

# THE **JOURNEY** OF SUSTAINABLE INVESTING



2021 SUSTAINABILITY REPORT

RIVERWATER PARTNERS





The evolution of Sustainable Investing has been and will continue to be a journey. Sustainable Investing originally focused on excluding companies doing harm; today it also incorporates positive screening for environmental, social, and governance (ESG) metrics that reveal companies doing good.



Due Diligence on ESG factors allows Riverwater and like-minded sustainable investment managers to identify companies that will face headwinds or tailwinds driven by rapidly evolving regulatory, environmental, demographic or technological trends. While the benefits to the planet and the people who inhabit it may seem obvious, shareholders also benefit when the companies in which they invest have superior environmental, social, and governance practices.

Given that the state of the world is ever-changing, companies that wish to survive and thrive must constantly change. As active investors, using engagement and collaboration with ESG thought leaders, we accompany our portfolio companies and outside managers on their sustainability journeys. While each company and manager has a distinct sustainability journey all of their journeys have the ultimate goal of generating positive outcomes on the world. The landscape of the journey is always changing.

As Riverwater Partners journeys toward resilience, we also must focus on salient ESG factors in order to adapt to the ever-evolving social and environmental landscape. That is how we will survive and thrive – for the benefit of our clients, employees, suppliers, communities, society, and the planet.

We hope you enjoy our 2021 Sustainability Report . . . and the Journey.

Cindy Bohlen, CFA  
Chief Mindfulness Officer, Riverwater Partners

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Thank you for accompanying Riverwater Partners on its journey toward fulfilling its mission to **make the world a better place by growing wealth through sustainable investing.**

# Beginning the Journey

A Materiality Assessment is a vital first step toward beginning the ESG Journey. It helps companies consider where to focus their efforts toward better ESG policies and practices. The Global Reporting Initiative (GRI) defines materiality as those factors that have a direct or indirect impact on an organization's ability to create, preserve, or erode economic, environmental, and social value for itself, its stakeholders, and society at large.

A Materiality Assessment uses stakeholder (customers, suppliers, communities, society, the environment, shareholders) input to assign importance to how the company's attention to various ESG factors may affect its stakeholders as well as how those ESG factors may affect the company. This assessment aims to ensure the company is focused on those ESG factors that have the greatest opportunity to impact the company and its stakeholders.

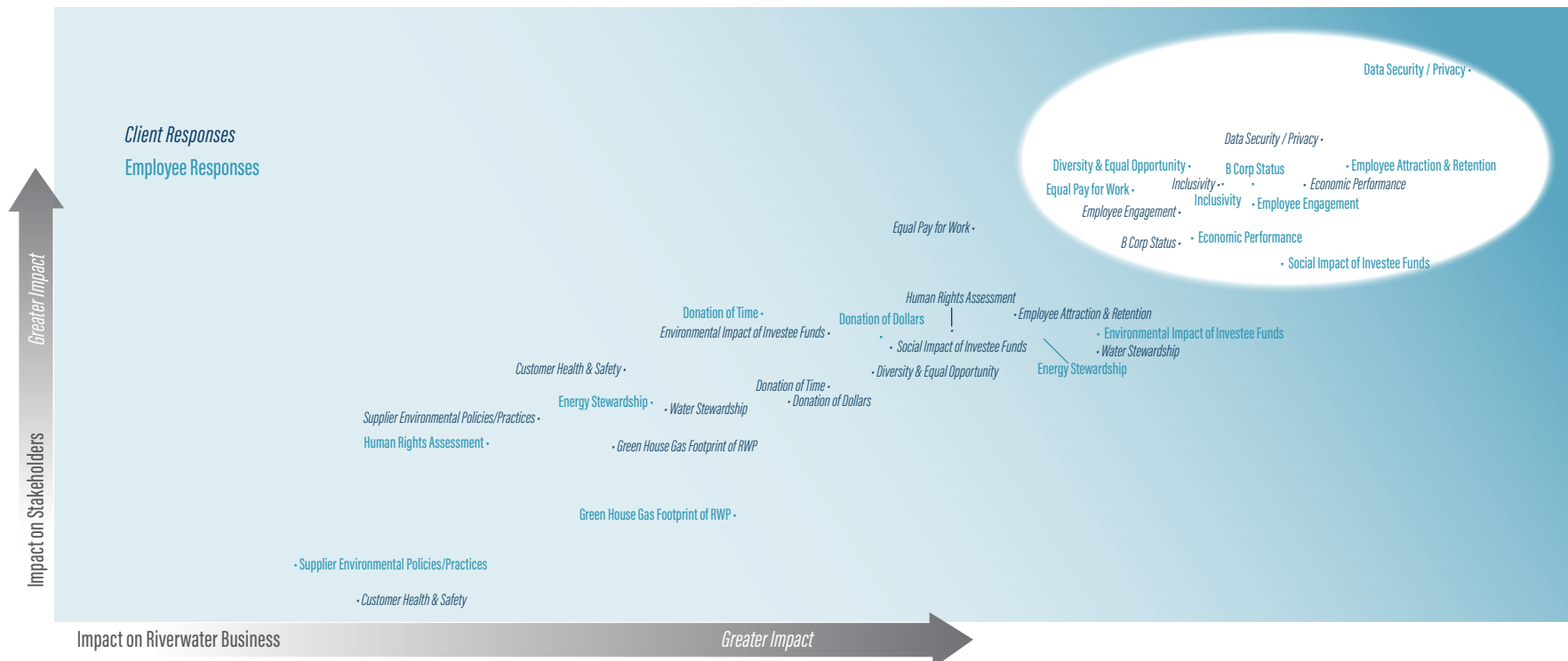
## Our Map for the ESG Journey

Riverwater Partners just conducted its first Materiality Assessment to inform our continually-evolving ESG journey. We advise investee companies to begin their journeys by gathering stakeholder input.

Riverwater's Materiality Assessment has led our company's decision to focus on areas that have the greatest effect on both Riverwater Partners and our stakeholders, as seen in the upper right quadrant:

- **Data Security & Privacy**
- **Economic Performance of Investments**
- **Riverwater Partners Firm Culture**

Read more about our learnings and next steps on page 16.





# Sustainability Impact OF OUR INVESTMENTS

## A Three- Pillar Approach

Riverwater uses a Three-Pillar Approach to integrate ESG into our separate account strategies.

This approach allows us to work with companies at all steps along their ESG journey.

### Due Diligence



reveals companies' current ESG efforts

### Engagement



allows us to consult with companies on improving their efforts

### Collaboration



with thought leaders informs and supports our practice

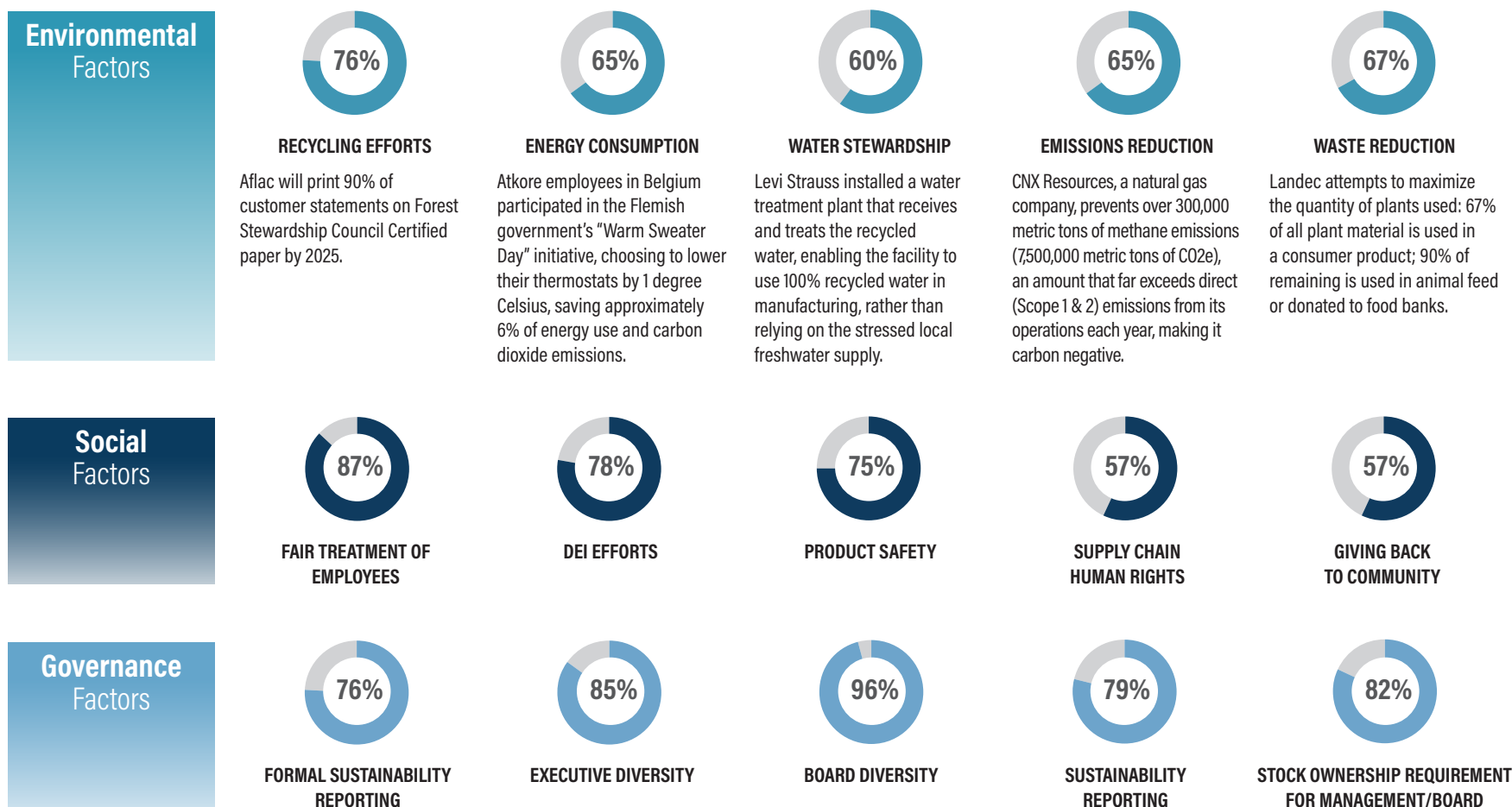




## PILLAR ONE: Due Diligence

The first pillar of Riverwater's Three-Pillar Approach to Sustainable Investing is Due Diligence, which helps us understand a company's current ESG policy and practice. Riverwater's proprietary scoring system evaluates ESG metrics, which are assigned weights based on

which are most important to a business and its stakeholders, given its industry. In addition, our scoring system rewards a company if its business by its nature provides a social or environmental good. The graphs below show the percent of holdings focused on ESG factors.



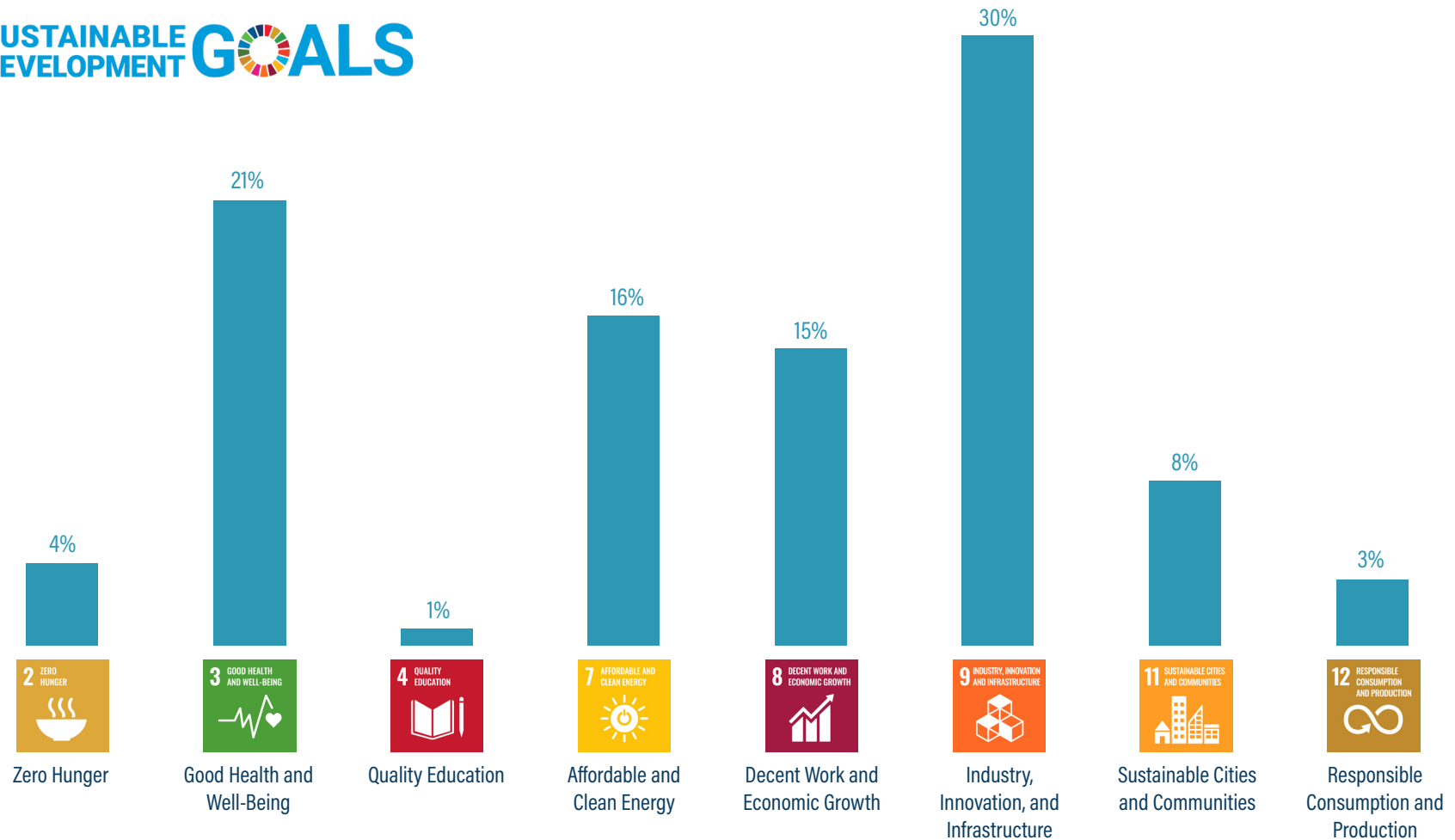


## Companies Using Business as a Force for Good

Riverwater values the environmental and social good our portfolio companies do by the very nature of their businesses, in alignment with the United Nations Sustainable Development Goals (SDGs).

The chart below shows the percentage of portfolio companies whose business targets a particular SDG. See all 17 UN SDGs on page 12 or visit the [United Nations Department of Economic and Social Affairs](https://www.un.org/sustainabledevelopment/).

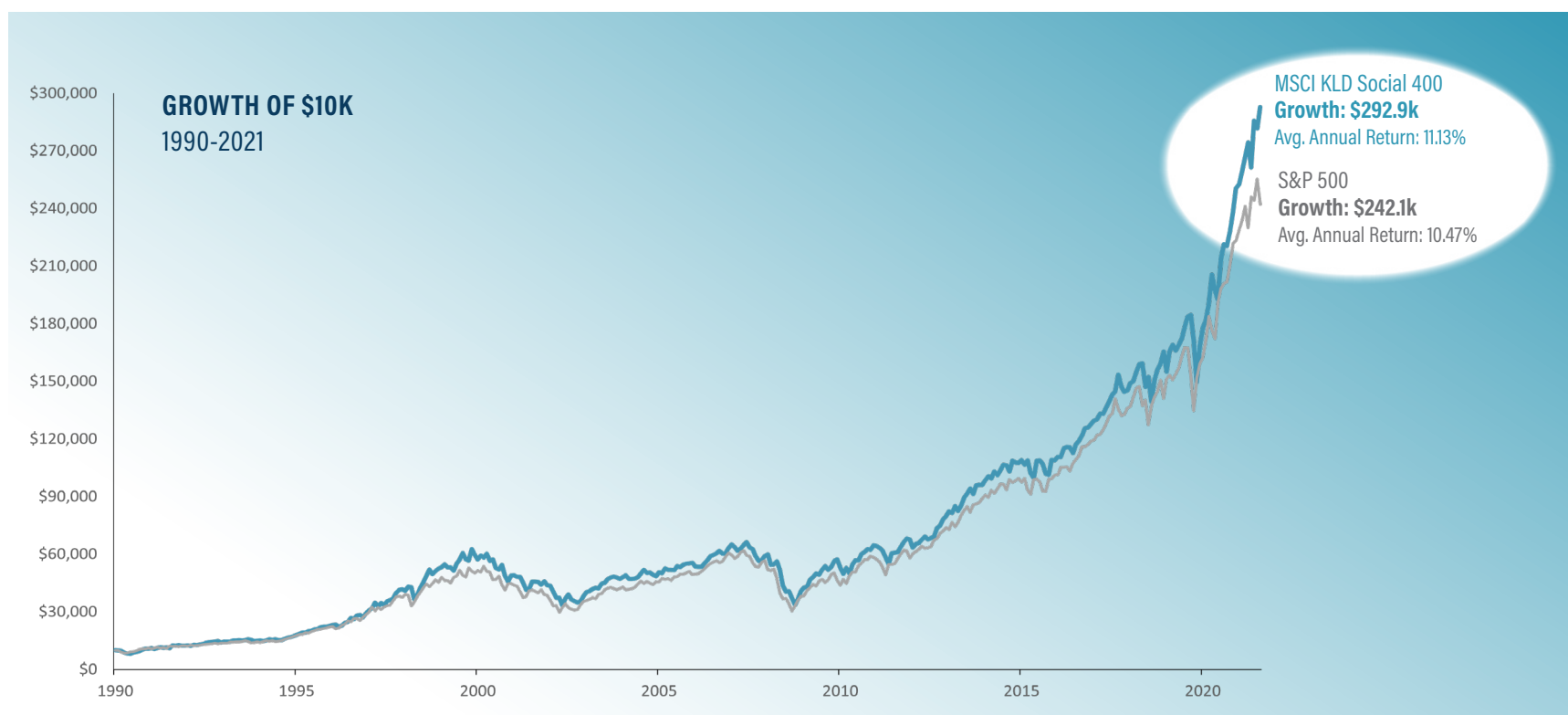
### SUSTAINABLE DEVELOPMENT GOALS





## Doing Well While Doing Good

Attention to salient ESG factors allows companies to avoid risks and realize opportunities presented by the constantly changing world, making it unsurprising that companies with a focus on ESG tend to outperform their peers.



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## Outside Manager Impact

Riverwater Partners conducts comprehensive due diligence on third-party investment managers to complete our clients' asset allocations in diversified portfolios. Our due diligence process was enhanced and formalized in 2021 and we continue to have dialogue with these managers on their ESG investment processes. As more investment managers start to market themselves as ESG investors, we need to be vigilant in avoiding "green washing," in which investment firms are misleading about their ESG impact.

During 2021, managers who are newer in their ESG journey are enhancing their engagement approaches and impact reporting.

Established impact investors continue to make great strides in helping make the world a better place.

**we need to  
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### OUTSIDE MANAGER SPOTLIGHT

#### GREEN CENTURY CAPITAL MANAGEMENT (Equities)

Green Century has been a leader in sustainable and responsible investing since 1991, when it was founded by a group of nonprofit environmental leaders. Today, 100% of profits earned by this investment firm belong to these environmental and public nonprofit organizations.

In 2021, Green Century introduced a shareholder proposal at Amazon requesting that it commit to reducing the company's plastic usage across all operations, including at Whole Foods. Shareholders got behind this effort and secured the corporation's highest vote ever in support of an environmental proposal, with 35.5% support (44% of independent shareholders).

This vote came on the heels of Green Century's success at getting the highest vote on an ESG proposal during the entire 2021 proxy season. That came at Bunge, a major agribusiness, in which 99% of shareholders voted to ask the company to report on "its efforts to eliminate native vegetation conversion in its soy supply chain." The conversion of native vegetation is a key factor in deforestation in Brazil. The proposal notes that continued exposure to deforestation could materially increase the financial risks to the company, including potentially limiting access to capital. In this case, the company's board also supported the proposal.





## SUSTAINABILITY IMPACT OF OUR INVESTMENTS

### PILLAR ONE: **Due Diligence** continued

#### OUTSIDE MANAGER SPOTLIGHT

##### **NUVEEN (Fixed Income)**

Amy O'Brien and Stephen Liberatore created a global fixed income impact investing framework at TIAA-CREF nearly 15 years ago and over the years it has evolved into a deep partnership between the responsible investing and global fixed income teams at Nuveen. The growth and success of their impact strategy is a testament to the rigorous, data-driven approach to investing in public fixed income markets. The responsible investment team ties use-of-proceeds in offering documents' language to how they direct capital. The approach is intentional and aligned with thematic outcomes, which are measured via transparent disclosure requirements.



An example of this intentional, thematic approach is a \$15 million "blue bond" issue in 2021 designed to support the transition to sustainable fisheries in the Republic of Seychelles, an island nation off the coast

of East Africa. This issuance was a unique collaboration between the Seychelles government, the World Bank, and the private sector. The proceeds from these bonds will focus on developing the country's "blue economy" and includes refitting vessels for longline tuna fishing (more sustainable than deep-sea trawling), expanded use of marine-protected areas, improved governance of priority fisheries, building capacity for small-scale fishing operators, assessing employment needs, and developing a Seychelles seafood brand. Nuveen sees this bond issuance as having direct, measurable impact, in line with the U.N. Sustainable Development Goals (SDGs) #8 (Decent Work and Economic Growth) and #14 (Life Below Water).

#### OUTSIDE MANAGER SPOTLIGHT

##### **NORTH SKY CAPITAL MANAGEMENT (Private Equity)**

North Sky invests for environmental and social impact, while generating strong financial returns, primarily through two strategies: the secondary private equity market and direct sustainable infrastructure investments. They developed the first impact secondaries fund worldwide in 2013, a qualified opportunity zone (QOZ) fund focusing on sustainable infrastructure projects in low-income communities in 2019 and were early investors (2005-8) in electric vehicles, solar power, LED lighting, energy storage, water technology, and agricultural advancements.



In January 2021 North Sky allocated \$15 million to Coastal Growers, LLC supporting the construction of a peanut shelling facility at an old industrial site in Atmore, Alabama. The peanut farmers that formed this cooperative will benefit by being able to sell shelled peanuts directly, rather than through commodities traders. This project is expected to increase net profits by 30-35% for these farmers, which maps to the U.N. SDG Target 2.3 (Double the productivity and incomes of small-scale food producers) and SDG Target 2.A (Invest in rural infrastructure, agricultural research, technology, and gene banks). In addition, the facility is expected to generate 130 direct jobs and 95 construction jobs.

North Sky also invested in Ecore, a company that transforms rubber waste into products and high-quality performance surfaces used in sports, recreation, fitness centers, and other industrial markets. The rubber is derived from "upcycled" tires – a step beyond recycling. Upcycling is the process of taking a material at the end of its life and improving it rather than discarding it, which promotes the circular economy. In the U.S., over 3.75 billion pounds of rubber are burned or landfilled each year. More than 38 states have outlawed landfilling whole tires because a pound of rubber emits more carbon than a pound of coal. Ecore aligns with SDG 12 (Responsible consumption and production) through Target 12.5 (Substantially reduce waste generation through prevention, reduction, recycling and reuse).





## SUSTAINABILITY IMPACT OF OUR INVESTMENTS

### PILLAR TWO: Engagement Efforts

The second pillar of Riverwater's Three-Pillar Approach to Sustainable Investing is Engagement. As active investors, we seek cooperative engagement with company leadership and board members about improving their ESG efforts. This allows a focus on the issues that are most important to the long-term viability and success of the company, and which generate meaningful real-world impact. It also gives leadership flexibility to prioritize initiatives and seek real solutions.

Given that ESG improvement typically involves attention to structural environmental and social issues, progress may take time. Try [Nestlé's Beneath the Surface](#) interactive exercise to get an understanding of the complexity of many ESG issues. As long-term investors, Riverwater remains engaged all points along the ESG journey.



## Helping Companies Begin the Journey

Riverwater specializes in small-cap investment management. Not surprisingly, smaller companies are generally at an earlier stage in the ESG journey than their larger peers. We act in a consultative role to educate and help companies begin and continue the path toward improved ESG policy and practice.

### FEATURE COMPANIES

#### IRIDIUM

Riverwater began dialogue with Iridium in 2019, offering information on best practice and areas to focus on. Iridium's inaugural 2020 Sustainability Report, published in 2021, was robust and highlighted efforts on ESG efforts we discussed, including GHG emissions and waste reduction, strong corporate culture and diversity, equity and inclusion. We continue to engage Iridium to raise the bar.



#### WRAP TECHNOLOGIES

Wrap approached Riverwater for advice about beginning its ESG journey in 2020. Wrap engaged its stakeholders to prioritize its ESG focus – a map for its ESG journey – which led to a focus on corporate culture and environmental footprint, and ultimately, initial sustainability reporting.



#### THE HANOVER INSURANCE GROUP

Riverwater discussed the importance of ESG, with an emphasis on climate change, for The Hanover Insurance Group (THG), an insurer of properties in Florida. THG published its first sustainability report in March 2022, highlighting its climate change scenario analysis to reduce the risk to its insurance portfolio from severe weather events. At the same time, THG worked to reduce its own carbon emissions, in order to help mitigate severe weather from climate change.



#### HAMILTON THORNE

Riverwater discussed ESG efforts with Hamilton Thorne during 2020 and 2021. The company has done a Board refresh, adding diversity and newer members, established a board stock ownership policy to align interests with shareholders, and added an audit chair. HTLZF has also captured diversity data and reports that 2 of 5 units are led by women/POC. These social and governance practices are good steps toward long-term success.



During 2021 Riverwater Partners provided  
**25 companies**  
with educational resources regarding the benefits of a focus on ESG and tools to embed it into business practice

**9** have begun publicly reporting their sustainability efforts, some of which were new

**6** have efforts underway to improve on salient ESG efforts and reporting on them; we are actively advising several of them



## SUSTAINABILITY IMPACT OF OUR INVESTMENTS

### PILLAR TWO: **Engagement Efforts** continued

## Engaging By Voting Proxies

Riverwater Partners votes proxies of portfolio companies according to our Proxy Voting Policy, which favors management and shareholder resolutions that align with our ESG views. We write to Boards of Directors when we vote against management on a proxy resolution.

### RIVERWATER VOTED +99% OF 363 PROXY PROPOSALS RECEIVED DURING 2021

Voted In Favor of Management: 90%

Voted Against Management: 9%



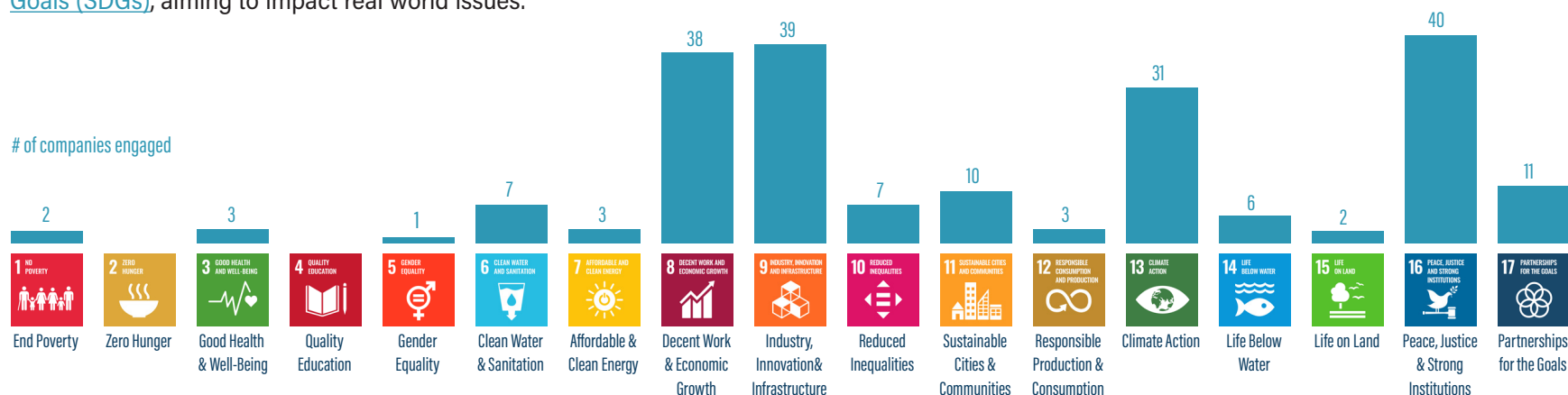
## REGULATORY CHANGE

Riverwater wrote to 21 companies during 2018 about the use of forced arbitration and non-disclosure agreements in the context of harassment and discrimination in the workplace. Many of our companies responded that they already had sound policy that didn't use these tools. We had productive dialogue resulting in several companies strengthening their policies. In addition, we signed on to letters urging Congress to consider leveling the power balance for employees by disallowing said practice. On March 1, 2022, in a bipartisan vote, Congress passed a law to end employers' ability to arbitrate claims for sexual harassment or sexual assault through a pre-dispute arbitration agreement.

## SDG ALIGNMENT FOR REAL WORLD IMPACT

Each Riverwater Partners engagement effort is aligned with one or more of the [United Nations Sustainable Development Goals \(SDGs\)](#), aiming to impact real world issues.

## SUSTAINABLE DEVELOPMENT GOALS



## PILLAR THREE: Collaboration Efforts

The third pillar of Riverwater's Three Pillar Approach is Collaboration with sustainability entities and responsible investors to inform our practice and partner in engagement.

Membership in these organizations provides us with thought leadership on best practices, current trends, and impact, which enables us to focus our ESG lens effectively. Riverwater also partners with these organizations in engagement with companies and policy makers regarding salient ESG issues, to magnify our impact.

### CDP NON-DISCLOSURE

Riverwater co-signs letters to companies in order to encourage reporting to CDP on environmental factors

#### Climate Change:

Wrote to Phillips 66, Berkshire Hathaway, Chevron, Kirkland Lake. No reporting during 2021.

#### Forests:

Wrote to Newmont Mining. Newmont did report for 2021.

#### Water:

Wrote to Phillips 66, Chevron. No reporting during 2021.



Signatory of:





## SUSTAINABILITY IMPACT OF OUR INVESTMENTS

### PILLAR THREE: **Collaboration Efforts** continued

#### TECHNOLOGY COMPLICIT IN HUMAN RIGHTS VIOLATIONS

In 2021, Riverwater, in partnership with Investor Alliance for Human Rights (IAHR), led a group of investors to ask Thermo Fisher to strengthen its policy and practice relating to the use of its DNA sequencing technology in human rights violations against the Uyghur ethnic minorities in China. We applaud Thermo's earlier decision to stop selling its equipment in the Xinjiang region, upon learning of its illicit use; our engagement seeks stronger policy to ensure its equipment cannot be used by others to violate human rights.



#### HUMAN RIGHTS POLICY

In 2019 and 2020, in partnership with Interfaith Center on Corporate Responsibility (ICCR), Riverwater engaged with Phillips 66 regarding its Zero Score on the CHRB Human Rights Due Diligence framework. In 2021, Phillips 66 published its inaugural Human Capital Management Report and updated Corporate Sustainability Report. The CHRB has indicated these new disclosures are an improvement. We continue to talk about improving Remedy for human rights infractions if they were to occur.



#### WATER STEWARDSHIP

In 2021 Riverwater Partners became a Water Champion of The Water Council, a Wisconsin-based NGO focused on water stewardship. Riverwater is honored to partner with a leader in this important work that bridges the gap between intention and implementation of stewardship of our world's most precious shared resource. Not surprisingly, given its global reach and devastating consequences, most sustainable investors are focused on climate change risk mitigation, as are we. The reality is that most people will feel the effects of climate change in the form of water – flood, drought, sea level rise – making it a critical component of the climate change discussion.



As active investors, we engage with ESG laggards to increase awareness and effort, and with leaders to raise the bar, **our ultimate goals being superior financial performance and increased real world impact over time.**

# A Force For Good: RIVERWATER PARTNERS' IMPACT

As a certified B Corp, we run our business with the same social, environmental and governance values we look for in the companies and funds in which we invest. Our mission is to make the world a better place by growing wealth through sustainable investing.

## B CORP CERTIFICATION

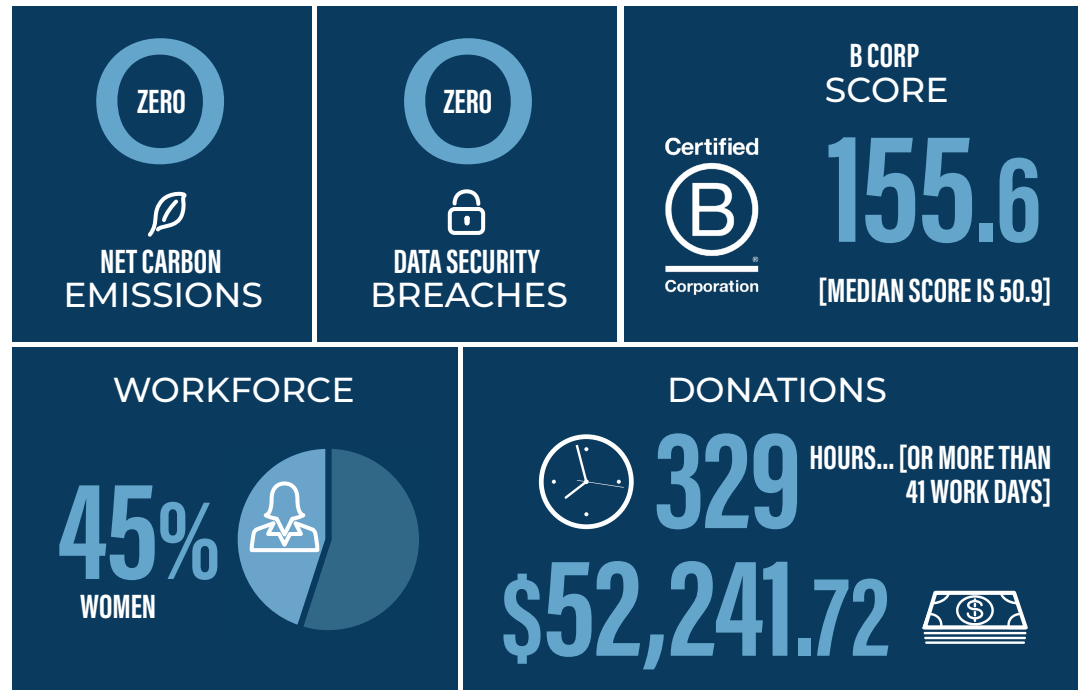
B Corp status is awarded to companies that score 80 of the 180 possible points on the B Lab assessment and that affirm their commitment to treat all stakeholders equitably. In 2018, Riverwater Partners became the first Certified B Corp in Milwaukee, earning 144.4 points.

Riverwater was recertified in 2021 with 155.6 points. Improvement resulted from Riverwater's Net Zero Emissions for 2020 and 2021, as well as enhanced benefits for employees, significant donations of time and money to nonprofit organizations, and the fact that it is Certified Woman Owned.



[These scores have earned Riverwater "Best for the World" status.](#)

## RIVERWATER BY THE NUMBERS IN 2021



## NET ZERO EMISSIONS

Riverwater's business, by its nature, does not produce a significant carbon footprint. During 2021, Riverwater's footprint was the equivalent of 25 mT CO<sub>2</sub>e:

- 13 mT office energy use
- 2 mT business travel
- 8 mT employee commute
- 2 mT computer servers

We purchased carbon offsets from TerraPass, which directs money to projects that remove carbon from the atmosphere, and "offset" our carbon emissions.

Target Setting: Riverwater plans to use its 2022 emissions as our base year from which we will set targets to reduce our actual footprint over time. We chose 2022, as it will be a more typical year, with COVID behind us. We will continue to use offsets to offset what we cannot eliminate completely.



## Materiality Assessment Learnings and Next Steps

A Materiality Assessment acts like a map to inform companies about where they should focus their sustainability efforts in order to have the greatest impact on their stakeholders and business. Riverwater's Materiality Assessment has led our company's decision to focus on the following areas as we continue our journey as a business that does well by doing good.

### Data Security and Privacy:

Riverwater believes cybersecurity must be a firm-wide concern requiring awareness and collaboration at all levels. Our Cybersecurity policies and procedures were designed to ensure that controls and practices in place surrounding the firm's Information Technology infrastructure mitigate the risks of inadvertent disclosure of confidential client data, material non-public information, or a compromising event to our technical infrastructure.

These controls and practices are incorporated at the administrative, technical, physical, software, and device levels. They include endpoint security anti-ransomware and anti-exploit technology; ongoing anti-phishing staff training; and strong password and multi-factor authentication on all accounts. Additionally, we undergo periodic cyber liability and IT policies and systems assessments to determine what weaknesses exist, if any, with our data security controls.

### Economic Performance of Investments:

Riverwater's investment team adheres to its Three Pillar Investment Approach of investing in companies with Superior Businesses, Exceptional Management Teams, and Attractive Valuations, integrating consideration of ESG factors into the process. This "Values Investing" approach enables us to grow wealth for our clients with investments that align with their values.

### Riverwater Firm Culture:

As a services business, Riverwater's people are its most valuable assets. Not surprisingly, our Materiality Assessment ranked factors like Employee Hiring and Retention, Inclusivity, Employee Engagement, Equal Pay for Equal Work, and B Corp Status near the top. Embedding a strong firm culture to care for our people will enable Riverwater to care for our clients and society at large.

## RWP GIVING

During 2021, RWP donated \$52,241.72 to charitable organizations.

RWP employees donated 40 hours to clean its portion of the Milwaukee River, in partnership with Milwaukee Riverkeepers.

RWP donated time and expertise to serve on nonprofit boards, including:

- Milwaukee Public Museum
- Milwaukee Repertory Theater
- Seventh Generation Interfaith Group
- UW-Whitewater Finance and Business Advisory Board
- Jewish Community Center
- Medical College of Wisconsin
- MIAD
- First Tee of Wisconsin
- Wisconsin Microfinance

Matt Drvaric and partner, Jade Augustain, raised \$15,000 dancing in the 2021 Merengue Stars Event to benefit Cristo Rey Jesuit High School, Milwaukee. Matt also raised \$25,000 as "Man of the Year" for Leukemia and Lymphoma Society.

## DEMOCRATIZATION OF INVESTING

Riverwater BLUE offers responsible investment portfolios managed by a team of experienced advisors dedicated to making the world a better place by growing wealth through sustainable investing for all investors. BLUE portfolios offer professional sustainable investment management for any investor.



# Riverwater Partners: LIVING OUR VALUES

Riverwater Partners is a Milwaukee-based investment advisory firm dedicated to investing on an Environmental, Social and Governance basis. This allows us to help align each investor's specific values and mission with their investments.

Our experienced investment and client services team of independent fiduciary advisors delivers a range of services from investment advising to asset and wealth management.

Founded in April 2016, Riverwater became the first certified B-Corporation in Milwaukee in 2018. We are proud to be a Certified Women's Owned business.

We believe responsible investment or ESG investing is in the best interest of our clients, our firm, our communities and our society. Therefore, we consider environmental, social and governance (ESG) policies, practices, and outcomes, alongside traditional investment criteria, when evaluating potential investment candidates.

## Our Vision

To be a leading investor in the ESG space by aligning socially responsible values with investments that generate superior returns.

To continually strive for excellence in service to clients and society.

To encourage companies to take measured steps to improve their ESG impact on the world.

To create a collaborative open-minded and diverse culture where employees are empowered by the opportunity for meaningful work and self-improvement.

## Living our Values:

- Embracing humility and diversity of thought
- Striving for excellence with integrity and passion
- Generating measurable impact will enable Riverwater Partners to fulfill its mission to make the world a better place by growing wealth through sustainable investing.





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