



## Investment Advisory Disclosures Form ADV Part 2

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### Item 1: Cover Page

This Brochure provides information about the qualifications and business practices of Harrington Investments, Inc. If you have any questions about the contents of this Brochure, please contact us at 707-252-6166. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Harrington Investments, Inc. is a registered investment adviser located in Napa, California. Registration of an investment adviser does not imply any level of skill or training. The oral and written communications of an adviser provide you with information about which you determine to hire or retain an adviser.

Additional information about Harrington Investments Inc. is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). Click on the "Investment Adviser Search" link and then search for "Investment Adviser Firm" using the firm's IARD number, 110790.

## Item 2: Changes

There have been no material changes to this Brochure from our last update in June 2021.

### **To Request Copies of our Brochure**

Currently, this Brochure may be requested by contacting Holly Davis at 707-252-6166 or [holly@harringtoninvestments.com](mailto:holly@harringtoninvestments.com). This Brochure is also available on our web site [www.harringtoninvestments.com](http://www.harringtoninvestments.com), free of charge.

Additional information about Harrington Investments is also available via the SEC's web site [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC's web site also provides information about certain persons affiliated with Harrington Investments, Inc.

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#### Item 4: Advisory Business

Harrington Investments, Inc. (“HII” or “we”) is a Napa, California-based investment advisory firm specializing in socially responsible investing (“SRI”), an investment strategy seeking both solid financial return and positive social impact. HII provides discretionary portfolio management services to individuals, trusts, estates, charitable organizations, corporations and other business entities for an asset-based fee. In certain circumstances, HII also provides investment consulting and financial planning services to clients on an hourly basis.

Such services are provided in accordance with each client’s investment objectives, risk tolerance and social investment criteria. We currently offer Growth, Balanced, and Income investment objectives. In accordance with our SRI strategy, any equities and corporate bonds selected for our client’s portfolios must pass our social screens and meet our financial criteria. See *“Item 8. Method of Analysis, Investment Strategies and Risk of Loss”* on page 6 below.

Under our portfolio management agreement, we generally hold a limited power of attorney to act on a discretionary basis with client securities subject to any restrictions the client may place on individual securities or types of securities. Client assets are deposited at the client’s designated broker-dealer, and no assets are held by HII, as required by applicable law.

HII has an agreement with Castlebar Asset Management d/b/a Beyond Wealth, a United States registered investment advisory firm headquartered in Overland Park, Kansas, where Beyond Wealth acts as sub-advisor to HII. Beyond Wealth provides portfolio management services to its clients interested in investing in the stocks of socially responsible companies traded in the European, Far Asian, and Japanese stock markets. Beyond Wealth’s role includes stock selection, portfolio asset allocation, and performance reporting. HII is responsible for client asset allocation to foreign stocks, currency denomination choices, and approval of Beyond Wealth’s selected securities based on social, including environmental, criteria.

To the extent any client account is a retirement account, plan or other employee benefit plan subject to the Employee Retirement Income Security Act of 1974, as amended (“ERISA”), and depending upon the investment management services provided by Harrington Investments, the Firm may be considered a “fiduciary” under ERISA. As a fiduciary, it is our responsibility to make recommendations solely in the best interests of each client.

HII commenced advisory operations on November 24, 1982. HII was founded by John Harrington, who is its President and CEO, and along with his spouse Diana L. Harrington, is the principal owner of the business. As of June 30, 2021, HII managed approximately \$328,380,757 on a discretionary basis and \$1,057,359 on a non-discretionary basis.

## Item 5: Fees and Compensation

The standard annual investment management fee for Growth and Balanced accounts is as follows:

Market Value of Account	Annual Rate
Up to \$2,000,000	1.00%
\$2,000,000 to \$5,000,000	0.75%
\$5,000,000 to \$10,000,000	0.50%
More than \$10,000,000	Negotiated

The standard annual investment management fee for Income accounts is as follows:

Market Value of Account	Annual Rate
Up to \$2,000,000	0.75%
\$2,000,000 to \$5,000,000	0.50%
More than \$5,000,000	0.25%

All fees are negotiable. For portfolios consisting of mutual funds only, the standard annual investment management fee is 1% of assets, which is in addition to the mutual funds' own fees and expenses. For foreign stock portfolios sub-advised by Beyond Wealth, the standard annual management fee is 1.75 % of assets and is negotiable. HII charges an hourly consulting fee of \$250 for its financial planning and investment consulting services.

HII's asset-based fee is payable in arrears at the end of each calendar quarter. HII generally causes such fees to be deducted directly from the client's assets upon written notice to the client. Alternatively, clients can pay an invoice we provide. If HII provides service for less than one full calendar quarter, it will pro-rate its fee based on the number of days of the quarter HII provided its services. Earned management fees also are immediately payable on withdrawn assets upon client withdrawal from the client's account. Either HII or the client can terminate the client's investment management agreement upon written notice at any time, and if a client terminates an agreement within five (5) business days after signing the agreement, HII charges no fees for the period between signing and terminating.

HII may hold mutual funds in client accounts to provide greater diversification among and between asset classes or if HII judges the client's portfolio too small for a diversified portfolio of individual stocks or bonds. All mutual funds have fees associated with their management, and some funds also charge a distribution fee (including so-called Rule 12b-1 fees) to cover marketing costs or fees to cover shareholder services and the like. Clients pay these fees when HII purchases mutual funds in their accounts in addition to the investment management fees HII charges.

Clients also pay all brokerage, transaction and custodial expenses incurred because of our management of their portfolio. Please see Item 12 on page 16 for more information on our brokerage practices.

## Item 6: Performance Based Fees and Side-by-Side Management

HII does not charge performance-based fees because we believe it encourages advisers to take excessive risk to boost fees.

## Item 7: Types of Clients

As discussed above in Item 4, HII provides investment services to individuals, trusts, estates, charitable organizations, corporations, and other businesses. Advisory portfolio management services provided to clients are fully discretionary, subject to client restrictions as to excluded securities. We generally require new clients to have a minimum investment portfolio of \$1 million to open an account. We, in our discretion, reserve the right to waive this minimum. In addition, we require all clients to make representations concerning their experience in engaging investment advisers and the risks associated in such engagements, including the risk the client's account could suffer substantial diminution in value. Unless otherwise agreed upon with client, HII requires clients to open brokerage accounts at Schwab and custody their accounts assets at Schwab. Please see Item 12 on page 14 for more information about Schwab.

In certain circumstances, HII also provides financial planning and investment consulting services to clients on an hourly basis. There is no minimum portfolio size required for these services.

## Item 8: Method of Analysis, Investment Strategies and Risk of Loss

**Method of Analysis:** HII uses both internal and external sources to conduct social and financial research on securities.

Internal financial research involves using fundamental analytical methods to determine the underlying value of a company's stock, as well as analyzing several quantitative measures, such as valuation (*e.g.*, price-earnings ratio, book value, price per revenue), growth performance (earnings per share, revenues and free cash flow), price/earnings to growth ratio, return on capital, and various debt metrics, to identify potentially undervalued stocks and/or stocks with good growth potential.

Internal research on social screening, including environment, social and governance criteria (ESG), involves reading reports published by independent social investing organizations, reading corporate sustainability reports, and contacting companies, stakeholders and independent non-governmental and governmental organizations directly.

External research on financial issues is obtained using reports and on-line information provided by Schwab Institutional, Value Line, Morningstar, Standard & Poor's, and a subscription to Refinitiv.

External research on ESG issues is conducted through multiple online tools including a subscription to Refinitiv and Sustainable Investments Institute.

**Investment Strategies:** There are two types of investments making up most our clients' portfolio assets: equity securities (stocks) and fixed income securities (bonds). Our equity securities primarily include individual stocks of large cap domestic companies, and we may also include mid-cap stocks and American Depositary Receipts ("ADRs") representing interests in foreign stocks in a portfolio if they meet the client's financial needs and social goals. We also may include socially screened mutual funds and exchange traded funds to provide greater geographic, industry and market cap diversification.

Fixed income securities in which we invest include investment-grade corporate and municipal bonds, U.S. government and agency securities, convertible securities, preferred stocks, and socially screened bond mutual funds. We do not invest in corporate bonds or preferred stocks issued from companies unable to pass our exclusionary social screens at the time of purchase. We do not invest in derivatives or short stock, or trade on margin, although we will manage client assets on margin if directed by a client for a short-term loan.

As mentioned in Items 4 and 5 above, HII currently offers three investment objectives to fit the risk tolerance of our clients. The Growth investment objective is for clients with a long-term investing horizon who are primarily interested in investing for capital appreciation (a rise in the value of securities). The Balanced investment objective is for more conservative clients with a medium to long-term investment horizon and who are interested in generating primarily income (dividends and interest, respectively, paid on stocks and bonds) along with some capital appreciation. The Income investment objective is for clients who are primarily interested in generating income from investments and preserving principal.

All three investment objectives can be varied to fit the individual client's risk tolerance. The general ranges of target allocations of the three investment objectives are shown below:

Investment Objective	Equities	Fixed Income	Cash Equivalents*
<b>Growth</b>	60% - 100%	0% - 40%	0% - 15%
<b>Balanced</b>	35% - 55%	35% - 55%	5% - 15%
<b>Income</b>	0% - 30%	60% - 75%	5% - 25%

\* Includes money market funds and FDIC insured bank certificates of deposit

HII maintains a proprietary securities list of approximately 60 to 70 companies, which is updated on a regular basis by our Investment Committee. Securities from our proprietary list are the basis for developing our securities allocations for our clients. Except for portfolios holding primarily mutual funds, a typical client portfolio will hold between 35 – 55 securities at any one time.

The social and financial screening process at HII consists of three phases. First, we use negative screens to eliminate all companies negatively impacting our communities, such as the manufacturers of tobacco and weapons, companies involved in gambling, and companies producing nuclear power (exclusionary criteria).

Second, we evaluate the environmental record, social impact, and internal governance practices of potential companies to identify sustainable leaders within each sector of the stock market (inclusionary criteria).

Finally, we analyze the financial strength of the top performing social companies. We include on the list only stocks we believe have consistent earnings growth, are fairly valued, and have long-term sustainable growth prospects.

Under normal circumstances, we invest consistently with our clients' investment objectives as described above. However, in other circumstances, including during periods of adverse market, economic, political, or other conditions, or in other appropriate circumstances, such as the case of unusually large cash inflows or withdrawals from the client's account, we may conclude doing so would be inconsistent with the best interests of the client. Accordingly, in such circumstances we temporarily may depart from such investment objectives and may use alternative or defensive strategies primarily designed to avoid losses or disruptions to the management of the client's portfolio. For example, we may invest in U.S. Government securities, other high-quality debt instruments, other securities or cash we believe to be consistent with the client's best interests. However, if we do so, we may not achieve the above investment objectives. For example, should the market advance during this period, the client's account may not participate as much as it would have if it had been more fully invested in stocks.

**Risk of Loss.** Investing in securities involves risk of loss which clients should be prepared to bear. The principal risks of our investment strategies and the types of securities in which we invest are:

**Management Risk.** Our ability to meet the portfolios' investment objectives is related directly to our investment strategies. The value of our client's account may vary with the effectiveness of our research, analysis and asset allocation among portfolio securities. If our investment strategies do not produce the expected results, our client's account assets could even lose value.

**General Market Risk.** The market value of a security may move up or down, sometimes rapidly and unpredictably. These fluctuations may cause a security to be worth less than the price originally paid for it, or less than it was worth at an earlier time. Market risk may affect a single issuer, industry, or sector of the economy or the market as a whole. U.S. and international markets have experienced significant volatility since 2008. The fixed income markets have experienced substantially lower valuations, reduced liquidity, price volatility, credit downgrades, increased likelihood of default and valuation difficulties. Concerns have spread to domestic and international equity markets. In some cases, the stock prices of individual companies have been negatively impacted even though there may be little or no apparent degradation in the financial conditions or prospects of affected companies. Because of this significant volatility, many of the following risks associated with our portfolios may be increased. The U.S. government has taken numerous steps to alleviate these market conditions. However, there is no assurance such actions will be successful. Continuing market problems may have adverse effects on our portfolios.

**Equity Market Risk.** Common stocks are susceptible to general stock market fluctuations and to volatile increases and decreases in value as market confidence and perceptions of their issuers change. These investor perceptions are based on various and unpredictable factors including: expectations regarding government, economic, monetary and fiscal policies; inflation and interest rates; economic expansion or



contraction; and global or regional political, economic and banking crises. If you hold common stock of any given issuer, you would generally be exposed to greater risk than if you held preferred stocks and debt obligations of the issuer because common stockholders generally have inferior rights to receive payments from issuers in comparison with the rights of preferred stockholders, bondholders and other creditors of such issuers.

***Large-Capitalization Company Risk.*** Larger, more established companies may be unable to respond quickly to new competitive challenges such as changes in consumer tastes or innovative smaller competitors. Also, large-capitalization (“large cap”) companies having market capitalizations of \$10 billion or above are sometimes unable to attain the high growth rates of successful, smaller companies, especially during extended periods of economic expansion.

***Mid-Capitalization Company Risk.*** Mid-capitalization (“mid-cap”) companies have a market capitalization of between \$2 billion and \$10 billion. Generally, such companies may have more potential for growth than large-cap companies. Investing in mid-cap companies, however, may involve greater risk than investing in large-cap companies. Mid-cap companies may not have the management experience, financial resources, product diversification and competitive strengths of large-cap companies and therefore their securities may be more volatile than the securities of larger, more established companies, making them less liquid than other securities. Mid-cap company stocks may also be bought and sold less often and in smaller amounts than larger company stocks. Because of this, if we want to sell a large quantity of a mid-cap company’s stock, we may have to sell at a lower price than we might prefer, or we may have to sell in smaller than desired quantities over time.

***Cybersecurity Risks.*** Investment advisers, including HII, must rely in part on digital and network technologies (collectively, “cyber networks”) to conduct businesses. Such cyber networks might in some circumstances be at risk of cyber-attacks potentially seeking unauthorized access to digital systems for purposes such as misappropriating sensitive information, corrupting data, or causing operational disruption. Cyber-attacks might potentially be carried out by persons using techniques ranging from efforts to electronically circumvent network security or overwhelm websites to intelligence gathering and social engineering functions aimed at obtaining information necessary to gain access. HII maintains an information technology security policy and certain technical and physical safeguards intended to protect the confidentiality of its internal data. Nevertheless, cyber incidents could potentially occur, and might in some circumstances result in unauthorized access to sensitive information about HII or our clients.

***Risk Relating to Investment in Foreign Companies.***

**Foreign (non-U.S.) Company Risk Generally.** Investments in foreign companies involve certain risks not generally associated with investments in the securities of U.S. companies including changes in currency exchange rates, unstable political, social and economic conditions, a lack of adequate or accurate company information, differences in the way securities markets operate, less secure foreign banks or securities depositories than those in the U.S. and foreign controls on investment. In addition, individual foreign country economies may differ favorably or unfavorably from the U.S. economy in such respects as growth of gross domestic product, rates of inflation, capital reinvestment, resources, self-

sufficiency, and balance of payments position. Also, certain investments in foreign companies also may be subject to a foreign country's withholding taxes. Foreign companies may use different accounting standards, and foreign securities markets may not be as liquid as U.S. securities markets. Foreign company investments also involve such risks as currency fluctuation risk, possible imposition of withholding or confiscatory taxes, possible currency transfer restrictions, expropriation or other adverse political or economic developments and the difficulty of enforcing obligations in foreign countries. These risks may be greater in emerging market and in less developed countries.

**Political Risk.** The value of our portfolios' foreign company investments may be adversely affected by political and social instability in their home countries and by changes in economic or taxation policies in those countries. Investments in foreign companies will expose these portfolios to the direct or indirect consequences of political, social or economic changes in the countries issuing the securities or countries in which the issuers are located. Certain foreign countries in which our portfolios may invest, especially emerging market countries, have historically experienced, and may continue to experience, high rates of inflation, high interest rates, exchange rate fluctuations, large amounts of external debt, balance of payments and trade difficulties and extreme poverty and unemployment. Many of these countries are also characterized by political uncertainty and instability. The cost of servicing the country's external debt generally will be adversely affected by rising international interest rates because many external debt obligations bear interest at rates adjusted based upon international interest rates. In addition, with respect to certain foreign countries, there is a risk of the possibility of expropriation of assets, confiscatory taxation, difficulty in obtaining or enforcing a court judgment, economic, political or social instability, and diplomatic developments adversely affecting investments in those countries.

**Foreign Currency Risk.** Foreign company investments often are purchased with and make interest payments in foreign countries' currencies. Therefore, if our portfolios invest in foreign companies, they will be subject to foreign currency risk, which means the portfolios' values could decline because of changes in the exchange rates between foreign country currencies and the U.S. dollar. Certain foreign countries may impose restrictions on the ability of international companies to make payment of principal and interest to investors located outside the country due to blockage of foreign currency exchanges or otherwise. Furthermore, insofar as our portfolios invest in emerging markets, there is a higher risk of currency depreciation. Historically, most emerging market country currencies have experienced significant depreciation against the U.S. dollar. Some emerging market country currencies may continue to fall in value against the U.S. dollar.

***Fixed Income Securities Risk.*** Prices of fixed income securities tend to move inversely with changes in interest rates. Typically, a rise in rates will adversely affect fixed income security prices. The longer the effective maturity and duration of the client's portfolio, the more the portfolio's value is likely to react to interest rates. For example, securities with longer maturities sometimes offer higher yields, but are subject to greater price shifts because of interest rate changes than debt securities with shorter maturities. Some fixed income securities give the issuer the option to call, or redeem, the securities before their maturity dates. If an issuer calls its security during a time of declining interest rates, we might have to reinvest the proceeds in an investment offering a lower yield, and therefore might not benefit from any increase in value because of

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declining interest rates. During periods of market illiquidity or rising interest rates, prices of callable issues are subject to increased price fluctuation.

***Convertible Securities Risk.*** The value of a convertible security is influenced by both the yield of non-convertible securities of comparable issuers and by the value of the underlying common stock. The value of a convertible security viewed without regard to its conversion feature (*i.e.*, strictly based on its yield) is sometimes referred to as its “investment value.” A convertible security’s investment value tends to decline as prevailing interest rate levels increase. Conversely, a convertible security’s investment value increases as prevailing interest rate levels decline. However, a convertible security’s market value will also be influenced by its “conversion value,” which is the market value of the underlying common stock that would be obtained if the convertible security were converted. A convertible security’s conversion value tends to increase as the price of the underlying common stock increases and decrease as the price of the underlying common stock decreases. As the market price of the underlying common stock declines and the conversion value is substantially below the investment value of the convertible security, the price of the convertible security tends to be influenced more by the yield of the convertible security. Thus, it may not decline in price to the same extent as the underlying common stock. If the market price of the underlying common stock increases to a point where the conversion value approximates or exceeds the investment value, the price of the convertible security tends to be influenced more by the market price of the underlying common stock. In the event of a liquidation of the issuing company, holders of convertible securities would be paid before the company’s common stockholders. Consequently, the issuer’s convertible securities entail less risk than its common stock.

***Preferred Securities Risk.*** There are various risks associated with investing in preferred securities, including credit risk, interest rate risk, deferral and omission of distributions, subordination to bonds and other debt securities in a company’s capital structure, call, reinvestment and income risk, limited liquidity, limited voting rights and special redemption rights:

Deferral and Omission Risk. Preferred securities may include provisions permitting the issuer, at its discretion, to defer or omit distributions for a stated period without any adverse consequences to the issuer.

Credit and Subordination Risk. Credit risk is the risk a security in the client’s portfolio will decline in price or the issuer of the security will fail to make dividend, interest or principal payments when due because the issuer experiences a decline in its financial status. Preferred securities are generally subordinated to bonds and other debt instruments in a company’s capital structure in terms of having priority to corporate income, claims to corporate assets and liquidation payments, and therefore will be subject to greater credit risk than more senior debt instruments.

Interest Rate Risk. Interest rate risk is the risk preferred securities will decline in value because of changes in market interest rates. When market interest rates rise, the market value of such securities generally will fall. Preferred securities with longer periods before maturity may be more sensitive to interest rate changes.

Call, Reinvestment and Income Risk. During periods of declining interest rates, an issuer may be able to exercise an option to redeem its preferred security at par earlier than scheduled which is generally known as call risk. Recent regulatory changes may increase call risk with respect to certain types of preferred securities. If this occurs, we may be forced to reinvest in lower yielding securities. This is known as reinvestment risk.

Liquidity Risk. Certain preferred securities may be substantially less liquid than many other securities, such as common stocks or U.S. Government securities. Illiquid securities involve the risk the securities will not be able to be sold at the time we desire or at prices approximating the value at which we are carrying the securities on our books.

Limited Voting Rights Risk. Generally, preferred securities offer no voting rights with respect to the issuer unless preferred dividends have been in arrears for a specified number of periods, at which time the preferred security holders may elect a number of directors to the issuer's board. Generally, once all the arrearages have been paid, the preferred security holders no longer have voting rights. Hybrid-preferred security holders generally have no voting rights.

Special Redemption Rights. In certain varying circumstances, an issuer of preferred securities may redeem the securities prior to a specified date. For instance, for certain types of preferred securities, a redemption may be triggered by a change in U.S. federal income tax or securities laws. As with call provisions, a redemption by the issuer may negatively affect the return of the security held by the client.

***Socially Responsible Investing Risk.*** The application of our socially responsible investment criteria may affect our clients' exposure to certain sectors or types of investments and may impact the clients' relative investment performance – positively or negatively – depending on whether such sectors or investments are in or out of favor in the market.

## Item 9: Disciplinary Information

As a registered investment adviser, HII is required to disclose all material facts regarding any legal or disciplinary events material to your evaluation of HII or the integrity of HII's management.

We have no information to disclose applicable to this item.

## Item 10: Other Financial Industry Activities and Affiliations

As discussed in Item 4 above, Beyond Wealth is a sub-adviser to HII. HII does not believe its sub-advisory relationship with Beyond Wealth presents any material conflicts of interests. Also noted in Item 4, HII offers clients financial planning from a registered Certified Financial Planner but does not believe this relationship

provides a conflict of interest. Clients wishing to engage Financial Planning services through HII do so under a separate contract.

HII provides services to certain clients whom HII believes may benefit from being referred to The Social Equity Group (“SEG”) or Sustainvest Asset Management, LLC (“SAM”) for investment advisory and client services. These are usually clients who do not meet our minimum portfolio size. For the referral services provided by the advisor, SEG and SAM, respectively, will compensate HII based on the assets of each referred client managed by SEG or SAM at the annual rates of 0.5% for the first year, 0.3% for the second year, 0.2% for the third year, and 0.0% thereafter. SEG, SAM and HII provide the SEG or SAM client with written disclosure of the referral fee arrangement and require the client to acknowledge receipt of same prior to the SEG’s or SAM’s commencement of management services. We address the conflicts of interest these referral relationships present by the disclosures to prospective SEG or SAM clients and their acknowledgments of the compensation we receive from the SEG or SAM for client referrals.

## **Item 11: Code of Ethics**

We have adopted a Code of Ethics in compliance with Rule 204A-1 under the Investment Advisers Act of 1940, as amended (the “Advisers Act”), which establishes standards of conduct for our supervised persons. The Code of Ethics includes general requirements that our supervised persons comply with their fiduciary obligations to clients and applicable securities laws, and specific requirements relating to, among other things, personal trading, insider trading, conflicts of interest, and confidentiality of client information. It requires certain of our supervised persons to report their personal securities transactions and holdings quarterly to our Chief Compliance Officer and requires the Chief Compliance Officer to review those reports. It also requires our supervised persons to report any violations of the Code of Ethics promptly to our Chief Compliance Officer. Each of our supervised persons receives a copy of the Code of Ethics and any amendments to it and must acknowledge in writing having received the materials. Annually, each of our supervised persons must certify he or she complied with the Code of Ethics during year.

Under our Code of Ethics, HII employees may personally invest in securities held in our client’s accounts. This could present a conflict of interest as HII employees could buy or sell such securities at times adversely affecting the price received by clients for similar trades. If an employee wishes to trade the same security traded for clients on a specific day, the employee must obtain permission to do so from the Chief Compliance Officer and will be required to execute that trade for his/her personal account(s) at the end of the trading day on which the approval is given. HII employees may also buy or sell specific securities for their own accounts based on personal investment considerations aside from company or industry fundamentals we do not deem appropriate to buy or sell for clients.

HII’s Board of Directors has approved the Code of Ethics and has appointed Jeff Field as the Chief Compliance Officer. Clients and prospective clients may obtain a copy of our Code of Ethics by contacting Jeff Field at (800) 788-0154 or by email at [jeff@harringtoninvestments.com](mailto:jeff@harringtoninvestments.com).

## Item 12: Brokerage Practices

In selecting a broker/dealer to effect portfolio transactions for our clients, HII takes into consideration not only the available prices and rates of brokerage commissions, but other relevant factors better improving our ability to serve our clients. These factors include:

- the regular and special execution capabilities of the brokers and/or dealers the research provided by the broker/dealer (including economic forecasts, investment strategy advice, fundamental and technical advice on individual securities, valuation advice and market analysis), which are expected to enhance HII's general portfolio management capabilities
- the level of difficulty in executing trades
- the quality of the operational facilities and service department
- the expertise of the bond department
- the reputation, financial strength and stability of the broker-dealer
- the efficiency of fee and trade error resolution for our clients
- block trading and block positioning capabilities
- order of call
- the broker-dealers' willingness to execute related or unrelated difficult transactions
- the broker-dealers' online access to computerized data regarding client accounts
- referral of prospective investment advisory clients
- clearance
- settlement
- other matters involved in the receipt of quality brokerage services generally

Consistent with the foregoing points, we have entered an investment manager service agreement with Schwab Institutional, a division of Schwab, and although not all investment advisers require clients to do so, we require clients designate Schwab as their broker-dealer and custodian. On occasion, we can agree to custody elsewhere. Under this arrangement, Schwab provides HII products and services designed specifically for investment managers and their clientele, including, without limitation, product and account services, an electronic securities trading platform, secure online coverage of detailed client account information, and access to a broad range of independent research and information services. Schwab also provides HII's clients with monthly account statements, transaction confirmations, reports and other "back-office" and technical support. Because of this arrangement, HII generally can place client orders at discounted commission rates. As a result, we place most client orders with Schwab although there is always the possibility we may be unable to achieve the most favorable execution of client transactions and this practice could cost clients more money. The receipt of Schwab services under the arrangement described above also may be considered as a conflict of interest, but we address this potential conflict through this disclosure, and we believe the higher level of services Schwab makes available for the clients' benefit outweighs any potential conflict arising by HII's receipt

of these products and services. Further, if Schwab did not provide these services, clients likely would have to pay for comparable services from some other provider.

**Research and Other Soft Dollar Benefits:** Unless the client directs us to use a specific broker, HII generally has complete discretion over the selection of the broker-dealer to be used for client securities transactions and the commission rates to be paid. In selecting a broker for any transaction or series of transactions, we may consider the factors besides the net price as set forth above.

*Benefit from using client brokerage commissions to obtain research or other products and services:*

Though we generally do not establish such relationships and except as otherwise expressly agreed with a client, we reserve the right to purchase from a broker or allow a broker to pay for certain research, products or services, including proprietary (*i.e.*, created or developed by the brokerage firm) or third-party research services, economic and market information, portfolio strategy advice, industry and company comments, technical data, recommendations, certain costs of research conferences, general reports, certain periodical subscription fees, consultations, performance measurement data, on-line pricing, charges for news wire and market data services, quotation services, certain computer software, and the like (a “soft dollar” relationship).

*Incentive to select or recommend a broker-dealer:* If we do engage in soft dollar relationships, our relationships with brokerage firms providing soft dollar services to us would influence our judgment in allocating brokerage business and create conflicts of interest in allocating brokerage business between firms providing soft dollar services and firms not. We would have incentives to select a brokerage firm based on our interest in receiving the research or other products or services rather than on our clients’ interest in receiving the most favorable execution. These conflicts of interest would be particularly influential to the extent we use soft dollars to pay expenses we would otherwise be required to pay ourselves.

*Causing clients to pay commissions higher than those charged by other broker dealers in return for soft dollar benefits:* If we do enter one or more soft dollar relationships, a higher brokerage commission is possible compared to what another broker/dealer might charge for effecting the same transaction in recognition of the value of the brokerage, research and other services and soft dollar relationships. In such a case, however, we would determine in good faith such commission is reasonable in relation to the value of brokerage, research and other services and soft dollar relationships provided by such broker/dealer, viewed in terms of either the specific transaction or our overall responsibilities to the portfolios over which we exercise investment authority. However, an account may pay higher brokerage commissions than are otherwise available or may pay more brokerage commissions based on account trading activity. In addition, some clients may direct us to use a broker not providing soft dollar benefits to us. Nevertheless, the research and other benefits resulting from the brokerage relationship would benefit all accounts managed by us or our operations as we would not necessarily allocate soft dollar benefits only to those accounts generating the soft dollar benefits or even proportionally to those that do.



Products and Services HII acquired with client brokerage commissions over the past fiscal year: We did not acquire any products or services with client brokerage commissions during our last fiscal year ending June 30, 2020.

**Brokerage for Client Referrals:** If we do enter one or more soft dollar relationships, we may select a broker or dealer to execute transactions in recognition of that broker's or dealer's referral of clients, or in anticipation of future referrals. As with soft dollar payments for research or other services or products, in some cases the transaction compensation paid in connection with such a selection might be higher than one obtainable from another broker-dealer who did not provide (or undertake to provide) referrals. However, HII will always seek "best execution."

We did not direct any client transactions to a particular broker-dealer in return for a client referral during our last fiscal year ending June 30, 2020.

**Directed Brokerage:** As mentioned above, we generally require clients designate Schwab as their broker-dealer and custodian.

**Aggregation of Securities Transactions:** HII may aggregate orders of more than one client if it is determined aggregation is in the best interests of the clients. Trade aggregation is usually sought to obtain lower commissions and costs or a better transaction price. When orders are aggregated, the price paid by each account is the average price of the order. Transactions costs are allocated to each client on a pro-rata basis, based upon the ratio of the issue of securities allocated to the account to the overall amount of the issue purchased.

HII may not aggregate securities orders for client accounts in cases where it believes aggregation is inconsistent with the investment objectives and guidelines for the client accounts participating in the trade. In such cases, these clients may receive less favorable execution in terms of price or transaction costs. It is HII policy that non-aggregated trades are not prioritized in any manner favoring one group of similarly situated clients over another.

### **Item 13: Review of Accounts**

John Harrington, President and CEO, assisted by portfolio manager Jeff Field, review each client account on a semi-annual basis. Mr. Harrington reviews all trades made in client accounts monthly. Each portfolio manager reviews his or her assigned client accounts on a weekly basis or more frequently if prompted by specified price movements, market conditions or other developments. Mr. Harrington assigns client accounts to portfolio managers based upon several factors, including but not limited to seniority, expertise with specific client portfolio objectives, workload and client preferences.

John Harrington or Jeff Field is available at least twice each calendar year to review, preferably in person with each client, the client's investment objective and goals. More frequent meetings will be held at the request of



clients. Upon a client's written request, HII will consult with a client's accountants or tax preparers to coordinate these objectives and goals with the client's tax planning.

HII provides clients with a written performance report for their accounts at the end of each quarter. Annually, Schwab provides HII clients with an end of the year written capital gains report for tax purposes. Schwab also provides clients with a 1099 showing all taxable interest payments from stock dividends, bond payments, CDs, and other sources of taxable income.

#### **Item 14: Client Referrals and Other Compensation**

Though it is not currently our practice, we reserve the right from time to time to employ solicitors to whom we may pay cash or a portion of the advisory fees paid by clients referred to us by those solicitors. In such cases, this practice will be disclosed in writing to each client solicited by the solicitor in compliance with the other requirements of Rule 206(4)-3 under the Advisers Act. Also, see Item 12 above for a discussion of HII directing brokerage for referrals.

#### **Item 15: Custody**

HII clients' assets are currently held by custodian Charles Schwab. Stock shares are held at the Depository Trust Company-under the Participant Account Name of Charles Schwab & Co., Inc., number 0164.

Clients will receive monthly statements from Schwab showing the securities held in their account at the end of the month, all trades made during the month, and all dividend and interest payments. HII provides clients with quarterly statements showing all securities held in their account at the end of the quarter, as well as the financial performance of the account for the quarter and the year. HII urges clients to carefully review Schwab's statements and compare these official custodial records to the account statements provided by HII. Our statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

Although HII does not maintain physical custody of client investment accounts, it is deemed to have custody of client assets on the basis of the Firm's authority to: 1. Direct client-approved transfers of assets between a client's own accounts and if authorized, to client-designated third-party accounts; and 2. To receive payment of its investment management fees via direct payment by the client's custodian from the client's investment account.

#### **Item 16: Investment Discretion**

HII usually receives discretionary authority from the client in the form of a Limited Power of Attorney (LPOA) in the client's portfolio management agreement at the outset of an advisory relationship, giving us the power to select the securities to be bought and sold in the account. However, such discretion is to be exercised in a manner consistent with the stated investment and social objectives for the particular client account.

When selecting securities and determining amounts to purchase, HII observes the investment objectives, risk tolerance, and any other limitations or restrictions placed on the accounts by the clients for which it advises.

Because we engage in an investment advisory business and manage more than one account, there may be conflicts of interest over our time devoted to managing any one account and the allocation of investment opportunities among all accounts managed by us. We attempt to resolve all such conflicts in a manner generally fair to all clients. We may give advice and act with respect to any of our clients differing from advice given or the timing or nature of action taken with respect to any particular client so long as it is our policy, to the extent practicable, to allocate investment opportunities over a period on a fair and equitable basis relative to other clients. We are not obligated to acquire for any account any security we or our employees may acquire for our or their own accounts or for the account of any other client, if in our absolute discretion, it is not practical or desirable to acquire a position in such security for the account.

### **Item 17: Voting Client Securities**

HII will vote proxies in all fully discretionary advisory accounts unless the client reserves the right to vote his/her securities. Proxies over which HII has voting authority shall be voted in a manner consistent with HII's social and economic criteria and the best economic interest of the client. A *Summary of Proxy Voting Guidelines* is published on the Advisor's web site at [www.harringtoninvestments.com](http://www.harringtoninvestments.com).

The following is a summary of the guidelines used by HII to vote client proxies:

*Director Related Issues.* The Firm will generally vote for any shareholder proposal that favors independence of directors and allows for maximum control by shareholders (as opposed to management), of the composition and tenure of the Board of Directors. The Firm will generally vote in favor of proxy access proposals to allow shareholders to nominate directors and vote “against” or “withhold,” voting against incumbent director nominees that fail to initiate or improve shareholder proxy access or do not encourage stakeholder interests. The Firm will generally vote against self-nominated director nominees but support incumbent nominees of public benefit corporations.

*Auditors.* The Firm will generally vote to allow shareholders to elect the auditors of a corporation and vote against the ratification of auditors of the “Big Four” oligopoly of corporate auditors that generally have conflicts of interest related to multiple existing commercial relationships between such auditing firms and their corporate clients.

*Executive and Director Compensation.* The Firm will always vote for increased disclosure of compensation and against any shareholder proposal that favors highly compensated executive and upper level management personnel at the expense of lower paid personnel. This category would include option grants, stock-based incentive plans, golden parachutes, and ESOPs. The Firm will vote for annual shareholder advisory voting to approve executive compensation packages.

*Social and Environmental Proposals.* The Firm will vote for proposals to increase diversity on boards, and for inclusion of language in EEO statements barring discrimination on the basis of sexual orientation. The Firm will vote in favor of shareholder proposals to implement human rights standards and workplace codes of conduct both in the United States and abroad and proposals to increase humane standards for animal rights. Shareholder proposals seeking greater disclosure on environmental practices will be supported, including the adoption of the CERES Principles. HII will vote for shareholder proposals to label products that contain genetically modified organisms (“GMO”), and/or to phase out the use of GMO’s. The Firm will vote in favor of corporate governance shareholder proposals that favor enhanced fiduciary board members’ duty for stakeholder participation in corporate governance, including encouraging corporate transition to a public benefit corporation. HII will always vote in favor of proposals to limit, restrict, reduce, or eliminate carbon production.

*Capital Structure.* The Firm evaluates capital structure issues on a case by case basis, but generally votes in favor of proposals that strengthen the company’s balance sheet, encourages market liquidity, and balances fiduciary obligations to include all stakeholder interests.

*Voting Structure.* The Firm generally votes in favor of the adoption of cumulative voting, majority and confidential voting, including the use of independent tabulators and inspectors. The Firm generally votes against plurality voting and other anti-democratic governance proposals.

*Proxy Contest Defenses / Takeover Defenses:* The Firm will vote against any proposal to prohibit shareholder ability to call special meetings and for proposals that seek to remove anti-takeover provisions. The Firm will favor proposals that allow shareholders equal access to information and are generally stakeholder friendly.

*Mergers and Corporate Restructurings.* The Firm will vote on a case by case basis, using best judgment to determine whether a proposed merger / restructuring / re-organization is in the best interests of all stakeholders of the corporation.

*Abstentions.* The Firm abstains from voting proxies when it believes that it is not in the interests of all stakeholders.

A client may instruct us in writing if the client wants to direct our vote in a specific proxy solicitation.

If a material conflict of interest over proxy voting arises between us and a client, we will vote all proxies in accordance with the policy described above. If we determine this policy does not adequately address the conflict of interest, we will notify the client of the conflict and request the client consent to our intended response to the proxy solicitation. If the client consents to our intended response or fails to respond to the notice within a reasonable period specified in the notice, we will vote the proxy as described above. If the client objects to our intended response, we will vote the proxy as directed by the client.

A client may obtain a copy of our proxy voting policy and a record of votes cast by us on behalf of the client by contacting Jeff Field at (800) 788-0154 or [jeff@harringtoninvestments.com](mailto:jeff@harringtoninvestments.com).

### **Item 18: Financial Information**

HII has no financial commitment impairing its ability to meet contractual and fiduciary commitments to its clients and has not been the subject of a bankruptcy proceeding.

### **Item 19: Requirements for State Registered Advisers**

This item is not applicable to us.



## Supervised Persons

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As of June 2021

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F: 707-257-7923

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### John Harrington, PhD

**Educational Background and Business Experience:** John Harrington (b.1945) is the President and CEO of Harrington Investments, Inc. (HII) since 1982. Mr. Harrington received his B.A., Political Science, from Sonoma State University in 1970, his M.A., Humanities, from Dominican University in 2006, and his PhD, Philosophy, from The Australian National University (ANU) in 2014. He has studied graduate economics at Sacramento State University, University of California Los Angeles, and the University of York, England.

John has held several NASD licenses, including Series 6, 7, 24, 26, and 63.

**Disciplinary Information:** No information is applicable to this Item.

**Other Business Activities:** John Harrington is a minority owner of Capra Press.

**Additional Compensation:** No information is applicable to this Item.

**Supervision:** As President and CEO of HII, John Harrington is not directly supervised by other persons. Mr. Harrington is subject to HII's compliance program policies and procedures, including HII's Code of Ethics. Mr. Harrington's advisory activities as a portfolio manager of HII clients are monitored by HII's Chief Compliance Officer for conformance with the client's investment objectives, policies and restrictions.

## Jeff Field, CFP®

**Educational Background and Business Experience:** Jeff (b.1983) earned a B.A. in Environmental Studies and Economics in 2004 from the University of California at Santa Cruz and a Master of Business Administration from the University of Delaware in 2020. Following college, he was in the Peace Corps Mauritania for two years. After returning he worked from 2007-2011 for Stinson Beach Holdings LLC in Sausalito, CA, and then as an analyst and trader for Libertyship Capital LP in Incline Village, NV until joining HII in 2015 as a portfolio manager.

Mr. Field holds a Series 65 License and is a CERTIFIED FINANCIAL PLANNER™ professional.

**Disciplinary Information:** No information is applicable to this Item.

**Other Business Activities:** No information is applicable to this Item.

**Additional Compensation:** No information is applicable to this Item.

**Supervision:** Mr. Field's supervisor is John Harrington, the President and CEO of HII. Mr. Field is subject to HII's compliance program policies and procedures, including HII's Code of Ethics. Mr. Field's advisory activities as a portfolio manager of HII, including portfolio decisions, are monitored by John Harrington for conformance with the client's investment objectives, policies and restrictions.