RIVER AND MERCANTILE

SUSTAINABLE PVT

ESG Integration in the PVT Investment Philosophy and Process

March 2021

Philosophy

We, River and Mercantile Asset Management (RAMAM), believe that alongside generating attractive risk-adjusted returns for clients, our investments should have a longer-term positive impact on the environment and society.

To achieve our dual objectives, we aim to invest sustainably by consistently considering the ESG factors that are financially material to individual companies in our PVT investment process, and related products, and engaging with companies where relevant and in line with our fiduciary duties. We shall ensure that our sustainability research and our investment stewardship activities, such as voting & engagement, and the impact they have on investment decisions, is documented.

Summary

Our investment process is bottom-up based on company fundamentals. We focus on shareholder value creation, undervaluation and investing in improving companies with positive trends (Potential, Valuation and Timing, or 'PVT'). Our Statement of Intent is to deliver consistent alpha for our clients by investing in a portfolio of PVT selected companies and we believe that analysis of a company's sustainability attributes (where ESG is the most common short-hand) is a critical component of any approach that seeks to deliver attractive risk-adjusted returns.

Our sustainability analysis is focused on material sustainability issues that have a pathway to becoming financially material to companies. We believe financial materiality represents the crossover between what is important to society and – via a positive or negative feedback loop to business performance – shareholders. Consideration of these key issues should therefore be considered part and parcel of good fundamental analysis, allowing us to deliver client requirements for investment returns with a wider positive impact.

We acknowledge that there can be variations in the terms and definitions that different asset managers and investors apply in this field.[1] Our chosen lens is sustainability, which we define as follows:

A sustainable business compounds value for all stakeholders over the long term.

It is a responsible steward of capital with a culture of longevity.

Sustainability requires analysis of the extent to which a firm's product offering or operations helps to address societal challenges. We aim to invest in companies with a net positive impact on society by analysing the key company-specific and sector-related **People**, **Innovation** and **Environment** issues that most commonly impact a company's long-term value creation potential.[2]

This framework means we can ensure we have a clearly-thought-out view of sustainability when considering a stock for inclusion in a portfolio. As a result, we **do not exclude** potential investments based on sector, business activity or third-party ESG rating, unless required by clients. We do, however, have a four-tier scoring system which may identify an investment case as being compromised by weak sustainability characteristics and therefore inappropriate for inclusion in portfolios. We assess tiers based on both analysis of quantitative metrics (with reference to Sustainability Accounting Standards Board (SASB) and qualitative judgements.

Our research and tiered scoring will also identify companies where change could unlock value, and this can be accelerated by engagement. We are committed to the principle of stewardship and responsible investing, that is, selectively engaging with companies that we invest in and challenging those which fall short of our standards for managing ESG-related risks.[3]

Multi-faceted, constructive engagement with companies at meetings with members of the Board and executives is a potential differentiator for the active investor. This includes the ability to drive or support positive change, but also incorporates 'communicative value' or the ability (for both investors and corporates) to learn via exchange of

1 We will use sustainable / ESG investing interchangeably in this document, for example.
2 Leadership & Governance, which defines the overarching structures, policies and behaviours that influence how an organisation operates, sits within People.
3 'Investor stewardship: One hand on the wheel?', Stephen Miles and Amandeep Shihn (Willis Towers Watson), 2019

information.[4] It goes some way to explaining the difference of approach regarding the weight placed on qualitative assessment over mechanical data-driven approaches or third-party scoring.

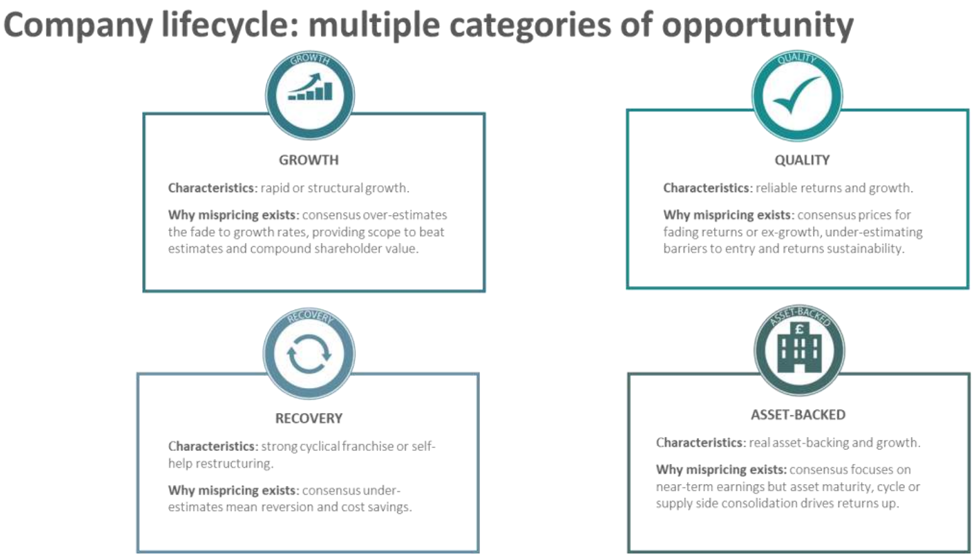
Our team has a single approach to Sustainable PVT (S-PVT) research, voting and engagement. It is built to enable a consistent approach for companies across different regions, of varying size, and at different stages of their life cycle (as described below under 'RAMAM Investment Philosophy'). We plan to continuously improve our approach to ESG integration, in line with evidence and as new tools become available.

Background: RAMAM Investment Philosophy ('PVT')

RAMAM's investment philosophy is called **PVT** (Potential, Valuation and Timing) and targets these three factors when assessing a company's ability to generate absolute and relative returns for investors in the future.

The **Potential** of a company represents its ability to create economic value for shareholders. Over the years we have found that the companies that can deliver above average potential divide into four categories; these relate to where a company is in its 'life cycle':

- ***Growth***: the delivery of strong revenue and profits growth
- ***Quality***: a business franchise that delivers a superior return on investment
- ***Recovery*****:** the process whereby a company produces a recovery in profits to 'normal' levels following decline
- ***Asset-backed:*** the delivery of asset-backed growth to a long-term investor.



The ***Valuation*** factor seeks to establish the pricing anomaly, the gap between the stock market's valuation of the company and its underlying economic worth.

Timing addresses the issue of when is the right time to buy and sell, thus reducing the risk of being too early into an investment, and optimising the period held and returns generated once an investment made.

In addition, we believe companies which are exhibiting good, or improving, ESG characteristics – which we view through the lenses of People, Innovation and Environment – make for more attractive investments. Risk is increased when companies exhibit weakness in these categories.

Based on our collective experience and research, we identified several important tenets that impact a company regardless of its industry, business model or stage in its lifecycle. This informed our **"Sustainable PVT"** framework,

[4] 'How ESG engagement creates value for investors and companies', Dr Jean-Pascal Gond, Dr Niamh O'Sullivan, Dr Rieneke Slager, Mikael Homanen, Dr Michael Viehs, Szilvia Mosony (UN PRI).

which articulates our approach to integrating sustainability considerations within our existing PVT investment process.

Sustainable PVT

We define and assess corporate sustainability as follows:

A sustainable business compounds value for all stakeholders over the long term.

It is a responsible steward of capital with a culture of longevity.

We evaluate sustainability through the pillars of People, Innovation and the Environment, including companies undergoing change leading to positive long-term outcomes.

The relationship between sustainability (or ESG factors) and financial performance remains the subject of multiple studies. Deutsche Bank's meta study from 2012 ('Sustainable Investing: Establishing Long-Term Value', Fultun, Kahn and Sharples[5]) found that 100% of academic studies surveyed indicated companies with high ESG ratings had a lower cost of capital and 89% of the studies indicated that high ESG rated companies exhibit market outperformance. Conversely, a paper in 2020 by Cornell and Damodaran ('Valuing ESG: Doing Good or Sounding Good'[6]) questions the view that there is a positive linkage. Cornell and Damodaran believe the findings are "fragile and sensitive to how ESG and profitability is measured" and questions regarding causality remains unanswered. One appeared conclusion from academic research is that the evidence is "stronger that bad firms get punished, either with higher discount rates or with a greater incidence of disasters and shocks".

Our sustainability analysis is focused on material sustainability issues that have a pathway to becoming financially material to companies. Debates around the pathway to becoming financially material are often debates about time horizon. Over the long term, companies should be successful if they serve all their stakeholders (society) well. Over the long term, most societal or stakeholder issues are eventually solved by governments, individuals, innovation and technology, and will eventually become financially material to companies and shareholders. Consequently, identifying material sustainability issues is synonymous with identifying financially material sustainability issues.

We therefore believe that sustainability analysis forms a key part of assessing the risk around a company's fundamentals and that ignoring material sustainability factors might result in an incomplete understanding of risk and poor risk-adjusted returns. Sustainability issues can be misunderstood, and they can also change over time. As a result, businesses with material sustainability issues today, can present both attractive investment opportunities when there is potential for improvement that underpins a recovery in the financial performance and perception of a company, and opportunities to make a positive impact on the environment and society, when businesses improve their sustainability credentials.

The Sustainability Pillars

In the same way that our PVT process has enabled us to hone in on the key drivers of shareholder value over the last decade, we have formalised our approach to sustainability to bring discipline in what can be a complex and subjective area.

Starting from first principles, we have identified the pillars of **People**, **Innovation** and **Environment** as the factors which most commonly impact a company's long-term value creation potential. These pillars underpin a common framework for our fundamental company research. The materiality of sustainability factors varies across industries and companies meaning there may be additional considerations on a stock-by-stock basis; here we utilise the SASB

5 'Sustainable Investing: Establishing Long-Term Value', Fultun, Kahn and Sharples
https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2222740
6 'Valuing ESG: Doing Good or Sounding Good', Cornell and Damodaran, 2020.
https://ssrn.com/abstract=3557432

materiality map[7] to guide our efforts and investigate where third-party ESG research has flagged any significant sustainability issues.

S-PVT Pillars – Summary

People

For an individual company, it's sustainability depends on the company's ability to create value for all stakeholders through having high levels of trust and cooperation between employees, customers and the wider community it serves. Companies that install best practice governance, adhere to regulation, treat people equally, respect human rights and incorporate cognitive diversity (to avoid group think) and become better companies as a result.

Innovation

A sustainable business requires constant innovation to respond to changes in market fundamentals, the environment and society. This is imperative for compounding long-term value, for the benefit of all stakeholders. We take a broad view of innovation, which we believe encapsulates changes in strategy, process and product. This is applicable in times of success, where companies have the financial strength to reinvest, as well as in times of change, where businesses need to evolve when faced with challenge and opportunity.

Environment

A sustainable company creates value for all stakeholders without causing undue harm to the environment, or compromising the ability of future generations to avoid doing so. Acting in an environmentally responsible manner presents both costs and opportunities; this enables management to champion best-in-class, and improve substandard working practices. The goal is for management to deliver effective company strategy with proper consideration for its natural surroundings and to manage their impact on the environment in support of the transition to a low carbon economy.

People
- Governance
- Employees
- Diversity & Inclusion
- Community
- Customers
- Supply Chain

Innovation
- Strategy
- Process
- Products
- Change

Environment
- Climate
- Clean Energy
- Biodiversity
- Clean Water
- Recycling

Please refer to the appendix for additional details on the aims, objectives and outcomes of each pillar.

A word on Leadership and Governance.

Governance is often the key interface we have as investors in driving the 'institutional imperative' behind a genuine shift to stakeholder capitalism, with its focus on longer-term horizons and a regard for all stakeholders. Strong corporate governance practices can provide the foundation for a company to deliver both strong financial returns and positively impact the environment and society.

All investment involves some form of trade-off. Just as the concept of 'Economic Value Added' (EVA) was revived in the 1980s to emphasise trade-offs around quality of growth and the opportunity cost of equity, ESG provides a new balance for 'stakeholder capitalism'. By choosing not to exclude potential investments, we recognise that our investment universe will include companies that do not meet our threshold on all aspects of sustainability. We are committed to the principle of stewardship – monitoring and influencing the companies that we invest in through engagement, and challenging companies that fall short of our standards for managing ESG-related risks. This is a critical link to **governance**, which we view as the **foundation on which the three pillars of People, Innovation and Environment are built**.

[7] SASB materiality map identify the sustainability information that is financially material, which is to say material to understanding how an organisation creates enterprise value.https://www.sasb.org/standards/materiality-finder/?lang=en-us

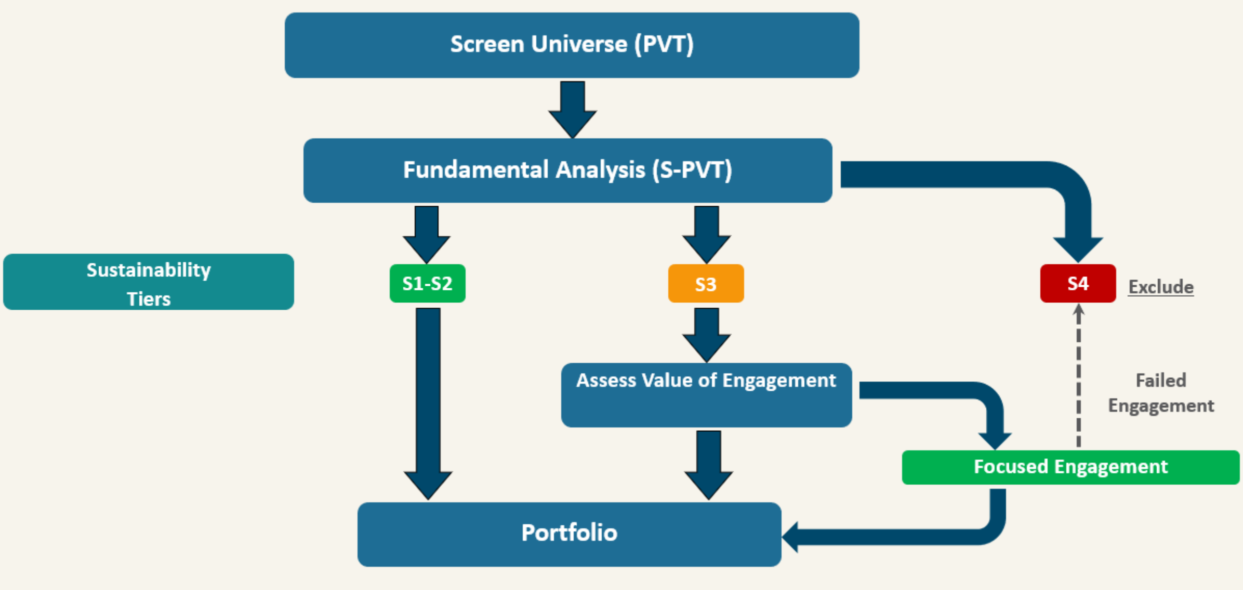
The standards for 'good governance' have changed meaningfully over the last twenty years. The ability to drive or support positive change by engaging with companies on governance around our three pillars at meetings with members of the Board and executive directors is a potential differentiator for the active investor. More details on our voting policy to influence best practice governance can be found in our Voting & Engagement Policy.[8]

Process

By choosing not to exclude investments in our screening stage, ESG assessment is integrated into our fundamental research process once an idea has been identified by our existing screens. While we see the benefits and attractions of a 'big data' approach to sustainable investing, we do not believe the quality of the data available today merits a purely quantitative approach for the reasons outlined below.

Currently we utilise an internal scoring system, based on a qualitative assessment of risks and opportunities, to categorise companies into four tiers:

- **S1:** a sustainable leader in its field and/or a clear beneficiary of sustainability trends.
- **S2:** solid S-PVT credentials and no clear impediment to value creation or share price performance.
- **S3:** S-PVT improvement required, but evidence this has started and / or engagement potential.
- **S4:** S-PVT a clear barrier to value creation, no evidence of improvement and / or low likelihood of engagement success (including failed attempts).



Source: River and Mercantile Asset Management LLP.

S4 stocks are typically candidates for divestment (or to avoid purchasing at all), even if the financial aspects look attractive. S3 companies need to be monitored to see that they are continuing to improve; this can be the source of a mispricing and creates opportunities to unlock value that would be missed by exclusionary investors. We will also seek to selectively engage with S3s; our tiering system allows us to be more targeted with our efforts.

We are prepared to ultimately disinvest from companies which score badly and are not improving quickly enough for the fundamental reasons given above. We believe this assessment-engagement-disinvestment vector leads to better societal outcomes and is practically implementable to effect positive change.

Roadmap to greater quantitative input

"Not everything that can be counted counts, and not everything that counts can be counted."

Albert Einstein.

We are firm believers in the value of incorporating data and quant tools to drive efficiencies in the investment process. However, a mechanistic approach to ESG that relies on company-supplied data or third-party assessments faces several issues. High in this list are:

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[8] https://riverandmercantile.com/esg/voting-and-engagement/

- That sustainability is not black and white – in assessing a company's net positive impact, we must accept that it may not score perfectly across all sustainability factors;
- The data coverage and quality (including the length of the time series in terms of allowing backtests), particularly for smaller companies and EM companies, is not sufficient for us to be confident enough to screen quantitatively on ESG;
- The risk that it keeps ESG as a standalone piece of analysis and therefore prevents proper integration into the investment process;
- If you choose a single external provider, you are effectively choosing to align with its ESG philosophy and process in terms of data acquisition, estimation and subjective assessment, while if you choose more then you introduce noise due to the lack of correlation between different ratings providers' scores.[9]

In its current form, we do not believe sustainability can be assessed purely according to a quant-driven scoring process. Fundamental analysis and active management can add value today by choosing a more qualitative approach. Key benefits of our approach include:

- **Independent evaluations of material sustainability factors:** recognising materiality and gauging whether the market is overly pessimistic or optimistic about the risks and opportunities from sustainability issues is an art not a science. It requires judgement and a thorough fundamental understanding of how different businesses and industries work.
- **Forward looking:** reliance on disclosure for assessing a company's sustainability credentials risks basing investment decisions on backwards-looking information. Through research and engagement, we can look for evidence of an improvement, which can be the source of a mispricing and creates opportunities that would be missed by exclusionary investors. For example, our forward-looking analysis might take account of the fact that something has fundamentally changed at the company since a historic controversy, to prevent it from happening again. Or direct company engagement may have given us insight beyond what is disclosed in official reporting – especially in the case of smaller companies or those listed in emerging markets.
- **Smaller companies:** are unfairly penalised by third-party ratings providers. The companies are a key engine for growth in local communities, accounting for more than 80% of all global publicly listed corporations and 63% of the people employed by them. Indeed, more jobs are created per dollar invested, a greater share of profits goes to salaries, and terms extended to suppliers and customers are typically more lenient at smaller companies while still delivering superior returns for shareholders![10] We do not want to exclude these companies due to lower disclosure, which may be a result of fewer resources to deal with the multitude of data requests from third-party ratings agencies.

Over the next few years, we expect companies to publish more environmental and social-related metrics that we can incorporate as KPIs within our Pillars. A number of these will be consistent across all companies, for example employee turnover or the carbon intensity of operations, but a number will be sector specific. This will enable the introduction of greater quant input which will help to streamline our process and enhance our ability to monitor portfolios and report both internally and to clients. Crucially, we have the background and expertise in-house to do this successfully. In the meantime, we are investigating ways in which automation can enhance our existing processes.

Time Horizon

Consideration of sustainability issues is a process. We believe we can provide capital to companies with lower ESG credentials where management actions are leading to positive behavioural change over time and where we can engage effectively for that change.

9 Gibson, Rajna and Krueger, Philipp and Schmidt, Peter Steffen, ESG Rating Disagreement and Stock Returns (December 22, 2019). Swiss Finance Institute Research Paper No. 19-67, European Corporate Governance Institute – Finance Working Paper No. 651/2020.
10 Small caps defined as companies with a market cap below $5 billion. 'A new tailwind for SMid-Caps… This time it is called "Stakeholder Capitalism", E. Lecubarri (JP Morgan), 21 August 2020.

The People Pillar is at the early stage of evolution and is likely to become more prevalent post COVID-19 as companies are judged on how they have handled the crisis from an employee and customer perspective as well as in their social licence to operate. It may evolve quickly if there is more transparency of metrics to measure managements' success in human capital management practices.

We recognise this is a process and believe we can still provide capital to companies with lower Environmental credentials (as classified by third-party ratings providers) where management actions are leading to more environmentally friendly working practices, or where this risk is discounted in the current share price.

The Environment Pillar is likely to have the longest time horizon for results to be realised. Whilst a company can reduce its carbon emissions year-on-year, there will be a lag before stakeholders may see a tangible benefit from management actions. This increases the responsibility on RAMAM to encourage corporates to adopt an intergenerational mindset, prioritise investment in climate-related initiatives and operate in a manner consistent with the low-carbon transition.

RAMAM's Sustainable PVT pillars have long time horizons for results to be realised. Whilst a company can make improvements year-on-year, there will likely be a lag before stakeholders may see a tangible benefit from management actions. Over the next 2-3 years we expect more information to be published by companies and for executive variable remuneration linked to people/social, innovation and environmental factors to become more prevalent.

Voting and Engagement

We believe executive management should be incentivised to manage companies to create value for all stakeholders and be rewarded accordingly. Through our voting & engagement we aim to encourage companies globally to adopt an approach in line with section 172 of the UK Companies Act 2006, which requires directors of companies to think about the impact of their decisions on all stakeholders.

In the USA the Statement on the Purpose of a Corporation (see Appendix 2) as outlined by the Business Roundtable* in August 2019 was signed by 181 US CEOs who commit to lead their companies for the benefit of all stakeholders – customers, employees, suppliers, communities and shareholders. To become more than just signing a statement and words from a CEO, we believe first it is important that disclosure improves, so that all stakeholders can measure the success and understand the impact of the company's operations on them, and secondly management are incentivised to manage all stakeholder relations effectively.

In 2020, for example, within the People pillar, we started to support shareholder proposals for disclosure of the ratio between executive and employee remuneration and the disclosure of gender and ethnicity pay gaps.

We believe management should be incentivised to consider the impact of environmental factors on their business and this can be achieved through greater alignment of management variable remuneration targets to achieving climate-related objectives. We have adopted ISS's Speciality Climate Voting Policy which assesses a company's climate-related performance and disclosures to provide proxy vote recommendations on climate-related issues.

Engagement plays an important role in our 'comply or explain' approach. Management teams need investors with medium-to-long-term investment horizons to support and fund transformational strategies, where working cultures emphasise success on achieving financial as well as non-financial goals and where investors hold management to account for the delivery of these goals through engagement.

Through the collective power of our assets under management, we recognise that RAMAM can have a significant impact in driving companies to manage their sustainability risks and opportunities and in being responsible corporate citizens. As a boutique, we can have an outsized impact on companies with comparatively smaller market capitalisations and/or where we own a larger stake. As such, we prioritise our engagement activities on this basis with the aim of maximum impact from limited resources. In addition to our own direct engagement with companies, we also collaborate with other parties to address systematic risks such as climate change. An example of a collaboration we are participating in is an initiative for better human rights oversight by the US social media companies.

***Business Roundtable is a non-profit association based in Washington, D.C. whose members are chief executive officers of major U.S. companies.** https://opportunity.businessroundtable.org/ourcommitment/*

Conclusion

Our investment process is bottom-up based on company fundamentals. Through analysis of the key company-specific and sector-related People, Innovation and Environment issues that impact a company's long-term value creation potential, we can ensure we have a clearly-thought-out view of sustainability when considering a stock for inclusion in a portfolio. As a result, we do not exclude potential investments based on sector, business activity or third-party ESG rating, unless required by clients.

Sustainability factors are amongst many that we consider in an investment decision. By remaining true to our investment process, we believe we can ensure sustainability risks and opportunities are reflected in portfolios for the creation of long-term value.

APPENDIX 1

S-PVT Pillars - detail

People Pillar

Aim

Sustainability depends on a company's ability to create value for all stakeholders through having high levels of trust and cooperation between employees, customers and the wider community served. Companies that instil best practice governance, adhere to regulation, treat people equally, respect human rights and incorporate cognitive diversity (to avoid group think) and become better companies as a result.

Objective:

- To increase RAMAM's understanding and influence – through the capital that we manage on behalf of clients – in how companies manage human capital, including the related risks and opportunities.

Outcomes

- The ultimate outcome is for business practices to generate value for all stakeholders through companies taking care of employees, investing in their people, contributing to their local/wider communities and preparing tomorrow's leaders/innovators.
- Assert pressure on companies to prioritise customer privacy and fair treatment, as well as offer products that do not harm health, the environment, or society and to promote a diverse and inclusive workplace with equal opportunity and pay without discrimination.
- Promote robust health and safety practices to protect employees.
- Encourage companies to make concerted efforts to give back to the communities where they operate, and where they have the greatest impact, and to act as a responsible corporate citizen.
- Better alignment of management incentives between different groups of stakeholders.

RAMAM Key Performance Indicators for People Pillar

- Greater disclosure by companies of 'People KPIs'
- Examples of progress made from engagement regarding inclusion of 'People KPIs' in executive variable remuneration

Innovation Pillar

Aim

A sustainable business requires constant innovation to respond to changes in market fundamentals, the environment and society. This is imperative for compounding long-term value, for the benefit of all stakeholders. We take a broad view of innovation, which we believe encapsulates changes in strategy, process and product. This is applicable in times of success, where companies have the financial strength to reinvest, as well as in times of change, where businesses need to evolve when faced with challenge and opportunity.

Objectives

- To increase RAMAM's understanding and influence – through the capital that we manage on behalf of clients – of corporate innovation, and a company's ability to adapt and be agile over the longer term for the benefit of all stakeholders.
- Assess the forms of innovation that are relevant to both a company's industry, business model, assets and stage of its lifecycle.
- Measure companies on their progress and behavioural change to finding lasting solutions to environmental, regulatory and social challenges, such as climate or technological change, and shifts in social behaviour.

Outcomes

Company comparison of ability to achieve innovation in areas such as recycling, waste minimisation, substitution of materials, changed production processes, pollution control and efficient usage of resources.

- Better alignment of management incentives to innovation with the goal of long-term sustainability.
- Challenge business models in portfolios that only strive for 'market sustainability' through competitive advantage and fail to innovate for environmental, social and regulatory change.

RAMAM Key Performance Indicators for Innovation Pillar

- Engagement with companies on innovation
- Assessment of innovation strategy, scope and expected outcomes
- Assessment of trends in R&D (Research & Development), SG&A (Selling, General and Administrative Expenses) and capital expenditure
- New product development and its social & environmental impact
- Innovation in material use, sourcing, recycling, supply chain management

Environment Pillar

Aim

A sustainable company creates value for all stakeholders without causing undue harm to the environment, nor compromising the ability of future generations to do so. Acting in an environmentally responsible manner presents both risks and opportunities; this enables management to champion best-in-class, and improve substandard, working practices. The goal is for management to deliver effective company strategy with proper consideration for its natural surroundings.

Objective

- To increase RAMAM's understanding and influence – through the capital that we manage on behalf of clients – of the ability of investee companies to support the transition to a low carbon economy and progress in achieving the goals of the Paris Agreement.

Outcomes

- The ultimate outcome is for business practices to generate returns for all stakeholders without causing undue negative externalities on the environment.
- Climate change is a global challenge, with greenhouse gas emissions widely recognised as the key driving factor; changing corporate behaviour is crucial to enable the transition to a low-carbon economy. RAMAM can support the Transition Pathway Initiative (which assesses companies in the highest emitting sectors based on Management Quality and Carbon Performance) by engaging with management to accelerate actions and investment required to achieve carbon neutrality, in keeping with the goals of the Paris Agreement. Through engagement, and ultimately capital allocation, investors can hold management teams accountable for unsatisfactory progress towards these global objectives.
- Quantifying the financial impact of environmental issues is inherently challenging; it can be complex and of long duration. Greater company disclosure and consistency of reporting metrics between companies will aid comparison, which we believe will enable investors to make better-informed investment decisions regarding environmental risks and opportunities.
- Encourage management incentives to be linked to performance against environmental, including climate-related, targets.

RAMAM Key Performance Indicators

- Greater and more consistent disclosure (e.g. Scope 1,2 & 3 carbon emissions and focus on Governance, Strategy, Risk Management and Metrics & Targets disclosures in line with TCFD recommendations) to enable better benchmarking of peers
- Examples of voting against management according to climate-related performance or disclosure (utilising ISS' Speciality Climate Voting Policy)
- Examples of engagement with company management on Environmental issues

APPENDIX 2

Business Roundtable

Statement on the Purpose of a Corporation

Americans deserve an economy that allows each person to succeed through hard work and creativity and to lead a life of meaning and dignity. We believe the free-market system is the best means of generating good jobs, a strong and sustainable economy, innovation, a healthy environment and economic opportunity for all.

Businesses play a vital role in the economy by creating jobs, fostering innovation and providing essential goods and services. Businesses make and sell consumer products; manufacture equipment and vehicles; support the national defense; grow and produce food; provide health care; generate and deliver energy; and offer financial, communications and other services that underpin economic growth.

While each of our individual companies serves its own corporate purpose, we share a fundamental commitment to all of our stakeholders. We commit to:

- Delivering value to our customers. We will further the tradition of American companies leading the way in meeting or exceeding customer expectations.

- Investing in our employees. This starts with compensating them fairly and providing important benefits. It also includes supporting them through training and education that help develop new skills for a rapidly changing world. We foster diversity and inclusion, dignity and respect.

- Dealing fairly and ethically with our suppliers. We are dedicated to serving as good partners to the other companies, large and small, that help us meet our missions.

- Supporting the communities in which we work. We respect the people in our communities and protect the environment by embracing sustainable practices across our businesses.

- Generating long-term value for shareholders, who provide the capital that allows companies to invest, grow and innovate. We are committed to transparency and effective engagement with shareholders.

Each of our stakeholders is essential. We commit to deliver value to all of them, for the future success of our companies, our communities and our country.

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Signatures Updated: September 2019, December 2019, February 2020, April 2020, June 2020, August 2020, September 2020 and October 2020.

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