ESG Can Be More of a Marathon Than a Sprint

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At Miller/Howard Investments, ESG is in our DNA. We've been doing this for nearly 30 years, starting back when **E, S,** and **G** were mostly unremarkable letters in the alphabet and occasional guest stars on children's television programs. Now, ESG has fused into a powerful tool that enables investors to analyze a company's *environmental, social,* and *governance* risks and opportunities. How a company manages those risks and opportunities can directly impact its profitability and risk profile in the present and in the future — key questions for long-term investors.

But ESG analysis and integration is only one part of Miller/Howard's ESG program. The second component — shareholder advocacy — takes findings from that analysis directly to the companies via dialogues, letters, active proxy voting, and shareholder resolutions. This is based on a theory of mutual benefit: What's good for portfolio performance (the investor) is good for company performance (the company). We are "invested" in every sense of the word.

How ESG Engagement Works

So, what do we want? Well, we may ask for information, improvements to policies or practices, or other actions. Our goal is to work with companies to help them improve their risk profiles.

And because the investor voice is the one of capital, economic activity, and ownership, companies *listen...*

...but not always. These lifts can be quite heavy, and sometimes the voice of one investor group doesn't reach the ears of a receptive audience. So committed and tenacious shareholders use a tried-and-true tactic: We work together and we don't give up.

To use a sports metaphor, ESG engagements may be more marathon than sprint, more relay than solo race.

A Real-Life Success Story

And the process works, it really works. Take, for example, progress we made with Kinder Morgan, one of the largest infrastructure companies in North America. Our COO, Luan Jenifer, details how "it takes a village" sometimes to move a company to do the right thing. Her article, which also appears below, originally appeared in the 2019 edition of *Proxy Preview.* We encourage you to download the full report.

Shareholders, Working in Concert, Change Kinder Morgan's Tune on Sustainability

LUAN JENIFER
Chief Operating Officer, Miller/Howard Investments

Think back to 2014: At the 20th annual United Nations Climate Change Conference of the Parties (COP 20) in Lima, Peru, political action seemed more achievable than, perhaps, it does today. And think back to last October: Despite the COP 21 global agreement reached in Paris in 2015, the United States had declared its intention to withdraw, and political action on the climate front seemed stalled. However, also in those years and around those times, other parties were at the table, advocating for responsible stewardship and disclosure:

- In 2014, **Kinder Morgan** saw, for the first time, a climate change–related proposal on its ballot. Actually, there were three!
- In 2015, three again; and again in 2016; and every year since.
- Institutional investors individually and collectively, through global networks, engaged Kinder Morgan. Some — including the New York State Comptroller, First Affirmative Financial Network, Zevin Asset Management, Robeco Institutional Asset Management B.V., Mercy Investment Services, and Miller/Howard Investments — filed environmental resolutions. The requests ranged from publication of a sustainability report, to a 2-degree analysis and scenario report, to a report on methane emissions and reduction targets.
- Each year, an increasing number of fellow shareholders voted in support of the resolutions.

So as politicians wrangled, as lobbyists lobbied…investors *engaged.*

What was the outcome?

Over these years, Kinder Morgan moved from providing an absolute dearth of information to adding a Methane Reduction Commitment to "recognizing that addressing climate change is a global priority."

Then, in 2018, a landslide: Majority votes for two of the three resolutions! The votes triggered another more impressive event, publication of the company's inaugural Environmental, Social, and Governance Report in October.

The report includes many of the suggestions and recommendations investors have requested, including using guidance from the Sustainability Accounting Standards Board (SASB), and the Task Force on Climate-Related Financial Disclosures (TCFD). It's informed by the Global Reporting Initiative (GRI), CDP (formerly The Carbon Disclosure Project), and the Ceres Roadmap for Sustainability. Many investors consider these five resources to be best-in-class.

Kinder Morgan's report provides information on methane, greenhouse gas emissions reductions and targets, and a timeline for adding additional information going forward. A 2-degree scenario report is due out in 2019.

Let's take a moment to acknowledge the result of dozens of letters and conversations with company management, millions of shares voted in support of our resolutions, the support and collaboration of powerful investor networks such as Ceres, the Interfaith Center on Corporate Responsibility, and the trillion-dollar UN Principles on Responsible Investment. All helped by the tenacity of committed proponents. We don't know if any single thing finally met the internal company threshold for action, but we know the investor community offered strength and persistence.

It may take a village to raise a child. Sometimes it takes the investment world to move a corporation! But it happens, and we are grateful for it.

Now, back to work.

LUAN JENIFER
CHIEF OPERATING OFFICER

Luan Jenifer has been promoted to various leadership positions since she's been at the firm, including Director of Operations and Shareholder Advocacy in 2011, and Executive Vice President in 2016. In her current position as COO, which she assumed in 2017, Luan oversees the day-to-day operations of the firm. She has been instrumental in growing the firm's ESG program from a base exclusionary screen approach to a multi-faceted engagement program with a national reputation. She earned a BS in Organizational Leadership from Marist College.

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