T. ROWE PRICE FUNDS SICAV

Euro Corporate Bond Fund – ESG Report

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

As at 31 December 2023

ESG INTEGRATION APPROACH

- The Euro Corporate 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 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 aims to generate alpha through security selection based on bottom-up research. By drawing on our global research resources and analyst teams, we aim to identify positive idiosyncratic stories and names that can perform over the long term. As such, our primary emphasis is on company fundamentals, which include the consideration of environmental, social, and governance factors. We find that this longstanding investment philosophy tends to yield an ESG-friendly portfolio; however, 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 elevated exposures to specific ESG factors.
- 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 corporate bonds that are denominated in euro. 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.

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.

NatWest (4th Quarter 2023 Engagement)

Focus	Environment
Company Description	NatWest Group is a UK bank whose brands include Royal Bank of Scotland and Coutts.
Engagement Objective	We engaged with the bank to understand recent changes made to its ESG bond framework and to discuss best practice aspects of its climate strategy.
Participants	From NatWest: Head of Debt Investor Relations; Ratings Strategy Lead From T. Rowe Price: Portfolio Managers; Responsible Investing Analyst
Engagement Outcome	We engaged with NatWest to understand changes the bank recently made to its green, social, and sustainable bond framework. Additionally, we sought to make recommendations on the bank's upcoming impact report for its women-led social bond and to discuss appetite for future issuance. Finally, we sought to discuss NatWest's climate strategy. NatWest explained updates to its green, social, and sustainable financing framework (e.g., aligning projects to the European Union Taxonomy and introducing new biodiversity-related project categories). It removed the lookback period and said it will vary the lookback period depending on the bond. We restated our position that the bank should allocate proceeds to new assets as opposed to refinancing existing assets on the balance sheet. In March, NatWest issued a social bond whose proceeds were allocated to women-led enterprises and plans to publish a post-issuance allocation/impact report in April 2024. We highlighted some metrics preferred by investors (e.g., number of women supported, number of jobs created, contribution to gross domestic product) and pointed to peers demonstrating best practice. Going forward, NatWest aims to have at least 25% of its future issuance to be green, social, or sustainable bonds. We discussed the bank's appetite for more targeted issuances (e.g., bonds that finance affordable housing, women-led enterprises). On climate strategy, NatWest highlighted ways in which it sets itself apart from others. The bank has a differentiated product offering (e.g., it provides tools for its retail and small business customers to measure their carbon footprint) and provides retrofitting-related education to the construction industry. NatWest was one of the first banks to develop a framework to assess the credibility of clients' transition reports. It has prioritized engaging with oil and gas clients but applied its assessment to other sectors and will report on its progress in the next ESG report. We encouraged the bank to report on how the climate maturity of its clients is evolving and gave examples of peers demonstrating best practice. The engagement confirmed our view that NatWest's climate strategy is ahead of its peers and gave us an opportunity to provide feedback on its ESG bond reporting and client engagement efforts. We will monitor for the bank's publication of its 2023 allocation/impact report and for information on the evolving climate maturity of its clients.

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.

JPMorgan Chase & Co. (4th Quarter 2023 Engagement)

Focus	Environment
Company Description	JPMorgan Chase & Co. (JPMorgan) is a leading U.S. bank.
Engagement Objective	We engaged with the bank to discuss its climate strategy and the U.S. regulatory environment.
Participants	From JPMorgan: ESG Investor Relations; Executive Director, Sustainability; Executive Compensation; Corporate Secretary From T. Rowe Price: Head of Corporate Governance; Responsible Investing Analyst
Engagement Outcome	We regard JPMorgan as a global leader in climate finance and in decarbonizing its loan book. During our engagement, we sought to discuss aspects of best practice in its climate strategy and to understand how it is being affected by the U.S. regulatory environment. JPMorgan is further along its climate journey than its peers, and we discussed how this edge offers a competitive advantage over other banks. The bank's climate risk team has grown to 110 individuals, much larger than its peers, who rely more on outsourcing their climate risk models. We also discussed changes made to its climate strategy in the past 12 months. These include updating baselines for sector financed emission targets, shifting the bank's oil and gas target to an energy mix target by including zero-carbon power generation in scope, and engaging with clients on their transition plans. We encouraged JPMorgan to report on how its clients' transition plans have evolved over time and gave examples of peers demonstrating best practice. The U.S. regulatory environment has grown more polarized, with greater disclosure requirements on the one hand and boycotts of financial institutions for their energy policies on the other. In JPMorgan's case, we have seen its policies and involvement in the Net-Zero Banking Alliance (NZBA) start to impact profitability, as the bank was recently dropped from a municipal bond underwriting deal in Texas. JPMorgan sees value in being an NZBA member since it can influence policy decisions. It sees a bigger challenge in the Federal Reserve's proposed Basel III Endgame, which would require the bank to hold additional capital (400% risk weighting versus 100% previously) for tax-equity investments, such as wind farms and other clean energy projects. The engagement gave us an opportunity to make a recommendation on disclosure that would help JPMorgan reinforce its position as a global leader in climate finance. Going forward, we will monitor for the bank to demonstrate how its clients' transition plans have evolved over time.

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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.

	Portfolio		Benchmark	
	No. of securities	% weight	No. of securities	% weight
Green	271	90.6	3,233	89.2
Orange	16	6.8	285	8.9
Red	0	0.0	33	0.8
Not in scope	4	0.2	55	1.1
Not covered	2	0.8	1	0.0
Cash	1	1.5	0	0.0
Total	**294**	**100.0**	**3,607**	**100.0**

No/few Flags Medium Flags High Flags

The comparator benchmark of the Fund is the Bloomberg Euro-Aggregate:Corporates Bond Index EUR. 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 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:

	Target Minimum Exposure %	Fund Exposure %
Sustainable Investments	10.0%	37.8%
Environmental Objectives	0.5%	5.1%
Social Objectives	0.5%	32.6%

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. 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. 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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