



T. ROWE PRICE FUNDS OEIC

Emerging Markets Discovery Equity Fund – ESG Report

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

As at 30 June 2020

ESG INTEGRATION APPROACH

- The Emerging Markets Discovery 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 portfolio manager are able to leverage dedicated, in-house resources to assist them 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 pro-actively 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 approximately 14,000 securities 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 approach to environmental and social factor integration is differentiated at the sector and industry levels, where our RIIM model 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.

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.

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SK hynix (1st Quarter 2020)

Focus	Environmental, Social
Company Description	SK hynix is a South Korean provider of products and services for the electronic components industries.
Engagement Objective	We engaged with SK hynix to gain a better understanding of the company's ESG approach.
Participants	A T. Rowe Price Investment Analyst and a Responsible Investing Analyst engaged with an Investor Relations representative from SK hynix.
Engagement Outcome	<p>The purpose of our engagement with SK hynix was to have a broad discussion on governance and sustainability topics. The discussion allowed us to share our viewpoint and understand the company's approach.</p> <p>The company took a major step in 2019 by creating a new sustainability management committee to review ESG matters. The committee reports to the board and consists of one internal executive director alongside independent members. SK hynix is also aiming to generate social value and is in the early stages of creating key performance indicators for executives.</p> <p>From an environmental standpoint, increasing water recycling is a key focus; the company is targeting a 400% increase by 2022. It is also considering ways to shift to renewable energy sources, focusing initially on its operations in China.</p> <p>From a social standpoint, working environments in the semiconductor industry in South Korea have historically been linked to worker ailments, including cancer. At SK hynix, there has been a dramatic improvement in workplace safety over the past five years. The company set up an independent committee to assess risks, propose a compensation package, and outline renewed safety measures. Although the investigations did not find a causal link between Hynix' working conditions and worker ailments, the company decided to compensate former and current employees. Today, the company believes its safety measures are highly sophisticated.</p> <p>The engagement informed our investment research.</p>

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.

CNOOC (1st Quarter 2020)

Focus	Environmental, Social, Governance
Company Description	CNOOC is a pure upstream oil and gas exploration and production company primarily operating in offshore China.
Engagement Objective	In a meeting with the management of CNOOC, we engaged with the company on a number of ESG issues.
Participants	A T. Rowe Price Associate Portfolio Manager engaged with CNOOC's CEO and CFO.
Engagement Outcome	<p>In a meeting with CNOOC's CEO and CFO, we discussed the company's carbon footprint and employee health and safety.</p> <p>We discussed how the company considers its scope 3 emissions in its business planning. The company indicated that one possible factor that would merit any transaction involving natural gas assets would be to lower CNOOC's carbon intensity, given its oil-focused operations.</p> <p>On employee health and safety, the company is implementing new systems and measures for safe operations during the coronavirus crisis.</p> <p>The engagement informed our investment research.</p>

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Risks - The following risks are materially relevant to the fund (refer to prospectus for further details):

Country risk (China) - all investments in China are subject to risks similar to those for other emerging markets investments. In addition, investments that are purchased or held in connection with a QFII licence or the Stock Connect program may be subject to additional risks. **Country risk (Russia and Ukraine)** - in these countries, risks associated with custody, counterparties and market volatility are higher than in developed countries. **Country risk (Saudi Arabia)** - in Saudi Arabia it is necessary to use a trading account to buy and sell securities, introducing additional third-party associated risks. **Emerging markets risk** - emerging markets are less established than developed markets and therefore involve higher risks. **Small and mid-cap risk** - stocks of small and mid-size companies can be more volatile than stocks of larger companies. **Style risk** - different investment styles typically go in and out of favour depending on market conditions and investor sentiment. **Volatility risk** - 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. **Capital risk** - the value of your investment will vary and is not guaranteed. It will be affected by changes in the exchange rate between the base currency of the fund and the currency in which you subscribed, if different. **Equity risk** - in general, equities involve higher risks than bonds or money market instruments. **Geographic concentration risk** - to the extent that a fund invests a large portion of its assets in a particular geographic area, its performance will be more strongly affected by events within that area. **Hedging risk** - a Fund's attempts to reduce or eliminate certain risks through hedging may not work as intended. **Investment fund risk** - investing in funds involves certain risks an investor would not face if investing in markets directly. **Management risk** - the investment manager or its designees may at times find their obligations to a fund to be in conflict with their obligations to other investment portfolios they manage (although in such cases, all portfolios will be dealt with equitably). **Operational risk** - operational failures could lead to disruptions of fund operations or financial losses.

IMPORTANT INFORMATION

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