



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 30 June 2020

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 environmental, social, and governance 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 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 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). It covers approximately 14,000 securities and pulls from data sets that are not in the wheelhouse of traditional financial analysis. These data sets include:
 - ESG performance data (i.e. number of accidents, carbon emissions, strength of whistle-blower programs);
 - ESG targets (i.e. plans to reduce carbon emissions, increase diversity, etc.)
 - ESG incidents and controversies (i.e. 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 strategy'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, 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.

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Ingersoll Rand (4th Quarter 2019)

Focus	Environmental
Company Description	Ingersoll Rand manufactures flow control equipment. The company offers vacuum systems, bottle blowers, pumps, and air and gas compressors.
Engagement Objective	We engaged with Ingersoll Rand on the topic of sustainable and efficient climate control solutions.
Participants	A T. Rowe Price Investment Analyst and a Responsible Investing Analyst engaged with Investor Relations representatives from Ingersoll Rand.
Engagement Outcome	<p>Ingersoll Rand intends to spin-off its industrial segment to become a pure-play climate control solutions provider.</p> <p>The company has established a set of 2030 sustainability targets, which includes a goal of removing one gigatonne of carbon dioxide from its products. This has driven the company's efforts to dramatically reduce pollution caused by its refrigerants. The company specifically made switches to low global warming-potential refrigerants to a good portion of its portfolio.</p> <p>Ingersoll Rand invests significantly in the electrification of its heating, ventilation, air conditioning (HVAC), and transportation products. It has also invested in digital efficiencies (to better maintain/regulate its HVAC solutions), and in circular design.</p> <p>The engagement informed our investment research.</p>

The specific securities identified and described do not represent all of the securities purchased, sold, or recommended for the OEIC sub-fund, and no assumption should be made that the securities identified and discussed were or will be profitable.

Hunt Transport Services (1st Quarter 2020)

Focus	Governance
Company Description	Hunt Transport Services is a surface transportation, delivery, and logistics company in North America.
Engagement Objective	We engaged with the company on ESG disclosures, greenhouse gas emissions, political spending, and board composition.
Participants	T. Rowe Price's Director of Research, Responsible Investing, Head of Corporate Governance, an Investment Analyst, and a Responsible Investing Analyst engaged with Hunt Transportation Services' CFO, COO, and Finance and Investor Relations representatives.
Engagement Outcome	<p>Hunt Transport Services is relatively new at investor engagement on ESG subjects. We encouraged the company to include its environmental and social disclosures in a single report, and to introduce more quantitative data in a tabular format.</p> <p>Management asked about the various frameworks and ratings services. We encouraged them to consider the Sustainability Accounting Standards Board and, later, the Task Force on Climate-Related Financial Disclosures as the most relevant disclosure frameworks.</p> <p>We also discussed board composition. The founding family owns 20% of the company but holds 40% of the board seats. This imbalance is mitigated, however, by strong signs of alignment between the founders and the shareholders, such as a modest, performance-based approach to compensation and no takeover defenses.</p> <p>The company is aware of shareholder concerns on board composition (high insider representation, long average tenure, and low diversity) and says a natural transition is under way that will address some of these issues.</p>

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Risks - The following risks are materially relevant to the fund (refer to prospectus for further details):

Small and mid-cap risk - stocks of small and mid-size companies can be more volatile than stocks of larger companies.

General fund risks - to be read in conjunction with the fund specific risks above. **Capital risk** - the value of your investment will vary and is not guaranteed. It will be affected by changes in the exchange rate between the base currency of the fund and the currency in which you subscribed, if different. **Equity risk** - in general, equities involve higher risks than bonds or money market instruments. **Geographic concentration risk** - to the extent that a fund invests a large portion of its assets in a particular geographic area, its performance will be more strongly affected by events within that area. **Hedging risk** - a Fund's attempts to reduce or eliminate certain risks through hedging may not work as intended. **Investment fund risk** - investing in funds involves certain risks an investor would not face if investing in markets directly. **Management risk** - the investment manager or its designees may at times find their obligations to a fund to be in conflict with their obligations to other investment portfolios they manage (although in such cases, all portfolios will be dealt with equitably). **Operational risk** - operational failures could lead to disruptions of fund operations or financial losses.

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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