ANNUAL SUSTAINABILITY REPORT

Janus Henderson
INVESTORS

Janus Henderson Global Sustainable Equity Strategy 2019

OVER 2019, EVERY $1 MILLION INVESTED IN THE GLOBAL SUSTAINABLE EQUITY STRATEGY HAS SUPPORTED THE IMPACT OF:

8,450
MWh
of renewable energy generated

72,150
metric tonnes
of CO_2e emissions avoided

6,000
hours
of employees training delivered

950
metric tonnes
of waste recycled

31,350
of patients receiving healthcare

Source: Janus Henderson Investors as at 31 December 2019. The data provided in this report was collected during March and April 2020 and is based on the strategy as of the 31 December 2019. In certain cases where companies had yet to report 2019 data, we have used data from the prior year. The content and data in this report were correct as at 31 December 2019 and have not been updated since. Figures have been rounded to the nearest 50. Data is sourced from company reports, Carbon Disclosure Project (CDP) and International Energy Agency (IEA). Where companies have not disclosed relevant data they are excluded from the analysis. No estimates have been used. The calculations use total reported figures and are presented on a gross basis.

CONTENTS

FOREWORD

One of the core attributes of sustainable investing is transparency, both in terms of how sustainable development is incorporated into an investment approach, and also in the subsequent reporting of results. Our transparent and consistent approach to sustainable investment is something we are proud of and I am delighted to publish our results in respect of how we performed in 2019.

For 29 years we have been focused on a simple yet ambitious mission. Our objectives are threefold: we want to deliver outstanding investment returns to our clients; we want be regarded as leaders in sustainable investing; and, as active investors, we want to play a part in making the world a better place. We believe there is no conflict between these objectives. In fact it is quite the opposite - we believe there is great alignment between these objectives and that they are mutually reinforcing.

Hamish Chamberlayne, CFA
Head of Global Sustainable Equity

2019 was another successful year. Some key highlights were:

- We delivered strong investment returns, outperforming our benchmark and ended the year in the top 10% of our peer group. We have demonstrated consistency in our investment returns, generating top quartile performance over 1, 3 and 5 years[1].
- We engaged with investee companies on a broad range of environmental, social and governance issues from across the sustainable development spectrum. We have also been involved in the set up and launch of a new collaborative engagement initiative focused on decarbonisation called NZC10. At year end, over 10% of the portfolio was invested in companies that either are, or will be, net zero carbon by 2030.
- We performed deep sustainability analysis on all the companies we invested in and how they contribute to the UN Sustainable Development Goals. We have performed the same exercise again this year with the result of our analysis contained in this report and also informing our forward looking engagement programme.
- We recorded another year of positive flows. Total strategy assets grew to $1.4bn. We launched a SICAV version of the Global Sustainable Equity strategy and, thanks to support from our clients, we achieved end of year AUM of $264m.

While we are pleased with our results in respect of 2019, it is important to look to the future. That is what sustainability is all about – always working towards a better future for the human race while at the same time preserving the natural world which is the source of all our wealth. So far 2020 has not been a good year. The coronavirus pandemic is causing such widespread social and economic hardship there is a growing sense that it could be a pivotal moment in history that will precipitate lasting change. How does this affect the outlook for sustainable development and investment?

We are confident that many of the changes will be positive for sustainable investment.

[1] Past performance cannot guarantee future results. Investing involves risk, including the possible loss of principal and fluctuation of value. For discrete performance of the strategy (as at 31 December 2019), please refer to the 'Important information' section at the end of this document. Peer group: Morningstar Global Flex Cap Equity.

First, there are some things which are not changing. The foundation of our investment approach is the consideration of four environmental and social megatrends – climate change, resource constraints, population growth and ageing demographics. None of these megatrends are changing course. Climate change will continue to be one of the greatest challenges humanity has ever faced (and the recent drop in carbon emissions is only due to temporary economic dislocation). Similarly, our global economic model is still linear – make, use and throwaway – based on the depletion of our natural capital and pollution of our environment. The imperative to invest in low carbon and resilient infrastructure, and to develop circular business models is not going away. Demographic trends have not been altered by this crisis. Our economies still need to provide goods and services to support the needs of ageing and growing populations. The need for essential health services has only increased and there will still be demand for many consumer goods and services in relation to sports, entertainment, healthy eating and insurance and protection.

Second, there is evidence of strong political commitment towards sustainable development from numerous governments. We anticipate that many of the political and regulatory changes we see will be aligned with supporting and accelerating sustainable development. More governments are recognising that sustainable development is good for growth, good for jobs and good for economic resilience. At the time of writing the European Union is putting decarbonisation at the heart of post crisis economic stimulus plans with a trillion-dollar Green Deal Recovery package that will contain near term policies to support investment in clean energy, electrification, efficiency and electric vehicles.

Third, but perhaps most important of all, is innovation. As investors we can see what companies around the world are focusing on in terms of innovation; and what we see excites us. More and more companies are aligning their innovation with sustainable development objectives. Based on these innovation pipelines we anticipate the next decade is going to be one of momentous change. We see a decade of clean energy and electrification. We see breakthroughs in battery technology and wide spread adoption of electric vehicles. We see a decade of digitalisation and hyperconnectivity which will enable new ways of organising our economies and promote greater efficiency and circularity across multiple industries. In fact, digitalisation is one trend that we see accelerating and we have many investments exposed to this across business productivity, communication, health, entertainment, infrastructure and connectivity. The resilience of the digital economy, with many companies seeing increasing demand for their services in this crisis, has served to underline the idea that many people and businesses can lead lower carbon lives. The whole point of digitisation is that it enables greater productivity and more efficient use of our precious natural resources.

> “We see a close link between sustainability, innovation and growth. Our investment framework provides us with incredible clarity and consistency in the way we go about identifying attractive investment opportunities exposed to strong thematic growth drivers.

Instead of undermining it, we are hopeful this crisis will highlight the attractiveness of sustainable investing and how it leads to better outcomes, not only for investors but also for the environment and society. We invest for profit, people and the planet. We believe the best investment returns will be generated by companies with resilient, compounding growth characteristics, and these attributes are more often found in companies that are on the right side of sustainability trends.

When we think about sustainability, we see a world of opportunity. We thank our clients for joining us on this journey.

INVESTING WITH POSITIVE IMPACT

Our investment framework seeks to invest in companies that have a positive impact on the environment and society, while at the same time helping us stay on the right side of disruption. This report aims to demonstrate the different ways that we have accomplished this over 2019. This is the second iteration of our Annual Sustainability Report.

Investment philosophy

We believe there is a strong link between sustainable development, innovation and long-term compounding growth.

Our investment framework seeks to invest in companies that have a positive impact on the environment and society, while at the same time helping us stay on the right side of disruption.

We believe this approach will provide clients with a persistent return source, deliver future compound growth and help mitigate downside risk.

Investment process and impact

There are many opinions on what impact investing should look like. We look to the Global Impact Investing Network (GIIN), the leading non-profit organisation dedicated to increasing the scale and effectiveness of impact investing. We have used its definitions and clarifications to inform and communicate our approach.

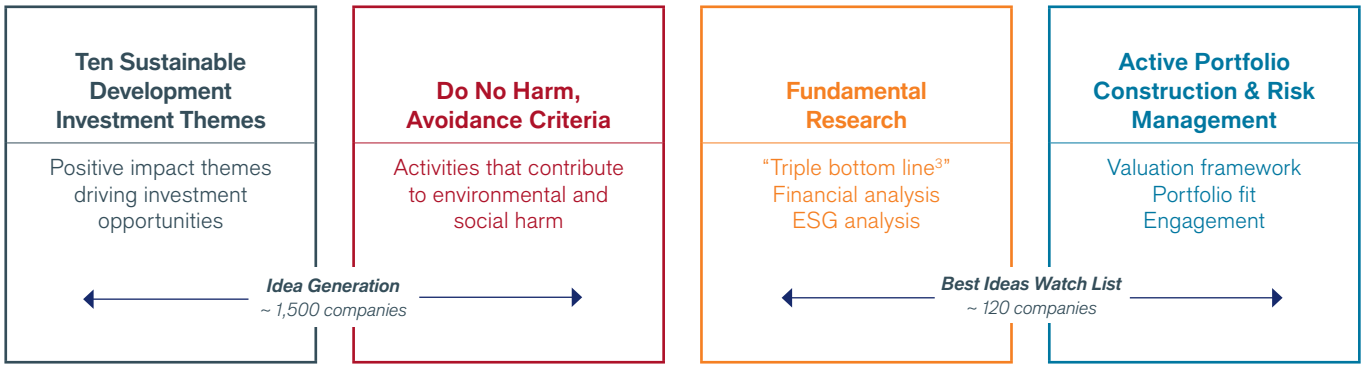
✔ **Definition of impact investments**

> "Impact investments are investments made with the intention to generate positive, measurable social and environmental impact alongside a financial return." [2]

Our investment approach seeks to intentionally generate positive impact with the use of both positive and negative (avoidance) investment criteria and by considering both the products and operations of businesses. Company engagement and active portfolio management are also essential for ensuring impact alongside financial return.

We call this the four pillars of our sustainability driven investment strategy.

The four pillars



High-conviction, positive impact global equity strategy with 50 – 70 holdings

[2] https://thegiin.org/impact-investing/need-to-know/#what-is-impact-investing

[3] **Triple bottom line framework:** Fundamental research evaluating how companies focus on profits, people and the planet in equal measure.

INVESTING WITH POSITIVE IMPACT

We collect both qualitative and quantitative data relating to impact and look to deliver information and results from the strategy through the following:

- **Positive impact stocks:** We only invest in companies aligned to our ten sustainable development themes which serve the dual purpose of helping us to invest with positive impact and as a potential source of return generation. These themes are product focused and we operate a 50% revenue threshold. A full list of our investments along with the percentage alignment and justification is published quarterly in our Positive Impact Companies report[4].
- **UN Sustainable Development Goals:** We have given clear results on the percentage contribution to each of the 17 goals from the strategy. We have also comprehensively described our methodology for determining and calculating the percentage contribution towards each goal.
- **Engagement:** This is an important aspect of our investment approach and of how we think about investing with positive impact. Our engagement philosophy is based on partnership and collaboration. We report on the results of our engagement across environmental, social and governance issues and the engagement initiatives we are involved in.
- **Voting:** This is done in conjunction with our engagement work and is a vital way for us to be a part of change within an organisation. We report on our voting activity, including our votes against management, demonstrating that we challenge the businesses in which we invest to continually improve.
- **Task force on climate-related financial disclosures (TCFD):** As a low carbon strategy, we look to have a portfolio that is in line with the Paris Agreement's 2°C scenario. We have used the TCFD recommendations to frame and analyse the strategy's alignment to the Paris Agreement and its resilience to the worst effects of climate change.
- **ESG Key Performance Indicators:** We seek to invest in companies with high operational standards and we report on the metrics that we see as being relevant to all businesses, such as innovation, employee growth, gender diversity, and controversies.

Impact Investing is still evolving, with new tools and ways of measuring impact, especially for listed equities. We became members of the GIIN in 2019 and we are actively involved in the GIIN Listed Equities Working Group. Our membership signifies a commitment to deepening our engagement in the impact investing industry.

[4] Available on request.

MAPPING THE PORTFOLIO TO THE UN SUSTAINABLE DEVELOPMENT GOALS

Introduction

The UN Sustainable Development Goals (SDGs) call on companies everywhere to advance sustainable development through the investments they make, the solutions they develop and the business practices they adopt. This is our second year reporting our portfolio's contribution to the UN SDGs. We would have never guessed that our reporting would garner such a high amount of interest and so many questions. The most common request has been for us to elaborate further on our methodology, so we are taking a couple of pages in this report to do exactly that.

Background

The 17 sustainable development goals are broken down into 169 targets which cover products/services, operations and charitable endeavours. Each goal is multi-faceted and two seemingly different targets can often be combined in a single goal.

To illustrate this, climate action (goal 13) emphasises the need to improve education which may at first appear incongruous with tackling climate change. Upon closer inspection however, the need for improved education and awareness around mitigation, adaption and impact reduction is an essential step in taking action against climate change over a long term horizon.

13.1 Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries

13.2 Integrate climate change measures into national policies, strategies and planning

13.3 Improve education, awareness-raising and human and institutional capacity on climate change mitigation, adaptation, impact reduction and early warning

13.a Implement the commitment undertaken by developed-country parties to the United Nations Framework Convention on Climate Change to a goal of mobilizing jointly $100 billion annually by 2020 from all sources to address the needs of developing countries in the context of meaningful mitigation actions and transparency on implementation and fully operationalize the Green Climate Fund through its capitalization as soon as possible

13.b Promote mechanisms for raising capacity for effective climate change-related planning and management in least developed countries and small island developing States, including focusing on women, youth and local and marginalized communities

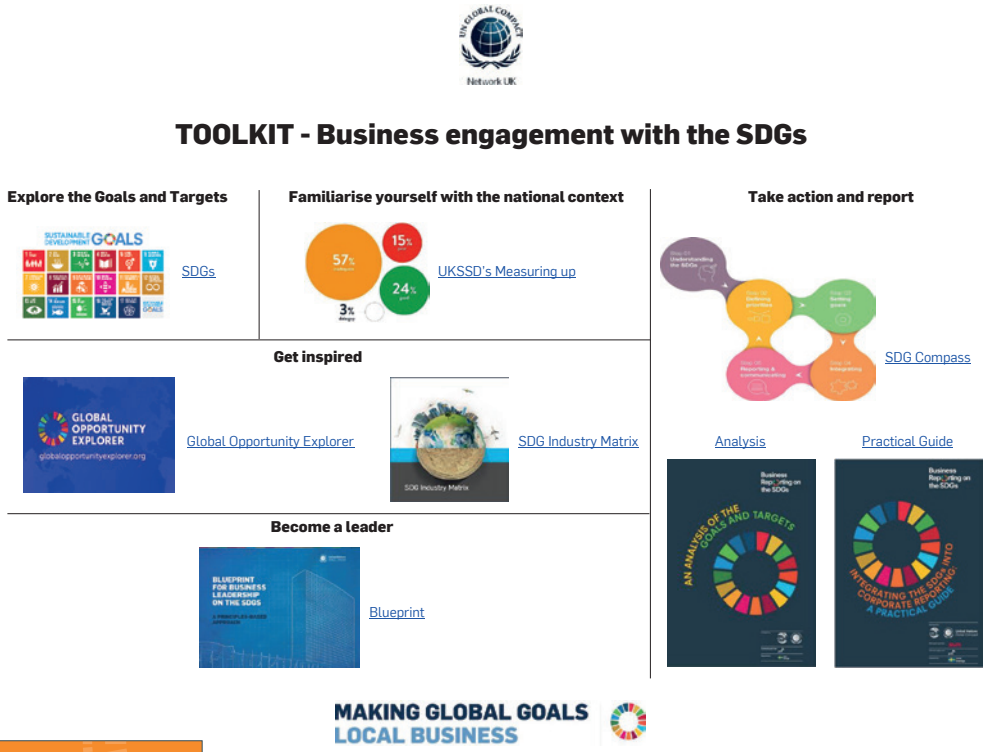
MAPPING THE PORTFOLIO TO THE UN SUSTAINABLE DEVELOPMENT GOALS

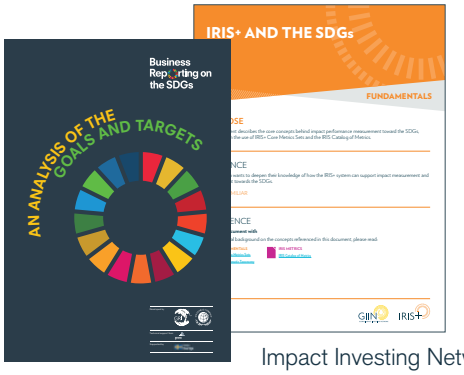
The first challenge is ***interpretation*** of the goals and the targets.

Each of the 17 goals are created to be integrated and indivisible, global in nature and universally applicable. According to the SDG Compass[5] the indivisible nature of each goal means that a company cannot successfully meet these goals with discrete business practices that address individual targets. A company must, instead, show evidence of practices towards each goal across the entirety of the company's product and operations. Our methodology uses data about the company's

- products/services;
- operations; and
- charitable endeavours

The interpretation of each goal is subjective and, in order to maintain a consistent view of each goal that closely matched the vision of the UN, we consulted the UN Global Compact toolkit. This is a collection of documents which provide greater clarity on business engagement with the UN SDGs.





One of the key documents used to establish our methodology was Business Reporting on the SDGs: an analysis of the goals and targets, which outlines how a business can contribute to each sustainable development goal. The document contains a list of potential business actions that can contribute to a target (also including what does not contribute to a target), potential gaps and indicators. Most importantly, the document outlines where to find the necessary information within company reports to begin the analysis of our portfolio holdings.

Finally, this year, we have also used the document IRIS+ and the SDGs to identify impact performance measurement towards the SDGs. The document produced by the Global Impact Investing Network (GIIN) shows alignment between IRIS+ Core Metrics Sets and the UN SDGS.

Methodology

We assessed every aspect of a company against the list of applicable business actions according to the **Business Reporting on the SDGs: An Analysis Of The Goals And Targets**. We used the list of disclosures to identify the relevant sources of publicly disclosed information and we used IRIS+ and the SDGs to identify the impact performance measurements (where applicable) for each target assessed.

Where applicable, we applied the following thresholds:

- we did not include any product or service that contributed to less than 30% of the company's total revenue
- we did not include any operations that contributed to less than 50% of products.

Setting these thresholds ensured that we maintained a conservative and consistent approach across all holdings.

[5] Developed by GRI, the UN Global Compact and the World Business Council for Sustainable Development (WBCSD), the SDG Compass provides guidance for companies on how they can align their strategies as well as measure and manage their contribution to the realisation of the SDGs.

MAPPING THE PORTFOLIO TO THE UN SUSTAINABLE DEVELOPMENT GOALS

Case study: Microsoft

To demonstrate this methodology, we have broken down our assessment of Microsoft against goal 13, target 13.1.

Target 13.1 - Microsoft			
Possible relevant business action	**Met?**	**Disclosure by company**	**Impact Measurement collected**
Identifying risks and opportunities caused by climate change. Investing in environmental protection and improving the resilience to environmental hazards and resource scarcity throughout operations and the supply chain. Developing and implementing corporate adaptation goals and strategies that are aligned with public adaptation efforts and also address community risks in the business' operating locations.			
Disclosing greenhouse gas (GHG) emission data and material climate risk information through adequate disclosure initiatives.	✔	Microsoft's completed Carbon Disclosure Project (CDP) report. The company requires Tier 1 suppliers to do the same. This is communicated on the CDP's website and in Microsoft's Corporate Social Responsibility Report.	• CDP Disclosure • Average tCO2e emitted per US$1M
Setting science-based GHG reduction targets in line with the goals of the Paris Agreement (as aggressive, timely reduction of greenhouse gases is the safest way to bring adaptation costs down).	✔	Microsoft set a verified science-based target of 1.5°C. This is communicated on sciencebasedtargets.org	
Setting an internal price on carbon to redirect own investments towards renewable energy, adaptation projects and relevant R&D, and/or reducing greenhouse-gas emissions.	✔	Microsoft has set an internal carbon tax of $15/metric ton and covers all scope 1 and 2 emissions, plus scope 3 travel emissions. In July 2020 it the company will start phasing in its internal carbon tax to cover its scope 3 emissions. This is communicated on Microsoft's website.	
Improving the efficiency and climate resiliency of operations.			
Working with suppliers to improve supplier sustainability management and prevent supply chain interruptions or delays due to climate change.			
Taking part in technology transfer projects supported by national governments and international organizations to help provide climate mitigation and adaptation technologies to developing countries.			

MAPPING THE PORTFOLIO TO THE UN SUSTAINABLE DEVELOPMENT GOALS

Case study: Microsoft

An example of the UN SDG analysis is shown below for Microsoft.

This analysis was performed for every company in the portfolio as of 31 December 2019. For concision we have shown only one example per goal and this does not represent the full analysis for Microsoft.

Target 1.2
By 2030, reduce at least by half the proportion of men, women and children of all ages living in poverty in all its dimensions according to national definitions.

Microsoft ensures that suppliers cover workers' social insurance and contractual and legal requirements for payment of compensation.

The company also requires Tier 1 suppliers to provide workers with career development and related opportunities.

Target 2.4
By 2030, ensure sustainable food production systems and implement resilient agricultural practices that increase productivity and production, that help maintain ecosystems, that strengthen capacity for adaptation to climate change, extreme weather, drought, flooding and other disasters and that progressively improve land and soil quality.

Microsoft proactively mitigates climate change impact and destruction of biodiversity through the following:

- Microsoft through AI for Earth partnerships with scientific organisations and NGOs.
- $1billion climate innovation fund.

Target 3.9
By 2030, substantially reduce the number of deaths and illnesses from hazardous chemicals and air, water and soil pollution and contamination.

Microsoft has implemented proactive policies to reduce and minimise hazardous substances in manufacturing operations, products, and packaging. A review of the composition of chemicals used by suppliers has assured no use of Microsoft restricted chemicals per Microsoft specifications.

The company requires proper sanitation and healthful living and canteen conditions for workers. This includes ensuring Tier 1 factories have appropriate on-site medical services and training, and requiring factories and contracted suppliers to implement effective occupational safety and health (OSH) programmes.

Target 4.4
By 2030, substantially increase the number of youth and adults who have relevant skills, including technical and vocational skills, for employment, decent jobs and entrepreneurship

During the 2019-2020 school year, over 21,000 students in the US and British Columbia, Canada had access to AP Computer Science (CS) courses thanks to tech professionals who volunteer with the Microsoft Philanthropies TEALS Programme. Almost 75,000 students have had access to CS courses since the programme's inception in 2009. The programme includes:

- Coaching on career development through ongoing manager connections.
- Customised manager training to enhance coaching and mentoring skills.
- New employee orientation covering a range of topics including company values, culture, and Standards of Business Conduct.

Target 5.4
Recognize and value unpaid care and domestic work through the provision of public services, infrastructure and social protection policies and the promotion of shared responsibility within the household and the family as nationally appropriate

Microsoft offers comprehensive parental benefits to support families. This includes 12 weeks of parental leave, regardless of gender, at 100% pay; health and wellness benefits; enhanced fertility benefits; and 150 hours of subsidised backup care per year.

Target 6.4
By 2030, substantially increase water-use efficiency across all sectors and ensure sustainable withdrawals and supply of freshwater to address water scarcity and substantially reduce the number of people suffering from water scarcity

Microsoft is improving water efficiency through the assessment of water consumption and intensity, employing water saving technology or processes, and conducting water awareness campaigns, in all areas of operations, but particularly in water-stressed areas.

Supplier social & environmental affairs (SEA) audits are used to confirm supplier's water management programmes which include water monitoring, water conservation, wastewater treatment and water contamination prevention. This allows Microsoft to assess the supplier's programme to address the risk and help drive improvement in water protection and conservation.

Target 7.3
By 2030, increase substantially the share of renewable energy in the global energy mix

By 2030, double the global rate of improvement in energy efficiency

Microsoft has committed to be carbon negative by 2030. As part of this commitment, by 2025, the company will shift to 100 percent supply of renewable energy, meaning that it will have power purchase agreements for green energy contracted for 100 percent of carbon emitting electricity consumed by all its data centres, buildings, and campuses.

Target 1.2
Improve progressively, through 2030, global resource efficiency in consumption and production and endeavour to decouple economic growth from environmental degradation, in accordance with the 10-year framework of programmes on sustainable consumption and production, with developed countries taking the lead

Microsoft works with its partners to develop hardware and software that increases computing power while reducing energy consumption. Illustrating these improvements, the Surface Pro, using Windows, has become so energy efficient to operate that the customer-use phase of each device now accounts for a smaller portion of its overall GHG emissions than the manufacturing phase (assuming three years of use). The company has sustainable procurement policies and a supplier code of conduct. All new suppliers are screened using social criteria.

MAPPING THE PORTFOLIO TO THE UN SUSTAINABLE DEVELOPMENT GOALS

Case study: Microsoft

Target 9.5
Enhance scientific research, upgrade the technological capabilities of industrial sectors in all countries, in particular developing countries, including, by 2030, encouraging innovation and substantially increasing the number of research and development workers per 1 million people and public and private research and development spending

AI for Good initiative seeks to combine Microsoft's technology and AI expertise with the talent of groups around the world to solve humanitarian issues and create a more accessible and sustainable world.

- AI for Earth
- AI for Humanitarian Action
- AI for Accessibility
- AI for Cultural Heritage

Target 10.2
By 2030, empower and promote the social, economic and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status

Microsoft has focused on inclusive hiring for people with disabilities. The company's disAbility Hiring opens doors to candidates across the ability spectrum from apparent disabilities to nonapparent—such as mental health and neurodiversity—through role creation, accommodations, trainings, and outreach.

Microsoft has also committed to designing products that are inclusive for those with disabilities such as:

- Immersive Reader: a tool designed to improve reading regardless of age or ability.
- Dictate: a function within Microsoft's software that turns the user's speech into text.
- Read Aloud: a function within Microsoft's software that reads the text to the user (useful for those with dyslexia).

Target 12.2
By 2030, achieve the sustainable management and efficient use of natural resources

Microsoft has mapped key raw materials that travel through a complex and global upstream supply chain to identify and prioritise areas of risk. The company proactively reduce materials used for products and packaging. For new programmes in 2019, Microsoft reduced the weight of primary packaging by 14.4 percent and decreased packaging-related (GHG) emissions by 11.3 percent. Incorporated recycled and sustainable content into devices and packaging and implemented recycling during production and at end of life.

Target 13.1
Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries

Microsoft minimises use of materials and reports GHG emissions and climate data annually with the Carbon Disclosure Project (CDP). The company requires Tier 1 suppliers to do the same.

Target 14.1
By 2025, prevent and significantly reduce marine pollution of all kinds, in particular from land-based activities, including marine debris and nutrient pollution

Microsoft evaluates and monitors factory drain lines for corrective actions to ensure proper wastewater treatment and reuse of greywater to eliminate pollution of waterways by contract suppliers. Suppliers are required to implement corrective actions.

The company builds the capabilities of contract suppliers to implement protective pipeline/storage tank design and chemical spill prevention, control, and disposal methods to prevent drainage of hazardous substances into storm drains.

Target 15.1
By 2020, ensure the conservation, restoration and sustainable use of terrestrial and inland freshwater ecosystems and their services, in particular forests, wetlands, mountains and drylands, in line with obligations under international agreements

Microsoft has banned the use of any packaging materials originating from old growth forests. It uses recycled paperboard materials and/or virgin paper from sustainable forests.

Target 16.3
Promote the rule of law at the national and international levels and ensure equal access to justice for all

Factory workers are empowered to advocate their legal rights in factory governance through an organised workforce. Microsoft also requires supplier factories to implement processes to establish management/worker dialogs.

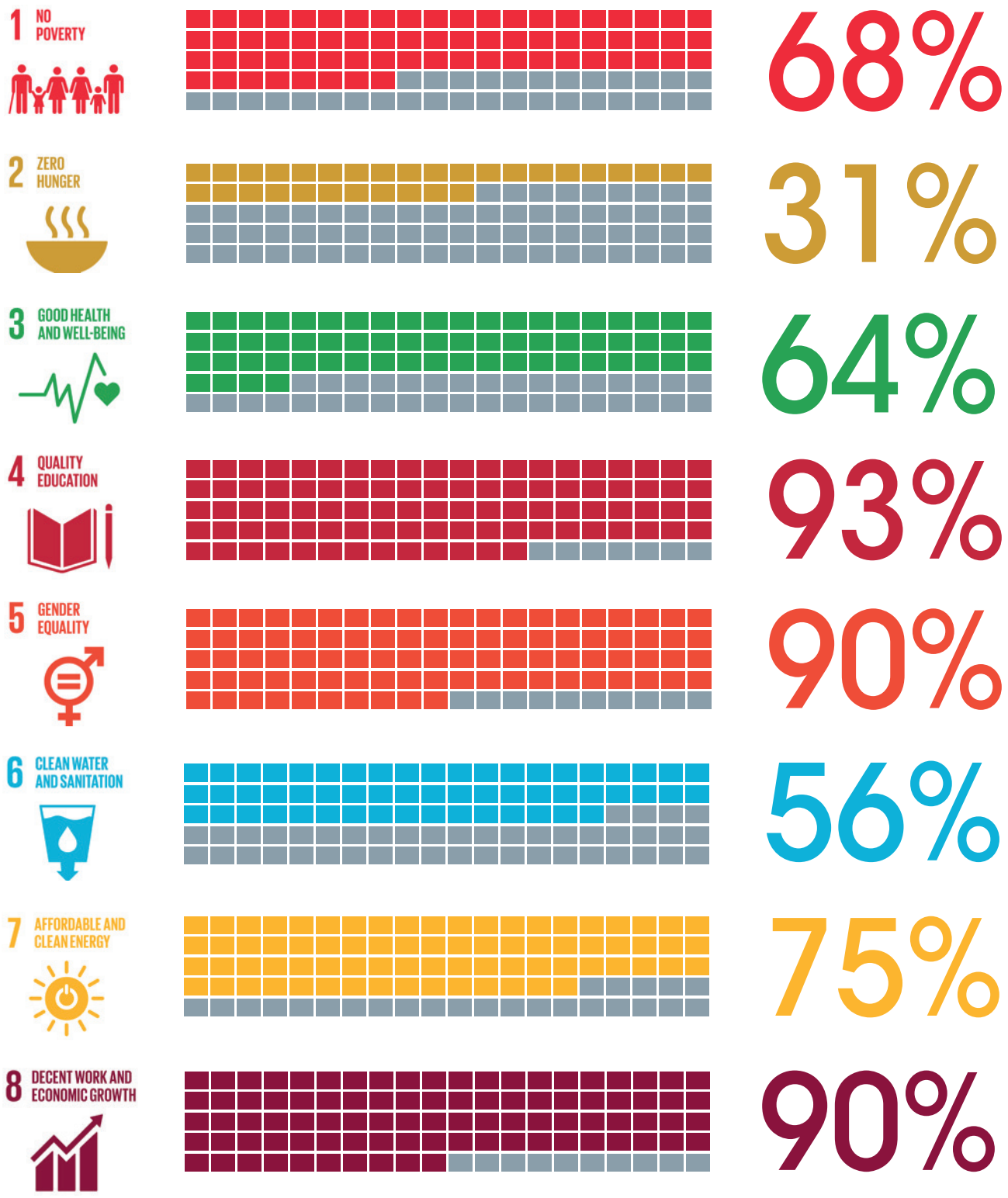
Target 17.17
Encourage and promote effective public, public-private and civil society partnerships, building on the experience and resourcing strategies of partnerships

Microsoft continues to grow its partnership with PACT to address child labour in the Democratic Republic of the Congo (DRC). The company has enabled Fair mined certification for artisanal and small-scale miners working with other organisations through the Alliance for Responsible Mining (ARM).

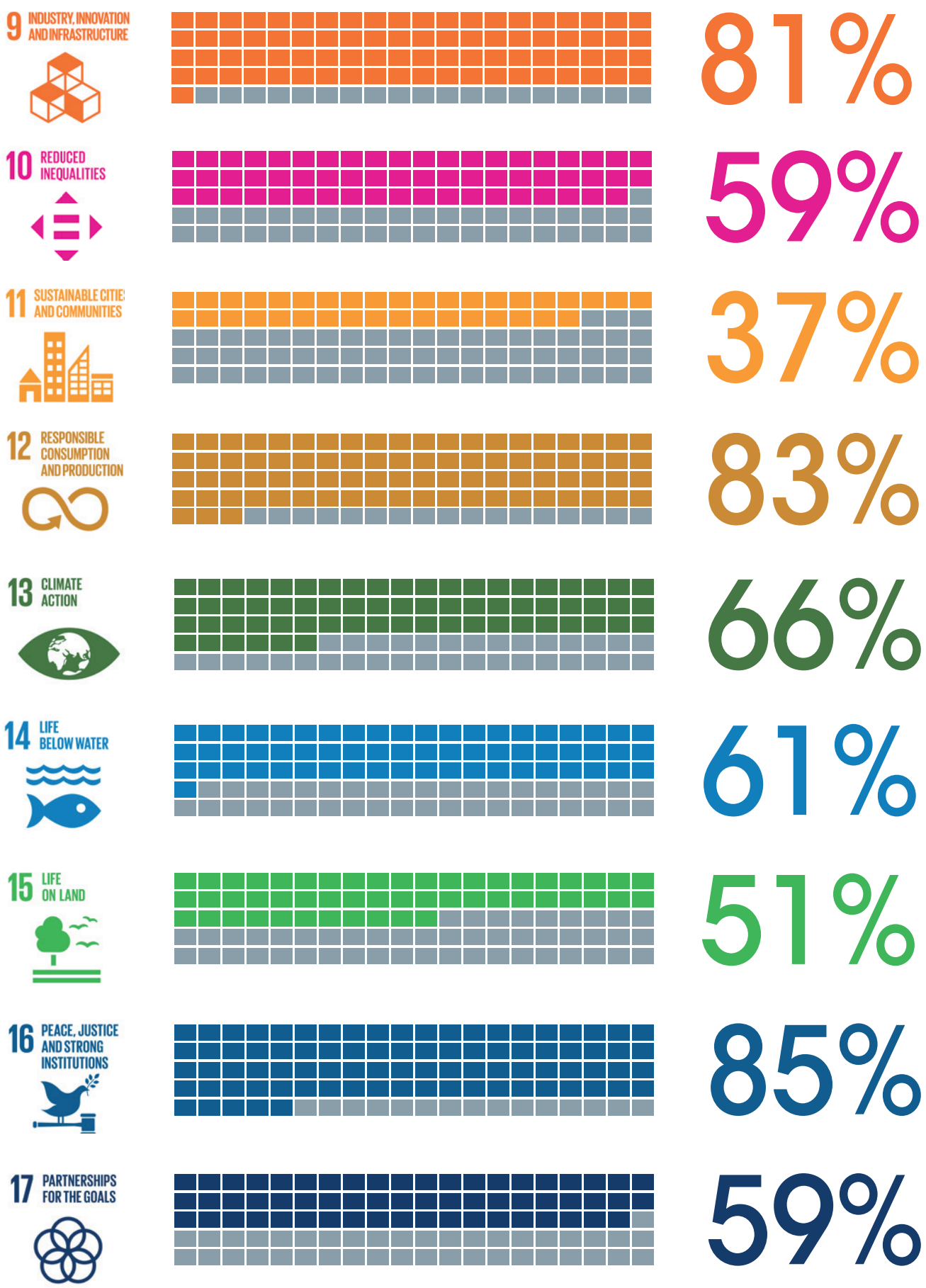
MAPPING THE PORTFOLIO TO THE UN SUSTAINABLE DEVELOPMENT GOALS

The result

We regard the UN SDGs as an impact measurement of the strategy. Shown below is the percentage of the portfolio that contributes to each goal, calculated on an unweighted basis.



MAPPING THE PORTFOLIO TO THE UN SUSTAINABLE DEVELOPMENT GOALS



MAPPING THE PORTFOLIO TO THE UN SUSTAINABLE DEVELOPMENT GOALS

Conclusion

Our strategy contributes to all 17 of the goals. We consider the UN SDGs to be an effective impact measurement of the strategy and a helpful measure for ensuring sustainability.

There are two key reasons why the strategy performed so well. The first is our investment process is founded on the same principles that informed the creation of the UN SDGs. The second is that we actively engaged the companies held within the strategy on goals that had less than 50% contribution in our previous reporting.

Our strategy is regularly monitored for areas of improvement and engagement. This is an important element of our sustainable investment approach. There are a few goals to which less than half of the portfolio is contributing towards and we have incorporated these into our engagement agenda.

Last year we identified goal 10 and goal 15 as engagement points for the strategy. Since then, we have engaged, and the result has been an increase in the strategy's contribution to these two goals.

We identified a lack of public disclosure on diversity and inclusion as an engagement point for the strategy. Over the course of 2019 we engaged with companies on this issue with regard to best practice and on making improvements. Many of the companies held by the strategy had been doing good work in this area.

Example engagement: Autodesk is the global leader in design software used by architects and engineers worldwide, and is a provider of software to product designers. We engaged with the company on a structural change in its human resource strategy which involved expanding the diversity and inclusion team and changing the the recruitment policy. The company also expanded affinity groups such as the LGBTQIA+ group and shining a spotlight on the contribution of diversity within the organisation.

We identified natural capital as an engagement point last year for this goal.

Example engagement: Intact Financial is Canada's largest insurer for cars, homes, and businesses, with a market share of nearly 20%. We engaged the company on its lobbying activity at all levels of the Canadian government, from the Prime Minister to local government, on integrating standards into legislation for dealing with the effects of climate change related natural disasters. In particular the company has advocated natural infrastructure as a way of reducing flooding. Intact Financial recognises it is essential to work with municipal governments in order to effect the necessary legislative changes that will make a difference in respect of the impact of climate change on both its business and, by extension, its customers.

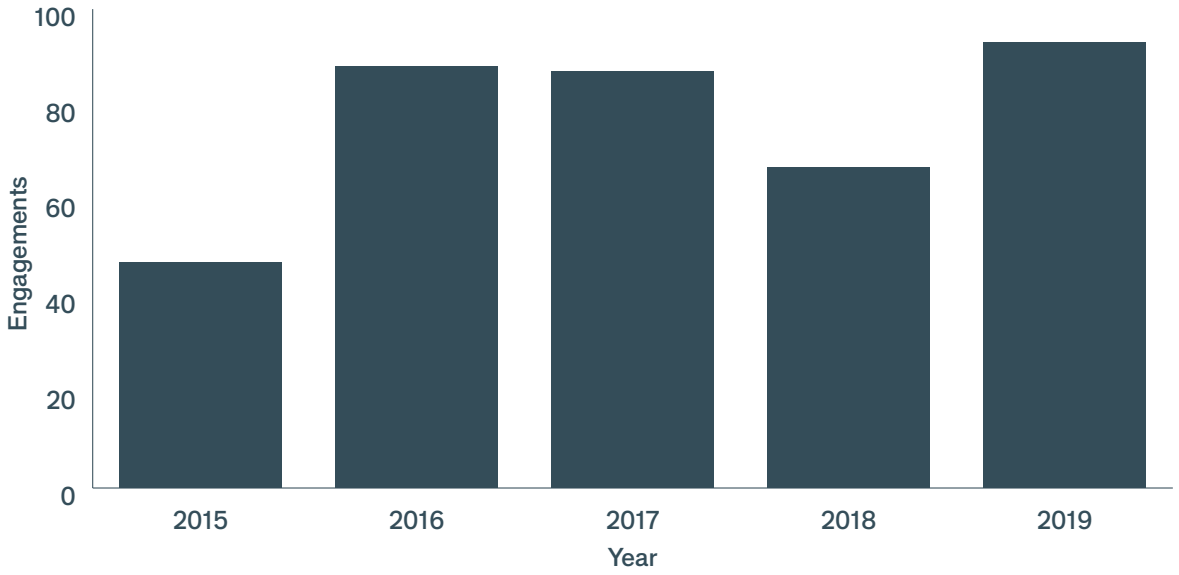
Our strategy exclusions mean that we do not invest in unsustainable intensive farming, or meat and dairy. This explains why less than a third of our portfolio contributes to this goal. Despite this, the strategy still achieved a contribution of 31% which is high. There were companies in the portfolio that contributed to this by simply teaching their employees about healthy eating and providing healthy options for free. As such, we will look to engage with companies on this as part of our wider engagement.

Our strategy has only 37% exposure to companies that are involved in delivering products and services specifically for cities and other human settlements. This is high given that the majority of the companies in the strategy do not produce goods or services designed specifically to address this goal. However, we have identified the opportunity to encourage some of our existing holdings to be clearer about their potential contribution. As such, we have made this an engagement point for 2020.

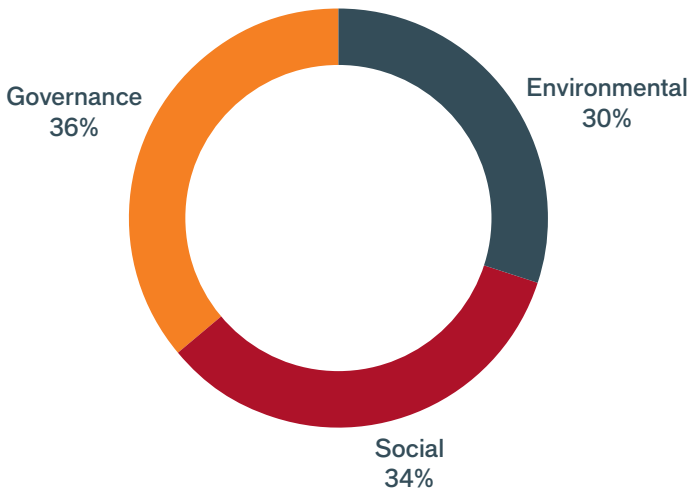
ENGAGEMENT

We consider engagement to be a core part of our investment process and it plays an integral role in our portfolio management. Our engagement approach is built on the premise of partnership and collaboration. We believe that companies that perform well on sustainability issues will prove to be better long-term investments, so we see engagement as much about making the world a better place as about improving investment performance. It is important to emphasise that our investment process incorporates high standards on sustainability issues so we do not invest in controversial companies. Nor are we activist investors and if we encounter companies that are resistant to engagement this will likely result in divestment.

In 2019 we had 93 engagements (an average of almost eight per month) with the companies within our portfolio. There were a large number of engagements in Q4. Many of these were on issues we had engaged companies on earlier in the year. Over the course of the year we have engaged with over 70% of the companies in our portfolio on a range of ESG issues.

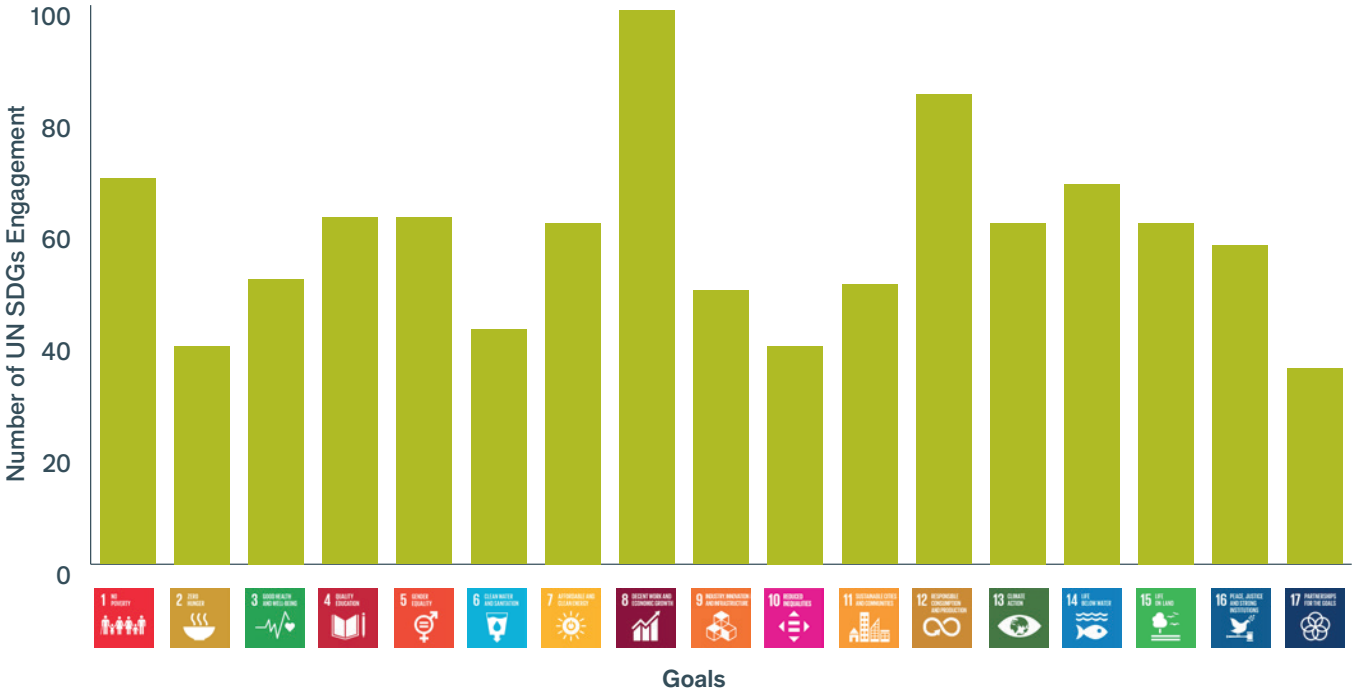


Across the year we had a good balance between environmental, social and governance topics.



ENGAGEMENT

The UN SDGs are an important guide to our engagement agenda and in 2019 we engaged on a wide range of issues. The chart below highlights the number of engagements related to each UN SDG.



Last year we published a list of key engagement topics for 2019. Below is the number of engagements that we had on each topic.

Topic	Description	UN SDGs	Number of engagements
Human Capital	• Programmes to help women in the workplace • Discrimination and harassment elimination • Parental leave • Flexible working • Healthcare for employees and dependents	**1, 3, 5, 10, 16**	23
Executives and boards	• Remuneration • Women in leadership • Succession planning	**4, 5**	29
Supply chain	• Human rights – UN Compact • Procedures for non-compliance in audits • Traceability	**1, 3, 4, 5, 16**	6
Plastic	• Microfibres • Packaging	**12, 14, 15**	4
Chemical management	• Reduction in chemical usage • Chemical use and disposal	**6, 14, 15**	3
Corporate reporting	• CSR reporting • Environmental reporting - GRI • United Nations' Sustainable Development Goals	**All 17 Goals**	23
Climate change	• Climate change resilience • Natural capital enhancements • Carbon neutrality	**7, 13, 15**	10

In our previous report, we mentioned that our key engagement topics would change based on the materiality of certain topics and this was the case for Chemical Management and Plastics. We realised that the root cause of both issues was Consumer Safety/ Product Governance and we engaged on that instead.

EXAMPLES OF ENGAGEMENT

IT Services Company

Categories: Social

February 2019	April 2019	May 2019	June 2019
An article was published by a well-known online magazine detailing some worrying practices within an IT consulting company we held at the time, specifically relating to the working conditions of Social Media Analysts. We wanted to engage with the company to discuss the vital role that Social Media Analysts play in society as well as the company's efforts to reduce the risk of workplace trauma. Employees in this role would sift through social media picking on harmful negative offensive content that would be missed by AI systems. This work involves viewing media content that could be traumatic. As a result, we needed confidence that the workers were protected from long-term psychological harm. We reached out to the Hertfordshire, Bedfordshire, Buckinghamshire and Cambridgeshire Police Occupational Health Officer to understand best practice in managing trauma risk within a workplace. That discussion informed our engagement and led us to look for the following best practice measures. • Clear advertising that the role involved risk of trauma • Pre-employment screening • Detailed training • A Trauma policy • A Trauma Risk Management (TriM) strategy • Trauma screening • Recovery procedures • Evidence of redeployment or settlement if employees are unable to recover	We engaged with the company on the issue and were given assurances that some of the items in the news piece had been sensationalised. However, the company did commit to making changes to how they advertised the role and their trauma management.	The company changed the advertisement for the Social Media Analysts role, however, rather discouragingly, the opening lines of the job vacancy posting: "Do you want to become a Social Media Guru? Do you love social media and be up to date what is happening in the world? Do you like having control over what is getting posted? Want to have a job for your passion whilst working for one of the coolest companies on Earth? If YES, do not hesitate and apply!" The advert also did not fully highlight that there was risk of trauma associated with the role. This raised concerns that the company would not be willing to amend its practices. As a result, we began to divest.	A well-known online magazine released a second article on the workplace issues at the company. The article included a video with interviews of former employees that highlighted the demands of the role, poor sanitary conditions, poor management, and a lack of trauma management. During the interviews the former employees showed visible distress while having to retell their experiences. By the end of the month, we had completely divested from the business.

EXAMPLES OF ENGAGEMENT

Net Zero Carbon 10 (NZC10)

Categories: Environmental

Net-zero emissions are necessary to stabilise global warming and it is imperative that companies develop strategies to contribute to achieving a carbon-neutral economy. We are co-founders of the Net Zero Carbon 10 (NZC10)[1] commitment with four other asset management firms, an asset owner and the University of Oxford, which sets ambitious yet achievable targets for carbon reduction within the corporate sector.

NZC10 provides fund managers with a systematic framework to align their investment policies to the requirement for carbon neutrality, rather than just emissions reduction. The target is currently defined as 10% or more of portfolio assets invested in firms that meet the criteria below, with the intention to raise this threshold over time.

[1]The scheme is due to launch officially in 2021. For more information please see https://p1-im.co.uk/research-articles/net-zero-carbon-10-nzc10/

A Be carbon neutral or have net-zero carbon emissions.

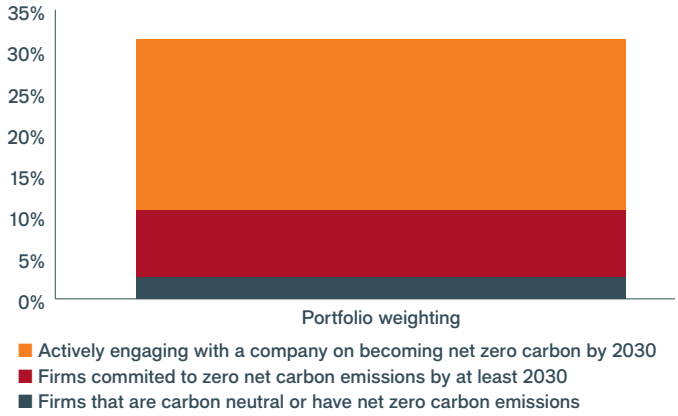
B Have strategies using current technologies to achieve net-zero carbon emissions by no later than 2030.

C Actively engaging with the asset manager to meet point B.

The strategy comfortably meets the NZC10 standard with more than 10% of portfolio assets invested in companies that are already carbon neutral or have clear strategies in place to become carbon neutral by 2030. Active engagement on the standard raises our achievement to more than 30%:

A key outcome of committing to NZC10 has been the impact it has had on our engagement, galvanising our discussions with companies that have started a low-carbon journey but, as yet, have no explicit targets to achieve neutrality by 2030. This engagement has been positively received, strengthening our relationship and dialogue with the companies we invest in.

One clear impact of this has been our engagement with Microsoft. In Q3 2019 we began speaking to Microsoft about its Science Based Targets and whether the company would go carbon neutral based on scope 1, 2 and 3 emissions. At the time the company told us that it had set a target to be carbon neutral based on scope 1, 2 and 3 emissions by 2030. In January 2020, Microsoft announced its commitment to be carbon negative by 2030. We are using the success of Microsoft to encourage other companies to become carbon neutral.



EXAMPLES OF ENGAGEMENT

Sustainability initiatives and reporting

Categories: Environment and Social and Governance

As previously mentioned, our engagement approach is built on the premise of partnership and collaboration. There were a number of occasions during the year when companies sought our opinion or advice to strengthen an aspect of their sustainability efforts.

AIA is a pan-Asian insurance provider headquartered in Hong Kong. It has a presence in 18 different countries and provides a wide range of products including retirement savings plans, life insurance, and accident and health insurance. The company reached out to us to discuss their ESG reporting and TCFD.

AIA Group's ESG reports have consistently improved year after year, however, we expressed concerns to the company that it underreported some of its activities, in particular its contribution to the UN Sustainable Development Goals (SDGs) and its employee programmes for wellness and work-life balance. Outside of the meeting we continued the dialogue on reporting and also shared some of our practices as sustainable investors.

The company is working on improving scenario analysis for TCFD reporting as the data is weak in Asia and Australia, especially for the risk factors that impact its business (such as temperature rise and increase in extreme weather). We have put AIA in contact with ClimateWise, a Cambridge University led working group, which has the objective of supporting the insurance industry to better communicate, disclose and respond to the risks and opportunities associated with the climate-risk protection gap. We also urged the company to partner with academics within the regions the company operates in.

Key engagement topics for 2020

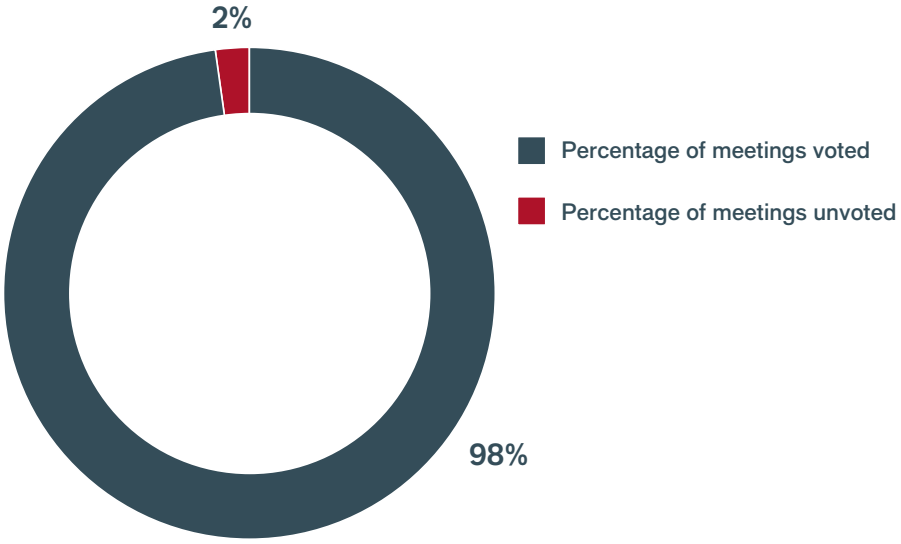
An important element to investing with positive impact is how the results of our sustainability analysis (SDGs, ESG KPIs, current events) informs our engagement work. This not our complete engagement list, nor is it a fixed list and may change depending on the activities of the company and the materiality of certain topics.

Corporate Reporting	• CSR Reporting • Environmental Reporting – GRI/CDP/SASB • United Nations' Sustainable Development Goals
NZC10	• Reporting scope 1,2 and 3 emissions • Setting targets for carbon neutrality by 2030
Gender	• Equality in products
Race	• Equality for employees

VOTING

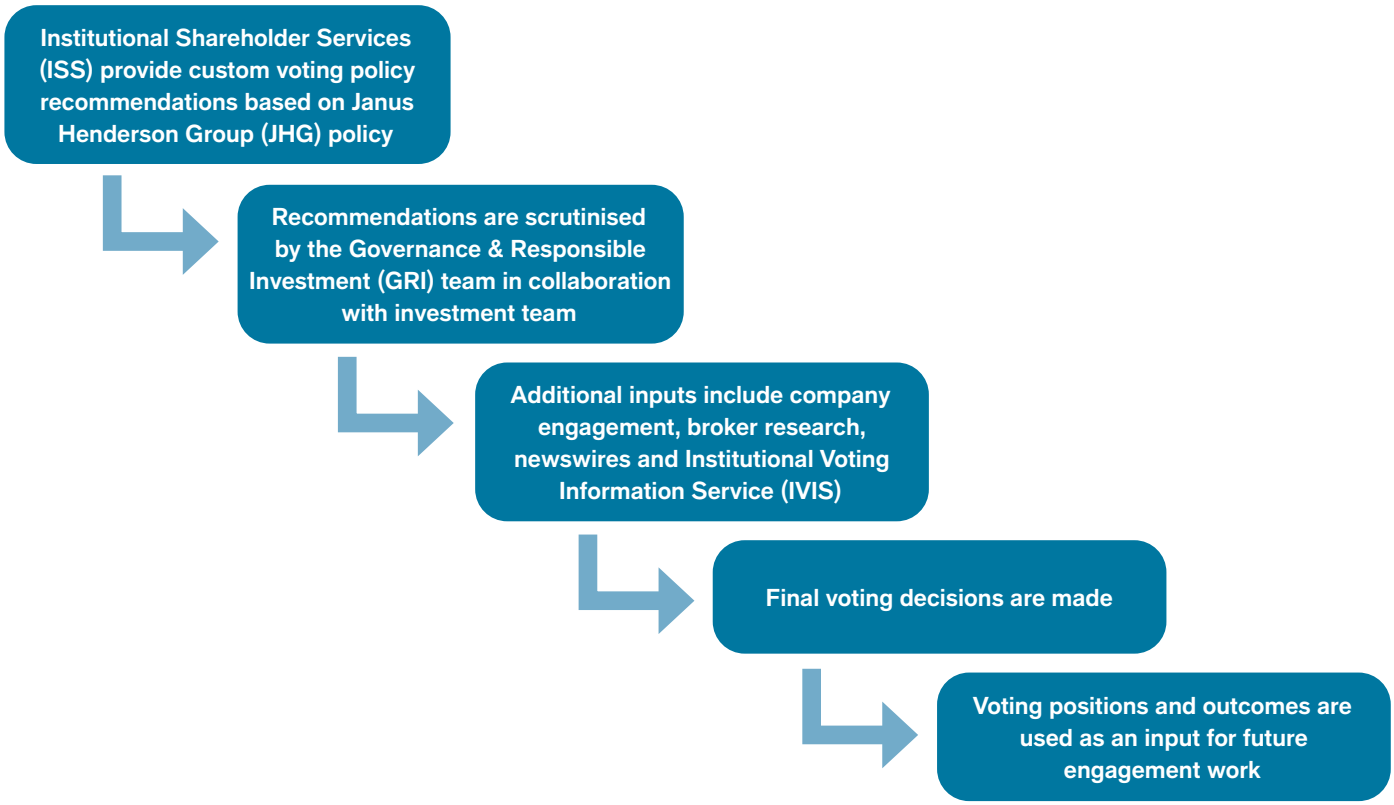
Exercising our shareholder rights, and being transparent is a core aspect of sustainable investment.

As shown below, we have voted on almost every meeting available. Janus Henderson has a policy of not voting on meetings in special circumstances. For example in some markets shares must be suspended from trading ('blocked') for a specified period before general meetings if voting rights are to be exercised. Such restrictions may place constraints on portfolio managers and could mean that exercising proxy votes may not be in a client's interest; while in other markets casting proxy votes may involve costs that are disproportionate to any benefit gained. When these conditions exist Janus Henderson will vote only in exceptional circumstances.



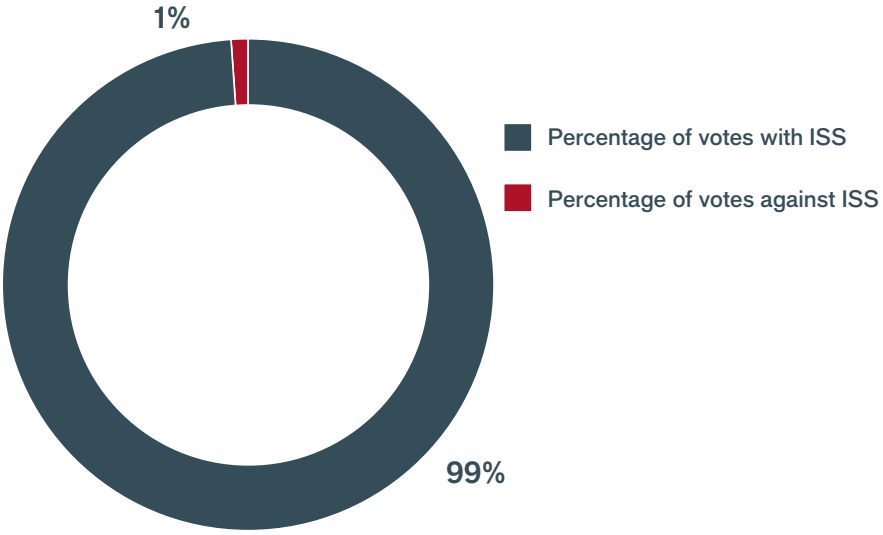
Proxy votes

Janus Henderson's Responsible Investment Policy contains further information in respect of our proxy voting policy. All voting is specific to the strategy; however, we do use ISS to inform our voting decisions.



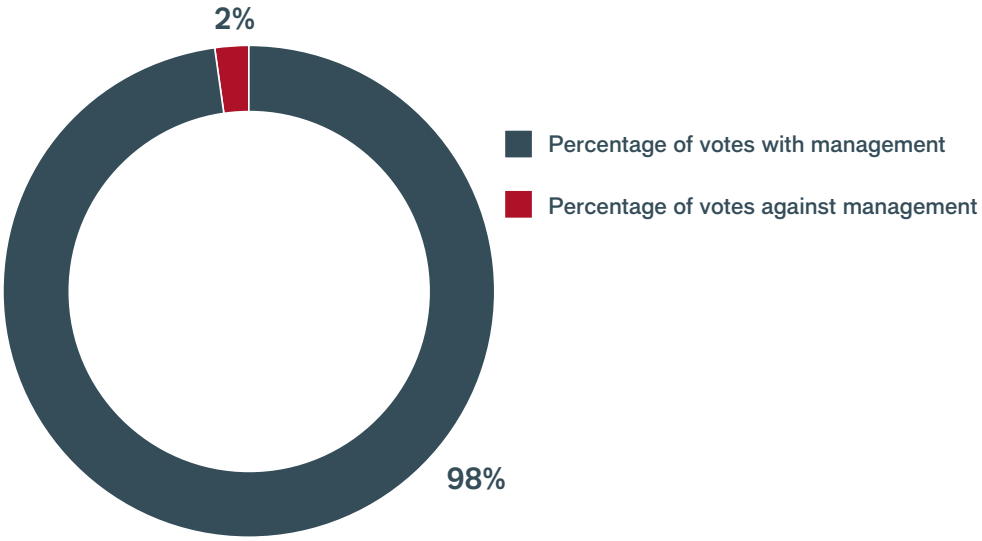
VOTING

We emphasise that ISS only informs our decisions, and does not do the thinking for us. As a result, there have been a few times that we have voted against ISS's recommendations.



Votes against management

The strategy makes a conscious effort only to invest in companies where the ethos and aims of the company are aligned with our own, which means we rarely vote against management. When we do, it is a considered decision that usually involves engagement before, and after, the vote.



VOTING

The votes against management are shown below along with explanations:

Company name	Proposal code description	Proposal text	Rationale
Evoqua Water Technologies Corp	Elect Director	Elect Director Judd A. Gregg	Vote WITHELD due to concerns over corporate governance practices including shareholder rights, board diversity and remuneration. (This was applied to election of Harbhajan Bhambri, Judd A. Gregg and Lynn C. Swann.)
	Elect Director	Elect Director Lynn C. Swann	
	Elect Director	Elect Director Harbhajan (Nick) Bhambri	
	Advisory vote to ratify named executive officers' compensation	Advisory vote to ratify named executive officers' compensation	Voted AGAINST due to concerns over the structure of the company's incentive plan
Orange SA	Authorise capitalisation of reserves for bonus issue or increase in par value	Authorise capitalisation of reserves of up to EUR 2 billion for bonus issue or increase in par value	A vote AGAINST this was warranted as it can be used during a takeover period.
	Authorise board to increase capital in the event of demand exceeding amounts submitted to shareholder vote	Authorise board to increase capital in the event of additional demand related to delegation submitted to shareholder vote	A vote AGAINST this was warranted as it can be used during a takeover period.
	Allow board to use all outstanding capital authorisations in the event of a public tender offer or share exchange offer	Allow board to use delegations in the event of a public tender offer	A vote AGAINST these antitakeover mechanisms were warranted on a number of occasions..
Adobe Inc.	Gender pay gap	Report on gender pay gap	A vote FOR this proposal was warranted, as shareholders would benefit from additional information allowing them to better measure the progress of the company's diversity and inclusion initiatives.
Getlink SE	Approve modification in share ownership disclosure threshold	Amend article 14 of bylaws re: shareholding disclosure thresholds	A vote AGAINST this item was warranted as it would unnecessarily increase the burden of the notification process for shareholders.
Xylem Inc.	Amend articles/bylaws/charter - call special meetings	Reduce ownership threshold for shareholders to call special meeting	A vote FOR this proposal was warranted as it would further enhance shareholder rights.
Equinix, Inc.	Political contributions disclosure	Report on political contributions	A vote FOR this resolution was warranted, as additional disclosure of the company's political contributions, including trade association memberships and payments, and the company's oversight mechanisms regarding those contributions would allow shareholders to better assess related risks.

Note: on occasions where we have voted FOR in the above table, the management have recommended that we vote AGAINST the resolution. We have therefore voted against management.

Company name	Proposal code description	Proposal text	Rationale
Mastercard Incorporated	Gender pay gap	Report on gender pay gap	A vote FOR this proposal was warranted, as shareholders would benefit from additional information allowing them to measure the progress of the company's diversity and inclusion initiatives.
Cognizant Technology Solutions Corporation	Political contributions disclosure	Report on political contributions	A vote FOR this proposal was warranted. The company does not disclose its political contributions or sufficiently detailed information about its participation in trade association or other tax exempt organization, and related board oversight. Disclosure of this information could help shareholders evaluate more comprehensively Cognizant's political activities and related risks and benefits.
Lam Research Corporation	Advisory vote to ratify named executive officers' compensation	Advisory vote to ratify named executive officers' compensation	Voted AGAINST due to concerns over the performance criteria applied to executive share incentive awards.
Microsoft Corporation	Gender pay gap	Proposal made by shareholders: report on gender pay gap	Microsoft's management advised to vote against this proposal. However, we believe that a vote FOR this proposal is warranted as shareholders could benefit from additional information allowing them to measure the progress of the company's diversity and inclusion initiatives.

Note: on occasions where we have voted FOR in the above table, the management have recommended that we vote AGAINST the resolution. We have therefore voted against management.

TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES REPORTING

To help identify the information needed by investors, lenders, and insurance underwriters to appropriately assess and price climate-related risks and opportunities, the Financial Stability Board established an industry-led task force: the Task Force on Climate-related Financial Disclosures (TCFD). The Task Force released its final report in June 2017, which considered industry and other public feedback received throughout 2016 and 2017.

We welcome and fully endorse the recommendations of the Financial Stability Board's TCFD and the increased focus on climate change. Therefore, we have sought to report in line with these recommendations. Our disclosure will focus on how we incorporate **transitional risk and physical risk** factors and opportunities.

We will be reporting in line with the TCFD's Core Elements of Recommended Climate-Related Financial Disclosures.

Governance and strategy

Ever since the launch of the Global Sustainable Equity Strategy in 1991 we have had clearly defined principles concerning the types of businesses to which we will allocate capital. A distinguishing feature of our strategy is our low carbon approach. We believe it makes good investment sense to avoid investing in companies that are heavily exposed to either, or both, physical climate change risk and transitional climate risk (in regard to carbon and the transition to a low carbon economy). We also believe it makes good investment sense to invest in climate-related opportunities. Our investment approach is aligned with the transition to a lower-carbon economy that is consistent with a 2°C or lower scenario.

The full details of how we factor climate change risk into our investment approach is delineated in our Investment Principles. Janus Henderson's Ethical Oversight Committee oversees the development, management and implementation of the avoidance criteria and meets four times per year.

The multiple levels to our low carbon investment approach[6].

1. **We do not invest in fossil fuels**
   This includes fracking and tar sands.
2. **We do not invest in suppliers to fossil fuel producers**
   e.g. oil services.
3. **We do not invest in fossil fuel technology**
   e.g. diesel engines and turbines for fossil fuel power stations.
4. **We do not invest in high carbon emitters**
   e.g. fossil power generation, cement and airlines.
5. **We invest in solution providers (positive themes)**
   e.g. renewables, batteries, efficiency, electrification, semiconductors, building materials and design.
6. **We enage with companies in our portfolio on carbon reduction and elimination**

[6] The full details of our investment approach can be found in our Investment Principles

TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES REPORTING

Risk management, metrics and targets

Our strategy incorporates climate-related risk into the ESG analysis for every company in our investment portfolio. We consider transitional, physical, and regulatory risks and opportunities associated with the company, and then seek to engage on potential improvement points.

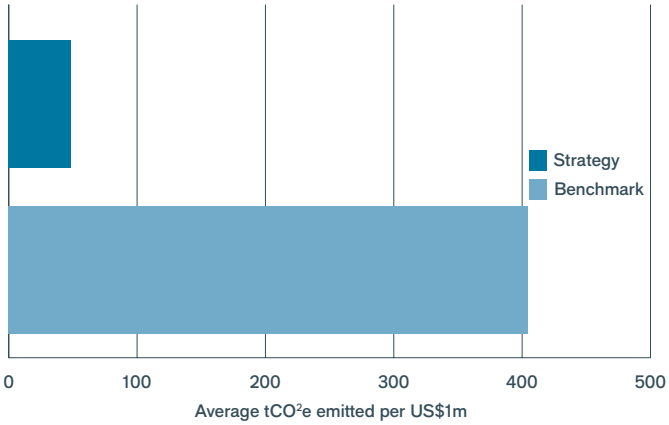
The strategy has a target of ensuring that the companies within its investment portfolio are either already carbon neutral or will be by 2030 (see Engagement section for more information). We believe that only an active management solution can deliver a truly low carbon portfolio and, at the same time, specifically target investment in companies playing a positive role in the transition to a low carbon economy.

We use a variety of metrics and tools to manage and monitor our alignment with the 2°C scenario mentioned within the Paris Agreement. We will be discussing the following metrics based on the investment portfolio as of 31 December 2019:

- Carbon Footprint
- Scenario Analysis
- 2Dii PACTA Model
- Stress Testing

Carbon footprint

When we compare the strategy to our benchmark index we significantly outperform.



Source: Janus Henderson Investors, ISS Climate Impact, latest available data as at 31 December 2019. Benchmark: MSCI World Total Return Index.

Carbon footprint methodology

ISS' methodology takes emissions data, where self-reported or disclosed to the Carbon Disclosure Project (CDP), and uses algorithms to estimate figures when unavailable. For the calculation for each company three levels of emissions data are added together.

They comprise:

- Direct CO_2e emissions produced by the company ('Scope 1' emissions)
- CO_2e generated by purchased electricity ('Scope 2' emissions)
- All indirect emissions (not included in scope 2) that occur in the value chain of the reporting company, including both upstream and downstream emissions ('Scope 3' emissions)

Once the company's footprint has been calculated, the portfolio is allocated a carbon emission figure based on the level of equity it owns. For example, if the portfolio owns 1% of the shares in company X, it will be allocated 1% of the company's total emissions.

This same process is used to calculate emissions for each stock in the portfolio, and these are added together to gain a figure for the total emissions 'owned'. We calculate this again for the benchmark index, using the assets under management (AUM) figure that is equivalent to the strategy's total AUM.

The final calculation scales this figure down to estimate how many tons of CO_2e a US$1m dollar investment into the strategy would buy, compared to a $1m dollar investment in its benchmark index.

We are limited by the lack of data on the embodied carbon of the products in our strategy. But, due to the strategy's strategic focus on sustainability, in particular the fact that we do not invest in any fossil fuels or contentious industries, we estimate that performance would be significantly better were it possible to assess this.

TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES REPORTING

Climate scenario analysis

The ISS climate scenario analysis compares current and future portfolio greenhouse gas emissions with the carbon budgets for a below 2°C scenario as well as warming scenarios of 4°C and 6°C until 2050. The ISS carbon footprint data informs the scenario model.

The strategy as of the 31 December 2019 is aligned with a 2°C scenario for the full analysed period (until 2050).

Year	2°C Emission Budget	4°C Emission Budget	6°C Emission Budget
2019	✔		
2020	✔		
2030	✔		
2040	✔		
2050	✔		

Source: Janus Henderson Investors, ISS Climate Impact, latest available data as at 31 December 2019.

Our intention is to be aligned with the 1.5°C scenario mentioned by the Intergovernmental Panel on Climate Change in its Global Warming of 1.5°C report, published in October 2018. At the time of conducting this scenario analysis, a 1.5°C scenario was not available.

2Dii PACTA model

The 2Dii PACTA Model generates a limited 'point in time' estimate used to analyse alignment, over the next five years of our investment portfolio to the International Energy Agency's 2°C scenario. This analysis focuses on the most carbon intensive sectors for which energy transition risk can be estimated.

The analysis found that 5.5% of the portfolio had exposure to climate relevant sectors. The areas of exposure are shown below along with the 5-year trend for alignment to the 2°C scenario. The portfolio has very little exposure to companies that are exposed to carbon risk with no investments in fossil fuels. Aviation, shipping or heavy industries; and our investments in the automotive and power sectors are already aligned with a sub-2 degree scenario.

Climate Relevant Sectors	Exposure?	Five Year Trend
Fossil Fuels	None	N/A
Automotive	Yes	1.75°C – 2°C
Aviation and Shipping	None	N/A
Power	Yes	≤1.75°C
Cement and Steel	None	N/A

Source: Janus Henderson Investors, 2Dii PACTA Model, latest available data as at 31 December 2019.

Stress testing

The Bank of England has specified three exploratory tests for financial portfolios. These scenarios consider both physical risks and transition risks. We entered our investment portfolio 2Dii data into the Bank of England's calculator. The scenarios are described below, along with changes to the portfolio's value and, for comparison, the MSCI World benchmark's value. The analysis shows that the portfolio is more resilient than the benchmark.

Name	Key assumptions	Temperature rise	Year of impact	Change to portfolio value	Change to Benchmark value
Scenario A	Sudden disorderly transition (Minsky moment) that follows from rapid global action and policies.	Below 2° C by 2100	2022	-0.20%	-3.52%
Scenario B	Long-term orderly transition that is broadly in line with the Paris Agreement	Well below 2°C by 2100	2050	-0.53%	-4.78%
Scenario C	No transition and a continuation of current policy trends	Exceeding 4°C by 2100	2100	-5.64%	-6.59%

Source: Janus Henderson Investors, Bank of England Stress Test, latest available data as at 31 December 2019.

The results illustrate that the investment portfolio is resilient to major climatic shocks. However, we would like to improve on these figures, therefore we will continue to engage with companies on being part of the transition.

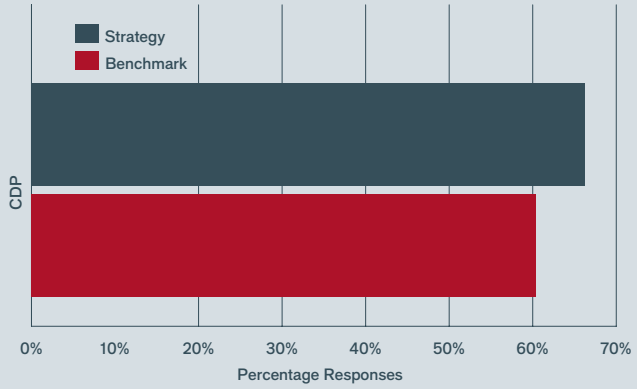
ESG KEY PERFORMANCE INDICATORS

All companies that are assessed for inclusion into the strategy must demonstrate acceptable management of their corporate responsibility. We believe that environmental, social, and governance (ESG) factors can have a material impact on financial returns. There are a myriad of ESG factors, which can vary in importance depending on a company's operational sector/industry. A variety of internal and external resources are used to identify and analyse key ESG issues. We also work closely with the Janus Henderson Governance and Responsible Investment Team.

The KPIs shown below illustrate some of these measurements. Detailed below is the calculation methodology, the importance of the metric and, where necessary, potential work to be undertaken in the future.

CDP disclosure

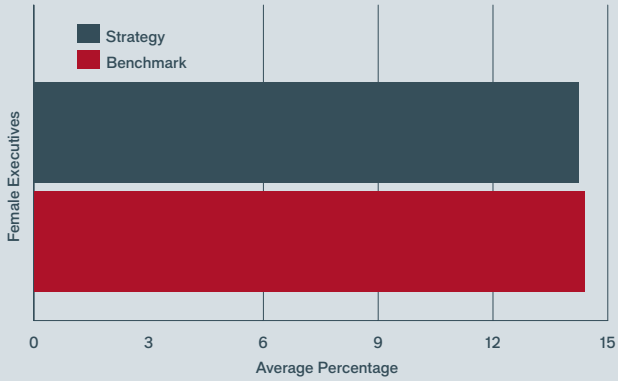
The Carbon Disclosure Project (CDP) organisation has become the 'gold standard' for reporting globally on carbon emissions, climate change risks, and opportunities. We encourage portfolio companies to participate in the disclosure project. Below is the percentage of portfolio companies responding to the CDP within the last 3 years compared to benchmark companies. Climate change is a key engagement topic for the strategy.



CDP participation among our companies surpasses the benchmark. What is not reflected is the fact that some businesses within the portfolio have chosen to report their emissions outside of the CDP. Carbon reporting and carbon neutrality are permanent and ongoing engagement topics for the strategy and there are several other carbon related metrics that we report on including a TCFD report and the NZC10 standard.

Female executives

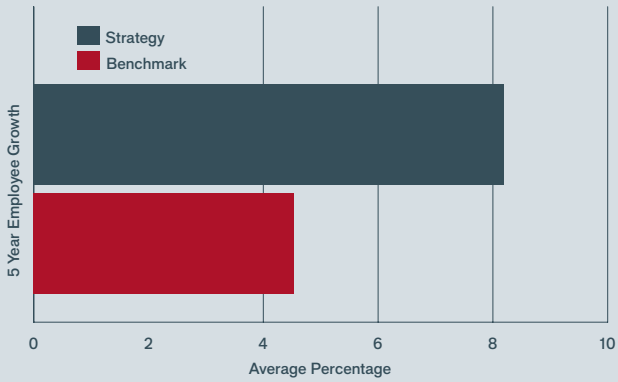
Our investment process includes analysis of diversity and inclusion. We believe that diversity of thought and background is essential, and the number of female executives on the management team is one aspect of that diversity. Women are rising through the ranks of some major organisations, however there is more work to be done. Here is the percentage of female executives in the management team reported as an average of the portfolio and benchmark.



In this instance, we have marginally underperformed compared to the benchmark. However, it is promising to note that our portfolio percentage of female executives has improved since last year and suggests that our increased efforts to make gender diversity a key topic of engagement in 2019 made a difference. The work is still ongoing and gender remains a key engagement topic for 2020.

Five-year employee growth

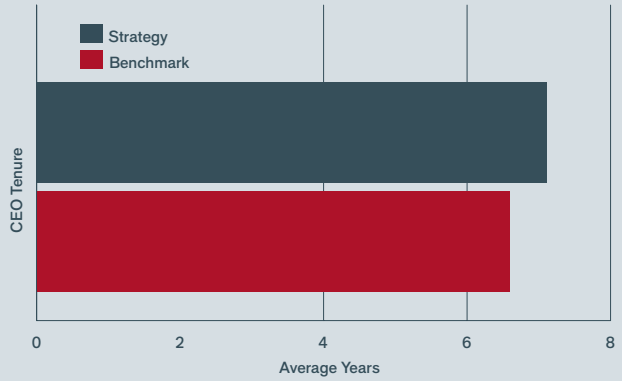
We believe there is close link between sustainability, innovation and growth, and we look to invest in companies that are growing. Growth is important because it creates jobs and helps contribute towards social goals. We engage regularly with companies on topics of human capital management and employee initiatives. Five-year employee growth figures show the percentage geometric growth rate over five years in number of employees reported as an average of the portfolio and benchmark. We decided upon a five-year figure because it dampens the effects of significant one-off corporate events around merger and acquisition activity or restructuring.



ESG KEY PERFORMANCE INDICATORS

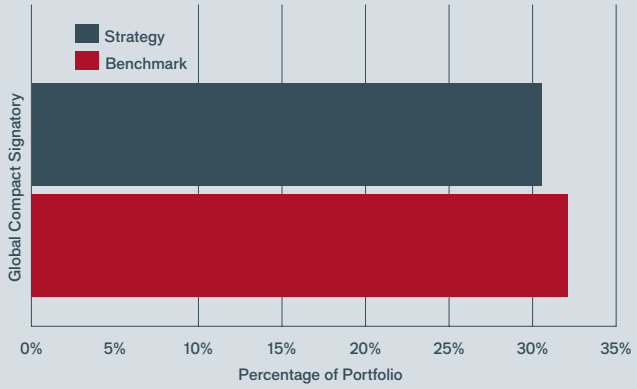
CEO tenure

This is the length of CEO tenure in years, reported as an average of the portfolio and benchmark. The strategy invests on a long-term time horizon and seeks management teams whose views and commitments are equally long-term in nature. Although a change of management may sometimes help a business that is struggling, the ability to implement a long-term strategy often benefits from CEOs that remain in place long enough to deliver it. We believe that companies with a long-serving CEO are more likely to be focused on sustainability issues, with positive implications in respect of corporate resilience and job security for employees.



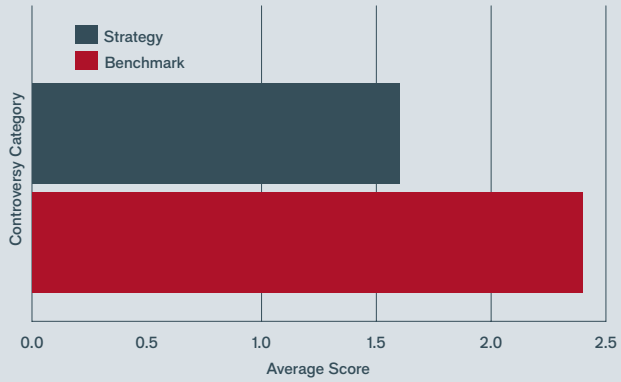
UN global compact signatory

This is the percentage of companies that are signatories of the UN Global Compact (UNGC). The global compact is a set of ten principles that organisations sign up to voluntarily. The principles are focused on four areas: Human Rights, Labour, Environment, and Anti-Corruption. Many companies are opting to meet the UNGC without becoming a signatory of the principles. We support the Global Compact and recommend that organisations commit to the principles.



Company controversies

We use Sustainalytics to help us identify when organisations have alleged involvement in controversies related to their business or ESG practices. The category score reflects a company's level of involvement in issues with negative ESG implications. The score is driven by stakeholder impact, reputational risk, and management response. A score of 1 is low and a score of 5 is high. The Key Performance Indicator is reported as an average of the portfolio and benchmark. Controversies can lead to value destruction and one of the benefits of performing ESG analysis before we make an investment is our belief that companies with strong management of ESG risks are less likely to be involved in controversies. Our investment process also looks to avoid investing in companies with severe controversies that have not been addressed and remediated. When controversies arise in portfolio holdings we seek to engage with the company in question in order to determine materiality and assess the strength of response.



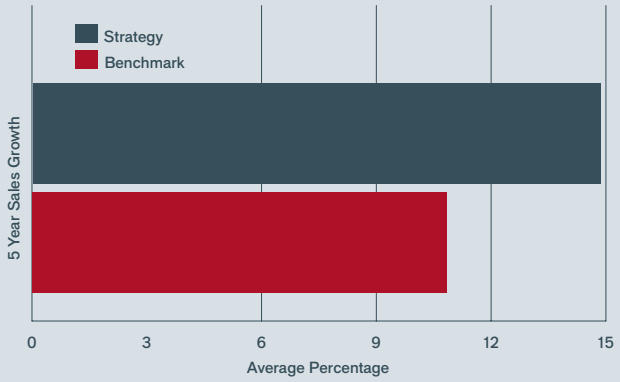
ESG KEY PERFORMANCE INDICATORS

Five-year sales growth, profit growth, R&D spend

These three metrics are indicators of innovation and corporate vitality. We see a close link between sustainability, innovation and growth. Scientific and technological progress is essential if we want to resolve the conflict between environmental and social sustainability that is a feature of our current economic model.

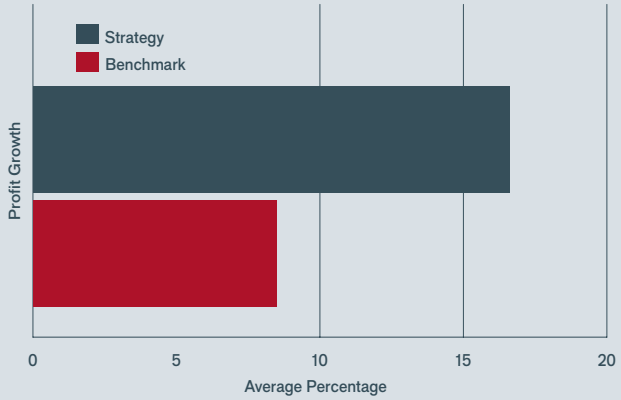
Five-year sales growth

This is the average sales growth over a five-year period and is reported as the average of the portfolio and benchmark. We decided upon a five-year figure because it dampens the effects of significant one-off corporate events around merger and acquisition activity or restructuring.



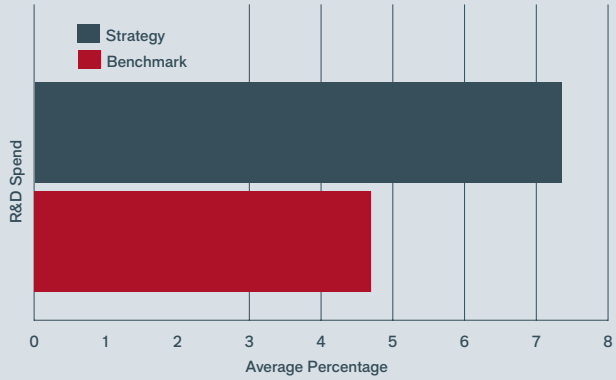
Profit growth

This is the average compound 5-year growth rate of Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA), reported as the average of the portfolio and benchmark. EBITDA is a particularly useful metric as it is less prone to accounting manipulations than net income.



R&D spend

This is the average research and development (R&D) expenditures as a percentage of revenue (net sales). This is reported as the average of the portfolio and benchmark.



MEET THE TEAM

The team is made up of financial and sustainability specialists with over 50 years of combined experience. The experience is diverse, adding to the team's ability to invest in varied markets across the globe.

Our team compliments the Janus Henderson corporate social responsibility strategy by being advocates of sustainability, being engaged in our communities, and having the client's best interests at the centre of everything we do.

Hamish Chamberlayne, CFA | Head of Global Sustainable Equity

Hamish Chamberlayne is Head of Global Sustainable Equity at Janus Henderson Investors. He is also Portfolio Manager of the Janus Henderson Global Sustainable Equity and Institutional Global Responsible Managed strategies, a role he has had since 2012. Hamish joined Henderson in 2011 from Gartmore, where he was an equity analyst with the global equity team. Prior to this, from 2004 to 2007 he worked as a senior auditor at PricewaterhouseCoopers, where he covered a variety of sectors, including energy, technology, and communications.

Aaron Scully, CFA | Portfolio Manager

Aaron Scully is a Portfolio Manager on the Global Sustainable Equity Team at Janus Henderson Investors, a position he has held since 2019. From 2017, he was an assistant portfolio manager and was a research analyst from 2009 to 2019 focused on the real estate, infrastructure and financial sectors. Aaron joined Janus in 2001 as a corporate financial analyst, became a research associate in 2004 and was promoted to junior equity analyst in 2007.

Ama Seery, CEnv | Sustainability Analyst

Ama Seery is an Sustainability Analyst at Janus Henderson Investors, a position she has held since 2018. Prior to joining Janus Henderson, Ama worked as a sustainability professional in the property sector, first acting as a scheme manager for BREEAM (green building certification). She went on to teach others how to certify green buildings before moving into constructing them.

Steve Weeple | Client Portfolio Manager

Steve Weeple is the Client Portfolio Manager for several Global & Emerging Market equity strategies at Janus Henderson Investors. Prior to this he was a portfolio manager on our UK-based Global Equities team. He joined Janus Henderson in 2017 after 16 years at Standard Life Investments, where he held a number of senior positions, including global equity portfolio manager, director of equity research and head of US equities.

Tim Brown | Senior Product Specialist

Tim Brown is a Senior Product Specialist at Janus Henderson Investors, responsible for a number of Global and Sector equity products. Prior to joining Janus Henderson in 2018, he spent 8 years at Vanguard Asset Management performing a number of roles. In his most recent role, he served as a Product Specialist covering a variety of active Global equity funds and was responsible for conducting investment reviews and finals pitches to a global investor audience.

Global research network		Risk management network
eQuantum proprietary research tool	**Centralised research** 32 sector specialists with an average of 16 years of financial industry experience	• **Governance & Responsible investment team** • **Ethical oversight committee** • **Portfolio risk & Analytics** • **Investment risk management** • **Investment compliance**
Regional investment teams • Global equity • Europe equities • UK equities • Japanese equity • Asia equity • Emerging Market equity	**Specialised research** • Technology • Property • Global Natural Resources • Fixed income	

Discrete performance - USD (%)	Dec 2014 - Dec 2015	Dec 2015 - Dec 2016	Dec 2016 - Dec 2017	Dec 2017 - Dec 2018	Dec 2018 - Dec 2019
Global Sustainable Equity Composite (gross)	-0.98	2.97	31.10	-11.08	39.04
Global Sustainable Equity Composite (net)	-2.63	1.27	28.94	-12.58	36.77
MSCI World Total Return Index	-0.32	8.15	23.07	-8.20	28.40

Past performance cannot guarantee future results. Investing involves risk, including the possible loss of principal and fluctuation of value. Data provided are for illustrative purposes only and should not be misconstrued as advice. Returns greater than one year are annualised. Returns are expressed in US dollars. If you are investing in a different currency than shown, this may cause figures to differ. Composite returns are net of transaction costs and gross of non-reclaimable withholding taxes (if any and unless otherwise noted), and reflect the reinvestment of dividends and other earnings.

The gross performance results presented do not reflect the deduction of advisory fees, and returns will be reduced by such advisory fees and other contractual expenses as described in the individual contract and, where applicable, in Form ADV Part 2A.

Net performance results do not reflect the deduction of investment advisory fees actually charged to the accounts in the composite but they do reflect the deduction of model investment advisory fees based on the maximum fee rate in effect for the respective time period, adjusted for performance-based fees where applicable. Actual advisory fees may vary among clients invested in the strategy shown and may be higher or lower than model advisory fees. Returns for each client will be reduced by such fees and expenses as negotiated in any client contract and, where applicable, in Form ADV Part 2A.

Information relating to portfolio holdings is based on the representative account in the composite and may vary for other accounts in the strategy due to asset size, client guidelines and other factors. The representative account is believed to most closely reflect the current portfolio management style.

Contact us
www.janushenderson.com

Janus Henderson
INVESTORS

Important Information

All data sourced from Janus Henderson Investors (as at 31 December 2019), unless otherwise stated. Past performance is not a guide to future performance. The value of an investment and the income from it can fall as well as rise and investors may not get back the amount originally invested. There is no assurance the stated objective(s) will be met. Nothing in this document is intended to or should be construed as advice. This document is not a recommendation to sell, purchase or hold any investment.

There is no assurance that the investment process will consistently lead to successful investing. Any risk management process discussed includes an effort to monitor and manage risk which should not be confused with and does not imply low risk or the ability to control certain risk factors.

Various account minimums or other eligibility qualifications apply depending on the investment strategy, vehicle or investor jurisdiction. We may record telephone calls for our mutual protection, to improve customer service and for regulatory record keeping purposes.

108563/0620