T. ROWE PRICE FUNDS SICAV

Emerging Local Markets Bond Fund – ESG Report

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

As at 31 March 2023

ESG INTEGRATION APPROACH

- The Emerging Local Markets 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 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.)

- We seek to build a best-ideas portfolio through bottom-up research that emphasizes the best risk-adjusted value across the opportunity set, while also ensuring appropriate diversification for risk considerations. Our focus is primarily on sovereign debt denominated in the currency of the respective country, and we aim to integrate proprietary research and relative value analysis with a consideration for the ESG profile of the sovereign. We establish an independent credit rating by country and aim to add value through active country, currency, and individual security selection decisions.

- 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/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).

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 emerging market issuers, with a focus on bonds that are denominated in the local currency. 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 currencies and debt securities. 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.

HDFC Bank (2nd Quarter 2022 Engagement)

Focus	Environment, Social
Company Description	HDFC Bank is a private bank in India.
Engagement Objective	We engaged with the company to discuss several ESG issues including carbon footprint management and financial inclusion.
Participants	From HDFC Bank: Chief Financial Officer; Investor Relations From T. Rowe Price: Fixed Income Analyst
Engagement Outcome	The purpose of our engagement with HDFC Bank was to discuss a range of ESG topics, with a focus on carbon footprint management and financial inclusion. The bank recently set a fiscal 2032 carbon neutrality target for scope 1–2 emissions[1] but expects that carbon offsets will play a role. The bank is also expanding its ESG team and will provide more disclosure in the annual report on how it will meet the 2032 target. While we find the target encouraging, the limited scope and use of carbon offsets make it less credible. HDFC Bank has been making improvements to its Social and Environmental Management Systems. The bank tracks the carbon policies of its large corporate customers, including their MSCI carbon index rankings, which influence its pricing decisions. The bank is trying to measure scope 3 financed emissions but is not likely to set reduction targets unless India reduces its reliance on coal. Regarding financial inclusion, HDFC Bank updated us on its goal of having a presence in 200,000 rural villages by 2023. The bank was in 135,000 villages at the end of the first quarter of 2022 and has targeted 160,000 villages by year-end. The engagement allowed us to impart our views on best practices on ESG topics and target setting. We are encouraged that HDFC Bank continues to improve its climate risk management but recognized that there is room for improvement, notably in targets related to financed emissions.

[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).

CME Group (2nd Quarter 2022 Engagement)

Focus	Governance
Company Description	CME Group (CME) is a global derivatives marketplace based in Chicago, USA.
Engagement Objective	We engaged with the company to discuss executive pay.
Participants	From CME: Associate Corporate Secretary; Corporate Secretary; Compensation and Benefits representative; Director, Investor Relations From T. Rowe Price: Head of Corporate Governance
Engagement Outcome	We engaged with CME to discuss voting items before its upcoming shareholder meeting, with a focus on executive compensation. During the year, the board renewed the chief executive officer's employment contract and awarded a special cash bonus on top of the regular bonus and long-term incentive plan. The amount was paid immediately and not subject to forfeiture, even if the chief executive officer were to leave the company or was removed for cause. T. Rowe Price believes that tying extra awards to contract extension is a problematic practice. CME said that management and a compensation consultant told the compensation committee that investors and proxy advisors object to this type of award. However, the committee decided it was appropriate. Our policy is to vote against "say on pay" under these circumstances. The engagement helped inform our decision to vote against.

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.

RISKS - The following risks are materially relevant to the fund (refer to prospectus for further details): 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. **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. **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. **Country (Russia and Ukraine) -** Russian and Ukrainian investments may be subject to higher risks associated with custody and counterparties, liquidity, market disruptions, as well as strong or sudden political risks. **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. **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. **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. **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

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