T. ROWE PRICE FUNDS SICAV
Dynamic Credit Fund – ESG Report
Providing transparency on Environment, Social and Governance aspects of the Fund
As at 30 September 2023

ESG INTEGRATION APPROACH

• The Dynamic Credit Fund 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 pursue 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 around 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 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, influencing 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.
# Tesla (2nd Quarter 2023 Engagement)

<table>
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<tr>
<th>Focus</th>
<th>Governance</th>
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<tbody>
<tr>
<td>Company Description</td>
<td>Tesla is a leading manufacturer of electric and automated vehicles.</td>
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<tr>
<td>Engagement Objective</td>
<td>We engaged with Tesla to discuss various governance-related issues ahead of its annual shareholder meeting.</td>
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| Participants | From Tesla: Independent Director; Investor Relations; Deputy General Counsel  
From T. Rowe Price: Head of Corporate Governance |

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<tr>
<th>Engagement Outcome</th>
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| We engaged with Tesla on various governance items ahead of its 2023 shareholder meeting, with a focus on general governance practices and directors’ re-elections.  
	Directors on the ballot in 2023 included Elon Musk, the Board chair, and Tesla’s former chief technology officer.  
	Tesla noted the Board’s frustration with the shareholder friction it experiences each year and its reputation as a weak counterbalance to Musk’s dominance over the company. From T. Rowe Price’s perspective, the past year was not helpful in dispelling this reputation in the wake of Musk’s contentious acquisition of Twitter. In response, Tesla disputed the idea that Musk controls the Board and said it regards shareholder concerns about share pledging and Board independence as “superficial pushback.”  
	Regarding the issue of Tesla lending engineering talent to Twitter, the company stated that the proxy contained disclosure stating that time was billed to Twitter at a markup. (In fact, there was no such disclosure except for a line under Related Party Transactions mentioning a “support” agreement between both companies.) We also discussed the selling and pledging of Tesla shares to fund the Twitter purchase. Tesla’s Board implemented a 25% limit on Musk’s holdings that could be used as collateral at any time, which it considered a conservative approach to managing the risks of excessive share pledging by Board members.  
	We discussed a “vote no” campaign against a newly appointed director, who was Tesla’s chief technology officer from 2005 to 2019. Opposition to the appointment stemmed from the director’s former employment at the company and friendship with Musk. However, T. Rowe Price did not share these concerns.  
	Tesla falls under our policy on mature companies that use staggered Board elections. (T. Rowe Price policy is to oppose directors at mature companies that maintain a classified Board system, in which members are elected in staggered terms.) Under our policy, we would oppose the election of the current Board chair. In our view, there was no compelling reason for why we should override our policy.  
	The engagement allowed us to make a more informed proxy voting decision and impart our views on various governance practices, including directors’ re-elections. It also gave us an opportunity to hear Tesla’s views on some of the more controversial aspects to the Twitter acquisition (e.g., the lending of Tesla engineering talent to Twitter and Musk’s pledging of Tesla shares to finance the purchase). |

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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.
## ConocoPhillips (4th Quarter 2022 Engagement)

<table>
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<tr>
<th>Focus</th>
<th>Environment, Governance</th>
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<tbody>
<tr>
<td>Company Description</td>
<td>ConocoPhillips is a global oil and gas exploration and production (E&amp;P) company.</td>
</tr>
<tr>
<td>Engagement Objective</td>
<td>We engaged with the company for a discussion focused on 2022 shareholder meeting results, executive compensation, and climate commitments.</td>
</tr>
</tbody>
</table>
| Participants | From ConocoPhillips: Deputy General Counsel, Chief Compliance Officer and Corporate Secretary; Vice President, Sustainable Development; General Manager, Compensation and Benefits; Vice President, Investor Relations; Human Resources General Manager  
From T. Rowe Price: Head of Corporate Governance, Responsible Investing Analyst |
| Engagement Outcome | We engaged with the company for a discussion focused on 2022 shareholder meeting results, executive compensation, and climate commitments.  
At the 2022 shareholder meeting, 40% of investors opposed the company’s Say on Pay. The dissent appears to be a combination of a negative recommendation from proxy advisory firm Institutional Shareholder Services (ISS), high opposition of U.S. pay plans by European investors, and a negative vote from asset manager Capital Group, which owns 9% of the stock. Concerns raised by ISS included a short-term misalignment between pay and stock returns and certain “good housekeeping” practices, such as putting hard caps on certain types of awards. We sided with the majority and voted FOR the item. We discussed the company’s potential response to the weak support.  
We discussed an unusual situation that arose at the shareholder meeting. A management proposal and a shareholder proposal were presented on the same topic, and both passed. The proposals had to do with investors’ right to convene a special meeting. Over 80% of investors supported the management version that 20% of stockholders should be able to demand a meeting. But 52% of stockholders also approved the shareholder version saying the threshold should only be 10%. The company is planning to adopt its preferred version of the bylaw, but this may open it up to criticism next year.  
We asked whether there had been any update in ConocoPhillips’ thinking around scope 3¹ emissions. Scope 3 goals are difficult to navigate as an E&P company.  
We were pleased to see that the company has set greenhouse gas emission reduction targets on both an operated and an equity basis for scope 1-2 emissions. The climate risk associated with non-operated assets is still significant, and the company is now meeting with all of its major partners and looking to align strategy and targets and pushing for better data assurance, which will help it to meet its equity-based emission targets.  
There is a lot of uncertainty regarding its post-2030 decarbonization pathway, but based on current assets and technologies, ConocoPhillips believes that it could achieve 75%–80% of the emission reductions needed for net zero. |

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.

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## 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:

<table>
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<tr>
<th>Sustainable Investments</th>
<th>Target Minimum Exposure %</th>
<th>Fund Exposure %</th>
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<tr>
<td></td>
<td>10.0%</td>
<td>16.3%</td>
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## 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

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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