

T. ROWE PRICE FUNDS SICAV

## Global Natural Resources Equity Fund – ESG Report

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

As at 31 March 2024

### ESG INTEGRATION APPROACH

- The Global Natural Resources 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, macroeconomics, 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 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.)
- The Global Natural Resources Equity Fund has served as an energy-led, commodity-driven inflation hedge and utilizes a fundamental, research-driven investment approach to identify companies that are well positioned with durable growth and can compound long-term, risk-adjusted performance for our clients. We consider industry structure, competitive dynamics, strength of management teams and business models, and the durability of the business over the long-term. We do not view environmental, social, and governance factors as discrete, siloed elements; however, they are integrated into our process for evaluating the risks and fundamental outlook for potential investments. We have long observed that companies with better assets and that are managed efficiently with good corporate governance, safety procedures, and concern for their employees and the communities in which they operate have tended to represent superior long-term investments. To that end, ESG is incorporated into our evaluation of risk of the companies in which we invest.

**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 natural resources or commodities-related companies. The companies may be anywhere in the world, including emerging markets. 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.

**EQT (4<sup>th</sup> Quarter 2023 Engagement)**

<b>Focus</b>	Environment
<b>Company Description</b>	EQT is a U.S.-based onshore exploration and production (E&P) company, specializing in natural gas.
<b>Engagement Objective</b>	We engaged with the company for a discussion focused on climate strategy.
<b>Participants</b>	From EQT: General Counsel; Investor Relations representatives  From T. Rowe Price: Responsible Investing Analyst
<b>Engagement Outcome</b>	<p>We engaged with EQT to discuss the company's climate strategy and net zero goal. It aims to be net zero by 2025 covering scope 1-2<sup>1</sup> greenhouse gas (GHG) emissions so we wanted to understand its pathway for this and to ensure that its use of carbon offsets was responsible.</p> <p>EQT has reduced its emission intensity by over 50% in the last five years while reducing its methane intensity by 70%. It is one of the lowest upstream carbon intensity E&amp;Ps in the U.S. The company still sees some opportunities for greenhouse (GHG) emission reductions, but its 2025 net zero goal will require the use of carbon offsets. Any offsets that it generates or purchases would be certified by Verra, the organization that sets and verifies standards for carbon, biodiversity and social projects. It would aim to generate most of these offsets itself rather than relying on third party purchases. We provided our feedback on its climate strategy and highlighted that, ideally, we would like to see companies reduce GHG emissions as far as possible and then only use offsets where there are not credible mitigation options. This view appears to be aligned with EQT's strategy for carbon offsetting, but it also appears that EQT will struggle to reach a level of 90-95% GHG emissions reductions that is expected for achieving a science-based net zero target.</p> <p>EQT reports its scope 3 emissions from use of sold products, which is its most material scope 3 category. We encouraged the company to publish a full scope 3 footprint if possible. EQT shared that it does not intend to set a scope 3 emission reduction target, however, as it believes that the biggest positive climate impact it can have to is help completely substitute coal for natural gas in the energy mix.</p> <p>EQT has a New Ventures business unit, which is looking at potential opportunities from emerging technologies. Carbon capture and storage (CCS) could be an opportunity in the future, as EQT owns huge areas of land and depleted wells in Appalachia that would be suitable sites for carbon dioxide storage, but it will only pursue these opportunities if it is able to generate competitive returns.</p> <p>The engagement allowed us to provide feedback on EQT's climate strategy, particularly with regards to its use of carbon offsets. We are pleased that the company publishes its scope 3 emissions from use of sold products and we encouraged it to publish a full scope 3 footprint, if possible.</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.

## Suncor Energy (4<sup>th</sup> Quarter 2023 Engagement)

<b>Focus</b>	Environment
<b>Company Description</b>	Suncor Energy is Canadian integrated exploration and production (E&P) company.
<b>Engagement Objective</b>	We engaged with the company for a discussion focused on climate strategy.
<b>Participants</b>	From Suncor Energy: Vice President Sustainability (incoming Chief Sustainability Officer); Director, Investor Relations  From T. Rowe Price: Responsible Investing Analyst
<b>Engagement Outcome</b>	<p>We discussed Suncor Energy's climate strategy. The company's 2030 target is not a conventional scope reduction target and it does not have a scope 3<sup>1</sup> emission target.</p> <p>In terms of scope 1-2 decarbonization, Suncor Energy has a target to be net zero by 2050 on scope 1-2 emissions. This could be largely achieved via carbon capture and storage (as part of the Pathways Alliance) but also through energy efficiency measures, fuel switching, and emerging technologies. It also has a target to reduce its value chain greenhouse (GHG) emissions by 10 million tons per year by 2030. This aim includes emissions across its whole value chain (i.e., scope 3 as well as scope 1-2). It has identified more than 10 million tons of potential reductions, but not all of these will definitely be fulfilled. We provided feedback on this target and Suncor Energy told us that it is considering formulating an explicit scope 1-2 reduction target but did not give a clear timeline.</p> <p>Turning to scope 3 emissions, Suncor Energy reports a full scope 3 footprint; however, it does not have any scope 3 emission reduction targets. We provided feedback on best practices for target setting in the energy sector. Suncor Energy is investing to grow its low emission businesses, including biofuels, hydrogen, sustainable aviation fuel (SAF), and electric vehicle (EV) charging infrastructure. It is also investing to develop non-combusted bitumen products. The company told us that although it has a clear strategy to increase the share of lower carbon products, it does not have a formal scope 3 target.</p> <p>We also provided feedback on the company's ESG disclosures. These are detailed and include a full scope 3 footprint report. We encouraged it to provide more details on its methane mitigation efforts. Suncor Energy already reports its methane emissions but provides few qualitative details on how its methane intensity compares to peers or on its efforts to mitigate methane emissions and leaks. The company was receptive to this feedback and may provide more details in its next ESG/climate report.</p> <p>The engagement allowed us to provide feedback on the company's ESG disclosures and encourage it to provide more details on its methane mitigation efforts. We also provided feedback on best practices for climate strategies in the energy sector.</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.

## 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	36	36.5	752	40.5
● Orange	51	62.6	387	58.3
● Red	0	0.0	29	1.1
● Not in scope / not covered	0	0.0	2	0.1
● Cash	1	1.0	0	0.0
<b>Total</b>	<b>88</b>	<b>100.0</b>	<b>1,170</b>	<b>100.0</b>

● No/few Flags ● Medium Flags ● High Flags

The comparator benchmark of the Fund is the MSCI World Select Natural Resources 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):** Currency - Currency exchange rate movements could reduce investment gains or increase investment losses. Sector concentration - Sector concentration risk may result in performance being more strongly affected by any business, industry, economic, financial or market conditions affecting a particular sector 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.** 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

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](http://www.troweprice.com). The Management Company reserves the right to terminate marketing arrangements.

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