T. ROWE PRICE FUNDS SICAV

US Aggregate Bond Fund – ESG Report

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

As at 31 December 2022

ESG INTEGRATION APPROACH

- The US Aggregate Bond Fund uses ESG integration as part of its investment process. This means incorporating environmental, social and governance factors to enhance investment decisions. Our central mission is to help our clients reach their long-term financial goals and we believe that incorporating ESG factors into our investment process alongside financials, valuation, macro-economics and other factors is consistent with that objective. 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):
    - 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 process of ESG integration is embedded at both the research and portfolio management level. Our research process incorporates the expert opinions of our dedicated, in-house Responsible Investing Team, including the quantitative assessment of risk from our Responsible Investing Indicator Model (RIIM*). Our Analysts embed ESG factors into their independent credit ratings and their assessment of issuer valuations. The portfolio manager then balances and monitors these ESG factor exposures at the portfolio level.

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 US bonds. 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. For full investment objective and policy details refer to the prospectus. The manager is not constrained by the fund's benchmark.

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.

Fannie Mae (3rd Quarter 2022 Engagement)

Focus	Social
Company Description	Fannie Mae is a provider of mortgage financing.
Engagement Objective	We engaged with Fannie Mae to provide feedback and recommendations on its recently proposed social disclosure for single-family mortgage pools.
Participants	From Fannie Mae: Senior Vice President, Capital Markets–Single Family Products; Vice President (VP), Single-Family Capital Markets; VP, Capital Markets–Single Family Products From T. Rowe Price: Fixed Income Director of Research, Fixed Income Portfolio Manager, Impact Portfolio Manager, Responsible Investing Analyst
Engagement Outcome	Our engagement focused on Fannie Mae's social disclosure proposals for single-family mortgage pools. Given its position as one of the largest issuers in the single-family mortgage-backed security (MBS) marketplace, the proposed framework could influence the social disclosure of other issuers, which would potentially be influenced by Fannie Mae's finalized proposal. As currently written, these new disclosures represent progress, however, in our opinion investors would benefit from further ambition and incremental disclosure of social information. Under the current proposed disclosure, only two metrics would be published at the pool level (social criteria share, or SCS, and social density score, or SDS). During our engagement we sought to encourage public disclosure of additional details on the individual three dimensions and/or eight criteria driving each mortgage pool's score. We believe determining the exact drivers behind the two social disclosure scores provided is not possible under the current proposal. In our engagement, Fannie Mae explained that disclosing pool-level information for each dimension or criteria would be challenging, instead reminding us that it already publishes first-time homebuyer and debt-to-income metrics, which could be triangulated to calculate more sensitive social metrics. Under the proposed social disclosure framework, SCS and SDS criteria would be published at issuance and not updated thereafter. We recommended that these be updated on an annual basis to better reflect material changes in pool composition. If updating these statistics is infeasible for all loans, we suggested providing updated scores for just social/sustainable-designated pools. Fannie Mae explained that regular updates to social disclosure figures for mortgage pools could allow nefarious actors to determine the exact demographics of prepaid borrowers as they are removed from the pool. While we are cognizant of this feedback, we explained that this was potentially overly cautious, given there is already a mechanism in Fannie Mae's proposal to only provide social disclosure statistics to pools with more than 10 loans. We were able to share most of our recommendations with Fannie Mae and encouraged the issuer to provide increased disclosure beyond SCS/SDS metrics (at the dimension and/or criteria level for mortgage pools). While the issuer is unlikely to update the SCS figures post-issuance, it shared it was willing to work with us and other investors to potentially provide enhanced disclosure beyond the two currently proposed metrics (SCS and SDS). Subsequent to our engagement, we followed up in Q4 2022 with a complete list of our recommendations in a letter to Fannie Mae. We will continue to engage with Fannie Mae to provide feedback in shaping the issuer's social disclosure.

Standard Chartered (4th Quarter 2022 Engagement)

Focus	Environmental
Company Description	Standard Chartered is an international banking group operating principally in Asia, Africa, and the Middle East.
Engagement Objective	We engaged with Standard Chartered for a discussion focused primarily on its approach to climate.
Participants	From Standard Chartered: Chairman, Non-Executive Directors (3) From T. Rowe Price: Responsible Investing Analyst
Engagement Outcome	We engaged with Standard Chartered to discuss climate. Our view is that energy transition presents a material financial risk to the banking sector as regulators around the world are increasingly focused on climate. We see some banks respond to this by adopting broad-brush sector exclusions, which we do not advocate. Instead, we believe financial services companies will be better served by taking a risk-mitigation approach and evaluating the climate strategies of the companies they are financing. In order to do this effectively, they will need to have a framework in place to evaluate each sector. The nature of our discussion with Standard Chartered was to understand how its frameworks were evolving as it engages with clients and provide our view on best practices. The bank is seen as one of the global leaders in managing financed emissions. However, its emerging markets-oriented footprint makes its method of providing transition financing to customers more prone to scrutiny from stakeholders. The bank has engaged with and evaluated 80% of its customers' transition plans and hopes to complete the remaining 20% in the first quarter of 2023. The bank's assessment is guided by the Glasgow Financial Alliance for Net Zero's (GFANZ) Expectations for Real-economy Transition Plans report, which highlights areas that are needed to have a robust transition strategy. Standard Chartered is also ranking clients on their emissions intensity, as well as against an International Energy Agency (IEA) NZE2050 pathway. The bank intends to provide additional detail on its framework in its next annual report. In terms of climate strategy, the bank aims to publish its next Task Force on Climate-Related Financial Disclosures (TCFD) report in the first quarter of 2023. This will include a progress report on the interim financed emissions targets for three sectors. The bank is also seeking to validate these targets with the Science-Based Targets initiative (SBTi) by this time, and it will be one of the first banks to have its financed emissions targets validated. The engagement allowed us to provide feedback on the bank's approach to managing financed emissions. We will evaluate the additional disclosures once available in 2023. By April 2023, Standard Chartered aims to provide a progress report on its interim financed emissions targets as well as provide additional disclosure on its client transition framework.

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. **Credit -** Credit risk arises when an issuer's financial health deteriorates and/or it fails to fulfill its financial obligations to the fund. **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. **Interest rate -** Interest rate risk is the potential for losses in fixed-income investments as a result of unexpected changes in interest rates. **Issuer concentration -** Issuer concentration risk may result in performance being more strongly affected by any business, industry, economic, financial or market conditions affecting those issuers in which the fund's assets are concentrated. **Prepayment and extension -** Mortgage- and asset-backed securities could increase the fund's sensitivity to unexpected changes in interest rates. **Real estate -** Real estate and related investments can be hurt by any factor that makes an area or individual property less valuable. **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.

IMPORTANT INFORMATION

Effective 1 October 2022, the fund changed its name from Responsible US Aggregate Bond Fund to US Aggregate Bond Fund.

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