

Engagement Policy Updated January 2019

As active investors, Riverwater Partners engages company executives and Board members regarding their ESG (Environmental, Social, Governance) policies and practices. We engage with ESG leaders to raise the bar and with laggards to increase impact.

Engagement allows Riverwater Partners to:

- Ascertain company positioning to mitigate risks or leverage opportunities
- Identify potential vulnerabilities
- Understand potential regulatory impacts and threats
- Discern quality of management
- Gauge sophistication of a company's strategy
- Inform proxy voting and voting guidelines
- Augment research

Engagement may take several forms:

- Holding direct conversations with portfolio companies and issue experts regarding ESG issues, trends, efforts
- Writing to portfolio companies regarding ESG issues, trends, efforts
- Collaborating with other investors, companies, and advocates on ESG issues, trends, efforts
- Authoring and/or joining shareholder resolutions
- Providing educational outreach to the marketplace

Methods for Selecting Companies for Engagement:

- ESG ratings—How do they measure compared to their industry?
- Financial performance—Are they a financial outlier?
- Which ESG practices are most important to the company?
- Which ESG practices are most important to Riverwater and our clients?
- Has there been a controversial proxy vote or a controversy in general?
- Has the company been unresponsive to majority votes on shareholder proposals?
- Has the company worked against shareholder rights (e.g., through bylaw amendments) without shareholder approval?