



T. ROWE PRICE FUNDS SICAV

US Investment Grade Corporate Bond Fund – Report

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

As at 30 June 2020

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 issuer level and on thematic topics. Additionally, they have built tools to help pro-actively 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 approximately 14,000 securities and pulls from data sets that are not in the wheelhouse of traditional financial analysis. These data sets include:
 - ESG performance data (i.e. number of accidents, carbon emissions, strength of whistle-blower programs);
 - ESG targets (i.e. plans to reduce carbon emissions, increase diversity, etc.)
 - ESG incidents and controversies (i.e. 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.

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.

AbbVie (3rd Quarter 2019)

Focus	Governance, Social
Company Description	AbbVie is a leading biopharmaceutical company.
Engagement Objective	We engaged with AbbVie for a broad discussion on governance. We discussed range of topics, including ESG disclosure, AbbVie's acquisition of Allergan, and opioid exposure.
Participants	T. Rowe Price's Head of Corporate Governance engaged with two Associate General Counsels and representatives from Sustainability and Investor Relations from AbbVie.
Engagement Outcome	<p>With the acquisition of Allergan pending at the time of our engagement, we focused on some of the ESG impacts of that acquisition—namely board composition and opioid exposure. With the acquisition, two Allergan directors, including the company's CEO, will join AbbVie's board.</p> <p>AbbVie's acquisition of Allergan, a rival drugmaker, was nearing its final stages, and had cleared most regulatory hurdles. AbbVie has had no exposure to opioid sales in the past, however, Allergan has a small opioid business comprising both branded and generic products. AbbVie conducted extensive due diligence on Allergan's opioid business over the course of the negotiations and concluded that the overall exposure is manageable.</p> <p>On ESG disclosure, we note that AbbVie has made improvements, including adding information on board skills and diversity and a new sustainability report.</p> <p>In 2019 management sponsored a proposal to drop the supermajority requirements from their charter, which failed to achieve the required hurdle of 80% of outstanding shares. We encouraged the company to try again for the 2020 AGM.</p> <p>The engagement informed our investment research. We will continue to monitor the company's ESG disclosures.</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.

McDonald's (1st Quarter 2020)

Focus	Governance
Company Description	McDonald's is a global fast food company.
Engagement Objective	Our discussions focused on the firm's unexpected CEO succession, environmental reporting, and executive compensation.
Participants	T. Rowe Price's Head of Corporate Governance met with the General Counsel and Secretary, and Assistant Corporate Secretary of McDonald's, as well as representatives from the firm's Investor Relations, Global Total Rewards and Global Sustainability teams.
Engagement Outcome	<p>It is alleged that the previous CEO of McDonald's was dismissed for violating the firm's anti-fraternization policy. However, the board instigated a deliberative process and investigated the circumstances, and it was ultimately a loss of confidence in the CEO that led to his dismissal.</p> <p>With regards to the CEO succession, the new CEO was well known to the Board and had helped design the firm's velocity growth strategy. As a result there have been few interruptions to the way the business is run.</p> <p>There have been minor changes to the firm's compensation plan this year. Some key performance indicators that were previously supplemental considerations (e.g. delivery sales) have been made core parts of the evaluation in order to strengthen the focus on the firm's velocity growth strategy.</p> <p>We found no anomalies in compensation due to the CEO change. The new CEO was already part of the McDonald's executive plan. He did not receive a promotion grant but will receive equity on the regular annual cycle.</p> <p>On ESG reporting, the company advised it is working on aligning with the Task Force on Climate-related Financial Disclosures (TCFD) framework.</p>

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Risks - The following risks are materially relevant to the fund (refer to prospectus for further details):

Country risk (Russia and Ukraine) - in these countries, risks associated with custody, counterparties and market volatility are higher than in developed countries. **Credit risk** - a bond or money market security could lose value if the issuer's financial health deteriorates. **Default risk** - the issuers of certain bonds could become unable to make payments on their bonds. **Derivatives risk** - derivatives may result in losses that are significantly greater than the cost of the derivative. **Emerging markets risk** - emerging markets are less established than developed markets and therefore involve higher risks. **Interest rate risk** - when interest rates rise, bond values generally fall. This risk is generally greater the longer the maturity of a bond investment and the higher its credit quality. **Liquidity risk** - any security could become hard to value or to sell at a desired time and price. **Sector concentration risk** - the performance of a fund that invests a large portion of its assets in a particular economic sector (or, for bond funds, a particular market segment), will be more strongly affected by events affecting that sector or segment of the fixed income market.

General fund risks - to be read in conjunction with the fund specific risks above. **Capital risk** - the value of your investment will vary and is not guaranteed. It will be affected by changes in the exchange rate between the base currency of the fund and the currency in which you subscribed, if different. **Counterparty risk** - an entity with which the fund transacts may not meet its obligations to the fund. **Geographic concentration risk** - to the extent that a fund invests a large portion of its assets in a particular geographic area, its performance will be more strongly affected by events within that area. **Hedging risk** - a Fund's attempts to reduce or eliminate certain risks through hedging may not work as intended. **Investment fund risk** - investing in funds involves certain risks an investor would not face if investing in markets directly. **Management risk** - the investment manager or its designees may at times find their obligations to a fund to be in conflict with their obligations to other investment portfolios they manage (although in such cases, all portfolios will be dealt with equitably). **Operational risk** - operational failures could lead to disruptions of fund operations or financial losses.

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 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 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 and via www.troweprice.com.

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