

Responsible Investment Policy

At Royce, our ultimate goal in all of our activities is to deliver the best investment outcomes for our clients. As fiduciaries of our clients assets, we have always had exacting standards around principles of governance and sustainability in the evaluation of the companies in which we invest as they have proven to have a material impact on business risk and corporate performance. Importantly, evaluating and incorporating ESG factors in investment analysis offers crucial insights into the opportunities and risks for long-term, fundamental investors such as us and inherently provides for better informed decision making.

An inclusive approach to ESG Integration

Historically ESG integration has been focused on exclusionary or negative screening, which aims to avoid securities based on ESG criteria. We believe a better way to invest is to take a holistic view that seeks to fully integrate ESG factors into the investment research process. We do not look to exclude companies or sectors from our universe, but rather aim to analyze and monitor the ESG issues that may have material impact on the financial performance of our portfolio companies in the near and long term.

As pioneers in the small-cap space we know risk management is critical. Small-caps are fragile business and mitigating, controlling, and thinking about risk guides and informs all of our long-term portfolio decisions.

In our minds, ESG issues should be viewed as risk factors that contribute to the balance between potential risk and expected return, and should be examined alongside traditional financial and operational risk factors. By identifying and incorporating relevant ESG risk factors into our research process, we can potentially minimize the impact of negative ESG related developments and uncover investment opportunities that may benefit from ESG related trends.

A positive approach to engagement

We have always been advocates for a long-term perspective. While we certainly have strong views about how individual businesses might be optimized and shareholder value enhanced, our preference is to invest alongside management teams that we

respect and avoid those we disagree with in terms of business direction.

When our deep dive research process identifies ESG related issues that we believe need to be communicated to a company's management, we raise them just as we would other operational and financial issues. Ultimately, by engaging with management teams and encouraging them to address material ESG risk factors, we believe companies will enhance their competitive position, which will have a direct, positive impact on our clients' investments.

By integrating relevant governance and sustainability factors into our investment process, and effectively engaging with companies and their management teams around these principles, we aspire to better manage risk, enhance returns for our investors and improve global corporate sustainability.

In summary, as a signatory to the PRI (Principles of Responsible Investment), we are committed to integrating an assessment of ESG risks and opportunities into our investment process. We believe this is best achieved by considering ESG factors as an input into the investment process not the objective. Our objective remains the same, to consistently deliver above average long-term results on both an absolute and risk-adjusted basis for our clients.

