



**T. ROWE PRICE FUNDS SICAV**

## Middle East & Africa Equity Fund – ESG Report

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

As at 30 June 2020

### ESG INTEGRATION APPROACH

- The Middle East & Africa 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.**

**Qatar National Bank (2<sup>nd</sup> Quarter 2020)**

<b>Focus</b>	Environmental, Social
<b>Company Description</b>	Qatar National Bank engages in the provision commercial and Islamic banking services.
<b>Engagement Objective</b>	We engaged with Qatar National Bank on its sustainability approach.
<b>Participants</b>	A T. Rowe Price Investment Analyst and a Responsible Investing Analyst engaged with Heads of Strategy, and Sustainability representatives, from Qatar National Bank.
<b>Engagement Outcome</b>	<p>The purpose of our engagement with Qatar National Bank was to have discussion on governance and sustainability. The discussion allowed us to share our viewpoint and understand the company's approach.</p> <p>The bank is several years into its sustainability journey. A sustainability framework based on three pillars (sustainable finance, sustainable operations, and beyond banking) was established in 2017.</p> <p>There is senior oversight of the framework—a sustainability committee is chaired by the CEO and attended by executive team, and the committee provides updates to the board at least annually. Disclosure is supported by clear data points.</p> <p>The sustainability framework is aligned with both international and national frameworks such as the United Nations' Sustainable Development Goals and the Qatar National Vision 2030, and the bank in the process of developing a roadmap for the next three years. In 2019, Qatar National Bank became a signatory to the UN Global Compact.</p> <p>Qatar National Bank is strengthening its lending due diligence with an environmental and social risk management system and expects to provide additional disclosure in its upcoming sustainability reports.</p> <p>As a result of the engagement, we gained a better understanding of the bank's sustainability framework. We will continue to monitor the bank's ESG disclosures, which we expect to continue to improve in the coming years.</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.

**Saudi Arabian Oil Company (4<sup>th</sup> Quarter 2019)**

<b>Focus</b>	Environmental
<b>Company Description</b>	Saudi Arabian Oil Company, doing business as Saudi Aramco, operates as an oil exploration company.
<b>Engagement Objective</b>	In a meeting with Saudi Aramco we discussed environmental disclosure and longer-term oil demand scenarios.
<b>Participants</b>	T. Rowe Price's co-Head of EMEA Equity, Portfolio Managers, Investment Analysts, and a Responsible Investing Analyst engaged with Saudi Aramco's representatives from Finance, Strategy and Development, Capital Markets, and Investor Relations.
<b>Engagement Outcome</b>	<p>While disclosure is still limited, Saudi Aramco highlighted the carbon intensity of its upstream operations and its methane emission intensity, both of which are lower than the industry average.</p> <p>Emissions intensity also appears to play at least some part in strategic decisions taken by Saudi Aramco; the company emphasised its flexibility to drill at numerous fields, allowing it to optimise costs and the proportion of light versus heavy crude oil.</p> <p>The company highlighted its strong position in most long-term oil demand scenarios due to its low costs and emissions intensity. Even if demand were to fall meaningfully through to 2050, management still expects that it would significantly increase oil production over the same period.</p> <p>While Saudi Aramco is naturally well-positioned in a world of falling oil demand due to its low costs, low emissions intensity, and attractive assets, our view is that the company is not taking many steps to position for a low-carbon economy. Management see gas as an area for strong growth (given Saudi Arabia's large reserves); however, the role of gas in a future energy mix is uncertain, and it is more likely to appear as a transition fuel than a long-term solution.</p> <p>The engagement informed our investment research. We will continue to monitor ESG disclosure from the company.</p>

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

**Country risk (Saudi Arabia)** - in Saudi Arabia it is necessary to use a trading account to buy and sell securities, introducing additional third-party associated risks. **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. **Style risk** - different investment styles typically go in and out of favour depending on market conditions and investor sentiment. **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](http://www.troweprice.com).

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