T. ROWE PRICE FUNDS SICAV

US High Yield 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 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.

NRG Energy (3rd Quarter 2023 Engagement)

Focus	Environmental, Social, Governance
Company Description	NRG Energy is an energy provider of coal, natural gas, nuclear, and renewables.
Engagement Objective	We engaged with NRG to better understand the company's emissions reductions pathway and the integration of recently acquired subsidiary Vivint, as well as to hear NRG's perspective on activist Elliott Investment Management's suggestions.
Participants	From NRG Energy: VP of Sustainability; Investor Relations From T. Rowe Price: High Yield Analyst; ESG Associate Analyst
Engagement Outcome	In engaging with NRG, we learned that it will not be able to achieve its Scope 1, Scope 2, and partial Scope 3 (business travel) greenhouse gas emissions reduction target of 50% for 2025 compared with its 2014 baseline due to dramatic increases in gas prices making coal more economical. Furthermore, NRG has explained to us that its ability to achieve its 2050 Scope 1, Scope 2, and partial Scope 3 net zero goal depends on its power plant portfolio. The retirement of its three coal plants will depend on commodity prices and customer demand. As for gas, NRG has some base load plants (although mostly peak load plants), and it will need to investigate substitutes for natural gas such as hydrogen. NRG expects to be able to report its Scope 3 emissions by the end of 2024, and it will determine whether to incorporate Scope 3 into its net zero target. Incorporating Scope 3 emissions will hinge on NRG's investigation into the key drivers that are causing them, and it anticipates that customer end use is likely a significant part of its footprint, so the company will look at renewable natural gas and carbon offsets. NRG currently tracks environmental key performance indicators (EKPIs) to help measure operational excellence from an environmental perspective, and the company has expressed a desire to reduce its EKPIs compared with its 2014 baseline year but does not yet have a specific target. NRG's safety incident rate was at its lowest ever in 2022. The reasons for this performance were not obvious to NRG, although it does not believe the reason has to do with safer work practices getting incorporated to NRG's statistics with the acquisition of Vivint. Before acquiring Vivint, NRG saw improvement to Vivint's marketing practices following an incident where it was fined for deceptive marketing. Since the incident, Vivint has seen a complete overhaul of its sales marketing leadership and retrained its remaining sales staff. Additionally, Vivint changed its compensation structure for salespeople prior to the acquisition so they are not incentivized to repeat past mistakes. Since the acquisition, NRG has seen further improvement in Vivint's marketing practices, and in connection with gathering data related to turnover rates, NRG would like to regularly survey all its employees about job satisfaction, which is a practice that originated from Vivint. When we spoke to NRG representatives about Elliott Investment Management's recommendations, they expressed hesitation over Elliott's recommendation to fire then-Chief Executive Officer Mauricio Gutierrez. However, in the next month, Mr. Gutierrez did indeed step down. Additionally, NRG was more receptive to Elliott's recommendation to refresh its Board of Directors with individuals who had power and energy experience, and in November, NRG also acted upon this recommendation when it hired four new independent directors. Our engagement informed our investment research into NRG. Through the interaction, we now better understand NRG's emissions targets, its acquisition of Vivint, and how it considered and followed through with Elliott's recommendations.

Embecta (3rd Quarter 2023 Engagement)

Focus	Environmental, Social, Governance
Company Description	Embecta is a health care provider of products used to help manage diabetes.
Engagement Objective	We engaged with Embecta to understand how its ESG disclosure is evolving now that it is a standalone company.
Participants	From Embecta: Chief Financial Officer; Investor Relations; Chief HR Officer; Talent & Equity Leader and Interim Head of ESG From T. Rowe Price: High Yield Analyst; ESG Associate Analyst
Engagement Outcome	We engaged with Embecta after its spinout from parent company Becton, Dickinson and Company (BD), to learn about its plans regarding ESG reporting going forward. Embecta has recently hired its first head of ESG, who has health care industry experience to bring to the newly created position. Embecta has established key ESG priorities, including safety, diversity, and emissions reduction, and it will disclose information related to these key priorities in its fiscal year 2024 report. Embecta expressed interest in elevating its reporting to BD's level, but it is unsure if this is achievable with its more limited resources. To this end, Embecta will be working closely with BD to properly decouple its share of emissions. Furthermore, Embecta is currently working on tracking its Scope 1 and 2 emissions, although the company is unsure if it will be ready to publish in the fiscal year 2024 ESG report. As for Scope 3 emissions, Embecta is in the very early stages of measuring them, and it will likely take a few years before the company is ready to publish results in this category. Despite some issues in the first half of fiscal year 2023, Embecta is not experiencing any supply chain issues, and its backorders were lower in mid-September 2023 than they were before the spinout. Embecta has also told us it is comfortable with its level of regrettable attrition since the spinout, as some BD employees voluntarily joined Embecta to expand their responsibilities and widen their impacts. Embecta representatives expressed plans to declassify its Board of Directors in 2026, which is a decision we support. The Board has been joined by two additional directors previously serving with the parent company's Board to add their experience to the group. With this added experience, Embecta has expressed no further interest in expanding the Board as it is content from both a skill-set and diversity perspective. We also discussed compensation for Embecta employees and its chief executive officer (CEO). Going forward, its long-term equity incentive program will be 50% time-based and 50% performance-based, rather than 100% time-based. As for Embecta CEO Devdatt Kurdikar, his compensation was elevated in 2022 due to the founder's grant, but it has since normalized in 2023. Embecta has also informed us that it has found working with Institutional Shareholder Services and Sustainalytics to be relatively easy in correcting inaccurate or missing information, and it has found it more challenging to work with Morgan Stanley Capital International (MSCI). However, Embecta understands the importance of having a good MSCI ESG score since MSCI uses that information as a factor for inclusion in its sustainable funds and indexes. As such, Embecta will continue to engage with MSCI. Overall, the engagement informed our investment research regarding Embecta's commitment to ESG and how it is evolving and expanding its ESG capabilities post-spinout. We will continue to monitor Embecta's ESG reporting.

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	71	61.7	1,077	60.5
Orange	29	27.3	401	23.1
Red	0	0.0	21	0.9
Not in scope	6	7.0	305	13.9
Not covered	2	1.3	23	1.6
Cash	1	2.6	0	0.0
Total	**109**	**100.0**	**1,827**	**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 Exposure %	Fund Exposure %
Sustainable Investments	10.0%	13.4%
Environmental Objectives	0.5%	5.1%
Social Objectives	0.5%	8.4%

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.

ADDITIONAL DISCLOSURES

IMPORTANT INFORMATION

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