



T. ROWE PRICE FUNDS SICAV

Continental European Equity Fund – ESG Report

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

As at 30 June 2020

ESG INTEGRATION APPROACH

- The Continental European Equity Fund uses ESG integration as part of its investment process. This means incorporating environmental, social and governance 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 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.)
- Our investment approach of focusing on higher quality companies requires a specific focus on both the attractiveness and sustainability of returns for the longer term. To determine this our assessment will address all relevant company and industry characteristics, including environmental, social and governance factors. A consequence of this approach is that the resulting portfolio holdings will typically not have material exposures to material ESG risks. Our assessment of ESG risk at the portfolio level is supplemented by screening and reviewing the whole portfolio using our proprietary RIIM model at regular intervals. This reinforces our understanding of the ESG characteristics of the portfolio and is designed to make us aware of any elevated exposures to specific ESG factors.

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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Total (1st Quarter 2020)

Focus	Environmental
Company Description	Total is a French multinational integrated oil and gas company.
Engagement Objective	We engaged with Total on its positioning for energy transition and the company's ambitions for its low-carbon business.
Participants	T. Rowe Price Portfolio Managers engaged with Total's CEO and an Investor Relations representative.
Engagement Outcome	<p>Energy transition presents a material business risk for oil & gas companies, both in terms of the outlook for declining oil demand and the business risk that comes from transitioning into a new business (i.e. renewables, energy storage, and other new energy solutions). We engaged with the CEO of Total on the topic to have a constructive dialogue on how he and the board are managing for energy transition.</p> <p>Our discussion centered on Total's ESG strategy and the company's ambitions for its low-carbon business.</p> <p>Total has made good progress over the last few years on reducing its scope 3 greenhouse gas emissions and believes that the best way to convince investors not to divest was to prove that they are making progress.</p> <p>The level and pace of investment into the new energies business has become a key debate—the CEO stressed the importance of finding opportunities with decent returns. The board is in support of investing more into renewables, but only in projects that generate a good return.</p> <p>The engagement informed our investment research. We gained insight into Total's ambition to build out its power business beyond investments in renewables.</p>

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

Nestle (4th Quarter 2019)

Focus	Environmental, Social, Governance
Company Description	Nestle is a leading manufacturer of processed food and beverages.
Engagement Objective	We engaged with Nestle's Chairman for a broad discussion on governance and sustainability topics.
Participants	A T. Rowe Price Investment Analyst and a Responsible Investing Analyst engaged with Nestle's Chairman, Secretary to the Board, and an Investor Relations representative.
Engagement Outcome	<p>The purpose of our engagement with Nestle was to have discussion on governance and sustainability. The discussion allowed us to share our viewpoint and understand the company's approach.</p> <p>A notable change this year has been Nestle's explicit focus on environmental topics to meet societal demands. The following targets have been introduced:</p> <ol style="list-style-type: none"> 1. Net greenhouse gas neutral by 2050, including upstream and downstream impacts. 2. 100% reusable/recyclable packaging by 2025. <p>Board changes are partly responsible for Nestle's sharper environmental focus. The Chairman noted that younger board members are asking tougher questions and holding the board accountable for advancing in environmental areas. 2019 compensation changes are another driver as Nestle develops a framework to integrate ESG outcomes into remuneration.</p> <p>Nestle is now part of a World Economic Forum working group whose focus is on the standardisation of sustainability reporting. The company has also committed to the Taskforce for Climate-related Financial Disclosures.</p> <p>The engagement informed our investment research. Nestle gave us a better understanding of its sustainability strategy and we gained confidence that the company is on track to achieve most of its 2020 goals.</p>

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

Country risk (Russia and Ukraine) - in these countries, risks associated with custody, counterparties and market volatility are higher than in developed countries. **Currency risk** - changes in currency exchange rates could reduce investment gains or increase investment losses. **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 SICAV, a Luxembourg investment company with variable capital which is registered with Commission de Surveillance du Secteur Financier 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 and in an official language of the jurisdictions in which the Funds are registered for public sale, together with the articles of incorporation and 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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