

## RESPONSIBLE INVESTMENT POLICY

JANUARY 2025

### Purpose

Riverwater Partners believes that Responsible Investment is in the best interest of our clients, our firm, our communities, our society, and our planet. Responsible Investment enables us to fulfill our mission: “To make the world a better place by growing wealth through sustainable investing.”

At its core, the purpose of business is to create value: business uses society’s capital to create something of value for society. Riverwater invests in businesses that create value through the responsible deployment of physical, human, and financial capital. This value creation is measured by the good brought to society by a business’s products and services, the lack of harm brought to society from a business’s operations, and the return generated by the business on its use of society’s resources.

The Riverwater Asset Management team evaluates each investment candidate’s attention to factors that drive value: competitive advantage; management experience and alignment; fair and inclusive treatment of employees, supply chain, and communities; responsible use of materials and physical assets. A company’s return on these efforts – its return on its invested capital (ROIC) – reveals its value creation. As investors, and not stock traders, Riverwater invests in responsible businesses, that are continuously innovating and adapting to the everchanging world, to generate superior long-term value for our clients and society.

To achieve this value creation for our clients, Riverwater considers how potential portfolio companies steward physical capital (water, energy, raw materials, waste), human capital (employees, supply chains, communities in which they operate, global community), and financial capital (debt, equity). These factors have the potential for material pecuniary impact to individual businesses and to society generally. Resilient natural and social constructs are necessary foundations for prosperity.

Many believe one must sacrifice financial gain to achieve real economy gain; however, history has shown that companies that incorporate responsible 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 (new markets, consumer preference) and/or decreased expenses (reduced energy/insurance/other costs, lower employee turnover), potential liability, regulatory risk, or reputational risk, resulting in superior returns over the long term. The fact that responsible

business practices have been able to generate superior financial returns over time, often with lower volatility, enables Riverwater to uphold its fiduciary duty to clients by incorporating a responsibility lens into its investment process.

Riverwater Partners engages company executives and boards to promote their long-term prosperity in alignment with long-term societal needs.

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

**Riverwater Partners Three Pillar Approach to Responsible Investment**

**I. Due Diligence**

Riverwater Partners screens for certain negative business practices that we believe bring negative value to society and therefore we avoid investing in companies that derive a significant portion of their profits from tobacco, alcohol, pornography, illegal drugs, recreational cannabis, gambling, for-profit prisons, and unconventional weapons.

The Riverwater Asset Management team evaluates each investment candidate’s attention to factors that drive value: competitive advantage; management experience and alignment (governance factors); fair treatment of employees, supply chain, and communities (social factors); responsible use of materials and physical assets (environmental factors). Information is gathered from financial statements, sustainability reports, other public corporate disclosures, third-party experts, and during dialogue with executives.

Riverwater Partners maintains a proprietary database of efforts of the companies in which we hold positions, those under consideration, and peer companies.

PHYSICAL FACTORS	SOCIAL FACTORS	GOVERNANCE FACTORS
<ul style="list-style-type: none"> <li>• Energy Stewardship</li> <li>• Water Stewardship</li> <li>• Emissions Stewardship</li> <li>• Waste Stewardship</li> <li>• Circularity</li> <li>• Supplier Environmental Standards</li> </ul>	<ul style="list-style-type: none"> <li>• Fair Treatment of Employees</li> <li>• Inclusion of Diverse Perspectives</li> <li>• Worker Safety</li> <li>• Product Safety</li> <li>• Supply Chain Human Rights</li> <li>• Community as a Stakeholder</li> </ul>	<ul style="list-style-type: none"> <li>• Diverse Executive Experience/Perspective</li> <li>• Diverse Board Experience/Perspective</li> <li>• Board Chair / CEO Separate</li> <li>• Executive Pay Tied to Performance</li> <li>• Stock Ownership Requirement for Executives/Board</li> <li>• UN Global Compact Signatory / PRI Signatory / B Corp</li> </ul>

## II. **Engagement**

Riverwater Partners engages company executives and boards **to promote their long-term prosperity in alignment with long-term societal needs**. A materiality assessment enables leadership to identify the most salient factors for the company according to its stakeholders. This allows a focus on the issues that are most important to the long-term viability and success of the company and its stakeholders and gives leadership flexibility to prioritize initiatives and seek solutions. Our goal is to promote meaningful impact over time with respect to improved corporate governance, fair treatment of all stakeholders, resilient environmental practice, and ultimately, superior financial outcomes and real economy benefits.

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

Riverwater Partners votes proxies of portfolio companies according to our Proxy Voting Policy, which favors management and shareholder resolutions that align with our responsible capital deployment views. We typically write or have dialogue with 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 environmental and social 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 Ceres, US SIF, CDP, The Water Council, Seventh Generation Interfaith Coalition for Responsible Investment, Interfaith Center on Corporate Responsibility, 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 responsible investment lens effectively. Riverwater Partners also works in partnership with these organizations via engagement with companies and policy makers regarding salient issues, the goal being to promote sustainability for people, planet, and prosperity.