T. ROWE PRICE FUNDS SICAV

Global Aggregate Bond Fund – ESG Report

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

As at 31 December 2023

ESG INTEGRATION APPROACH

- The Global Aggregate Bond 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 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.)
- The fund is constructed on the basis of identifying the best risk/reward opportunities from the global fixed income universe. Key to this is proprietary, bottom-up research that includes the assessment of ESG factors by our analysts who work in collaboration with the dedicated ESG specialist team. We complement this approach with regular screening of the portfolio using T. Rowe Price's proprietary RIIM analysis. This helps us understand the ESG characteristics of the portfolio and makes us aware of any elevated exposures to specific ESG factors from a risk management perspective.
- 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 bonds of all types from issuers around the world including emerging markets. 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, debt securities and credit indices. 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.

AbbVie (4th Quarter 2023 Engagement)

Focus	Environment, Governance
Company Description	AbbVie is a U.S. pharmaceutical company.
Engagement Objective	We engaged with AbbVie to discuss the results of its 2023 shareholder meeting, shareholder resolutions, and greenhouse gas disclosure.
Participants	From AbbVie: Corporate Legal, Governance, and Assistant Secretary; Senior Director, ESG; Director, Executive Compensation; Investor Relations Representative; Corporate Legal Representative From T. Rowe Price: Head of Corporate Governance; Responsible Investing Analyst
Engagement Outcome	At the company's 2023 shareholder meeting, a proposal brought by faith-based investors earned surprisingly high 30% support. The group questioned AbbVie's use of secondary patents based on its perspective that the social benefits of lower prescription prices should be placed above the returns to any single company, in this case, AbbVie. The company believes Humira, its flagship rheumatoid arthritis drug, is the reason it was targeted for this proposal, as it has lots of indications and innovations. Its patent estate has been validated in the courts, however. AbbVie has not heard from the faith-based investors since the vote, but we can expect this same proposal to be resubmitted in 2024. We also discussed the company's shareholder rights profile. At the time of its separation from Abbott in 2012, the company adopted some formidable takeover defenses. It felt these were needed in the initial stages as a public company. Unfortunately, now they cannot be dismantled. The issue is it takes 80% of outstanding shares to make changes to the AbbVie charter. The company's investor base comprises a relatively high proportion of retail investors, who tend not to vote. So even though the board recommends governance improvements every year, and all institutional shareholders vote for them, the company cannot get over the 80% hurdle. On greenhouse gas disclosure, AbbVie has established Science Based Targets initiative (SBTi)-validated targets for its scope 1-2[1] and scope 3 emissions. However, despite having set a target covering purchased goods and services to ensure 79% of suppliers have science-based targets by 2027, AbbVie surprisingly does not disclose its absolute scope 3 emissions footprint. This leaves the company meaningfully out of step with market practice among companies that set scope 3 emissions targets, and we encouraged it to include scope 3 disclosure in future reporting. The 2022 ESG Action Report published by AbbVie contains several enhancements with additional disclosure on a range of topics, including product quality, human capital management diversity, equity, and inclusion. The company's report now includes a range of quantitative key performance indicators related to product quality performance—this meets the request we made during our fourth-quarter 2022 engagement with AbbVie.

[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.

Southern Company (4th Quarter 2023 Engagement)

Focus	Environment
Company Description	Southern Company (Southern) is a U.S. natural gas and electric utility holding company headquartered in Atlanta, Georgia.
Engagement Objective	We engaged with the company to discuss its climate strategy.
Participants	From Southern: Senior Vice President, Environmental, System Planning and Sustainability; Senior Vice President, Research and Development; Vice President, Corporate Governance; Director, Sustainability, Strategy and Planning From T. Rowe Price: Head of Corporate Governance; Responsible Investing Analyst
Engagement Outcome	We engaged with Southern to discuss its climate strategy. We also sought to find out if management planned to set new greenhouse gas reduction targets given the company's progress in decarbonizing its power generation fleet over the past decade. On the emissions reduction front, Southern has targeted a 50% reduction in emissions by 2030 from a 2007 baseline. In 2022, emissions fell 47% from the baseline, and Southern said it expects to achieve its 50% reduction goal in 2025, five years ahead of schedule. When asked if the company planned to set an updated 2030 emissions reduction target, Southern said it would start a process to review the 2030 target by the end of 2023 and would seek to include scope 2 emissions[1] (admittedly a small part of its greenhouse gas footprint) into any new targets. Regarding the closure of its coal mines, Southern said it has less visibility on its coal closings over the longer term. (In November 2021, Southern's chief executive officer said that the company would close more than half of its coal-fired power generation fleet by 2028 as it moves toward a goal of net zero carbon emissions by 2050.) Southern cited uncertainties about the potential load growth in its services areas and coal closures requiring regulatory approval or agreement. It plans to give more details on the timing of coal closures in its next integrated resource plan. We asked whether Southern plans to set a scope 3 target, given that such emissions account for roughly 30% of the company's greenhouse gas footprint. Management replied that it was not yet ready to set a scope 3 target, though it plans to do so in the future. It added that it expects to see another shareholder proposal regarding scope 3 emissions at its 2024 annual general meeting. The engagement revealed that Southern expects to meet its 2030 greenhouse reduction target five years early and will start the process of updating its climate targets by the end of 2023, though the timing for publishing the new targets is uncertain. Looking ahead, we will update the company's medium-term greenhouse reduction target, including scope 2 emissions, and check on its progress in one year.

[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	621	82.1	19,023	68.3
Orange	60	13.1	3,906	12.9
Red	0	0.0	208	0.3
Not in scope	43	0.7	4,168	15.1
Not covered	1	0.0	2,308	3.5
Cash	1	4.1	0	0.0
Total	**726**	**100.0**	**29,613**	**100.0**

● No/few Flags ■ Medium Flags ▲ High Flags

The comparator benchmark of the Fund is the Bloomberg Global Aggregate Bond USD Hedged 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%	20.3%
Environmental Objectives	0.5%	1.6%
Social Objectives	0.5%	18.8%

RISKS - The following risks are materially relevant to the fund (refer to prospectus for further details): ABS and MBS - Asset-Backed Securities (ABS) and Mortgage-Backed Securities (MBS) may be subject to greater liquidity, credit, default and interest rate risk compared to other bonds. They are often exposed to extension and prepayment risk. 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. Credit - Credit risk arises when an issuer's financial health deteriorates and/or it fails to fulfill its financial obligations to the fund. Currency - Currency exchange rate movements could reduce investment gains or increase investment losses. 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. Interest rate - Interest rate risk is the potential for losses in fixed-income investments as a result of unexpected changes in interest rates. 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. Liquidity - Liquidity risk may result in securities becoming hard to value or trade within a desired timeframe at a fair price. Prepayment and extension - Mortgage- and asset-backed securities could increase the fund's sensitivity to unexpected changes in interest rates. Real estate - Real estate and related investments can be hurt by any factor that makes an area or individual property less valuable. Sector concentration - Sector concentration risk may result in performance being more strongly affected by any business, industry, economic, financial or market conditions affecting a particular sector in which the fund's assets are concentrated. 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. Counterparty - Counterparty risk may materialise if an entity with which the fund does business becomes unwilling or unable to meet its obligations to the fund. 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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