

April 10, 2017

Dear T. Rowe Price shareholder,

We are writing to urge you to VOTE “FOR” PROPOSAL #10 on the T. Rowe Price 2017 proxy card, which asks the company to disclose workforce diversity metrics as well as diversity programs and policies. The shareholder proposal makes the following request:

Shareholders request that T. Rowe Price prepare a diversity report, at a reasonable cost and omitting confidential information, available to investors including:

- 1. A chart identifying employees according to gender and race in major EEOC-defined job categories, listing numbers or percentages in each category;*
- 2. A description of policies/programs focused on increasing gender and racial diversity in the workplace.*

The Employment Information Report EEO-1, or EEO-1 Report, is an annual workforce data survey companies are required to file with the Equal Employment Opportunity Commission (EEOC). The report asks employers to report employment data categorized by race/ethnicity, gender and job category.¹ The chart provides ten pre-defined job categories and six race/ethnic categories.

This issue is of importance to shareholders because research from McKinsey and others found that **companies with highly diverse executive teams had higher returns on equity and earnings performance than those with low diversity**. We are concerned T. Rowe Price is lagging behind industry peers like Bank of America, Bank of New York Mellon and U.S. Bancorp who disclose and utilize comprehensive workforce diversity data to strategically advance diversity within their companies.

Rationale for a “Yes” Vote:

1. The Board of Directors is not recommending shareholders vote against this proposal

- In an unusual and noteworthy decision, the Board has stated that it does not oppose the shareholder proposal.
- In line with the spirit of the proposal T. Rowe Price’s response in the proxy affirms: “...we must have the best talent, including individuals who possess a broad range of experiences, backgrounds and skills that enable us to anticipate and meet their

¹ <https://www.eeoc.gov/employers/eeo1survey/faq.cfm#About>

- investment needs. We must also create an inclusive culture that empowers associates to challenge the status quo and bring their best selves to work every day.”
- Leading financial services firms such as Bank of America, US Bank, JP Morgan, and Bank of New York Mellon provide greater transparency of workforce statistics consistent with the EEO-1 Report. By providing detailed workforce data these companies are able to demonstrate the progress of diversity initiatives throughout their companies.
 - U.S. Bancorp states: “by providing this data publicly on an annual basis, we hold ourselves accountable to shifting these percentages over time.”²
 - BNY Mellon affirmed its commitment to transparency and accountability by providing annual EEO-1 data. As of 2015 women held 37% of vice president level manager roles at the company.³
 - In addition to disclosing annual EEO-1 data Bank of America states: “The diversity of our employees — in thought, style, sexual orientation, gender identity, race, ethnicity, culture, and experience — is essential to our ability to meet the needs of our diverse customers and clients.”⁴
 - Without quantitative information we believe the company cannot persuasively demonstrate whether its diversity initiatives are successfully advancing women and people of color into varying ranks within the company. Therefore, investors cannot accurately determine if the company is capturing the potential business value associated with a highly diverse workforce.

2. Evidence finds that greater workforce diversity may lead to better business outcomes

- A McKinsey & Company 2016 report entitled *Why Diversity Matters* found companies with highly diverse executive teams had higher returns on equity and earnings performance than those with low diversity⁵.
- According to 2017 research by Morgan Stanley, companies with higher gender diversity tend to have better fundamentals and better risk-adjusted performance⁶
- McKinsey found that companies in the top quartile for gender or racial ethnicity are more likely to financially outperform national industry medians. Specifically, companies with greater ethnic diversity were 35% more likely to outperform those without ethnic diversity while companies in the top quartile for gender diversity were 15% more likely to outperform.⁷

² <https://www.usbank.com/careers/workforce-demographics.html>

³ https://www.bnymellon.com/us/en/_locale-assets/pdf/csr/bny-mellon-2015-csr-full-report.pdf

⁴ <http://about.bankofamerica.com/assets/pdf/Bank-of-America-2015-ESG-Report.pdf>

⁵ <http://www.mckinsey.com/business-functions/organization/our-insights/why-diversity-matters>

⁶ <https://www.morganstanley.com/ideas/gender-diversity-investment-framework>

⁷ <http://www.mckinsey.com/business-functions/organization/our-insights/why-diversity-matters>

3. T. Rowe Price's current diversity disclosures are insufficient

- T. Rowe Price does not disclose comprehensive workforce data, or disclose results of diversity initiatives. As a result, shareholders have insufficient information to determine if T. Rowe Price has been successful in expanding diversity into various roles within the company.
- Currently, T. Rowe Price provides diversity data by gender for just *two* ranks within the firm: Senior Leadership and Analysts. But under EEOC rules, the company must collect information on 10 ranks within the firm: Executive/Sr officials, first/mid officials, professionals, technicians, sales workers, administrative support, craft workers, operatives, laborers & helpers, and service workers.
- T. Rowe Price reports that just 17% of Senior Leadership roles are held by ethnically diverse employees. Due to the broad categorization of employees there is insufficient information to determine where the company should focus its efforts to achieve the greatest outcome. The EEO-1 report groups employees by gender and also by six ethnic categories: white, black or African American, Native Hawaiian or Pacific Islander, Asian, American Indian or Alaskan Native, or two or more races. By summarizing this data in such a vague manner, the company prevents investors from fully understanding and evaluating the company's commitment to diversity and progress over time.
 - Research from McKinsey found: **“for every 10 percent increase in racial and ethnic diversity on the senior-executive team, earnings before interest and taxes (EBIT) rise 0.8 percent.”**⁸
- The company's high level and vague data points do not effectively demonstrate whether the company's diversity initiatives are successfully advancing women and people of color into varying ranks of the firm.
- T. Rowe Price reports that 45% of its workforce is women but investors cannot discern if both men and women are present in senior roles within the company or are simply more represented at low levels and stay there. The two ranks disclosed, senior leadership and analyst, fail to effectively answer this question.
- There is ample evidence that the financial services sector has not been successful in incorporating gender and racial diversity into senior roles. As a member of this industry, it is incumbent upon T. Rowe Price to demonstrate convincingly that this is not an issue for the company.
 - An analysis by Morgan Stanley found that while at first glance the financial services sector has larger representation of women than other sectors, it appears that gender diversity is not evenly distributed throughout companies.

⁸ <http://www.mckinsey.com/business-functions/organization/our-insights/why-diversity-matters>

- “This suggests a drop-off in diversity moving from support jobs updates and thus a potentially missed opportunity for financial services.”⁹
- Other asset management firms have begun acknowledging the lack of gender diversity in senior roles. In August, 2016 seven global asset managers including BlackRock, Capital Group, and Fidelity, shared diversity statistics which show, on average, that women represent nearly one-half of their workforces but represent just one-quarter of senior staff.¹⁰
 - The company has not clarified if the current high level disclosures originate from the EEO-1.

4. The Proposal’s request is not cost prohibitive

- T. Rowe Price is required by law to submit the EEO-1 Report to the Equal Employment Opportunity Commission. The chart identifies employees according to gender and race in 10 major EEOC-defined job categories, listing numbers or percentages in each category. To satisfy the proposal T. Rowe would simply need to make this chart publicly available. This means that disclosing the company’s EEO-1 chart would not be cost prohibitive. In fact, the cost should be minimal.

For all the reasons provided above we strongly urge you to VOTE “FOR” PROPOSAL #10.



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⁹ Zlotnicka et al, Gender Diversity: Profile of the Financial Sector. Morgan Stanley Research. 2017

¹⁰ <https://www.ft.com/content/2e3a7dbe-5b09-11e6-9f70-badea1b336d4>

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