T. ROWE PRICE FUNDS SICAV

China Evolution Equity Fund – ESG Report

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

As at 31 December 2022

ESG INTEGRATION APPROACH

- The China Evolution Equity 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 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. 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 (i.e. environmental fines paid, local community controversies/protests against a company, etc.)

- The environmental, social, and governance factors are an important part of our process. While they do not drive our process, as we do not screen companies for ESG factors and exclude those that screen poorly, a consideration of ESG factors helps us to assess the quality of the company and its management team and to identify potential ESG-related risks to our investment thesis.

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 Chinese companies and may have significant exposure to smaller capitalisation companies. 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.

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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.

Yum China (4th Quarter 2022 Engagement)

Focus	Environmental, Social
Company Description	Yum China is the country's largest 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 the company's emission reduction initiatives and how it manages deforestation and sustainability risks in its supply chain.
Participants	From Yum China: Investor Relations representative From T. Rowe Price: Responsible Investing Analysts (2)
Engagement Outcome	We engaged with Yum China to provide feedback on its emission reduction initiatives. It recently submitted emission reduction goals for Science-Based Targets initiative (SBTi) approval, the first restaurant chain in China to do so. Yum China has also undertaken a full scope 3[1] emission assessment (with the data verified by a third party) by working with suppliers. About two-thirds of scope 3 emissions are attributable to purchased goods. It has taken the first steps to incorporate greenhouse gas reduction into supplier assessments. Importantly, Yum China has reduced its operational emissions intensity by 12% over the period 2019–2021, mainly through equipment upgrades. We also wanted to assess how Yum China is managing deforestation and sustainability risks in its supply chain. While it has made good progress on palm oil and paper, in the case of cattle and soy, the process is more complex and still ongoing. Yum China has reached 100% certified palm oil sourcing. The company has also committed to sourcing paper only from deforestation-free suppliers (and uses the Forest Stewardship Council label to raise consumer awareness). Soy (used in chicken feed) traceability is still a challenge, as is cattle sourcing. Cattle traceability is also weak. The monitoring of suppliers against social and quality criteria is in place, and auditing appears comprehensive. Suppliers must sign Yum China's code of conduct, which is heavily focused on social factors such as human rights and safety. For the first time, a focus on levels of greenhouse gas emissions has been introduced; however, there is no screening for other environmental factors. There have been relatively few suppliers with severe violations, and , to date, Yum China has not terminated a supplier in violation of ESG standards. The company is ahead of regulatory timelines when it comes to removing plastic packaging. China has banned plastic straws and bags. The next phase will be to remove plastic packaging in restaurants. Yum China has already replaced 90% of plastic cutlery and 80% of cups. The company has also been reengineering paper packaging to reduce packaging content. We were able to provide feedback on Yum China's emission reduction initiatives and deforestation and sustainability risk management in its supply chain. We were encouraged by the fact that the company has reached a range of milestones: net zero target setting and submitting interim goals for SBTi validation, achieving 12% emission intensity reduction, incorporating greenhouse gas emission levels into its code of conduct for suppliers, and 100% certified palm oil sourcing.

[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).

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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. **Volatility -** The performance of the fund has a risk of high volatility.

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.

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