T.RowePrice

T. ROWE PRICE FUNDS SICAV

Emerging Markets Equity Fund – ESG Report

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

As at 31 December 2023

ESG INTEGRATION APPROACH

- The Emerging 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 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. ESG considerations can influence positioning on both the positive and the negative side.
- 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 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.

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.

Wal-Mart de Mexico (3rd Quarter 2023 Engagement)

Focus	Environment, Social, Governance
Company Description	Wal-Mart de Mexico (Walmex) operates multiple retail formats in the country, including supermarkets and discount stores.
Engagement Objective	We engaged with the company on deforestation, consumer health, and an antitrust investigation.
Participants	From Walmex: Investor Relations Representative; ESG Team From T. Rowe Price: Investment Analyst; Responsible Investing Analysts
Engagement Outcome	In general, we see Walmex as a leader on managing ESG risk and on fair supplier treatment. We see the company taking the lead on several areas such as physical climate risk mapping in the supply chain, farmer technical assistance, sustainable packaging (and promoting recycling), and managing the footprint of its operations. However, there are a few topics that we consider critical for Mexico and the surrounding region where Walmex could improve: Walmex has no sustainable sourcing process for soy or beef, which we consider the most high-risk commodities for deforestation in the region. Walmex has instead focused its raw material sustainability process on commodities with certifications such as palm oil and pulp. While this is a good first step, Walmex should develop proper traceability systems and develop a strict zero deforestation process for other high-risk areas, including soy and beef. Second, amid Mexico's obesity crisis, we believe Walmex, as the biggest food retailer in the country, should take accountability for ethical promotions of foods, store positioning, and consumer education to help improve consumer health. Last year, Walmex began writing a consumer nutrition policy, but as of yet this does not cover issues such as marketing to children or discount promotions for foods high in fat, sugar, or salt. The next step is for Walmex to play a more active role in improving consumer nutrition. In terms of its supply chain, Walmex has an established audit process for social issues at suppliers. While the scale of the supply chain still raises risk, we think the company has a credible audit process and is transparent about its results. Clearly, external audits are just one tool available to retailers (and they carry limitations), so we think Walmex should continue to expand on-the-ground teams to support the social monitoring process. Moreover, environmental issues are not currently covered. Walmex is piloting inclusion of some environmental factors (water, emissions, waste) within its social audit process. Walmex also provided an update on the ongoing investigation of Mexico's food retail industry by COFECE, the country's antitrust body. The industry is dominated by large retailers, and COFECE wants to understand how this industry structure could potentially harm consumers or small vendors. Walmex has complied with the investigation over the past three years and noted it is very confident and comfortable about the vendor terms and treatment that are being investigated. We will await the outcome of COFECE investigations but feel comfortable with Walmex's socially responsible supplier terms.

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.

SK Hynix (4th Quarter 2023 Engagement)

Focus	Environment, Social
Company Description	SK Hynix (Hynix) is a South Korean semiconductor manufacturer.
Engagement Objective	We engaged with the company to discuss its emissions reduction initiatives and management of water and human rights risks.
Participants	From Hynix: Investor Relations Team From T. Rowe Price: Investment Analysts, Responsible Investing Analysts
Engagement Outcome	We engaged with Hynix to discuss several environmental, social, and governance (ESG)-related areas where we saw room for improvement. Although the company has a high-quality ESG strategy, we sought to offer our view on priority items and to encourage further development. Specifically, we wanted to encourage scope 3[1] targets and discuss the feasibility of scope 1 reduction and better interim renewable energy goals. We also sought to assess Hynix's water stress exposure and discuss human rights risk in the supply chain. Regarding emissions, Hynix has an ESG team dedicated to scope 1 emissions, which mainly stem from process gases used for etching and other steps. The company has installed scrubbers, which break down the gases into forms with lower potential for global warming. The scrubbers operate at 90% efficiency, but Hynix aims to further increase this level. It is also exploring using other gases with lower global warming potential. For scope 2 emissions, electricity is Hynix's biggest source of operational emissions. The company runs on 100% renewable energy in overseas operations but 29% groupwide due to the limited availability of renewable energy in South Korea. Hynix has set a 100% renewable energy target by 2050, but management does not want to set interim goals due to the low visibility of renewable energy developments domestically. For scope 3 emissions, management said it does not want to set any goals due to the low quality of its data. Hynix currently faces limited water risk, but the company's Task Force on Climate-Related Financial Disclosures (TCFD) analysis revealed some production sites at risk of becoming water scarce in the future. Regarding human rights risk, Hynix has conducted over the past year a human rights assessment at its production facilities. For suppliers, the current human rights management includes a code of conduct and an online risk assessment. We would classify Hynix as high risk from a social standpoint given the company's vast supply chain and regional exposure. Management said it performed audits for 100 suppliers last year and has never found or removed a supplier due to human rights violations. Our view is that audits alone are insufficient and while educating suppliers is a valid approach, we are concerned about the lack of monitoring across the company's supply chains. Overall, we were pleased with the level and pace of progress for Hynix on ESG matters. Going forward, we will monitor for Hynix to do the following over the next two years: seek innovation breakthroughs to raise scrubber efficiency and move to alternative process gases, make progress in establishing contracts with renewable energy suppliers and gradually increase domestic renewable energy share, work with suppliers to collect more accurate and credible scope 3 data disclosure and set scope 3 targets, and implement a more robust supply chain management process beyond a self-assessment questionnaire.

[1] 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.

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	70	72.6	904	69.3
Orange	22	24.7	491	30.0
Red	0	0.0	40	0.5
Not in scope	2	0.4	5	0.2
Not covered	0	0.0	0	0.0
Cash	1	2.2	0	0.0
Total	**95**	**100.0**	**1,440**	**100.0**

● 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 Exposure %	Fund Exposure %
Sustainable Investments	10.0%	38.1%
Environmental Objectives	0.5%	15.3%
Social Objectives	0.5%	22.8%

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. 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. Stock Connect - Stock Connect is subject to higher regulatory, custody, and default risks as well as liquidity risk and quota limitations. 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

IMPORTANT INFORMATION

The Funds are sub-funds of the T. Rowe Price Funds SICAV, a Luxembourg investment company with variable capital which is registered with Commission de Surveillance du Secteur Financier 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 (KIID) and/or key information document (KID) in English and in an official language of the jurisdictions in which the Funds are registered for public sale, together with the articles of incorporation and 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. They can also be found along with a summary of investor rights in English at www.troweprice.com. The Management Company reserves the right to terminate marketing arrangements.

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