T. ROWE PRICE FUNDS SICAV

European Smaller Companies Equity Fund – ESG Report

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

As of 31 December 2024

ESG APPROACH

- The European 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. Consideration of ESG factors helps us to understand a company's operating model and its management team motivations. This is particularly relevant in small-cap investing, where company disclosure may be limited and governance risk heightened.
- 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 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 portfolio manager seeks primarily to acquire European small-cap companies that are capable of growing earnings faster than average for a period beyond that of a market cycle. Such "durable growth" companies will typically exhibit a compelling business model that enables them to generate a sustainable competitive advantage and, in particular, offers clear material benefits to their customers. The research the ESG specialist teams provide is additive to the fundamental research that helps us to identify these companies.
- 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: To increase the value of its shares, over the long term, through growth in the value of its investments.

INVESTMENT PROCESS: The fund is classified as Article 8 under SFDR (the EU's Sustainable Finance Disclosure Regulation); it promotes, among other characteristics, environmental and/or social characteristics and the companies in which the investments are made follow good governance practices. The fund is actively managed and invests mainly in a diversified portfolio of shares of smaller publicly traded European companies. 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 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 and efficient portfolio management. 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, 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.

Amplifon (3rd Quarter 2024 Engagement)

Focus	Environment
Company Description	Amplifon is a retailer of hearing care solutions.
Engagement Objective	We engaged with Amplifon for a discussion on climate strategy and ESG disclosure.
Participants	From Amplifon: Head of Investor Relations; Sustainability Manager From T. Rowe Price Associates, Inc.: Responsible Investing Analyst
Engagement Outcome	We had identified Amplifon as an outlier among European companies, which has yet to have developed an emissions reduction strategy. We engaged with the company to provide feedback on its climate strategy and its broader approach to sustainability. Amplifon has recently established a new set of sustainability targets, having reached the end of its prior 2021–2023 sustainability plan. The company's targets address: (1) product service and access to hearing care, (2) human capital, and (3) ethical behavior. We believe the strategy and accompanying disclosure are generally adequate. However, we wanted to provide feedback on the structure of the ESG disclosure and the company's climate strategy (where Amplifon lacks clear emissions reduction targets). We suggested the company's sustainability disclosure could focus more substantively on the financially material ESG drivers outlined in its sustainability plan. The current disclosure prioritizes environmental matters ahead of more financially relevant factors. To this end, we also recommended the company report against the Sustainability Accounting Standards Board (SASB). Amplifon was broadly receptive to this suggestion but intends to prioritize meeting regulatory requirements (i.e., Corporate Sustainability Reporting Directive or CSRD) before considering wider changes to its disclosure. We also discussed Amplifon's climate strategy. The company's new sustainability plan includes an objective to set and submit near-term decarbonization science-based targets for Science Based Targets initiative (SBTi) validation but does not include concrete emissions reduction objectives. Amplifon noted it is currently in the process of defining its decarbonization strategy and intends to submit targets for SBTi validation during 2025. The company explained that the delay in establishing targets was due to its desire to ensure any targets had a clear set of emissions reduction measures underpinning them. It also noted that it had had an unsatisfactory outcome from the first consultant it partnered with to develop its climate strategy. (Amplifon is now working with South Pole instead). The company also touched on ESG-labeled debt issuance. Amplifon signed a sustainability-linked revolving credit facility with a pool of banks in 2023. Were the company ever to issue a traditional bond, Amplifon intends for this to be ESG labeled. The engagement allowed us to impart our views and share best practices on ESG disclosure and the company's approach to developing emissions targets. Our key recommendations and items to monitor were SASB disclosure (target: one year) and Paris-aligned absolute Scope 1–2[1] emissions reduction target (target: 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.

Unless otherwise noted, data were provided by the company during the engagement or are available through company reports.

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.

IQE (3rd Quarter 2024 Engagement)

Focus	Governance
Company Description	IQE is a leading manufacturer of advanced semiconductor materials.
Engagement Objective	We engaged with IQE on remuneration.
Participants	From IQE: Head of the Remuneration Committee; Investor Relations Representative From T. Rowe Price Associates, Inc.: Head of Governance, EMEA and APAC
Engagement Outcome	We shared our perspective in a remuneration consultation. IQE is looking to move to a transatlantic hybrid scheme with a kicker. This award will only vest if IQE's share price (plus the value of any dividends) at the end of three years is at least 104p (pence sterling). Normally, we are skeptical of kickers, but the price at the time of the engagement was 23.7p, so this is genuinely stretching. The move from 200% of performance share plans to 100% performance shares and 50% restricted stock units is in line with UK norms. We communicated that the plan seemed reasonable.

Unless otherwise noted, data were provided by the company during the engagement or are available through company reports.

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.

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	86	92.6	764	91.5
Orange	3	2.0	76	7.5
Red	0	0.0	2	0.1
Not in scope	1	0.4	1	0.0
Not covered	2	2.1	14	0.9
Reserves	1	2.9	0	0.0
Total	**93**	**100.0**	**857**	**100.0**

No/few Flags Medium Flags High Flags

The comparator benchmark of the Fund is the MSCI Europe Small Cap Net Index. The manager is not constrained by the fund's benchmark, which is used for performance comparison purposes only.

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:

	Target Minimum Commitment %	Fund Exposure %
Sustainable Investments	10.0	38.8
with Environmental Objectives	0.5	20.5
with Social Objectives	0.5	18.2

PRINCIPAL ADVERSE IMPACT (PAI) INDICATORS

Under the European Union Sustainable Finance Disclosure Regulations (SFDR), investment managers are required to take into account Principal Adverse Impact (PAI) indicators, a set of metrics that highlight the potential negative impacts on sustainability factors that result from investment decisions. This is integrated into our ESG analysis at a security level.

Some PAI indicators have limited data availability which may lead to misrepresentative values for the fund. In these cases, the metric vale and data coverage are displayed as n/a in the following tables.

In addition, the investment manager considers the following PAI indicators at an aggregate fund level. Metric values are shown in the Base Currency of the fund (EUR):

PAI Indicator	Metric Description	Unit of Measurement	Metric Value	Metric Coverage (%)
10. Violations of UNGC principles and OECD guidelines for Multinational Enterprises	Share of investments in investee companies that have been involved in violations of the UNGC principles or OECD Guidelines for Multinational Enterprises	Percentage of total invested	0.0%	96.7%
13. Board gender diversity	Average ratio of female to male board members in investee companies, expressed as a percentage of board members	Average ratio of female board members	38.7%	94.2%
14. Exposure to controversial weapons	Share of investments in investee companies involved in the manufacture or selling of controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)	Percentage of total invested	0.0%	94.3%

The table below displays the remaining PAI indicators as of the report date. These are displayed for reporting purposes. Metric values are shown in the Base Currency of the fund (EUR):

PAI Indicator	Metric Description	Unit of Measurement	Metric Value	Metric Coverage (%)
1. GHG Emissions	Scope 1 GHG emissions	mtCO2e	605	92.8%
	Scope 2 GHG emissions	mtCO2e	251	92.8%
	Scope 3 GHG emissions	mtCO2e	22,483	91.3%
	Total GHG emissions	mtCO2e	23,339	92.8%
2. Carbon footprint	Carbon footprint	mtCO2e per mn invested	506.0	92.8%
3. GHG intensity of investee companies	GHG intensity of investee companies	mtCO2e per mn revenue	1,088.9	91.6%
4. Exposure to companies active in fossil fuel sector	Share of investments in companies active in the fossil fuel sector	Percentage of total invested	5.0%	96.7%
5. Share of non-renewable energy consumption and production	Share of non-renewable energy consumption and non-renewable energy production of investee companies from non-renewable energy sources compared to renewable energy sources, expressed as a percentage of total energy sources	Percentage of non-renewable energy	66.7%	62.2%
6. Energy consumption intensity	Energy consumption in GWh per million of revenue of investee companies	GWh/mn of revenue	0.1	86.5%
7. Activities negatively affecting biodiversity sensitive areas	Share of investments in investee companies with sites/operations located in or near to biodiversity-sensitive areas where activities of those investee companies negatively affect those areas	Percentage of total invested	0.0%	96.7%
8. Emissions to water	Tonnes of emissions to water generated by investee companies per million invested, expressed as a weighted average	Ktons per mn invested	n/a	n/a
9. Hazardous waste	Tonnes of hazardous waste generated by investee companies per million invested, expressed as a weighted average	Ktons per mn invested	n/a	n/a
11. Lack of processes and compliance mechanisms to monitor compliance with UNGC principles and OECD Guidelines for Multinational Enterprises	Share of investments in investee companies without policies to monitor compliance with the UNGC principles or OECD Guidelines for Multinational Enterprises or grievance /complaints handling mechanisms to address violations of the UNGC principles or OECD Guidelines for Multinational Enterprises	Percentage of total invested	7.4%	96.7%
12. Unadjusted gender pay gap	Average unadjusted gender pay gap of investee companies	Percentage of pay gap	n/a	n/a

GLOSSARY OF TERMS

Metric coverage - The percentage of the portfolio for which PAI data is available
GHG - Greenhouse gas emissions
Scope 1 GHG emissions - Direct greenhouse gas emissions by the fund
Scope 2 GHG emissions - Indirect greenhouse gas emissions made by the fund
Scope 3 GHG emissions - All other indirect emissions that occur in the funds value chain
mtCO_2e - Metric tonnes of carbon dioxide equivalent
Carbon footprint (Scope 1,2 & 3 emissions) - The total greenhouse gas emissions per million invested in the fund
GWh - Gigawatt Hours
Ktons - Kilotonnes
UNGC - The United Nations Global Compact
OECD - The Organization for Economic Co-operation and Development
No data - no data is available or can be calculated for the indicator

RISKS - The following risks are materially relevant to the fund (refer to prospectus for further details): Currency - Currency exchange rate movements could reduce investment gains or increase investment losses. Liquidity - Liquidity risk may result in securities becoming hard to value or trade within a desired timeframe at a fair price. 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. 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. 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

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