



T. ROWE PRICE FUNDS SICAV

## Emerging Markets Discovery Equity Fund – ESG Report

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

As of 30 September 2024

### ESG 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. Emerging markets are teeming with value traps, which make it particularly important to incorporate ESG factors into our investment decision-making as they help us avoid these value traps. 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 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.
- 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 widely diversified portfolio of shares of emerging market companies. 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.

## 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 SICAV sub-fund, and no assumption should be made that the securities identified and discussed were or will be profitable.

**FirstRand (3<sup>rd</sup> Quarter 2023 Engagement)**

<b>Focus</b>	Environment
<b>Company Description</b>	FirstRand is a South African financial services company.
<b>Engagement Objective</b>	We engaged with FirstRand on its climate strategy.
<b>Participants</b>	From FirstRand: Chief Risk Officer; Investor Relations Representatives  From T. Rowe Price Associates, Inc: Responsible Investing Analyst
<b>Engagement Outcome</b>	<p>We engaged with FirstRand to provide feedback on the bank's climate strategy and proposed financed emissions reduction targets. We have been in regular dialogue with the bank since 2019 on environmental topics and continue to be impressed with the progress the bank has made. FirstRand stands out relative to its South African peers based on its emissions disclosure, client engagement efforts, and sophistication of its strategy. The one area the bank falls behind global peers relates to target setting; however, the bank appears to be closing this gap. In this engagement, we discussed the bank's proposed financed emission targets for the fossil fuel sectors (oil and gas, thermal coal, power generation).</p> <p>FirstRand has two new proposals related to its financed emissions target. For the oil and gas and thermal coal sectors, they are looking to shift from a 2030 exposure limit to a reducing exposure limit up to 2030 (i.e., introduce an interim 2026/2027 exposure limit and raise the ambition of the 2030 goal). To introduce financed emission reduction targets for the oil and gas (35% reduction in emissions intensity from 2022 to 2030) and thermal coal (35% absolute emissions reduction from 2022 to 2030) sectors. In addition, FirstRand is looking to set a green energy ratio within its power generation portfolio, raising the percent of financing to green energy from 72% in 2022 to 80% by 2030.</p> <p>We were encouraged that the bank is setting financed emissions reduction targets for the high-emitting sectors and endorsed the banks proposals. There were however aspects of these goals which remain misaligned with the industry best practice. For example, the bank's targets are aligned to a "well below 2-degree scenario", less ambitious than global peers using a "1.5 degree" scenario. FirstRand noted that its commitments are aligned to the country commitments, and it would be political sensitive to extend beyond this. Secondly, only scope 1-2<sup>1</sup> emissions are included in its oil and gas target, versus global peers which are including scope 1-3 emissions. The bank noted that while it would like to include scope 3 emissions, the data availability and quality for scope 3 emissions is limited, which explains the omission. We acknowledge the existing challenges relating to the South African market and believe FirstRand are taking a more measured and thoughtful approach. We encouraged the bank to provide commentary on these points alongside the release of its targets in October 2024.</p> <p>We were pleased with the continued progress FirstRand is making on its climate strategy as it looks to close the gap with the industry gold standard. We endorsed the bank's financed emission reduction targets and encouraged it to provide commentary on the nuances within the South African market in its future reporting.</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	53	76.7	852	76.6
● Orange	13	20.3	396	22.7
● Red	0	0.0	27	0.6
● Not in scope	0	0.0	0	0.0
● Not covered	0	0.0	2	0.1
● Reserves	1	3.0	0	0.0
<b>Total</b>	<b>67</b>	<b>100.0</b>	<b>1,277</b>	<b>100.0</b>

● No/few Flags ● Medium Flags ● High Flags

The comparator benchmark of the Fund is the MSCI Emerging Markets Net 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	28.8
with Environmental Objectives	0.5	6.9
with Social Objectives	0.5	21.9

## 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%	97.0%
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	18.7%	97.0%
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%	95.1%

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	mtCO2e	6,716	97.0%
	Scope 2 GHG emissions	mtCO2e	1,935	97.0%
	Scope 3 GHG emissions	mtCO2e	19,357	95.9%
	Total GHG emissions	mtCO2e	28,009	97.0%
2. Carbon footprint	Carbon footprint	mtCO2e per mn invested	335.5	97.0%
3. GHG intensity of investee companies	GHG intensity of investee companies	mtCO2e per mn revenue	679.2	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	7.6%	97.0%
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	75.7%	68.0%
6. Energy consumption intensity	Energy consumption in GWh per million of revenue of investee companies	GWh/mn of revenue	0.7	93.9%
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%	97.0%
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	6.0%	97.0%
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):** 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. Country (Russia and Ukraine) - Russian and Ukrainian investments may be subject to higher risks associated with custody and counterparties, liquidity, market disruptions, as well as strong or sudden political risks.

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. 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

Source: MSCI. MSCI and its affiliates and third party sources and providers (collectively, "MSCI") makes no express or implied warranties or representations and shall have no liability whatsoever with respect to any MSCI data contained herein. The MSCI data may not be further redistributed or used as a basis for other indices or any securities or financial products. This report is not approved, reviewed, or produced by MSCI. Historical MSCI data and analysis should not be taken as an indication or guarantee of any future performance analysis, forecast or prediction. None of the MSCI data is intended to constitute investment advice or a recommendation to make (or refrain from making) any kind of investment decision and may not be relied on as such.

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

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