



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 2023

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 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 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.
- 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 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, 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.

Wells Fargo (3rd Quarter 2023 Engagement)

Focus	Environment, Social, Governance
Company Description	Wells Fargo is a diversified financial services company.
Engagement Objective	We engaged with Wells Fargo to discuss a range of ESG topics.
Participants	<p>From Wells Fargo: Sustainability Representative, Legal Representative, Compensation Representatives, Corporate Secretary, Investor Relations Representative</p> <p>From T. Rowe Price: Head of Corporate Governance, Responsible Investing Analyst</p>
Engagement Outcome	<p>We engaged with Wells Fargo to discuss a range of ESG topics, including its climate strategy, financial inclusion, a shareholder resolution, and racial equity audit.</p> <p>Wells Fargo is in line with its U.S. peers when it comes to decarbonizing its loan book but falls behind European peers in not having a framework in place to assess the credibility of clients' transition plans. It has a dedicated transition team and is working on providing additional disclosure in its upcoming ESG report. We pointed to examples of peers demonstrating best practice.</p> <p>Wells Fargo was recently dropped from underwriting a municipal bond deal in Texas, following the Texas attorney general reviewing the bank's energy policies and involvement in the Net Zero Banking Alliance (NZBA), a group of leading banks aiming to accelerate the transition of the finance sector and the global economy to net zero emissions by 2050. We discussed how the political landscape in the U.S. could influence both the pace at which Wells Fargo looks to decarbonize its loan book as well as its involvement in ESG initiatives. The company explained that it is taking a balanced approach but provided cautious language about the benefits of being a NZBA signatory; mainly, the value of the alliance as a benchmarking exercise.</p> <p>Wells Fargo has begun reporting the "social impact" it is having from various financial inclusion initiatives, including the number of customers with improved FICO (or credit) scores as part of its credit-building grant program. We recommended the bank report similar impact metrics for its Credit Close-Up program, an initiative with 11.2 million customers that provides advice on how to improve their FICO scores.</p> <p>We also discussed governance topics, including an investor-sponsored resolution that was supported by a majority of voters at Wells Fargo's 2023 shareholder meeting. The proposal asked for a report on the effectiveness of the company's programs to combat harassment of employees and discrimination in hiring. The resolution was specifically tied to the revelations in 2022 that some areas within the company had fallen short of upholding internal requirements for diverse slates of candidates to be interviewed for many open positions. The company disclosed it had found some teams were interviewing diverse candidates after the position had already been filled. Some employees who reported the activity were subject to retaliatory actions. Around 52% of shareholders supported the proposal, and the company has agreed to provide some kind of reporting. We provided guidance on what form that might take. Wells Fargo also highlighted that it is nearing completion on a previously commissioned racial equity audit.</p> <p>We made several disclosure recommendations to Wells Fargo to bring its climate strategy and financial inclusion initiatives in line with industry best practice.</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.

Elevance Health (4th Quarter 2023 Engagement)

Focus	Social, Governance
Company Description	Elevance Health is a U.S.-based managed care company.
Engagement Objective	We engaged with Elevance Health on management succession and health equity.
Participants	<p>From Elevance Health: Chief Executive Officer (CEO); Board Chair; Chief Financial Officer (CFO); Investor Relations Representative; Sustainability Representative; Corporate Secretary</p> <p>From T. Rowe Price: Head of Corporate Governance; Portfolio Manager; Investment Analyst; Responsible Investing Analyst</p>
Engagement Outcome	<p>We engaged with Elevance Health on management succession and health equity.</p> <p>Internal succession planning is a key focus for 2023/2024. Throughout the senior and middle levels of the company, the company's goal is to have a candidate ready to step into each role, even if it ultimately decides to hire externally, as it did with the CFO role. The CEO noted that he considers the recent addition of the CFO to be "transformational" and that it has brought technology integration as well as financial experience to the company.</p> <p>The management incentive plan is key to cohesion across the divisions. The plan is funded primarily based on enterprise-wide results, providing motivation for leaders to operate as a team.</p> <p>We also discussed Elevance Health's clear social mission: "to improve the health of humanity." The company noted that 80% of the Medicaid requests for proposals it sees now ask about health equity topics. It is also receiving increased focus on this topic from national account clients. Elevance Health has multiple programs around this topic, but it is working to put some infrastructure around such programs as Food as Medicine and maternal health. The company noted that "the market sees us as just a payer" but stressed that it has made real inroads on improving health outcomes and improving the efficiency of the health care system.</p> <p>Over the past year, Elevance Health has moved from ESG disclosure that is focused on satisfying the requirements of key disclosure frameworks such as the Sustainability Accounting Standards Board (SASB) and Task Force on Climate-Related Financial Disclosures (TCFD), to considering ESG through more of a strategic lens. We highlighted our interest in additional data on health equity that could help investors better understand the company's efforts in this area. We will monitor whether the company adds new disclosure on health equity data to its next sustainability report.</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	28	66.6	680	80.4
● Orange	14	32.3	162	18.5
● Red	0	0.0	2	1.1
● Not in scope	0	0.0	5	0.0
● Not covered	0	0.0	0	0.0
● Cash	1	1.1	0	0.0
Total	43	100.0	849	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%	45.5%
Environmental Objectives	0.5%	11.4%
Social Objectives	0.5%	34.1%

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.

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

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