



T. ROWE PRICE FUNDS SICAV

Emerging Markets Corporate Bond Fund – ESG Report

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

As at 31 December 2023

ESG INTEGRATION APPROACH

- The Emerging Markets Corporate Bond Fund uses ESG integration by incorporating ESG factors into our investment process in order to enhance investment outcomes. 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. We seek to understand the range of ESG risks, together with many other investment criteria, to better position ourselves in order to deliver consistent, superior long-term returns for our clients.
- 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 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 primary emphasis is on fundamentals, which include the consideration of environmental, social, and governance factors. We find that this process tends to yield an ESG-friendly set of investments; 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. Our security selection process emphasizes identifying the best issues across the capital structure of a country or company. Our research and trading teams work seamlessly together to evaluate the fundamentals, ESG profile, valuation and technicals across an issuer or country's outstanding debt set to access the best risk-adjusted positions for inclusion in the portfolio. The ESG analysis helps the portfolio managers to identify where there may be elevated ESG risks across the portfolio and help them to determine how material an impact those risks may have in order to inform their decision-making.
- 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 the value of its shares through both growth in the value of, and income from, its investments.

INVESTMENT PROCESS: The fund is actively managed and invests mainly in a diversified portfolio of corporate bonds from emerging market issuers. 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, efficient portfolio management and investment purposes. The fund may also use derivatives to create synthetic short positions in currencies and debt securities. 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.

Bank Negara Indonesia (4th Quarter 2023 Engagement)

Focus	Environment, Social
Company Description	Bank Negara Indonesia is a state-owned bank.
Engagement Objective	We engaged with the bank on its climate strategy and to conduct due diligence on blue financing opportunities.
Participants	<p>From Bank Negara Indonesia (BNI): Head of Enterprise Risk Management; Investor Relations Representative</p> <p>From T. Rowe Price: Associate Portfolio Manager; Investment Analysts; Responsible Investing Analyst</p>
Engagement Outcome	<p>We engaged with the bank on its climate strategy.</p> <p>The bank has been reporting its scope 1-2¹ emissions and some scope 3 categories for several years, in line with regional peers. However, the bank recently set a 2030 net zero target for its own operations that helps it stand out versus its Asia-based peers. BNI is currently developing a formal climate strategy to support this target, and we recommended the bank provide additional detail on its climate strategy in its next ESG report.</p> <p>The bank has integrated ESG risks within its underwriting practices. For example, it requires all new palm oil customers to have Roundtable on Sustainable Palm Oil (RSPO)/Indonesian Sustainable Palm Oil (ISPO) certificates but only 48% of its existing palm oil customers are RSPO/ISPO certified, which is lower than its peers. The bank explained that the existing debtors that are not certified are in the process of obtaining certificates but warned investors that progress will be slow.</p> <p>In 2023, BNI measured the financed emissions of corporate and commercial clients for the first time. It is currently working with a consultant to formalize its strategy to reduce financed emissions, and we recommended the bank provide additional disclosure in its upcoming ESG report and set financed emission reduction targets on high-priority sectors.</p> <p>We discussed how the bank can measure the “impact” its financing is having on the un-banked/underbanked communities. BNI highlighted several measures, including district coverage, new clients onboarded, and transaction volumes, and we provided additional recommendations such as number of financially empowered individuals and the number of customers who took out their first loan or credit card with the bank.</p> <p>BNI issued its first green bond in 2022, with most of the proceeds being allocated to clean transportation, green buildings, and renewable energy. We discussed the bank’s opportunities on blue financing, noting that it can be challenging to verify certain projects (e.g., wastewater) as full visibility of the entire supply chain is required.</p> <p>We were pleased with the progress the bank is making in relation to reducing its scope 1-2 emissions and decarbonizing its loan book. We also provided several disclosure and target-setting recommendations to bring the bank in line with regional best practice.</p>

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.

SK Hynix (4th Quarter 2023 Engagement)

Focus	Environment, Social
Company Description	SK Hynix (Hynix) is a South Korean semiconductor manufacturer.
Engagement Objective	We engaged with the company to discuss its emissions reduction initiatives and management of water and human rights risks.
Participants	From Hynix: Investor Relations Team From T. Rowe Price: Investment Analysts, Responsible Investing Analysts
Engagement Outcome	<p>We engaged with Hynix to discuss several environmental, social, and governance (ESG)-related areas where we saw room for improvement. Although the company has a high-quality ESG strategy, we sought to offer our view on priority items and to encourage further development. Specifically, we wanted to encourage scope 3¹ targets and discuss the feasibility of scope 1 reduction and better interim renewable energy goals. We also sought to assess Hynix's water stress exposure and discuss human rights risk in the supply chain.</p> <p>Regarding emissions, Hynix has an ESG team dedicated to scope 1 emissions, which mainly stem from process gases used for etching and other steps. The company has installed scrubbers, which break down the gases into forms with lower potential for global warming. The scrubbers operate at 90% efficiency, but Hynix aims to further increase this level. It is also exploring using other gases with lower global warming potential. For scope 2 emissions, electricity is Hynix's biggest source of operational emissions. The company runs on 100% renewable energy in overseas operations but 29% groupwide due to the limited availability of renewable energy in South Korea. Hynix has set a 100% renewable energy target by 2050, but management does not want to set interim goals due to the low visibility of renewable energy developments domestically. For scope 3 emissions, management said it does not want to set any goals due to the low quality of its data.</p> <p>Hynix currently faces limited water risk, but the company's Task Force on Climate-Related Financial Disclosures (TCFD) analysis revealed some production sites at risk of becoming water scarce in the future. Regarding human rights risk, Hynix has conducted over the past year a human rights assessment at its production facilities. For suppliers, the current human rights management includes a code of conduct and an online risk assessment. We would classify Hynix as high risk from a social standpoint given the company's vast supply chain and regional exposure. Management said it performed audits for 100 suppliers last year and has never found or removed a supplier due to human rights violations. Our view is that audits alone are insufficient and while educating suppliers is a valid approach, we are concerned about the lack of monitoring across the company's supply chains.</p> <p>Overall, we were pleased with the level and pace of progress for Hynix on ESG matters. Going forward, we will monitor for Hynix to do the following over the next two years: seek innovation breakthroughs to raise scrubber efficiency and move to alternative process gases, make progress in establishing contracts with renewable energy suppliers and gradually increase domestic renewable energy share, work with suppliers to collect more accurate and credible scope 3 data disclosure and set scope 3 targets, and implement a more robust supply chain management process beyond a self-assessment questionnaire.</p>

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	136	70.4	1,093	57.5
● Orange	51	26.0	407	28.3
● Red	0	0.0	15	0.8
● Not in scope	2	0.1	99	7.5
● Not covered	5	1.7	198	5.9
● Cash	1	1.9	0	0.0
Total	195	100.0	1,812	100.0

● No/few Flags ● Medium Flags ▲ High Flags

The comparator benchmark of the Fund is the J.P. Morgan CEMBI Broad Diversified. 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%	30.7%
Environmental Objectives	0.5%	8.0%
Social Objectives	0.5%	22.7%

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. Distressed or defaulted debt securities - Distressed or defaulted debt securities may bear substantially higher degree of risks linked to recovery, liquidity and valuation. 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.

ADDITIONAL DISCLOSURES

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