T. ROWE PRICE FUNDS SICAV

Dynamic Global Bond Fund – ESG Report

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

As at 31 December 2023

ESG INTEGRATION APPROACH

- The 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 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.
- 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.

INVESTMENT OBJECTIVE: To generate income while offering some protection against rising interest rates and a low correlation with equity markets.

INVESTMENT PROCESS: The fund is actively managed and invests mainly in a 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 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.

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.

Morgan Stanley (3rd Quarter 2023 Engagement)

Focus	Environment
Company Description	Morgan Stanley is a diversified financial services company.
Engagement Objective	We engaged with Morgan Stanley to conduct due diligence on its climate strategy and to provide recommendations relating to disclosure and target setting.
Participants	From Morgan Stanley: Head of Climate Solutions; Head of Diversity, Equity, and Inclusion; Managing Director of Strategy; Managing Director, Compensation; Managing Director, Legal; ESG Reporting Representative; Corporate Secretary From T. Rowe Price: Head of Governance; Responsible Investing Analysts
Engagement Outcome	The engagement provided us with an opportunity to provide feedback on Morgan Stanley's reporting. The bank improved its climate strategy in 2023 with the creation of a Climate Strategy Assessment Framework (CSAF), a tool to measure the credibility of clients' transition plans. It also provided progress reports on its interim financed emission targets for the auto, energy, and power sectors. However, we believe it lags global peers in the number of sectoral targets and in aspects of its CSAF. The bank has set 2030 financed emissions targets for the auto, energy, and power sectors and has begun reporting progress against these (it remains on course to meet the energy and power targets but is behind on the auto target). Many global peers have extended their financed emission targets to additional sectors (74% of banks signed up to the Net-Zero Banking Alliance now have targets on four or more sectors), and we recommended that the bank set targets on additional sectors to bring it in line with industry peers. Morgan Stanley has developed a framework to assess the credibility of counterparties' transition plans, like have many of its peers. The bank has done a good job in explaining the inputs of this assessment (this will assess net zero interim goals, emissions scopes included in targets, climate risk management, executive remuneration tied to climate objectives, capital expenditure, green revenues, and performance on greenhouse gas emissions), which culminates in a grade for each counterparty. The bank explained it remains in the early innings of its engagement strategy, with the focus in 2023 being on educating bankers and relationship managers on the framework before engaging with counterparties. We suggested best practice would be to begin engaging with counterparties on their transition plans and measuring the outcomes of their engagement that would bring it in line with some of their peers. We also recommended the bank publish in the next ESG report its escalation strategy for counterparties that receive a low grade in its assessment. We were pleased with the progress Morgan Stanley has made in relation to its client assessment framework but believe it remains behind global peers in its overall climate strategy. We provided several recommendations to bring it in line with industry best practices.

Southern Company (4th Quarter 2023 Engagement)

Focus	Environment
Company Description	Southern Company (Southern) is a U.S. natural gas and electric utility holding company headquartered in Atlanta, Georgia.
Engagement Objective	We engaged with the company to discuss its climate strategy.
Participants	From Southern: Senior Vice President, Environmental, System Planning and Sustainability; Senior Vice President, Research and Development; Vice President, Corporate Governance; Director, Sustainability, Strategy and Planning From T. Rowe Price: Head of Corporate Governance; Responsible Investing Analyst
Engagement Outcome	We engaged with Southern to discuss its climate strategy. We also sought to find out if management planned to set new greenhouse gas reduction targets given the company's progress in decarbonizing its power generation fleet over the past decade. On the emissions reduction front, Southern has targeted a 50% reduction in emissions by 2030 from a 2007 baseline. In 2022, emissions fell 47% from the baseline, and Southern said it expects to achieve its 50% reduction goal in 2025, five years ahead of schedule. When asked if the company planned to set an updated 2030 emissions reduction target, Southern said it would start a process to review the 2030 target by the end of 2023 and would seek to include scope 2 emissions[1] (admittedly a small part of its greenhouse gas footprint) into any new targets. Regarding the closure of its coal mines, Southern said it has less visibility on its coal closings over the longer term. (In November 2021, Southern's chief executive officer said that the company would close more than half of its coal-fired power generation fleet by 2028 as it moves toward a goal of net zero carbon emissions by 2050.) Southern cited uncertainties about the potential load growth in its services areas and coal closures requiring regulatory approval or agreement. It plans to give more details on the timing of coal closures in its next integrated resource plan. We asked whether Southern plans to set a scope 3 target, given that such emissions account for roughly 30% of the company's greenhouse gas footprint. Management replied that it was not yet ready to set a scope 3 target, though it plans to do so in the future. It added that it expects to see another shareholder proposal regarding scope 3 emissions at its 2024 annual general meeting. The engagement revealed that Southern expects to meet its 2030 greenhouse reduction target five years early and will start the process of updating its climate targets by the end of 2023, though the timing for publishing the new targets is uncertain. Looking ahead, we will update the company's medium-term greenhouse reduction target, including scope 2 emissions, and check on its progress in one year.

[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.

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.

The data in the table below is the RIIM Weighted Average Score which is a combined Environmental. Social and Governance score for the portfolio, and which is used to measure the Sustainability Indicator for the Fund. It differs to the overall RIIM Indicator Score which is determined by the worst of the Environmental, Social and Governance scores.

	Portfolio	
	No. of securities	**% weight**
Green	200	82.4
Orange	8	5.7
Red	12	0.7
Not in scope	91	-0.6
Not covered	0	0.0
Cash	1	11.9
Total	**312**	**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 to maintain at least 50% of the value of its portfolio invested in issuers and/or securities that are rated “Green” by the T. Rowe Price proprietary Responsible Investor Indicator Model (“RIIM”).

The percentage exposure of the fund in issuers and/or securities that are rated “Green” is:

	Target Minimum Exposure %	Fund Exposure %
Green Issuers/Securities	50.0%	82.4%

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. 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. 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.

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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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