



T. ROWE PRICE FUNDS SICAV

US High Yield Bond Fund – ESG Report

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

As of 30 September 2024

ESG APPROACH

- The US High Yield Bond Fund uses ESG integration as part of its investment process. This means that we incorporate environmental, social and governance factors into the investment process to enhance investment decisions. Our philosophy is that ESG factors are a component of the investment decision—meaning that they are an important aspect but 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 6,500 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 US High Yield Bond Fund has a total return focus and is implemented with a value style, based on a bottom-up, credit research-driven approach, which results in a high conviction, focused portfolio. As such, our primary emphasis is on company fundamentals, which include the consideration of environmental, social and governance factors. We find that this long-standing investment philosophy tends to yield an ESG-friendly portfolio; however, we also work closely with the ESG team to conduct in depth analysis on individual securities.
- 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 high yield corporate bonds from issuers in the United States. 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.

Osaic (3rd Quarter 2024 Engagement)

Focus	Social, Governance
Company Description	Osaic is a wealth management firm that provides technology, resources, and services to financial professionals.
Engagement Objective	We engaged with Osaic to learn more about its ESG objectives and progress.
Participants	From Osaic: Chief Financial Officer From T. Rowe Price Investment Management, Inc.: ESG Associate Analyst
Engagement Outcome	<p>As a private company, Osaic's ESG disclosure is limited, so we reached out to find out more about the company's ESG efforts and related matters.</p> <p>Osaic's Board of Directors is composed of seven directors, two of whom are independent directors, and also two of the seven are female. The Board's outside directors were chosen because of industry experience and technical skills. Due to its current ownership structure, Osaic does not conduct Board evaluations.</p> <p>In terms of compensation, the chief executive officer's (CEO) base salary is USD 730,000, plus an annual bonus target of USD 605,000. The CEO was provided an initial one-time equity grant upon purchase of Osaic by Reverence Capital. For all other executives, base salaries range from USD 185,000 to USD 425,000, with bonus targets ranging from USD 100,000 to USD 575,000 with equity grants that are generally in line with market for the role.</p> <p>Osaic sets target compensation at the 50th percentile of the market. Compensation may be higher than the market based on experience and performance. Executives' base pay and short-term incentive (STI) target is set upon hire/promotion. Typically, at the time of hire/promotion, the executive receives a Participant Performance Unit (PPU) grant, which generally covers multiple years, depending on when the executive is hired during the liquidity/investment cycle. The Osaic Compensation team reviews executive market data annually and presents the results to the Osaic Compensation Committee with any recommendations for compensation changes. All base and STI changes, as well as PPU grants, are approved by the Osaic Compensation Committee.</p> <p>The company shared some of its hiring practices, and while Osaic does not have a diversity-specific retention and development program in place, it actively measures diverse hiring percentages and attrition rates. Osaic maintains a variety of employee groups, including an Employee Engagement Group, as well as site-specific Employee Activity Committees. The company conducted its most recent pay equity analysis in the fourth quarter of 2022.</p> <p>We asked about Osaic's approach to ESG integration for its advisors' investment offerings, and the company leverages a number of asset managers that provide ESG screens. Osaic's largest investment management platform offering provides integrated ESG services. The frequency of portfolios being screened on ESG criteria differs based on the asset manager, and clients also have the option to leverage exclusionary screens for custom portfolio mandates.</p> <p>Osaic confirmed that it has a data privacy policy. We asked about additional ESG policies, and the company does not consider environmental policies or tracking environmental metrics to be applicable to its business.</p> <p>Our engagement with Osaic informed our research and provided us with additional insight into its ESG practices and policies.</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.

Herbalife (1st Quarter 2024 Engagement)

Focus	Environment, Social
Company Description	Herbalife manufactures and sells weight management products, fitness and nutritional products, and personal care products through a direct selling business model.
Engagement Objective	We engaged with Herbalife to better understand its ESG initiatives and multi-level marketing (MLM) structure impacts on employees and customers.
Participants	From Herbalife: Head of Investor Relations; Global Public Affairs and Head of ESG; General Counsel From T. Rowe Price Investment Management, Inc.: ESG Associate Analyst
Engagement Outcome	<p>Herbalife updated its MLM compensation structure to settle with the Federal Trade Commission's USD 200 million fine in 2016 to minimize negative media coverage. The fine was a result of half of Herbalife's employees earning, on average, less than USD 5 per month from product sales in U.S. operations and due to bribery charges in China. Herbalife has since instituted a new compensation structure.</p> <p>Since MLM structures are illegal in China, Herbalife restructured its direct selling strategy for China's market. Herbalife believes it has a robust compliance program to avoid future fraud and bribery charges.</p> <p>A recent addition to Herbalife's Board has increased the company's Board gender and racial diversity to 40%. Herbalife encourages employee belonging and provides training to help improve diversity, although no diversity targets have been set yet.</p> <p>Herbalife disclosed its scope 1–2¹ greenhouse gas (GHG) emissions, and it has a goal of achieving net zero by 2050. The company is still working with its consultant to collect its scope 3¹ emissions, particularly focusing on its largest tea suppliers. Not only is Herbalife working with its suppliers on the environmental front, but it is also working on labor and human rights. Herbalife had no updates on its progress in setting scope 1–3 targets that are verified by the Science Based Targets initiative.</p> <p>Herbalife explained that because 12%–20% of global GHG emissions can be attributed to deforestation in the agriculture industry, it is therefore working with its top suppliers of soy and other ingredients with a 2025 target to source from sustainable suppliers. Additionally, the Board's ESG committee is focused on U.S. Securities and Exchange Commission climate disclosure and regulation where Herbalife operates.</p> <p>To increase its usage of renewable energy, Herbalife installed solar panels at its Costa Rica office, but this is a smaller-scale impact since its major manufacturing sites are the two sites in the U.S. and the three sites in China. The company is also focused on circular packaging and monitoring regulations, particularly in the European Union. Herbalife has reduced the use of virgin plastics, made packaging more recyclable, and used more recycled materials as inputs. Herbalife has also implemented 25% post-consumer resin in its Formula 1 packaging, which accounts for 23% of global sales.</p> <p>While 85.5% of Herbalife's net sales are products that could be aligned with improving nutrition and food quality, the company's model on recruiting and generating royalties off new sellers does not align with sustainable activities.</p> <p>Engaging with Herbalife provided some clarity on the company's ESG efforts, but we believe more disclosure and transparency is needed in how Herbalife manages its human capital in relation to its MLM structure.</p>

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.

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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	54	61.5	1,055	55.8
● Orange	19	20.9	410	25.1
● Red	3	2.6	53	2.3
● Not in scope	0	0.0	0	0.0
● Not covered	10	11.6	345	16.9
● Reserves	1	3.3	0	0.0
Total	87	100.0	1,863	100.0

● No/few Flags ● Medium Flags ● High Flags

The comparator benchmark of the Fund is the ICE BofA Merrill Lynch US High Yield Constrained 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 Commitment %	Fund Exposure %
Sustainable Investments	10.0	13.4
with Environmental Objectives	0.5	5.2
with Social Objectives	0.5	8.1

PRINCIPAL ADVERSE IMPACT (PAI) INDICATORS

Under the European Union Sustainable Finance Disclosure Regulations (SFDR), investment managers are required to take into account Principal Adverse Impact (PAI) indicators, a set of metrics that highlight the potential negative impacts on sustainability factors that result from investment decisions. This is integrated into our ESG analysis at a security level.

Some PAI indicators have limited data availability which may lead to misrepresentative values for the fund. In these cases, the metric value and data coverage are displayed as n/a in the following tables.

In addition, the investment manager considers the following PAI indicators at an aggregate fund level. Metric values are shown in the Base Currency of the fund (USD):

PAI Indicator	Metric Description	Unit of Measurement	Metric Value	Metric Coverage (%)
10. Violations of UNGC principles and OECD guidelines for Multinational Enterprises	Share of investments in investee companies that have been involved in violations of the UNGC principles or OECD Guidelines for Multinational Enterprises	Percentage of total invested	0.0%	90.5%
13. Board gender diversity	Average ratio of female to male board members in investee companies, expressed as a percentage of board members	Average ratio of female board members	25.9%	57.6%
14. Exposure to controversial weapons	Share of investments in investee companies involved in the manufacture or selling of controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)	Percentage of total invested	0.0%	62.5%

GLOSSARY OF TERMS

Metric coverage - The percentage of the portfolio for which PAI data is available

GHG - Greenhouse gas emissions

Scope 1 GHG emissions - Direct greenhouse gas emissions by the fund

Scope 2 GHG emissions - Indirect greenhouse gas emissions made by the fund

Scope 3 GHG emissions - All other indirect emissions that occur in the funds value chain

mtCO₂e - Metric tonnes of carbon dioxide equivalent

Carbon footprint (Scope 1,2 & 3 emissions) - The total greenhouse gas emissions per million invested in the fund

GWh - Gigawatt Hours

Ktons - Kilotonnes

UNGC - The United Nations Global Compact

OECD - The Organization for Economic Co-operation and Development

No data - no data is available or can be calculated for the indicator

RISKS - The following risks are materially relevant to the fund (refer to prospectus for further details): 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. 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. Distressed or defaulted debt securities - Distressed or defaulted debt securities may 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. 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. 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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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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