



T. ROWE PRICE FUNDS SICAV

European Select Equity Fund – ESG Report

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

As at 30 June 2020

ESG INTEGRATION APPROACH

- The European Select 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 portfolio manager of the European Select Equity Fund believes that an ESG assessment is a vital part of properly assessing the sustainability of a business and that this is a critical component in assessing the quality of a company. Collaborating with our industry analysts and the responsible investing (RI) team, the portfolio manager seeks to ensure that any material ESG factors are integrated into the investment thesis of a stock. Further, there is a regular dialogue with the RI team to assess the overall ESG risk profile of the whole portfolio.

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.

For Investment Professionals only. Not for further distribution.

Zalando (1st Quarter 2020)

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| Focus | Governance |
| Company Description | Zalando is an online fashion retailer. |
| Engagement Objective | In our first meeting with the company's new Supervisory Board Chairwoman, we discussed company strategy and governance. |
| Participants | T. Rowe Price's Head of Corporate Governance, Portfolio Managers, and an Investment Analyst met with Zalando's Supervisory Board Chairwoman, Legal Counsel, and Corporate Finance and Investor Relations representatives. |
| Engagement Outcome | <p>The company's new Supervisory Board Chairwoman is a former executive of Kinnevik, the company that is Zalando's largest shareholder. Proxy advisors may not classify her as independent because of her past association.</p> <p>We discussed Zalando's remuneration programme, which is unusual for the German market, in that it has a high-risk, high-return profile. The company is not revisiting it this year but will do so in 2021, after local market Shareholder Rights Directive II regulations take effect.</p> <p>The Supervisory Board and Management Board meet formally five times a year, and the chair has frequent informal interaction with the senior layer of management. Zalando employs a much closer level of interaction between the boards than is typical in the German market. Also, directors are re-elected every other year instead of the four-year term more typical in this market.</p> <p>Apart from director elections, the other notable item at this year's annual general meeting will be the five-year renewal of the capital pool. Based on our preliminary look at the proposals, we felt unlikely to have concerns.</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.

Experian (1st Quarter 2020)

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| Focus | Social |
| Company Description | Experian is a leading global information services company specialising in the provision of credit data and analytical tools to manage risk and assist in decision making. |
| Engagement Objective | We engaged with Experian on best practices for ESG reporting. Additionally, we discussed Experian's data security procedures. |
| Participants | T. Rowe Price Investment Analysts and a Responsible Investing Analyst engaged with Experian's Global Head of Corporate Responsibility and an Investor Relations representative. |
| Engagement Outcome | <p>We shared our views on how Experian could improve its standards of ESG disclosure. We noted areas of improvement such as including human capital key performance indicators and compliance procedures.</p> <p>In addition, we discussed the measures the company has in place to detect data breaches, and controls should a breach occur. The company explained it has invested in artificial tools that continually analyse data traffic and spot any unusual activity, which is then flagged to an employee who can respond appropriately. The company also explained that data is encrypted both at rest and through transit, as well as being "containerised" in a structure to limit any impact if data is compromised.</p> <p>The engagement allowed us to share our view on best practices for ESG disclosure and better understand the company's data security measures.</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. **Issuer concentration risk** - to the extent that a fund invests a large portion of its assets in securities from a relatively small number of issuers, its performance will be more strongly affected by events affecting those issuers. **Small and mid-cap risk** - stocks of small and mid-size companies can be more volatile than stocks of larger companies. **Style risk** - different investment styles typically go in and out of favour depending on market conditions and investor sentiment.

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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