



**PRENTISS
SMITH & CO**

Socially Responsible Investment Report for:

T Rowe Price Group, Inc.

Baltimore, MD

Ticker: TROW US Equity

Last Updated: 05-19-2020

I. Exclusionary Screening

Does T Rowe Price Group, Inc. appear on any of the following lists? In our exclusionary screening, a single appearance disqualifies an investment.

Fossil Fuels & Precious Metals Mining

- Carbon Underground 200
- CDP/CAI Carbon Major
- BICS - Oil, Gas & Coal
- BICS - Precious Metals Mining

Pornography, Gambling & Tobacco

- BICS - Casinos
- BICS - Gaming Equipment
- BICS - Adult/nightclubs
- BICS - Tobacco

Agrochemicals & Animal Cruelty

- BICS - Crop Chemicals & Fertilizers
- Cruelty Free Investing 10 Worst

Defense & Retail Gun Sales

- SIPRI Top 100
- BICS - Defense Primes
- NRA Top Industry Allies

Private Prisons

- BICS - Security Services

CDP = Carbon Disclosure Project
CAI = Climate Accountability Institute
BICS = Bloomberg Industry Classification Systems

SIPRI = Stockholm International Peace Research Institute
NRA = National Rifle Association

I. Environmental, Social & Governance Data

What quantifiable environmental, social and governance data, policies or recognition does T Rowe Price Group, Inc. exhibit? Positive factors may help support a decision to invest.

General

Barron's 100 Most Sustainable Companies:

83

JUST Capital Ranking (1-922)

62

RobecoSAM Score (0-100)

30

GRI Criteria Compliance

No

CSR (Corporate Sustainability Reporting) since:

2014

Current MSCI ESG Rating:

AA

United Nations Global Compact Signatory

No

Climate Change & Fossil Fuels

CDP Climate Change 2019 Score:

C

CDP Reporting since:

2005

Environmental Stewardship

Green Buildings

Yes

Initiatives and Policies in Place:

- **Water Policy**
- **Waste Reduction**
- **Emission Reduction**
- **Energy Efficiency Policy**

Human Rights & Well-Being

Forbes' World's Best Employers Rank

56

Initiatives and Policies in Place:

- **Equal Opportunity Policy**

Diversity, Equity and Inclusion

HRC Equality Index Score

100%

CEO Action for Diversity & Inclusion Signatory

Yes

Percentage of Women Employees

44

Percentage of Women Executives

20

Percentage of Women on the Board

36

Corporate Responsibility

Size of the Board

11

Percentage of Independent Directors

90%

Shareholders' vote on management remuneration

95%

Number of Employee Representatives on the Board

0

Initiatives and policies in place:

- **Whistle Blower Employee Protection Policy**
 - **Ethics Policy**
-

Data sources may include:

- Sustainability and other report(s) published by the company.
- Bloomberg LP ESG Data (via Data License).
- Global Reporting Initiative (GRI)
- CDP
- Science-Based Targets initiative (SBTi)
- Climate Accountability Institute (CAI)
- Fossil Free Funds
- Dow Jones Sustainability Indices (DJSI)
- Barron's 100 Most Sustainable US Companies
- Newsweek Green Rankings
- State Street Global Advisors' Gender Diversity Index
- The 2019 Top 50 DiversityInc
- HRC's 2020 Corporate Equality Index
- PEOPLE's 50 Companies That Care
- Fortune's 50 Best Workplaces for Charity and Volunteering
- Points of Light Civic 50 Honorees
- Stockholm International Peace Research Institute (SIPRI)
- Institute for Clinical and Economic Review (ICER)
- Roundtable on Sustainable Palm Oil (RSPO)
- National Rifle Association (NRA)

II. Research Narrative

What else has our research process told us about how T Rowe Price Group, Inc. conducts business, in terms of its products and services, its environmental impact, and its approach to governance?

Summary

T Rowe Price's longevity and reputation as one of the largest asset managers in the world are supported by a diversity of investment services, including mutual funds, sub-advised funds, separately managed accounts, and other products. Among the company's long-term goals is increased ESG integration, which it has grown through dedicated research teams and data analysis, and, most recently, product development. In early 2020 the firm launched its first ESG-only investment products in Europe. T Rowe Price appears to be committed to workforce diversity, and has a long track record of giving back to the community, both financially and through employee volunteering and other initiatives.

While we anticipate that T Rowe Price's commitment to ESG practices will continue to evolve and grow, we are disappointed that the company has not voted for more shareholder proposals related to climate change, and has opposed a resolution by its own shareholders to better report its own fund and portfolio votes on matters related to climate change. We would also like to see a faster rollout of the company's ESG-only products, and would like to see its ESG research used for screening purposes across all investments, rather than simply as a reference point for its financial advisors.

Products & Services

T Rowe Price Group is a global investment management firm with approximately \$1 Trillion in assets under management, putting it among the top 10 investment managers not connected to a banking institution.¹ Founded in 1937 by Thomas Rowe Price, Jr., the firm was publicly listed in 1986, while the current holding company structure was established in 2000. Today T Rowe Price offers

¹ <https://www.bloomberg.com/graphics/2019-asset-management-in-decline/>

equity, fixed income, and asset allocation capabilities, via an array of commingled funds, sub-advisory services, separate account management, and related services for advisors, institutions, financial intermediaries, and retirement plan sponsors.²

As of the end of 2019, approximately 56% of T Rowe Price's assets under management were in mutual funds, with 26% in sub-advisory services and separately management accounts, 13% in collective investment trusts, and the remainder in annuities and other investment products. Most of these assets are distributed among global financial intermediaries and institutions, while approximately 25% are invested directly by individual U.S. investors and retirement plan sponsors. T Rowe Price services clients in 51 countries, with investors outside the US representing 7% of its total assets under management.³

In 2020, T Rowe Price launched its first sustainable investment products for European clients, which exclude certain types of investments (adult entertainment, assault-style weapons, coal producers, controversial weapons, tobacco producers, and companies with conduct-based issues).

⁴ The firm has been using ESG (environmental, social and governance) data since 2014, via Sustainalytics, and in 2017 brought its ESG research in-house. The in-house team's Responsible Investing Indicator Model (RIIM) is used to flag investments that may have significant ESG risks for further analysis, which is delivered to analysts and portfolio managers. In 2019, RIIM was also made available directly, via desktop interface, to each investment professional at the firm. RIIM data is also used in automated portfolio analysis (to analyze equity and credit portfolios against their benchmarks), and to rate sovereigns. Notably, RIIM data does not appear to be binding on any investment decisions outside the new, sustainable investment product(s).

T Rowe Price practices active corporate engagement and proxy voting, with proxy voting guidelines published directly on its website, along with links to the company's proxy voting record.

Environment

T Rowe Price has been reporting to CDP since 2005, although in its most recent report (2019, for the 2018 reporting year) it received a middling "C" grade.⁵ Among planned long-term initiatives

² <https://www.troweprice.com/corporate/en/what-we-do/investment-capabilities.html>

³ <https://www.sec.gov/ix?doc=/Archives/edgar/data/1113169/000111316920000008/a201910k.htm>

⁴

https://www.troweprice.com/content/dam/trowecorp/Pdfs/ESG_2019_AnnualReport-Global_30_April_2020_Final.pdf

⁵ <https://www.cdp.net/en/responses/18169>

designed to strengthen T Rowe Price's competitive position is to embed sustainability best practices throughout the firm. In keeping with this focus on environmental sustainability, the firm's two newest buildings are both LEED Gold certified, with 35% of the company's owned real estate now holding some level of sustainable certification.⁶

Since 2008, T Rowe Price has reported a 4% reduction in greenhouse gas (GHG) emissions, while increasing its associate population by 51%--a 31% per-associate reduction in GHG emissions over that time. Using a 2010 baseline, the firm also tracks a 91% reduction in waste, based mainly on increased its single-stream recycling programs globally, and composting programs in the US. The firm has also expanded energy-from-waste programs by nearly 400%, although the environmental benefit of these programs is under dispute.⁷

While T Rowe Price is taking some steps to address its environmental footprint and beginning to brand itself as ESG-conscious, in 2020 its Board opposed a shareholder proposal recommending that the company report its fund and portfolio votes on matters related to climate change.⁸ Indeed, the company's recent proxy voting record includes votes against well-publicized climate-related shareholder resolutions, including 2019 resolutions at Chevron, Amazon and Capri Holdings (Michael Kors).⁹

Management Integrity & Ethics

T Rowe Price receives high marks from many trusted ESG sources, including placement on Barron's list of 100 Most Sustainable US Companies (#83) and strong ratings from MSCI and JUST Capital.¹⁰ Forbes also ranked T Rowe Price at #56 on its annual list of World's Best Employers.¹¹

T Rowe Price is led by Bill Stromberg, who has been with the company since 1987, when he was hired as an Investment Analyst. He was made President and CEO in 2015, after 6 years as Global Head of Equity. Stromberg has served long terms on the Boards of Catholic Charities and of Johns Hopkins University. He is joined on T Rowe Price's leadership team of 13 by five other executives who each have at least 20 years of experience at the firm. Four of those executives are women, with women comprising 44% of the company's workforce overall. T Rowe Price's Board of

⁶ <https://www.troweprice.com/corporate/en/what-sets-us-apart/corporate-responsibility.html>

⁷ <https://www.troweprice.com/corporate/en/what-sets-us-apart/corporate-responsibility/environmental-sustainability.html>

⁸ <https://troweprice.gcs-web.com/static-files/8b205989-902b-4f82-a855-0c64ee546101>

⁹ <https://vds.issgovernance.com/vds/#/OTk5NA==/>

¹⁰ <https://www.barrons.com/articles/the-100-most-sustainable-companies-51581095228>

¹¹ <https://www.forbes.com/lists/worlds-best-employers/#5deafd301e0c>

Directors is 90% independent, with women making up 36% of the Board and cultural minorities accounting for 27%. Cultural minorities account for 29% of T Rowe Price's US workforce overall.¹²

While ESG is a relatively recent addition to T Rowe Price's investment approach, the company has had an integrated corporate governance and stewardship research practice since 2007.¹³

T Rowe Price has a strong record of giving back to its communities, with its workforce contributing 40,000 volunteer hours in 2018, along with \$13.1 million through its matched giving program. The T Rowe Price Foundations has also given \$121 million in direct grants and matching contributions since 1981.¹⁴ T Rowe Price's commitment to educating investors also extends beyond its client base; in 2019, its financial literacy education efforts reached millions through a combination of web sites, online games and apps, exhibits, and programs with partners Scholastic and Junior Achievement.¹⁵

T Rowe Price Group, Inc is not currently involved in any material legal disputes.

¹² <https://troweprice.gcs-web.com/static-files/8b205989-902b-4f82-a855-0c64ee546101>

¹³

https://www.troweprice.com/content/dam/trowecorp/Pdfs/ESG_2019_AnnualReport-Global_30_April_2020_Final.pdf

¹⁴

<https://www.troweprice.com/corporate/en/what-sets-us-apart/corporate-responsibility/community-commitment.html>

¹⁵ <https://www.troweprice.com/corporate/en/what-sets-us-apart/corporate-responsibility/money-confident-kids.html>

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