



## T. Rowe Price Emerging Markets Discovery Equity Pool

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

As of 31 March 2024

### ESG INTEGRATION APPROACH

- The portfolio uses ESG integration as part of its investment process. This means incorporating environmental, social, and governance factors to enhance investment decisions. Emerging markets are teeming with value traps, which make it particularly important to incorporate ESG factors into our investment decision-making as they help avoid these value traps. 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 they balance 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 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 around 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)
  - 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. 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.

**Alibaba (1<sup>st</sup> Quarter 2024 Engagement)**

<b>Focus</b>	Governance
<b>Company Description</b>	Alibaba Group Holding (Alibaba) is a Chinese multinational technology company specializing in ecommerce, retail, internet, and technology.
<b>Engagement Objective</b>	We engaged with the company to discuss the investigation by the Public Company Accounting Oversight Board (PCAOB).
<b>Participants</b>	From Alibaba Group Holding: Head of Investor Relations, ESG Steering Committee representative. From T. Rowe Price: Corporate Governance Analyst
<b>Engagement Outcome</b>	<p>We held the engagement after the PCAOB issued three disciplinary orders in November 2023 penalizing auditors in China. Two of the orders imposed fines of USD 7 million on PwC China and PwC Hong Kong for violating quality control standards related to integrity and personnel management. The other order imposed a fine of USD 940,000 on Shandong Haoxin Certified Public Accountants, a public accounting firm registered in Mainland China, for issuing a false audit report, failing to maintain independence, and improperly passing off the work of another accounting firm as its own.</p> <p>We obtained Alibaba's perspective on the matter and communicated that audit issues remained a concern for us. We will monitor new developments in the PCAOB investigation and engage with the company accordingly.</p>

The specific securities identified and described do not represent all of the securities purchased, sold, or recommended for the Pool, and no assumption should be made that the securities identified and discussed were or will be profitable.






**Hon Hai (4th Quarter 2023 Engagement)**

<b>Focus</b>	Social
<b>Company Description</b>	Hon Hai is a large electronics manufacturing services (EMS) company.
<b>Engagement Objective</b>	We engaged with the company for a discussion focused on human capital and social supply chain monitoring.
<b>Participants</b>	From Hon Hai: Investor Relations representative From T. Rowe Price: Investment Analyst
<b>Engagement Outcome</b>	<p>The engagement involved a discussion of employee satisfaction surveys. During past engagements, Hon Hai had shared that it was working with third party consultants to run employee satisfaction and engagement surveys. Coupled with this, the company has invested heavily in a variety of wellness and health benefits for its workers. We encouraged Hon Hai to share the results of employee surveys in order for investors to assess the positive changes that have resulted from its investments in health and welfare benefits.</p> <p>We also discussed social supply chain monitoring. Like most companies operating in China, supplier ESG monitoring (or disclosure on this) is relatively nascent. Hon Hai scores poorly in the Know the Chain benchmark, which scores companies in the electronics sector on their transparency and preparedness on human rights in the supply chain. We highlighted the poor score and encouraged Hon Hai to take steps to improve by sharing more detail on supply chain transparency, auditing, grievance channels, and other such matters.</p>

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## 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	55	77.0%	859	74.2%
	Orange	15	20.4	476	25.2
	Red	0	0.0	37	0.5
	Not in scope/ not covered	0	0.0	4	0.1
	Cash	1	2.6	0	0.0
<b>Total</b>		<b>71</b>	<b>100.0</b>	<b>1,376</b>	<b>100.0</b>

 No/few Flags    Medium Flags    High Flags

The benchmark of the Fund is the MSCI Emerging Markets Index Net.

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