



T. ROWE PRICE FUNDS OEIC

## US Equity Fund – ESG Report

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

As of 30 June 2024

### ESG INTEGRATION APPROACH

- The US 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 ESG 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 the portfolio manager are able to leverage dedicated, in-house resources to assist 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 proactively 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 over 15,000 companies and pulls from data sets that are not in the wheelhouse of traditional financial analysis. These data sets include:
  - ESG performance data (e.g., number of accidents, carbon emissions, strength of whistle-blower programs, etc.);
  - ESG targets (e.g., plans to reduce carbon emissions, increase diversity, etc.)
  - ESG incidents and controversies (e.g., environmental fines paid, local community controversies/protests against a company, etc.)
- Our investment framework naturally leads to a universe of companies which typically possess favorable ESG profiles. We seek companies that have intangibles affording them pricing power and sticky relationships with their end clients and consumers. Such relationships are often the result of differentiated levels of product safety, ethical dealings, or quality of service. We place a high level of importance on management strength and seek to invest alongside executives with proven track records of strong execution and integrity. We spend a significant amount of time evaluating the incentive structure for management as well as the composition and accountability of the board. We prefer management teams that appropriately balance the interests of all major stakeholders, including employees, communities, and shareholders. While most of our investment considerations are “bottom-up” in nature, we seek to evaluate individual investments in the context of the industries in which they participate. Having a view of the long-term risks associated with an industry helps inform our view of individual companies. Such risks include the regulatory environment, competitive pressures, and the threat of future obsolescence. Our valuation considerations also incorporate ESG considerations. For example, if a company is perceived to have poor relations with its employee base, we would typically expect the market to assign a lower multiple on that company’s earnings stream. Finally, while the significant majority of the portfolio is invested in companies with strong ESG track records, companies with past issues related to areas of environmental, social, or governance are not automatically eliminated from our investment universe. We have on occasion made select investments in these types of companies.

### 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, encouraging 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.

**For professional clients only. Not for further distribution.**

**Goldman Sachs (2<sup>nd</sup> Quarter 2024 Engagement)**

<b>Focus</b>	Governance
<b>Company Description</b>	Goldman Sachs is a diversified financial services company.
<b>Engagement Objective</b>	We engaged with Goldman Sachs on a range of governance matters.
<b>Participants</b>	From Goldman Sachs: Investor Relations Representatives From T. Rowe Price Associates, Inc: Head of Corporate Governance
<b>Engagement Outcome</b>	<p>We engaged with Goldman Sachs on its recent Board leadership transition and the shareholder proposals the company has received this year.</p> <p>Goldman Sachs' longstanding Lead Director Bayo Ogunlesi is stepping down following the announcement he sold Global Infrastructure Partners (a private equity firm he started) to BlackRock and stayed on in an executive role. He will be replaced by David Viniar. We discussed what this might mean for shareholder engagement and Board priorities moving forward. Ogunlesi was known for direct engagement with a variety of stakeholders.</p> <p>Goldman Sachs received an unusually high number of shareholder proposals in 2024. These included:</p> <ol style="list-style-type: none"> <li>(1) An anti-ESG proponent that had a resolution to appoint an independent board chair amid concerns that the chief executive officer was too outspoken on political matters</li> <li>(2) An individual investor requested a report on lobbying expenditures (which the company already discloses)</li> <li>(3) A social foundation requested a report on how Goldman Sachs addresses harassment and discrimination (which the company already reports on)</li> <li>(4) A request for an environmental justice report</li> <li>(5) A request for disclosure of a green financing ratio</li> <li>(6) A request for a report on Goldman Sachs Asset Management's proxy voting record and why it does not tend to support environmental or social shareholder proposals</li> <li>(7) Another anti-ESG investor requested that Goldman Sachs unwind its investments in green initiatives</li> <li>(8) An ESG fund requested a report showing gender- and race-based pay gaps, unadjusted for the comparability of roles (not a required or commonplace disclosure in the U.S.)</li> </ol> <p>The engagement informed our proxy voting decision to vote with management on all items.</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.

## Colgate-Palmolive (2<sup>nd</sup> Quarter 2024 Engagement)

<b>Focus</b>	Environment, Social, Governance
<b>Company Description</b>	Colgate-Palmolive is a consumer products manufacturer.
<b>Engagement Objective</b>	We engaged with Colgate-Palmolive to discuss its ESG oversight and climate strategy.
<b>Participants</b>	From Colgate-Palmolive: Chief Investor Relations Officer; Chief Sustainability Officer, Associate General Counsel  From T. Rowe Price Associates, Inc: Responsible Investing Analyst
<b>Engagement Outcome</b>	<p>We engaged with Colgate-Palmolive to provide feedback and suggestions on its ESG oversight and reporting. The company's sustainability team is overseen by the Group President for Growth and Strategy, who reports directly to the chief executive officer (CEO). A steering committee comprising most senior executive leaders, excluding the CEO, discusses sustainability matters. The Nominating Governance and Corporate Social Responsibility Committees provide board oversight.</p> <p>We suggested outlining board and executive oversight for ESG more clearly in the sustainability report (e.g., a basic organizational chart). The company was receptive to this feedback. We also suggested that the company integrate more key performance indicators (KPIs), which currently appear in a separate data appendix, in the sustainability disclosure.</p> <p><b>Climate Strategy</b></p> <p>Colgate-Palmolive has developed credible, Science Based Targets initiative (SBTi) validated 2040 net zero emissions targets for its operations and value chain. The company also publishes an annual climate report detailing its climate strategy approach.</p> <p>Renewable energy and supplier engagement are the two primary levers for the company to achieve its emissions reduction goals for scope 1-2 and scope 3<sup>1</sup> emissions, respectively. Colgate-Palmolive highlighted that it has developed its scope 1-2 strategy by building granular, site-by-site emissions road maps for its facilities. For its scope 3 footprint, the company has focused on improving data quality among its top 100 suppliers who comprise most of the scope 3 footprint.</p> <p>We suggested the company include more information on the key initiatives required to deliver against the emissions reduction pathway, as we think the relative importance of different drivers and initiatives to reduce emissions are not wholly apparent in the current disclosure.</p> <p>The engagement allowed us to impart our views on best practices for ESG disclosure. In the next year, we will monitor for improved transparency on ESG oversight and the company's emissions reduction strategy.</p>

<sup>1</sup> 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.

## ESG RIIM PROFILE

The T. Rowe Price Responsible Investing Indicator Model (RIIM) rates companies, governments and securitized assets in a traffic light system measuring their environmental, social, and governance profile and flagging issuers with elevated risks. For certain types of investments, including, but not limited to, cash, currency positions, and particular types of derivatives, an ESG analysis may not be relevant or possible due to a lack of data. Where ESG considerations are integrated into the investment research process, we may conclude that other attributes of an investment outweigh ESG considerations when making investment decisions.

	Portfolio		Benchmark	
	No. of securities	% weight	No. of securities	% weight
● Green	67	87.9	419	82.2
● Orange	10	11.7	80	17.2
● Red	0	0.0	3	0.5
● Not in scope / not covered	0	0.0	1	0.1
● Reserves	1	0.4	0	0.0
<b>Total</b>	<b>78</b>	<b>100.0</b>	<b>503</b>	<b>100.0</b>

● No/few Flags ● Medium Flags ● High Flags

The comparator benchmark of the Fund is the S&P 500 Net 15% Withholding Tax. The manager is not constrained by the fund's benchmark, which is used for performance comparison purposes only.

**RISKS - The following risks are materially relevant to the fund (refer to prospectus for further details):** Currency - Currency exchange rate movements could reduce investment gains or increase investment losses. Equity - Equities can lose value rapidly for a variety of reasons and can remain at low prices indefinitely. ESG - ESG integration as well as events 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.

**General fund risks - to be read in conjunction with the fund specific risks above.** Conflicts of Interest - The investment manager's obligations to a fund may potentially conflict with its obligations to other investment portfolios it manages. Counterparty - Counterparty risk may materialise if an entity with which the fund does business becomes unwilling or unable to meet its obligations to the fund. Custody - In the event that the depositary and/or custodian becomes insolvent or otherwise fails, there may be a risk of loss or delay in return of certain fund's assets. Cybersecurity - The fund may be subject to operational and information security risks resulting from breaches in cybersecurity of the digital information systems of the fund or its third-party service providers. Investment fund - Investing in funds involves certain risks an investor would not face if investing in markets directly. Market - Market risk may subject the fund to experience losses caused by unexpected changes in a wide variety of factors. Market liquidity - In extreme market conditions it may be difficult to sell the fund's securities and it may not be possible to redeem shares at short notice. Operational - Operational risk may cause losses as a result of incidents caused by people, systems, and/or processes.

## ADDITIONAL DISCLOSURES

The S&P 500 Net 15% Withholding Tax is a product of S&P Dow Jones Indices LLC, a division of S&P Global, or its affiliates ("SPDJ"), and has been licensed for use by T. Rowe Price. Standard & Poor's® and S&P® are registered trademarks of Standard & Poor's Financial Services LLC, a division of S&P Global ("S&P"); Dow Jones® is a registered trademark of Dow Jones Trademark Holdings LLC ("Dow Jones"). This product is not sponsored, endorsed, sold or promoted by SPDJI, Dow Jones, S&P, their respective affiliates, and none of such parties make any representation regarding the advisability of investing in such product(s) nor do they have any liability for any errors, omissions, or interruptions of the S&P 500 Net 15% Withholding Tax.

Holdings-based analytics are calculated using T. Rowe Price's internal Investment Book of Records (IBOR). Due to timing and accounting methodology differences, IBOR data may differ from the Accounting Book of Records (ABOR) data provided by the Fund's accountant.

## 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](http://www.troweprice.com).

**This material is being furnished for general informational and/or marketing purposes only.** The material does not constitute or undertake to give advice of any nature, including fiduciary investment advice, nor is it intended to serve as the primary basis for an investment decision. Prospective investors are recommended to seek independent legal, financial and tax advice before making any investment decision. T. Rowe Price group of companies including T. Rowe Price Associates, Inc. and/or its affiliates receive revenue from T. Rowe Price investment products and services. **Past performance is not a reliable indicator of future performance.** The value of an investment and any income from it can go down as well as up. Investors may get back less than the amount invested.

The material does not constitute a distribution, an offer, an invitation, a personal or general recommendation or solicitation to sell or buy any securities in any jurisdiction or to conduct any particular investment activity. The material has not been reviewed by any regulatory authority in any jurisdiction.

Information and opinions presented have been obtained or derived from sources believed to be reliable and current; however, we cannot guarantee the sources' accuracy or completeness. There is no guarantee that any forecasts made will come to pass. The views contained herein are as of the date noted on the material and are subject to change without notice; these views may differ from those of other T. Rowe Price group companies and/or associates. Under no circumstances should the material, in whole or in part, be copied or redistributed without consent from T. Rowe Price.

The material is not intended for use by persons in jurisdictions which prohibit or restrict the distribution of the material and in certain countries the material is provided upon specific request.

It is not intended for distribution to retail investors in any jurisdiction.

**UK –** This material is issued and approved by T. Rowe Price International Ltd, Warwick Court, 5 Paternoster Square, London, EC4M 7DX which is authorised and regulated by the UK Financial Conduct Authority. For Professional Clients only.

©2024 T. Rowe Price. All Rights Reserved. T. ROWE PRICE, INVEST WITH CONFIDENCE, and the Bighorn Sheep design are, collectively and/or apart, trademarks or registered trademarks of T. Rowe Price Group, Inc.

202401-3326955

202407-3717108