

Responsible Investing Through Sustainable Investing





Responsible Investing is the foundation of everything we do at Riverwater Partners.

As a fiduciary, Riverwater is bound by two primary responsibilities: **Loyalty** – a fiduciary must act in good faith in the interests of its beneficiaries – and **Prudence** – a fiduciary must act with due care, skill, and diligence, investing as any ‘ordinary prudent person’ would do. To achieve this, our wealth management team and asset management team employ Responsible Investing as they strive to deliver optimal risk-adjusted financial returns for clients – consistent with their individual guidelines and objectives.

Responsible Investing requires taking a long-term view of all factors that may impact returns. Sustainable Investing recognizes that these include company-specific factors such as revenue growth and profitability, as well as macro factors such as an equitable society, environmental resilience, and sound governance – all of which have the potential to affect the overall economy and individual company profitability; and therefore, portfolio returns. **In short, Sustainable Investing IS Responsible Investing.**

Riverwater’s Sustainable Investing framework uses Due Diligence to understand the current sustainability policy and practice of potential investment candidates, Engagement with executives and policy makers to increase awareness and

promote improvement, and Collaboration with peers to inform our practice and magnify our impact.

Corporate executives also recognize that material sustainability factors have the potential to impact their businesses in a meaningful way. Importantly, executives view sustainable investors as a key stakeholder to help them respond to these social and environmental factors. Finally, there is strong evidence that companies that focus on material sustainability factors perform better financially and deliver superior returns to shareholders.

This gives us confidence that our Responsible Investing approach, using our Sustainable Investing framework, will enable us to uphold our fiduciary duty while working toward our mission to make the world a better place by growing wealth through Sustainable Investing.

Riverwater Partners also understands the importance of responsibly investing in its own business. Our endeavor to promote a strong corporate culture and community, protect our clients’ assets and private information, and preserve our environment will enable our business and our stakeholders to prosper.



Cindy Bohlen, CFA
Chief Mindfulness Officer, Riverwater Partners

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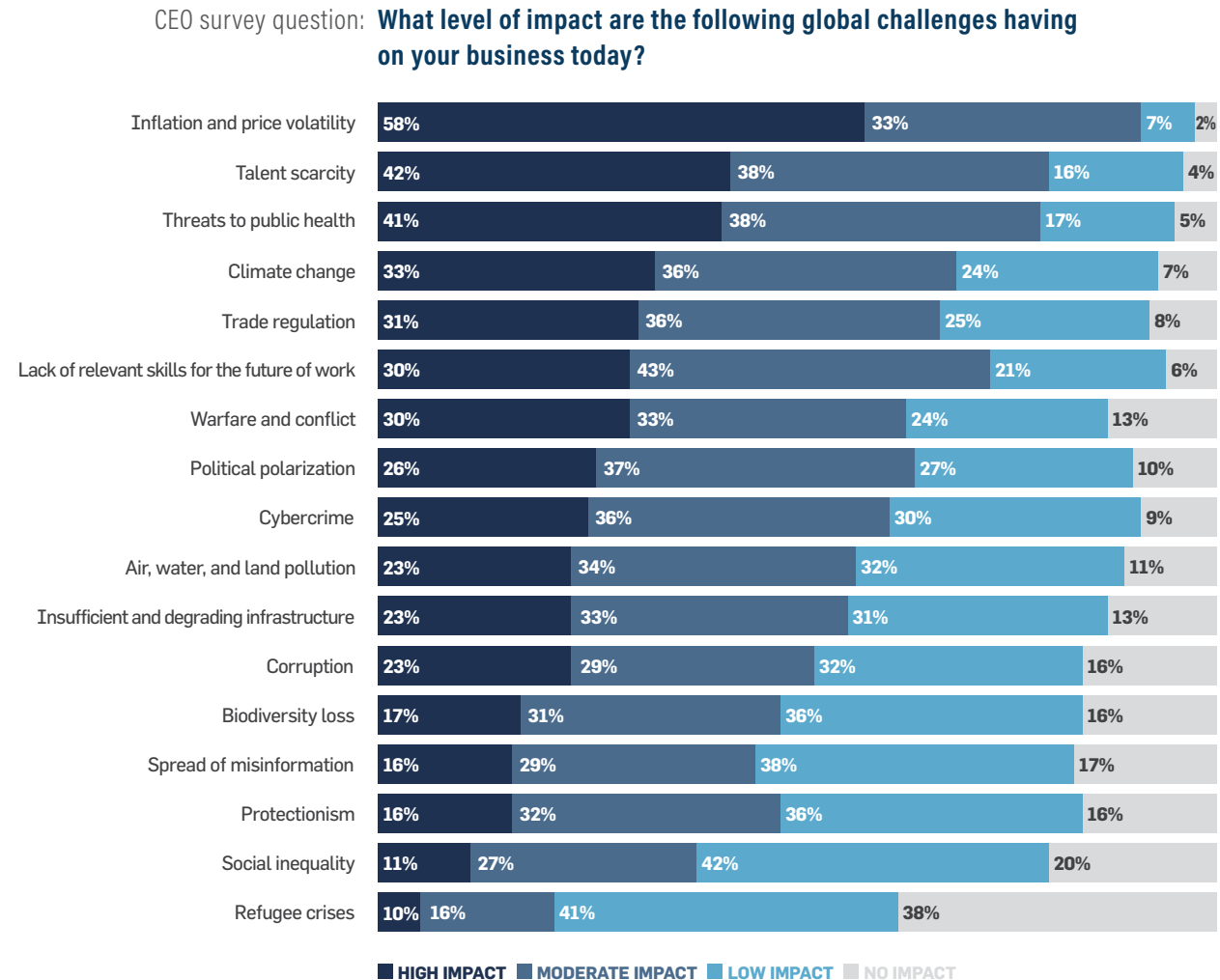
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Thank you for placing your trust in
Riverwater Partners.

CEOs Recognize Materiality of Sustainability Factors to Business

The majority of CEOs (93%) are dealing with ten or more global challenges to their business.

According to the 12th United Nations Global Compact-Accenture CEO Study, "Sustainability is, therefore, clearly at the top of the CEO agenda, as it presents a path to protect companies against the rising tide of uncertainty and unlocks opportunities for greater competitiveness."



Responsible Investing Upholds Fiduciary Duty



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Sustainability Impact OF OUR RESPONSIBLE INVESTMENT PROCESS

A Three- Pillar Approach

Riverwater uses a Three-Pillar Approach to integrate a focus on salient environmental, social, and governance (ESG) factors into our wealth management advisor selection process and into our asset management strategy. This approach allows us to work with outside advisors and portfolio companies toward responsible attention to material sustainability factors.

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.

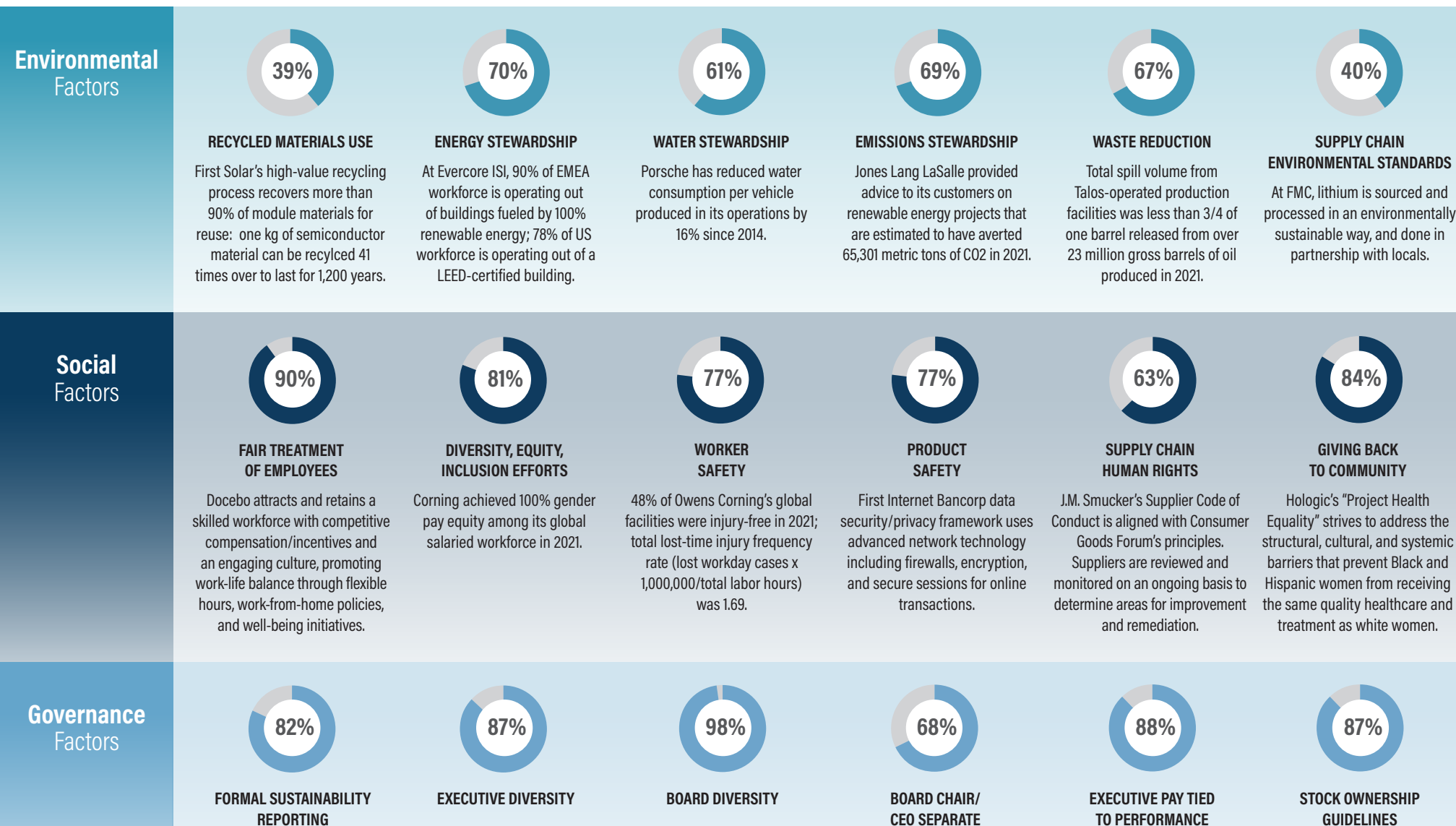




PILLAR ONE: Due Diligence

When considering companies for asset management portfolios, due diligence helps us understand a company's current policy and practice regarding salient ESG factors. 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 portfolio holdings with a current focus on ESG factors.

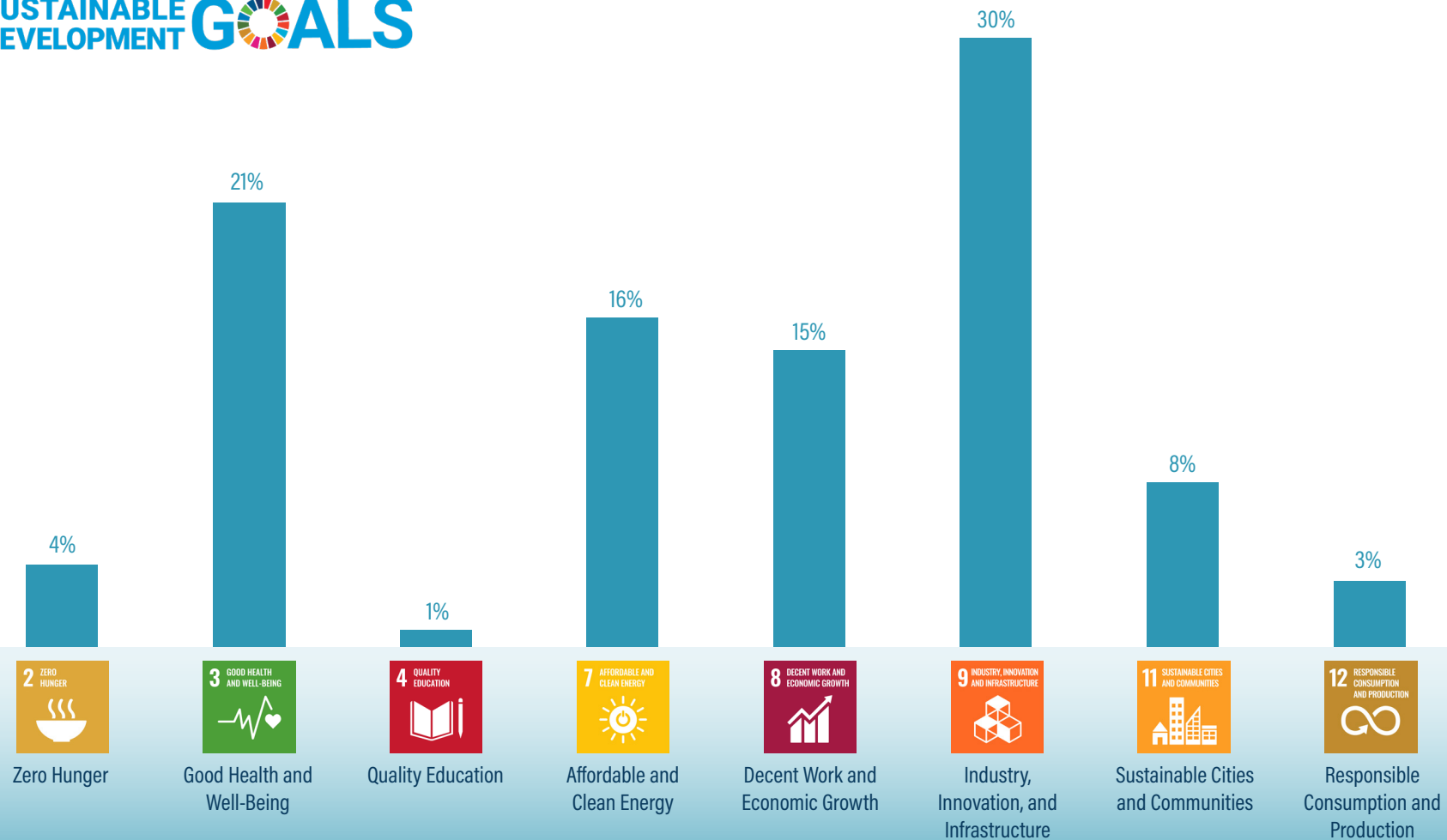


Companies Using Business as a Force for Good

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



Third-Party Investment Managers

The Investment Advisory team at Riverwater Partners utilizes third-party investment managers to implement the strategic asset allocations for our clients. As a fiduciary, we are held to a high standard when evaluating these external managers and investment products. We take this responsibility very seriously as we conduct thorough due diligence on any investment manager or product under consideration for our client portfolios.

In addition to a wide range of statistical performance measurement and qualitative evaluation of third-party investment managers, we thoroughly examine their Environmental, Social and Governance (ESG) policies, practices, and outcomes. In 2022, we updated our [External Manager ESG Policy](#) to improve our qualitative approach to identifying strong managers, clarify our due diligence process for the Riverwater Select List of external managers, and establish categories of ESG integration levels for investment managers. Assigning ESG integration levels helps provide clarity, given the wide range of approaches taken by investment managers. Each manager on our Select List is identified as:

- 1) **Philanthropic and Impact First Investing**
- 2) **Impact Investing**
- 3) **ESG Focused Investing**
- 4) **ESG Integrated Investing**
- 5) **Traditional Investing**

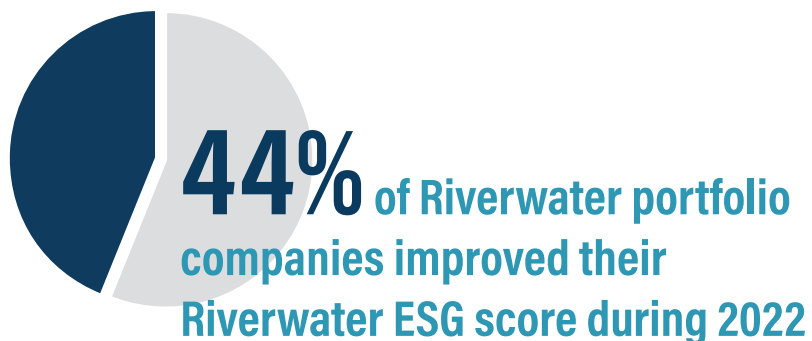
As part of our ongoing due diligence process, we send an ESG questionnaire to each manager on an annual basis. This questionnaire helps us to understand the level of ESG commitment for each external manager, and to ascertain how a manager's commitment to ESG changes over time. Our questionnaire addresses: how the manager integrates ESG into the investment process, ESG resources within the firm, engagement policies, proxy voting policies, public policy advocacy, and progress toward sustainability outcomes.

As a fiduciary, we are held to a high standard when evaluating external managers and investment products.



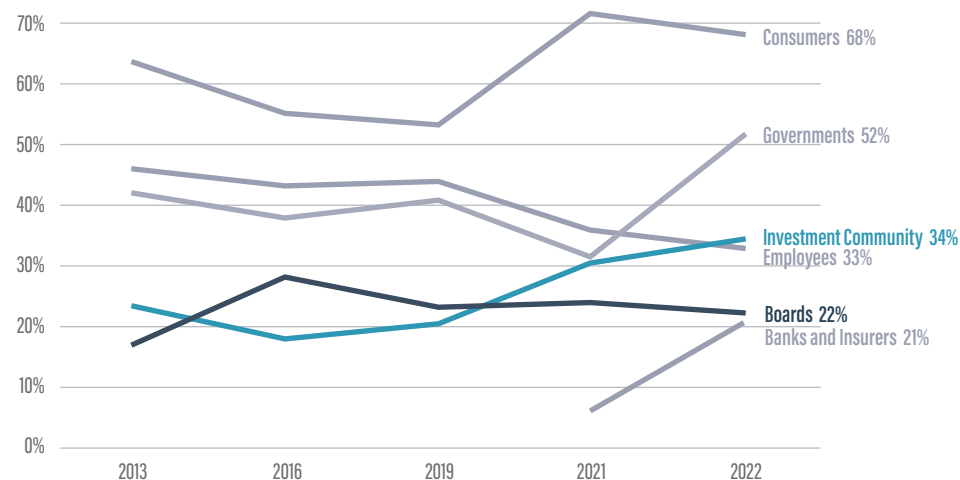
PILLAR TWO: Engagement Efforts

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 sustainability efforts. This allows a focus on the ESG issues that are most important to the long-term viability and success of the company, by giving leadership flexibility to prioritize initiatives and seek real solutions. Generally, executives embrace Riverwater's advice about improving their focus on salient sustainability issues.



This survey of CEOs shows they view the investment community as a key stakeholder influencing how they intend to manage their sustainability over the next five years.

CEO Survey Question: Which stakeholder group do you believe will have the greatest impact on the way you manage sustainability over the next five years?



Stakeholders that came in at less than 20% were excluded from the figure above. These stakeholder categories include: Communities (20% in 2022), Suppliers (16% in 2022), Competitors (11% in 2022), the United Nations (10% in 2022), NGOs and Media (7% in 2022), Family (4% in 2022), and Organized Labor (2% in 2022).

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. As responsible investors, Riverwater helps executives understand how a focus on sustainability can improve financial results, and provides guidance for beginning and continuing the journey.

During 2022 Riverwater Partners provided **19 companies** with educational resources regarding the benefits of a focus on ESG and tools to embed it into business practice and reporting. This is an ongoing effort, and much progress has been made as of 12/31/2022:

5 engaged during 2022 have begun publicly reporting their sustainability efforts

6 engaged during 2021 have begun publicly reporting their sustainability efforts

Akoustis



AKTS published a sustainability page on its corporate website, highlighting environmental efforts to adopt water policies consistent with the Canandaigua Lake Watershed Association, lower its carbon footprint, increase recycling efforts, increase renewable energy, steward its supply chain, and develop products that use less energy. AKTS also is dedicated to fair treatment of employees, DEI, and giving back to the community.

Anika Therapeutics



ANIK received a Silver Medal in Sustainability from EcoVadis, as it scored in the top 25% of companies reporting during 2022. Reporting includes water stewardship, recycling, energy reduction, emissions reduction from facilities, DEI reporting, employee safety.

Docebo



DCBO published its inaugural sustainability report in June 2022, aligned with SDGs 4, 8, 13, 16. DCBO uses its business as a force for good by powering organizations doing good. DCBO conducted a materiality assessment to prioritize its focus; not surprisingly, human capital management and data security scored as most salient. DCBO is focused on corporate culture, health and wellness, DEI, and digital human rights. DCBO issued its first TCFD assessment of its GHG footprint, an important environmental factor for all businesses.

Veeco



VECO published its 2021 Sustainability Report in August 2022, which included a Materiality Assessment. VECO commits to strong corporate culture, DEI, safety, human rights (including in supply chain), product life cycle management, product safety, information security, supply chain management (environmental and social), energy efficiency in manufacturing, climate change (including GHG emissions reduction), water management, waste management, and governance, including board oversight of ESG.

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. While we generally vote in favor of resolutions prompting companies to do more relating to ESG, we carefully consider whether a resolution's request will result in better outcomes than the company is already pursuing. We do not predeclare our voting intentions. We write to Boards of Directors when we vote against management on a proxy resolution.

RIVERWATER VOTED 100% OF 413 PROXY PROPOSALS RECEIVED DURING 2022

Voted In Favor of Management: 81%

Voted Against Management: 19%



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.



of companies engaged per goal



Engagement Efforts of Outside Managers

The Investment Advisory team at Riverwater strives to understand how our third-party managers engage with the companies they've invested in. There are a variety of engagement tools utilized by the external managers on our Select List, including:

Direct Dialog – ongoing discussions with corporate management on ESG policies.

Proxy Voting – used to register support or concern about ESG issues.

Shareholder Proposals – if limited progress through direct dialog, proposals may be submitted for a vote of all shareholders on a material ESG topic.

Public Policy – collaboration with government and regulatory agencies to educate and inform on the importance of sustainable investing.

Multi-Stakeholder Collaboration – to help with education or to enhance a voice on key ESG issues.

Three examples of the engagement efforts of our external managers in 2022 are included on this and the following page.

EXAMPLE ONE:

Calvert Engagement in Action



From: *Tools of Change, 2022 Calvert Engagement Report*

Engagement in Action: PACCAR

Calvert has engaged PACCAR for several years on climate risk and greenhouse gas emissions reductions, and is the lead of the CA100+ engagement with the manufacturer of light-, medium- and heavy-duty trucks.

In 2021 the company established a certified Science Based Target for GHG emissions reductions. Importantly the commitment includes reducing scope 3 GHG emissions from use of the trucks that the company sells. Our most recent engagements have focused on these goals and PACCAR's work to meet the growing market for Zero Emission Vehicles.

The company has seven battery electric vehicles available and has allocated significant capital to research and development as market observers see accelerating demand. However, as we saw with electric passenger vehicles, the demand increased rapidly, leaving some automakers scrambling to catch up. Ongoing engagement will emphasize the value of leadership in zero emissions trucks and call for the development of a clearer climate transition plan to align the business with Net Zero over the long term.

EXAMPLE TWO:

Trillium Food Waste Management

From: Trillium Advocacy Impact Report – Second Half 2022

Food waste is a serious problem on which Trillium has focused attention for years. Not only does it have negative environmental consequences, but it also has economic and social implications. On an environmental level, food waste contributes to GHG emissions and climate change. When food waste is put into landfills, it decomposes and produces methane, a potent GHG that is significantly more harmful to the environment than carbon dioxide. From an economic perspective, food waste is a waste of resources and evidence of inefficiencies. The resources that go into producing, transporting, and storing food, such as water, land, and labor, are all wasted when food goes uneaten. This is a particularly troubling issue in a world where many people are struggling to access enough food to meet their basic needs.

In December, we reached out to several companies with food waste reduction targets to support their work towards achieving those goals. We contacted Starbucks, Sysco, Costco, Target, The Walt Disney Company, McCormick, Marriott, and BJ's Wholesale—companies we have a history of engaging and many of which are USDA "Food Loss and Food Waste Champions." In our letters, we encouraged the companies to engage in innovative food waste solutions and look to peers for guidance. We emphasized our belief that the companies and their shareholders are positioned to benefit from an even more comprehensive approach to food waste prevention and strategic diversion, which can cut costs, provide competitive advantage, strengthen brand reputation, save resources, help alleviate hunger, and reduce GHG emissions.

EXAMPLE THREE:

The Domini Forest Project

From: <https://domini.com/investing-for-impact/strategies/stewardship/forests/>

As impact leaders, our long-term initiative to protect and preserve forests, also called the Domini Forest Project, is committed to understanding the drivers of forest destruction, its impact on our investment decisions, and how we can encourage ourselves, corporations, and governments to become forest value creators. Led by our strategic advisor, Steve Lydenberg, it's also a project that exemplifies our work in system-level investing, which means we invest with an awareness that environmental, social, and financial systems are interconnected. That's why our forest approach covers more than trees: it encompasses sustainable agriculture, land conversation, and Indigenous rights too.

We engaged with Unilever PLC, Mondelez, and PepsiCo to better understand how they implement their commitments to protect forests and communities. We will also encourage them to consider what more they could do to stop land grabs, end deforestation, and ensure respect for Indigenous and local communities. It is important that they respond to requests from advocates to make things fair and equitable—by returning land to communities or making payments to communities or making financial reparations, and by protecting environmental human rights defenders.



PILLAR THREE: Collaboration Efforts

The third pillar of Riverwater's Three Pillar Approach to Sustainable Investing 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.

Riverwater collaboration with sustainability peers informs our engagement with portfolio companies, which aims to reinforce their social license to operate in the face of rising externalities.

US | SIF

Member 2022

Signatory of:

PRI | Principles for Responsible Investment



Seventh Generation Interfaith
Coalition for Responsible Investment



THE WATER COUNCIL

Certified



Corporation™
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Ceres



INTERFAITH
CENTER ON
CORPORATE
RESPONSIBILITY



DRIVING SUSTAINABLE ECONOMIES

Public Policy

In an effort to strengthen corporate disclosure on factors that may significantly impact a business - in this case, climate change - Riverwater Partners submitted a Comments letter to Vanessa A. Countryman, Secretary United States Securities and Exchange Commission, regarding File Number S7-10-22 "The Enhancement and Standardization of Climate-Related Disclosures for Investors," asking that the SEC enhance disclosure requirements for corporations on climate change risk (as it does for all other risks), including measuring GHG emissions, which enables corporations to understand their emissions and the risk they pose. We suggested a phased-in approach, particularly for Scope 3 emissions, given that corporations rely on Scope 1 and 2 emissions of other corporations to calculate their own Scope 3 emissions resulting from supply chain. We believe this disclosure will increase awareness of climate change risk and prompt increased attention, thereby reducing risk.

[view letter](#)

In an effort to enhance representation of the various approaches used by ESG advisors/funds to allow investors to make informed decisions about how their assets are managed, Riverwater Partners submitted a Comments letter to Vanessa A. Countryman, Secretary United States Securities and Exchange Commission, asking that the SEC define standards to strengthen labeling by investment advisors/funds regarding their focus on ESG. We believe investors would be best served by a general description of the method used by advisors/funds, rather than assignment to broad undifferentiated categories.

[view letter](#)

CDP Non-Disclosure Campaign

Each year, CDP invites members to write to portfolio companies about the importance of responding to CDP requests for formal disclosure on Climate Change, Water, and Forests, as they relate to a company's business. We wrote to six portfolio companies on Climate Change and Water, and to four on Forests. We were pleased that Phillips 66 formally disclosed to CDP on both Climate Change and Water during 2022.

Dialogue on Responsible Investing

During 2022, Riverwater Partners engaged with a variety of organizations on the virtues of Responsible Investing. We listened and we spoke about the benefits of, and concerns surrounding, responsible investing, striving to gain and impart perspective on this sometimes-controversial topic.

- **Engaged with UW-Madison students, alumni, and other interested persons** about the importance of attention to People and Planet in order to ensure Profit for business
- **Engaged with Marquette University Business in Society class** about the importance of attention to sustainability by businesses
- **Discussed "How Sustainability Leads to Profitability" on the podcast Her CEO Journey:** The Business Finance Podcast for Mission-Driven Women Entrepreneurs.
- **Engaged with sustainability professionals** about the why and how to approach sustainability from the point-of-view of a Sustainable Investor as a plenary speaker at the Wisconsin Sustainable Business Conference

FOCUS ON WATER STEWARDSHIP

Water is one of the most important natural resources for the planet, its people, and the businesses that rely on it. Seventy percent of the world's freshwater is used in agriculture and is therefore critical for food production. In a 2022 UN Global Compact/Accenture survey of CEOs, 57% reported that air, water, and land pollution are having a high or moderate impact on their business today. Water stewardship is therefore critical for business and societal well-being because it ensures that the water resources needed for industry and communities are managed sustainably. This includes protecting water quality and quantity, reducing the risk of water scarcity, and ensuring that access to clean water is available for all.

We value our association with [The Water Council](#), a Milwaukee-based non-governmental organization with an international reputation for supporting corporate water stewardship and fostering water-related technology. In 2021, Riverwater became a Water Champion partner organization of The Water Council.

Water is a complicated topic that needs more attention. At The Water Council's annual Water Leaders Summit, we heard from



THE WATER COUNCIL

entities impacted by per- and polyfluoroalkyl substances, otherwise known as PFAS or “forever chemicals” in water, from experts on the potential for conflict in water-affected regions of the world, from innovators developing solutions to water issues, and more. The panel discussion featuring stakeholders dealing with the water crisis in the Colorado River basin provided valuable insights for our continued dialogue with a portfolio company growing citrus and avocados in California and Nevada, relying heavily on water from this endangered source.

The sustainable investment community is also desperately seeking credible frameworks to verify sustainability efforts and avoid “greenwashing” in portfolio companies. This is particularly true for water stewardship, which can be difficult to quantify due to water's complex and hyperlocal nature. One initiative that addresses this is The Water Council's program for enterprise-wide water stewardship verification, [WAVE](#). We see WAVE as an ideal vehicle for management teams to identify their greatest water challenges and opportunities—and to create a plan to address them. We appreciate its approach that moves companies from intention to action.

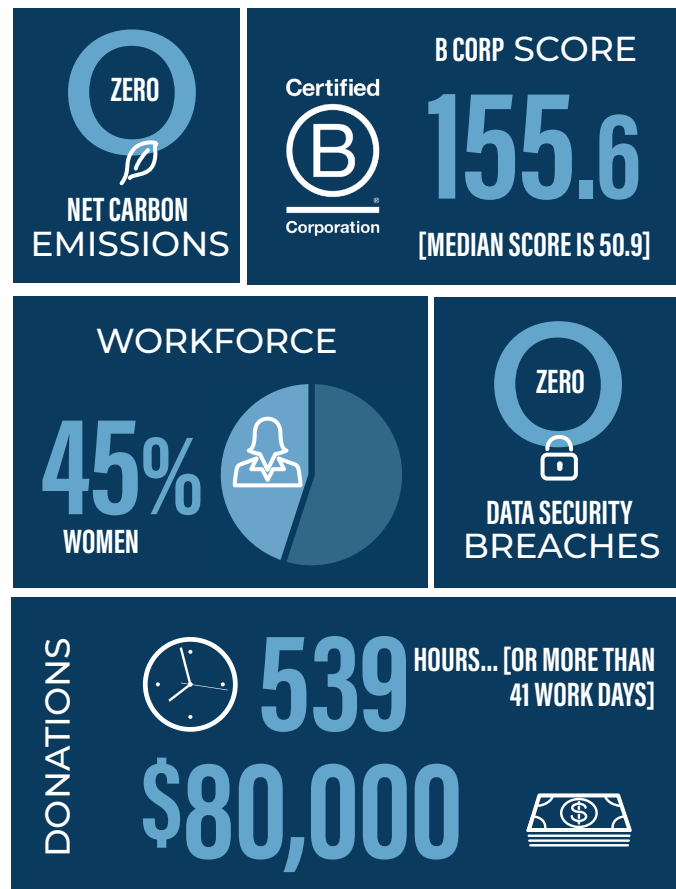
During 2022, Riverwater engaged with our portfolio companies in the industrial, technology, and food and beverage industries - industries that rely heavily on water for their business, and which have the potential to impact water resources - about their water stewardship efforts. We offered tools to assist with water stewardship and introduced them to The Water Council and its WAVE program. We will promote further collaboration and monitor progress.



A Force For Good: RIVERWATER PARTNERS' IMPACT

As a certified B Corp, we value our focus on environmental, social, and governance factors. We understand that attention to these factors helps us fulfill our responsibility to society and the planet, but also to our clients, employees, and community. It's how we achieve our mission:

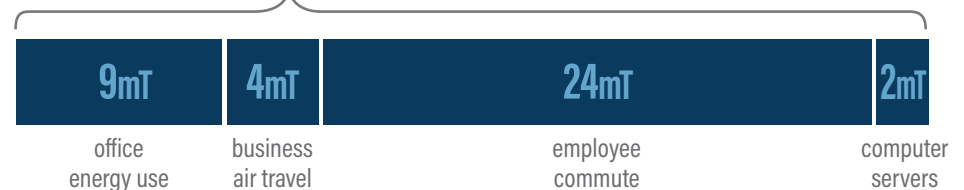
To make the world a better place by growing wealth through sustainable investing.



Net Zero Emissions

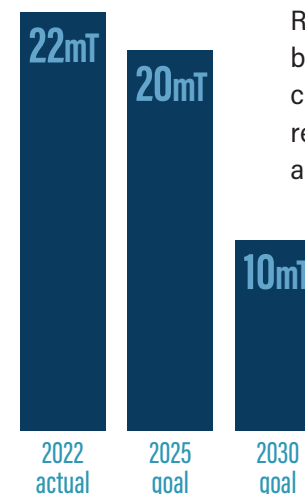
Riverwater's business, by its nature, does not produce a significant carbon footprint. However, we understand that climate change is one of the most pressing crises of our time, demanding the attention of all, which is why we recommend to all companies in which we invest that they focus on this important factor, and why we do, as well.

During 2022, Riverwater's Greenhouse Gas (GHG) footprint was the equivalent of **39 megatons CO₂e** (vs 25mT CO₂e in 2021):



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

TARGET SETTING



Riverwater Partners is a very young and growing business with 11 employees currently. It will be challenging, but not necessarily impossible, to reduce our GHG footprint, on an absolute basis, as we add new people and grow our revenue. We have therefore set goals to reduce our GHG footprint per unit of revenue, or our carbon intensity, as we grow our business.

GHG Emissions intensity is shown in megatons of CO₂e per \$1 million of revenue

Data Security and Privacy

Riverwater Partners and its stakeholders have concluded that strong data security and privacy are paramount to the protection of our clients, and therefore, the success of our organization. This is true for every financial services company, and increasingly for every business.

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 evaluated annually and incorporated at the administrative, technical, physical, software, and device levels. They include training, endpoint security anti-ransomware and anti-exploit technology; ongoing anti-phishing exercises; 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.

Riverwater Firm Culture

As a services business, Riverwater recognizes that our people are our most valuable assets. We strive to ensure team members feel valued and appreciated by offering opportunities for professional growth, fair compensation and benefits and encourage work-life balance. In 2022, we expanded our suite of benefits offered to full time employees to include 401(k) plans, health care stipends and fitness trackers.

Additionally all employees receive a \$1000 annual stipend for education and development and 100 hours to fulfill volunteer responsibilities.

Riverwater Giving

Like most responsible businesses, Riverwater Partners understands the importance of maintaining resilience in the communities in which it operates. Therefore, we commit to donating between 3 and 5% of our employee hours/revenue dollars to organizations that serve our local communities.

\$80,000 donated to nonprofits:

Balance, Inc.
First Tee - Southeastern Wisconsin
Leukemia Lymphoma Society
River Revitalization Foundation
Secure Futures
Seventh Generation Interfaith
United Way of Greater Milwaukee
United Performing Arts Fun
Wisconsin Microfinance
World Central Kitchen

539 hours of expertise donated to nonprofits, including:

Seventh Generation Interfaith
Milwaukee Repertory Theatre
Wisconsin MicroFinance
MCW Cancer Center
First Tee
Tempo Waukesha
B Local Wisconsin
Cedar Community
Meeting House Nursery School



DEMOCRATIZATION OF INVESTING



Riverwater BLUE offers responsible investment portfolios managed by our team of experienced advisors through the Schwab digital platform. BLUE portfolios allow investors with as little as \$5,000 the opportunity to have their assets managed professionally and responsibly.

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.

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.

File Number S7-10-22 "The Enhancement and Standardization of Climate-Related Disclosures for Investors"

RIVERWATER PARTNERS

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June 17, 2022

Vanessa A. Countryman, Secretary
United States Securities and Exchange Commission
100 F Street NE
Washington, DC 20549-1090

RE: File Number S7-10-22 "The Enhancement and Standardization of Climate-Related Disclosures for Investors"

Dear Secretary Countryman,

Riverwater Partners LLC is an independent, employee-owned, registered investment advisory firm based in Milwaukee, Wisconsin, serving families, nonprofits, and institutions. We invest in superior businesses with exceptional management teams, attractive valuations, and a focus on social responsibility and sustainability.

As fiduciaries and active stewards, we represent the interests of our clients, which include superior financial returns and positive societal impact. It is our belief, and evidence shows, that companies that incorporate a sustainability lens into long-term corporate strategy offer all stakeholders, including our clients, the opportunity to achieve superior financial and social outcomes due to reduced risk and increased opportunity. We define sustainability as including environmental, social, and governance (ESG) factors.

As active owners, Riverwater engages with companies about the merits of a focus on sustainable business practices to improve outcomes for the business and all stakeholders. Given the importance of climate change for the planet, its people, and prosperity, we evaluate and engage on this important topic with all companies in which we invest.

We generally support the SEC's proposal **File Number S7-10-22 "The Enhancement and Standardization of Climate-Related Disclosures for Investors"** to fulfill the SEC's mission to "... protect investors, maintain fair, orderly and efficient markets, and facilitate capital formation." Part of its vision is to "inspire public confidence."

The proposal, as written, would offer investors information to assess a corporation's risks associated with climate change, given it seeks disclosure on:

- Impacts of climate-related risks on business strategy and outlook
- Governance and management of climate-related risks
- Metrics and targets used to analyze climate-related risks, including greenhouse gas emissions
- Information on plans and progress for climate-related targets and goals, if publicly set by the company

Disclosure of GHG emissions data may appear to fall outside of the mission of the SEC; however, it is imperative that companies understand their emissions in order to assess the risk presented to their business as the physical, regulatory, and reputational risks associated with climate change become more intense.

Riverwater's own mission is "to make the world a better place by growing wealth through sustainable investing." We understand that prosperity is only possible with a focus on the business impact to people and planet. It is through this lens of "system stewardship" that we consider the impacts of companies' business practices on all stakeholders. As an owner of diversified portfolios, it is imperative that we understand the risks presented to society and the economy, and hence to companies in our portfolios, by the externalities resulting from unsustainable business practices by others.

The risk borne by all individuals, corporations, communities, and countries from externalities resulting from the zero cost to produce GHG emissions has the potential to shrink economic output and prosperity for all. This "tax" burden will have the effect of generating inferior returns to portfolios, generally, given that no corporation will be able to escape the negative effects. Riverwater's system stewardship approach to sustainable investment prompts us to consider the GHG emissions of all portfolio companies, and to encourage target-setting for reduction in accordance with the Paris Agreement, to promote greater prosperity for all.

The Task Force on Climate-Related Financial Disclosures (TCFD) is a sound framework for approaching climate change policy and practice. We agree with the SEC's phased timeline for adoption of disclosure, particularly for Scope 3 emissions. Scope 1 and 2 GHG emissions disclosure by all corporations will be vital to allow corporations to assess the risks presented by GHG emissions in their supply chains (Scope 3) to their businesses. It will be important to set disclosure standards that are definable, fair, achievable, and meaningful in terms of impact.

Riverwater Partners, as a sustainable investment advisor, supports enhanced disclosure in alignment of the TCFD framework, to help fulfill our own mission and that of the SEC.

We welcome the opportunity for dialogue with you on this important matter.

Kind regards,



Cindy Bohlen, CFA
Chief Mindfulness Officer



Greg Wait, CEBS
Partner

File Numbers S7-11-22 and S7-16-22

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August 12, 2022

Ms. Vanessa A. Countryman, Secretary
Securities and Exchange Commission
100 F Street NE
Washington, DC 20549-1090

RE: File Nos. S7-11-22 and S7-16-22

Dear Ms. Countryman:

Riverwater Partners LLC is an independent, employee-owned, registered investment advisory firm based in Milwaukee, Wisconsin, serving families, nonprofits, and institutions. As fiduciaries and active stewards, we represent the interests of our clients, which include superior financial returns and positive societal impact. It is our belief, and evidence shows, that companies that incorporate a sustainability lens into long-term corporate strategy offer all stakeholders, including our clients, the opportunity to achieve superior financial and social outcomes due to reduced risk and increased opportunity. We define sustainability as including environmental, social, and governance (ESG) factors.

Riverwater supports the goal of Proposed Rules S7-11-22 and S7-16-22: to ensure that investors are not misled by fund names and marketing that suggest a focus on ESG if none exists (greenwashing). We therefore believe it is important that there be meaningful transparency regarding the incorporation of environmental, social, and governance (ESG) information and stewardship into a fund/advisor's investment practice.

Riverwater Partners' mission is: ***To make the world a better place by growing wealth through sustainable investing.*** It is our belief that these are the two goals of every investor seeking "ESG" investments. They wish to make a return on their investment and ensure that society and the environment are protected/improved.

There are many ways to define and achieve the second goal; indeed, the variety of methods used by ESG investors/funds demonstrates this. Some believe in excluding companies/industries whose products/services are considered harmful, i.e., pornography, tobacco, even fossil fuels. Others believe a better path to making the world a better place is by owning shares of these types of companies in order to have a seat at the table to promote change via dialogue, shareholder resolution, and proxy voting. Some believe in owning companies with best-in-class ESG policy and practice, while others believe in owning companies newer to the ESG journey and stewarding them toward improvement.

It is also important to distinguish between alpha-generating and beta-generating ESG integration and stewardship. Alpha refers to the performance of a specific company/security while beta refers to the performance of the economy/market overall. Beta depends on global economic performance; global

economic performance depends on healthy social and environmental systems. A diversified investment portfolio is impacted by both alpha and beta, making it important that ESG integration and stewardship focus not only on the risks posed to individual portfolio holdings, but that they also focus on the risks posed to all portfolio holdings by virtue of the potential externalities resulting from a lack of attention to ESG factors by corporations generally. While alpha can generate outsized return of a given security, beta tends to have the greatest impact on overall portfolio performance. This is particularly important for fiduciaries, given they own diversified portfolios to reduce overall portfolio risk.

For these reasons, we believe that the proposed Rules' strict categorization of fund/advisor ESG policy and practice (and recommended disclosure) may not actually serve the intended goal of offering investors transparent and authentic information to select investments/advisors that are more likely to help them achieve their goals to make the world a better place and grow wealth.

Instead, Riverwater suggests a disclosure framework that allows funds/advisors to articulate the methods used to incorporate an "ESG" lens into their process. Investors can then choose a fund/advisor whose practice aligns best with their view of how best to achieve their goals.

The US SIF has suggested, and we concur, that disclosure include the following:

- An overview of fund/advisor strategy
- How the fund/advisor incorporates ESG criteria into investment decision making
- The use of 3rd party data, scoring or ratings, if applicable
- The use of an index and how the index uses ESG criteria, if applicable
- The impact objective of the fund/advisor, if applicable
- How the fund/advisor engages with portfolio companies and other appropriate players (government agencies, NGOs, fellow investors) on ESG issues

Additionally, US SIF and the proposed Rules suggest that if climate change is a significant or main consideration of the fund/advisor, disclosure of the greenhouse gas (GHG) footprint and the weighted average carbon intensity be included, as defined in the Proposal. We do not concur that this one ESG factor should be singled out for inclusion, given there are many others that investors find equally important. Also, until there is more consistent reporting on GHG by corporations, accurate disclosure of GHG footprint and carbon intensity will be challenging.

The growth in assets under management (AUM) dedicated to ESG has followed the growth in interest by investors aiming to align their investments with their values. It is imperative that funds/advisors employ transparent and authentic disclosure about their ESG practice to allow investors to achieve their goals to make the world a better place by growing wealth through sustainable investing.

Thank you for your consideration.

Kind regards,

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