T. ROWE PRICE FUNDS SICAV

European High Yield Bond Fund – ESG Report

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

As of 31 December 2024

ESG APPROACH

- The European High Yield 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.)
- Our European High Yield Bond Fund seeks to generate alpha by focusing on proprietary, bottom up research to identifying companies offering long-term performance potential. The Europe High Yield investment team examines each potential investment; each holding; and the entire portfolio with an approach deeply rooted in fundamental analysis along with a macro and industry top-down view. These processes naturally incorporate an analysis of each company's environmental, social, and governance factors and tend to yield an ESG-friendly portfolio. However, our Europe High Yield investment team collaborates closely with our ESG specialists to augment their work. We also screen the portfolio using T. Rowe Price's proprietary RIIM analysis at regular intervals. This helps us understand the ESG characteristics of the portfolio and makes us aware of any exposures to specific ESG factors or how these ESG factors may impact a company's business operations and market performance.
- 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 classified as Article 8 under SFDR (the EU's Sustainable Finance Disclosure Regulation); it promotes, among other characteristics, environmental and/or social characteristics and the companies in which the investments are made follow good governance practices. The fund is actively managed and invests mainly in a diversified portfolio of high yield corporate bonds that are denominated in European currencies 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.

Banco De Sabadell (4th Quarter 2024 Engagement)

Focus	Environment
Company Description	Banco De Sabadell is a large Spanish banking group.
Engagement Objective	We engaged with Banco De Sabadell (Sabadell) on climate regulation; financed emissions; and ESG funding plans.
Participants	From Banco De Sabadell: Head of ESG Communications; Investor Relations Representative; Funding Representative From T. Rowe Price Associates, Inc.: Responsible Investing Analyst
Engagement Outcome	Sabadell is broadly in line with European peers in its climate strategy but falls behind global best practice in areas such as reporting progress against financed emission reduction targets. We met with the bank to make a series of recommendations and to discuss how the regulatory environment in Europe is impacting the bank's sustainability efforts. **Climate policy and regulatory environment** The bank acknowledged the growing bifurcation between European (i.e., the European Central Bank or ECB) and other (e.g., the U.S. Federal Reserve) banking regulations on the management of climate risks. As expected, the bank expressed concerns that if the ECB requires European Union (EU) banks to hold additional capital for climate risks, it would make it more challenging for EU banks to be competitive on the global scale. Sabadell also questioned the empirical evidence, with the bank not seeing any difference in risk metrics (e.g., probability of default or loss given default) between "brown" and "green" loans. **Financed emissions** Sabadell continues to improve its climate strategy, with an additional three sectoral targets set in 2024. However, the bank falls behind peers in not reporting the progress made against the sectoral targets, and we recommended the bank provide this in future reporting. Sabadell intends to publish its next climate report in February 2025, detailing the sectoral progress and transition plans. It warned investors that progress within the energy sector has been slow, but this is due to a favorable emissions baseline (2020), given a large exposure of renewable energy already in its energy book. We highlighted several peers providing best practice disclosure on the topic. **ESG funding needs** The bank expects to issue at least two green bonds in 2025 (benchmark size), with the proceeds expected to go toward renewable energy and green building projects, which is consistent with the bank's previously issued green bonds. We discussed Sabadell's appetite for thematic bonds (e.g., transition, affordable housing, gender, blue), but it expects to remain focused on the green label given the large retail exposure, whereby green mortgages, electric vehicle loans, and solar loans dominate the green assets on the balance sheet. We have been pleased with the efforts Sabadell has made in 2024, bringing it in line with European peers on climate topics. We made recommendations to help bring the bank in line with the industry gold standard. In terms of next steps, we will monitor for Sabadell to publish a climate report detailing sectoral progress and transition plans.

Unless otherwise noted, data were provided by the company during the engagement or are available through company reports.

Graphic Packaging (3rd Quarter 2024 Engagement)

Focus	Environment
Company Description	Graphic Packaging is a provider of consumer packaging solutions, including cartons, cups, and foodservice packaging.
Engagement Objective	We engaged with Graph Packaging on emissions as well as recycling and circularity.
Participants	From Graphic Packaging: Investor Relations Representative; Investor Strategy and Development Representative From T. Rowe Price Associates, Inc.: Responsible Investing Analysts
Engagement Outcome	We engaged with Graphic Packaging on environmental issues. The company operates in the emissions-intensive paper and packaging industry and does not have a long-term greenhouse gas (GHG) emissions reduction target in place. **Emissions and targets** • Graphic Packaging aspires to achieve net zero emissions by 2050 but does not plan to set a long-term GHG reduction target for the next several years. • The company found the Science Based Targets initiative (SBTi) validation process for its short-term targets to be arduous and does not plan to revisit adding targets until it needs to revalidate its targets around 2028. • The company's largest means of reducing GHG emissions will come from major capital projects. Direct emissions make up 60% of its GHG footprint, putting most of the company's footprint in its control. The company claims that large capital projects, most notably a paperboard facility in Waco, Texas, will yield the most significant reduction to its direct emissions, with effects being seen in 2027. The remaining 40% comes from electricity, and it plans to use power purchase agreements (PPAs) to lower emissions. • On Scope 3,[1] Graphic Packaging remains focused on transportation emissions. It is currently working with trucking partners to perform route optimization and energy-efficient delivery and moved to rail shipping where able. **Recycling and circularity** • Graphic Packaging found its biggest issue and opportunity around packaging labels for recyclable goods. Its largest clients have demands related to labeling. The company pointed at voluntary labeling initiatives as a source of problems, especially related to the labeling of paper and packaging that had been used for food packaging as recyclable. • The company also mentioned that despite aspirations of moving to entirely recycled packaging among clients, there have been hiccups in adoption in the U.S., mostly due to labeling issues, that have not been seen in Europe. • Graphic Packaging now receives less recovered fiber since consumer needs for certain types of packaging has decreased, potentially slowing recycling efforts. • It believes that it can recycle collected paper around five to 10 times, while it may be able to recycle corrugated paperboard up to 25 times. Technological improvements built into its Waco facility may be able to increase the number of times the paper it collects could be recycled. Graphic Packaging has no plans to set a net zero target but leads peers on circularity and emissions in the short term. Its major capital projects may yield reductions in GHG emissions in the near term, but achieving net zero may be difficult due to reliance on PPAs to reduce about 40% of total emissions. The company also shared its views of voluntary packaging and urged for greater acceptability in applying labels to food packaging. In terms of next steps, we will follow up related to medium-term and long-term GHG reduction targets as well as reach out related to the progress on the Waco project and other long-term capital projects.

[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.

Unless otherwise noted, data were provided by the company during the engagement or are available through company reports.

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.

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	72	65.2	438	63.0
Orange	13	11.0	87	12.6
Red	0	0.0	7	0.6
Not in scope	0	0.0	0	0.0
Not covered	26	23.0	197	23.5
Reserves	1	0.8	1	0.3
Total	**112**	**100.0**	**730**	**100.0**

No/few Flags Medium Flags High Flags

The comparator benchmark of the Fund is the ICE BofA Merrill Lynch European Currency High Yield Constrained excl. Subordinated Financials Index Hedged to EUR. 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	25.9
with Environmental Objectives	0.5	10.9
with Social Objectives	0.5	15.0

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 vale 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 (EUR):

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%	98.4%
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	25.2%	59.7%
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%	68.7%

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
mtCO_2e - 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): 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. 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. Counterparty - Counterparty risk may materialise if an entity with which the fund does business becomes unwilling or unable to meet its obligations to the fund. 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.

ADDITIONAL DISCLOSURES

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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