Global High Income Bond Fund – ESG Report
Providing transparency on Environment, Social and Governance aspects of the Fund
As at 30 September 2023

ESG INTEGRATION APPROACH

• The central mission is to help our clients reach their long-term financial goals and we believe that incorporating ESG factors into our investment process alongside financials, valuation, macroeconomics and other factors is consistent with that objective. 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 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.)

• Our Global High Income Bond Fund seeks to generate alpha by focusing on proprietary, bottom-up research to identifying companies offering long-term performance potential. The Global High Income investment team examines each potential investment; each holding; and the entire portfolio with an approach deeply rooted in fundamental analysis along with a macro and industry top-down view. These processes naturally incorporate an analysis of each company’s environmental, social, and governance factors and tend to yield an ESG-friendly portfolio. However, our Global High Income investment team collaborates closely with our ESG specialists to augment their work. We also screen the portfolio using T. Rowe Price’s proprietary RIIM analysis at regular intervals. This helps us understand the ESG characteristics of the portfolio and makes us aware of any exposures to specific ESG factors or how these ESG factors may impact a company’s business operations and market performance.

• 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 high yield corporate bonds 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 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, 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.
Minsur (2nd Quarter 2023 Engagement)

<table>
<thead>
<tr>
<th>Focus</th>
<th>Environment</th>
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<tbody>
<tr>
<td><strong>Company Description</strong></td>
<td>Minsur is a Peru-based mining company, mainly focused on tin and copper.</td>
</tr>
<tr>
<td><strong>Engagement Objective</strong></td>
<td>We engaged with the company for a discussion on climate strategy and water.</td>
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</tbody>
</table>
| **Participants** | From Minsur: Chief Executive Officer  
From T. Rowe Price: Investment Analyst; Responsible Investing Analyst |
| **Engagement Outcome** | We met with Minsur to discuss its sustainability strategy and most material ESG risks. We also wanted to ask the company whether it planned to disclose its scope 3 emissions footprint and whether it had plans to set any water reduction targets.  

**Decarbonization**

Minsur has a target to reduce its scope 1-2 emissions 30% by 2030 and to achieve net zero emissions by 2050.

It has earmarked USD 200 million to achieve its 2030 goal, which will primarily involve increased electrification and increasing the share of renewable energy at its mines. It may look to develop its own wind and solar assets, given the excellent renewable resource at its operations in Peru.

The company does not currently report its scope 3 emissions but aims to do so by the end of this year. Longer term, it would consider setting scope 3 targets and may consider including emissions performance in its contracts with upstream suppliers.

**Water**

This is an area of focus for the company. Peru is less exposed to water scarcity risks than other countries in Latin America, and Minsur’s copper mine already uses 100% seawater, which reduces its dependence on freshwater. Although it does not currently have any targets on water, this is a priority and the company aims to set a water-related target by the end of 2023.

**End product sustainability**

The company highlighted the crucial role that tin will play through the energy transition. As well as being a key component of solder (which is used in essentially all electronics), tin is also used in certain batteries and, increasingly, in solar panels.

Minsur appears to have a reasonably well-formed sustainability strategy. It aims to publish its scope 3 emission footprint by the end of 2023. Water is a key area of focus for the company, and it aims to set a water reduction target this year too.

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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.

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.
# VNET (2nd Quarter 2023 Engagement)

<table>
<thead>
<tr>
<th>Focus</th>
<th>Environment, Governance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Company Description</td>
<td>VNET is an internet data center services provider in China.</td>
</tr>
<tr>
<td>Engagement Objective</td>
<td>We engaged with the company to discuss Board diversity, energy and emissions, water management, green buildings, and ESG-related debt financing.</td>
</tr>
</tbody>
</table>
| Participants                        | From VNET: Investor Relations Representatives (2); ESG Representative  
From T. Rowe Price: Responsible Investing Analyst |

## Engagement Outcome

Our main objectives were to encourage the company to appoint a female director to the company’s single-gender Board, set a net zero (NZ) target on top of its current carbon neutrality goal, and ask for broader ESG disclosure.

### Board diversity

VNET understands it has weak Board diversity, with external rating agencies and other investors flagging this issue to them. The company is currently working on coming up with more incentives to increase gender diversity in hiring and general operations. We highlighted to VNET the importance of female inclusion on the Board.

### Energy and emissions

VNET has set a goal to reach carbon neutrality across its scope 1-2 emissions (c.74% of total emissions) and 100% renewable energy (RE) by 2030. The company has also committed to setting a science-based target by 2024 that includes coming up with a NZ target. That said, VNET is relying on carbon offset projects to achieve its carbon neutrality goal. VNET explained that there have been increasing demands from its tenants on both emissions reduction and RE. The company has been relying on both on-site solar panels and externally procured RE to reach 100% RE by 2030. In 2022, VNET signed a green power purchase agreement with CGN Solar Energy that contains a green power supply guarantee in the next five years. The next steps we discussed were for VNET to include scope 3 emissions in its 2030 carbon-neutral target and to set some science-based targets and a NZ target.

### Water management

VNET is well aware that water scarcity is a material risk for data centers. The company has already carried out water assessments for all its data centers and identified ones located in water-scarce regions but has not started publicly disclosing the results. The next steps here are for VNET to disclose the proportion of its data centers located in water-scarce regions and to switch from water-based coolants to water-free ones.

### Green buildings

17% of VNET’s portfolio is certified as of the end of 2022, and the company has committed to applying for green building certification for 100% of its newly planned data centers in response to increasing consumer demand.

### ESG-related debt financing

Currently, VNET does not have a need to issue ESG-labeled bonds. That said, the company actively evaluates the feasibility of such issuance and will consider so when needs arise in funding sustainability projects in the future.

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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.
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:

<table>
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<tr>
<th>Sustainable Investments</th>
<th>Target Minimum Exposure</th>
<th>Fund Exposure %</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>10.0%</td>
<td>19.9%</td>
</tr>
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</table>

RISKS - The following risks are materially relevant to the fund (refer to prospectus for further details):

- 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. 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. 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.
- Frontier markets - Frontier markets are less mature than emerging markets and typically have higher risks, including limited investability and liquidity.
- 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.
- Liquidity - Liquidity risk may result in securities becoming hard to value or trade within a desired timeframe at a fair price.
- 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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