T. ROWE PRICE FUNDS SICAV

Asian Opportunities 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 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 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.)
- 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.

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.

Yum China (2nd Quarter 2023 Engagement)

Focus	Environment, Governance
Company Description	Yum China is a leading restaurant company. It was spun off from Yum! Brands and has exclusive rights to operate and sub-license several U.S. fast food brands in China.
Engagement Objective	We engaged with Yum China on greenhouse gas emissions and governance.
Participants	From Yum China: CFO; Chief People Officer; Chief Legal Officer; Chief Supply Chain Officers; VP Engineering & Sustainability Officer; Corporate Secretary From T. Rowe Price: Head of Governance, EMEA & APAC; Responsible Investing Analyst (2)
Engagement Outcome	We had a pre-annual general meeting (AGM) discussion with Yum China to discuss compensation and sustainability updates. Yum China's emission goals have recently been validated by the Science-Based Targets initiative to confirm that they align with a 1.5ºC warming scenario, which is a significant achievement. Particularly the goal to reduce supply chain emissions – which is very unusual for a restaurant company (and especially in Asia). The company's goals are to achieve by 2035: -63% scope 1 and 2 and -66% scope 3[1]. The path to achieving the scope 3 target will not be easy. The company is starting by engaging its top 40 suppliers (80-90% of emissions) to move toward renewable energy. Given the agricultural nature of the supply chain, green electricity is just one source of emissions, and we expect it will be challenging to achieve net zero in other aspects of agricultural emissions. Progress on deforestation and supply chain traceability has been more limited for beef and soy. We encouraged the company to set goals or a strategy on this. Yum China reiterated the challenges associated with tracing soy and beef. The company said that it imports beef, but did not confirm the sourcing country. Both commodities are very high risk for deforestation. The company said it plans to work with a consultant in this area. Regarding compensation, the company explained the rationale for the adjustment to the 2020 performance share unit (PSU) to reflect the exceptionally challenging conditions during the COVID lockdown in China over the last three years. We raised the critical Public Company Accounting Oversight Board audit inspection report of KPMG China, as KPMG are being reappointed as auditors at the upcoming AGM. The company will discuss the findings with KPMG, but noted that the deficiencies reported were in line with first time market inspections. We have been engaging with Yum China over several years and are pleased to see the progress the company has made in setting an SBTi-validated target for scopes 1-3 and engaging its top 40 suppliers (80-90% emissions) on emission reduction.

[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	36	73.2	788	72.2
Orange	10	22.3	422	27.4
Red	0	0.0	35	0.4
Not in scope	2	2.0	3	0.0
Not covered	0	0.0	0	0.0
Cash	1	2.5	0	0.0
Total	**49**	**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%	47.6%
Environmental Objectives	0.5%	16.1%
Social Objectives	0.5%	31.5%

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 - 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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