



AUSTRALIAN UNIT TRUST

T. Rowe Price Dynamic Global Bond Fund – ESG Report

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

As of 30 September 2024

ESG INTEGRATION APPROACH

- The T. Rowe Price Dynamic Global Bond Fund uses environmental, social, and governance (ESG) integration as part of its investment process. By incorporating ESG considerations into our investment process, we seek to understand the range of ESG risks, together with many other investment criteria, to better position ourselves in order to deliver consistent, strong long-term returns for our clients.
- 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.)
- The portfolio is constructed on the basis of identifying the best risk/reward opportunities from the global fixed income universe. Key to this is proprietary bottom-up research that includes the assessment of ESG factors by our analysts who work in collaboration with the dedicated ESG specialist team. We complement this approach with regular screening of the portfolio using T. Rowe Price's proprietary RIIM analysis. This helps us understand the ESG characteristics of the portfolio and makes us aware of any elevated exposures to specific ESG factors from a risk management perspective.

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.

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NatWest Group (2nd Quarter 2024 Engagement)

Focus	Social
Company Description	NatWest Group (NatWest) is a UK bank whose brands include Royal Bank of Scotland and Coutts.
Engagement Objective	We engaged with NatWest on its social bond issuance.
Participants	From NatWest: Head of Capital Strategy and Treasury, Debt Capital Markets; Secured Funding Representative From T. Rowe Price Associates, Inc: Portfolio Manager; Investment Analyst; Responsible Investing Analyst
Engagement Outcome	<p>We engaged with NatWest to discuss aspects of its 2023 Green, Social and Sustainable Bond Allocation & Impact Report and to provide feedback for future reporting. The report, published in May 2024, included details of the allocation of bond proceeds and associated impact metrics for a women-empowerment bond that NatWest had issued in March 2023.</p> <p>Allocation</p> <p>Of the proceeds from the women-empowerment bond, 91% had been allocated as of FY 2023, and NatWest confirmed it had been fully allocated as of the end of the first quarter of 2024. The bank noted that most of the proceeds had gone to refinancing existing loans on the balance sheet, particularly pertaining to the government-backed Bounce Back loans during the COVID pandemic. It also reiterated that most of the target population was women-led small and medium-sized enterprises (SMEs).</p> <p>Impact metrics</p> <p>NatWest provided quantitative (number of loans provided) and qualitative (responses from its spotlight survey) impact metrics. Within the survey, 87% of respondents agreed that the loan supported them to some extent to meet their business needs (52% to a large or great extent). We also provided feedback on other quantitative metrics (number of jobs created, contribution to gross domestic product) that peers have reported and recommended that the bank consider these for future reporting.</p> <p>Future issuance</p> <p>NatWest has been somewhat unique in issuing thematic bonds with targeted proceeds (women, affordable housing, employment generation, green buildings) and acknowledged that the thematic bonds resonate well with investors. It expects to issue a further green, social, sustainability (GSS) transaction later in 2024 (likely in a green thematic format) but also pointed to ways in which its issuance can be tied in with its broader sustainability targets (in March 2024 the bank announced a GBP 5 billion target for affordable housing between 2024 and 2026).</p> <p>We provided our feedback to NatWest on the bank's 2023 Green, Social and Sustainable Bond Allocation & Impact Report and recommended additional impact key performance indicators (KPIs) the bank could measure in future reports.</p>

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

UBS (2nd Quarter 2024 Engagement)

Focus	Governance
Company Description	UBS is a financial services provider focused on global wealth management, investment banking, personal and commercial banking, and asset management.
Engagement Objective	We engaged with UBS for a discussion focused on board composition and remuneration.
Participants	<p>From UBS: Chairman</p> <p>From T. Rowe Price Associates, Inc: Head of Governance, EMEA & APAC</p> <p>We met with the chair ahead of the 2024 annual general meeting (AGM).</p>
Engagement Outcome	<p>Board composition and succession planning</p> <p>Gail Kelly, the ex-Westpac chief executive officer (CEO), has been proposed as a new board member. The chair (Colm Kelleher) wanted a former bank CEO on the board and someone with strengths in digital innovation and transformation. The chair still thinks he may need another director with technology experience.</p> <p>Sergio Ermotti took over as CEO in April 2023. He previously served as Group CEO from 2011 to 2020. He has committed to stay publicly at least until the conclusion of the integration process, which is due to be completed by the end of 2026. The chair said that Ermotti has actually committed to a minimum of five years, considering that to be the minimum time needed to make the Credit Suisse integration a success, and he has served one of these thus far. The board is working on developing a bench of possible successors, as it is understood that politically it needs to be an internal appointment.</p> <p>Remuneration</p> <p>The contentious item at the AGM will be executive pay, as the current CEO's pay is 10% higher than that of the former CEO. The board thinks the current CEO has done an excellent job of handling the Credit Suisse integration, but his pay is politically unappealing in the Swiss context. We said that we were supportive of his pay and felt he had done a good job.</p> <p>The chair explained that as a result of the integration of Credit Suisse, in 2023 the roles of certain members of the UBS Group AG Board of Directors were expanded to take on additional responsibilities on the boards of significant subsidiary entities. These nominations provided oversight of the subsidiaries and facilitated the integration of Credit Suisse entities into UBS. The company proposed that shareholders approve a retroactive incremental amount of CHF 2.2mn from the 2023 AGM to the 2024 AGM to pay the additional fees due. We said this was not contentious.</p> <p>Other governance issues</p> <p>The chair provided an update over the scope of the discharge and in particular the ongoing French cross-border matter following the final ruling by the French Supreme Court.</p> <p>We also discussed risk and control issues. The chair noted that in relation to the integration of Credit Suisse, everything UBS had seen was within the expected ranges and no changes are needed to the provisions for litigation. The 2023 UBS Annual Report reported a material weakness in the Credit Suisse financial reporting. The chair said these issues would be corrected but provided no timeline for this.</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	142	78.1	0	0.0
● Orange	8	2.7	0	0.0
● Red	0	0.0	0	0.0
● Not in scope	92	5.9	0	0.0
● Not covered	6	1.4	0	0.0
● Reserves	1	11.9	0	0.0
Total	249	100.0	0	0.0

● No/few Flags ● Medium Flags ● High Flags

The benchmark of the Fund is the Bloomberg AusBond Bank Bill Index.

ADDITIONAL DISCLOSURES

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Fund Assets, holdings-based analytics (excluding portfolio turnover), and portfolio attribution 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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The Fund's Target Market Determination is available here <https://www.eqt.com.au/corporates-and-fund-managers/fund-managers/institutional-funds/institutional-fund-manager?f=1e68c659-e0db-4d2f-8a96-c436f3d60971>. It describes who this financial product is likely to be appropriate for (i.e. the target market), and any conditions around how the product can be distributed to investors. It also describes the events or circumstances where the Target Market Determination for this financial product may need to be reviewed.

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