

“There is a growing view among investment professionals that ESG issues can affect the performance of investment portfolios. Investors fulfilling their fiduciary (or equivalent) duty therefore need to give appropriate consideration to these issues.”

– UN Principles for Responsible Investment

For over eighteen years, Miller/Howard Investments, Inc. has combined rigorous financial analysis with research into companies’ environmental, social, and governance (ESG) policies and practices. We believe this process adds value for our investors. In fact, studies show that firms embracing environmental and social ethics often perform better than their industry peers. In our experience, building portfolios of socially responsible stocks can fulfill two objectives for investors: 1) to achieve long-term competitive returns; and 2) to invest in a way that’s aligned as much as possible with personal values. To meet these objectives, we use an integrated approach that includes screening, shareholder advocacy, proxy voting, coalition building, and public policy involvement.

INVESTMENT SCREENING

As our portfolio team identifies financially attractive opportunities, our social research team develops an ESG profile for the strongest candidates. A company must pass our social evaluation and/or be considered best-in-class by our team in order to be eligible for investment; however, the final decision takes into consideration both the financial and social profile of each candidate.

Our ESG screening is based on a multi-faceted approach. The main factors we consider are a company’s governance and ethics; environmental record; workplace policies; human rights record, especially regarding international operations; and the nature of their products and services.

When compiling a company’s ESG profile, we use third-party research from many sources, including KLD SOCRATES, various social indexes, ICCR, and LexisNexis. We also draw information from annual and quarter reports, company websites, research papers, and journalistic investigations. Drawing from multiple sources helps us develop a more reliable and broad-based profile for each investment candidate.

SHAREHOLDER ADVOCACY

Screening may enable us to see rather quickly the positives and negatives of a company’s history. But experience has shown us that actively engaging with companies we invest in or are considering for investment is an important step, and potentially will be more effective over the long term than simply making a judgment about their suitability from afar. In fact, we have found that by engaging management teams in strategic dialogue and actions, we can often guide companies in a positive direction. On the other hand, divestment or refusal to buy shares, while it may be good for our peace of mind, isn’t likely to spur the offending corporation to change. Positive engagement, we feel, is more likely to yield positive results.

Therefore, our SRI team communicates directly with company management about problems and issues of concern. We support and co-file shareholder resolutions when pertinent to our portfolio holdings and SRI policy. Miller/Howard publishes a regular shareholder advocacy newsletter to help our clients stay informed about our shareholder advocacy initiatives and to provide education about current issues, such as news, controversies, actions, and progress regarding renewable energy, global warming, and human rights. For a free subscription, contact: luan@mhinvest.com.

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WHAT IS SOCIALLY RESPONSIBLE INVESTING?

SRI recognizes that corporate responsibility and societal concerns are valid parts of investment decisions. SRI considers both the investor's financial needs and an investment's impact on society. SRI investors encourage corporations to improve their practices on environmental, social, and governance issues.

– Social Investment Forum
www.socialinvest.org

SHAREHOLDER RESOLUTIONS AND PROXY VOTING

Shareholder resolutions are an important tool in bringing matters of concern to the attention of management. Resolutions can deal with a variety of issues, including environmental practices, human rights, employee and board diversity, and corporate governance; they can be used to request reports or propose changes in a company's practices or policies. Even if a resolution is not immediately passed, it can serve to educate boards and shareholders by bringing an issue to the forefront. We have found that collaboration with investor coalitions and organizations to file joint resolutions gives us an opportunity to make our impact felt even more strongly.

Proxy voting is the forum in which shareholder resolutions are presented to the larger shareholder base. It is the primary means by which shareholders can influence a company or mutual fund's operations, corporate governance, and even social activities that may fall outside of financial considerations. In fact, proxy voting is sometimes the sole means by which investors can have a voice in the business operations and societal roles of a company or mutual fund.

COALITION BUILDING

A basic principle of shareholder advocacy is to harness power in numbers. We have joined with organizations over the years to be a stronger voice before company management teams regarding issues of concern. For example, we are a signatory to the United Nations Principles of Responsible Investment and the Carbon Disclosure Project. We are a member of the Ceres Coalition, a national network of investors, environmental organizations, and other public interest groups working with companies and investors to address sustainability challenges, and we hold a seat on the Ceres Electric Utility Stakeholder Group. We are also an associate member of the Interfaith Center for Corporate Responsibility and a member of the Social Investment Forum.

PUBLIC POLICY INITIATIVES

As an important part of our commitment to sustainability, we have engaged in numerous public policy initiatives. For example, we signed a letter drafted by a group of investors requesting a reversal of the SEC ban on shareholder resolutions and requesting companies to disclose an "evaluation of risk," covering the financial impact of an array of environmental, community, public health, and human rights concerns and issues. In addition, we signed a letter, sent by leading investors managing more than \$700 billion in assets, asking the SEC to require oil and gas companies to provide better disclosure about potential liabilities associated with climate change in their 10-K filings. Moreover, we signed a letter drafted by the Investor Network on Climate Risk (INCR) urging the Senate leadership to pass legislation extending a number of federal production tax credits (PTCs) and investment tax credits (ITCs) for renewable energy and energy efficiency.

PRACTICING WHAT WE PREACH

It isn't enough to simply ask others to change. At Miller/Howard we believe that if you want change to happen, you have to walk the walk. In every aspect of our business, from the building we work in to the community we live and play in, we strive to embody the principles and ideals we encourage in others.

We give generously to local charities and organizations, supporting food banks, homeless shelters, literacy organizations, the library, and the emergency squad, to name a few. We also support individuals and families in need whenever there is a local fundraising effort. We serve on local boards for art organizations and community events.

We purchase carbon-offset credits and we are working toward becoming carbon-neutral. We have incorporated green building standards into our disaster recovery renovations by installing solar panels, utilizing structural insulated panels (SIPs) in the walls and roof, and installing thermal windows to increase energy efficiency.

Each person in our organization is respected as an individual and as a member of our team. We do not discriminate based on gender, race, sexual orientation, or religious beliefs. We give our employees ample opportunity for advancement, and encourage them to take advantage of annual education subsidies, conferences, and web-based training seminars.

SUSTAINABILITY

We actively encourage companies we hold in our portfolios to file sustainability reports. Sustainability reporting is designed to provide information on an entity's environmental, social, and economic policies, the potential impact of these policies, and the company's initiatives for improving performance in these areas.

How do we know when a company or sector is flourishing sustainably? A 1987 United Nations conference defined sustainable developments as those that "meet present needs without compromising the ability of future generations to meet their needs." Other definitions of sustainability include avoiding depleting resources or harming natural cycles, and respecting people, places, and cultures.

ESG CRITERIA

Miller/Howard Investments makes every effort to include companies that participate in the improvement of environmental conditions. We also look for companies that contribute to their community and support both social and cultural improvement programs, and companies whose good labor practices empower employees and treat them with respect.

Our policy is to avoid companies that derive revenues from activities we believe are not sustainable, including:

TOBACCO/ALCOHOL/GAMBLING/FIREARMS

Our portfolios exclude companies whose primary business is the production of alcohol, tobacco, gambling equipment, or firearms. Companies whose sales of such products are ancillary, such as restaurants, hotels, convenience stores, or other similar entities are not automatically excluded.

NUCLEAR POWER

In general, we do not invest in companies involved in nuclear power production. However, there may be circumstances when portfolios will hold a company involved in nuclear power on a transitional basis (perhaps due to a merger), until the right moment arises for divestment. On occasion, we may allow inclusion of companies that hold a nonoperator minority interest in a nuclear generating plant or plants.

THE ENVIRONMENT

We favor companies that are proactive in pollution prevention and have implemented clean energy initiatives to reduce emissions of greenhouse gases (GHGs) and other pollutants. We also consider internal management systems, environmental records, company reports, and a company's environmental performance in relation to peers. While no company is perfect, we look for companies that are working toward a sustainable future and reducing their carbon footprint.

We favor companies that implement or create solutions to reduce GHG emissions and other pollution. Such positive activities may offset, in certain instances, legacy activities that have had a negative impact on the environment. We also believe that companies should address the issue of global warming by adopting risk-management control measures. Thus, we do not avoid oil- and gas-producing companies and their service providers. Instead, we seek best-in-class companies that pay special attention to environmental considerations and we may, from time to time, include such companies in our portfolios.

HUMAN RIGHTS AND LABOR ISSUES

We favor companies that maintain a responsible corporate record internationally and domestically by upholding human rights standards. We avoid investing in companies that have serious and persistent human rights problems.

WHAT IS SUSTAINABILITY?

A 1987 United Nations conference defined sustainable developments as those that "meet present needs without compromising the ability of future generations to meet their needs."

For more information on Miller/Howard's socially responsible investing contact: Luan Steinhilber
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THE UN PRINCIPLES FOR RESPONSIBLE INVESTMENT

“The Principles for Responsible Investment were developed by an international group of institutional investors reflecting the increasing relevance of environmental, social, and corporate governance issues to investment practices. The process was convened by the United Nations Secretary-General.

In signing the Principles, we as investors publicly commit to adopt and implement them, where consistent with our fiduciary responsibilities. We also commit to evaluate the effectiveness and improve the content of the Principles over time. We believe this will improve our ability to meet commitments to beneficiaries as well as better align our investment activities with the broader interests of society. We encourage other investors to adopt the Principles.”

- 1. We will incorporate ESG issues into investment analysis and decision-making processes.**
 - 2. We will be active owners and incorporate ESG issues into our ownership policies and practices.**
 - 3. We will seek appropriate disclosure on ESG issues by the entities in which we invest.**
 - 4. We will promote acceptance and implementation of the Principles within the investment industry.**
 - 5. We will work together to enhance our effectiveness in implementing the Principles.**
 - 6. We will each report on our activities and progress toward implementing the Principles.**
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Investing in securities entails risk, which may be subject to but not limited to the following: This strategy is subject to multiple social [and environmental] criteria. Having an investment objective that targets socially responsible investments may limit the number of investment opportunities more than is customary; the investment manager may pass up opportunities to buy certain securities when it is otherwise advantageous to do so, or may sell certain securities for social [or environmental] reasons when it is otherwise disadvantageous to do so. Equity portfolios are subject to the basic stock market risk that a particular security, or securities in general, may decrease in value.