



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 December 2023

ESG INTEGRATION APPROACH

- The Global Government Bond Fund uses environmental, social, and governance (ESG) integration as part of its investment process. This means incorporating ESG 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 based on 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 dedicated ESG specialists. We complement this approach with regular screening of the portfolio using RIIM. 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.

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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.

United Kingdom of Great Britain and Northern Ireland (4th Quarter 2023 Engagement)

Focus	Environment
Company Description	United Kingdom of Great Britain and Northern Ireland (UK)
Engagement Objective	We engaged with Public, a research firm that has been commissioned by the UK Department for Business and Trade, to help in the development of the UK Taxonomy.
Participants	<p>From Public: Transformation Associate</p> <p>From T. Rowe Price: Head of ESG, Fixed Income; Responsible Investing Analyst</p>
Engagement Outcome	<p>We imparted our views on our experience with the European Union (EU) Taxonomy—a classification system established to clarify which activities are environmentally sustainable—and made requests regarding what we think the UK government should consider when developing its own taxonomy, or green classification system.</p> <p>ESG disclosure (environment) – bond-level standards</p> <p>We noted that we have received feedback from issuers, including agencies of the EU, that the level of ambition of the EU Taxonomy is very high, making it very difficult to align with the standards set.</p> <p>As the UK develops its taxonomy, we cautioned against over-engineering the taxonomy and failing to consider “user-friendliness,” noting the potential for unintended regulatory arbitrage. We also encouraged the UK government to focus on interoperability. We noted that the standards set out by the International Capital Markets Association (ICMA) have been widely used and recognized to be robust, and we encouraged the UK government to leverage ICMA’s existing, highly regarded standards and cautioned against reinventing the wheel and creating an additional reporting burden for issuers.</p> <p>ESG disclosure (environment) – fund-level standards</p> <p>We imparted our view to Public, which is representing the UK government and will feed this information back to it, that the EU’s intention to streamline and standardize ESG disclosure has turned into a labeling regime, which we believe is less impactful.</p> <p>We encouraged the UK government to develop clear guidelines to avoid differing interpretations that could lead to a situation that occurred in the implementation of SFDR in which a large number of funds had to downgrade from Article 9, which has a sustainable investment objective, to Article 8, which promotes environmental or social objectives. We noted that the Financial Conduct Authority’s (FCA’s) recently announced approach on fund labels was more nuanced and commended this effort.</p> <p>We requested Public/the UK government publish a report with the feedback it has received from other interviews it has conducted throughout its UK Taxonomy consultation period. We also requested the UK government publish a taxonomy that leverages existing robust standards and does not set the bar unattainably high.</p>

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.

Netherlands (2nd Quarter 2023 Engagement)

Focus	Environment
Company Description	Kingdom of the Netherlands
Engagement Objective	We engaged with the Dutch State Treasury Agency (DSTA) to offer feedback on potential blue bond issuance and discuss the country's commitment to nature-related projects.
Participants	From DSTA: Head of Policy Unit; Dealer From T. Rowe Price: Responsible Investing Analyst
Engagement Outcome	<p>The engagement allowed us to impart our view on potential blue bond issuance and to request continued prioritization of biodiversity protection projects.</p> <p>Blue bond issuance: DSTA's green bond framework already allocates funding to water management projects, particularly through the country's Delta Program, which is focused on flood protection, securing freshwater, and mitigating the impact of extreme weather events.</p> <p>As sea level rise is an increasing concern for the Netherlands, we imparted our view that a blue bond issuance may be opportune and requested the country consider this issuance format, given the country's geography and the rising interest in this type of bond.</p> <p>We were informed that a blue bond has been under discussion; although, focus thus far has largely been on keeping the green bond liquid. It is possible that a blue bond will be included in the September forecast report.</p> <p>ESG disclosure—biodiversity: The government has recently faced significant pushback from the agricultural industry over efforts to reduce nitrogen emissions and protect biodiversity. Although the DSTA noted that it would like to do more in terms of biodiversity protection, it also acknowledged that the agricultural sector has a large political influence and biodiversity efforts have been met with social unrest recently. This makes it difficult to allocate greater funding to nature-related projects given the risk of political backlash.</p> <p>We imparted our view that we believe biodiversity is an important area of focus as climate change and biodiversity are interlinked crises and encouraged DSTA to continue to include biodiversity projects in its labeled issuance and national policy as opposed to deprioritizing sustainability considerations when faced with potentially transitory national political party views.</p> <p>We will monitor for future blue bond issuance and for future green bond issuances to fund more biodiversity-related projects.</p>

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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.

The data in the table below is the RIIM Weighted Average Score which is a combined Environmental, Social and Governance score for the portfolio, and which is used to measure the Sustainability Indicator for the Fund. It differs to the overall RIIM Indicator Score which is determined by the worst of the Environmental, Social and Governance scores.

	Portfolio		Benchmark	
	No. of securities	% weight	No. of securities	% weight
● Green	26	83.0	1,247	100.0
● Orange	0	0.0	0	0.0
● Red	0	0.0	0	0.0
● Not in scope	34	4.6	0	0.0
● Not covered	0	0.0	0	0.0
● Cash	1	12.4	0	0.0
Total	61	100.0	1,247	100.0

● No/few Flags ● Medium Flags ▲ High Flags

The comparator benchmark of the Fund is the FTSE World Government Bond Index Hedged USD. 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 to maintain at least 50% of the value of its portfolio invested in issuers and/or securities that are rated "Green" by the T. Rowe Price proprietary Responsible Investor Indicator Model ("RIIM").

The percentage exposure of the fund in issuers and/or securities that are rated "Green" is:

	Target Minimum Exposure %	Fund Exposure %
Green Issuers/Securities	50.0%	83.0%

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. 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. 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.

ADDITIONAL DISCLOSURES

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