T. ROWE PRICE FUNDS SICAV

Asian ex-Japan Equity Fund – ESG Report

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

As at 31 December 2023

ESG INTEGRATION APPROACH

- The Asian ex-Japan Equity Fund uses environmental, social and governance (ESG) integration as part of its investment process. This means incorporating ESG 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 ESG 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 the portfolio manager are able to leverage dedicated, in-house resources to assist 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 over 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 approach to environmental and social factor integration is differentiated at the sector and industry levels, where our RIIM tool 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. An engagement with a company will be an evolving process where we monitor progress or lack thereof from the company's side. We believe it is crucial for the manager to understand if the company is addressing any material ESG-related issues as we believe this contributes to the long-term sustainability of the business. Assessing a company on how it reacts to our engagement attempts and the measures it takes as a result is part of the ESG journey and can play a role in our investment decisions.
- 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 increase the value of its shares, over the long term, through growth in the value of its investments.

INVESTMENT PROCESS: The fund is actively managed and invests mainly in a diversified portfolio of shares of companies in Asia (excluding Japan). Although the fund does not have sustainable investment as an objective, the promotion of environmental and/or 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 and efficient portfolio management. 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, encouraging 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.

HDFC Bank (4th Quarter 2023 Engagement)

Focus	Environment
Company Description	HDFC Bank is a private bank in India.
Engagement Objective	We engaged with the bank to discuss its climate strategy and the current regulatory environment in India.
Participants	From HDFC Bank: ESG Head From T. Rowe Price: Investment Analyst, Responsible Investing Analyst
Engagement Outcome	We joined a collaborative investor meeting with HDFC Bank as part of the Emerging Market Investor Alliance. The aim was to discuss the steps the bank has taken to formulate its climate strategy and to better understand the regulatory environment in India. HDFC Bank lags its emerging market peers in not having a formal strategy in place to measure and set reduction targets linked to the financed emissions on its loan book. The bank has undertaken a pilot project on its mortgage portfolio and is working with a start-up to estimate the financed emissions for customers. We encouraged the company to provide additional disclosure on this pilot study in the upcoming integrated annual report. We also recommended the bank provide information on its sustainable financing efforts as it looks to scale up the green and social assets on its balance sheet. The Securities and Exchange Board of India, a leading regulator, requires the top 1,000 companies by market capitalization to publish an annual business responsibility and sustainability report. The regulator recently made further amendments, requiring the top 150 companies to report nine key parameters that are subject to reasonable assurance by March 31, 2024. The bank clarified that the parameters are sector agnostic and, therefore, it has struggled to measure some of them (e.g., water use from its entire branch network), which are less financially material to the sector. The bank also explained that the Reserve Bank of India developed a sustainable financing framework in July 2022 requiring banks to consider climate risks, with a consultation paper in progress to examine appropriate next steps. We were encouraged that HDFC Bank has begun to measure the financed emissions on its loan book but believe the bank remains behind emerging market peers in its climate strategy. Therefore, we provided several disclosure recommendations that would bring it in line with regional peers. We will monitor for: (1) HDFC Bank to report on its initial efforts to measure and manage its financed emissions and (2) the bank to report on its sustainable financing efforts.

Godrej Consumer Products (3rd Quarter 2023 Engagement)

Focus	Environment, Social
Company Description	Godrej Consumer Products (GCP) is a personal care and household products company based in Mumbai, India.
Engagement Objective	We engaged with GCP to discuss its water and supply chain management and sustainable raw materials sourcing.
Participants	From GCP: ESG Head, Investor Relations Head From T. Rowe Price: Investment Analyst, Responsible Investing Analysts
Engagement Outcome	We engaged with GCP to understand the company's exposure to and management of water and supply chain risks. Besides imparting our views on these issues, we encouraged management to undertake the following: complete its water risk mapping assessment, set Roundtable on Sustainable Palm Oil (RSPO) targets for globally sourced palm oil, set a deforestation policy, conduct human rights audits on suppliers, and educate suppliers on setting greenhouse gas emissions reduction goals. Water risk and palm oil sourcing are two of GCP's top sustainability risks, and our research flagged issues in how the company manages them. GCP has targeted a 40% reduction in water intensity in 2025 from a 2011 baseline, and the company has begun working with third parties to carry out water risk mapping assessments, which will be completed by year-end. In 2022, GCP achieved its goal of being water positive (i.e., a commitment to put more water back into the environment than the volume consumed). However, being water positive is not best practice. We advised GCP that best practice calls for setting water-intensity reduction goals and performing regular water risk mapping assessments. Palm oil sustainability ranks high among GCP's supply chain risks, but how the company manages it lags best practice. At least half of GCP's palm oil is sourced from Indonesia and Malaysia, but the company lacks a strategy for certifying internationally sourced palm oil (e.g., RSPO certification). GCP said that the RSPO mechanism does not apply to palm oil produced in India, since palm trees grown in the country have limited exposure to biodiversity and deforestation risks. The parent company has a deforestation policy at the group level, and GCP plans to implement one in the near term. Managing human rights risk is a priority in GCP's supply chain management. Specifically, the company has prioritized managing human rights risk among suppliers, encouraging suppliers to sign up to the Science Based Targets initiative (SBTi), and encouraging suppliers to switch to renewable energy. GCP has worked on human rights risk management for the past 18 months and hasn't terminated any suppliers thus far. It plans to conduct regular human rights audits on suppliers as the next step. Under GCP's commitment to setting an SBTi target, it must have at least 67% of its mandatory scope 3[1] emissions covered under the target. As a result, the company is working on educating and encouraging its suppliers to start setting greenhouse gas emissions reduction targets. The engagement helped us better understand GCP's exposure to and management of water and supply chain risks. We will monitor the company's progress on our key recommendations (see first paragraph for details) in the next one to two years.

[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.

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	54	73.9	788	72.2
Orange	14	23.6	422	27.4
Red	0	0.0	35	0.4
Not in scope	1	0.7	3	0.0
Not covered	0	0.0	0	0.0
Cash	1	1.9	0	0.0
Total	**70**	**100.0**	**1,248**	**100.0**

No/few Flags Medium Flags High Flags

The comparator benchmark of the Fund is the MSCI All Country Asia Ex-Japan Net Index. The manager is not constrained by the fund's benchmark, which is used for performance comparison purposes only.

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:

	Target Minimum Exposure %	Fund Exposure %
Sustainable Investments	10.0%	47.9%
Environmental Objectives	0.5%	21.7%
Social Objectives	0.5%	26.3%

RISKS - The following risks are materially relevant to the fund (refer to prospectus for further details): 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. Currency - Currency exchange rate movements could reduce investment gains or increase investment losses. Emerging markets - Emerging markets are less established than developed markets and therefore involve higher risks. Issuer concentration - Issuer concentration risk may result in performance being more strongly affected by any business, industry, economic, financial or market conditions affecting those issuers in which the fund's assets are concentrated. Small and mid-cap - Small and mid-size company stock prices can be more volatile than stock prices of larger companies. Stock Connect - Stock Connect is subject to higher regulatory, custody, and default risks as well as liquidity risk and quota limitations. Style - Style risk may impact performance as different investment styles go in and out of favor depending on market conditions and investor sentiment.

General fund risks - to be read in conjunction with the fund specific risks above. Equity - Equities can lose value rapidly for a variety of reasons and can remain at low prices indefinitely. 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. 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.

ADDITIONAL DISCLOSURES

Source: MSCI. MSCI and its affiliates and third party sources and providers (collectively, “MSCI”) makes no express or implied warranties or representations and shall have no liability whatsoever with respect to any MSCI data contained herein. The MSCI data may not be further redistributed or used as a basis for other indices or any securities or financial products. This report is not approved, reviewed, or produced by MSCI. Historical MSCI data and analysis should not be taken as an indication or guarantee of any future performance analysis, forecast or prediction. None of the MSCI data is intended to constitute investment advice or a recommendation to make (or refrain from making) any kind of investment decision and may not be relied on as such.

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