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

ESG INTEGRATION APPROACH

- The Asian Opportunities 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 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.)
- The approach to environmental and social factor integration is differentiated at the sector and industry levels, where RIIM 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. The central focus of our engagement program is at the company level. Generally, we do not identify broad themes and then engage with multiple companies on the same issue. Instead, we identify specific factors through our research that could be potential impediments to a security’s performance. We may ask a company to make a specific change, or we may just seek to gain more information on an ESG issue, to ensure our investment decisions are well informed. We believe this company-specific approach results in the highest impact because it is aligned with our core investment approach: active management rooted in fundamental investment analysis.
- 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. 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, 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.
## Axis Bank (1st Quarter 2023 Engagement)

<table>
<thead>
<tr>
<th>Focus</th>
<th>Environment</th>
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</thead>
<tbody>
<tr>
<td>Company Description</td>
<td>Axis Bank is a leading private bank in India.</td>
</tr>
<tr>
<td>Engagement Objective</td>
<td>We engaged with the company to discuss its climate strategy.</td>
</tr>
</tbody>
</table>
| Participants | From Axis Bank: Head of ESG; Investor Relations; Head of Enterprise Risk  
From T. Rowe Price: Portfolio Manager; Responsible Investing Analyst |
| Engagement Outcome | We engaged with Axis Bank to gather information on its climate strategy and to make disclosure recommendations to bring it in line with regional best practice. We also took the opportunity to discuss the bank’s impact strategy and related metrics.  
Axis Bank’s latest ESG presentation from February 2023 contains a high-level summary of its climate transition action plan. The bank seeks to scale up its green lending with a 30,000 crore¹ (USD 370 million) sustainable lending target by fiscal year 2026 up from 12,255 crore as of the end of March 2022. It is also in the process of measuring the financed emissions of its most carbon-intensive sectors (coal, thermal power, shipping, and aviation).  
Axis Bank subjects each transaction to an ESG due diligence assessment aligned with the International Finance Corporation’s (IFC) guidelines and restricts financing for those not aligned with IFC standards. However, the bank remains hesitant to disclose its climate strategy due to the lack of national taxonomies and the risk of greenwashing. We recommended that it provide more detail on its climate strategy in its next Task Force on Climate-Related Financial Disclosures (TCFD) report.  
Regarding impact strategy, Axis Bank developed its Bharat Banking unit in 2021 combining its 2,000+ branch network with digital investment to serve underbanked consumers in rural areas. The bank provided several impact-related metrics, e.g., the number of new enrollments in social security schemes and the number of female customers in a microfinance program. It also said it was looking to offer more affordable housing loans.  
The engagement informed our understanding of how Axis Bank is managing climate risks on its balance sheet and allowed us to recommend that it publicly report on its climate transition action plan in the next TCFD report. |

¹ Crore is equal to 10 million in the Indian numbering system.
## Li Ning (2nd Quarter 2023 Engagement)

<table>
<thead>
<tr>
<th>Focus</th>
<th>Social</th>
</tr>
</thead>
<tbody>
<tr>
<td>Company</td>
<td>Li Ning is a sportswear manufacturer in China.</td>
</tr>
<tr>
<td>Description</td>
<td></td>
</tr>
<tr>
<td>Engagement</td>
<td>We engaged with Li Ning to conduct due diligence on its social supply chain.</td>
</tr>
<tr>
<td>Objective</td>
<td></td>
</tr>
<tr>
<td>Participants</td>
<td>From Li Ning: Investor Relations representative, Head of Sustainability</td>
</tr>
<tr>
<td></td>
<td>From T. Rowe Price: Responsible Investing Analysts, Investment Analyst</td>
</tr>
</tbody>
</table>

### Engagement Outcome

We engaged with Li Ning on its social supply chain.

In 2021, Norges Bank Investment Management, Norway’s sovereign wealth fund, made a public divestment from the stock, citing human rights concerns. During our previous engagement with Li Ning in the second quarter of 2022, the company asserted that the allegations were made on the basis of false information.

Ultimately, there continues to be no evidence of forced labor in Li Ning’s supply chain. While we do think that Chinese apparel supply chains are very high risk, we continue to see Li Ning taking good steps to oversee suppliers and enforce its policies.

Li Ning’s focus has been on undertaking large volumes of audits, prioritizing suppliers providing >1% of Li Ning’s sourcing volume. The process comprehensively covers tier 1 suppliers but is expected to be rolled out to tier 2 suppliers in 2024. The social supply chain audits are undertaken by a third-party, internationally recognized audit group.

The supply chain continues to be relatively small, with a strong focus on long-term supplier relations. There were only 311 tier 1 and tier 2 suppliers in 2022. Most suppliers are in the south of China. Li Ning is confident that its supply chain is relatively safe from human rights violations but said that tier 4 Xinjiang cotton continues to be a concern for some investors.

Li Ning carefully manages tier 1 and tier 2 supplier lists. These tiers undergo a long and comprehensive approval process. For tier 1 suppliers, the process is ultimately approved by the chief executive officer. The company manages an approved list of tier 2 suppliers.

Traceability is quite strong for tiers 3 and 4, although no supplier lists are disclosed. Li Ning requires its suppliers to enforce the Li Ning social standards with tiers 3 and 4. Li Ning believes it has fairly good visibility on tier 3 and 4 suppliers.

Overall, we continue to think Li Ning’s preparedness and disclosure on social supply chain issues is relatively strong, particularly compared with regional peers, and there continues to be no evidence of forced labor within Li Ning’s supply chain. That said, textile supply chains in China are high risk and the Norges background raises the degree of ESG-related scrutiny at Li Ning.

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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.
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>Sustainable Investments</th>
<th>Target Minimum Exposure</th>
<th>Fund Exposure</th>
</tr>
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<tbody>
<tr>
<td></td>
<td>10.0%</td>
<td>42.4%</td>
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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.

**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 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.
IMPORTANT INFORMATION

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