
Proposals Sponsored by Management			
Add antitakeover provisions	50	50	–
Remove antitakeover provisions	95	5	–
Adopt/amend shareholder rights plan	100	–	–
Appoint/ratify/discharge auditors	97	3	–
Capital structure provisions	91	5	3
Compensation issues			
i. Director/auditor pay	90	3	6
ii. Employee stock purchase plans	89	11	–
iii. Equity plans	87	11	2
iv. Say on pay	93	7	1
Elect directors/director related	91	8	1
Mergers and acquisitions	93	7	–
Routine operational provisions	81	18	1
Amend/enhance shareholder rights	94	6	–
Proposals Sponsored by Shareholders			
Remove antitakeover provisions	45	55	–
Amend compensation policies	67	33	–
Director related/appoint independent board chair	38	62	–
Adopt/amend shareholder rights	75	25	–
Environmental proposals	92	8	–
Social issues proposals	87	11	2
Political activity proposals	58	33	8
Environmental, social, and governance counter proposals	91	–	9
Totals			
Total management proposals	92	7	1
Total shareholder proposals	70	17	13

¹ TRPIM endeavors to vote every ballot that we are eligible to cast. On rare occasions, we submit ballots with instructions not to vote for technical reasons. Primarily, these are situations where (1) there is a contested election with multiple ballots, and we can only vote on one, or (2) where investors in certain countries must give up their ability to trade their shares in order to vote. Figures are rounded to the nearest whole number.

2024 Voting Outcomes

Themes from vote results

The categories above represent a subset of our total voting activity during the reporting period, but these are the most prevalent and significant voting issues. In the following section, we discuss some of these categories in detail.

A broad theme to highlight during this reporting period is that our overall level of support for directors was in line with last year, at 91%. This was partly due to the expanding of our existing policies, which brought more companies into scope, offset by improved practices in other areas of governance.

Another prominent theme evident over the past 12 months was a continued increase in the number of shareholder proposals of an environmental and social nature, especially in the environmental, social, and governance (ESG) counter proposals category (see more, below). The higher number of overall shareholder proposals follows on from the dramatic increase recorded in 2022, when the U.S. Securities and Exchange Commission expanded its interpretation of the types of resolutions eligible to be added to a company's proxy.

In 2024, we continued to see many shareholder proposals that were poorly targeted, overly prescriptive, and brought by proponents seemingly motivated by reasons outside of fiduciary considerations. We adopt a nuanced, case-by-case approach to shareholder proposals of an environmental and social nature, with an analysis rooted in fiduciary considerations. Our framework considers the financial materiality of the proposal, as well as factors such as the strength of relevant policies the company has,

“ In 2024, we continued to see many shareholder proposals that were poorly targeted, overly prescriptive, and brought by proponents seemingly motivated by reasons outside of fiduciary considerations.

the disclosure level of relevant data, evidence of controversies in the area in question, and how the company compares with peers.

Social, environmental, and political proposals

As mentioned, over the past 12 months we have witnessed a higher number of overall shareholder proposals. However, looking deeper into the respective categories, much of this can be attributed to a significant increase in ESG counter proposals originating from the same two or three proponents. This category of proposal seeks a shareholder mandate to roll back certain social or environmental measures or, at a minimum, direct management to report on the benefits of such measures. As indicated in the following table, these proposals continued to receive minimal backing, and we did not support any proposals in this category. (Note: The table shows market-wide statistics, not our own voting, which is detailed in the previous table).

Shareholder proposals continued to rise

(Fig. 2) This year saw a significant increase in ESG counter proposals

U.S. Companies	No. of Proposals 2024	No. of Proposals 2023	% Change No. of Proposals	% Support 2024	% Support 2023	% Change Level of Support
Total Proposals	642	621	3	23	23	0
Environmental	79	85	-7	21	22	-1
Social	187	178	5	16	18	-3
Lobbying	32	34	-6	29	31	-2
Political Spending	37	27	37	18	24	-6
Governance	235	255	-8	36	30	6
ESG Counter Proposals	72	42	71	2	2	0

July 1, 2023–June 30, 2024.

Voting data is market-wide for U.S. companies.

Source: Bloomberg Finance L.P. Data analysis by TRPIM.

Climate-related proposals

Climate-related proposals continued to expand, from calls to increase disclosure of emissions (which we are in favor of; transparency of disclosure directly helps investors assess risks) to calls for companies to adopt typically science-based targets to reduce emissions. A number of these proposals in 2024 imposed too short and unrealistic time frames to allow companies to properly evaluate and assess the size and appropriateness of targets, and, in these cases, we did not support the proposal.

As with all proposals, we assess climate-related proposals through a prudent lens, taking into consideration the company's business model, competitive landscape, and performance in this area. An important consideration here is also our perspective that ultimate accountability and oversight of environmental, social, and governance matters reside with the board of directors. As such, and post-engagement, we may express any reservations by withholding support for accountable directors. When considering all types of climate-related shareholder proposals, we supported management around 92% of the time.

Social proposals

Regarding shareholder proposals of a social nature, a key area of focus of proponents in 2024 was making an ask of companies to report on gender and racial pay gaps and overall diversity performance. In an area specific to technology companies, there was an increase in proposals around artificial intelligence (AI), where proponents sought safeguards around the oversight and use of AI (typical shareholder support level was 15%–20%). We consider that the majority of companies we invest in have appropriate policies and oversight in this area. Further, at this stage of development in this fast-evolving space, it is premature to task boards with too prescriptive asks.

In 2024, we considered only a minority of social proposals to be in our interest. Our framework here is to identify whether the proposal addresses a material issue of relevance to the company. We examine company disclosure and look at whether the company has a track record of controversies. Where these coincident factors were present—especially if we were not satisfied with the company's response to engagement efforts—we supported the proposal. In 2024, we supported around 11% of shareholder proposals that dealt with social issues.

Political and lobbying activity proposals

Many proposals continued to ask for transparency in lobbying spending. Generally speaking, we are in favor of high transparency. As such, at companies with below-average disclosure, we typically

supported proposals. We also continued to witness a high number of proposals asking for companies—or, in some cases, a third party—to report on values congruency between corporate policies and political expenditure.

We were more sympathetic to those proposals that focused on how election spending aligns with corporate policy, coupled with disclosure deficiencies or evidence of controversies at the company in question. When considering political and lobbying proposals in total, we supported around 33% of these.

Election of directors

In 2024, our overall level of support for directors was consistent with 2023, at 91%. This was partly due to expanding existing policies, which brought more companies into scope (notably, continuing to harden our stance on long-term classified boards with a shortening of our tolerance period to seven years), offset by improved practices in other areas of governance.

The majority of our withholding of support for directors stems from our approach to long-term classified boards where we withhold support for the directors we see as principally responsible for our interests in this area (Governance Committee members and the lead independent director or independent chair). Our opposition to long-term classified boards is rooted in our belief in annual accountability as well as the removal of a soft takeover defense. While for companies new to the market, a period of time to allow for a certain level of maturity of a business model is appropriate, it is not in our interest that companies be afforded this soft takeover defense indefinitely. Since beginning our engagement outreach around our classified board policy, we have reached out to around 150 companies with around 40 companies declassifying.

This policy complements our existing approach to assessing a board's composition and includes factors, such as level of independence, balance of tenure, and diversity (measured through multiple lenses). Where there is cause for concern, we vote against the reelection of individual directors, the members of a key board committee, or, in some cases, the entire board. Examples of situations where we believe shareholders are best served by voting to remove directors include:

- failing to remove a fellow director who received less than majority support in the prior election.
- failing to implement a shareholder resolution that was approved by a majority vote in the prior year.
- adopting takeover defenses or bylaw changes that we see as contrary to shareholders' interests.

- a director maintaining multiple directorships—especially if the CEO of an outside company—which could lead to “over boarding.”
- maintaining the decoupling of economic interests and voting rights in a company through the use of dual-class stock without the presence of a reasonable time-based sunset mechanism.
- failing to consistently attend scheduled board or committee meetings.
- maintaining an insufficient level of diversity at the board level.

Proxy contests

During the reporting period in question, there were only two proxy contests where we voted. These situations always require careful company-specific evaluation and engagement. In cases where we believe that a new perspective or change of strategic direction would unlock value, we support the dissident. Of the two cases that came to vote in this period, we voted against, supporting continuity in both situations.

However, we have increased our “soft” level of activism, withholding support this year for directors at three companies as a last effort to signal the need for change. These circumstances are always accompanied by extensive outreach to a company’s board.

Executive compensation

In the U.S., the most meaningful signal of shareholders’ views on executive pay is through the annual or triannual “say on pay.” While this is advisory, focusing only on backward-looking awards, this item targets a central issue—how and why executives are incentivized and compensated—and so it is a key focus of dialogue between companies and shareholders.

We take a nonprescriptive approach to say on pay. However, the key principles of our approach are that pay should be linked to company performance (typically, as measured by shareholder return), especially over a meaningful time frame, and that pay should also be broadly in proportion to the size of the company, referenced to the market value and earnings. We generally prefer awards linked to performance metrics, such as shareholder returns or financial metrics, and for these targets to be set over the appropriate time periods.

We saw a continued improvement in both the structure of compensation and companies disclosing more fully the details and rationale of awards.

In 2024, we voted against 6% of “say on pay” items, 1% less than 2023.

Equity compensation plans

We believe that equity compensation and ownership of equity by management are key to promoting alignment between shareholders and management. When analyzing the appropriateness of the equity ask from companies, we view this through various lenses. We look at how appropriately equity has been used in the past and how widely equity is awarded throughout an organization (a wider distribution aligning with our interests). Two central considerations are the degree of dilution that we as shareholders are exposed to, as well as plan features, especially those that could lead to outcomes incompatible with our interests (such as evergreen renewal features). In 2024, we supported 87% of new equity plans and existing plan amendments.

Mergers and acquisitions

While we generally vote in favor of merger and acquisition proposals put forward by our investee companies, this follows a careful assessment of the likely value creation that will ensue from the proposed transaction. Exceptions are where we identify that our clients are not receiving full value, or we question the financial or strategic rationale of a transaction. As with all investment decisions, individual portfolio managers have ultimate responsibility and make the decision on behalf of their clients. In 2024, we voted against 7% of items in this area.

Takeover defenses

We consistently vote to limit or remove antitakeover devices at investee companies. We oppose the introduction of shareholder rights plans (so-called poison pills), and we will oppose the reelection of directors at companies that adopt such plans without them being submitted for a shareholder vote. We believe they act as mechanisms that can thwart full value realization to the detriment of shareholders. Happily, we see companies increasingly moving to reduce antitakeover mechanisms such as supermajority vote requirements. In 2024, we consistently voted to remove antitakeover measures.

Votes registered that are not in line with this are generally a result of “mirror voting” at entities where, due to our ownership size, we are obliged to vote holdings in excess of 10% in line with votes cast by other shareholders.

Shareholder rights

Our philosophy, as representatives of our clients, is to champion shareholder rights. Happily, we have seen that, in response to shareholder pressure, companies continue to make progress in improving rights, such as by moving to declassify boards and

adopting majority voting standards. These are proposals that we consistently vote in favor of. In terms of the ability to call a special meeting and the appropriate ownership threshold needed to achieve this, our policy is more nuanced. Provided that there is an existing ability to call a meeting under provisions that we regard as acceptable, we generally do not support shareholder proposals that call for lower limits.

Separate board chair and CEO

While regional standards vary in terms of board leadership, U.S. companies are required to outline and discuss their adopted structure. Our approach mirrors this in that our policy is to examine

the need for an independent chair on a case-by-case basis. Factors we consider are the robustness of the lead independent director, the overall level of board independence, board leadership structure, and the overall quality of governance. In 2024, there were a number of shareholder proposals targeted at companies where we considered it appropriate to separate the role, supporting 62% of proposals that called for an independent chair.

Conclusion

For company-specific voting records for the 12-month period from July 1, 2023, to June 30, 2024, please visit our corporate website.

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T. Rowe Price identifies and actively invests in opportunities to help people thrive in an evolving world, bringing our dynamic perspective and meaningful partnership to clients so they can feel more confident.

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