

# US Blue Chip Equity Fund

Legal entity identifier: OA0CCU816JUVINZTE792

1 October to 31 December 2022

## Environmental and/or social characteristics

**Sustainable investment** means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

The **EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/852, establishing a list of **environmentally sustainable economic activities**. That Regulation does not lay down a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.

### Did this financial product have a sustainable investment objective?

<input checked="" type="radio"/> <input type="radio"/> Yes	<input type="radio"/> <input checked="" type="radio"/> No
<input type="checkbox"/> It made <b>sustainable investments with an environmental objective:</b> ___%  <input type="checkbox"/> in economic activities that qualify as environmentally sustainable under the EU Taxonomy  <input type="checkbox"/> in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy	<input checked="" type="checkbox"/> It promoted <b>Environmental/Social (E/S) characteristics</b> and while it did not have as its objective a sustainable investment, it had a proportion of 49.4% of sustainable investments  <input type="checkbox"/> with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy  <input checked="" type="checkbox"/> with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy  <input checked="" type="checkbox"/> with a social objective
<input type="checkbox"/> It made <b>sustainable investments with a social objective:</b> ___%	<input type="checkbox"/> It promoted E/S characteristics, but <b>did not make any sustainable investments</b>



### To what extent were the environmental and/or social characteristics promoted by this financial product met?

During the reference period the promotion of environmental and/or social (“E/S”) characteristics was achieved by meeting the Fund’s commitment to:

- Avoid sectors or companies, whose activities may be considered harmful to the environment and/or society through the application of its proprietary responsible screen (the T. Rowe Price Responsible Exclusion List)\*.
- Maintain at least 10% of the value of its portfolio invested in sustainable investments.

\* From 1 January 2023 the E/S characteristics promoted by the Fund changed. Please refer to the latest prospectus for more information.

#### ● How did the sustainability indicators perform?

**Sustainability indicators** measure how the environmental or social characteristics promoted by the financial product are attained.

The sustainability indicators performed as follows:

- The Fund did not hold any securities that were included in the T. Rowe Price Responsible Exclusion List.
- As at 31 December 2022, 49.4% of the value of the Fund’s portfolio was invested in securities that the investment manager identified as sustainable investments.

T. Rowe Price calculates the proportion of sustainable investments during a reference period by averaging quarter-end portfolio measurements. As the Fund’s sustainable investment commitment took effect from 1 October 2022, the sustainability indicator reflects the sustainable investment proportion on 31 December 2022.

**What were the objectives of the sustainable investments that the financial product partially made and how did the sustainable investment contribute to such objectives?**

The Fund invested in sustainable investments that have E and S objectives. No minimum exposure to either objective was imposed upon the Fund. The Fund used the following E/S pillars that align to the UN Sustainable Development Goals (“SDGs”) to determine economic activities that contributed to E/S objectives:

Pillar	Activities
Climate and resource impact	Reducing greenhouse gases Promoting healthy ecosystems Nurturing circular economies
Social equity and quality of life	Enabling social equity Improving health Enhancing quality of life

An issuer’s sustainable contribution is measured as a percentage of its revenue generated from sustainable economic activities.

The Fund held investments in companies which, through their products or services, were aligned to economic activities that contributed to the following objectives:

- reducing greenhouse gases
- promoting healthy ecosystems
- nurturing circular economies
- enabling social equality
- improving health
- enhancing quality of life

More details on the approach to identifying sustainable investments can be found on the website: [www.funds.troweprice.com](http://www.funds.troweprice.com)

**How did the sustainable investments that the financial product partially made not cause significant harm to any environmental or social sustainable investment objective?**

The investment manager utilises its proprietary internal research platform to support its assessment of whether an issuer is causing significant harm to any E/S objective. Combined with third-party data, the “do no significant harm” assessment incorporates issuer information in relation to Principal Adverse Impact (“PAI”) indicators and alignment to certain international guidelines and principles.

All investments that the investment manager has determined as sustainable have been assessed against all relevant PAI indicators and OECD guidelines for multinational enterprises and the UN Guiding Principles on Business and Human Rights. Based on this assessment, the sustainable investments held by the Fund did not significantly harm any environmental or social objectives.

Do No Significant Harm (DNSH)	OECD Guidelines & Human Rights	Supply Chain
		Employee Treatment
		Society & Community Relations
		General Corporate
		Involvement in extreme ESG breaches of international norms
	PAI Indicators	GHG Emissions
		Biodiversity
		Water, Waste & Material Emissions
		Social & Employee Matters
		Exposure to Controversial Weapons

**How were the indicators for adverse impacts on sustainability factors taken into account?**

The table above illustrates the framework the investment manager applies to systematically assess DNSH as a part of its investment process, which is inclusive of both PAI indicators and OECD guidelines and human rights principles. Where issuer data for a PAI indicator is unavailable the investment manager used proxy PAI indicators that aligned to the mandatory PAI sub-categories described in the table above.

The investment manager determined whether significant harm was being caused by applying a qualitative and quantitative assessment of the data it has obtained for the mandatory PAI indicators listed in Table 1 and any relevant indicators in Tables 2 and 3 of Annex I of the SFDR Delegated

Regulation. The investment manager also analysed issuer PAI metrics relative to internally set thresholds, where relevant and appropriate. These thresholds provided an initial indication of whether significant harm is occurring.

The investment manager undertook further analysis to support its view, where necessary. The investment manager considered the materiality of a given indicator relative to an issuer’s industry, sector, or location, which was factored into the overall determination. Where sufficient data was not available, other relevant data points were used to make an assessment.

***Were sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights? Details:***

Yes, all sustainable investments were aligned with the UN Guiding Principles on Business and Human Rights and related standards and OECD Guidelines for Multinational Enterprises during the reference period.

*The EU Taxonomy sets out a “do not significant harm” principle by which Taxonomy-aligned investments should not significantly harm EU Taxonomy objectives and is accompanied by specific EU criteria.*

The “do not significant harm” principle applies only to those investments underlying the fund that take into account the Union criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of this financial product do not take into account the Union criteria for environmentally sustainable economic activities.

*Any other Sustainable Investments must also not significantly harm any environmental or social objectives.*



***How did this financial product consider principal adverse impacts on sustainability factors?***

**Principal adverse impacts** are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

The Fund made a commitment to consider the following PAI indicators:

- violations of UN Global Compact principles (PAI #10)
- board gender diversity (PAI #13)
- exposure to controversial weapons (antipersonnel mines, cluster munitions, chemical weapons and biological weapons) (PAI #14)

PAI Indicator	Unit of Measurement	Value (%)	Fund Coverage (%)*
Violations of UN Global Compact principles (PAI #10)	Percentage of Fund invested	0.0	99.4
Board gender diversity (PAI #13)	Average percentage of female board members	31.0	99.4
Exposure to controversial weapons (PAI #14)	Percentage of Fund invested	0.0	99.4

\* Fund coverage represents the proportion of investments for which PAI data is available and applicable. The proportion of the Fund that is uncovered consisted of cash and derivatives used for efficient portfolio management.

The Fund considers Violations of UN Global Compact principles (PAI #10) and Exposure to controversial weapons (PAI #14) by restricting investment in companies the investment manager identifies as violating UNGC principles and/or having exposure to controversial weapons. These restrictions are implemented systematically through the T. Rowe Price Responsible Exclusion List. For the reference period, the Fund’s exposure to controversial weapons and violations of UN Global Compact was zero. Since these PAI values cannot be improved, the investment manager is not planning any engagement or investment action. The investment manager will continue to monitor these on an ongoing basis.

The Fund considers Board gender diversity (PAI #13) by periodically collecting issuer-level PAI data, aggregating the data and averaging this over the reference period to provide a portfolio-level view of the indicator. In accordance with its PAI policy (available at [www.troweprice.com/esg](http://www.troweprice.com/esg)), the investment manager evaluates the portfolio-level view at least annually to identify and prioritise stewardship or investment action, where appropriate. Following this evaluation, the investment manager has updated its diversity expectations, which feed through to its engagement programs and voting policies as follows, in order to pursue an improvement in this figure.

Diversity can be defined across a number of dimensions. However, if a board is to be considered meaningfully

diverse in the investment manager's view, some diversity across gender, ethnic, or nationality lines must be present. For companies in the Americas, if no evidence of board diversity is found, the investment manager generally will engage with the company and, in the case of equity holdings, generally opposes the re-elections of Governance Committee members and/or senior executives, as appropriate.



The list includes the investments constituting **the greatest proportion of investments** of the financial product during the reference period which is: 1 October to 31 December 2022

### *What were the top investments of this financial product?*

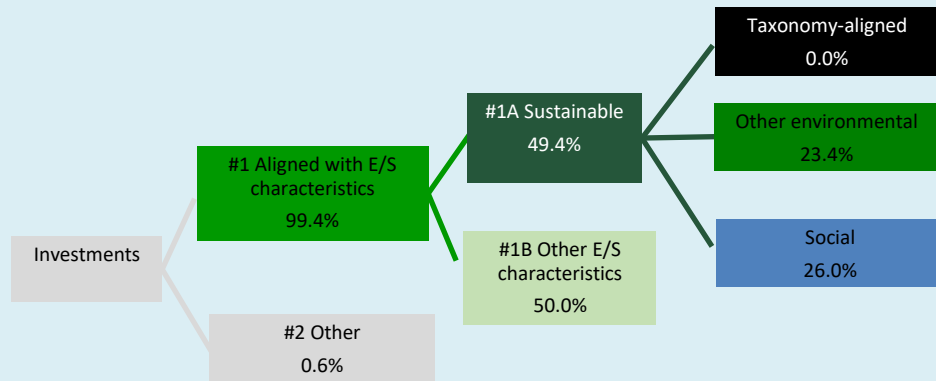
<b>Largest Investments</b>	<b>Sector</b>	<b>% Assets</b>	<b>Country</b>
Microsoft	Information Technology	9.7	United States
Apple	Information Technology	9.7	United States
Alphabet	Communication Services	8.2	United States
Amazon.com	Consumer Discretionary	7.2	United States
UnitedHealth Group	Health Care	4.7	United States
Visa	Information Technology	4.1	United States
MasterCard	Information Technology	3.4	United States
NVIDIA	Information Technology	2.9	United States
Eli Lilly and Co	Health Care	2.7	United States
ServiceNow	Information Technology	2.5	United States
Intuitive Surgical	Health Care	2.0	United States
Intuit	Information Technology	1.9	United States
Danaher	Health Care	1.8	United States
Meta Platforms	Communication Services	1.8	United States
ASML Holding	Information Technology	1.5	Netherlands



## What was the proportion of sustainability-related investments?

### What was the asset allocation?

**Asset allocation** describes the share of investments in specific assets.



**#1 Aligned with E/S characteristics** includes the investments of the financial product used to attain the environmental or social characteristics promoted by the financial product.

**#2 Other** includes the remaining investments of the financial product which are neither aligned with the environmental or social characteristics, nor are qualified as sustainable investments.

The category **#1 Aligned with E/S characteristics** covers:

- The sub-category **#1A Sustainable** covers environmentally and socially sustainable investments.
- The sub-category **#1B Other E/S characteristics** covers investments aligned with the environmental or social characteristics that do not qualify as sustainable investments.

### In which economic sectors were the investments made?

Sector	% Assets
Information Technology	44.3
Health Care	17.0
Consumer Discretionary	15.4
Communication Services	13.5
Financials	5.5
Industrials & Business Services	2.2
Materials	1.4
Cash/Reserves	0.8



### To what extent were the sustainable investments with an environmental objective aligned with the EU Taxonomy?

The actual proportion of Taxonomy-aligned investments held by the Fund as at 31 December 2022 was 0.0%.

To comply with the EU Taxonomy, the criteria for **fossil gas** include limitations on emissions and switching to fully renewable power or low-carbon fuels by the end of 2035. For **nuclear energy**, the criteria include comprehensive safety and waste management rules.

**Enabling activities** directly enable other activities to make a substantial contribution to an environmental objective.

**Transitional activities** are activities for which low-carbon alternatives are not yet available and among others have greenhouse gas emission levels corresponding to the best performance.

Taxonomy-aligned activities are expressed as a share of:

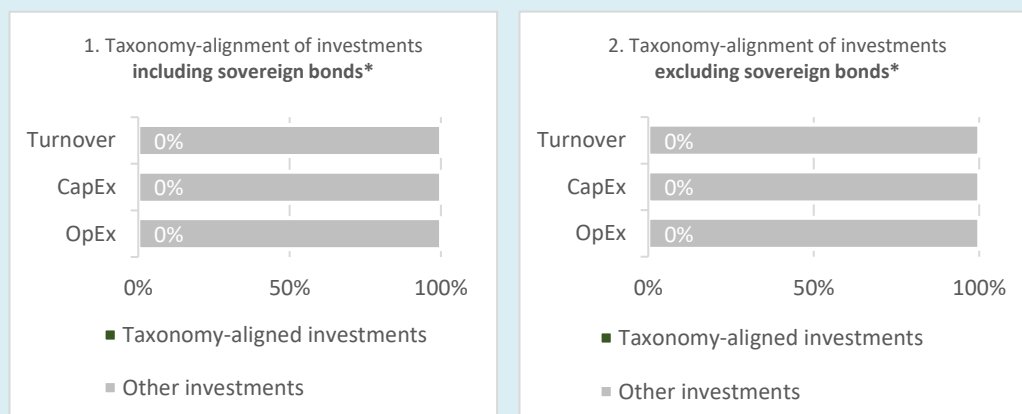
- **turnover** reflecting the share of revenue from green activities of investee companies.
- **capital expenditure (CapEx)** showing the green investments made by investee companies, e.g. for a transition to a green economy.
- **operational expenditure (OpEx)** reflecting green operational activities of investee companies.

● **Did the financial product invest in fossil gas and/or nuclear energy related activities complying with the EU Taxonomy<sup>1</sup>?**

- Yes:
- In fossil gas
  - In nuclear energy
- No

<sup>1</sup> Fossil gas and/or nuclear related activities will only comply with the EU Taxonomy where they contribute to limiting climate change ("climate change mitigation") and do not significantly harm any EU Taxonomy objective - see explanatory note in the left hand margin. The full criteria for fossil gas and nuclear energy economic activities that comply with the EU Taxonomy are laid down in Commission Delegated Regulation (EU) 2022/1214.

The graphs below show in green the percentage of investments that were aligned with the EU Taxonomy. As there is no appropriate methodology to determine the taxonomy-alignment of sovereign bonds\*, the first graph shows the Taxonomy alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy alignment only in relation to the investments of the financial product other than sovereign bonds.



\*For the purpose of these graphs, 'sovereign bonds' consist of all sovereign exposures

● **What was the share of investments made in transitional and enabling activities?**

The share of investments in transitional activities was 0.0% and in enabling activities was 0.0%.



are sustainable investments with an environmental objective that **do not take into account the criteria** for environmentally sustainable economic activities under Regulation (EU) 2020/852.



**What was the share of sustainable investments with an environmental objective not aligned with the EU Taxonomy?**

The share of sustainable investments with an environmental objective not aligned with the EU taxonomy was 23.4%.

Sustainable investments may not be EU Taxonomy aligned for a number of reasons, including:

- The Fund does not currently commit to investing any of its assets in investments aligned with the EU Taxonomy.
- In order to demonstrate EU Taxonomy alignment, the EU Taxonomy Regulation prescribes specific criteria that the investment manager must assess the assets for. These requirements rely heavily on data availability and reliability. Many issuers are currently not required to comply with the Taxonomy disclosure requirements, making it difficult to obtain the data needed to assess Taxonomy alignment.
- Not all economic activities are covered by the EU Taxonomy as it is not possible to develop criteria for all sectors where activities could make a substantial contribution to the environment. Where developed, not all criteria were in place to apply for the reporting period.



**What was the share of socially sustainable investments?**

The share of socially sustainable investments was 26.0%.



***What investments were included under “other”, what was their purpose and were there any minimum environmental or social safeguards?***

These investments included cash positions held as ancillary liquidity and certain derivatives used for hedging and efficient portfolio management which are not screened by the T. Rowe Price Responsible Exclusion List and do not contribute to the Fund’s promotion of environmental and/or social characteristics. The investment manager did not apply any minimum environmental or social safeguards to these investments.



***What actions have been taken to meet the environmental and/or social characteristics during the reference period?***

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**Proprietary responsible screen:**

The Fund avoided sectors or companies, whose activities may be considered harmful to the environment and/or society, as per the T. Rowe Price Responsible Exclusion List, the investment manager’s proprietary responsible screen.

These restrictions are automated within the investment manager’s internal investment compliance system. Adherence to them is monitored by its investment compliance team on a pre-trade, post-trade and portfolio basis.

The constituents of the T. Rowe Price Responsible Exclusion List are monitored by the investment manager’s ESG specialists using third-party data. While changes can be made at any time, a full review is conducted quarterly.

The investment manager conducts compliance reviews on an on-going basis throughout the year to ensure the Fund is subject to the exclusions and reports quarterly to the Board of Directors of T. Rowe Price Funds SICAV.

There have been no breaches of the T. Rowe Price Responsible Exclusion List identified during the reference period.

**Sustainable investment commitment:**

As at 31 December 2022, 49.4% of the value of the Fund’s portfolio was invested in securities that the investment manager identified as sustainable investments.

The sustainable investments have been identified using the following steps:

The investment manager identified each investee company’s contribution to an E/S objective based on the company’s revenue derived from that specific sustainable activity, or through its use of proceeds from bond sales. The sustainable investment exposure for each company was aggregated by the investment manager. This means that only the proportion of the investment contributing to a sustainable activity by an investee company was counted towards meeting the Fund’s minimum 10% commitment.

The investment manager has adopted a robust process to consistently identify whether a company causes significant harm to an E/S objective and incorporates PAIs into that assessment, where appropriate on an issuer-by-issuer basis. Its “do no significant harm” assessment is comprised of both proprietary research and third-party data inputs, including data in relation to PAI where relevant to the issuer and/or sector. The investment manager assessed whether the company caused significant harm by setting and monitoring thresholds, where relevant and appropriate, relative to PAI indicators, and whether it has been involved in significant controversies related to the OECD guidelines for multinational enterprises and UNGPs on business and human rights. If the activity breached the set thresholds, regardless of the percentage of revenue alignment (or use of bond proceeds) to an E/S objective, the company failed the sustainable investment test.

The investment manager also assessed the governance practices of an investee company by undertaking:

- A quantitative review using the investment manager’s good governance test which consists of weighted pillars designed to measure specific corporate governance risks, rolled up to an overall rating, and
- A qualitative review by the governance team if a company’s good governance test rating is red, taking into account market and sector norms.

All investments held by the Fund that contributed to a specific E/S objective and passed “do no significant harm” as well as good governance assessments, as detailed above, contributed towards the Fund’s overall exposure to sustainable investments.



### *How did this financial product perform compared to the reference benchmark?*

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A reference benchmark is not used for the purpose of promoting the Fund's E/S characteristics.

**Reference benchmarks** are indexes to measure whether the financial product attains the environmental or social characteristics that they promote.