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T. ROWE PRICE FUNDS SICAV

Global Government Bond Fund – ESG Report

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

As at 31 March 2023

ESG INTEGRATION APPROACH

- The Global Government Bond Fund uses environmental, social, and governance (ESG) integration as part of its investment process. By incorporating ESG considerations into our investment process, we seek to understand the range of ESG risks, together with many other investment criteria, to better position ourselves in order to deliver consistent, strong long-term returns for our clients.

- 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 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 (e.g., 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.

- 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 50% of the value of its portfolio invested in issuers and/or securities that are rated as 'Green' by the T. Rowe Price proprietary Responsible Investor Indicator Model (RIIM). The fund applies the T. Rowe Price RIIM Rating Criteria. 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: The fund seeks total return through a combination of income and capital appreciation.

INVESTMENT PROCESS: The fund is actively managed and invests mainly in a portfolio of bonds issued by governments, government-related entities and government agencies 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 50% of the value of its portfolio invested in issuers and/or securities that are rated as 'Green' by the T. Rowe Price proprietary Responsible Investor Indicator Model (RIIM). 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 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, 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.

Government of Israel (1st Quarter 2023 Engagement)

Focus	Environment
Company Description	The Israel Ministry of Finance is a ministry of the Government of Israel.
Engagement Objective	We engaged with the Israel Ministry of Finance on environmental target setting, measurement and reporting, as well as green bond issuance.
Participants	From Israel Ministry of Finance: Head of Government Debt Management Unit; Head of Domestic Debt and Cash Management; Head of Investor Relations, Global Debt Capital Markets; Global Debt Capital Markets representative; Ministry representative From T. Rowe Price: Sovereign Credit Analyst; Fixed Income Credit Analyst; Responsible Investing Analyst
Engagement Outcome	We engaged with the Israel Ministry of Finance to discuss environmental targets and green bond issuance. We discussed environmental metrics beyond greenhouse gas (GHG) emissions and communicated our support for the Israeli GHG emissions reduction target setting, measurement, and public reporting process. However, given the high bar it had set in GHG emissions, we felt other elements of environmental focus required a similar approach, namely in and around clean energy generation, waste and waste emissions reduction, and water conservation. While mid-term targets exist, we shared our perspective that they would benefit from enhancements, particularly given that the State, as far as we could discern, had no annual disclosure mechanism. Nor did third parties, such as investors, have the ability to find any of the less frequently measured metrics. We requested that, where appropriate, independent third-party verification of progress be considered, accompanied by regular (annual/bi-annual) public disclosure of progress and that these quantitative progress metrics be published, preferably on a web-based domain, which investors could access. We discussed ESG labelled debt or green bonds. Over several years, our sovereign credit research analysts have engaged regularly with Israel, discussing a range of sustainability topics, such as encouraging Israel to consider ESG labelled bonds. During this most recent engagement, the Israeli Head of Global Debt Capital Markets Investor Relations, specifically referenced these previous interactions. In particular, he noted that on a number of previous occasions our analysts had given very clear feedback on the importance of Israel considering sustainable labelled debt, stating that in his opinion this feedback had both been valuable, but also had contributed to the eventual inaugural green bond issue being considered. We requested that the State consider the build out of a liquid deep dollar or euro sustainable curve, rather than a one-off issue. We encouraged the sovereign to target an "Excellent" (as against current "Good") governance rating under the CICERO second party opinion (SPO) pre-issuance rating process. We referenced feedback the SPO provider had given, namely around sovereign level targets being considered beyond GHG emissions (see above). We requested that measurable and observable key performance indicators (KPIs) be tracked and reported post any future issuance, preferably with independent assurance. The Israeli representatives noted that our requests with regards to broader environmental metrics beyond GHG emissions seemed reasonable and that, if appropriate, the Sovereign would look to action our suggestions. Treasury acknowledged our input on ESG-labelled debt and shared that it was not looking to have a "one and done" labelled sustainable bond issuance and instead a deep, liquid sustainable curve was something it was targeting, at least in the dollar market, evaluating other currencies thereafter. The officials also reiterated their commitment to the adoption of quantitative, post-issuance KPIs which would be independently verified.

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.

L-Bank (Baden-Württemberg) (1st Quarter 2023 Engagement)

Focus	Environment, Social
Company Description	L-Bank is the state development bank (Agency) for the German state of Baden-Württemberg.
Engagement Objective	We engaged with L-Bank on ESG disclosure and affordable housing and social bonds.
Participants	From L-Bank ("Agency"): Head of Funding and International Funding Officer From T. Rowe Price: Responsible Investing Analysts (2)
Engagement Outcome	Baden-Württemberg is the third largest German state by GDP and is therefore very relevant to German de-carbonization and broader sustainability efforts. Our meeting focused on the gap between the German national ambitions and the apparent lack of disclosure to determine and track progress at the state level. In terms of environmental disclosure, L-Bank has no disclosure on its website around the State of Baden-Württemberg's environmental targets or current status (e.g., on emissions targets, emissions trajectory, or a practical mechanism of achieving this). L-Bank also has no social disclosure on its website around the state's social targets or status (e.g., on development capital deployed to achieve employment creation, promote education, promote positive health outcomes, etc). We conveyed our view that sustainability reporting was a weakness and requested public disclosure using quantitative metrics, preferably with an annual reporting cadence. In terms of affordable housing and social bonds, L-Bank is considering issuing its inaugural sustainability framework. We highlighted several areas of best practice in reporting, including quantitative data allowing us to track impact. Data could include the number of affordable homes created or number of jobs created for small and medium-sized enterprises. L-Bank acknowledged our feedback, stating that it was balanced, well researched and entirely fair. It indicated that it would be issuing its sustainability framework in March 2023 and would look to incorporate our feedback. Additionally, L-Bank committed to implementing our disclosure requests over the next 9-12 months. We will continue to track and monitor progress on ESG Disclosure and impact data.

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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. **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. **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. **Currency -** Currency exchange rate movements could reduce investment gains or increase investment losses. **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. **Emerging markets -** Emerging markets are less established than developed markets and therefore involve higher risks. **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. **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. **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.

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