

# INVESTMENT PRINCIPLES

UK Responsible Income Fund

---





# PHILOSOPHY

The Janus Henderson UK Responsible Income Fund aims to provide an income with the potential for capital growth over the long term (5 years or more). The fund seeks a responsible approach to investing in UK companies by incorporating environmental, social and governance (ESG) factors in investment decisions and avoiding companies that the investment manager considers to be involved in business activities and behaviours that may be environmentally and/or socially harmful.

## Janus Henderson's approach to ESG

Janus Henderson's ESG Investment Policy document, which can be found on [www.janushenderson.com](http://www.janushenderson.com), sets out our firm-wide active approach to ESG issues.

## Responsible investment

In 2006, Janus Henderson\* became a founding signatory of the United Nations Principles for Responsible Investment (UN PRI) publicly demonstrating its commitment to including environmental, social and governance factors in investment decision making.

The UN PRI defines responsible investment as

“ a strategy and practice to incorporate environmental, social and governance factors in investment decisions and active ownership.

This definition is reflected in the fund's responsible investing approach with an ethos of strong avoidance criteria and a focus on integrating environmental, social and governance factors. The portfolio manager's investment approach is not static; as the science and knowledge of environmental, social and governance issues evolves, the manager will look to adapt and refine the approach.

\* Legacy Henderson was a founding signatory, joining in April 2006 when the principles were launched. Legacy Janus joined in 2014.

---

## Environmental and social avoidance criteria

### UN Global Compact (norms-based screening)

All holdings in the fund are compliant with the UN Global Compact, whose Ten Principles cover human rights, the International Labour Organisation's declaration on workers' rights, corruption and environmental pollution.<sup>1</sup>

**Table 1: Illustration of the principles and the issues they cover<sup>2</sup>**

Norm Area	Principles	Issues
Human Rights	<p><b>Principle 1:</b> Businesses should support and respect the protection of internationally proclaimed human rights.</p> <p><b>Principle 2:</b> Businesses should make sure that they are not complicit in human rights abuses.</p>	<ul style="list-style-type: none"><li>▪ Disability</li><li>▪ Gender</li><li>▪ Sexual orientation</li><li>▪ Nationality</li><li>▪ Social origin</li><li>▪ Race</li><li>▪ Religion or belief</li></ul>
Labour	<p><b>Principle 3:</b> Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.</p> <p><b>Principle 4:</b> Businesses should uphold the elimination of all forms of forced and compulsory labour.</p> <p><b>Principle 5:</b> Businesses should uphold the effective abolition of child labour.</p> <p><b>Principle 6:</b> Businesses should uphold the elimination of discrimination in respect of employment and occupation.</p>	<ul style="list-style-type: none"><li>▪ Child labour</li><li>▪ Children's rights</li><li>▪ Forced labour and human trafficking</li><li>▪ Labour</li><li>▪ Migrant workers</li><li>▪ Recruitment</li><li>▪ Remuneration</li><li>▪ Hours of work and rest/paid holidays</li><li>▪ Maternity protection</li><li>▪ Security of tenure</li><li>▪ Job assignments</li><li>▪ Performance assessment and advancement</li><li>▪ Training and opportunities</li><li>▪ Job prospects</li><li>▪ Social security</li><li>▪ Occupational safety and health</li></ul>
Environment	<p><b>Principle 7:</b> Businesses should support a precautionary approach to environmental challenges.</p> <p><b>Principle 8:</b> Businesses should undertake initiatives to promote greater environmental responsibility.</p> <p><b>Principle 9:</b> Businesses should encourage the development and diffusion of environmentally friendly technologies.</p>	<ul style="list-style-type: none"><li>▪ Biodiversity</li><li>▪ Climate change</li><li>▪ Energy</li><li>▪ Food and agriculture</li><li>▪ Water and sanitation</li><li>▪ Waste</li><li>▪ Ocean</li><li>▪ Climate change mitigation</li><li>▪ Land use</li><li>▪ Chemicals</li><li>▪ Materials</li></ul>
Anti-corruption	<p><b>Principle 10:</b> Businesses should work against corruption in all its forms, including extortion and bribery.</p>	<ul style="list-style-type: none"><li>▪ Anti-corruption</li><li>▪ Peace</li><li>▪ Rule of law</li><li>▪ Humanitarian effort</li></ul>

<sup>1</sup> The UN Global Compact's Ten Principles are derived from the Universal Declaration of Human Rights at Work, the International Labour Organisation's Declaration on Fundamental Principles and Rights at Work, the Rio Declaration on Environment and Development and the United Nations Convention Against Corruption. For further information, please visit <https://www.unglobalcompact.org/what-is-gc/mission/principles>. All information correct as at October 2022.

<sup>2</sup> <https://www.unglobalcompact.org/library>

### Responsible business conduct

All holdings in the fund are compliant with the Organisation for Economic Co-operation and Development (OECD)<sup>3</sup> Guidelines for Multinational Enterprises. The Guidelines cover business ethics on a range of issues, including (but not limited to):

- employment and industrial relations
- information disclosure
- combating bribery
- consumer interests
- science and technology
- competition

### Environmental and social avoidance criteria

In order to minimise exposure to business activities and behaviours that may be environmentally and/or socially harmful, the fund seeks to avoid businesses that have products or operations directly associated with the following criteria (subject to the notes and de minimis limits explained below):

#### Important information: de minimis limits

Where possible we will seek to achieve zero exposure in respect of the negative criteria. However, there may be instances when we will apply a de minimis limit. A de minimis limit is a threshold above which investment will not be made, and relates to the scope of a company's business activity; the limit may be quantitative (e.g. expressed as a percentage of a company's revenues), or it may involve a more qualitative assessment. De minimis limits exist because sometimes avoiding an industry entirely may not be feasible given the complex nature of business operations.

In such instances we will invest in a company only if we are satisfied that the 'avoided' activity forms a small part of the company's business, and when our research shows that the company manages the activity in line with best practice.

When the activity relates to a company's revenues we will use a 10% threshold. When the activity relates to a company's operations we will seek to gain comfort that the company is taking action to improve its performance, or is managing it in an exemplary fashion. Any company with a persistent record of misconduct, where such activity relates to company operations, will be excluded unless there is clear evidence of significant progress.

---

<sup>3</sup> The OECD Guidelines for Multinational Enterprises are recommendations addressed by governments to multinational enterprises operating in or from adhering countries. They provide non-binding principles and standards for responsible business conduct in a global context consistent with applicable laws and internationally recognised standards.

We seek to avoid businesses that have products or operations directly associated with the following criteria<sup>4</sup>:

<b>Alcohol</b>	We avoid companies involved in the production and sale of alcoholic drinks.
<b>Animal testing</b>	We avoid companies that manufacture vitamins, cosmetics, soaps or toiletries unless they make it clear that their products and ingredients are not animal tested. We allow animal testing for medical purposes only where the company employs best practices in accordance with the '3Rs' policy of refinement, reduction and replacement. <sup>5</sup>
<b>Armaments</b>	We avoid companies involved in the direct production or sale of weapons. We will not invest in companies involved in the direct production of land mines, cluster munitions, biological/chemical weapons, and nuclear weapons.
<b>Chemicals of concern</b>	We avoid companies that manufacture or sell chemicals or products containing chemicals subject to bans or severe restrictions in major markets around the world. This includes ozone-depleting substances, microbeads, persistent organic pollutants and the manufacture of any other substances banned or restricted under international conventions.
<b>Fossil fuel extraction &amp; refining</b>	We avoid companies engaged in the extraction and refining of coal, oil and gas.
<b>Fossil fuel power generation</b>	We avoid companies engaged in fossil fuel power generation; however, investment in companies generating power from natural gas may be allowed in cases where the company's strategy involves a transition to renewable energy power generation. <sup>6</sup>
<b>Fur</b>	We avoid companies involved in the sale or manufacture of animal fur products.
<b>Gambling</b>	We avoid companies with activities related to gambling.
<b>Genetic engineering</b>	We avoid companies involved in the deliberate release of genetically modified organisms (e.g. animals or plants). Investment in companies where genetic technologies are used for medical or industrial applications may be acceptable providing high environmental and social standards can be demonstrated. Companies that use or sell products that make use of such technologies may be acceptable providing genetically modified organism (GMO) ingredients are clearly labelled.
<b>Nuclear power</b>	We avoid companies that are involved in the uranium fuel cycle, treat radioactive waste, or supply specialist nuclear related equipment or services for constructing or running nuclear plant or facilities.
<b>Pornography</b>	We avoid companies that are involved in producing or distributing pornography and adult entertainment materials or services.
<b>Tobacco</b>	We avoid companies that engage in activities related to the production and sale of tobacco products.

## ESG Oversight Committee

Our ESG Oversight Committee, chaired by our Chief Responsibility Officer, provides oversight for a range of issues at a portfolio and security level, including monitoring of issuer-level positions for investments identified as having outsized sustainability, climate, or ESG risks. Its remit includes:

- The review of ESG-related metrics and commitments for new funds and mandates and changes to ESG related commitments to existing mandates
- Review of ESG-related processes, systems and resources in place for funds and mandates
- Review of the effectiveness of controls relating to sustainability
- Monitoring of key ESG-related metrics and exceptions

<sup>4</sup> We also seek to avoid companies operating in contentious industries which have a high degree of negative environmental or social impact, unless the company is taking action to mitigate negative impacts. Examples of contentious industries include cement, mining and timber.

<sup>5</sup> 3Rs: Refine experiments to ensure suffering is minimised. Reduce the number of animals to a minimum. Replace animals with alternative techniques.

<sup>6</sup> For a company to be transitioning to renewables, the carbon intensity would need to be aligned with a below 2°C scenario - (limiting global warming to 2°C from pre-industrial levels). Where carbon intensity cannot be determined, a 10% threshold for energy production from natural gas is used.



## ESG integration

Analysing environmental, social and governance (ESG) issues is an important part of the analysis of a company's business fundamentals. Environmental factors consider a company's impact on the environment, social factors consider the way businesses treat and value people, and governance factors focus on corporate policies and how companies are governed. We believe companies with sound governance practices and strong stakeholder relations, that manage relevant environmental and social risks responsibly, have a greater propensity to create long-term value for shareholders.

We examine issues such as a company's supply chain, reputation, brand value, the use of management incentives and the robustness of industry returns; all of these can potentially be impacted by ESG factors.

Key ESG issues considered as part of the investment process include corporate governance, human capital and diversity, climate change, controversies, disclosure, transparency and business ethics.

As our strategic ESG data provider, MSCI provides various climate-related metrics and tools to enable us to assess climate-related risks and opportunities across portfolios, including various carbon metrics, climate scenario analysis, physical and transition risks assessments, and Implied Temperature Rise.

MSCI also provides an ESG Quality Score which measures the ability of the underlying holdings to manage key medium to long term risks and opportunities that arise from ESG factors. It is based on MSCI ESG Ratings and is measured

on a scale of 0 to 10 (worst to best). These ratings are supplemented with Janus Henderson research and analysis as well as engagements with companies when appropriate. It is expected that the fund's ESG Quality Score, as measured by MSCI, will be superior to its benchmark, the FTSE All-Share index.

To make informed investment decisions, a wide range of specialist tools and information are made available to the portfolio manager and broader investment teams. The firm subscribes and uses a number of specialist ESG research and data providers including: MSCI, Sustainalytics, Vigeo EIRIS, ISS, Bloomberg, RepRisk, and Institutional Voting Information Services (IVIS). These providers are selected and monitored by the central Janus Henderson Responsibility Team.

Janus Henderson have appointed specialist companies, MSCI and Vigeo EIRIS, to provide the environmental and social avoidance criteria screening of potential investments.

## Company engagement and voting

Company engagement forms an important part of the investment process. Meetings incorporate a wide range of topics including environmental, social and governance issues where relevant. We take an active approach to communicating our views to companies and seeking improvements in performance where necessary, including appropriate standards of corporate responsibility.

Our analysis of the portfolio against key ESG performance indicators helps us identify topics for engagement, together with the controversies, scientific advances and actions taken by companies. These topics for engagement are not fixed and are subject to change depending on the activities of the company and their materiality.

Janus Henderson's Proxy Voting Policy and Procedures document, which can be found on [www.janushenderson.com](http://www.janushenderson.com), sets out the firm's proxy voting policy.

Ultimate voting authority rests with the portfolio manager, who is responsible for ensuring that votes are exercised in the best interests of clients, with ESG factors an important consideration where relevant. The portfolio manager is supported by the central Responsible Investment and

Governance Team, who work closely with investment teams to help analyse voting-related issues. With regard to voting and company engagement, the portfolio manager considers certain core principles such as disclosure, transparency, board composition, shareholder rights, audit and internal controls, and remuneration. A key element of the approach to proxy voting is to support these principles and practices and foster the long-term interests of shareholders.

Given the fund's responsible investment process incorporates environment, social and governance factors in investment decisions, there will be relatively few shareholder proposals on ESG issues for the companies held in the fund. We aim to support shareholder proposals on ESG factors for portfolio holdings following our approach to voting and engagement outlined within this document.

---

## Reporting

This document is intended to explain our investment process and not show our results in the context of our responsible investment approach. Documents/information that cover this, such as those listed below, are available at [www.janushenderson.com](http://www.janushenderson.com):

### Voting and engagement report

A quarterly report detailing corporate engagement and proxy voting activity in relation to the fund.

### Financial statements

The fund's annual and half yearly financial statements include commentary on the performance and investment activity in relation to the fund's responsible investment approach.

## ESG affiliations, memberships and collaboration

Janus Henderson has a number of carefully selected ESG-related affiliations, which are listed on [www.janushenderson.com](http://www.janushenderson.com).

## Breaches and corrective actions

The fund is monitored for breaches of the avoidance criteria, and screening data from third parties, including MSCI and Vigeo EIRIS, is incorporated into the portfolio management trading system. Where a breach is identified, the following corrective actions are applied:-

- 1. Notify the portfolio manager:** Compliance will notify the portfolio management team that a company has breached the criteria.
- 2. Investigation:** To ensure the validity of the breach. If a breach has occurred, the portfolio management team will divest.
- 3. Discuss all evidence with the ESG Oversight Committee (ESGOC):** If the portfolio management team disagrees with the external research providers, evidence will be presented to the ESGOC. The ESGOC will then decide whether a breach has occurred. If a breach is confirmed the portfolio management team will be instructed to divest. If a breach has not occurred, the ESGOC will record this along with evidence supporting this decision.
- 4. External reporting:** If needed, the outcome will be reported to the necessary stakeholders.



FOR MORE INFORMATION, PLEASE VISIT [JANUSHENDERSON.COM](https://www.janushenderson.com)

**Janus Henderson**  
— INVESTORS —

### Important information

Please read all scheme documents before investing. Before entering into an investment agreement in respect of an investment referred to in this document, you should consult your own professional and/or investment adviser. Marketing Communication. Past performance does not predict future returns. 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. Tax assumptions and reliefs depend upon an investor's particular circumstances and may change if those circumstances or the law change. If you invest through a third party provider you are advised to consult them directly as charges, performance and terms and conditions may differ materially. Nothing in this document is intended to or should be construed as advice. This document is not a recommendation to sell or purchase any investment. It does not form part of any contract for the sale or purchase of any investment. Any investment application will be made solely on the basis of the information contained in the Prospectus (including all relevant covering documents), which will contain investment restrictions. This document is intended as a summary only and potential investors must read the prospectus, and where relevant, the key investor information document before investing. We may record telephone calls for our mutual protection, to improve customer service and for regulatory record keeping purposes.

Issued by Janus Henderson Investors. Janus Henderson Investors is the name under which investment products and services are provided by Janus Henderson Investors International Limited (reg no. 3594615), Janus Henderson Investors UK Limited (reg. no. 906355), Janus Henderson Fund Management UK Limited (reg. no. 2678531), (each registered in England and Wales at 201 Bishopsgate, London EC2M 3AE and regulated by the Financial Conduct Authority) and Janus Henderson Investors Europe S.A. (reg no. B22848 at 2 Rue de Bitbourg, L-1273, Luxembourg and regulated by the Commission de Surveillance du Secteur Financier).

Janus Henderson and Knowledge Shared are trademarks of Janus Henderson Group plc or one of its subsidiaries. © Janus Henderson Group plc.