

# Janus Henderson Australia Principles of Internal Governance and Asset Stewardship

June 2018

For promotional purposes.

This document is solely for the use of professionals and is not for general public distribution.

The value of an investment and the income from it can fall as well as rise and you may not get back the amount originally invested.

## Contents

Background.....	1
Organisational and Investment Approach .....	1
1. Description of Janus Henderson Investors .....	1
2. Purpose and values for clients.....	2
3. Ownership, management and governance structures.....	5
4. Key management and investment personnel .....	5
5. Compliance with investment strategies and management of conflicts of interest .....	5
Internal Governance .....	6
1. Ethical conduct and professional practice .....	6
2. Personal trading.....	6
3. Management of conflicts of interest to ensure client interests take priority (including gifts and entertainment) .....	6
4. Risk management and compliance .....	6
5. Error correction policy.....	7
6. Brokerage and commissions .....	7
7. Equitable asset valuation and pricing .....	8
8. Best execution and trade allocation.....	8
9. Remuneration policy .....	10
10. Whistle-blower protection policy .....	10
11. Training and development .....	11
12. Complaints and dispute resolution .....	11
Asset Stewardship .....	12
1. Monitoring of company performance .....	12
2. Engagement with company management and escalation.....	12
3. Environmental, Social and Governance (ESG) factors .....	13
4. Proxy Voting.....	14
5. Collaboration with other investors .....	14
6. Policy Advocacy including participation with industry groups.....	15
7. Client engagement, education and communication .....	16

### Background

These Principles of Internal Governance and Asset Stewardship (“Principles”) apply to the following legal entities:

- Janus Henderson Investors (Australia) Funds Management Limited (“JHIA”);
- Janus Henderson Investors (Australia) Funds Management Limited (“JHIAFML”); and
- Janus Henderson Investors (Australia) Institutional Funds Management Limited (“JHIAIFML”).

Together, “Janus Henderson Australia”.

Janus Henderson Australia is a member of the Financial Services Council (“FSC”). These Principles set out the approach of Janus Henderson Australia to internal governance and asset stewardship in compliance with the requirements of FSC Standard 23.

### Organisational and Investment Approach

#### 1. Description of Janus Henderson Investors

Formed in 2017 from the merger between Janus Capital Group and Henderson Group, we are committed to adding value through active management. For us, active is more than our investment approach – it is the way we translate ideas into action, how we communicate our views and the partnerships we build in order to create the best outcomes for clients.

There are three key principles that underpin the way we work with our clients:

- **We put our clients first**
- **We act like an owner**
- **We succeed as a team**

As leading global manager, we have the reach and range to offer actively managed solutions to diverse investment goals and seek to deliver exceptional service to clients. At the core of our offering are three key factors:

- **World-class investment professionals:** Our high calibre teams of investment managers, experienced analysts and other subject matter experts channel their ideas to help clients move towards their investment goals. These teams are ever ready to share their views.
- **We act like an owner:** Our entrepreneurial and open-minded culture encourages fresh thinking. We provide a framework that allows our investment teams to act quickly on their insight, while cross-pollinating ideas where appropriate, to maximise opportunities. This approach is reflected in our *Knowledge. Shared ethos.*
- **Strong client relationships:** Our investment strategies are developed to allow clients to benefit from our unique perspectives and techniques. All of our colleagues are empowered to deliver the high level of support and services that clients should expect.

We are proud to offer a highly diversified range of products, harnessing the intellectual capital of some of the industry’s most innovative and formative thinkers. Our expertise encompasses the major asset classes, we have investment teams situated around the world and we serve intermediary, institutional and individual investors globally. We have A\$474.1bn in assets under management (AUM), more than 2,000 employees and offices in 27 cities worldwide. Headquartered in London, we are an independent asset manager that is dual-listed on the New York Stock Exchange (NYSE) and the Australian Securities Exchange (ASX).

Source: Janus Henderson Investors, as at 31 March 2018



### How We Work

At Janus Henderson, we blend human insight, originality and instinct with rigorous analysis, structured processes and risk management. It is this creative mix that we believe allows us to best deliver on client goals.

Put simply, our role is to deliver superior long-term investment performance by taking investment risk appropriate to client expectations. To do this, we provide a **supportive framework** that allows our skilful investment managers to perform to the best of their ability.

Our **dynamic teams** are structured and operate in ways that are best suited to their asset classes. This results in certain teams tapping into the fundamentals-based insight provided by our experienced analysts, while others base investment decisions solely on their own research and views. We do not impose top-down house views; instead we allow an appropriate level of flexibility within a controlled environment.

### About Janus Henderson Australia

As at 31 March 2018, Janus Henderson Australia managed over \$27.1 billion of assets for Australian clients across a range of strategies including:

- Australian equities;
- Australian fixed interest and cash;
- Global fixed interest;
- Global commodities and Managed futures;
- Global emerging markets equities;
- Global natural resource equities; and
- Enhanced index global equities.

Clients invested in these strategies include Australian retail and industry superannuation funds, along with corporations, family offices, charities and endowments.

JHIAFML (ABN 43 164 177 244 / Australian Financial Services Licence number 444268) is the responsible entity of 16 Australian registered managed investment schemes.

JHIAIFML (ABN 16 165 119 531 / Australian Financial Services Licence number 444266) is the appointment investment manager for a number of the schemes issued by JHIAFML and for discrete mandates.

## 2. Purpose and values for clients

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Everything is shaped with the **client in mind**. Products are developed to meet evolving needs and investment managers operate within clearly articulated parameters to achieve stated and/or agreed upon objectives. Transparency of process, positioning and progress towards meeting objectives are central to our approach and our investment and distribution teams seek to keep clients informed at every stage.

**Risk management and controls** are given the highest priority. While we encourage fresh thinking and creativity, we ensure this is actioned at all times in a measurable and regulated way. We recognize that risk has to be taken to generate outperformance, and our controls ensure that this risk is in accordance with client expectations and investment manager intentions.

### Knowledge. Shared

At Janus Henderson, we believe in the sharing of expert insight for better investment and business decisions. We call this ethos *Knowledge. Shared.*

*Knowledge. Shared* is reflected both in how our investment teams interact and in our commitment to empowering clients in their decision-making.

Knowledge shapes the forward-looking views of our investment teams and how they position their portfolios. It is built upon their experience and reflected in their unique perspectives of how the world is changing and where opportunities lie. We believe that, where appropriate, our teams benefit from sharing and debating these views, and this dialogue frequently results in richer and more rounded investment theses.

We also strongly believe in the importance of sharing, and shaping, our knowledge by interacting with clients. This means explaining the opportunities and risks identified by our investment teams and exploring how they can be applied to address the challenges faced by clients. Building strong relationships and sharing views helps clients make informed decisions and supports the development of innovative products.



### Our Values & Behaviours

We put clients first

- Put clients at the heart of everything we do
- Earn our clients' trust through our actions and results
- Exceed their expectations
- Be responsible custodians

We act like an owner

- Treat our owners' money like it is our own
- Focus on creating long-term value
- Embrace change
- Be empowered and accountable for our work
- Seek simplicity and efficiency

We succeed as a team

- Collaborate openly to develop the best solution
- Communicate honestly
- Listen actively
- Strive for high performance, learning and improvement
- Encourage each other to succeed
- Develop strong partnerships and work in collaboration with our colleagues at our chosen service providers

### Firm objectives for enhancing the client experience

- Coordinate our enhanced distribution capabilities to better serve our clients with a focus on delivering revenue synergies (i.e. legacy products of one firm sold through distribution strengths of the other)
- Strengthen our infrastructure and improve operational excellence to support an exceptional client experience
- Build a culture that engages employees in our shared goals, supported by appropriate measurement and reward systems - where employees enjoy working at a firm which treats them with respect, and where employees are encouraged to put clients first, to act like owners and work as one team

### 3. Ownership, management and governance structures

Janus Henderson Investors (Janus Henderson) was formed in May 2017 from the merger between Janus Capital Group Inc. (Janus Capital Group) and Henderson Group plc (Henderson Group). Janus Henderson Group plc (Janus Henderson Group) is an independent asset management firm and is listed on both the New York Stock Exchange (NYSE: JHG) and Australian Securities Exchange (ASX: JHG). Janus Henderson Investors is the name under which various entities, including Janus Capital Management LLC, Henderson Global Investors Limited, AlphaGen Capital Limited, Perkins Investment Management, LLC, INTECH Investment Management LLC, Henderson Global Investors (North America) Inc., Kapstream Capital and Geneva Capital Management LLC, provide investment products and services. All of these companies are subsidiaries of Janus Henderson Group plc (incorporated in Jersey, registered no.101484, registered office 47 Esplanade, St Helier, Jersey JE1 0BD).

The Janus Henderson Group Board (the 'Board') has delegated specific responsibilities to four standing Committees of the Board, namely the Audit Committee, Board Risk Committee, Nominating and Governance Committee and Compensation Committee.

### 4. Key management and investment personnel

The **Executive Committee (ExCo)** of Janus Henderson is responsible for the business strategy, promoting corporate culture, influencing the direction of the investment division and ensuring adherence to a strict corporate governance policy.

The ExCo is led by the Co-CEOs and is comprised of the senior leaders within the firm.

### 5. Compliance with investment strategies and management of conflicts of interest

#### Compliance with investment strategies

Charles River Development (CRD) is utilised for pre- and post-trade compliance testing on our portfolios. This system helps to ensure that each portfolio is in compliance by allowing portfolio managers, traders and the investment compliance team to check for potential violations before and after a trade is executed. CRD monitors all investment limitations, including prospectus-driven, client-driven, and applicable regulatory restrictions.

#### Conflicts of interest

Janus Henderson has adopted a conflict of interest policy which details a process for identifying, monitoring and addressing any conflicts of interest that may affect a client.

Janus Henderson captures all general conflicts that have been identified in a conflicts of interest matrix (the "Matrix"). The Matrix lists each type of conflict of interest, identifies where the conflict is disclosed, summarizes the key controls in place to address the conflict and identifies any policies or procedures designed as a control for the conflict. It is also reviewed periodically by Compliance, the Ethics & Conflicts Committee and other relevant committees and business units to confirm that all conflicts and controls have been accurately and appropriately catalogued.

Janus Henderson tracks specific conflicts related to its business relationships, including intermediaries, service providers and clients. Janus Henderson also captures all specific conflicts related to employees' affiliations, relationships and investments that have been identified in a conflict of interest register.

## Internal Governance

### 1. Ethical conduct and professional practice

Janus Henderson has adopted the Personal Code of Ethics and Code of Business Conduct (Codes) that contain provisions reasonably designed to prevent employees from engaging in fraudulent, deceptive and manipulative practices. Training on the Codes occurs at the time of inception of employment for new employees and on an annual basis for existing employees. All staff are obliged to adhere to the Codes. The Code of Ethics is explained as part of the staff induction programmes and all staff must confirm in writing they will follow the policy. The Code of Ethics covers personal account dealing, conflicts of interest and gifts and entertainment and staff are obliged to report all such instances to compliance for authorisation or confirmation as appropriate.

For all employees, compliance with Janus Henderson Group values and ethics is mandatory. The firm requires strict adherence to the Code of Ethics and Human Resources' policies.

### 2. Personal trading

All employees are required to comply with the Janus Henderson personal account dealing rules (under the Personal Code of Ethics Policy) in order to comply with global regulatory requirements regarding personal dealing and conflicts of interest.

In addition to the regulatory requirements, appropriate staff dealing rules are in place as a matter of best industry practice and to assure the clients of Janus Henderson that their interests are fully safeguarded. Janus Henderson expects all employees to act with integrity and honesty at all times.

The Janus Henderson personal account dealing rules require:

- Pre-clearance of trades;
- Compliance with blackout periods;
- Minimum holding periods; and
- Disclosure of trading confirmation.

Monitoring of compliance with the policy is conducted by the Compliance team.

### 3. Management of conflicts of interest to ensure client interests take priority (including gifts and entertainment)

Janus Henderson has adopted a conflict of interest policy which details a process for identifying, monitoring and addressing any conflicts of interest that may affect a client.

This policy includes a gift and entertainment policy that is applicable to all of its employees. The policy applies to any gifts or entertainment an employee gives to, or receives from, a client or any person that does or seeks to do business with Janus Henderson and prohibits such gifts or entertainment where they might influence or appear to influence the recipient. There may be different or additional restrictions on the grant or receipt of gifts depending on an employee's role and jurisdiction.

### 4. Risk management and compliance

Janus Henderson's risk management programme is a dynamic and continuously evolving process. It is designed around the key concepts of risk identification, risk measurement, management, monitoring, and reporting. It supports the business to make effective risk-based decisions aligned to its appetite for the risks it faces as an organisation. Janus Henderson's corporate Board of Directors, the Board Risk Committee (BRC), ExCo, and the Fund Boards of Trustees set the "tone-from-the-top" by developing a set of shared attitudes, values and practices that define and endorse the risk management policy, ensuring that the company culture and risk management practices are aligned.



The risk management function is led by Janus Henderson's Chief Risk Officer (CRO). The Risk Management function, including the CRO, is overseen by the BRC, which comprises four independent directors. The functions performed by the Risk Committee include, among other things:

- Assisting the board in its oversight of risk
- Ensuring that the key risks facing Janus Henderson are overseen in a regular and timely fashion either by the BRC, the board or by one of the other Janus Henderson board committees
- Identifying any forward looking and emerging risks that relate to the asset management industry or Janus Henderson
- Evaluating and monitoring these risks and reviewing mitigating actions on an ongoing basis

### 5. Error correction policy

A trade error is defined as an error that is likely to give rise to a loss to a client. Janus Henderson operates an enterprise wide Risk Events policy, which provides guidance to the business on the principle and procedures to follow if a risk event occurs i.e. an error that is likely to give rise to a loss; and how clients/funds should be compensated. The reporting requirement is broad ensuring that errors or control breakdowns which lead to an outcome other than that intended are recorded, whether they result in a loss or a gain to a fund/client or are nil-value. All reportable risk events identified are recorded in the Governance, Risk and Compliance system. The guiding principles applied in the management of incidents are as follows:

- Clients/funds are treated fairly and appropriately
- Compensation payable to the clients/fund is made without undue delay
- Consistent treatment and proper recording of all incidents including pricing errors and associated actions
- Clear responsibility and ownership of risk events
- Communication, escalation and reporting of incidents is prompt and directed to the relevant stakeholders
- The financial, operational and/or reputational impact of the incident is minimised
- Consideration and suitable mitigation for potential conflicts of interest
- Identification and implementation of corrective actions is completed to minimise the possibility of any recurrence of a similar incident in the future

### 6. Brokerage and commissions

Janus Henderson's approach is to pay hard for investment research for funds and mandates managed by portfolio managers located in Europe. In addition, Janus Henderson will pay hard for all funds in its European fund range, regardless of the location of the fund manager.

We will provide an enhanced cost disclosure report for the proposed mandate as required by MIFID II. This disclosure will include all costs and commissions grouped by broker, along with firm-wide data.

Commission sharing arrangements may be executed where permitted in accordance with local regulatory requirements and to ensure that investment teams have access to research to act in client's best interest.

## 7. Equitable asset valuation and pricing

Fund NAV calculation is produced on a daily basis by our independent third party administrator, BPSS. BPSS are responsible for the production, validation and distribution of fund prices.

If a fund manager feels that the price of assets in a portfolio no longer reflects their true value they will contact the Global Pricing Committee (GPC). The fund manager will provide evidence or rationale for an alternative price and if approved the committee will inform the administrator to amend the price.

Where markets are such (e.g. illiquid) that a price cannot be reliably sourced, Janus Henderson adheres to the Fair Value Pricing (FVP) policy. This policy set out the way in which Janus Henderson will manage and establish the necessary framework within its operations for invoking FVP, including the roles and responsibilities of the relevant parties and the potential circumstances and triggers which should be considered. This policy stands alongside the agreed pricing policies in place with our external administrators as approved by senior management and external boards where appropriate.

The GPC has been established to provide the appropriate level of supervision and oversight to ensure the effective application of FVP within Janus Henderson. It will also be responsible for approving any changes to the FVP policy and Process within the firm. The GPC delegates to the Pan Asia FVP Committee which includes Australian managed mandates and funds.

## 8. Best execution and trade allocation

### Best execution

Janus Henderson strictly observes the requirement to achieve best execution for its clients and will not, for any reason, place trades with a counterparty to generate additional commissions where its duty to provide best execution would be compromised.

When determining the strategy for placing orders for execution in the market, the Janus Henderson will take into consideration certain factors, as appropriate, dependent upon the characteristics of the order and the prevailing market conditions. The factors to be considered will include one or more of the following:

- Price
- Cost of the transaction
- Need for timely execution
- Liquidity or illiquidity of the market
- Likelihood of execution
- Market impact
- Where execution will take place (regulated market, multilateral trading facility (MTF) or over-the-counter)
- Transparency of the market size and nature of the order
- Settlement

In determining the relative importance of these factors, Janus Henderson will take into account each client's objectives, the specific financial instruments to which the order relates and the execution venues or brokers available for such orders.

### Trade allocation

Janus Henderson uses CRD as its trading platform. CRD offers seamless transactions and paperless straight-through processing between investment management, dealing and investment services. After a deal is input into CRD by the portfolio manager and pre-compliance trade checks are completed, the deal is picked up by the central dealing team for trading. Once the trade is executed it automatically passes to the third-party administrators (TPAs) who will undertake matching and confirmation.

When orders in a given security are sent to the central dealing desk, they may be across a number of funds/accounts under the responsibility of a single fund manager. These will be merged and treated as a single order and allocated on a pro rata basis. Best execution and order allocation policies are in place across funds managed by the same fund manager. This includes pre trade allocation policies being recorded and verified to post trade details.

Trades are allocated on a pro rata basis, and these amounts are decided before the trade is executed. A percentage of the trade is allocated to each fund dependant on their percentage size of the order. Percentage allocations are not changed after trading, unless fully documented and approved by Compliance.

## 9. Remuneration policy

Janus Henderson is aware of the importance of selecting and retaining high quality staff, not only in its investment teams, but also across the support functions that assist them. Business critical employees are identified in all areas of the business.

### Salary and benefits

Base salaries are set to be competitive with the market.

A range of benefits is provided to staff (including private medical insurance, disability insurance and life insurance) with a view to offering an overall remuneration package that is competitive to each local market in which we operate. Fringe benefits account for a small percentage of total remuneration.

There is an incentive funding framework which applies to determine overall incentive pool funding for direct, front line investment professionals. Overall pool funding is subject to risk adjustment taking into account the recommendations of the Risk function in relation to the nature and incidence of risk events, and an overall assessment of risk management relative to the Risk Appetite Statement.

Team and individual allocations remain discretionary, with allocations within the Investment team being assessed primarily in relation to the individual's contribution to Performance, Profitability and Partnership principles.

All variable incentive awards may be subject to mandatory deferral..

### Senior staff/Executive directors

The majority of key senior staff and ExCo members participate in the Core Pool which is constructed using similar principles to the Investments Pool. Within all of the incentive frameworks, individual allocations are discretionary, but are guided by the individual's contribution in line with the firm's core values, and by reference to their overall performance assessment.

## 10. Whistle-blower protection policy

Janus Henderson is committed to abiding by the law and maintaining high ethical standards in all areas of our work and practice. The Janus Henderson Compliant Reporting, Resolution and Non-Retaliation Policy sets out the framework for employees to raise good faith complaints regarding any illegal or unethical conduct by the Company or its Employees with the assurance that (i) their complaints will be treated seriously, and (ii) they will not face any retaliation due to their complaints.



## 11. Training and development

Janus Henderson aims to foster a nurturing environment where all employees feel valued and are given the opportunity to learn and develop. As well as financial incentives, Janus Henderson aims to motivate employees through support of their objectives and goals. Pro-activity is encouraged and a culture is supported in which people are able to develop their ideas, for themselves and for the business.

A flexible approach is maintained, allowing individuals to develop their own role and leverage the most of their skill set. Management is not afraid to transition team members between roles to facilitate their development or to apply skills learned within one area of the business to another. A flat structure is maintained, with the senior members available for advice and support, and management seeks to recognise each person's contribution to the overall team.

A comprehensive curriculum provides access to interpersonal skills and technical/product training, career development workshops, and a resilience programme. This training is delivered either internally or is outsourced to external providers. Individuals are also able to attend relevant conferences and seminars to ensure their industry and professional knowledge is kept up to date.

Ongoing evaluation takes place to assess the ongoing effectiveness of the training and development tools on offer. This includes post course evaluation sheets and a section in the employee survey. Feedback from staff helps ensure that courses are relevant and in line with their needs. In response to our employee's feedback we have revised our management development offering by creating short, focused manager masterclasses; we introduced a resilience workshops; and built a career development programme.

Janus Henderson Australia requires Australian employees to complete a minimum number of training hours which is monitored by Compliance and reported to management and Boards.

## 12. Complaints and dispute resolution

Janus Henderson Australia has a Complaints Handling Policy and procedures to ensure the highest standard of service is provided to its clients. The policy and procedures meet the essential elements of Australian Standard AS 10002 – 2006 and comply with ASIC Regulatory Guide 165 and 148.

This Complaint Handling Policy aims to:

- increase the level of client satisfaction with the service provided by Janus Henderson Australia and enhances its relationship with its clients;
- recognise, promote and protect clients' rights, including the right to comment and complain;
- provide an efficient, fair and accessible mechanism for resolving client complaints;
- provide information to clients on the Janus Henderson Australia Complaint Handling Policy; and
- monitor the type of complaints received in an endeavour to improve the quality of services and assist in the identification of recurring or systemic issues.

## Asset Stewardship

### 1. Monitoring of company performance

We are long-term investors and we actively seek out long-term orientated management teams. Our intensive research takes our analysts and portfolio managers around the world, where we conduct thousands of company visits and management interviews on an annual basis. Our investment teams naturally develop long-term relationships with company management teams. If we have concerns over performance, we aim to leverage our constructive relationships with management teams to address these concerns. Escalation of our engagement activities will depend upon the company's individual circumstances. Our priority in such instances, as an investment manager, is to protect our clients' interests.

Our approach is underpinned by a belief that environmental, social and governance (ESG) factors are critical ingredients of long-term business success. We are focused on delivering long-term investment performance for our clients, and integration of ESG issues into our investment decision making, voting and ownership practices plays an important part in our success.

We believe that the best way to protect and enhance value through ESG integration is to empower our investment teams to develop their own distinct approach best suited to their asset class and client base. We do not impose top-down house views on ESG issues. Janus Henderson supports ESG integration across the business through a supportive and challenging framework. This includes using a wide range of tools and shared resources to support ESG integration by our investment teams, alongside appropriate risk management and controls to ensure investment teams are aware of ESG risks and opportunities and are meeting client requirements.

### 2. Engagement with company management and escalation

At Janus Henderson, we take an active approach to communicating our views to companies and seeking improvements where we believe there are shortcomings in performance, or a company has failed to apply appropriate standards, or to provide adequate disclosure. We will continue our dialogue with the company over an extended period if necessary. Common issues on which we have intervened in the past include concerns over executive or non-executive leadership, mergers & acquisitions, corporate governance standards, disclosures and remuneration practices. Any decision to intervene is made on a case by case basis.

Escalation of our engagement activities will depend upon the company's individual circumstances and the nature of our shareholding. In most instances engagement would begin with the executive management team. Where we are unable to resolve issues to our satisfaction the likely next step in escalation would be to address concerns directly to the Chairman or Senior Independent Director. Where direct company engagement proves unsatisfactory or impractical, we may pursue other actions such as communication through the company's brokers, joint intervention with other shareholders or voting against board proposals.

The Janus Henderson Governance and Responsible Investment (GRI) team assists investment teams in engaging with company management on ESG issues. We do not use external resources.

Engagement outcomes, notes and important information are published to the Internal Research Hub and therefore shared across the business.

For additional information, please visit:

<https://www.janushenderson.com/henderson/content/responsible-investment>

### 3. ESG factors

ESG issues represent a very wide range of investment factors including: environmental issues such as climate change and water scarcity; social issues such as human capital and supply chain labour standards; and governance issues such as board composition and executive remuneration. ESG factors are therefore in reality inextricable from other factors that determine the long-term success of companies, and they form an important consideration in the investment process of all our teams. Ultimately, one of the most revealing indicators of the quality of ESG integration is long-term investment performance.

We believe that individual investment teams are best placed to develop their own distinct approach to ESG integration in line with their investment processes. Important considerations include asset class, growth, value, or income bias, the importance of thematic or fundamental analysis and geography. This is why we do not have any top-down house rules on the approach taken to ESG integration. We also do not have self-imposed group-wide exclusions on companies, sectors, or in relation to specific ESG issues. Our investment teams are responsible for determining their investment universe, in line with their investment process and product or client requirements. The focus at the group level is on ensuring that ESG considerations are fully integrated into all our support functions for our investment teams, including research, investment platforms and risk tools.

The Janus Henderson ethos of 'Knowledge. Shared' is a key part of our approach to ESG integration. We subscribe to a wide range of external specialist ESG research, which is made directly available to all our investment teams. This includes sell-side and independent research, company ESG ratings, corporate governance ratings and company environmental data such as carbon emissions. Janus Henderson investment research and company engagement notes on ESG are shared on internal platforms and frequent discussions take place between investment staff on ESG-related issues. We aim to continually improve the quality of ESG research and data made available to our investment teams and to use this research to help demonstrate to clients the importance of ESG integration to investment performance.

We have a dedicated and specialist in-house governance and responsible investment team that works across all our investment teams as a resource to promote ESG integration. The team's role includes leading on initiatives to further improve ESG integration across the group, working to ensure investment teams have access to the best ESG research available, and making the case for deeper ESG integration. ESG research and data are integrated on investment platforms used across the group. This includes company-specific data and fund level data. These platforms are also used to share and disseminate ESG research.

### 4. Proxy Voting

At Janus Henderson, our first priority is to act as a fiduciary in the best financial interests of our clients. Strong ownership practices, such as proxy voting, can help protect and enhance long-term shareholder value. Janus Henderson has adopted Proxy Voting Guidelines and Procedures, which provide guidance on how portfolio securities may be voted on proposals dealing with particular issues. Janus Henderson exercises the voting rights on behalf of clients at meetings of all companies in which we have a holding. The only exception to this is meetings where share blocking or other restrictions on voting are in place where we vote on a case-by-case basis.

Our preference is to engage with management and boards to resolve issues of concern, rather than to vote against shareholder meeting proposals. In our experience this approach is more likely to be effective in influencing company behaviour. We actively seek to engage with companies throughout the year and in the build up to the annual shareholder meeting to discuss any potentially controversial agenda items. However, where we believe proposals are not in shareholder interests or where engagement proves unsuccessful we will vote against.

To assist us in assessing the corporate governance of investee companies we subscribe to a leading independent proxy voting adviser. The adviser provides voting recommendations based upon Janus Henderson custom proxy voting policies. Our in-house governance team works closely with our investment teams to help analyse voting-related issues and engaging with companies on their behalf. Ultimate voting authority rests with the portfolio managers, who are responsible for ensuring that votes are exercised in the best interests of fund beneficiaries.

Janus Henderson recognises that ESG issues present risks and opportunities that can have a material impact on the value of an investment. We analyse and vote all ESG proposals in what we believe to be in the best, long-term interests of shareholders.

Janus Henderson also has a Proxy Voting Committee, which is responsible for developing Janus Henderson's positions on all major voting issues, creates guidelines and oversees the voting process. The Committee is comprised of representatives of investment accounting, compliance, portfolio management representatives and governance and responsible investment. The Proxy Voting Committee is responsible for monitoring and resolving possible material conflicts with respect to proxy voting.

### 5. Collaboration with other investors

We recognise that in many instances joint action by shareholders has the potential to be more effective than acting alone. This is especially so where shareholders have a clear common interest, such as in times of corporate distress. Janus Henderson pro-actively collaborates with other investors on governance and wider environmental and social engagement issues, directly and through industry bodies.

We review all proposals for collective engagement initiatives on a case by case basis. Alongside our usual criteria based on the size of our shareholding, the materiality of the issues and our ability to influence - the core criteria for collective engagement - are the alignment of interests of participants and the potential for collaborative action to be more effective than acting alone.

Janus Henderson is an active participant in a range of organisations that facilitate collaborative engagement, including the Pensions and Lifetime Savings Association (PLSA), the Investment Association, the Investor Forum and the UNPRI Clearinghouse. We regularly participate in collaborative engagement initiatives such as Climate Action 100+ and are a longstanding member of organisations that exist to promote sustainable and responsible investment such as UKSIF and EUROSIF.



## 6. Policy Advocacy including participation with industry groups

In April 2006, legacy Henderson Global Investors became a founding signatory to the United Nations Principles for Responsible Investment. Janus Henderson is involved in a wide range of ESG related initiatives as a member, supporter or in an advisory capacity. These initiatives include:

### **Carbon Disclosure Project (CDP)**

CDP works to encourage companies to disclose their impacts on the environment and natural resources and take action to reduce them. It now holds the largest collection globally of primary climate change, water and forest-risk information.

Janus Henderson is a participant in Carbon Action; an investor-led initiative seeking acceleration on carbon reduction and energy efficient activities from the world's highest emitting companies.

### **Extractive Industries Transparency Initiative (EITI)**

The EITI supports improved governance in resource-rich countries through the verification and full publication of company payments and government revenues from oil, gas and mining.

Janus Henderson is a signatory of the Investors' Statement on Transparency in the Extractives Sector.

### **Institutional Investors Group on Climate Change (IIGCC)**

The IIGCC is a forum for collaboration between pension funds and other institutional investors on issues related to climate change. IIGCC seeks to promote better understanding of the implications of climate change amongst institutional investors and to encourage companies and markets in which IIGCC members invest to address any material risks and opportunities to their businesses associated with climate change and a shift to a lower carbon economy.

Legacy Henderson Global Investors was a founder member.

### **UK Sustainable Investment and Finance Association (UKSIF)**

UKSIF is the UK's membership network for sustainable and responsible financial services. UKSIF promotes responsible investment and other forms of finance that support sustainable economic development, enhance quality of life and safeguard the environment. It also seeks to ensure that individual and institutional investors can reflect their values in their investments.

Janus Henderson is a member of UKSIF.

### **European Sustainable Investment Forum (EUROSIF)**

EUROSIF is a pan-European network and think-tank whose mission is to Develop Sustainability through European Financial Markets.

Janus Henderson is a member of EUROSIF

### **Business Benchmark on Farm Animal Welfare (BBFAW)**

There is growing investor interest in the business risks and opportunities associated with farm animal welfare. However, investors' ability to make robust comparisons between companies or to use farm animal welfare-related performance in their investment decisions is hampered by a lack of robust reporting by companies and a general absence of tools that enable investors to compare different companies on a consistent basis. The Business Benchmark on Farm Animal Welfare is designed to address these challenges.

Legacy Henderson joined the Business Benchmark on Farm Animal Welfare initiative in 2017.

## 7. Client engagement, education and communication

The Janus Henderson Governance and Responsible Investment team provide a quarterly review of voting and engagement highlights to institutional clients on request. The GRI team also provides an annual review document.

The investment teams provide an ESG Summary report to clients at the end of each quarter. This includes our sustainability and engagement statement, a review of all pertinent corporate engagement and the highlighting of any portfolio activity that is related to ESG matters.

Annually, Janus Henderson Australia makes available on its website the proxy voting record for the schemes.

### Janus Henderson Australia

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