T. Rowe Price®
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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 June 2020

ESG INTEGRATION APPROACH

- The Asia Credit Bond 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 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 issuer 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 Asia Credit Bond Fund uses fundamental research to identify companies that are inefficient or have the potential for ratings upgrades. 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.

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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CNOOC (1st Quarter 2020)

Focus	Environmental, Social, Governance
Company Description	CNOOC is a pure upstream oil and gas exploration and production company primarily operating in offshore China.
Engagement Objective	In a meeting with the management of CNOOC, we engaged with the company on a number of ESG issues.
Participants	A T. Rowe Price Associate Portfolio Manager engaged with CNOOC's CEO and CFO.
Engagement Outcome	In a meeting with CNOOC's CEO and CFO, we discussed the company's carbon footprint and employee health and safety. We discussed how the company considers its scope 3 emissions in its business planning. The company indicated that one possible factor that would merit any transaction involving natural gas assets would be to lower CNOOC's carbon intensity, given its oil-focused operations. On employee health and safety, the company is implementing new systems and measures for safe operations during the coronavirus crisis. The engagement informed our investment research.

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.

Sun Hung Kai Properties (1st Quarter 2020)

Focus	Environmental, Social
Company Description	Sun Hung Kai Properties is a Hong Kong-based property developer and commercial landlord.
Engagement Objective	We engaged with Sun Hung Kai on a range of ESG topics. Our focus was on areas that had flagged (largely due to lack of disclosure) in our RIIM analysis; these included environmental initiatives, safety record, and compliance programs.
Participants	T. Rowe Price's Director of Credit Research, Portfolio Managers, an Investment Analyst, and a Responsible Investing Analyst engaged with an Associate Member of the Executive Committee and Corporate Planning Representatives from Sun Hung Kai Properties.
Engagement Outcome	In relation to its environmental initiatives, the company highlighted that in 2019, it achieved its 10% energy reduction target (from a 2014 baseline) a year ahead of schedule, and that it is in the process of setting a new 10-year target for 2030. Last year, the company also increased the number of green building certificates to cover 45% of its total portfolio. We also discussed Sun Hung Kai Properties' safety record in Hong Kong, which is around 90% better than the industry average. The company attributed this to spending more than competitors on appropriate oversight of the entire construction process. There are on-site safety briefings, specific safety targets at each site, and regular audits of managed properties. The company's compliance programs have improved over time, demonstrated by enhancements to its whistleblower program and employee training. We also believe there is sufficient monitoring of ethical misconduct by its suppliers and contractors; if they do not meet the company's standards, they can be downgraded or delisted from the approved tender list. The engagement provided us with evidence of the company's management of ESG risks. We made adjustments to our RIIM analysis accordingly.

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Risks - The following risks are materially relevant to the fund (refer to prospectus for further details):
China Interbank Bond Market risk - market volatility and potential lack of liquidity due to low trading volume of certain debt securities in the China Interbank Bond Market may result in prices of certain debt securities traded on such market fluctuating significantly. **Contingent convertible bond risk** - contingent convertible bonds have similar characteristics to convertible bonds with the main exception that their conversion is subject to predetermined conditions referred to as trigger events usually set to capital ratio and which vary from one issue to the other. **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. **Credit risk** - a bond or money market security could lose value if the issuer's financial health deteriorates. **Currency risk** - changes in currency exchange rates could reduce investment gains or increase investment losses. **Default risk** - the issuers of certain bonds could become unable to make payments on their bonds. **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. **High yield bond risk** - a bond or debt security rated below BBB- by Standard & Poor's or an equivalent rating, also termed 'below investment grade', is generally subject to higher yields but to greater risks too. **Interest rate risk** - when interest rates rise, bond values generally fall. This risk is generally greater the longer the maturity of a bond investment and the higher its credit quality. **Issuer concentration risk** - to the extent that a fund invests a large portion of its assets in securities from a relatively small number of issuers, its performance will be more strongly affected by events affecting those issuers. **Liquidity risk** - any security could become hard to value or to sell at a desired time and price. **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.

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. **Counterparty risk** - an entity with which the fund transacts may not meet its obligations to the fund. **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

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