



## Board Diversity

### Miller/Howard Supports Board Diversity

Strong boards are vital for investors, as they are responsible for key decisions that impact company value, sustainability, and strategy. Diversity on corporate boards can be a critical indicator of the quality of governance, and Miller/Howard promotes competitive, diverse leadership across sectors and within our investments.

Not only are we active participants in the **Thirty Percent Coalition**, which works to advance the demand side of board diversity, but we also support the UN Global Compact's **Women's Empowerment Principles**.

**We work with companies to:** (a) inform them of our diversity-related expectations, (b) ask for a commitment that search committees will explicitly include qualified candidates from the most competitive, diverse, and widest pool possible, and (c) hold them accountable when they lag peers and/or the market.

#### Governance Matters: Who, What, Why

Astute shareholders wonder: Are there gaps in the board skills matrix or weaknesses in the search process, and is the board positioned to lead into the future? Lack of diversity is a risk: Companies that lag peers on diversity metrics are likely not benefiting from the most competitive recruitment processes and may be missing out on superior talent and innovation. Sufficient diversity is an asset.<sup>2</sup>

#### Diversity at the Top Boosts Collective Intelligence

Various studies have shown that diverse teams tend to have not only more collective intelligence, but also more profitability and support improved long-term performance.<sup>1,2</sup>

Whether looking at how diverse teams think, or the vision and solutions that they create, evidence suggests that diverse teams are greater than the sum of their parts.

#### Functional Dissent Leads to Better Decision Making

When a board diversifies its membership, directors may be challenged by innovation, heightened expectations, alternate perspectives, and the disruption of a potentially stale hierarchy of opinions.

Good governance should allow—even encourage—discussion and functional dissent; a corporation with governance that cannot be uncomfortable is at risk for poor, outdated, or downright bad decision making.

#### Equality Is Good for Business

As author and business leader Janet Crawford has noted: "The most damaging source of inequality involves no conscious intent to hinder female success . . . And these biases lead well-meaning men and women to act in ways that preserve the status quo without knowing they are doing so." She concludes, "We may not be to blame for the problem, but we are all responsible for the solution."<sup>3</sup>

1 Gupta, Raj. "Overcome Your Biases and Build a Great Team," *Harvard Business Review*, 25 Dec. 2014. Web. 14 October 2015.

2 Lizwood, Laura. "Women Directors Change How Boards Work," *Harvard Business Review*, 17 Feb. 2015. Web. 14 October 2015.

3 Crawford, Janet. "The Role of Unconscious Bias in Corporate Diversity." *The B Team*, 4 May 2015. Web. Accessed 14 October 2015.

#### ESG@MHI in Brief

- Diversity on boards of directors can be an essential component of good governance.
- Research suggests that a diverse, inclusive culture is an invaluable asset to companies wishing to identify and retain the best talent and make decisions that enhance the health of the company and the strength of the dividend.
- Lack of diversity may be attributed to promotion of the status quo, whereas gender diversity may be associated with greater diversity of thought, more innovation, and increased competition.
- Miller/Howard is committed to engaging companies to improve diversity on their boards.

[Read more about our commitment to ESG at mhinvest.com](#)

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