



## NEWS RELEASE

# Climate change, diversity, and systemic inequality topped the ESG agenda in 2020

*The coronavirus pandemic, escalating attacks on people of color, and rising activism against racism and income inequality heightened the focus on ESG issues by corporations, investors and other stakeholders in 2020*

*T. Rowe Price's third ESG Annual Report also finds that corporate leaders, once resistant to ESG trends, now see addressing them and providing adequate disclosure and transparency as essential to attracting and retaining top talent*

*The \$1.5-trillion global asset manager sees need for improved and expanded environmental and social disclosure, regulation, and data integrity and is working with its investee companies, industry groups, global regulatory bodies, and other stakeholders to encourage further progress*

**Baltimore: May 20, 2021**

### NEWS

The landscape for global corporations and their role in environmental, social and governance (ESG) matters experienced a tectonic shift in 2020 that will likely reverberate for decades to come. The deadliest global pandemic in a century, accelerating evidence of a warming planet, and a backlash against systemic racial and income inequality pressured corporations and society at large to acknowledge and act upon these and other ESG-related challenges.

In its third [ESG Annual Report](#), T. Rowe Price highlights a need for improved disclosure from corporations and asset managers on ESG issues. While regulators around the world are stepping up to fill the disclosure void, the firm urges more comprehensive, clear and globally aligned regulation. If different regulatory regimes are established in each country, ESG disclosure requirements for asset managers could become misaligned with those required of the underlying companies in their portfolios. Uneven levels of disclosure could ultimately distort the picture of a portfolio's ESG characteristics, the company notes.

T. Rowe Price guides its investee companies toward industry best practice disclosure standards and advocates alignment with the Sustainability Accounting Standards Board (SASB) and the Task Force on Climate-related Financial Disclosures (TCFD)—both globally recognized frameworks that emphasize financial materiality. T. Rowe Price also actively encourages investee companies to disclose their greenhouse gas emissions (including material scope 3 emissions) and diversity data as a matter of best practice.

The firm believes that to combat climate change, a fundamental shift is needed in the relationship between the economy and the environment. While financial markets and industry participants are well positioned to play a leading role, regulation needs to be implemented globally to make meaningful progress. The firm is an active participant in industry efforts with regulators around the world to develop useful, decision-relevant ESG disclosure rules.



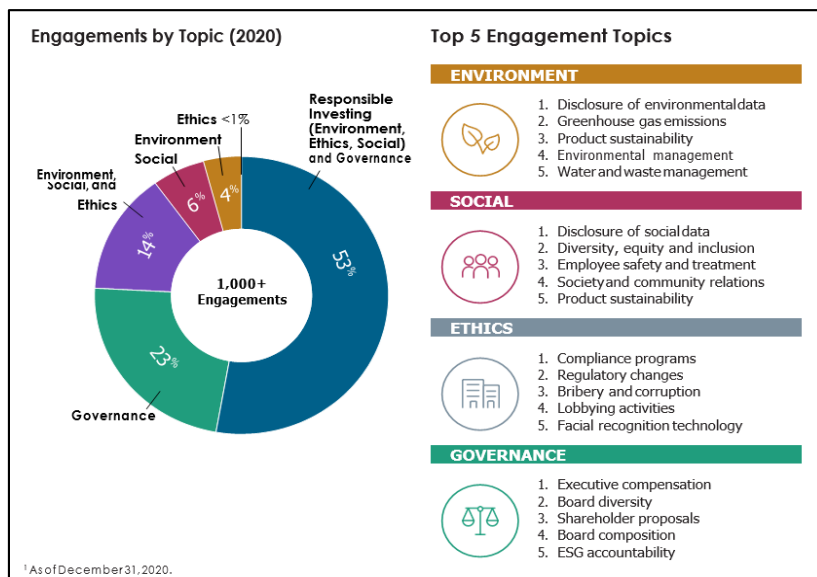
While markets have anticipated the impact of some climate change legislation, namely in select sectors directly impacted by the transition from fossil fuels to renewable energy sources, the firm does not yet see widespread evidence that the potential impact is being recognized across the broader economy. However, as new regulations and legislation come into effect around the world, T. Rowe Price expects that the link between a company’s financial performance and its record on climate change will grow increasingly stronger across the global economy.

## T. Rowe Price ESG Investment Capabilities

In 2020, T. Rowe Price focused on the continued expansion of its ESG investment capabilities and the improvement of ESG data integrity, both for its investee companies and the firm itself. The firm expanded its dedicated ESG research team, which now comprises 17 investment professionals, and the technology and operations teams that support them.

T. Rowe Price continued to integrate ESG into its fundamental research platform. The company’s proprietary Responsible Investing Indicator Model (RIIM) provides ESG-related data on measures such as carbon footprint, board and employee diversity, and product sustainability to portfolio managers and analysts on their desktops and mobile devices. The RIIM model now covers approximately 15,000 companies (equity and fixed income) and 200 sovereign debt issuers. Last year, the firm extended its RIIM analysis to include municipal and securitized bond issuers. T. Rowe Price investment professionals use this data to inform their investment theses, security ratings, proxy voting decisions, company engagements, and more.

In January 2020, the firm launched its socially responsible funds range in Europe and early this year extended the range with a responsible equity fund for UK clients. These products allow clients to exclude certain investments from their portfolios. In March 2021, the firm introduced its first impact strategy in the U.S., allowing investors to pursue both financial gain as well as their environmental and social equity goals. Over time, the firm expects to introduce more investment choices like this one around the world in various vehicles appropriate for clients in each region.



Despite the pandemic and its travel restrictions, the firm conducted more than 1,000 company meetings focused on ESG issues, an increase of more than 50% over the prior year’s 656 meetings.

As shown in the chart, the top topics discussed included disclosure of environmental and social data, diversity of employee base and boards of directors, greenhouse gas emissions, product sustainability, and treatment of employees.



## Quotes



**Rob Sharps, T. Rowe Price President, Head of Investments, and Group Chief Investment Officer**

“The year 2020 was another dynamic one on the ESG front for T. Rowe Price. Continued expansion of our ESG investment capabilities and a focus on improving ESG data integrity were our principal objectives. We remain committed to working with our investee companies to improve the quantity and quality of ESG data for our research and analysis, helping to pursue better long-term investment decision-making for our clients. We are also committed to providing transparency on our own strategies’ investment objectives and their ESG characteristics.”



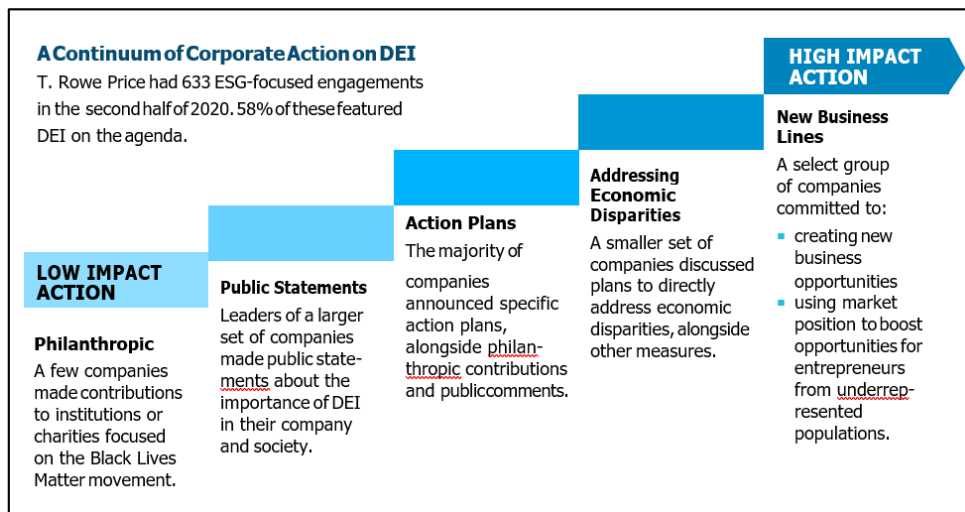
**Donna Anderson, T. Rowe Price Head of Corporate Governance**

“Our longstanding focus on diversity, equity and inclusion (DEI) was amplified following the global wave of protests and activism against systemic racial inequality. For many companies in our portfolios, DEI suddenly rose to the top of managements’ priority lists due to a strong mandate from their employees to accelerate the pace of progress.”

“Disclosure levels by companies around DEI issues as of the end of 2019 were not impressive. Even for the S&P U.S. equity universe, the level of disclosure on gender diversity in management and among the broader workforce was just 38% and 62%, respectively. Data availability for ethnic diversity fared even worse at just 12% and 24%, respectively. Encouragingly, we think the trends are improving



as dozens of larger U.S. companies have already agreed to accommodate investors' demands for more detailed diversity information.”



**Maria Drew, T. Rowe Price Director of Research, Responsible Investing**

“The impact of climate changes presents a systemic investment risk, making the importance of an investment’s environmental footprint more critical than ever before. There has been a long-standing mismatch between policy and science when it comes to climate change, but over the past 12 months we have started to see a meaningful movement to close that gap.”

“The pandemic has been a high-impact way for world leaders and society in general to understand how intertwined economic outcomes are with the prosperity of the planet and the people on it. In the years leading up the pandemic, ESG investing had already experienced a remarkable rise with its critics often putting it at odds with financial objectives. It is interesting that the onset of one of the most economically disruptive events in history has acted as a new catalyst for considering environmental, social and governance factors in the investment process.”



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## ABOUT T. ROWE PRICE

Founded in 1937, Baltimore-based T. Rowe Price Group, Inc., is a global investment management organization with \$1.59 trillion in assets under management as of Apr. 30, 2021. The organization provides a broad array of commingled funds, subadvisory services, separate account management, and related services for advisors, institutions, financial intermediaries, and retirement plan sponsors. The company also offers sophisticated investment planning and guidance tools. T. Rowe Price's disciplined, risk-aware investment approach focuses on diversification, style consistency, and fundamental research. For more information, visit [troweprice.com](http://troweprice.com).