



T. ROWE PRICE FUNDS OEIC

US Large Cap Value Equity Fund – ESG Report

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

As at 30 June 2020

ESG INTEGRATION APPROACH

- The US Large Cap Value Equity Fund uses ESG integration as part of its investment process. This means incorporating environmental, social and governance factors to enhance investment decisions. Our philosophy is that ESG factors are a 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 14,000 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.)
- The US Large Cap Value Equity Fund seeks to invest in relatively high-quality companies where the share price is depressed due to controversy in one form or another. When the process works as intended, we believe the Fund may benefit if the perceived problem is addressed, earnings growth reaccelerates, the controversy is lifted and often, the valuation multiple may move higher as investors are more comfortable with the name. At times the source of controversy can be associated with poor past-practices involving environmental, social, or governance-related issues. Companies with poor historical ESG track records are not automatically eliminated from our investment universe. Working collaboratively with investment analysts and our internal ESG resources, the Fund's portfolio managers develop an understanding of the key issues, consider their materiality, and assess the potential for improvement. To be considered seriously as an investment, we must determine the company has a credible plan to address past weaknesses. In our experience, companies with a sharp focus on addressing previous deficiencies can be very attractive investments.

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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Signature Bank (3rd Quarter 2019)

Focus	Governance
Company Description	Signature Bank is a full service commercial bank that serves privately owned business clients, and their owners and senior managers.
Engagement Objective	We engaged with Signature Bank for a broad discussion on governance. We focused on the topic of compensation.
Participants	T. Rowe Price's Head of Corporate Governance engaged with a member of Signature Bank's Compensation Committee, and two Corporate Development representatives.
Engagement Outcome	<p>The purpose of our engagement with Signature Bank was to have a broad discussion on governance. The discussion allowed us to share our viewpoint and understand the company's approach.</p> <p>We expressed our concern that Signature Bank has had three bad management say on pay votes in a row. Management is addressing the issue more proactively; it has hired a new compensation consultant and a proxy solicitation firm, and is also reaching out to 70% of its shareholder base for feedback.</p> <p>We probed the management team on the board's succession processes. The current chair of the Compensation Committee has been in place for a long time. Given the repeated concerns investors have expressed over the bank's compensation program, we believe the composition of the Committee is an important consideration.</p> <p>The company's new tenure limit was also discussed. New directors will be subject to 12-year limit (four three-year terms). It looks likely that current directors will be able to be re-nominated one more time.</p>

The specific securities identified and described do not represent all of the securities purchased, sold, or recommended for the OEIC sub-fund, and no assumption should be made that the securities identified and discussed were or will be profitable.

United Parcel Service (1st Quarter 2020)

Focus	Governance, Environmental
Company Description	United Parcel Service (UPS) is the largest global parcel delivery business.
Engagement Objective	We engaged with the company on compensation, dual-class stock, and UPS's goals for reducing greenhouse gas emissions.
Participants	T. Rowe Price's Head of Corporate Governance engaged with UPS' Associate General Counsel, Corporate Secretary, and a Sustainability representative.
Engagement Outcome	<p>The purpose of our engagement with UPS was to have a broad discussion on governance and sustainability topics. The discussion allowed us to share our viewpoint and understand the company's approach.</p> <p>On compensation, there have been no major changes, except that new outside executives have been brought in. UPS has decided to have a say on pay vote every year instead of every three years</p> <p>We also discussed a shareholder proposal that UPS receives every year; to recapitalise the company into straight common stock with 1:1 voting rights instead of the 10:1 it has now. Management's perspective is that it is not a typical controlled company because its Class A shares are distributed throughout the employee base.</p> <p>While, this is true, the distribution is extremely concentrated inside the executive suite. Last year, 1.2 million shares voted against the recapitalisation proposal. Management owns 1.1 million. In our view, the senior executives effectively have enough voting power to counter any activist's approach or shareholder proposal.</p> <p>On the company's environmental footprint, UPS has set a goal to reduce its greenhouse gas emissions by 12% by 2025. It aims to achieve this through the increased efficiency of its fleet, and the use of advanced fuels. It will also add 6,000 new vehicles powered by compressed natural gas.</p>

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Risks - The following risks are materially relevant to the fund (refer to prospectus for further details):

Small and mid-cap risk - stocks of small and mid-size companies can be more volatile than stocks of larger companies.

General fund risks - to be read in conjunction with the fund specific risks above. **Capital risk** - the value of your investment will vary and is not guaranteed. It will be affected by changes in the exchange rate between the base currency of the fund and the currency in which you subscribed, if different. **Equity risk** - in general, equities involve higher risks than bonds or money market instruments. **Geographic concentration risk** - to the extent that a fund invests a large portion of its assets in a particular geographic area, its performance will be more strongly affected by events within that area. **Hedging risk** - a Fund's attempts to reduce or eliminate certain risks through hedging may not work as intended. **Investment fund risk** - investing in funds involves certain risks an investor would not face if investing in markets directly. **Management risk** - the investment manager or its designees may at times find their obligations to a fund to be in conflict with their obligations to other investment portfolios they manage (although in such cases, all portfolios will be dealt with equitably). **Operational risk** - operational failures could lead to disruptions of fund operations or financial losses.

IMPORTANT INFORMATION

The Funds are sub-funds of the T. Rowe Price Funds OEIC, an investment company with variable capital incorporated in England and Wales which is registered with the UK Financial Conduct Authority and which qualifies as an undertaking for collective investment in transferable securities ("UCITS"). Full details of the objectives, investment policies and risks are located in the prospectus which is available with the key investor information documents in English, together with the annual and semi-annual reports (together "Fund Documents"). Any decision to invest should be made on the basis of the Fund Documents which are available free of charge from the local representative, local information/paying agent or from authorised distributors and via www.troweprice.com.

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