

T. ROWE PRICE FUNDS SICAV

US Investment Grade 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 US 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 fund 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 that are denominated in US Dollar including those from emerging markets issuers. 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.

Meta Platforms (4th Quarter 2023 Engagement)

Focus	Social
Company Description	Meta Platforms (Meta) operates a leading social media platform; its four major properties are Facebook, Instagram, WhatsApp, and Messenger.
Engagement Objective	We engaged with the company on youth safety, wellness, and responsible artificial intelligence (AI).
Participants	<p>From Meta Platforms: Head of ESG, General Counsel, Investor Relations Representative</p> <p>From T. Rowe Price: Portfolio Managers, Head of Corporate Governance, Responsible Investing Analyst</p>
Engagement Outcome	<p>Our objective was to learn how Meta is measuring the effectiveness of the myriad tools created to protect young people on the platform and ask that Meta disclose more of this information where possible.</p> <p>We believe concrete metrics related to the effectiveness and use of Meta's health and safety tools would support the company's claim that health and safety is a top priority. On the call, Meta could not say what percent of the platform currently uses these tools or whether the health and safety teams are tracking metrics related to the products. The company provided some detail about outcomes from product trials and followed up in an email with more data on the effectiveness of several of the measures it has introduced. These included: alternate topic "nudges" built to encourage teens to switch to a different topic if they have been scrolling the same one for some time; "Take a Break" reminders; teen private default settings on Instagram; Hidden Words; the ability to multi-block; and making it easier for minors to report other users.</p> <p>We recommended concrete metrics related to the health and safety tools would support Meta's claim that health and safety is a top priority. The company told us that our feedback to disclose how successful those tools are at improving health and safety outcomes was helpful, and we have been informed Meta is still internally discussing what data can be shared. We view the issue of youth safety as one that drives material reputational damage to the brand, and if reputational issues worsen, it could draw more regulatory scrutiny. We have discussed child safety with the company before on several occasions.</p> <p>Last year, there was a shareholder proposal that asked Meta to define its own key performance indicators related to children's safety and measure improvements against those metrics. We did not back it because the proposal had prescriptive elements, which we generally do not support. After learning in this engagement that Meta is not likely tracking metrics at all, we have less confidence that the company is taking this issue seriously. In light of this and in the wake of the lawsuit recently submitted by 42 attorneys general, we could be more likely to escalate the issue by supporting a shareholder proposal aimed at this topic in addition to the votes against the re-election of the directors we already cast due to governance concerns.</p> <p>In terms of monitoring, we are looking for Meta to introduce metrics related to the adoption and success of mental health and safety tools to be deployed on its platforms.</p>

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.

Wells Fargo (3rd Quarter 2023 Engagement)

Focus	Environment, Social, Governance
Company Description	Wells Fargo is a diversified financial services company.
Engagement Objective	We engaged with Wells Fargo to discuss a range of ESG topics.
Participants	<p>From Wells Fargo: Sustainability Representative, Legal Representative, Compensation Representatives, Corporate Secretary, Investor Relations Representative</p> <p>From T. Rowe Price: Head of Corporate Governance, Responsible Investing Analyst</p>
Engagement Outcome	<p>We engaged with Wells Fargo to discuss a range of ESG topics, including its climate strategy, financial inclusion, a shareholder resolution, and racial equity audit.</p> <p>Wells Fargo is in line with its U.S. peers when it comes to decarbonizing its loan book but falls behind European peers in not having a framework in place to assess the credibility of clients' transition plans. It has a dedicated transition team and is working on providing additional disclosure in its upcoming ESG report. We pointed to examples of peers demonstrating best practice.</p> <p>Wells Fargo was recently dropped from underwriting a municipal bond deal in Texas, following the Texas attorney general reviewing the bank's energy policies and involvement in the Net Zero Banking Alliance (NZBA), a group of leading banks aiming to accelerate the transition of the finance sector and the global economy to net zero emissions by 2050. We discussed how the political landscape in the U.S. could influence both the pace at which Wells Fargo looks to decarbonize its loan book as well as its involvement in ESG initiatives. The company explained that it is taking a balanced approach but provided cautious language about the benefits of being a NZBA signatory; mainly, the value of the alliance as a benchmarking exercise.</p> <p>Wells Fargo has begun reporting the "social impact" it is having from various financial inclusion initiatives, including the number of customers with improved FICO (or credit) scores as part of its credit-building grant program. We recommended the bank report similar impact metrics for its Credit Close-Up program, an initiative with 11.2 million customers that provides advice on how to improve their FICO scores.</p> <p>We also discussed governance topics, including an investor-sponsored resolution that was supported by a majority of voters at Wells Fargo's 2023 shareholder meeting. The proposal asked for a report on the effectiveness of the company's programs to combat harassment of employees and discrimination in hiring. The resolution was specifically tied to the revelations in 2022 that some areas within the company had fallen short of upholding internal requirements for diverse slates of candidates to be interviewed for many open positions. The company disclosed it had found some teams were interviewing diverse candidates after the position had already been filled. Some employees who reported the activity were subject to retaliatory actions. Around 52% of shareholders supported the proposal, and the company has agreed to provide some kind of reporting. We provided guidance on what form that might take. Wells Fargo also highlighted that it is nearing completion on a previously commissioned racial equity audit.</p> <p>We made several disclosure recommendations to Wells Fargo to bring its climate strategy and financial inclusion initiatives in line with industry best practice.</p>

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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	157	79.4	5,809	76.5
● Orange	46	17.5	1,624	20.2
● Red	0	0.0	115	1.7
● Not in scope	2	0.4	220	1.6
● Not covered	0	0.0	4	0.0
● Cash	1	2.7	0	0.0
Total	206	100.0	7,772	100.0

● No/few Flags ● Medium Flags ▲ High Flags

The comparator benchmark of the Fund is the Bloomberg US Corporate Investment Grade Bond Index. 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%	35.1%
Environmental Objectives	0.5%	7.8%
Social Objectives	0.5%	27.3%

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 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. Interest rate - Interest rate risk is the potential for losses in fixed-income investments as a result of unexpected changes in interest rates. 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. 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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