T. Rowe Price
INVEST WITH CONFIDENCE

T. ROWE PRICE FUNDS SICAV

Dynamic Emerging Markets Bond Fund – ESG Report

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

As at 31 March 2023

ESG INTEGRATION APPROACH

- The Dynamic Emerging Markets Bond 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 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 issuer level and on thematic topics. Additionally, they have built tools to help pro-actively 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).

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- 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.)

- The portfolio construction process combines top-down and bottom-up approaches. We combine a top-down approach to asset allocation amongst Emerging Market sovereigns, corporates, interest rates and currencies, with a bottom-up approach to country, issuer and security selection. The foundation of our investment process is fundamental research, which includes an assessment of ESG factors to identify the best opportunities across the Emerging Markets macroeconomic landscape and the capital structure of a country or company. Investment recommendations from the specialist sovereign and corporate analysts incorporate ESG analysis independently performed by our dedicated ESG specialist team. We complement this approach with regular screening of the portfolio using T. Rowe Price's proprietary RIIM analysis. This approach helps us understand and manage the ESG characteristics of the portfolio, including exposures to specific ESG factors.

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 portfolio of bonds of all types from emerging markets issuers. 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 50% of the value of its portfolio invested in issuers and/or securities that are rated as 'Green' by the T. Rowe Price proprietary Responsible Investor Indicator Model (RIIM). 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.

- 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 50% of the value of its portfolio invested in issuers and/or securities that are rated as 'Green' by the T. Rowe Price proprietary Responsible Investor Indicator Model (RIIM). The fund applies the T. Rowe Price RIIM Rating Criteria. 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.

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.

Lenovo (1st Quarter 2023 Engagement)

Focus	Environment
Company Description	Lenovo is an electronics manufacturer based in China.
Engagement Objective	We engaged with the company to focus on product sustainability.
Participants	From Lenovo: Executive Director, Global ESG and Regulatory Compliance; Sustainability Director, Global Supply Chain; Chief Diversity Officer and President, Lenovo Foundation; WW Security Manager, Global Supply Chain; Chief Information Security Officer; Executive Director, Chief Security Office From T. Rowe Price: Responsible Investing Analyst; Fixed Income Analyst; Fixed Income Portfolio Manager; Fixed Income ESG Associate Portfolio Manager; Fixed Income Impact Analyst
Engagement Outcome	The purpose of our engagement with Lenovo was to impart our view on materiality within the technology hardware space. We also sought to encourage more clarity on product sustainability key performance indicators (KPIs), get an update on emission reduction goals, and perform due diligence on supply chain ESG risk management and the company's green bond framework. Regarding product sustainability KPIs, Lenovo tracks the percentage of stock-keeping units with an eco-label but not at the revenue level. The company has set a goal to reduce emissions by 35% by 2030 for comparable products. This will have the biggest impact on notebooks, desktops, and servers, which consume significant energy. Lenovo plans to leverage energy efficiency measures (e.g., energy star) and study the carbon impact of design decisions to achieve its product goals. T. Rowe Price imparted the view that revenue alignment to sustainable product/green revenue is a valuable indicator to track. Circular themes/end-of-life waste is a key theme for Lenovo. The company is targeting 100% of its personal computers will contain post-consumer waste by 2025. Lenovo has a single set of requirements for collection and recycling services and has been using post-consumer waste for 17 years. The company aims to use high volumes of recycled content and sees more opportunity in monitors, less in notebooks and phones. Supply chain monitoring appears to be robust. Lenovo works with the Responsible Business Alliance (RBA) and industry groups to minimize risks related to conflict minerals. It uses EcoVadis (a provider of business sustainability ratings) to get a risk rating on all suppliers. Lenovo does a lot of auditing in the RBA program, including annual self-assessments and a third-party audit of all suppliers every other year. A supply chain risk council examines risks and concerns, e.g., ensuring compliance with laws such as the Uyghur Forced Labor Prevention Act. The company uses Everstream (a supply chain risk analytics company) that allows it to screen for regional exposure in the supply chain. On the subject of green bonds, we imparted our view that investors prefer new financing over refinancing, and the preference for green bonds funding credible impact investments over sustainability-linked bonds. The engagement allowed us to impart our views on materiality within the technology sector and to encourage Lenovo to share more comprehensive KPIs on product sustainability. We will follow up on our key asks (i.e., the percentage of revenue from eco-labeled products and the percentage of recycled content at the firm level) in the near term.

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. T. Rowe Price may have ongoing business and/or client relationships with the companies mentioned in this report.

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. **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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