T. ROWE PRICE FUNDS SICAV

US Large Cap Value Equity Fund – ESG Report

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

As at 31 March 2024

ESG INTEGRATION APPROACH

- The US Large Cap Value 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 components 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 US Large Cap Value Equity Fund seeks to invest in relatively high-quality companies where the share price is depressed because of controversy in one form or another. When the process works as intended, our clients benefit as the perceived problem is addressed, earnings growth re-accelerates, the controversy is lifted, and often the valuation multiple moves higher as investors are more comfortable with the name. At times the source of controversy can be associated with poor past practices involving environmental, social, or governance-related issues. Companies with poor historical ESG track records are not automatically eliminated from our investment universe. Working collaboratively with investment analysts and our internal ESG resources, the strategy's portfolio managers develop an understanding of the key issues, consider their materiality, and assess the potential for improvement. To be considered seriously as an investment, we must determine the company has a credible plan to address past weaknesses. In our experience, companies focusing sharply on addressing previous deficiencies can be very attractive investments.

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 diversified portfolio of shares from large capitalisation companies in the United States that are selling at discounted valuations relative to their historical average and/or the average of their industries. 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.

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.

AvalonBay Communities (1st Quarter 2024 Engagement)

Focus	Environment
Company Description	AvalonBay Communities is a U.S.-based apartment real estate investment trust (REIT).
Engagement Objective	We engaged with the company for a discussion on scope 3 emissions, net zero, and green buildings.
Participants	From AvalonBay Communities: ESG representative; Assistant General Counsel; Compensation representative; Investor Relations representatives From T. Rowe Price: Portfolio Manager; Investment Analyst; Head of Corporate Governance; Responsible Investing Analysts
Engagement Outcome	AvalonBay Communities is among the ESG leaders within the US residential real estate sector, and this is evidenced by its high Global Real Estate Sustainability Benchmark (GRESB) score, detailed ESG reporting, and science-based targets covering scope 1-3[1] emissions. However, there are some elements of its ESG strategy which are weaker than its U.S REIT peers, notably measurement of embodied carbon, net zero targets, and green bond reporting. The purpose of the meeting was to discuss these topics. AvalonBay is making good progress in trying to measure and report on the embodied carbon tied to its development and operating portfolio. The company has retrospectively measured these emissions back to 2017 and committed to setting an embodied carbon reduction target for each project by the end of 2024. We discussed potential implications on development costs/time and highlighted U.S. peers who believe an 11-18% reduction by 2030 is viable without any impact on the profit and loss account. The company scores better than its residential peers for having science-based targets (SBTs) that cover scope 1-2 emissions and material scope 3 categories. However, it falls behind its broader U.S. REIT peers in not having a longer-term 2050 net zero target. The company has prioritized laying out its roadmap to meet the 2030 SBTs but is not willing to commit to a 2050 net zero goal until it has better visibility on how to fully decarbonize the emissions tied to tenants and building materials. In terms of green buildings, the company is not seeing any difference in key performance indicators (KPIs) such as occupancy, retention and rents, between certified and non-certified assets. Instead, it sees green buildings as a tool to engage with design teams and suppliers to ensure developments are built to comply with energy codes. It also believes green buildings are a tool to help it meet environmental targets (e.g. energy performance, water performance, use of solar). AvalonBay was one of the early issuers of green bonds. As a result, its green bond framework (published 2021) and post-issuance reporting score weaker than peers in our ESG bond model as standards have evolved. We recommended a follow up call with the company to provide our guidance on how market standards have changed and how the company can improve on its framework and post-issuance reporting. The call confirmed our view that the company remains an ESG leader within the residential sector, despite falling behind industry best practice in several areas. We made several recommendations and scheduled a follow-up call. We will also monitor whether it sets embodied carbon reduction targets at the project level.

[1] 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.

Baker Hughes (4th Quarter 2023 Engagement)

Focus	Environment
Company Description	Baker Hughes is a large oilfield services company.
Engagement Objective	We engaged with the company for a discussion focused on climate strategy and disclosure.
Participants	From Baker Hughes: Chief Sustainability Officer; Vice President Investor Relations; Director Investor Relations From T. Rowe Price: Responsible Investing Analyst
Engagement Outcome	In terms of scope 1 and 2[1] targets, Baker Hughes has a target to be net zero on scope 1-2 by 2050 and to reduce these emissions 50% by 2030 (vs a 2019 baseline). It has made strong progress so far and its initial focus has been on decarbonizing fixed assets. Decarbonizing mobile assets (e.g. vessels) will be a longer-term process, including replacing its natural gas usage with renewable fuels, with progress likely to accelerate post-2030. The last part of the decarbonization journey may ultimately come down to direct air capture and sequestration. It was clear that the company would not rely on offsets or virtual power purchase agreements for its net zero goal, which we view as positive. Turning to scope 3 targets and disclosures, the vast majority of Baker Hughes' overall greenhouse (GHG) footprint is scope 3 and it does not currently have a scope 3 reduction target. The company told us that it is doing a lot of work in this area but is concerned by the regulatory risk associated with publishing a scope 3 target. It told us that it has an internal scope 3 target that has been verified by a third-party auditor. However, this has not been published externally; the company wants to wait for regulatory developments before publishing externally. It has tried to have both this target and its scope 1-2 targets validated by the Science Based Targets initiative (SBTi), but the SBTi will not validate targets from issuers in the energy industry. Baker Hughes already reports a detailed scope 3 GHG footprint and intends to provide more detailed disclosures in future reporting on its efforts to reduce scope 3 emissions. We also discussed ESG reporting and disclosures. The company's disclosures are already aligned with the Sustainability Accounting Standards Board (SASB), Global Reporting Initiative (GRI), and Task Force on Climate-Related Financial Disclosures (TCFD) frameworks, and it makes a Carbon Disclosure Project (CDP) submission. It will continue to use these frameworks for future reporting. We highlighted our support of both TCFD and SASB. We also provided feedback on the company's ESG reporting more broadly, which is generally very comprehensive. Baker Hughes will also look to update its climate scenario analysis, with work on this beginning in 2024, although the timeline for publication was not yet established.

[1] 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.

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.

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	57	77.4	678	80.6
Orange	19	21.3	161	18.3
Red	0	0.0	3	1.0
Not in scope / not covered	0	0.0	3	0.0
Cash	1	1.3	0	0.0
Total	**77**	**100.0**	**845**	**100.0**

● No/few Flags ● Medium Flags ● High Flags

The comparator benchmark of the Fund is the Russell 1000 Value Net 30% 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%	41.3%
Environmental Objectives	0.5%	9.1%
Social Objectives	0.5%	32.2%

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

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 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 (KIID) and/or key information document (KID) 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 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. They can also be found along with a summary of investor rights in English at www.troweprice.com. The Management Company reserves the right to terminate marketing arrangements.

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