SELECT INVESTMENT SERIES III SICAV
T. Rowe Price US Large Cap Value Equity Fund – ESG Report
Providing transparency on Environment, Social and Governance aspects of the Fund
As at 30 September 2023

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 (RIM). It covers around 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 due to controversy in one form or another. When the process works as intended, our clients benefit as the perceived problem is addressed, earnings growth reaccelerates, 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 with a sharp focus on addressing previous deficiencies can be very attractive investments.

• 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 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.

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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, 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.
Becton Dickinson (3rd Quarter 2023 Engagement)

Focus
Environment, Social, Governance

Company Description
Becton Dickinson is a U.S. life sciences and medical equipment manufacturer.

Engagement Objective
We engaged with Becton Dickinson for a discussion focused on governance, impact, and climate strategy.

Participants
From Becton Dickinson: Corporate Secretary; Vice President ESG; Vice President Diversity, Equity, and Inclusion; Associate General Counsel (2); Senior Counsel

From T. Rowe Price: Head of Corporate Governance; Responsible Investing Analyst

Governance items
We discussed a shareholder resolution from the 2023 annual general meeting that passed with 62% support. The proposal asked that a shareholder vote be convened every time a severance payout over a certain limit is paid out. These resolutions do not reflect U.S. market practice, and doing this would be impractical. For these reasons, we sided with management on that item. As a compromise, the company plans to adopt a policy capping the potential cash severance payouts for all executives, thus eliminating the need to have us vote on them. We believe this is a reasonable response to the vote’s mandate.

Impact and access to health care
Having highlighted access to health care as a gap in the company’s reporting in our third-quarter 2022 engagement, Becton Dickinson has since formalized a more comprehensive strategy underpinned by three pillars: (i) technology and innovation, (ii) public-private partnerships to enhance access, and (iii) investment in health system strengthening. The company intends to build on this framework in future iterations of its ESG report to provide additional disclosure and product case studies highlighting its work in this area.

We encouraged the company to also provide consistent quantitative key performance indicators (KPI) where possible in its reporting, to best evidence its impact. We highlighted several metrics, such as patients reached, which are increasingly reported by peers. We also suggested the company give greater prominence to this part of its strategy which is currently placed toward the end of its ESG disclosures.

Climate strategy
Becton Dickinson has already set a goal to reduce emissions 46% by 2030 and reach carbon neutrality by 2040. In line with previous feedback given to the company, it now intends to submit its near-term goal and a new longer-term net zero target for Science Based Targets initiative (SBTi) verification by the end of 2023. The company does not have a scope 3 target. We discussed how it is approaching developing a pathway to reduce its scope 3 footprint, and the company also intends to submit scope 3 targets for verification by SBTi this year. We encouraged Becton Dickinson to (i) expand existing disclosure on its scope 1-2 emissions reduction efforts and (ii) add new disclosure on its scope 3 emissions reduction glide path in future reporting.

We will monitor for additional disclosure on access to health care and impact (e.g., product case studies and quantitative KPIs). We will also continue to monitor for scope 3 net zero targets and pathway, a prior open ask from our previous engagement in the third quarter of 2022.

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.
**Western Digital (2nd Quarter 2023 Engagement)**

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<th>Focus</th>
<th>Governance</th>
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<td><strong>Company Description</strong></td>
<td>Western Digital is a leading integrated provider of storage technology.</td>
</tr>
<tr>
<td><strong>Engagement Objective</strong></td>
<td>We engaged with Western Digital on executive compensation.</td>
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| **Participants** | From Western Digital: Investor Relations/Finance Representative, Legal Representative, Executive Compensation Representative, Assistant Legal Counsel  
From T. Rowe Price: Head of Corporate Governance, Portfolio Manager, Investment Analyst, Responsible Investing Analyst |

**Engagement Outcome**

We engaged with Western Digital on executive compensation following a failed vote in 2022, where only 12% of investors supported pay. T. Rowe Price Associates sided with the minority, not because we approved of all the company's actions but because we concluded there were still many open questions at that time about whether the company had made the right decisions around strategy and talent retention. We felt this year's vote would be a more appropriate time to evaluate the decisions made late in 2022.

The main concerns around Western Digital’s 2022 pay were (1) the use of special retention awards two years in a row; (2) a decision to waive the performance conditions on the chief executive officer’s long-term grant, which allowed him to vest significantly more stock than he was on track to realize; and (3) the decision to break the long-term plan’s performance period into three one-year periods instead of a single three-year lookback.

In the wake of such a poor vote outcome, Western Digital realized it needed to make significant changes to the incentive program. We provided feedback on the various changes being considered as well as the company's selection of a peer group. We also communicated the pros and cons of using relative performance metrics, not just absolute.

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.
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:

<table>
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<th>Sustainable Investments</th>
<th>Target Minimum Exposure</th>
<th>Fund Exposure</th>
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<tr>
<td></td>
<td>10.0%</td>
<td>40.6%</td>
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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.
IMPORTANT INFORMATION

The Funds are sub-funds of the Select Investment Series III 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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