



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 31 December 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 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 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.

## Midcontinent Communications (4<sup>th</sup> Quarter 2024 Engagement)

<b>Focus</b>	Government, Social
<b>Company Description</b>	Midcontinent Communications is a small cable/fiber provider to residential and commercial customers in North Dakota, South Dakota, Minnesota, Kansas, and far-western Wisconsin.
<b>Engagement Objective</b>	We met with management in person in NYC to discuss a mix of financial and sustainability-related topics. The note below contains the sustainability-related portion of the discussion.
<b>Participants</b>	From Midcontinent Communications: Vice Chair and Executive Vice President; Chief Financial Officer; Vice President, Finance  From T. Rowe Price Investment Management, Inc.: Analyst; ESG Associate Analyst
<b>Engagement Outcome</b>	<p>In our engagement with Midcontinent Communications, we discussed compensation, governance structure and oversight, Board composition, and succession.</p> <p>Chief Executive Officer (CEO) and Chair Patrick McAdaragh and Vice Chair and Executive Vice President (EVP) Steven Grosser each own 25% of Midcontinent Communications, and the other 50% of the company is owned by Comcast. Midcontinent has a management committee rather than a Board. The management committee is made up of three people from Midcontinent Communications and two from Comcast. Midcontinent Communications management runs the company's daily proceedings, but it has an annual partnership meeting with Comcast. We pointed out the fact that the company's management committee is entirely male, but we did not discuss this at length given the management committee only has three Midcontinent Communications employees.</p> <p>Midcontinent Communications' CEO has been leading succession planning to have a candidate in place for replacing executive leadership.</p> <p>There is a long-term incentive plan (LTIP) for about 15 people at the company who are part of senior leadership. A phantom stock plan is used for the LTIP, and the parent company incurs the LTIP expense.</p> <p>In terms of network reach, the company has been working on a greenfield initiative for the last three to four years where it goes into areas in which it does not already provide service. The company has also been doing brownfield upgrades, which includes upgrading electronics and doing node splits.</p> <p>When asked how Midcontinent Communications defines underserved markets, the EVP said it is not a Midcontinent Communications definition, but he would consider a speed of less than 100 megabits per second to be underserved. We discussed the difficulty of defining how much of the company's service coverage is in underserved markets because areas that may have once been underserved are no longer underserved once Midcontinent Communications is there. The company shared that it makes services and pricing the same everywhere; promotions may differ but not baseline prices. The company also noted that all the fiber passing built under the Connect America Fund (CAF) would have been in underserved markets; it spent approximately USD 50 million under CAF.</p> <p>Midcontinent Communications also brought up the Broadband Equity, Access, and Deployment (BEAD) Program, which it is hopeful for, but it said BEAD has a lot of obstacles associated with it. Unfortunately, though it is designed to meet a need, the company does not anticipate it will be deployed quickly. If it is involved, Midcontinent Communications guessed it would deploy at the end of 2025 or in 2026.</p> <p>Our engagement with Midcontinent Communications informed our research by giving us insight into the company's governance structure and the company's network.</p>

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.

**Cetera Financial (2<sup>nd</sup> Quarter 2024 Engagement)**

<b>Focus</b>	Environment, Governance, Social
<b>Company Description</b>	Cetera Financial Group, Inc., is a national wealth hub headquartered in San Diego that provides financial services and supports about 9,000 financial professionals and organizations.
<b>Engagement Objective</b>	We engaged with Cetera to gain insight into its ESG practices and policies.
<b>Participants</b>	From Cetera Financial Group, Inc.: Treasurer, Human Resources Representative; Deputy General Counsel  From T. Rowe Price Investment Management, Inc.: ESG Associate Analyst
<b>Engagement Outcome</b>	<p>In our meeting with Cetera, we discussed governance structure/oversight, executive compensation, diversity, and ESG integration.</p> <p>Cetera has an eight-person Board, including one female director. The company terms six of those directors as independent/outside directors, and five of those outside directors are connected with Genstar Capital. We noted that Cetera does not have a formal process for conducting Board evaluations, and that six members of the Board have held their positions for longer periods of time and have been part of the Board since 2018.</p> <p>When we discussed executive compensation with Cetera, the company did not provide details regarding its executive compensation quantum, but we did learn more about compensation structure. Compensation consists of base pay, a short-term incentive plan (based on annual company and individual performance), and an equity compensation (generally tied to change in control). The role that each component plays in total compensation depends on each executive and the role.</p> <p>We also discussed matters related to diversity, equity, and inclusion (DEI) with Cetera. The company has not reported on the percentage of women in its workforce before, but we asked Cetera to consider disclosing this information. Two of Cetera's nine-person executive management team are female. Also, Cetera has employee resource groups and additional DEI-related initiatives as part of its program.</p> <p>We wanted to learn more about Cetera's ESG integration as well, and Cetera agreed to follow up with the percentage of its product offerings that are ESG-integrated. Additionally, while Cetera has a data privacy policy in place, it does not have any formal environmental policies in place and does not track any environmental metrics. However, the company has redone almost all of its offices, and it had a focus on energy efficiency upgrades as part of its remodels.</p> <p>Our engagement with Cetera informed our research and helped us better understand its ESG programs.</p>

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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	55	58.2	1,094	57.9
● Orange	22	25.7	395	23.3
● Red	1	1.3	51	2.3
● Not in scope	0	0.0	0	0.0
● Not covered	13	13.2	338	16.2
● Reserves	1	1.6	1	0.3
<b>Total</b>	<b>92</b>	<b>100.0</b>	<b>1,879</b>	<b>100.0</b>

● 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	12.9
with Environmental Objectives	0.5	5.6
with Social Objectives	0.5	7.3

## 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%	91.8%
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	25.5%	53.0%
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%	57.0%

## 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<sub>2</sub>e** - 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

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