T. ROWE PRICE FUNDS SICAV

US Select Value Equity Fund – ESG Report

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

As at 31 December 2022

ESG INTEGRATION APPROACH

- The US Select 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 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 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. 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 (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 US Select 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.

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 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.

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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.

EOG Resources (4th Quarter 2022 Engagement)

Focus	Environment, Social
Company Description	EOG Resources (EOG) is an oil and gas producer with operations centered in the U.S.
Engagement Objective	We engaged with the company for a discussion primarily focused on its climate strategy.
Participants	From EOG Resources: Executive Vice President, Exploration & Production; Director, Environmental & Sustainability; Director, Stakeholder Relations & Communications; Deputy Corporate Secretary From T. Rowe Price: Investment Analyst, Responsible Investing Analyst
Engagement Outcome	We engaged with EOG Resources to discuss its climate strategy (particularly the net zero target), water use, and progress on safety performance. In 2021, EOG set a target to be net zero on scope 1 and 2[1] emissions by 2040. It believes that this is an ambitious, yet achievable, target that is based on a strategy of reduce, capture, and offset. Several years ago, EOG set up the Sustainable Power Group, which is fully dedicated to reducing emissions and based on the work of this group. EOG's progress on reducing methane emissions and flaring has been impressive (achieving reductions of 50% in methane intensity and 40% in emissions from flaring since 2019). It has set a target for zero routine flaring by 2025 (five years ahead of the World Bank 2030 target) and has implemented continuous methane monitoring across its facilities. It is currently working on setting a new methane intensity target, having met its 2025 target five years early. EOG will continue to focus on scope 1 and 2 emission reductions and does not intend to set a scope 3 target as this would mean a pivot away from its current business model. It says it is not under pressure from its investor base to do so. EOG is currently developing its first carbon capture and storage project and believes this fits well within its geological know-how. It is not looking to diversify into areas such as wind and solar where it has no expertise. Regarding water use, EOG's focus is on increasing the share of its water that is reused or recycled. In some areas, the company is already at 99% reuse, but this varies across basins, based on the availability of recycled water and having the necessary infrastructure. Given the high share of water reuse and low freshwater intensity, EOG does not see water availability as a risk that is likely to materially impact its operations. EOG's continuous focus on safety has helped it materially lower both its total recordable incident rate and lost time incident rate over the past five-plus years. Contractors receive extensive training before they come into EOG sites. Contractor safety performance is continuously monitored, and contractors can be (and have been) switched out if their health safety performance is inadequate. The engagement allowed us to share our feedback on a number of environmental and social issues. EOG's performance on reducing emissions has been impressive, and we were pleased to hear the company's ongoing efforts and initiatives to further lower its greenhouse gas emissions. It also allowed us to share our views on best practices on reporting; we recommended that EOG publicly disclose its scope 3 emissions.

[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).

Kimberly-Clark (4th Quarter 2022 Engagement)

Focus	Environmental, Social
Company Description	Kimberly-Clark is a household and personal care goods company.
Engagement Objective	We engaged with Kimberly-Clark on a range of environmental (emissions, packaging) and social (supply chain) matters.
Participants	From Kimberly-Clark: Deputy General Counsel–Global Corporate Affairs and Corporate Secretary; Associate General Counsel–Corporate Affairs and Associate Corporate Secretary; Vice President–Safety, Sustainability, and Occupational Health From T. Rowe Price: Head of Corporate Governance, Responsible Investing Analyst
Engagement Outcome	We provided feedback on Kimberly-Clark's recent shareholder outreach presentation and sustainability report and followed up on the company's progress in several areas, including its net zero targets and supply chain issues relating to forced labor. The company's ESG disclosure is robust relative to peers and aligned to the Sustainability Accounting Standards Board (SASB) and Task Force on Climate-Related Financial Disclosures (TCFD) standards. Kimberly-Clark currently has medium-term targets in place that are aligned to the Science-Based Targets initiative (SBTi). These include a 50% reduction target in scopes 1 and 2[1] greenhouse gas emissions and a 20% scope 3 emission reduction target by 2030 (from 2015 baseline); however, there is no long-term net zero target in place. The reason the company gave for not having a net zero target was that it was still assessing the technology and economic feasibility needed to reach net zero. The biggest challenge relates to tissue manufacturing and decarbonizing the thermal load needed to dry tissue paper. The company is kicking off a pilot scheme in the UK to decarbonize this part of the business. It hoped it would be in a better position to comment on this by the end of 2023 and remained confident that it could reach its 2030 targets. The company faces challenges related to scope 3 emissions and finding alternatives to fossil fuel-based plastics. As with many consumer companies, Kimberly-Clark stated it was seeing the same trends of there being a "say-do" gap relating to sustainable products. Consumers articulate their interest in these products, but due to problems relating to accessibility, quality, and cost, consumers do not always purchase more sustainable products. However, the company stated that the base of customers willing to pay more is increasing at around 5% to 7% each year. The company found increased instances of forced labor in its supply chain in 2021 compared with 2020. In response, it stated that it had improved its third-party auditing process and learned to balance the need for increasing capacity capabilities and conducting a deeper diagnostic approach. It was supporting suppliers and workers in the supply chain when it saw issues, including education on how to improve on treatment of workers. The company is prepared to terminate suppliers if they do not meet standards. The engagement allowed us to impart our views on best practices on supply chain monitoring and net zero target setting. In previous engagements, we had encouraged Kimberly-Clark to publish an SASB- and TCFD-aligned ESG report—it is good to see that the company has done so.

[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).

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RISKS - The following risks are materially relevant to the fund (refer to prospectus for further details): **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. **Volatility -** The performance of the fund has a risk of high volatility.

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.

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