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 2022

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 issuer level and on thematic topics. Additionally, they have built tools to help pro-actively 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):
  - ESG performance data (i.e. number of accidents, carbon emissions, strength of whistle-blower programs);
  - ESG targets (i.e. 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 portfolio 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.

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.

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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.

HSBC (4th Quarter 2022 Engagement)

Focus	Environmental, Social
Company Description	HSBC is a bank and financial services company headquartered in London, UK.
Engagement Objective	We engaged with HSBC to inform our understanding of its climate strategy and to discuss employee satisfaction.
Participants	From HSBC: Global Head of Climate Transition, Head of Equity and ESG, Investor Relations From T. Rowe Price: Equity Analyst, Responsible Investing Analyst
Engagement Outcome	We engaged with HSBC to conduct due diligence on the bank's climate strategy ahead of its 2023 annual general meeting and to discuss employee satisfaction following news of branch closures. HSBC has been subject to several climate-related shareholder proposals at the last two annual meetings, amid concerns that it was dragging its feet on its climate approach. Our view is that energy transition presents a material finance risk to the banking sector as regulators around the world are increasingly focused on climate. We see some banks respond to this by adopting broad-brush sector exclusions, which we do not advocate. Instead, we believe financial services companies will be better served by taking a risk-mitigation approach and evaluating the climate strategies of the companies they are financing. In order to do this effectively, they will need to have a framework in place to evaluate each sector. The nature of our discussion with HSBC was to understand how its frameworks were evolving as it engages with clients and provide our view on best practices. We believe that the bank's disclosure is lacking in two areas: first, how the bank evaluates transition plans of its customers; and second, how it measures the financed emissions of its capital market activities. HSBC plans to publish a climate update in February 2023 and hopes to include targets on more sectors and a baseline for its capital market activities. The bank did not say how it will attribute the facilitated emissions or over what time frame, but it will follow Partnership for Carbon Accounting Financials guidance once published. HSBC spent the second half of 2022 building a framework to assess the transition plans of its customers. The framework focuses on actions underway, forward-looking targets, and plans to achieve these targets. The bank scores clients via a grading system, which will influence engagement efforts (e.g., customers with a low grade will undergo a further review in which HSBC will consider the customer's strategic importance and the reputational risks). The bank indicated it has reduced regional, size, and ownership bias in its grading system and gave some examples of discussions with customers. Regarding employee satisfaction, HSBC said that it saw no material changes in 2022 based on quarterly employee surveys. It made a one-off payment of GBP 1,500 to its lowest-paid UK staff due to the cost-of-living crisis and plans to shift workers from branches to be closed to other parts of the business. The engagement allowed us to discuss best practices on managing financed emissions risks. HSBC appears to be addressing areas of weakness in its climate strategy identified at the previous annual general meeting. The bank plans to provide more disclosure in its February 2023 climate report, which we will evaluate ahead of the 2023 meeting.

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. T. Rowe Price may have ongoing business and/or client relationships with the companies mentioned in this report.

JPMorgan Chase (4th Quarter 2022 Engagement)

Focus	Environmental, Governance
Company Description	JPMorgan Chase (JPMorgan) is a leading U.S. money center bank.
Engagement Objective	We engaged with JPMorgan across a range of governance and environmental areas.
Participants	From JPMorgan: Head of Executive Compensation, Corporate Secretary, Associate Corporate Secretary, Head of Investor Relations, Head of ESG for Investor Relations & Team From T. Rowe Price: Head of Corporate Governance, Responsible Investing Analyst
Engagement Outcome	The engagement centered on the results of the company's 2022 shareholder meeting, executive compensation, and climate commitments. At the 2022 shareholder meeting, a majority of investors voted against JPMorgan's Say on Pay. The vote was a reaction to the granting of a sizable special equity award to the chief executive officer (CEO) and select other senior executives. The stated purpose of the award was to incentivize the CEO to stay in his role for another five years. However, many investors saw the need for such an award as evidence of persistent failure in succession planning. T. Rowe Price does not typically support Say on Pay votes following the use of large special grants. However, at JPMorgan we supported the item, with some hesitation, out of a recognition that a pragmatic approach was required in this case. We provided feedback to the company about the need for better succession planning going forward, reducing the need to rely on special awards and providing much needed transparency for investors. We also were assured by the presence of strong guardrails in the structure of the award as well as the board's decision to adopt a formal policy to name an independent chair upon the incumbent CEO's retirement. We also discussed updates to JPMorgan's climate strategy. Our view is that energy transition presents a material financial risk to the banking sector as regulators around the world are increasingly focused on climate. We see some banks respond to this by adopting broad-brush sector exclusions, which we do not advocate. Instead, we believe financial services companies will be better served by taking a risk-mitigation approach and evaluating the climate strategies of the companies they are financing. In order to do this effectively, they will need to have a framework in place to evaluate each sector. The nature of our discussion with JPMorgan was to understand how its frameworks were evolving as it engages with clients and provide our view on best practices. Rather than an exclusionary approach, JP Morgan has elected to work with clients as they adapt to the clean energy transition and committed to disclosing their carbon assessment framework in the latest climate report (published December 2022). JPMorgan also provided a brief update on the U.S. Federal Reserve's climate risk pilot. The objective of the exercise is to predict what the bank's balance sheet will look like at intervals between now and 2050. However, at the current time data availability is problematic to performing a traditional stress-test exercise, and there is also a timing mismatch with the bank's own financed emissions targets (2030). JPMorgan also indicated that it would like to find more occasions in its reporting to talk about climate finance opportunities, not just the risks, and sees immense opportunity in greening dirty industries. We achieved our objective of providing feedback in governance and environmental areas.

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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. **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. **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.

IMPORTANT INFORMATION

Effective 1 October 2022, the fund changed its name from Responsible Global Aggregate Bond Fund to Global Aggregate Bond Fund.

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