T. ROWE PRICE FUNDS SICAV

Dynamic Credit Fund – ESG Report

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

As at 31 December 2023

ESG INTEGRATION APPROACH

- The Dynamic Credit Fund uses ESG integration uses ESG integration as part of its investment process. By incorporating environmental, social, and governance (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, superior 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.)
- Our fund 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. ESG considerations are integrated into our risk monitoring through RIIM that systematically and proactively collects information on environmental and social factors. RIIM helps measure an issuer's ESG profile and flag those with elevated risks. RIIM also helps to identify and prioritize which issues require further fundamental assessment by the Responsible Investing team. It rates issuers using a "traffic light" system. Issuers flagging red or orange undergo further analysis by the RI team and their findings are shared with the analyst for incorporation into the investment 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.

INVESTMENT OBJECTIVE: The fund seeks total return through a combination of income and capital appreciation.

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.

Banca Transilvania (3rd Quarter 2023 Engagement)

Focus	Environment, Governance
Company Description	Banca Transilvania is a large bank in Romania.
Engagement Objective	We engaged with the bank on financed emissions, sustainable finance, and governance.
Participants	From Banca Transilvania: ESG Director; Corporate Governance Director; ESG Expert, Investor Relations From T. Rowe Price: Head of Governance, EMEA & APAC; Investment Analysts (2), Responsible Investing Analyst
Engagement Outcome	We engaged with Banca Transilvania (BT) to discuss the viability of setting financed emission reduction targets and to conduct due diligence on its blue financing opportunities. **Financed emissions** The bank is one of a handful of banks globally that have measured financed emissions across the entire balance sheet (excluding unsecured consumer lending and credit cards). The bank, however, flagged the calculations are based on estimates and want to gain confidence in these estimates before setting any targets. BT is looking to provide additional disclosure on the financed emissions tied to the agriculture, transportation, and construction sectors, and we recommended the bank set financed emission reduction targets. We also recommended it establish a framework to evaluate the credibility of clients' transition plans to bring it in line with global best practice. **Sustainable finance** The bank received EUR 100 million from the International Finance Corporation (IFC) in 2022 to invest in blue projects in Romania, and it expects to allocate this capital by 2027. The IFC reported that Romania needs EUR 3 billion of private sector financing in blue-related projects by 2027, but the bank does not believe it has sufficient blue assets to issue a blue bond to finance this. The bank is considering publishing a sustainable financing framework by the end of 2023 ahead of a potential sustainable bond issue, where sustainable water may be an eligible category. **Governance** We voted against the performance plan at the 2023 annual general meeting as the vesting period was less than three years. The bank explained that the performance plan had a three- year vesting period for middle management and five years vesting for top management, plus a one-year holding period, so the vesting period should not be an issue at future meetings. We shared our feedback relating to variable pay disclosure, and BT highlighted that it would look to disclose more on the key performance indicators. We asked whether the company would provide a separate agenda item to vote on the remuneration rate. The bank explained this was not possible as when the Shareholder Rights Directive II (SRDII) was transposed into Romanian national law to implement the say on pay requirement, the remuneration report must be placed within the Board of Directors' report and cannot be presented separately. We were pleased with the progress the bank has made to date in measuring its financed emissions, and we made disclosure and target-setting recommendations to bring the bank in line with global peers.

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.

Intesa SanPaolo (1st Quarter 2023 Engagement)

Focus	Environment
Company Description	Intesa Sanpaolo is an Italian bank.
Engagement Objective	We engaged with the bank to discuss financed emissions and green bonds.
Participants	From Intesa Sanpaolo: Head of ESG & Sustainability; Climate Change representatives (3); Medium and Long-term Debt Origination & Sustainability Bond Structuring representatives (2); Investor Relations representatives (2) From T. Rowe Price: Responsible Investing Analyst
Engagement Outcome	We engaged with Intesa Sanpaolo to give disclosure recommendations on its climate strategy—particularly on how it evaluates the credibility of clients' climate transition plans—and to discuss updates to its sustainable bond framework. Investors are increasingly focused on how banks evaluate the credibility of corporate clients' climate transition plans. Intesa Sanpaolo developed its own methodology to evaluate clients' greenhouse gas reduction efforts and how they compare with peers, the technical robustness of the transition plan, and whether the transition plan can be sustained with projected capital expenditure. While it is encouraging to hear that Intesa Sanpaolo has a framework, its disclosure on the assessment is limited. We recommended that the bank provide more disclosure in future climate reporting. Regarding sustainable financing, Intesa Sanpaolo updated its sustainable financing framework in June 2022, with the bank aligning its renewable energy and clean transportation categories with the European Union (EU) taxonomy. The bank is awaiting guidance on the final taxonomy but seeks to obtain the EU Green Bond Standard with future issuance. Intesa Sanpaolo's current issuance skews toward green bonds but it expects to balance this over time with issuing more social bonds. We gave disclosure recommendations for future social bond issuance impact reporting. Specifically, we recommended that the bank align its reporting with the International Capital Market Association's (ICMA) output, outcome, impact framework, and to provide qualitative case studies along with the quantitative metrics. The engagement gave us an opportunity to make disclosure recommendations on Intesa Sanpaolo's climate strategy and green, social, or sustainable bond reporting to align it with industry best practice. Looking ahead, we will monitor whether the bank discloses its assessment of clients' transition plans in the next climate report. We will also monitor for the bank to align future social bond impact reporting with ICMA's output, outcome, impact framework and to provide qualitative case studies.

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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	
	No. of securities	% weight
Green	74	49.6
Orange	36	18.8
Red	14	2.8
Not in scope	33	7.6
Not covered	2	3.0
Cash	1	18.2
Total	**160**	**100.0**

● No/few Flags ■ Medium Flags ▲ High Flags

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%	15.9%
Environmental Objectives	0.5%	4.1%
Social Objectives	0.5%	11.7%

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. China Interbank Bond Market - The China Interbank Bond Market may subject the fund to additional liquidity, volatility, regulatory, settlement procedure and counterparty risks. The fund may incur significant trading and realisation costs. 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. Country (China) - Chinese investments may be subject to higher levels of risks such as liquidity, currency, regulatory and legal risks due to the structure of the local market. Country (Russia and Ukraine) - Russian and Ukrainian investments may be subject to higher risks associated with custody and counterparties, liquidity, market disruptions, as well as strong or sudden political risks. 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. Distressed or defaulted debt securities - Distressed or defaulted debt securities may bear substantially higher degree of risks linked to recovery, liquidity and valuation. Emerging markets - Emerging markets are less established than developed markets and therefore involve higher risks. Frontier markets - Frontier markets are less mature than emerging markets and typically have higher risks, including limited investability and liquidity. 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. Liquidity - Liquidity risk may result in securities becoming hard to value or trade within a desired timeframe at a fair price. Prepayment and extension - Mortgage- and asset-backed securities could increase the fund's sensitivity to unexpected changes in interest rates. 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. 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.

IMPORTANT INFORMATION

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