T. ROWE PRICE FUNDS SICAV

Global Investment Grade Corporate Bond Fund – ESG Report

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

As at 31 March 2024

ESG INTEGRATION APPROACH

- The Global Investment Grade 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 portfolio is constructed on the basis of 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 the dedicated ESG specialist team. We complement this approach with regular screening of the portfolio using T. Rowe Price's proprietary RIIM analysis. 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 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 investment-grade 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, 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.

HSBC Holdings (1st Quarter 2024 Engagement)

Focus	Environment
Company Description	HSBC is a global banking and financial services group.
Engagement Objective	We engaged with the bank for a discussion on its climate strategy and transition plan disclosure.
Participants	From HSBC: Chief Sustainability Officer; Head of Sustainable Finance From T. Rowe Price: Responsible Investing Analyst
Engagement Outcome	The bank was subject to a series of climate-related shareholder proposals at previous annual general meetings (AGMs), with concerns that it was dragging its feet on its climate approach. Encouragingly, we have seen the bank improve its disclosure over the past 12-18 months as it looks to address deficiencies in its climate strategy. The bank intends to publish its first transition plan and we joined a collaborative investor meeting with HSBC to preview its upcoming disclosures. The bank’s inaugural transition plan will consist of three parts: • Vision and strategic approach: the bank’s vision is to seize the economic opportunity in financing the transition while mitigating wider societal risks. HSBC confirmed that it is formally integrating nature and the just/inclusive transition within its strategy. • Sector transitions: the bank intends to report on the 10 high-emitting sectors critical to the net-zero transition, information on the bank’s financed emissions of these sectors and the technology needed to decarbonize. HSBC also expects to provide an overview of the customer engagement output. • Implementation plan: HSBC expects to detail how it is supporting its customers through transition solutions, embedding net zero within its operations and risk management practices, and partnering for systemic change across various stakeholders. We provided feedback to the bank on what investors would like to see in the transition plan, including more information on the framework to assess clients transition plans such as escalation measures for clients who HSBC deems to have a weak climate strategy. We also recommended the bank set financed emission reduction targets on the real estate sector as it is one of only a handful of large global banks that has yet to do so. We briefly discussed the regulatory environment, with the narrative from the ECB shifting more towards bank’s holding Pillar 1 capital for their exposure to “brown” assets. The bank feels that penalizing banks for its “brown” exposure without incentivizing “green” exposure is a dangerous tactic from the regulator and could resort in distortions in balance sheets as it disincentivizes banks being providers of capital for the transition. It was encouraging to hear that HSBC continues to develop its climate strategy and intends to publish its transition plan in the coming weeks. The meeting gave us an opportunity to provide disclosure and target setting recommendations on what investors would like to see from HSBC which would bring the bank in line with global leaders. We will monitor for: (1) HSBC to set financed emission reduction targets for the real estate sector, and (2) the bank to measure and set emission reduction targets for facilitated emissions derived from its capital market activities and provide additional information on its framework to assess clients transition plans.

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.

Chesapeake Energy (1st Quarter 2024 Engagement)

Focus	Environment, Governance
Company Description	Chesapeake Energy (Chesapeake) is a U.S. oil and gas company based in Oklahoma City.
Engagement Objective	We engaged with Chesapeake Energy to focus on climate strategy and governance.
Participants	From Chesapeake: Chief Sustainability Officer; General Counsel and Corporate Secretary; Vice President, Marcellus; Chief Financial Officer; Investor Relations representatives From T. Rowe Price: Head of Corporate Governance; Responsible Investing Analyst
Engagement Outcome	We engaged with Chesapeake to discuss potential governance structure changes after the company announced in January its intention to acquire Southwestern Energy Co. in an all-stock deal. Additionally, we sought to discuss the deal's potential impact on Chesapeake's climate strategy and to give feedback on its climate reporting and strategy. The proposed deal is subject to regulatory review and shareholder approval from both companies. It appears likely that each company will have its last regular shareholder meeting as an independent entity and vote on the deal in the second quarter of 2024. The new company will have seven Chesapeake board members and four Southwestern Energy board members, with Chesapeake's executive chair continuing in his role. Chesapeake has a net zero target on scope 1-2[1] emissions by 2035 and short-term targets for upstream emissions and methane intensity. The company made clear it would reduce emissions as much as possible but would likely require the use of offsets to hit its net zero goal. Management said it prefers to generate its own offsets rather than buy from a third party, which would help ensure the quality of its offsets. We noted that Chesapeake's approach to the use of offsets in climate strategies is aligned with our views. Southwestern Energy does not have a net zero target and aims to reduce its scope 1-2 emissions by 50% by 2035. If the proposed deal goes through, Chesapeake intends for the entire portfolio to be net zero by 2035, including the acquired assets. Regarding Chesapeake's ESG and climate reporting, we noted that the company's disclosures are generally strong. We provided our views on best practices for its climate report with a focus on climate scenario analysis. Chesapeake plans to publish a standalone sustainability report in June 2024 and a climate report in November or December 2024. Reporting for the combined entity is expected to start in 2025. Our engagement gave us an opportunity to give feedback on Chesapeake's ESG disclosure and share our views on best practices for climate reporting, scenario analysis, and the use of carbon offsets in climate strategies. The company plans to publish its sustainability and climate reports as usual this year and pro-forma ESG data in 2025 if the Southwestern Energy deal closes.

[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.

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	165	80.0	12,540	79.1
Orange	46	16.2	2,911	17.5
Red	0	0.0	201	1.4
Not in scope / not covered	24	0.0	547	2.1
Cash	1	3.7	0	0.0
Total	**236**	**100.0**	**16,199**	**100.0**

● No/few Flags ● Medium Flags ● High Flags

The comparator benchmark of the Fund is the Bloomberg Global Aggregate Corporate Bond Index Hedged to 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 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%	37.6%
Environmental Objectives	0.5%	14.1%
Social Objectives	0.5%	23.6%

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. 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. 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. Emerging markets - Emerging markets are less established than developed markets and therefore involve higher risks. 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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Holdings-based analytics are calculated using T. Rowe Price's internal Investment Book of Records (IBOR). Due to timing and accounting methodology differences, IBOR data may differ from the Accounting Book of Records (ABOR) data provided by the Fund's accountant.

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.

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