



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 30 June 2020

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 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.)
- We construct portfolios from the bottom up, one stock at a time. This bottom-up analysis includes a consideration of ESG factors. For us, the purpose of understanding environmental, social, and governance (ESG) risk factors is not to eliminate such risks from the portfolios, but to be disciplined about considering a wide range of issues in order to make more fully informed investment decisions. While we consider a security's weighting in the portfolio against its relative market capitalization, weightings of individual stocks are driven by company-specific fundamental analysis and our goal of maintaining broad diversification across natural resources industries.

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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CF Industries (4th Quarter 2019)

Focus	Governance
Company Description	CF Industries is a global leader in nitrogen fertiliser manufacturing and distribution.
Engagement Objective	We engaged with CF Industries for a broad discussion on governance. We focused on board composition and succession planning, alongside other governance topics.
Participants	T. Rowe Price's Head of Corporate Governance engaged with an Investor Relations representative from CF Industries.
Engagement Outcome	<p>The purpose of our engagement with CF Industries was to have discussion on governance. The discussion allowed us to share our viewpoint and understand the company's approach. CF Industries is halfway through the process of refreshing its board—at the moment, the board is larger than usual because the company wanted a period of overlap between new and retiring directors. Within the next two years, the company will move down to a more standard (8-10 member) board.</p> <p>Management succession plans remain a focus for the board. Three of the top roles were internally developed, and continuing this pattern is the company's goal.</p> <p>We discussed a recently completed study of safety, efficiency, and capital utilization, in which the company rated significantly ahead of US peers.</p> <p>The business is highly cyclical, and the focus this year has been on paying down debt, returning cash to shareholders, and ensuring the balance sheet is in good shape before the next trough.</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.

Equinor (1st Quarter 2020)

Focus	Environmental
Company Description	Equinor is an international energy company present in more than 30 countries worldwide, including several of the world's most important oil and gas provinces.
Engagement Objective	We met with the company's head of New Energy Solutions to understand the how the company intends to meet with renewable capacity roll-out targets.
Participants	T. Rowe Price's Director of Research, Responsible Investing, and a Responsible Investing Analyst, engaged with Equinor's EVP New Energy Solutions, VP Finance and Control, and an Investor Relations representative.
Engagement Outcome	<p>After Equinor rolled-out a new set of ambitious targets that target the company's scope 1-3 carbon emissions, we met with the head of New Energy Solutions to focus on the topic of reducing scope 3 emissions.</p> <p>In our view, the targeted renewable capacity figures are significant. While the company's new carbon intensity reduction target relies heavily on the build out of its renewables business, it would not pursue low-return projects just to achieve this carbon intensity target.</p> <p>A significant barrier for oil & gas companies looking to get into the renewables space is cost of capital as this sector cannot carry the same debt levels as their utility competitors given the volatility of their legacy business. The company plans to run a model of developing and then farming down (selling stakes) in its offshore wind projects, which should boost returns. The company's capacity and carbon intensity targets are based on 50% ownership in its renewables projects.</p> <p>Equinor will also focus on areas where it can bring a technology advantage, such as floating offshore wind.</p> <p>The engagement informed our investment research. We incorporated Equinor's new renewables ambitions and carbon intensity reduction targets into our analysis.</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. **Currency risk** - changes in currency exchange rates could reduce investment gains or increase investment losses. **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. **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

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 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 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 and via www.troweprice.com.

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