



T. ROWE PRICE FUNDS OEIC

## Asian Opportunities Equity Fund – ESG Report

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

As of 30 September 2024

### ESG APPROACH

- The Asian Opportunities 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 approach to environmental and social factor integration is differentiated at the sector and industry levels, where RIIM helps us to determine the materiality of any given factor. Material ESG factors play an integral part in our risk/reward assessment of each company. Once all the factors have been assessed, the conclusions can influence whether to include or exclude the company or at what weight to add the company to the portfolio. Usually, ESG factors are considered as a component of the final investment decision. The central focus of our engagement program is at the company level. Generally, we do not identify broad themes and then engage with multiple companies on the same issue. Instead, we identify specific factors through our research that could be potential impediments to a security's performance. We may ask a company to make a specific change, or we may just seek to gain more information on an ESG issue, to ensure our investment decisions are well informed. We believe this company-specific approach results in the highest impact because it is aligned with our core investment approach: active management rooted in fundamental investment analysis.

### 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.

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## Fuyao Glass (3<sup>rd</sup> Quarter 2024 Engagement)

<b>Focus</b>	Environment, Social, Governance
<b>Company Description</b>	Fuyao Glass is a large Chinese automotive glass maker.
<b>Engagement Objective</b>	We engaged with Fuyao Glass for a discussion focused on climate strategy, waste management, employee health and safety, and governance.
<b>Participants</b>	From Fuyao Glass: Investor Relations Representative From T. Rowe Price Associates, Inc: Corporate Governance Analyst; Responsible Investing Analyst
<b>Engagement Outcome</b>	<p>We engaged with Fuyao Glass to impart best practice and provide feedback on the company's disclosure and preparedness on a few material ESG topics, including energy and emissions, water management, employee health and safety, and governance.</p> <p><b>Energy and emissions:</b> Scope 3<sup>1</sup> disclosure is a key next step for Fuyao Glass. Although the company has started some internal discussions around setting science-based and net zero targets, it does not plan to set any in the next one to two years. Fuyao Glass' current goal is to achieve carbon neutrality in its own operations by 2040 and across the supply chain by 2050. We shared our views on carbon neutrality, which we do not regard as best practice as it relies on offsets rather than genuine emission reduction. We encouraged Fuyao Glass to work toward setting some science-based targets and a net zero target over time. The manufacturing process of float glass is a lot more emission-intensive and challenging to decarbonize as compared with automotive glass. Fuyao Glass manufactures and sells both. Since 2020, the emission density of its float glass has been following an increasing trend, while automotive glass has been following a decreasing trend.</p> <p><b>Water management:</b> Fuyao Glass has already completed water risk assessments for all its manufacturing sites and confirmed that none of its factories are in water-scarce regions. We encouraged the company to disclose these results in its upcoming ESG report.</p> <p><b>Occupational health and safety (H&amp;S):</b> Fuyao Glass has only been tracking the occupational H&amp;S performance of employees at its local manufacturing sites and has recorded zero work-related death since 2020. The company is in the process of tracking the employee H&amp;S performance at its factories overseas and aims to disclose such data in future reports. Fuyao Glass confirmed that it does not use any contractor hired through third-party agencies, which allows it to better monitor the well-being and welfare of its workforce. We imparted our preference on proper occupational safety metrics, such as lost time incident rate (LTIR), to enable us to better track the company's data and compare with peers.</p> <p><b>Profile of directors:</b> In 2024, Fuyao appointed two new nonexecutive directors. This is the first time that the company has brought directors with human resources experience onto the Board given its focus to enhance employee engagement and retention. The company currently does not see any skill gaps but will continue to look for new directors with relevant experience in audit, legal and compliance, and ESG. Fuyao noted that the company operates in a niche industry, making it challenging to find experts with direct industry experience.</p> <p><b>Succession planning:</b> Given that the chair and founder, Tak Wong Cho, is 77, we discussed succession planning. The company explained that when the time comes, the founder's son Tso Fai (currently the vice chair) will become the chair. The role will not involve heavy day-to-day operations but will focus more on strategic planning and company oversight. Tso Fai is very familiar with the business, having held various roles in the company in both China and the U.S.</p> <p><b>Audit Committee's independence:</b> Currently, the Audit Committee is two-thirds independent, meeting local market requirements. However, we provided feedback that the presence of non-independent Audit Committee members could present conflicts of interest. We encouraged Fuyao Glass to aim for a fully independent Audit Committee over the medium to long term. The feedback was well received by the company.</p> <p>The engagement allowed us to provide some feedback on a few material topics to bring the company in line with global best practice. We suggested specific next steps for Fuyao Glass to improve on, which we will continue monitoring over the coming one to two years.</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.

The specific securities identified and described do not represent all of the securities purchased, sold, or recommended for the OEIC sub-fund, and no assumption should be made that the securities identified and discussed were or will be profitable.

## Samsung Electronics (3<sup>rd</sup> Quarter 2024 Engagement)

<b>Focus</b>	Social, Governance
<b>Company Description</b>	Samsung Electronics (Samsung) is a South Korea-based multinational electronics company, with dominant positions in semiconductor memory, smartphones, and televisions.
<b>Engagement Objective</b>	We engaged with Samsung for a discussion focused on Board composition and labor relations.
<b>Participants</b>	From Samsung: Independent Director; Investor Relations Representative  From T. Rowe Price Associates, Inc: Head of Governance, EMEA & APAC; Investment Analyst
<b>Engagement Outcome</b>	<p>We met with an outside director, Mr. Jun-Sung Kim to inform our voting ahead of the 2025 annual general meeting (AGM).</p> <p><b>Board composition</b></p> <p>Mr. Kim is the chief investment officer (CIO) of the National University of Singapore Endowment Fund. Previously he ran an Asian long-only fund at the Government of Singapore Investment Corporation (GIC). In 2001, GIC invested in Samsung, so Mr. Kim has had experience of the current and prior chair and multiple chief executive officers (CEOs). He built relationships with the executives, and then was approached by the chairman, JY Lee, in 2019 to see if he would serve on the Board when he stepped down from his role at GIC in London. Mr. Kim has been serving on the Board for two years and feels he was selected to bring the investor perspective to the boardroom. At some point when JY Lee's legal appeal is completed, Mr. Kim suggests that it would be in shareholders' interests for him to return to the Board.</p> <p>The current chair, Han-Jo Kim, will be stepping down at the 2025 AGM. Under his leadership, the boardroom culture has changed from one-way, procedural dialogue to a more two-way open dialogue. We asked Mr. Kim if there have been areas of disagreement in the boardroom. Mr. Kim gave the example where he had voted against the capital management policy at the January 2024 Board, as he felt that it provided insufficient flexibility for a capital expenditure (capex)-heavy, cyclical company. He explained that the cost of each fab is around USD 20 billion to USD 30 billion, so Samsung needs to keep a significant cash position on the balance sheet, given the shallowness of the domestic South Korean banks. The Board approves capex at the national budget level of USD 40 billion. Every year, the outside directors review the services delivered to the company by Samsung companies as related party transactions to ensure they represent genuine value for money.</p> <p>Mr. Kim thinks that more international outside directors are needed on the Board. He also champions women in top management and shared a list of female executive vice presidents at Samsung to show that they were represented beyond the staff functions. In terms of bringing women through the pipeline, Samsung has created on-site nurseries on its campuses. However, the female pool of entrants in the engineering disciplines, which feed the semiconductor business, is limited. We provided our feedback that investors would like more access to the CEOs of each division. The investor relations team is working on a CEO Day. Mr. Kim commented that the new divisional CEOs are more globally aware and are more likely to speak English.</p> <p><b>Labor relations</b></p> <p>We asked for an update on the labor strike in relation to the pay dispute on July 8–10, 2024. Little disruption was expected. The union was asking for a 6.5% uplift; the company offered a 5.1% increase, and negotiations restarted. We asked why the strike had commenced and were told that the cause was the activities of the labor unions at the national level, not those of the company.</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	48	84.9	720	79.8
● Orange	9	13.4	326	19.6
● Red	0	0.0	24	0.6
● Not in scope	0	0.0	0	0.0
● Not covered	0	0.0	0	0.0
● Reserves	1	1.7	0	0.0
<b>Total</b>	<b>58</b>	<b>100.0</b>	<b>1,070</b>	<b>100.0</b>

● No/few Flags ● Medium Flags ● High Flags

The comparator benchmark of the Fund is the MSCI All Country Asia Ex Japan Net Index. The manager is not constrained by the fund's benchmark, which is used for performance comparison purposes only.

**RISKS - The following risks are materially relevant to the fund (refer to prospectus for further details):** Country (China) - Chinese investments may be subject to higher levels of risks such as liquidity, currency, regulatory and legal risks due to the structure of the local market. Currency - Currency exchange rate movements could reduce investment gains or increase investment losses. Emerging markets - Emerging markets are less established than developed markets and therefore involve higher risks. Equity - Equities can lose value rapidly for a variety of reasons and can remain at low prices indefinitely. ESG - ESG integration as well as events 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. 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.

**General fund risks - to be read in conjunction with the fund specific risks above.** Conflicts of Interest - The investment manager's obligations to a fund may potentially conflict with its obligations to other investment portfolios it manages. Counterparty - Counterparty risk may materialise if an entity with which the fund does business becomes unwilling or unable to meet its obligations to the fund. Custody - In the event that the depositary and/or custodian becomes insolvent or otherwise fails, there may be a risk of loss or delay in return of certain fund's assets. Cybersecurity - The fund may be subject to operational and information security risks resulting from breaches in cybersecurity of the digital information systems of the fund or its third-party service providers. Investment fund - Investing in funds involves certain risks an investor would not face if investing in markets directly. Market - Market risk may subject the fund to experience losses caused by unexpected changes in a wide variety of factors. Market liquidity - In extreme market conditions it may be difficult to sell the fund's securities and it may not be possible to redeem shares at short notice. 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 OEIC, an investment company with variable capital incorporated in England and Wales which is registered with the UK Financial Conduct Authority 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 in English, together with 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 and via [www.troweprice.com](http://www.troweprice.com).

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