



T. ROWE PRICE FUNDS SICAV

## US Select Value Equity Fund – ESG Report

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

As of 31 December 2024

### ESG APPROACH

- The US Select Value Equity Fund uses environmental, social, and governance (ESG) integration as part of its investment process. This means incorporating ESG 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 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 manager develops an understanding of the key issues, considers their materiality, and assesses 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 classified as Article 8 under SFDR (the EU's Sustainable Finance Disclosure Regulation); it promotes, among other characteristics, environmental and/or social characteristics and the companies in which the investments are made follow good governance practices. 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.

## Chubb (4<sup>th</sup> Quarter 2024 Engagement)

<b>Focus</b>	Environment
<b>Company Description</b>	Chubb is a large, U.S.-based property and casualty (P&C) insurance company.
<b>Engagement Objective</b>	We engaged with Chubb on the company's climate strategy and its approach to ESG reporting.
<b>Participants</b>	From Chubb: Deputy General Counsel; Global Climate Representative  From T. Rowe Price Associates, Inc.: Head of Corporate Governance; Responsible Investing Analyst
<b>Engagement Outcome</b>	<p>A nonprofit organization that uses shareholder resolutions to promote ESG issues, As You Sow, again filed a shareholder proposal at Chubb's 2024 annual general meeting requesting the company to report on its efforts to reduce its Scope 3<sup>1</sup> greenhouse gas (GHG) emissions. The asks made concerning insurance-associated emissions are still premature for mainstream investors when very few P&amp;C peers currently disclose this information globally and when there is not widespread industry acceptance of the Partnership for Carbon Accounting Financials (PCAF) Standard (a methodology to measure and disclose GHG emissions associated with financial activities). The proposal continues to attract significant minority support, and Chubb has been frustrated by proxy advisor Institutional Investor Services' (ISS) unwillingness to substantively engage on this matter.</p> <p>In 2024, Chubb significantly expanded its Task Force on Climate-Related Financial Disclosures (TCFD) disclosure and included additional information on (1) underwriting standards, (2) client engagement on those standards, and (3) the company's Climate+ underwriting practice (which is focused on underwriting opportunities stemming from the energy transition and decarbonization).</p> <p>We discussed the implementation of Chubb's methane emissions and flaring standard for the oil and gas sector. The company also intends to issue a standard on cement focused on the use of alternative fuels in the production process and air pollution controls. In addition, Chubb will not underwrite new cement facilities, unless they are built carbon capture and storage ready.</p> <p>Chubb now also includes a range of key performance indicators regarding its engagement with clients in the oil and gas sector. We requested that the company include similar information in the future in relation to its new cement underwriting standard.</p> <p>Chubb has also added additional quantitative information on the size of its Climate+ business for the first time this year. We suggested providing additional visibility on the individual lines of business that comprise the Climate+ business' total reported premiums.</p> <p>We also briefly touched on the company's approach to ESG reporting. Its disclosure is broadly adequate overall, but the company has taken a lighter touch versus many peers. Philosophically, the company believes it should direct the resources it has toward seeking to address the energy transition and green underwriting opportunities rather than diverting resources away from engaging with clients to work on sustainability reporting.</p> <p>As a Swiss-domiciled company, Chubb falls under the scope of the Corporate Sustainability Reporting Directive (CSRD) for FY25, which requires extensive reporting that is not always financially material. The company had a positive view on disclosing against the International Sustainability Standards Board's (ISSB) standards, given this framework is grounded in financial (rather than double) materiality.</p> <p>The engagement allowed us to share our views on climate disclosure and request additional transparency in several areas (e.g., additional information on client engagement in relation to Chubb's cement underwriting standard and its Climate+ practice).</p>

<sup>1</sup> 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.

Unless otherwise noted, data were provided by the company during the engagement or are available through company reports.

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.

**Kimberly-Clark (4<sup>th</sup> Quarter 2024 Engagement)**

<b>Focus</b>	Environment, Governance
<b>Company Description</b>	Kimberly-Clark is a personal care products company.
<b>Engagement Objective</b>	We engaged with Kimberly-Clark to discuss various ESG issues (e.g., a corporate reorganization, ESG oversight, and product sourcing).
<b>Participants</b>	From Kimberly-Clark: General Counsel; Corporate Secretary; Associate General Counsel; Chief Sustainability Officer  From T. Rowe Price Associates, Inc.: Head of Corporate Governance
<b>Engagement Outcome</b>	<p>We engaged with Kimberly-Clark to discuss various ESG topics, starting with a recent realignment of the company announced at its latest Investor Day. Under the new structure, Kimberly-Clark moved from a regional approach in favor of three separate product divisions. The reorganization is not expected to affect the executive pay structure in the near term, but the divisional heads' pay will reflect their new responsibilities by next year. Topline growth will remain the main driver of pay, however.</p> <p>Kimberly-Clark has received a number of questions from investors on biodiversity. The company's view is that there is just one area in which biodiversity is relevant to the business (i.e., old-growth forests in northern Canada), where it already restricts its sourcing to sustainably managed forests. Management raised concern about the number of questions it has received on biodiversity given the lack of understanding by many investors on the topic. It also noted the difficulty of finding key performance indicators to gauge progress in this area.</p> <p>The engagement gave us an opportunity to provide feedback about Kimberly-Clark's progress on various ESG issues.</p>

Unless otherwise noted, data were provided by the company during the engagement or are available through company reports.

## 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	30	76.3	699	79.6
● Orange	12	22.6	157	19.1
● Red	0	0.0	4	1.2
● Not in scope	0	0.0	1	0.0
● Not covered	0	0.0	8	0.1
● Reserves	1	1.1	0	0.0
<b>Total</b>	<b>43</b>	<b>100.0</b>	<b>869</b>	<b>100.0</b>

● 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 Commitment %	Fund Exposure %
Sustainable Investments	10.0	55.7
with Environmental Objectives	0.5	16.8
with Social Objectives	0.5	38.9

## PRINCIPAL ADVERSE IMPACT (PAI) INDICATORS

Under the European Union Sustainable Finance Disclosure Regulations (SFDR), investment managers are required to take into account Principal Adverse Impact (PAI) indicators, a set of metrics that highlight the potential negative impacts on sustainability factors that result from investment decisions. This is integrated into our ESG analysis at a security level.

Some PAI indicators have limited data availability which may lead to misrepresentative values for the fund. In these cases, the metric value and data coverage are displayed as n/a in the following tables.

In addition, the investment manager considers the following PAI indicators at an aggregate fund level. Metric values are shown in the Base Currency of the fund (USD):

PAI Indicator	Metric Description	Unit of Measurement	Metric Value	Metric Coverage (%)
10. Violations of UNGC principles and OECD guidelines for Multinational Enterprises	Share of investments in investee companies that have been involved in violations of the UNGC principles or OECD Guidelines for Multinational Enterprises	Percentage of total invested	0.0%	98.9%
13. Board gender diversity	Average ratio of female to male board members in investee companies, expressed as a percentage of board members	Average ratio of female board members	37.0%	98.9%
14. Exposure to controversial weapons	Share of investments in investee companies involved in the manufacture or selling of controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)	Percentage of total invested	0.0%	98.9%

The table below displays the remaining PAI indicators as of the report date. These are displayed for reporting purposes. Metric values are shown in the Base Currency of the fund (USD):

PAI Indicator	Metric Description	Unit of Measurement	Metric Value	Metric Coverage (%)
1. GHG Emissions	Scope 1 GHG emissions	mtCO <sub>2</sub> e	1,136	94.0%
	Scope 2 GHG emissions	mtCO <sub>2</sub> e	122	94.0%
	Scope 3 GHG emissions	mtCO <sub>2</sub> e	11,153	94.0%
	Total GHG emissions	mtCO <sub>2</sub> e	12,411	94.0%
2. Carbon footprint	Carbon footprint	mtCO <sub>2</sub> e per mn invested	985.8	94.0%
3. GHG intensity of investee companies	GHG intensity of investee companies	mtCO <sub>2</sub> e per mn revenue	2,026.9	94.0%
4. Exposure to companies active in fossil fuel sector	Share of investments in companies active in the fossil fuel sector	Percentage of total invested	16.1%	98.9%
5. Share of non-renewable energy consumption and production	Share of non-renewable energy consumption and non-renewable energy production of investee companies from non-renewable energy sources compared to renewable energy sources, expressed as a percentage of total energy sources	Percentage of non-renewable energy	67.4%	98.0%
6. Energy consumption intensity	Energy consumption in GWh per million of revenue of investee companies	GWh/mn of revenue	1.1	98.9%
7. Activities negatively affecting biodiversity sensitive areas	Share of investments in investee companies with sites/operations located in or near to biodiversity-sensitive areas where activities of those investee companies negatively affect those areas	Percentage of total invested	0.0%	98.9%
8. Emissions to water	Tonnes of emissions to water generated by investee companies per million invested, expressed as a weighted average	Ktons per mn invested	n/a	n/a
9. Hazardous waste	Tonnes of hazardous waste generated by investee companies per million invested, expressed as a weighted average	Ktons per mn invested	n/a	n/a
11. Lack of processes and compliance mechanisms to monitor compliance with UNGC principles and OECD Guidelines for Multinational Enterprises	Share of investments in investee companies without policies to monitor compliance with the UNGC principles or OECD Guidelines for Multinational Enterprises or grievance /complaints handling mechanisms to address violations of the UNGC principles or OECD Guidelines for Multinational Enterprises	Percentage of total invested	0.8%	98.9%
12. Unadjusted gender pay gap	Average unadjusted gender pay gap of investee companies	Percentage of pay gap	n/a	n/a

## GLOSSARY OF TERMS

**Metric coverage** - The percentage of the portfolio for which PAI data is available

**GHG** - Greenhouse gas emissions

**Scope 1 GHG emissions** - Direct greenhouse gas emissions by the fund

**Scope 2 GHG emissions** - Indirect greenhouse gas emissions made by the fund

**Scope 3 GHG emissions** - All other indirect emissions that occur in the funds value chain

**mtCO<sub>2</sub>e** - Metric tonnes of carbon dioxide equivalent

**Carbon footprint (Scope 1,2 & 3 emissions)** - The total greenhouse gas emissions per million invested in the fund

**GWh** - Gigawatt Hours

**Ktons** - Kilotonnes

**UNGC** - The United Nations Global Compact

**OECD** - The Organization for Economic Co-operation and Development

**No data** - no data is available or can be calculated for the indicator

**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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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](http://www.troweprice.com). The Management Company reserves the right to terminate marketing arrangements.

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