



## 2019 Environmental, Social and Governance Overview





# 2019 Environmental, Social and Governance Overview

## Environmental, Social and Governance Tear Sheet

The following tear sheets contain disclosure of relevant metrics to Essential Utilities, Inc.'s business, as well as those included in the Sustainability Accounting Standards Board (SASB) standards for the Infrastructure Sector and the United Nations Sustainable Development Goals (UN SDGs). We are committed to supporting environmental, social and governance (ESG) initiatives that are integrated into our strategy and culture and continue to drive our corporate responsibility. We believe these initiatives support our employees, customers, local communities among other stakeholders. This document covers ESG disclosures for Essential Utilities Inc., formerly Aqua America, Inc. (Aqua) for the period Jan. 1, 2019 through Dec. 31, 2019, unless otherwise noted.

## About Essential

Following the closing of the Peoples acquisition, Essential will be one of the largest publicly traded water, wastewater and natural gas providers in the U.S., serving

approximately 5 million people across 10 states under the Aqua and Peoples brands. Essential will be committed to proactive infrastructure investment, regulatory expertise, operational efficiency and environmental stewardship. The Company recognizes the importance of water and natural gas in everyday life and is proud to deliver safe, reliable services that contribute to the quality of life in the communities it serves.

Each utility lends more than 130 years of experience in infrastructure expertise, regulatory compliance, operational efficiency and environmental stewardship. As utility infrastructure experts, we are passionate about responsibly making improvements that strengthen reliability and safety.

We are grounded in a deep-rooted purpose that empowers people to live better lives. Integrity, respect and excellence are the core values that guide us. We put customers at the center of all we do, while creating a culture of trust and safety for employees.

We recognize the importance water and natural gas play in everyday life and are proud to deliver safe and reliable services for the greater good of the communities we serve. We are Essential – providing natural resources for life

## Essential's ESG Program Objectives

At Essential, looking to the future is ingrained in our corporate responsibility and in how we conduct our business with environmental, social and governance (ESG) initiatives. For over 130 years, it has been our mission to be the best possible provider of essential resources by serving the needs and expectations of our customers, shareholders, employees and the communities we serve. We are committed to being responsible stewards of our environment, maintaining a safe, diverse, competitive and respectful culture, and overseeing the governance of Essential with the utmost transparency.

# Environment



TOPIC	METRIC	INFORMATION	
<b>Environmental Policy</b>	See <a href="#">Sustainability and Environmental Policy</a>		
<b>Energy and Greenhouse Gas (GHG) Emissions</b>	Strategies to reduce energy use, consumption and GHG emissions.	In accordance with Essential's Environmental Policy, the Company constantly seeks to use more efficient technologies to improve everyday operations. As part of the Company's commitment, during 2022, all grid power from non-regulated utilities for PA, OH, NJ and IL will be 100% renewable through Green-e Certified Wind RECs.	
			
	Energy consumed (MWh total energy consumed)	<b>2018</b> 389,750 MWh	<b>2017</b> 367,583 MWh
	Energy derived from renewables (percentage renewable)	<b>2018</b> 6%	<b>2017</b> 6%
	Energy sourced from the grid (percentage grid electricity)	<b>2018</b> 80.8%	<b>2017</b> 82.0%
	 <b>SASB: IF-WU-130a.1</b>		
	Scope 1 emissions (metric tons CO2e)	<b>2018</b> 16,304 mtCO2e	<b>2017</b> 14,383 mtCO2e
	Scope 2 emissions (metric tons CO2e)	<b>2018</b> 41,581 mtCO2e (location-based) 87,031 mt CO2e (market-based)	<b>2017</b> 52,097 mtCO2e (location-based) 80,761 mtCO2e (market-based)
	Total Scope 1 and 2 emissions (metric tons CO2e)	<b>2018</b> 144,915 mtCO2e	<b>2017</b> 147,241 mtCO2e

TOPIC	METRIC	INFORMATION		
<b>Distribution Network Frequency</b>	Water Main Replacement	<b>2018</b> 189 miles of main replaced, yielding an overall replacement rate of 1.4%		
	<b>SASB:</b> IF-WU-140a.1			
	Volume of non-revenue real water losses*	<b>2019</b> 17,241,384,303 gal	<b>2018</b> 17,670,067,361 gal	<b>2017</b> 15,979,411,626 gal
	<b>SASB:</b> IF-WU-140a.2			
<b>Effluent Quality Management</b>	Strategies for managing effluents of emerging concern	<p>Managing emerging contaminants is a continuous process as science improves our ability to detect and understand the impacts of chemicals in use for decades to newly developed chemicals. We see today's emerging contaminant as tomorrow's potential element to address for our customers and communities.</p> <p>The Company considers the latest science and research to identify potential contaminants of concern for further review, evaluation, or action. This typically includes the prevalence and levels of the chemicals, as well as its potential to cause human health or environmental harm. Based upon this information the Company may choose to look at specific geographic locations or types of systems to further understand the environmental occurrence and behavior of these compounds. If the levels warrant action then remediation of the source of the chemical is the first preferred method to avoid its removal in the drinking water or wastewater process. If the source is too diverse or not easily identifiable, then treatment technologies are evaluated for installation to protect customers. With this knowledge we work with environmental regulators and with public utility commissions to gain the necessary acceptance and permissions to implement the treatment solutions. As this effort is conducted efforts are developed to communicate these findings with various agencies, organizations, and customers. Finally, we review all the impacts from our activity footprint to consider long term sustainability impacts on activities such as material disposal.</p> <p>In the past the Company has reviewed chemicals such as pesticides, pharmaceuticals, and personal care products. Currently the Company is conducting and monitoring scientific activities for Per and Poly-flouro Alkyl Substances (PFAS – PFOA, PFOS, etc.), Cyanotoxins, Lead, and Manganese.</p>		
	<b>SASB:</b> IF-WU-140b.2			
	Number of incidents of non-compliance associated with water effluent quality permits, standards, and regulations	<b>2019</b> 272 events, 95.5% of days in compliance	<b>2018</b> 361 events, 94.3% of days in compliance	<b>2017</b> 308 events, 95% of days in compliance
	<b>SASB:</b> IF-WU-140b.1			

\*Measured in gallons.

TOPIC	METRIC	INFORMATION						
<p><b>Drinking Water Quality</b></p>	<p>Strategies for managing drinking water contaminants of emerging concern</p> <p> <b>SASB: IF-WU-250a.2</b></p> <hr/> <p>Number of 1) acute health-based 2) non-acute health based and 3) non-health-based drinking water violations</p> <p><b>SASB: IF-WU-250a.1</b></p>	<p>Managing emerging contaminants is a continuous process as science improves our ability to detect and understand the impacts of chemicals in use for decades to newly developed chemicals. We see today's emerging contaminant as tomorrow's potential element to address for our customers and communities.</p> <p>The Company considers the latest science and research to identify potential contaminants of concern for further review, evaluation, or action. This typically includes the prevalence and levels of the chemicals, as well as its potential to cause human health or environmental harm. Based upon this information the Company may choose to look at specific geographic locations or types of systems to further understand the environmental occurrence and behavior of these compounds. If the levels warrant action then remediation of the source of the chemical is the first preferred method to avoid its removal in the drinking water or wastewater process. If the source is too diverse or not easily identifiable, then treatment technologies are evaluated for installation to protect customers. With this knowledge we work with environmental regulators and with public utility commissions to gain the necessary acceptance and permissions to implement the treatment solutions. As this effort is conducted efforts are developed to communicate these findings with various agencies, organizations, and customers. Finally, we review all the impacts from our activity footprint to consider long term sustainability impacts on activities such as material disposal.</p> <p>In the past the Company has reviewed chemicals such as pesticides, pharmaceuticals, and personal care products. Currently the Company is conducting and monitoring scientific activities for Per and Poly-fluoro Alkyl Substances (PFAS – PFOA, PFOS, etc.), Cyanotoxins, Lead, and Manganese.</p> <table border="1" data-bbox="1115 992 2001 1122"> <tr> <td><b>2019</b></td> <td>1.4% of the Company's systems with health-based violations</td> </tr> <tr> <td><b>2018</b></td> <td>1.9% of the Company's systems with health-based violations</td> </tr> <tr> <td><b>2017</b></td> <td>1.7% of the Company's systems with health-based violations</td> </tr> </table>	<b>2019</b>	1.4% of the Company's systems with health-based violations	<b>2018</b>	1.9% of the Company's systems with health-based violations	<b>2017</b>	1.7% of the Company's systems with health-based violations
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<p><b>Water Supply Resilience</b></p>	<p>Strategies for managing the quality and availability of water resources</p> <p> <b>SASB: IF-WU-440a.3</b></p>	<p>In the environment in which the Company currently operates, there is not a large-scale risk associated with quality and availability of water resources. On a case by case basis, sites that are more prone to water scarcity are monitored and addressed on an individual basis.</p>						

TOPIC	METRIC	INFORMATION										
	<p>Total water sourced from regions with High or Extremely High baseline Water Stress, percentage purchased from a third party.</p> <p><b>SASB:</b> IF-WU-440a.1</p>	<p><b>2019</b> No water was sourced from High or Extremely High baseline water stress regions.</p>										
	<p>Volume of recycled water delivered to customers</p> <p><b>SASB:</b> IF-WU-440a.2</p>	<p><b>2019</b> Volume of recycled water delivered to customers was 0m<sup>3</sup>.</p>										
<p><b>Network Resiliency &amp; Impacts of Climate Change</b></p>	<p>Strategies for managing and identifying risks and opportunities related to the impact of climate change on distribution and wastewater infrastructure</p> <p> <b>SASB:</b> IF-WU-450a.4</p> <p>Wastewater treatment capacity located in 100-year flood zones</p> <p><b>SASB:</b> IF-WU-450a.1</p> <p>1) Number and 2) volume of sanitary sewer overflows (SSO), 3) percentage of volume recovered</p> <p><b>SASB:</b> IF-WU-450a.2</p> <p>1) Number of unplanned service disruptions, and 2) customers affected, each by duration category</p> <p><b>SASB:</b> IF-WU-450a.3</p>	<p>Currently the Company uses CDP and TCFD to align and document risks and opportunities resulting from climate change across The Company's portfolio. See the Company's most recent CDP report <a href="#">here</a>.</p> <p>The Company is in the process of defining and analyzing the potential to measure this aspect.</p> <table border="1"> <tr> <td data-bbox="1113 915 1302 959"><b>2019</b></td> <td data-bbox="1302 915 2001 959">147 events, 2,241,905 gal, 0.02% overflow vs. treated*</td> </tr> <tr> <td data-bbox="1113 959 1302 1003"><b>2018</b></td> <td data-bbox="1302 959 2001 1003">178 events, 10,114,710 gal, 0.09% overflow vs. treated*</td> </tr> <tr> <td data-bbox="1113 1003 1302 1047"><b>2017</b></td> <td data-bbox="1302 1003 2001 1047">137 events, 2,188,762 gal, 0.02% overflow vs. treated*</td> </tr> </table> <table border="1"> <tr> <td data-bbox="1113 1138 1302 1182"><b>2018</b></td> <td data-bbox="1302 1138 2001 1182">18.3 breaks/ 100 miles</td> </tr> <tr> <td data-bbox="1113 1182 1302 1226"><b>2017</b></td> <td data-bbox="1302 1182 2001 1226">15.1 breaks/ 100 miles</td> </tr> </table>	<b>2019</b>	147 events, 2,241,905 gal, 0.02% overflow vs. treated*	<b>2018</b>	178 events, 10,114,710 gal, 0.09% overflow vs. treated*	<b>2017</b>	137 events, 2,188,762 gal, 0.02% overflow vs. treated*	<b>2018</b>	18.3 breaks/ 100 miles	<b>2017</b>	15.1 breaks/ 100 miles
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\*Percent reflects the total flow treated in the year that overflowed or spilled was not treated.

# Social



TOPIC	METRIC	INFORMATION
Policies and statements	See <a href="#">Equal Employment Opportunity and Anti-Harassment</a>	
	See <a href="#">Political Spending Policy</a>	
Statement on unions		<p>We believe that treating employees with respect and dignity, including providing them with excellent benefits, flexible working conditions, and competitive wages is a key factor in the Company's 134 years of success. The Company does understand, however, that at times employees have concerns and suggestions for improvements. To that end, Essential has a long-standing Open Door policy and has a proven track record of listening to its employees and taking their comments seriously.</p> <p>Another key factor to the Company's success is the direct, personal relationship that many of its managers have developed with employees through years of working together. To put it simply, we believe that inviting a third-party into this relationship would erode the Company's well-established and successful employee-manager relationship and would not benefit employees, customers, or the Company. See Essential's Statement on Unions <a href="#">here</a>.</p>

TOPIC	METRIC	INFORMATION
<p><b>Water Affordability and Access</b></p>	<p>Factors impacting customer ability to afford water services, including economic conditions of service territories</p>	<p>The Company recognizes that providing safe and reliable water and wastewater service at reasonable rates is a fundamental tenant of its mission. In order to do this, the Company everyday works to operate efficiently, encourage water conservation and prudently invest in aging infrastructure. However, even with planning and conservation practices, there are low income customers in the Company's service territory that have difficulty paying their bill. These issues occur in any community, regardless of the location, demographic or income distribution. In addition, a variety of issues can impact a customer bill including the condition of the infrastructure and work that has been done in the system, ability to utilize single tariff pricing, weather, irrigation, household usage or the potential of a leak. Generally, the cost of providing water service is a main driving factor behind water rates which in turn impacts the cost of service and bill.</p> <p>The Company works proactively with customers that have difficulty paying their bill including offering payment plans, offering conservation tips, and in some instances, adjusting a bill if a customer has had a leak. Also, in most service territories, the Company provides low-income assistance that can take a variety of different forms. For example, Helping Hand is the Company's low-income assistance program designed to enable low-income customers to make manageable monthly payments on their water and wastewater bills. Customers who make timely payments through Helping Hand receive a monthly credit to their accounts. The program provides customers with water conservation kits that provide customers with information and tools on how to use less water.</p>
	<p> <b>SASB:</b> IF-WU-240a.4</p>	<p>Average retail water rate for (1) residential, (2) commercial, and (3) industrial customers*</p> <p><b>2018</b>  (1) Residential \$8.71 (2) Commercial \$7.95 (3) Industrial \$6.73</p> <p><b>SASB:</b> IF-WU-240a.1</p>

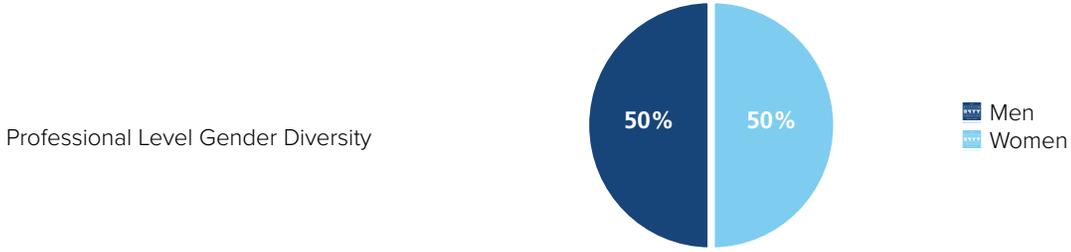
\*This data reflects the average retail water rate per 100 Ccf for residential, commercial and industrial customers in Pennsylvania, the Company's largest service area.

TOPIC	METRIC	INFORMATION		
	Typical monthly water bill for residential customers for 10 Ccf of water delivered per month	<b>STATE</b>	<b>WATER</b>	
		<b>IL</b>	\$58.63	
		<b>IN</b>	\$55.91	
		<b>NC</b>	\$47.15	
		<b>NJ</b>	\$52.63	
		<b>OH</b>	\$46.38	
		<b>PA</b>	\$65.52	
		<b>TX</b>	\$71.12	
		<b>VA</b>	\$44.58	
		<b>AVG.</b>	\$55.24	
	<b>SASB:</b> IF-WU-240a.2			
	Number of residential customer water disconnections for non-payment.	<b>2018</b>	<b>2017</b>	
		7,415	5,912	
	<b>SASB:</b> IF-WU-240a.3			
<b>Health and Safety</b>	Commitment to Safety	<p>Safety is the foundation of our business and what guides all our employees' actions. We continue to invest in safety improvements, implement policies and procedures, develop technical training and guidelines for our employees. We leverage new tools and technology to improve our maps, records and infrastructure performance. We are focused on identifying and mitigating risk and safeguarding our plants and distribution lines.</p> <p>Our employees take actions each day to keep themselves, one another, our customers and our communities safe. Our teams make safety a focus on the job, in meetings, and our surrounding work environments to ensure employees and our customers safety is treated with the highest level of concern.</p>		
	Lost Time Incident Rate (LTIR) (number of incidents)	<b>2019</b>	<b>2018</b>	<b>2017</b>
		9	12	14
	Days Away/ Restricted or Transfer Rate (DART) (number of Days)	<b>2019</b>	<b>2018</b>	<b>2017</b>
		36	37	34
	Lost Workdays Rate (number of Days)	<b>2019</b>	<b>2018</b>	<b>2017</b>
		102	457	568

TOPIC	METRIC	INFORMATION																						
<b>Human Capital Management</b>	Description of human capital management programs and employee engagement efforts	<p>With the understanding that further training and development can enhance an employee's skill set and make them more valuable to the Company, Essential offers tuition reimbursement to all regular full-time employees. The Company offers up to \$5,250 per calendar year for job related education and/or training courses. As of January 2020, the Company also offers to employees a variety of wellness programs including weight-loss and gym memberships, smoking cessation programs and alternative health services including acupuncture.</p> <p>The Company conducts biannual performance reviews to focus on employee performance and skill development.</p>																						
	<div data-bbox="627 474 846 539" style="display: flex; justify-content: space-around; align-items: center;"> <div style="text-align: center;">  <p>3 GOOD HEALTH AND WELL-BEING</p> </div> <div style="text-align: center;">  <p>4 QUALITY EDUCATION</p> </div> <div style="text-align: center;">  <p>8 DECENT WORK AND ECONOMIC GROWTH</p> </div> </div> <p>Employee turnover rate for 2019</p>	<p><b>EXECUTIVE/SR. MANAGER TURNOVER</b></p> <table border="0"> <tr> <td><b>Voluntary</b></td> <td style="text-align: right;">0%</td> </tr> <tr> <td><b>Involuntary</b></td> <td style="text-align: right;">3%</td> </tr> </table> <hr/> <p><b>MID-LEVEL MANAGER</b></p> <table border="0"> <tr> <td><b>Voluntary</b></td> <td style="text-align: right;">5%</td> </tr> <tr> <td><b>Involuntary</b></td> <td style="text-align: right;">4%</td> </tr> </table> <hr/> <p><b>PROFESSIONAL</b></p> <table border="0"> <tr> <td><b>Voluntary</b></td> <td style="text-align: right;">5%</td> </tr> <tr> <td><b>Involuntary</b></td> <td style="text-align: right;">3%</td> </tr> </table> <hr/> <p><b>ALL OTHERS</b></p> <table border="0"> <tr> <td><b>Voluntary</b></td> <td style="text-align: right;">9%</td> </tr> <tr> <td><b>Involuntary</b></td> <td style="text-align: right;">4%</td> </tr> </table> <hr/> <p><b>TOTAL</b></p> <table border="0"> <tr> <td><b>Voluntary</b></td> <td style="text-align: right;">8%</td> </tr> <tr> <td><b>Involuntary</b></td> <td style="text-align: right;">3%</td> </tr> <tr> <td><b>Industry Voluntary</b></td> <td style="text-align: right;">6%</td> </tr> </table>	<b>Voluntary</b>	0%	<b>Involuntary</b>	3%	<b>Voluntary</b>	5%	<b>Involuntary</b>	4%	<b>Voluntary</b>	5%	<b>Involuntary</b>	3%	<b>Voluntary</b>	9%	<b>Involuntary</b>	4%	<b>Voluntary</b>	8%	<b>Involuntary</b>	3%	<b>Industry Voluntary</b>	6%
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	<p>Employee Engagement Survey</p>	<p>Employee engagement surveys are conducted annually to take a pulse on the Company's working climate. Issues identified through surveys are addressed and amended internally.</p>																						

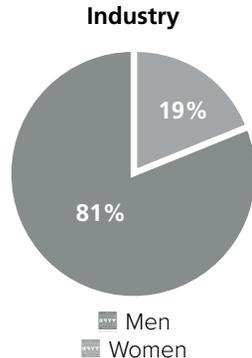
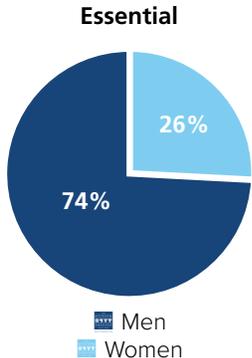
TOPIC	METRIC	INFORMATION
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**Diversity and Inclusion**

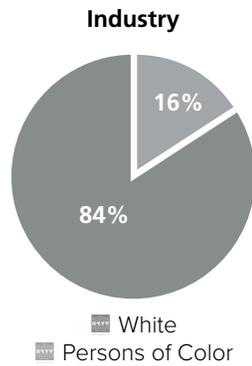
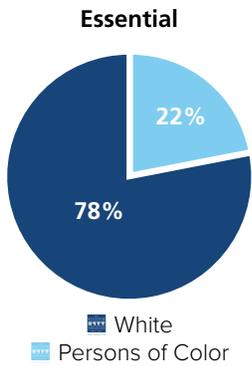


TOPIC	METRIC	INFORMATION
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Total Company Gender Diversity



Total Workforce Racial Diversity



Strategies for expanding and promoting Company-wide diversity and inclusion efforts

The Company has a range of diverse recruitment tactics supported through diversity associations and job boards for minorities, veterans and women engineers. The Company also recruits new talent from local community colleges and city-based universities. All employees receive inclusion and unconscious bias training and participate in workshops. The Company hosts Black and Women's employee resource groups.



TOPIC	METRIC	INFORMATION
<b>Community Involvement</b>	Charitable Giving	<p>The Company's 2020 budget includes approximately \$4.4 million allocated for non-profit organizations.</p>
	Employee Community Engagement Strategy	<p>The Company recognizes that volunteer service is as critical to community organizations as it is to our employees. As a mission-based organization, volunteerism allows the Company to expand corporate social responsibility activities by enabling employees to attend Company-sponsored volunteer events at local community organizations. It is an opportunity for employees from different sectors of the Company to engage with one another and encourage conversation and dialogue. The Ripple Effect of volunteerism within the Company's culture cultivates and encourages collaboration and teamwork and fosters an environment where employees feel inspired to play an integral role in making a positive impact in our region.</p> <p>Company paid volunteer time supports volunteer activities which include a wide range of social engagement including Habitat for Humanity, food banks, stream clean up, veterans activities, installing fire alarms, organizing essential items for children, United Way programs and reading to children to name a few. Employees report volunteer hours on for tracking purposes throughout the Company. In 2019, The Company employees tracked over 1,000 hours of Company paid volunteer time. This does not include non-Company volunteer time.</p>
	Strategies for engaging organizations and community groups within Essential's network	<p>The Company has a charitable trust which stated mission is to improve the quality of life of our customers and communities with focus on nonprofit organizations in the Company's footprint. The Company seeks to engage in collaborations that result in measurable success for the communities we serve in areas, but not limited to, the environment, education, water and wastewater projects, emergency services, community and economic development. Historically the Company's trust has given approximately \$500,000 each year to nonprofit organizations.</p>



TOPIC	METRIC	INFORMATION
<b>Political Spending</b>	Political Contributions and Compliance with Expenditure Laws	<p>We take seriously our role in the public policy process. At our disposal are various outlets through which we can participate. The Company engages in lobbying activities and trade associations in order to educate and address issues impacting our service. In addition, our management team can participate in the Company H2O Political Action Committee (PAC).</p> <p>Transparency is critical to building trust in political activities. All PAC and lobbying expenditures are reported in accordance with federal, state, and local laws.</p> <p>For further information please refer to our <a href="#">Political Spending policy</a>.</p>
<b>Equal Employment Opportunity Statement</b>	Equal Employment Opportunity Policy	<p>The Company is an Equal Employment Opportunity (EEO) employer. All employees and applicants for employment are afforded equal opportunity in all areas of hiring and employment, without regard to race, color, religion, creed, national origin, ancestry, gender, gender identity, sexual orientation, genetic information, marital status, citizenship, age, physical or mental disability, veteran status or any other factor protected under applicable laws. Employees and job applicants will be evaluated solely on skills, ability, experience and the requirements of the job position.</p> <p>The Chief Human Resource Officer (CHRO) serves as the Company's EEOC Officer and EEO Manager. As such, the CHRO has the ultimate responsibility for implementation of EEO programs in compliance with applicable law. The CHRO is responsible for the day-to-day implementation and monitoring of the Company's EEO policies. As part of that responsibility, he/she will periodically analyze the Company's personnel actions and its efforts to ensure compliance with our equal employment policy. While the CHRO is responsible for safeguarding how the Company's EEO policies are implemented, all employees share in this responsibility by ensuring that their personal actions abide with these policies.</p> <p>All employees, regardless of their position, are covered by and are expected to comply with this policy and to take appropriate measures to ensure that prohibited conduct does not occur. Appropriate disciplinary action will be taken against any employee who violates this policy. Depending upon the seriousness of the offense, disciplinary action, up to and including termination of employment, may be taken.</p>

# Governance

TOPIC	METRIC	INFORMATION
Policies	Whistleblower Protection	See <a href="#">Non-Retaliation Policy</a>
	Human Rights	See <a href="#">Human Rights Policy</a>
	Human Right to Water	See <a href="#">Human Right to Water Policy</a>

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# Corporate Governance Highlights

TOPIC	METRIC	INFORMATION
<b>Board Composition</b>	Average Age of Directors	60.6
	Gender Diversity (% women)	33.3
	2020 Women on Boards	Awarded a W for Winning: 20% or more women on the board
	Total Diversity (% diverse)	55.6
	Average Tenure (years)	6.2
	Independence (% independent)	77.8
	<b>Best Practices</b>	Shareholder engagement program
Diverse board		
Board oversight of ESG		
Board oversight of corporate strategy and risk		
Stock ownership guidelines for executive officers and directors		
Continuing education for directors and orientating for new directors		
Mandatory retirement age of 75		
<b>Independence</b>	Lead Independent Director with delineated responsibilities	
	100% standing Board Committee membership independence	

TOPIC	METRIC	INFORMATION
<b>Accountability</b>	All directors elected annually	
	Annual Board and Committee self evaluation	
	Annual evaluation of CEO by independent directors	
	Clawback policy	
	Resignation policy	
<b>Shareholder Rights</b>	No poison pill	
	One-share, one-vote	
	No dual-class common stock	
	No cumulative voting	



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