



T. ROWE PRICE FUNDS SICAV

European Select Equity Fund – ESG Report

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

As at 31 December 2023

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 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.)
- 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.
- The fund is classified as Article 8 according to the Sustainable Finance Disclosure Regulation. Although the fund does not have sustainable investment as an objective, the promotion of environmental and social characteristics is achieved through the fund's commitment to maintain at least 10% of the value of its portfolio invested in Sustainable Investments. The fund avoids issuers whose activities we may consider harmful to the environment and/or society through the application of our proprietary screen, the T. Rowe Price Responsible Exclusion List.

INVESTMENT OBJECTIVE: To increase the value of its shares, over the long term, through growth in the value of its investments.

INVESTMENT PROCESS: The fund is actively managed and invests mainly in a high conviction portfolio of shares of European companies. Although the fund does not have sustainable investment as an objective, the promotion of environmental and/or social characteristics is achieved through the fund's commitment to maintain at least 10% of the value of its portfolio invested in sustainable investments, as defined by the SFDR. In addition to the E/S characteristics promoted, the fund also applies the investment manager's proprietary responsible screen (the T. Rowe Price Responsible Exclusion List). The fund may use derivatives for hedging and efficient portfolio management. For full investment objective and policy details refer to the prospectus. The manager is not constrained by the fund's benchmark, which is used for performance comparison purposes only.

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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.

BAWAG (3rd Quarter 2023 Engagement)

Focus	Governance
Company Description	BAWAG is a leading Austrian bank.
Engagement Objective	We engaged with the company on allegations made by shareholder activist Petrus Advisers.
Participants	<p>From BAWAG: Investor Relations Representative; Chairman of the Supervisory Board; Managing Director</p> <p>From T. Rowe Price: Portfolio Manager; Head of Governance, EMEA and APAC; Investment Analyst</p>
Engagement Outcome	<p>Petrus Advisers issued a report at the end of June 2023 titled "Too many red flags." The report contained allegations of poor strategic decisions and operational performance at BAWAG; it also contained allegations of governance and culture issues at the company that were the focus of our engagement.</p> <p>Upon review of the corporate governance "red flags" in the Petrus report, some are more amber than red, in our view.</p> <p>For example, we have engaged the company on remuneration before and told the chair of the Remuneration Committee that we would not support any further increases. Petrus alleges that "management has paid itself more than EUR 200 million since the company's initial public offering." This averages out at about EUR 5.5 million per management board member. But the chief executive officer received more than this sum most years, so the average payment to management board members has been significantly less.</p> <p>The culture allegations appear to be a secondary concern. However, we expressed concerns that the supervisory board meets in person only once or twice a year. BAWAG said the supervisory board was used to working in a hybrid manner since before COVID. Two management board members are based in Vienna, one in London, and three in the U.S.</p> <p>The board had discussed the Petrus Advisers report on the day it was published (June 30, 2023). The board did not want to encourage press attention so it responded with a short press statement rather than a detailed rebuttal. What became clear from the conversation is the model for board and committee operation is clearly very point to point with a lot of work done by the committee chairs outside the formal board meetings. The chair was clear that everything is socialized by the committee chairs ahead of the board, and some items do not make it to the board because of this socialization process.</p> <p>When the current chair took over, he shrank the board from nine to six directors and three works council representatives, to give him flexibility to bring on two female directors. He pointed to age diversity as an area of focus for the next appointments.</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.

AstraZeneca (3rd Quarter 2023 Engagement)

Focus	Environment, Social
Company Description	AstraZeneca is a global biopharmaceutical company that seeks to discover, develop, and commercialize prescription medicines.
Engagement Objective	We engaged with the company on its environmental, social, and governance (ESG) disclosure and strategy and, specifically, on business ethics and impact/access to medicine topics.
Participants	From AstraZeneca: Investor Relations Representative From T. Rowe Price: Responsible Investing Analyst
Engagement Outcome	<p>AstraZeneca's is regarded as a sustainability leader in its sector. Its current reporting addresses all relevant material topics for a large-cap pharmaceutical company; however, there is scope for selective improvement, in our view.</p> <p>Business ethics and compliance</p> <p>Several peers, including Novartis and GSK, now report granular data on employee and supplier compliance. The level of AstraZeneca's existing disclosure is adequate—the company reports the percentage of employees who receive training on its code of ethics, and some qualitative description of oversight is included—but it could be improved with additional key performance indicators (KPIs) addressing the number of code of conduct violations, substantiated allegations, and dismissals related to misconduct.</p> <p>Access to medicine and impact</p> <p>We highlighted that disclosure addressing access planning during research and development could be a potential area for improvement in reporting. Many large pharmaceutical companies follow this procedure. Currently, AstraZeneca discloses this information privately to the Access to Medicine Foundation, a nonprofit organization. Public reporting would help investors to better assess company approaches to access to medicine.</p> <p>We also highlighted the value we place on clear impact disclosure. We suggested the company could further enhance the granularity of its KPIs measuring the numbers of patients reached, for example, by splitting the numbers by geography or therapeutic area. Some peers such as Bayer or Novo Nordisk have begun to include this in their disclosures.</p> <p>We believe AstraZeneca's net zero strategy is best in class relative to peers. We highlighted nature and biodiversity as an emerging topic of investor interest where it may make sense to further enhance external transparency. The company is included on global investor initiative Nature Action 100's list of engagement targets (comprising companies with the highest impact on nature).</p> <p>We will monitor for additional disclosure of quantitative KPIs covering business ethics and compliance-related topics. We also reiterated the suggestion we first made at our engagement meeting in the fourth quarter of 2022 for additional transparency on how access considerations are integrated into drug development and research and development.</p>

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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	37	92.7	402	90.7
● Orange	2	6.2	18	8.2
● Red	0	0.0	2	0.8
● Not in scope	0	0.0	3	0.3
● Not covered	0	0.0	0	0.0
● Cash	1	1.1	0	0.0
Total	40	100.0	425	100.0

● No/few Flags ● Medium Flags ▲ High Flags

The comparator benchmark of the Fund is the MSCI Europe Net Index. The manager is not constrained by the fund's benchmark, which is used for performance comparison purposes only.

SUSTAINABILITY INDICATOR

The fund is classified as Article 8 according to the Sustainable Finance Disclosure Regulations (SFDR).

The sustainability indicator used by the fund is a minimum of 10% of the value of the fund's portfolio held in securities that the investment manager identifies as sustainable investments.

The percentage exposure of the fund to sustainable investments is:

	Target Minimum Exposure %	Fund Exposure %
Sustainable Investments	10.0%	45.0%
Environmental Objectives	0.5%	11.6%
Social Objectives	0.5%	33.4%

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. Issuer concentration - Issuer concentration risk may result in performance being more strongly affected by any business, industry, economic, financial or market conditions affecting those issuers 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. Style - Style risk may impact performance as different investment styles go in and out of favor depending on market conditions and investor sentiment.

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.

ADDITIONAL DISCLOSURES

Source: MSCI. MSCI and its affiliates and third party sources and providers (collectively, "MSCI") makes no express or implied warranties or representations and shall have no liability whatsoever with respect to any MSCI data contained herein. The MSCI data may not be further redistributed or used as a basis for other indices or any securities or financial products. This report is not approved, reviewed, or produced by MSCI. Historical MSCI data and analysis should not be taken as an indication or guarantee of any future performance analysis, forecast or prediction. None of the MSCI data is intended to constitute investment advice or a recommendation to make (or refrain from making) any kind of investment decision and may not be relied on as such.

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