ESG INTEGRATION APPROACH

• The Europe High Yield 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 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 Europe High Yield Bond Fund seeks to generate alpha by focusing on proprietary, bottom up research to identifying companies offering long-term performance potential. The Europe High Yield 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 Europe High Yield 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.
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.
## Arrow Global (2nd Quarter 2023 Engagement)

<table>
<thead>
<tr>
<th>Focus</th>
<th>Environment, Social, Governance</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Company Description</strong></td>
<td>Arrow Global is an alternative asset manager specializing in private credit and real estate.</td>
</tr>
<tr>
<td><strong>Engagement Objective</strong></td>
<td>We engaged with the company for a discussion on sustainability strategy, environmental disclosure, employee satisfaction, and gender diversity.</td>
</tr>
</tbody>
</table>
| **Participants** | From Arrow Global: Chief Commercial Director; Sustainability Director  
From T. Rowe Price: Investment Analyst; Responsible Investing Analyst |

### Engagement Outcome

- We engaged with the company to discuss various ESG topics including its climate strategy.

The company’s detailed reporting relative to its private peers stems from its status as a UK-listed company before the TDR buyout in 2021. Despite becoming a private company, the sustainability director does not believe the ESG standards have slipped, with TDR requiring key performance indicators (KPIs) to be reported on a quarterly basis and frequent off-sites with other TDR companies to share best practice. Going forward, Task Force on Climate-Related Financial Disclosures (TCFD) reporting and the EU Sustainable Finance Disclosure Regulation (SFDR) remain areas of priority.

The company has been reporting scope 1-2 emissions and some scope 3 emission categories since 2013 but falls below its public peers in having no forward-looking targets. Arrow is looking to publish its first TCFD report in the second half of 2023, and we encouraged the company to consider setting science-based GHG reduction targets and a net zero goal.

Arrow Global signed up to the United Nations Principles for Responsible Investing (UNPRI) and is working through the first round of UNPRI reporting. The company currently uses the Sustainable Development Investments Asset Owner Platform to integrate ESG factors into its investment decision-making and is considering how to incorporate net zero into its assessments.

The company believes employee morale has remained constant in recent times and has addressed the cost-of-living crisis with two salary increases in 2022 for the lowest earners. The company’s Glassdoor rating is weak relative to its internal satisfaction metrics, but most of the reviews are tied to its UK business (around 25% of the workforce operates in a Glasgow call center), which it exited in 2023.

Arrow confirmed it has a target of 40% female representation across senior leadership by 2025. The sustainability director believes it is close to meeting this already, with several female appointments in the first quarter of 2023.

The engagement allowed us to provide recommendations on Arrow Global’s ESG disclosure and climate strategy.

---

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.
Telefonica (1st Quarter 2023 Engagement)

<table>
<thead>
<tr>
<th>Focus</th>
<th>Environment, Social</th>
</tr>
</thead>
<tbody>
<tr>
<td>Company Description</td>
<td>Telefonica is a multi-national telecommunications operator with businesses in Spain, Brazil, Germany, and Latin America.</td>
</tr>
<tr>
<td>Engagement Objective</td>
<td>We engaged with Telefonica on environmental and social disclosure as well as digital rights and the feasibility of its scope 3 greenhouse gas reduction targets.</td>
</tr>
<tr>
<td>Participants</td>
<td>From Telefonica: ESG Development and Impact Director</td>
</tr>
<tr>
<td></td>
<td>From T. Rowe Price: Responsible Investing Analyst</td>
</tr>
</tbody>
</table>

Telefonica is an industry leader when it comes to ESG topics. However, there are a number of areas where the company still has challenges to overcome. As such, we wanted to engage with Telefonica to:

- Encourage greater clarity/ and research around the emissions avoided attributable to Telefonica’s business
- Understand the company’s role in promoting Taxonomy inclusion for telecommunications connectivity activities
- Assess the potential for further digital inclusion impact from the business
- Encourage greater focus on Telefonica’s weak spots in the topic of digital rights (providing users greater access to/ and control of how their data is used)
- Understand the feasibility of scope 3¹ emissions targets

Telefonica recently published an emissions avoided figure of 81 million tons of carbon dioxide in 2022, which it calculated via information from B2C customers. The company is working with the carbon trust to establish standardized impact key performance indicator (KPI) calculations for the sector—to set targets for this. The company also has a range of smart products and services which can help measure the savings from B2B services, e.g., echo smart. We shared feedback regarding evolving its emission avoided KPI methodology and setting targets.

Telefonica would like to see telecommunications connectivity included as an eligible taxonomy activity and believes we could see a change to this in the mid-term. The company has been active in promoting the sector’s role with the European Union. The company’s digital inclusion strategies can be broken down into connectivity and affordability. On connectivity, the company aims to reach a target of >90% rural connectivity in its main markets. (Telefonica has already met its “internet for all” target, exceeding 3 million customers.) On affordability, the company continues to introduce affordable tariffs that enable better inclusion in markets like the UK and Spain. Telefonica has created a “transparency center” application that will enable customers to manage and access their data and opt in/out of data sharing.

Telefonica was the first telecommunications company to have science-based targets approved scope 3 goals. In order to reach the target, the company’s primary lever is to engage its largest suppliers to set science-based targets. The other major scope 3 component is use of end products—which Telefonica can address by continuing to improve its network efficiency and move from copper to fiber and 5G.

The meeting allowed us to provide feedback on the company’s sustainability strategy. It also confirmed Telefonica’s leadership in ESG: the company is already best practice in many material ESG factors and continues to advance in more niche areas such as data transparency, impact reporting and scope 3 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.

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.
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>
<thead>
<tr>
<th></th>
<th>Target Minimum Exposure</th>
<th>Fund Exposure</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sustainable Investments</td>
<td>10.0%</td>
<td>20.4%</td>
</tr>
</tbody>
</table>

RISKS - The following risks are materially relevant to the fund (refer to prospectus for further details): 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 default debt securities bear substantially higher degree of risks linked to recovery, liquidity and valuation. 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.
IMPORTANT INFORMATION

The Funds are sub-funds of the T. Rowe Price Funds SICAV, a Luxembourg investment company with variable capital which is registered with Commission de Surveillance du Secteur Financier and which qualifies as an undertaking for collective investment in transferable securities ("UCITS"). Full details of the objectives, investment policies and risks are located in the prospectus which is available with the key investor information documents (KIID) and/or key information document (KID) in English and in an official language of the jurisdictions in which the Funds are registered for public sale, together with the articles of incorporation and the annual and semi-annual reports (together "Fund Documents"). Any decision to invest should be made on the basis of the Fund Documents which are available free of charge from the local representative, local information/paying agent or from authorised distributors. They can also be found along with a summary of investor rights in English at www.troweprice.com. The Management Company reserves the right to terminate marketing arrangements.

This material is being furnished for general informational and/or marketing purposes only. The material does not constitute or undertake to give advice of any nature, including fiduciary investment advice, nor is it intended to serve as the primary basis for an investment decision. Prospective investors are recommended to seek independent legal, financial and tax advice before making any investment decision. T. Rowe Price group of companies including T. Rowe Price Associates, Inc. and/or its affiliates receive revenue from T. Rowe Price investment products and services. Past performance is not a reliable indicator of future performance. The value of an investment and any income from it can go down as well as up. Investors may get back less than the amount invested.

The material does not constitute a distribution, an offer, an invitation, a personal or general recommendation or solicitation to sell or buy any securities in any jurisdiction or to conduct any particular investment activity. The material has not been reviewed by any regulatory authority in any jurisdiction.

Information and opinions presented have been obtained or derived from sources believed to be reliable and current; however, we cannot guarantee the sources' accuracy or completeness. There is no guarantee that any forecasts made will come to pass. The views contained herein are as of the date noted on the material and are subject to change without notice; these views may differ from those of other T. Rowe Price group companies and/or associates. Under no circumstances should the material, in whole or in part, be copied or redistributed without consent from T. Rowe Price.

The material is not intended for use by persons in jurisdictions which prohibit or restrict the distribution of the material and in certain countries the material is provided upon specific request.

It is not intended for distribution to retail investors in any jurisdiction.

DIFC – Issued in the Dubai International Financial Centre by T. Rowe Price International Ltd which is regulated by the Dubai Financial Services Authority as a Representative Office. For Professional Clients only.

EEA – Unless indicated otherwise this material is issued and approved by T. Rowe Price (Luxembourg) Management S.à r.l. 35 Boulevard du Prince Henri L-1724 Luxembourg which is authorised and regulated by the Luxembourg Commission de Surveillance du Secteur Financier. For Professional Clients only.

Hong Kong – Issued by T. Rowe Price Hong Kong Limited, 6/F, Chater House, 8 Connaught Road, Central, Hong Kong. T. Rowe Price Hong Kong Limited is licensed and regulated by the Securities & Futures Commission. For Professional Investors only.

Singapore – Issued in Singapore by T. Rowe Price Singapore Private Ltd. (UEN: 201021137E), 501 Orchard Road, #10-02 Wheelock Place, Singapore 238880. T. Rowe Price Singapore Private Ltd. is licensed and regulated by the Monetary Authority of Singapore. For Institutional and Accredited Investors only.

Switzerland – Issued in Switzerland by T. Rowe Price (Switzerland) GmbH, Talstrasse 65, 6th Floor, 8001 Zurich, Switzerland. First Independent Fund Services Ltd, Klausstrasse 33, CH-8008 Zurich is Representative in Switzerland. Helvetische Bank AG, Seefeldstrasse 215, CH-8008 Zurich is the Paying Agent in Switzerland. For Qualified Investors only.

UK – This material is issued and approved by T. Rowe Price International Ltd, Warwick Court, 5 Paternoster Square, London, EC4M 7DX which is authorised and regulated by the UK Financial Conduct Authority. For Professional Clients only.

The sub-funds of the T. Rowe Price Funds SICAV are not available to US persons, as defined under Rule 902(k) of the United States Securities Act of 1933, as amended ("Securities Act"). The shares of the funds have not been nor will they be registered under the Securities Act or under any state securities law. In addition the funds will not be registered under the United States Investment Company Act of 1940 (the "1940 Act"), as amended and the investors will not be entitled to the benefits of the 1940 Act. Provided to global firms in the US by T. Rowe Price Investment Services, Inc.

©2023 T. Rowe Price. All Rights Reserved. T. ROWE PRICE, INVEST WITH CONFIDENCE, and the Bighorn Sheep design are, collectively and/or apart, trademarks or registered trademarks of T. Rowe Price Group, Inc.

202307-2991344
202310-3179495