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T. ROWE PRICE FUNDS OEIC

Responsible UK Equity Fund – ESG Report

Providing transparency on Environment, Social and Governance aspects of the fund

As at 30 June 2023

ESG INTEGRATION APPROACH

- The Responsible UK Equity Fund uses environmental, social and governance (ESG) integration as part of its investment process. This means incorporating ESG factors to enhance investment decisions. Our central mission is to help our clients reach their long-term financial goals, and we believe that incorporating ESG factors into our investment process alongside financials, valuation, macro-economics and other factors is consistent with that objective. Our philosophy is that ESG factors are a critical 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 analysis..

- The process of ESG integration takes place on two levels: first, with our research analysts as they incorporate environmental, social, and governance factors into company valuations and ratings; and, second, with the portfolio manager as he balances these ESG factor exposures at the portfolio level. Both the analysts and portfolio manager are able to leverage dedicated, in-house resources to assist them in analyzing ESG criteria.

- Our ESG specialist teams provide investment research on ESG issues at the company level and on thematic topics. Additionally, they have built tools to help pro-actively and systematically analyze the environmental, social and governance factors that could impact our investments. The foundation of the analysis is a proprietary flagging tool called the Responsible Investing Indicator Model (RIIM). It covers approximately 15,000 securities and pulls from data sets that are not in the wheelhouse of traditional financial analysis. These data sets include:
  - ESG performance data (i.e. number of accidents, carbon emissions, strength of whistle-blower programs);
  - ESG targets (i.e. plans to reduce carbon emissions, increase diversity, etc.)
  - ESG incidents and controversies (i.e. environmental fines paid, local community controversies/protests against a company, etc.)

- Although the fund does not have sustainable investment as an objective, the promotion of environmental and social characteristics is achieved through the investment manager's avoidance of sectors or companies, whose activities may be considered harmful to the environment and/or society through the application of its proprietary socially responsible screen (exclusion list). As a consequence, specific companies whose business activities involve controversial weapons (cluster munitions, anti-personnel mines, incendiary, chemical, biological and nuclear weapons), tobacco production, coal production, assault-style weapons for civilian use, adult entertainment, direct gambling operations and certain conduct-based criteria are excluded.

RECENT COMPANY ENGAGEMENTS

We maintain a regular dialogue with the management teams of companies represented across the portfolio. Our investment-driven engagement program frequently identifies targets through our proprietary RIIM analysis, governance screening and analysts' fundamental research. While we engage with companies in a variety of different contexts, ESG engagement focuses on learning about, influencing or exchanging perspectives on the environmental practices, corporate governance or social issues affecting their business.

While most of the meetings we hold with company managements will include some discussion of ESG topics, we differentiate meetings held with a heavy focus on ESG, meaning ESG issues were the sole items on the agenda or made up a meaningful part of the meeting. Agenda items are classified as "meaningful" when they take up a significant portion of the meeting or are a significant factor in the investment case.

The following are selected examples of recent engagements with companies held in or considered for the portfolio. The examples are not meant to be representative of every engagement held, but to illustrate the types of ESG engagements we are having with the managements of our investment companies.

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Bunzl (4th Quarter 2022 Engagement)

Focus	Environment, Social
Company Description	Bunzl is a specialist, global non-food consumables distributor based in the UK.
Engagement Objective	We engaged with Bunzl on sustainable packaging and decarbonization.
Participants	From Bunzl: Group Head of Sustainability From T. Rowe Price: Responsible Investing Analyst, Investment Analysts (2)
Engagement Outcome	We engaged with Bunzl to discuss the company's sustainable packaging and decarbonization strategies. We took this opportunity to provide feedback and impart our views on the company's ESG journey highlighting some areas of improvement. Bunzl has improved disclosure for its sustainable packaging strategy and can now offer eight to 10 different sustainable-packaging alternatives for each end-use. The company identifies with customers the most suitable sustainable packaging solution taking into account specific raw materials as well as the availability of sustainable disposal facilities. Choosing raw materials means employing a complete lifecycle-approach that looks at how raw materials are sourced and disposed of and minimize negative unintended consequences to the environment related to switching to sustainable-packaging. For those customers that do not face sustainable-packaging legislation, Bunzl incentivizes the adoption of its own sustainable unbranded products (e.g., Verive, Sustain, Revive). These offer a more affordable route while, for example, meeting regional plastics legislation. Also, they are aimed at meeting the demand of those countries where there is consumer pressure to adopt sustainable packaging alternatives (e.g., Australia and New Zealand). Bunzl could not disclose the details of its forthcoming decarbonization targets. These will be released over the coming month(s) together with more details on how the company will reach its 2050 net zero goal. That said, we clarified Bunzl sought to set up targets for scope 1-2 and scope 3[1] greenhouse gas emissions. The latter is linked to the engagements and carbon data collection work being done with its supply chain audits. The scope 1-2 and scope 3 targets have been designed according to the Science-Based Targets Initiative (SBTi) methodology and will be submitted to SBTi for validation. The largest component of Bunzl's scope 1-2 emissions stems from commercial vehicles and there are plans to increase usage of biofuels/electric vehicles (EVs) through 2025-2030 and beyond. Only small vans are currently suitable for EV adoption (c.15% of the fleet). For larger vehicles, the roadmap starts from 2025/2030 onwards and includes a scale up of biofuels. We suggested the company provide an appropriate and clear traceability/disclosure of biofuels sources as adoption increases. This to make sure biofuels are sourced from the most sustainable sources. We provided positive feedback on the company's improved disclosure and strategy. We will keep monitoring the upcoming scope 1-3 targets and net zero disclosure and appropriate biofuels-related disclosure as adoption increases.

[1] Scope 1 (direct emissions from owned or controlled sources), scope 2 (indirect emissions from the generation of purchased electricity, steam, or cooling), scope 3 (all other indirect emissions).

Lloyds Banking Group (1st Quarter 2023 Engagement)

Focus	Environment
Company Description	Lloyds Banking Group (Lloyds) is a UK-based financial services provider.
Engagement Objective	We engaged with the company to discuss its climate strategy.
Participants	From Lloyds: Chief Executive Officer; Environmental Sustainability Director; Chief Credit Officer; Managing Director, Corporate & Institutional Banking; Mortgage Director; Chief of Staff/Chief Sustainability Officer; Head of Investor Relations From T. Rowe Price: Portfolio Manager; Responsible Investing Analyst
Engagement Outcome	We engaged with Lloyds via a group investor meeting hosted by the bank to discuss its climate strategy. Lloyds' climate strategy is broadly in line with its European peers but some aspects of it fall below industry best practice. We sought to recommend that the bank widen the scope of its financed emissions targets and publicly disclose its assessment of clients' climate transition plans. Regarding the scope of climate strategy, Lloyds only includes drawn loans within scope of its financed emissions targets. Some of the bank's peers have extended these targets to undrawn commitments, and a smaller number has also included emissions tied to their capital market activities. We recommended that Lloyds include these activities within scope of its targets. The bank also seeks to measure and set financed emissions reduction targets for the agricultural and commercial real estate sectors, and we encouraged management to set these targets ahead of its next climate report. In response to growing investor focus on how banks evaluate the credibility of their corporate clients' climate transition plans, Lloyds is developing an assessment methodology gauging the credibility of its customers' transition plans. The bank aims to align its methodology—which will vary by sector—with the Transition Plan Taskforce, an HM Treasury initiative that will publish its view of a "gold standard" for sector transition plans. We encouraged Lloyds to provide more detail on its assessment methodology in future climate reporting. The engagement allowed us to offer several recommendations for Lloyds to bring its climate strategy in line with industry best practice. Going forward, we will monitor the bank's progress on setting financed emissions reduction targets for the agricultural and commercial real estate sectors. We will also look out for Lloyds' undrawn commitments and capital market activities within its financed emissions targets. Finally, we will monitor the bank publicly reporting its assessment of clients' transition plans.

RISKS - The following risks are materially relevant to the fund (refer to prospectus for further details): Sector concentration - Sector concentration risk may result in performance being more strongly affected by any business, industry, economic, financial or market conditions affecting a particular sector in which the fund's assets are concentrated. **Small and mid-cap -** Small and mid-size company stock prices can be more volatile than stock prices of larger companies.

General fund risks - to be read in conjunction with the fund specific risks above. Equity - Equities can lose value rapidly for a variety of reasons and can remain at low prices indefinitely. **ESG and sustainability -** ESG and Sustainability risk may result in a material negative impact on the value of an investment and performance of the fund. **Geographic concentration -** Geographic concentration risk may result in performance being more strongly affected by any social, political, economic, environmental or market conditions affecting those countries or regions in which the fund's assets are concentrated. **Investment fund -** Investing in funds involves certain risks an investor would not face if investing in markets directly. **Management -** Management risk may result in potential conflicts of interest relating to the obligations of the investment manager. **Market -** Market risk may subject the fund to experience losses caused by unexpected changes in a wide variety of factors. **Operational -** Operational risk may cause losses as a result of incidents caused by people, systems, and/or processes.

IMPORTANT INFORMATION

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