



T. ROWE PRICE FUNDS SICAV

Frontier Markets Equity Fund – ESG Report

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

As at 30 June 2020

ESG INTEGRATION APPROACH

- The Frontier Markets Equity Fund uses ESG integration as part of its investment process. This means incorporating environmental, social and governance factors to enhance investment decisions. Our central mission is to help our clients reach their long-term financial goals and we believe that incorporating ESG factors into our investment process alongside financials, valuation, macro-economics and other factors is consistent with that objective. 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.

For Investment Professionals only. Not for further distribution.

Al Rajhi Bank (4th Quarter 2019)

Focus	Environmental, Social
Company Description	Al Rajhi Bank is a Saudi Arabian Islamic bank.
Engagement Objective	We spoke with Al Rajhi Bank to gain clarity on recent ESG controversies and discuss ESG initiatives, focusing in particular on ethics and gender diversity.
Participants	From T. Rowe Price, two Portfolio Managers, one Investment Analyst and one Responsible Investment Analyst participated in this engagement. They spoke with an Investor Relations representative from Al Rajhi Bank.
Engagement Outcome	<p>Al Rajhi Bank explained that its litigation risk has reduced following settlements in 2018 and 2019 over tax disputes and violations of lending principles. A lawsuit alleging the bank engaged in terrorism financing remains ongoing, and the bank was unable to provide an update on investigations related to this. However, we are not expecting a negative outcome.</p> <p>The bank highlighted that it has been transparent with regulators and that the lawsuit has been rejected several times in the U.S. courts since 2017. In addition, it has worked to improve its compliance programs in recent years.</p> <p>In relation to gender diversity, the bank explained that the number of female employees has increased by 15% in the past five years, albeit not in managerial roles. It will aim for females to account for 30% of senior leadership positions in the future but provided no detail on the timeframes of this target.</p> <p>The engagement gave us comfort that ESG risks at the bank seem to be declining. It improved our view on the bank's ESG rating given reassurances about reduced litigation risk and progressive ESG initiatives.</p>

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.

Helios Towers (4th Quarter 2019)

Focus	Environmental, Social
Company Description	Helios Towers is a market-leading telecom tower infrastructure company.
Engagement Objective	We held a seminar for Investor Relations representatives with the aim of encouraging improved ESG disclosure and to inform our investee companies on ESG dynamics in the market.
Participants	The seminar was run by T. Rowe Price's Co-Head of EMEA Equity and the Director of Research, Responsible Investing. It was attended by the Head of Investor Relations and Corporate Finance from Helios Towers.
Engagement Outcome	<p>With most companies not yet fully integrating environmental and social factors into their investor communications, our aim was to provide guidance on the following topics:</p> <ul style="list-style-type: none"> • The dynamics of the ESG-integration, socially responsible and impact investment markets. • How T. Rowe Price uses ESG data in its investment processes. • Best practices around environmental and social data reporting. <p>We were encouraged by the level of company participation, including from Helios Towers, and hope to see continuing improvement in ESG disclosure.</p>

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

Currency risk - changes in currency exchange rates could reduce investment gains or increase investment losses.

Emerging markets risk - emerging markets are less established than developed markets and therefore involve higher risks.

Frontier markets risk - small market nations that are at an earlier stage of economic and political development relative to more mature emerging markets typically have limited investability and liquidity. **Sector concentration risk** - the performance of a fund that invests a large portion of its assets in a particular economic sector (or, for bond funds, a particular market segment), will be more strongly affected by events affecting that sector or segment of the fixed income market. **Small and mid-cap risk** - stocks of small and mid-size companies can be more volatile than stocks of larger companies.

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.

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