

Responsible Investment Process

January 2023

Purpose

Riverwater Partners believes Responsible Investment is in the best interest of our clients, our firm, our communities, and our society. Therefore, we integrate a focus on Environmental, Social, and Governance (ESG) policies, practices, and outcomes, alongside more traditional investment criteria, when we evaluate potential investment candidates. We are long-term investors; therefore, we believe it is imperative to consider the long-term risks and opportunities presented by a focus on Environmental, Social, and Governance factors may present to the businesses in which we invest. It is equally imperative to consider how the businesses in which we invest impact the environment and society, as they are the foundation for business financial success.

Many believe one must sacrifice financial gain to achieve real economy gain; however, history has shown that companies that incorporate ESG policies and practices into running their businesses generate superior returns versus companies that do not. These better business practices generally result in meaningful financial gain in the form of increased revenue (as customers want to support the efforts) and/or decreased expenses (because of lower energy consumption, for example), potential liability, or reputation risk, resulting in superior returns over the long term. The fact that sustainable business practices have been shown to result in superior financial returns over time, often with lower volatility, allows Riverwater to uphold its fiduciary duty to clients by incorporating a sustainability lens into its investment process.

Riverwater Partners seeks best-in-class ESG efforts generally; additionally, Riverwater invests in companies that have not yet made a significant commitment to ESG (perhaps because they are unaware of its benefits to all stakeholders), if they will engage with us regarding improving their ESG policies and practices. This ESG momentum is intended to bring about enhanced real economy benefits, and ultimately, better financial outperformance. Riverwater expects improvement over time with respect to ESG practices that are salient to a business and its stakeholders; if engagement is not effective, particularly in partnership with other investors, divestment will be considered.

Riverwater Partners publicly reports on its Sustainable Investment practice and outcomes in its annual Sustainability Report and in its Proxy Voting outcomes.

Riverwater Partners Three Pillar Approach to Responsible Investment

Riverwater Partners uses a Three Pillar Approach when evaluating a company's ESG efforts:

I. Due Diligence

Riverwater Partners screens for certain negative business practices and therefore avoids companies that derive a significant portion of their profits from tobacco, alcohol, pornography, illegal drugs, recreational cannabis, gambling, for-profit prisons, and unconventional weapons.

Riverwater Partners analysts and portfolio managers research current ESG efforts of companies, gathering information from sustainability reports, financial statements, corporate disclosures, and third-party sustainability experts. In addition, we inquire about ESG efforts when we speak with management directly.

Riverwater Partners seeks best-in-class ESG efforts in portfolio companies. Our practice focuses on those factors which are most salient to the sustainability of a business and its stakeholders, based on its industry, in an effort to generate meaningful financial and real-world impact. Our collaboration partners help inform our efforts toward sustainability goals, including but not limited to those put forth in the Task Force on Climate-related Financial Disclosure (TCFD), UN Guiding Principles on Business and Human Rights (UNGPs), UN Sustainable Development Goals (SDGs).

Riverwater Partners considers a company's ESG efforts, and willingness to work toward greater ESG efforts, as part of its decision to establish, maintain, or eliminate a position. We take into account a company's industry, size, age, peers, and willingness to do more, when evaluating its ESG policies and practices.

Riverwater Partners maintains a proprietary database of the ESG efforts of the companies in which we hold positions, those under consideration, and peer companies. Companies receive points for having a sustainability report, for inclusion in ESG Indices, and for the nature of their business being socially responsible, in addition to these ESG factors:

ENVIRONMENTAL FACTORS	SOCIAL FACTORS	GOVERNANCE FACTORS
<ul style="list-style-type: none">• Energy Stewardship• Water Stewardship• Emissions Stewardship• Waste Reduction• Recycled Materials Used• Supplier Environmental Standards	<ul style="list-style-type: none">• Fair Treatment of Employees• Employee Diversity• Worker Safety• Product Safety• Supply Chain Human Rights• Giving Back to Community	<ul style="list-style-type: none">• Executive Diversity• Board Diversity• Board Chair/CEO Separate• Executive Pay Tied to Performance• Stock Ownership Requirement for Executives/Board• UN Global Compact Signatory/PRI Signatory/B Corp

Companies receive a score (maximum of 25) reflecting their ESG efforts. Scores are then weighted by industry, allowing comparison of efforts based on industry relevance. Scores are then weighted by company size, recognizing that ESG efforts are costly and time consuming, particularly for smaller companies. Data is used to compare companies and track progress toward ESG impact.

Riverwater Partners screens outside managers for ESG efforts. Using publicly available information, and through interviews with external managers, we consider an external manager's investment policy in order to determine if their practices align with our objectives. This includes their definition of ESG, how the ultimate decision makers incorporate ESG, and financial and real economy impact.

Riverwater Partners incorporates specific client-mandated preferences regarding ESG, as needed.

II. Engagement

Riverwater Partners engages company executives and boards regarding their ESG efforts, or lack thereof, in order to assist them in understanding the benefits of, and in initiating and/or improving their ESG efforts. It is our goal to promote greater impact over time with respect to improved corporate governance, fair treatment of all stakeholders, improved environmental practice, and ultimately, superior financial outcomes and real economy benefits.

Riverwater Partners partners in engagement with other shareholders and NGOs if appropriate, including writing letters, participating in dialogue, filing shareholder resolutions, etc. Partnership offers increased expertise and experience. In addition, it strengthens the case for the engagement.

Riverwater Partners documents and follows up on our engagement efforts. If a company is unresponsive or unwilling to improve its ESG efforts, we will consider divestment.

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 an issue.

III. Collaboration

Riverwater Partners collaborates with local, regional, and national organizations to inform and become informed regarding ESG issues and practices, and to increase our collective impact in moving companies toward business practices that reduce risk and enhance opportunity, benefit all stakeholders, and ultimately result in superior financial performance and real economy benefits.

Riverwater Partners is a member of US SIF, CDP, The Water Council, Seventh Generation Interfaith Coalition for Responsible Investment, Interfaith Center on Corporate Responsibility, Ceres, and is a signatory of United Nations PRI. In addition, Riverwater Partners is a Certified B Corp. 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 Partners also partners with these organizations in engagement with companies and policy makers regarding salient ESG issues, the goal being to promote sustainability for people, planet, and prosperity.