THE FOUR PILLARS OF SUSTAINABLE INVESTING

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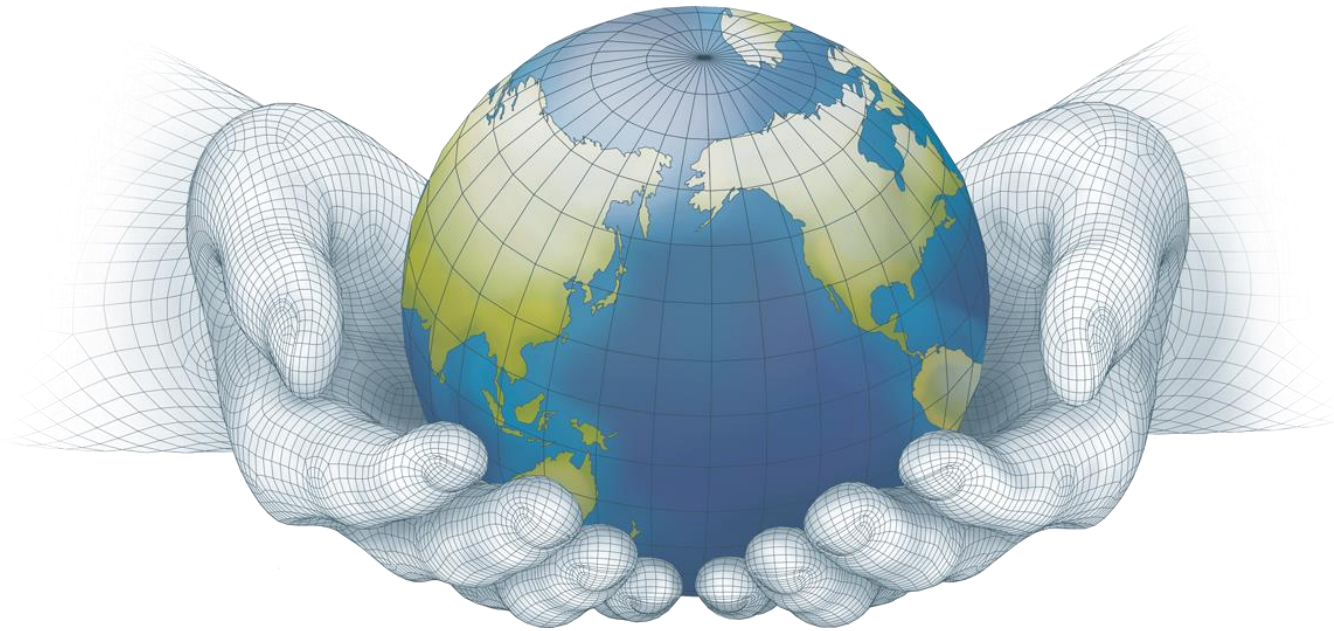

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LEARNING OBJECTIVES

Innovation is fast becoming synonymous with sustainable development objectives of companies. The speed of change is rapid, and we anticipate a decade of significant change.

- The importance of identifying companies that have a positive impact on society and the environment and the role they play.
- There are many industries that are at risk of disruption and why investors should potentially be avoiding those industries that pose significant transition risk.
- A number of dominant sustainable investment themes are already emerging; digitalisation, cleaner energy, electrification and hyper connectivity.
- Numerous companies are embracing these themes, enabling new ways of organising our economies and promoting greater efficiency and circularity.
- Engagement is a fundamentally important element of investment and increased transparency should not only be encouraged, it is necessary for progress.

Sustainable Development as defined by the United Nations:

Sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs.

Our Common Future,
The Brundtland Report, 1987

Source: UN.org

ENVIRONMENTAL AND SOCIAL MEGATRENDS PRESSURING THE GLOBAL ECONOMY

RESOURCE CONSTRAINTS

AGING POPULATION

CLIMATE CHANGE

POPULATION GROWTH

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

We think that a sustainable investment framework should seek to invest in companies that have a positive impact on the environment and society, while at the same time aim to stay on the right side of disruption.

We believe this approach will provide investors with a persistent return source, deliver future compound growth, and better downside protection.

Note: The above are the Janus Henderson Global Sustainable Equity teams' views and should not be construed as advice.

WE ARE DEPLETING OUR NATURAL CAPITAL…
WE ARE OVERSHOOTING OUR CAPACITY

How many earths do we need
If the world's population lived like …

USA	5.0	1970 – Dec 29
Germany	3.0	1980 – Nov 4
UK	2.7	1990 – Oct 11
China	2.2	2000 – Sep 23
India	0.7	2010 – Aug 7
World	1.6	2020 – Aug 22

The History of Earth Overshoot

Source: The Global Footprint Network 2020

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KEY ELEMENTS OF A SUSTAINABLY DRIVEN INVESTMENT STRATEGY

Ten Sustainable Development Investment Themes

Positive impact themes driving investment opportunities

Do No Harm, Avoidance Criteria

Activities that contribute to environmental and social harm

Fundamental Research

"Triple bottom line"
Financial analysis
ESG analysis

Active Portfolio Construction & Risk Management

Valuation framework
Portfolio fit
Engagement

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IDENTIFYING SUSTAINABLE INVESTMENT OPPORTUNITIES

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POSITIVE IMPACT COMPANIES – NIKE

Nike is the world's largest supplier of shoes and clothing. It has the stated mission of bringing inspiration and innovation to every athlete in the world.

- Alongside the health benefits of its products, Nike is a leader in sustainable manufacturing and is moving towards a low impact, closed loop model that uses reclaimed materials at the start of the manufacturing process.
- Nike is targeting using 100% renewable energy in its owned and operated facilities by 2025.
- Nike Grind, launched in 1992, uses surplus manufacturing materials to create new footwear and apparel, as well as sports surfaces.

Source: Janus Henderson Global Sustainable Equity Positive Impact Companies Report 30 June 2020

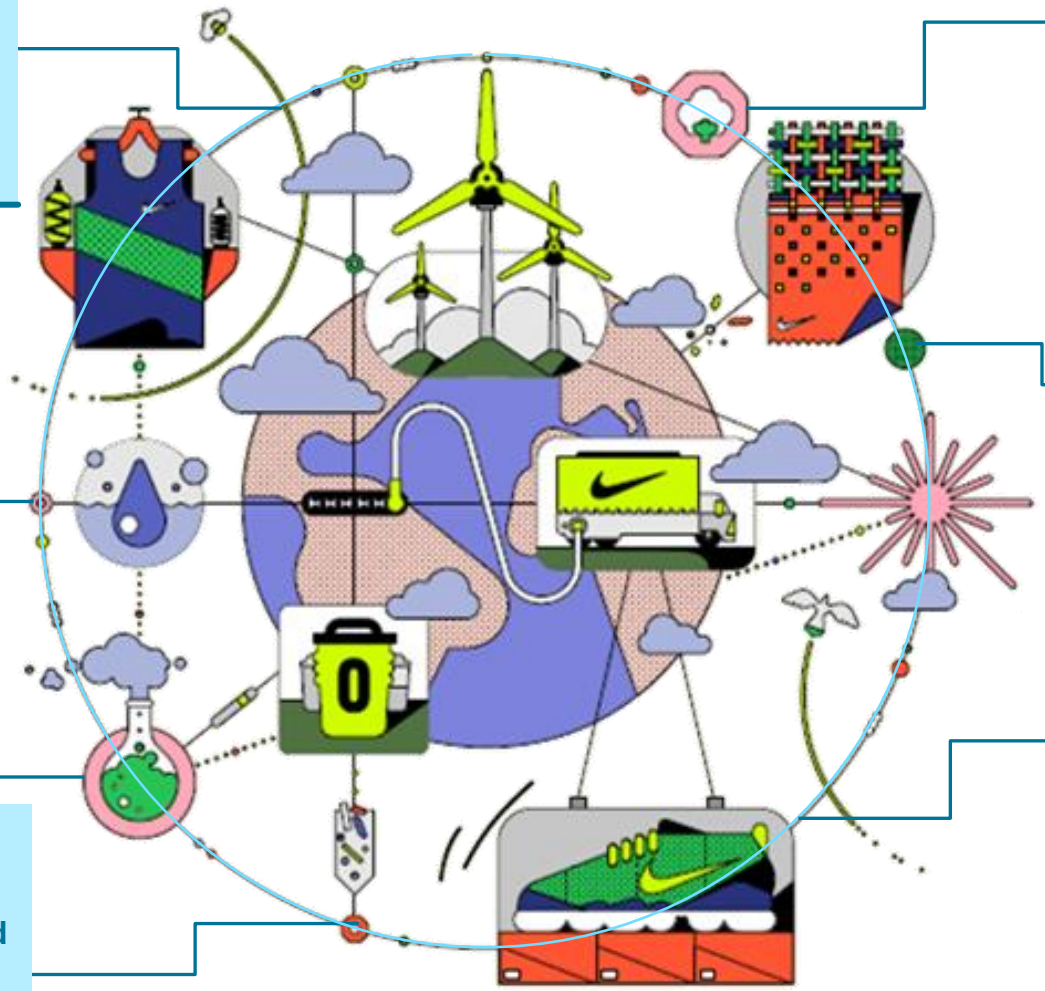
NIKE'S SUSTAINABILITY IMPACT

> 7.5B
plastic bottles diverted from landfills and waterways and transformed into recycled polyester footwear and apparel since 2010

30%
of NIKE global stores are LEED certified

98%
of tested materials in compliance with NIKE Restricted Substance List

30M
shoes recycled since Reuse-A-Shore launched 26 years ago



99.9%
of footwear manufacturing waste recycled or converted into energy

23B
fewer liters of freshwater used by material vendors since FY16

76%
of NIKE footwear and apparel styles included some recycled materials

Source: Nike Annual Impact Report 2019

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AVOIDING ENVIRONMENTAL AND SOCIAL HARM

Companies on the wrong side of environmental and social trends are often subject to both disruption and operational risk. We believe avoiding these companies protects our clients from contributing to environmental and social harm while helping better preserve long-term capital.

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Avoiding companies on the wrong side of environmental and social trends

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WRONG SIDE OF DISRUPTION: FAST FASHION

- The fashion industry is one of the **largest contributors to environmental damage**, accounting for up to **10% of global greenhouse gas emissions**.
- A number of major companies are challenging the "take-make-dispose" model by reusing and reselling unwanted apparel. In fact, the athletic **shoe resale market** has been on the rise, with the market **estimated to be valued at $2 billion in 2019 and $6 billion by 2025**.
- Adidas and Nike have invested in **developing circular business models** to make their products **more sustainable**, with the first fully recyclable running shoe to be launched in 2021.

Source: Janus Henderson Investors, and Ellen MacArthur Foundation
Note: No forecasts can be guaranteed

DISRUPTION RISK– FOSSIL FUEL EXPOSED SECTORS

Avoid Disruption Risk – Benefits of a Sustainability Driven Investment
Hypothetical Growth (cumulative growth, May 2015 – September 2020)

Source: Bloomberg, as at 25 September 2020. All data in USD.
Note: Start date determined by oldest inception of reference ETF. Airlines ETF: U.S. Global Jets ETF, Energy ETF: Vanguard Energy ETF, Oil and Gas Exploration ETF: iShares Oil and Gas Exploration ETF

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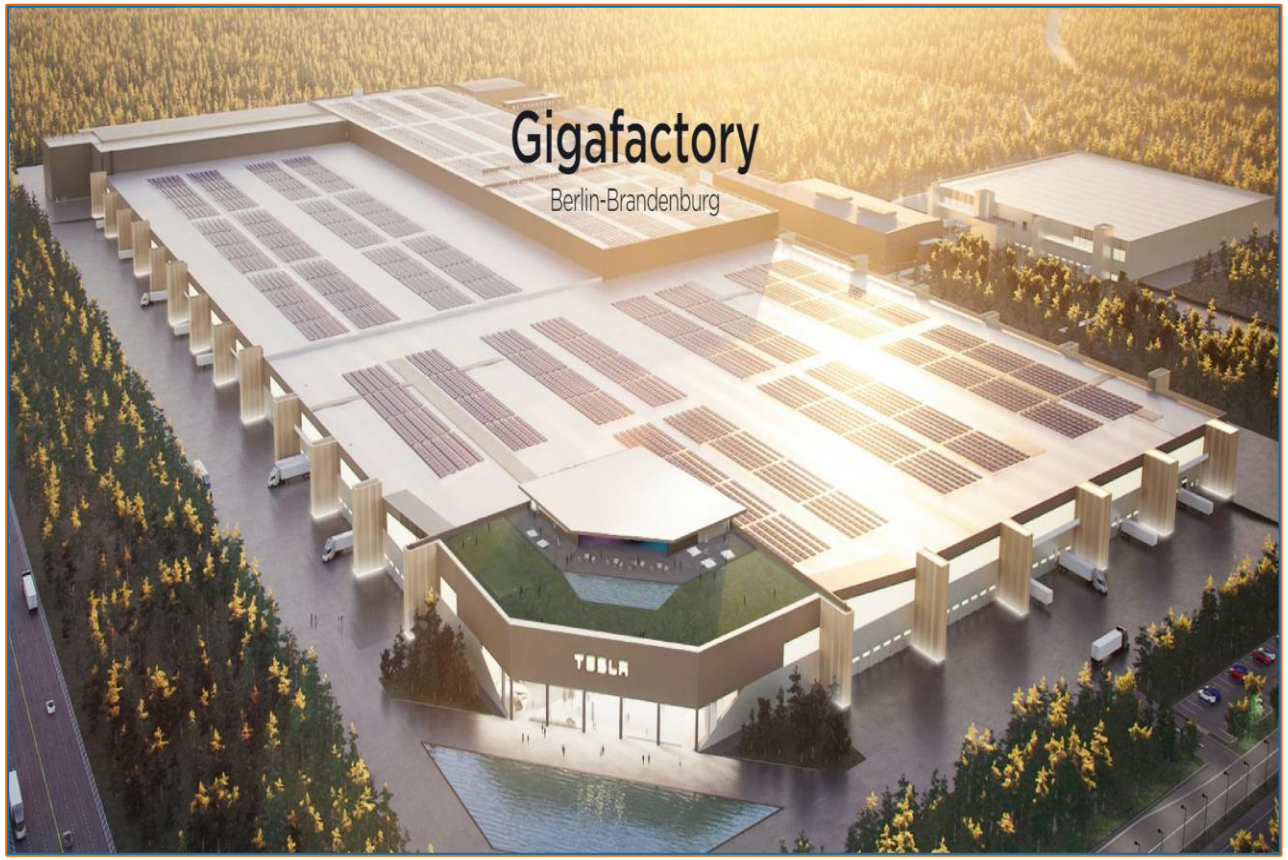
EXPLICITLY LOW CARBON

Investing in climate change solutions and avoiding fossil fuel value chain

Five Levels of Low Carbon Investing

1. Avoiding companies involved in fossil fuel extraction
2. Avoiding suppliers and service companies to the fossil fuel industry
3. Avoiding technology that relies on fossil fuels and power generated by fossil fuels
4. Avoiding carbon intensive industries
5. Actively seeking companies which are proving solutions to drive the transition to a low carbon economy;
    - Renewables and batteries
    - Efficiency and electrification
    - Semiconductors
    - Buildings and design



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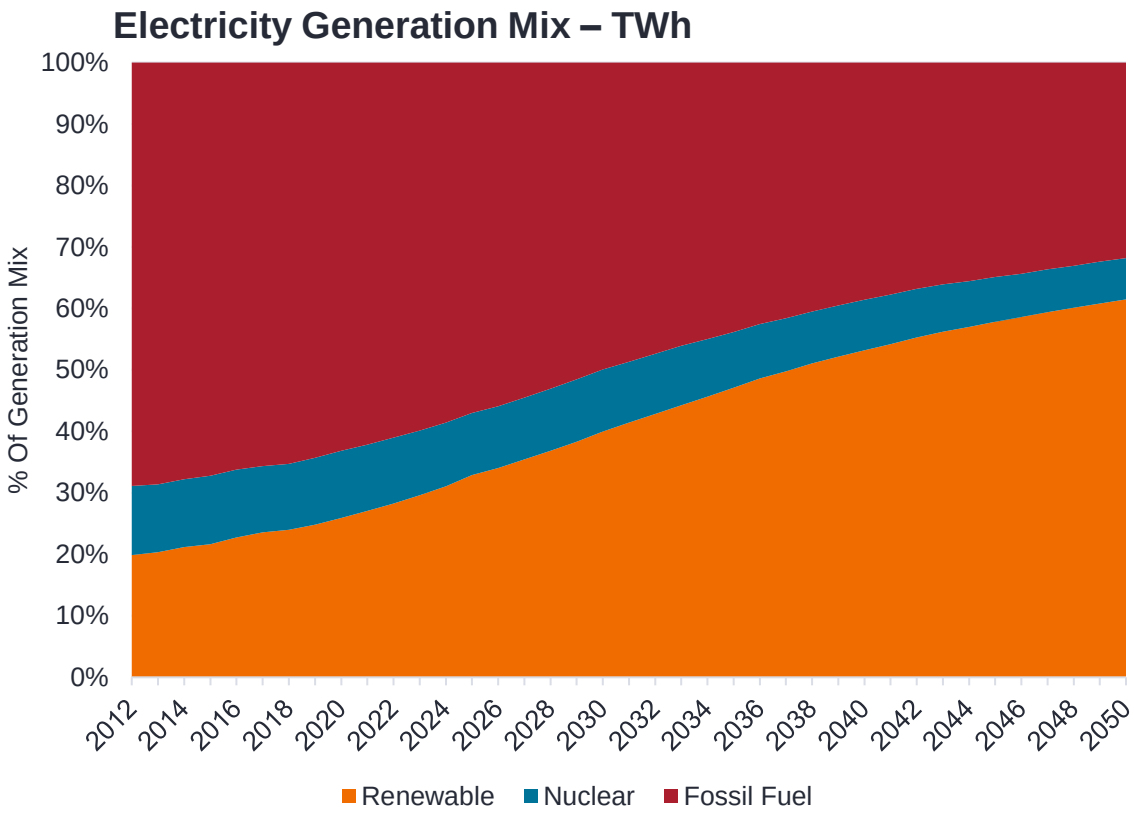
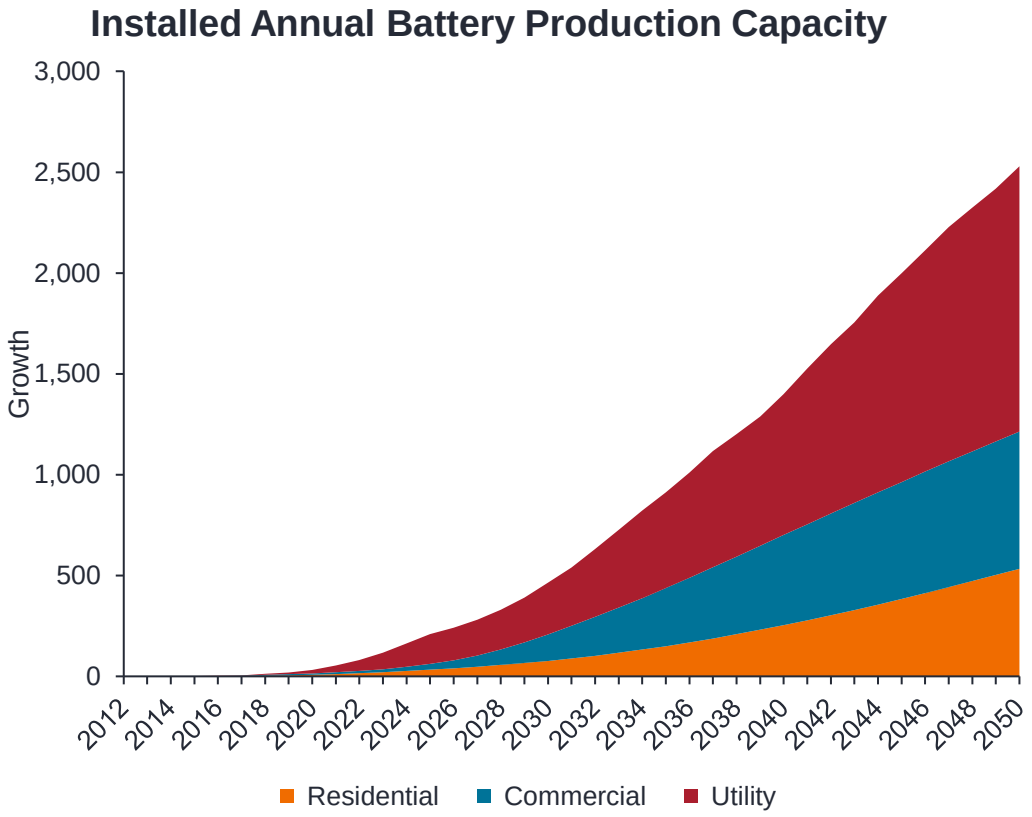
SPEEDING THE TRANSITION TO A LOW CARBON WORLD

The Global Energy Mix transformation is underway, the pairing of renewables with on-site battery storage is key





Source: Bloomberg, as at 30 August 2020
Note: No forecasts can be guaranteed

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“TERRA IS THE NEW GIGA”

Tesla’s recent battery day not only unveiled a range of innovations in the battery space, but also showcased a hugely ambitious company at the forefront of manufacturing excellence.

TESLA

“*The three parts of a sustainable energy future are energy generation, storage and electric vehicles and Tesla aims to play a significant role in all three. To achieve the transition to sustainable energy, we must produce more affordable EVs and energy storage, while building factories faster with less investment*.”

At Janus Henderson, we believe:

- Tesla **are one of the solutions** to the future of energy sustainability
- The next decade will be **the decade of EV’s**
- This transition will be **the death knell for fossil fuel**

Source: Tesla “Battery Day” 22 September 2020

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WHAT IS THE “TRIPLE BOTTOM LINE”? WHY IS IT IMPORTANT?

Companies focusing on the three Ps of the “triple bottom line”

Positive Impact Analysis:
Is the world a better place because of this company?

Financial Analysis:
Is there a large growth opportunity?

Note: The triple bottom line (TBL) is a framework or theory that recommends that companies commit to focus on social and environmental concerns just as they do on profits.

THE 3 P's IN PRACTICE

AUTODESK

Is the world a better place because of this company?

- *Global Leader in design software which contributes to sustainable buildings and circularity in consumer products.*

Is there a large growth opportunity?

- *Transition from a license based to a subscription model and long term secular tailwinds from digitalisation and need for sustainable infrastructure.*

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EVIDENCED-BASED AND SYSTEMATIC ENGAGEMENT

Collaborative Engagement Example

Net-Zero Carbon 10 commitment

- The Janus Henderson Global Sustainable Equity portfolio meets the NZC10 standard
- Commitment has galvanised our discussions with companies that have started a low-carbon journey but have no targets to achieve neutrality by 2030

Continuous Engagement Example

Cobalt supply chain

- Used the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas as a basis of engagement[1]
- Consulted with a charity worker to gain insight into the challenges[2]
- Engage with Microsoft on cobalt source and their support of Pact, an NGO that helps companies to address child labor in mineral supply chains[2]

Note: [1]UN PRI, 2018 Drilling down into the cobalt supply chain: how investors can promote responsible sourcing practices https://www.janushenderson.com/en-gb/investor/article/cobalt-saying-no-to-child-labour/

[2]The above are the Janus Henderson Global Sustainable Equity teams' views and should not be construed as advice.

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SUSTAINABILITY AND DIGITALISATION: SPEEDING THE TRANSITION TO A LOW CARBON WORLD

- The COVID-19 crisis has highlighted, and in some instances advanced, the developments made in the digital space, and has demonstrated society's ability to function effectively in a low carbon way.

- The pace of the transition to a low carbon economy is ramping up, exemplified by new climate laws enacted in the EU, and within the Global Sustainable Equity Team we believe it is important to be aligned with this sustainable future.

- Exciting advancements in the efficiency of battery technology for electric vehicles could take us one step closer to achieving a low carbon economy.

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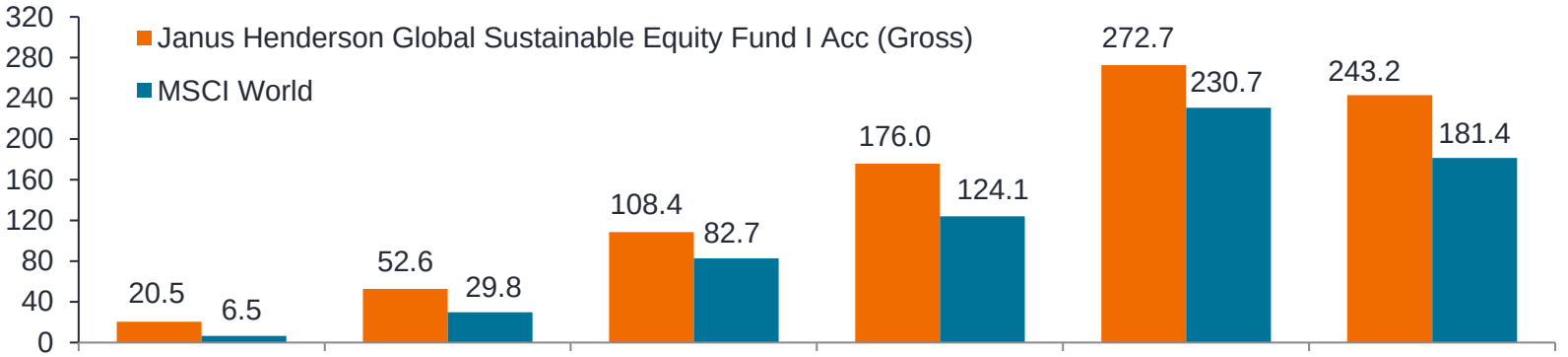
JANUS HENDERSON GLOBAL SUSTAINABLE EQUITY FUND

Cumulative Performance (%)



Annualised Performance (%)	1 Year	3 Year	5 Year	7 Year	10 Year	Since PM Inception
Global Sustainable Equity Fund – I Acc (Net)	19.58	14.27	14.96	14.75	13.21	15.33
MSCI World Index	6.50	9.09	12.82	12.22	12.70	13.40
Difference	**+13.08**	**+5.17**	**+2.14**	**+2.53**	**+0.51**	**+1.93**

Source: Janus Henderson Investors, Morningstar Workstation, as at 30 June 2020

Note: Fund performance for the OEIC is based on the I Acc share class, based on midday pricing, in GBP.
Benchmark: MSCI World Index
Hamish Chamberlayne became PM 01 January 2012.
Past performance is not a guide to future performance

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