T. ROWE PRICE FUNDS OEIC

US Smaller Companies Equity Fund – ESG Report

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

As at 31 March 2024

ESG INTEGRATION APPROACH

- The US Smaller Companies Equity Fund uses ESG integration as part of its investment process. This means incorporating environmental, social and governance factors to enhance investment decisions. Our philosophy is that ESG factors are a component of the investment decision—meaning that they are not the sole driver of an investment decision, nor are they considered separately from more traditional analysis.
- The process of ESG integration takes place on two levels: first, with our research analysts as they incorporate ESG factors into company valuations and ratings, and second, with the portfolio manager as he balances these ESG factor exposures at the portfolio level. Both the analysts and the portfolio manager are able to leverage dedicated, in-house resources to assist 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 6,500 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 investment process seeks to strike an appropriate balance between risk and return, and we approach ESG considerations in the same manner, considering both financial and non-financial risks. The fund's portfolio manager works collaboratively with investment analysts and with our internal ESG resources to develop an understanding of the key ESG considerations, and to weigh their significance against other aspects of the investment opportunity. The relative importance and impact of ESG factors will vary from company to company, similar to many investment considerations in our bottom up approach.

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.

TechnipFMC (1st Quarter 2024 Engagement)

Focus	Environmental, Governance
Company Description	TechnipFMC PLC is a global offshore oilfield service and equipment company with leading technology and market share in subsea.
Engagement Objective	We engaged with TechnipFMC as part of its regular outreach to discuss corporate governance and ESG practices.
Participants	From TechnipFMC: Investor Relations; Chief Legal Officer; Corporate Legal Group; Executive Vice President of People and Culture; Vice President of Total Rewards From T. Rowe Price: ESG Analyst
Engagement Outcome	We met with TechnipFMC to discuss matters related to governance practices and environmental initiatives within the company. TechnipFMC confirmed that director Eleazar de Carvalho Filho left the Cnova Board last year and now serves on three public Boards, including TechnipFMC. The company has heard concerns of over-boarding from other shareholders, and the Board regularly has conversations about directors' commitments and availability. TechnipFMC made no changes to its compensation program in 2023 except for minor adjustments to the clawback policy to ensure compliance with the new Securities and Exchange Commission guidelines. In 2022, TechnipFMC added return on invested capital as a metric in its long-term incentive plan. TechnipFMC also made a more rigorous payout scale following shareholder feedback that included input from T. Rowe Price. In terms of executive-level gender diversity, we acknowledged TechnipFMC's above-average representation of women on the Board at 44%. We discussed environmental initiatives when we met with TechnipFMC, including integrated execution and its higher efficiency product line that the company launched almost a decade ago. Due to the long lifespan of subsea equipment (20 to 25 years), TechnipFMC is experiencing increasing customer demand. Guidance for 2023 was for the newer, sustainable product line, Subsea 2.0, to account for as much as 50% of inbound orders. Additionally, the company changed the process so products such as production equipment can be updated underwater to improve manufacturing efficiency, which lowers costs and reduces the environmental footprint of such an update. TechnipFMC told us about its New Energy Ventures segment, which consists of greenhouse gas (GHG) removal, offshore floating renewables, and hydrogen solutions (as storage mechanism or carrier to bridge the gap from renewable intermittency). TechnipFMC's advantage is its expertise in the entire water column (subsea to surface). GHG removal presents the greatest near-term opportunity, and TechnipFMC recently won the contract with Petrobras to deliver the Mero 3 high-pressure oil and gas separation technology (known as HISEP) project. This will act as a proof of concept for the process, which involves capturing dead gas high in carbon dioxide (CO_2) content and treats it on the ocean floor, then immediately reinjecting it into the reservoir rather than piping it up to the surface level for treatment. Treating the CO_2 underwater allows for a much smaller floater to be used without processing equipment needed on it, and it opens up pipelines for increased oil flow, which helps project economics. Our engagement with TechnipFMC informed our research. TechnipFMC appreciates our support on governance matters, and we recommended looking into the standards set by the International Sustainability Standards Board for reporting and adding discussion around emissions reduction progress to targets.

Post Holdings, Inc. (1st Quarter 2024 Engagement)

Focus	Environmental, Social, Governance
Company Description	Post Holdings, Inc., is a consumer packaged goods holding company as well as a marketer of convenient nutrition and private food brands.
Engagement Objective	We focused on Post's decarbonization strategy in our engagement.
Participants	From Post: Vice President of ESG; Investor Relations From T. Rowe Price: ESG Associate Analyst
Engagement Outcome	We met with Post to discuss its decarbonization strategy, and we also learned more about the company's progress in social and governance matters. Post is evaluating each of its sites on a case-by-case basis for efficiency projects. The company has a Scope 1, 2, and 3 greenhouse gas (GHG) emissions reduction target of 30% by 2030, and it is focused on Scope 1 and 2 emissions and making sure the related data are accurate and of a high quality.[1] Post reduced Scope 1 and 2 GHG intensity by 18% from its 2020 baseline, but on an absolute basis, emissions are only down by 4%. For the company's Scope 3 emissions reduction strategy, it is targeting engagement with its largest ingredient and packaging suppliers, and Post encouraged its suppliers to join the Carbon Disclosure Project Supply Chain program to better understand its Scope 3 emissions. Sixty percent of the company's suppliers have participated and shared their emissions data, and Post provides suppliers with its free climate university to help inform them of best practices in tracking and aggregating environmental metrics. In terms of its energy use, Post uses Power Purchase Agreements in the U.S. and is looking into solar projects. The company identifies projects to incorporate into its rolling three-year capital expenditures (capex) planning. Cases like aging equipment allow Post to bring in more energy-efficient alternatives, as its energy consumption is 74% higher than the Russell 3000 Index food products industry group. Post is also considering its water use, although food safety and quality limits the water that can be reused in the food industry. In conducting its water stress exposure, only 2% of products and 3% of warehouse and distribution sites are on high water stress sites. Post's water intensity has improved over the years, and it still ranks the highest in its industry group. Post is testing some environmental and social initiatives with Weetabix before scaling to its broader operations. Weetabix has a net zero target by 2050 and submitted Science Based Targets initiative (SBTi) reduction targets, although Post believes the SBTi process has not been beneficial. Post also discussed its employee turnover, which has seen a beneficial trend with lowered rates, especially in more rural locations. This trend may be associated with the different benefits the company offers to attract and retain employees in rural areas. We also discussed the management-sponsored Board declassification Post proposed in January 2024, which received 80% shareholder support. The Board plans to transition all directors to annual elections starting in the 2025 annual general meeting. Regarding the Board of Directors structure, it is composed of 70% independent directors and half of the directors are past retirement age, but the Board is not actively looking for more directors, independent or otherwise, although it would consider doing so when directors retire. Our engagement informed our research and helped us to better understand Post's decarbonization strategy, and we hope to see progress to this end in the coming years.

[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.

	Portfolio		Benchmark	
	No. of securities	% weight	No. of securities	% weight
Green	102	61.7	2,028	81.9
Orange	75	36.8	369	16.9
Red	2	0.2	27	0.7
Not in scope / not covered	1	0.1	18	0.5
Cash	1	1.3	0	0.0
Total	**181**	**100.0**	**2,442**	**100.0**

● No/few Flags ● Medium Flags ● High Flags

The comparator benchmark of the Fund is the Russell 2500 Value Net 15% Index. The manager is not constrained by the fund's benchmark, which is used for performance comparison purposes only.

RISKS - The following risks are materially relevant to the fund (refer to prospectus for further details): Small and mid-cap - Small and mid-size company stock prices can be more volatile than stock prices of larger companies.

General fund risks - to be read in conjunction with the fund specific risks above. Equity - Equities can lose value rapidly for a variety of reasons and can remain at low prices indefinitely. 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.

ADDITIONAL DISCLOSURES

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Holdings-based analytics 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

The Funds are sub-funds of the T. Rowe Price Funds OEIC, an investment company with variable capital incorporated in England and Wales which is registered with the UK Financial Conduct Authority 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 in English, together with 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 and via www.troweprice.com.

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