

T. ROWE PRICE FUNDS SICAV

## Diversified Income Bond Fund – ESG Report

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

As of 31 December 2025

### ESG APPROACH

- The T. Rowe Price Diversified Income Bond Fund uses ESG integration as part of its investment process. This means incorporating the analysis of governance and sustainability factors for the purpose of maximizing financial performance. Our philosophy is that governance and sustainability factors are evaluated alongside more traditional investment factors such as valuation, financials, industry trends and macroeconomics. Where these factors are financially material, they are considered as part of the investment decision.
- ESG integration at T. Rowe Price is a collaborative process between portfolio managers, research analysts, and dedicated ESG specialist resources. Our specialist governance and sustainability teams at T. Rowe Price Associates, Inc. (TRPA) and T. Rowe Price Investment Management, Inc. (TRPIM) provide investment research on environmental, social, and governance issues at the security and industry level, and on thematic topics. Our equity and credit analysts utilize governance and sustainability research in their fundamental analysis (where financially material). TRPA and TRPIM have each built a proprietary responsible investing indicator model (collectively RIIM<sup>1</sup>), which forms the foundation of our ESG integration process.
- 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.

<sup>1</sup> RIIM refers to the proprietary responsible investing indicator models built by TRPA and TRPIM. RIIM rates issuers using a traffic light system; where green indicates no/few ESG concerns, orange indicates medium ESG concerns, and red indicates high ESG concerns/risk. The TRPA RIIM model has a framework for rating corporate, sovereign, securitized and municipal issuers, whereas the TRPIM RIIM model only has a framework for rating corporate issuers. TRPIM was established as a separately registered U.S. investment adviser, with a separate ESG team from TRPA. Decisions for the TRPA and TRPIM ESG teams are made completely independently but use a similar approach, framework, and philosophy.

**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 bonds of all types from issuers around the world, including emerging markets. 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 currencies, debt securities, credit indices and equities. 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.

## AES Andes (3<sup>rd</sup> Quarter 2025 Engagement)

|                             |  |
|-----------------------------|--|
| <b>Focus</b>                | Environment, Governance  |
| <b>Company Description</b>  | AES Andes is a Chilean electricity generation company.   |
| <b>Engagement Objective</b> | We engaged with AES Andes to discuss the company's decarbonization strategy and provide feedback on green bond issuance and related impact reporting.  |
| <b>Participants</b>         | From AES Andes: Director, Investor Relations and Corporate Finance; Investor Relations Representative<br><br>From T. Rowe Price Associates, Inc.: Portfolio Manager; Responsible Investing Analyst   |
| <b>Engagement Outcome</b>   | <p><b>Decarbonization</b></p> <ul style="list-style-type: none"> <li>AES Andes operates two coal power plants, accounting for around 20% of total installed capacity (approximately 1.1 gigawatts (GW)), which are among the most modern in its system and serve mining facilities in north Chile. The phase-out timeline for these plants has shifted from 2025 to likely 2027, as they are needed in the short- to medium-term to balance fluctuations in renewables and support mining operations. This schedule is still well ahead of Chile's coal phase-out target of 2040.</li> <li>The company also owns a natural gas plant in Argentina, representing 11% of total installed capacity (approximately 600 megawatts), which is expected to remain operational for longer given the lack of an economically feasible phase-out solution in the region. That said, the relative weight of gas in the company's capacity mix is expected to decrease over time, given a robust pipeline of renewables in the coming years.</li> <li>AES Andes currently has approximately 3.6 GW of renewable plants (about 2.5 times more than in 2017), now making up about 67% of total installed capacity, with more than 2.4 GW of new incremental renewables projects under construction or in development. The company has no specific renewable energy mix target but is no longer investing in incremental fossil fuel capacity, positioning renewables to become the vast majority of the energy mix in the next few years.</li> <li>We also discussed AES Andes' decarbonization targets. We clarified that the company is fully consolidated in its parent company's (AES Corp) decarbonization goals, which are to be net zero for Scope 1–3<sup>1</sup> greenhouse gas emissions by 2050, with interim targets in 2030 and 2040.</li> </ul> <p><b>Green bonds</b></p> <ul style="list-style-type: none"> <li>We reviewed the company's stance on green bond issuance. AES Andes remains committed to green bonds, despite its latest issuance being unlabeled (following the green format in 2019 and 2024). The proceeds will still be allocated to renewable energy projects. The decision was driven by a minimal premium for labeled bonds and the company's limited visibility into capital expenditures over the next few years.</li> <li>We expressed appreciation for AES Andes' past work on impact reporting and reiterated our preference for the green bond format for new capital expenditure financing.</li> <li>We also discussed the company's green bonds due in 2055. According to the most recent impact and allocation report, USD 337 million of the initial USD 530 million of funds have yet to be allocated. AES Andes confirmed that these funds will be directed to renewable energy projects.</li> </ul> <p>The engagement allowed for a discussion of AES Andes' decarbonization strategy and gave us an opportunity to provide feedback on its green bond issuance and related impact reporting. The company's decarbonization journey is on track, and it plans to remain a regular issuer of green bonds.</p> |

<sup>1</sup> 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.

The specific securities identified and described do not represent all of the securities purchased, sold, or recommended for the portfolio, and no assumption should be made that the securities identified and discussed were or will be profitable.

**NRG Energy (4<sup>th</sup> Quarter 2025 Engagement)**

|                             |   |
|-----------------------------|---|
| <b>Focus</b>                | Governance  |
| <b>Company Description</b>  | NRG Energy owns and operates a diverse portfolio of power-generating facilities primarily in the U.S.   |
| <b>Engagement Objective</b> | We engaged with NRG Energy on executive compensation.   |
| <b>Participants</b>         | <p>From NRG Energy: Investor Relations Representatives; Compensation Representative; Deputy General Counsel and Corporate Secretary</p> <p>From T. Rowe Price Associates, Inc.: Head of Corporate Governance, Americas</p>  |
| <b>Engagement Outcome</b>   | <p>Since the announcement of the USD 12 billion acquisition of a power portfolio from LS Power on May 12, 2025, shares are up by over 30%. This has created a disconnect between the 2024 compensation program and total shareholder return as restricted stock units are capped at six times the fair market value of the target award, determined at the grant date. The company is considering removing the cap.</p> <p>We discussed Board dynamics since the settlement with Elliott in 2023. The four directors appointed as a result of the settlement have been added to various committees and are working well with the Board, according to the company. The reconstituted Board also led the chief executive officer (CEO) transition. The company named Chairman of the Board Lawrence Cobin interim CEO and subsequently announced his appointment as permanent CEO.</p> <p>At the company's 2025 annual general meeting, shareholders approved a charter amendment to eliminate supermajority voting requirements.</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        | 385               | 71.2         | 20,508            | 71.5         |
| ● Orange       | 97                | 18.6         | 4,059             | 11.0         |
| ● Red          | 4                 | 0.8          | 263               | 0.3          |
| ● Not in scope | 25                | 1.0          | 0                 | 0.0          |
| ● Not covered  | 35                | 3.3          | 6,717             | 17.2         |
| ● Reserves     | 1                 | 5.2          | 0                 | 0.0          |
| <b>Total</b>   | <b>547</b>        | <b>100.0</b> | <b>31,547</b>     | <b>100.0</b> |

● No/few Flags ● Medium Flags ● High Flags

The comparator benchmark of the Fund is the Bloomberg Global Aggregate Bond USD Hedged 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                        | 19.7            |
| with Environmental Objectives | 0.5                         | 8.6             |
| with Social Objectives        | 0.5                         | 11.1            |

## 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%         | 52.3%               |
| 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 | 14.0%        | 37.8%               |
| 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%         | 52.3%               |

## 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):** 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. 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. Currency - Currency exchange rate movements could reduce investment gains or increase investment losses. 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. Emerging markets - Emerging markets are less established than developed markets and therefore involve higher risks. 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. 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. 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. Security liquidity - Any security could become hard to value or to sell at a desired time and 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.** Conflicts of Interest - The investment manager's obligations to a fund may potentially conflict with its obligations to other investment portfolios it manages.

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. Custody - In the event that the depositary and/or custodian becomes insolvent or otherwise fails, there may be a risk of loss or delay in return of certain fund's assets. Cybersecurity - The fund may be subject to operational and information security risks resulting from breaches in cybersecurity of the digital information systems of the fund or its third-party service providers. ESG - ESG integration as well as events may result in a material negative impact on the value of an investment and performance of the fund. Inflation - Inflation may erode the value of the fund and its investments in real terms. Investment fund - Investing in funds involves certain risks an investor would not face if investing in markets directly. Market - Market risk may subject the fund to experience losses caused by unexpected changes in a wide variety of factors. Market liquidity - In extreme market conditions it may be difficult to sell the fund's securities and it may not be possible to redeem shares at short notice. Operational - Operational risk may cause losses as a result of incidents caused by people, systems, and/or processes. Sustainability - Funds that seek to promote environmental and/or social characteristics may not or only partially succeed in doing so.

## ADDITIONAL DISCLOSURES

Company specific data were provided by the company during an ESG engagement or are available through company reports. Information presented has been obtained or derived from sources believed to be reliable and current; however, we cannot guarantee the sources' accuracy or completeness.

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.

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