T. ROWE PRICE FUNDS SICAV
Asia Credit Bond Fund – ESG Report
Providing transparency on Environment, Social and Governance aspects of the Fund
As at 30 September 2023

ESG INTEGRATION APPROACH

• The Asia Credit Bond Fund uses environmental, social, and governance (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 issuer 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 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, 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 Asia Credit Bond Fund uses fundamental, bottom-up research to identify high-quality businesses as well as those with a greater long-term potential for external market rerating. As such, our primary emphasis is on company fundamentals, which include the consideration of environmental, social, and governance factors. We find that this long-standing investment philosophy tends to yield an ESG-friendly portfolio; however, we also screen the portfolio using T. Rowe Price’s proprietary RIIM analysis at regular intervals. This helps us understand the ESG characteristics of the portfolio and makes us aware of any elevated exposures to specific ESG factors from a risk management perspective.

• 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 maximise total return through income generation and capital appreciation, consistent with prudent investment management.

INVESTMENT PROCESS: The fund is actively managed and invests mainly in a diversified portfolio of transferable U.S. dollar denominated fixed income securities of issuers domiciled, or exercising the predominant part of their economic activity, in Asian countries including emerging markets, excluding Japan. 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, 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, efficient portfolio management and investment purposes. The fund may also use derivatives to create synthetic short positions in currencies, debt securities, credit indices and equities. 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, 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.

T. Rowe Price Funds SICAV Asia Credit Bond Fund

As at 30 September 2023
SM Investments (1st Quarter 2023 Engagement)

<table>
<thead>
<tr>
<th>Focus</th>
<th>Environment</th>
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<tbody>
<tr>
<td>Company</td>
<td>SM Investments is a holding company for the leading property, banking, and retail businesses in the Philippines.</td>
</tr>
<tr>
<td>Description</td>
<td></td>
</tr>
<tr>
<td>Engagement</td>
<td>We engaged with the company to discuss its climate strategy related disclosures.</td>
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<tr>
<td>Objective</td>
<td></td>
</tr>
<tr>
<td>Participants</td>
<td>From SM Investments: Investor Relations; Sustainability team From T. Rowe Price: Investment Analyst; Responsible Investing Analysts (2)</td>
</tr>
</tbody>
</table>

We engaged with SM Investments to discuss its climate strategy and related disclosures. We sought to provide the following guidance: we expect companies to adopt best practice disclosures required by Sustainability Accounting Standards Board and Task Force on Climate-related Financial Disclosures (TCFD); we encourage disclosure of scope 1-3 emissions¹; and we regard adopting a science-based target aligned with the 1.5 degrees pathway and a long-term net-zero goal as best practice.

On the disclosure front, SM Investments has already shared scope 1-3 data, confirmed its commitment to the TCFD, and is working with a third party to perform climate scenario analysis for each of its business units. We believe that the company is committed to best practices in ESG transparency.

Regarding climate strategy, SM Investments is focused on climate adaptation and mitigation. Given that the Philippines is among the countries most impacted by climate change, the company’s adaptation investments are a key part of its strategy, and 10% of its capital spending goes into resilience infrastructure. On the mitigation front, SM Investments has a long list of initiatives. For example, its property development unit SM Prime has targets for renewables and green certified buildings and is working toward retrofitting and constructing green buildings. Similar efforts are underway in the company’s logistics, malls, retail, and mining businesses. We were impressed by SM Investments’ strong focus on climate adaptation, which we regard as appropriate for the Philippines.

With respect to science-based/net-zero targets, SM Investments is reluctant to set these because there is a lack of clarity regarding renewables access in the Philippines. Rather, the company is focused on improving energy efficiency and enabling the rollout of renewables via the investments made in BDO, its banking unit, and by buying greenfield sites and acquiring renewable operations to expand in the Philippines. Management is exploring net zero in business units where a feasible pathway exists (e.g., SM Prime will likely publish science-based targets in the coming years).

The engagement gave us an opportunity to engage in dialogue about the pros and cons of setting net-zero targets. We believe that SM Investments is working to enhance access to renewables in the Philippines by improving its own footprint while enabling the country’s Paris commitments. While we relayed our view that net-zero targets can help drive progress and measurable change, we agreed with the company’s view about the lack of feasibility at present on net zero in the Philippines.

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.

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.
## AIA (4th Quarter 2022 Engagement)

<table>
<thead>
<tr>
<th>Focus</th>
<th>Environment, Social</th>
</tr>
</thead>
<tbody>
<tr>
<td>Company Description</td>
<td>AIA is a life insurer operating across South-East Asia.</td>
</tr>
<tr>
<td>Engagement Objective</td>
<td>We engaged with the company to discuss its net zero strategy and financial inclusion.</td>
</tr>
</tbody>
</table>
| Participants | From AIA: Group Head of Sustainability; Chief Investor Relations Officer; Associate Director, Investor Relations  
From T. Rowe Price: Responsible Investing Analysts (2) |
| Engagement Outcome | Our engagement with AIA focused on climate change and net zero and financial inclusion.  
In December 2021, AIA announced a commitment to reach net zero across its operations and investments by 2050. It intends to disclose science-based targets by the end of 2023. Management has since established a climate/net zero steering committee to ensure effective oversight and delivery in this area.  
Every country in which AIA operates has a local net zero commitment. AIA believes it can deliver net zero by 2050 at group level but conceded that the decarbonization trajectory will vary country-to-country. The pace of scope 1-2 emissions¹ reductions to date has been strong. In view of AIA’s plans for science-based targets, we imparted our view that a credible scope 1-2 net zero target will typically include: (i) a long-term emissions reduction target alongside interim objectives; (ii) transparency on the emissions pathway, and (iii) Science Based Targets initiative (SBTi) validation.  
Since 2018, AIA has reduced the carbon footprint of its directly managed listed equity portfolio by 31.4% and has fully divested direct exposure to coal mining/coal fired power businesses. To date, AIA has focused on better integrating net zero considerations in company engagements and portfolio management. AIA plans to finalize its financed emissions targets in early 2023. We encouraged management to provide transparency on its intended pathway for financed emissions and specify how it intends to implement this in its investment book.  
On financial inclusion, AIA has established a target to engage one billion people to help them live “Healthier, Longer, Better” lives by 2030. This objective has three components: (i) influence and engagement from interaction in AIA’s distribution channels; (ii) AIA’s discrete financial inclusion efforts, and (iii) engagement with/cover for AIA’s existing policyholders. The target is not accompanied by any baselining or quantitative key performance indicators (KPIs) (to be included in its 2022 ESG report). We requested that AIA clearly disclose data showing progress toward its target in aggregate and more granular KPIs to help investors better understand the different “engagement” components included within the “1 billion” objective. AIA is considering external verification of the KPIs, which we encouraged.  
The engagement allowed us to impart our view on the company’s net zero strategy and convey best practices when setting science-based emissions targets. It also allowed us to request additional disclosures to help assess progress toward its “AIA One Billion” 2030 impact target. We will monitor both of these areas. |

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.
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:

<table>
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<tr>
<th>Target Minimum Exposure</th>
<th>Fund Exposure</th>
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<tbody>
<tr>
<td>Sustainable Investments</td>
<td>10.0%</td>
</tr>
</tbody>
</table>

RISKS - The following risks are materially relevant to the fund (refer to prospectus for further details):
- China Interbank Bond Market - The China Interbank Bond Market may subject the fund to additional liquidity, volatility, regulatory, settlement procedure and counterparty risks. The fund may incur significant trading and realisation costs. Contingent convertible bond - Contingent convertible Bonds may be subject to additional risks linked to: capital structure inversion, trigger levels, coupon cancellations, call extensions, yield/valuation, conversions, write downs, industry concentration and liquidity, among others.
- 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. Credit - Credit risk arises when an issuer’s financial health deteriorates and/or it fails to fulfill its financial obligations to the fund. Default - Default risk may occur if the issuers of certain bonds become unable or unwilling to make payments on their bonds. Derivative - Derivatives may be used to create leverage which could expose the fund to higher volatility and/or losses that are significantly greater than the cost of the derivative. Emerging markets - Emerging markets are less established than developed markets and therefore involve higher risks. Frontier markets - Frontier markets are less mature than emerging markets and typically have higher risks, including limited investability and liquidity. High yield bond - High yield debt securities are generally subject to greater risk of issuer debt restructuring or default, higher liquidity risk and greater sensitivity to market conditions. Interest rate - Interest rate risk is the potential for losses in fixed-income investments as a result of unexpected changes in interest rates. Liquidity - Liquidity risk may result in securities becoming hard to value or trade within a desired timeframe at a fair price. Total Return Swap - Total return swap contracts may expose the fund to additional risks, including market, counterparty and operational risks as well as risks linked to the use of collateral arrangements.
- General fund risks - to be read in conjunction with the fund specific risks above. 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. Hedging - Hedging measures involve costs and may work imperfectly, may not be feasible at times, or may fail completely. 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.
IMPORTANT INFORMATION

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