



T. ROWE PRICE FUNDS SICAV

US 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 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 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. We consider valuation last by design, as we want a sense of fundamental strength before considering what the company is ultimately worth. Although valuations do not directly translate to ESG considerations, our overall evaluations of such issues can be influential in how we believe a company should be valued. For example, if a company is perceived to have poor relations with their 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, 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.

Deere & Company (1st Quarter 2020)

Focus	Environmental, Social
Company Description	Deere & Company (DE) manufactures and distributes a range of agricultural, construction, forestry, and commercial and consumer equipment.
Engagement Objective	We engaged with the company to discuss its sustainability approach.
Participants	T. Rowe Price Portfolio Managers, an Investment Analyst, and a Responsible Investing Analyst engaged with Deere & Company's CFO, CAO, Corporate Secretary and Associate General Counsel, and an Investor Relations representative.
Engagement Outcome	<p>DE is pursuing a range of sustainable product opportunities. These include input-efficient technology that helps to minimise the cost structure and land constraints for farmers, and connect-support that allows customers to proactively manage their equipment (and hence optimise tight planting windows) by anticipating failures and quickly finding solutions.</p> <p>DE is steadily investing in its large agriculture/precision agriculture technology to create more "up time" and cost efficiencies for customers, which can help sustain sales.</p> <p>The engagement allowed us to better understand the sustainable product opportunities that the company is pursuing. The company has published its first sustainability report this year; we will continue to monitor its progress on ESG disclosure.</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.

American Tower (1st Quarter 2019)

Focus	Governance
Company Description	American Tower is a leading wireless tower operator and one of the largest global real estate investment trusts (REITs).
Engagement Objective	We engaged with American Tower for a broad discussion on governance.
Participants	T. Rowe Price's Head of Corporate Governance engaged with American Tower's Corporate Legal and Investor Relations representatives.
Engagement Outcome	<p>The purpose of our engagement with American Tower was to have a discussion on governance. The discussion allowed us to share our viewpoint and understand the company's approach. Topics covered included director tenure, the combined CEO/Chairman role, and board diversity.</p> <p>American Tower is keen to hear long-term shareholders' views on what it is doing well, what competitors are doing, and what the topical ESG issues are within its sector.</p> <p>This engagement informed our investment research.</p>

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

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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