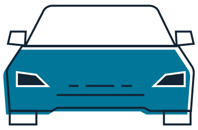
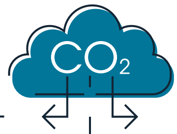
ANNUAL SUSTAINABILITY REPORT

Global Sustainable Equity Strategy 2021

553.4
million miles



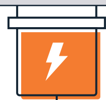
151,827 tonnes
of CO_2e avoided



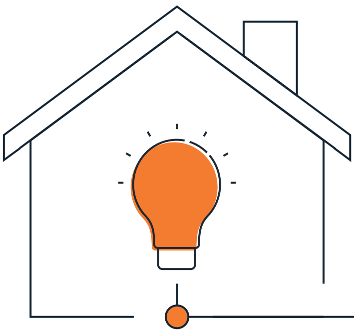
151,827 TONNES OF CO_2e AVOIDED IS EQUIVALENT TO SAVING OVER **553.4 MILLION MILES** DRIVEN IN A STANDARD PETROL PASSENGER CAR.[4]

OVER 2021, THE GLOBAL SUSTAINABLE EQUITY STRATEGY HAS INVESTED IN…

	Employee training hours	Renewable energy generation (Mwh)	Emissions avoidance (tCO_2e)	Patients receiving healthcare
Companies delivering[1]…	8,092,030	52,807,384	23,969,272	70,515,600
An impact of[2]…	7,763	334,493	151,827	401,628



31,200
homes



IN 2020, THE AVERAGE ANNUAL ELECTRICITY CONSUMPTION FOR A US RESIDENTIAL UTILITY CUSTOMER WAS **10,715 KILOWATT HOURS (KWH)** MEANING THE **334,493 MWH** COULD SERVICE THE ANNUAL ELECTRICITY NEEDS FOR OVER **31,200 HOMES**.[3]

334,493
Mwh

1. For aggregation methodology see **Total** in table 1 of the appendix
2. For aggregation methodology see Investor Allocation in table 1 of the appendix
3. Independent Statistics and Analysis https://www.eia.gov/tools/faqs/faq.php?id=97&t=3.
4. UK Government Department for Business, Energy, & Industrial Strategy (BEIS) GHG Reporting Conversion Factors Set 2022, Average car (conversion factor 0.27436 kg CO2e per mile). https://www.gov.uk/government/publications/greenhouse-gas-reporting-conversion-factors-2022

Source: Janus Henderson Investors as at 31 December 2021. The data provided in this report was collected during March and April 2022 and is based on the strategy as at the 31 December 2021. In cases where companies have not yet reported 2021 data we used data from the prior year. Data is sourced from company reports, Carbon Disclosure Project (CDP) and International Energy Agency (IEA). Companies that have not disclosed the relevant data are excluded from the analysis. No estimates have been used. The impact stats include the following funds: Global Sustainable Equity Fund, Global Sustainable Equity Fund (AUS), 40 Act Mutual Fund, and Horizon Global Sustainable Equity.

CONTENTS

FOREWORD

▸ The past 12 months have not been easy for people and markets alike, with the return to normality from the COVID crisis rocked by the invasion of Ukraine. Our thoughts are with the people most affected by this tragedy and we wish for a speedy and successful resolution to the conflict. Through these turbulent times we have maintained laser focus on seeking companies that are aligned with sustainable development and that play a role in transforming the global economy. We are delighted to present our fourth annual sustainability report and to share our progress on the strategy's sustainability agenda.

Summary of highlights

- In the past 12 months, the strategy's global AUM has increased by $1.4bn to $4.2bn, reflective of its success and investors' appetite for sustainable products.
- We delivered a return of +18% in USD terms in 2021, a 3-year cumulative return of over 100% and a 5-year annualised return of +21%, compared to a +16% 5-year annualised return from the MSCI World benchmark (Janus Henderson Investors, as at 31 December 2021. Performance gross of fees).
- As sustainable investing grows in prominence, so has the demand for sustainable investment products. We are pleased to announce that our flagship Global Sustainable Equity Strategy has extended its global reach, with new vehicles launched in Australia, the creation of a Canadian share class, and registration in South Africa. Our broader sustainable investment offering has also expanded with the launch of two new strategies focusing on US and International (global ex-US) companies.
- In terms of sustainability, the strategy has outperformed the MSCI World benchmark for all but one of our ESG performance metrics. We are especially pleased to report enhanced performance versus the strategy's 2020 metrics in many cases.
- The portfolio met the enhanced requirements of our Net-Zero Carbon 10 (NZC10) commitments early, with over 20% of the portfolio having already met, having strategies in place, or being engaged with to achieve net-zero by 2030.
- The outcome of this report informs our focus for 2022 by outlining areas where performance can be improved. These areas include climate, reporting, and diversity & inclusion. As the availability of sustainability information advances, we can employ an increasingly data driven approach in order to identify sustainability issues pre-investment, as well as for ongoing monitoring and ensuring we engage with companies to continuously improve outcomes.

A focus on climate and biodiversity

Climate remains one of the largest concerns on the sustainability agenda globally, with the sixth Intergovernmental Panel on Climate Change (IPCC) report and last November's COP26 underscoring the severity of the climate crisis and the global impetus to tackling this crisis.

This is the second year that we have presented the strategy's climate analysis in line with the Task Force on Climate-Related Financial Disclosures (TCFD) recommendations. This year we have expanded our analysis to include more granular carbon data as well as identifying the contribution of specific companies to our overall score. We have also increased the number of forward-looking climate scenarios considered, better demonstrating how asset prices are likely to be impacted under different global emissions pathways. Our analysis shows that the representative portfolio is well positioned relative to the benchmark under all scenarios, with a significant proportion of the holdings expected to benefit from business opportunities arising from a low-carbon transition. Despite this, we must focus on climate-related engagement to ensure the portfolio is aligned with the goals set out in the Paris Agreement.

Looking beyond climate, biodiversity is widely recognised as the next frontier in need of attention. Biodiversity is the variety of all life forms that make up the natural world. Every organism, big or small, works together in large ecosystems in a way that maintains balance and supports life on earth, making the integrity of biodiversity paramount. Biodiversity and climate are closely linked and are considered to be two sides of the same coin; both are integral to sustain a healthy and thriving planet.

This year we spent some time with the founder of the Task Force on Nature-Related Financial Disclosures (TNFD) initiative to gain better insight into the investment risks associated with nature loss. It is our intention to establish a robust biodiversity reporting framework in line with the TNFD in order to match our climate reporting efforts.

IN THE PAST 12 MONTHS, THE GLOBAL STRATEGY'S AUM HAS INCREASED BY $1.4BN TO $4.2BN

WE DELIVERED A RETURN OF +18% IN USD TERMS IN 2021

WE HAVE DELIVERED A 5-YEAR ANNUALISED RETURN OF +21%, COMPARED TO A 16% 5-YEAR ANNUALISED RETURN FROM THE MSCI WORLD BENCHMARK

Our partnership with leaders in conservation

In 2021, to mark the 30 year anniversary of the Janus Henderson Global Sustainable Equity strategy, we made a donation to the Durrell Wildlife Conservation Trust (Durrell) to support its work in Madagascar. Durrell has been saving species from extinction since 1959 and is responsible for leading, or providing significant support in 18% of successful bird and mammal extinction prevention programmes globally over the past 30 years. Founded by renowned conservationist Gerald Durrell, the Trust has trained more than 6,000 conservationists from 142 countries around the world. Specifically, our support focuses on a project to save the world's most endangered tortoise, the ploughshare tortoise, which is native to Madagascar.

In addition to the obvious environmental impact of projects such as this, we see a strong social aspect to conservation work which is especially important for the communities in which the work is based. The team recently spent time at the Durrell Conservation Training Academy to gain greater insight into the impact that economic activity can have on the world's natural capital and discussed how our company engagement agenda can address these issues.

Looking ahead

We find ourselves in a challenging environment at the time of writing, with global political vicissitude, inflationary economic pressures, and dislocations in global supply chains all creating a volatile backdrop for companies to operate in. While negative in the short-term, we ultimately believe that many of the current dynamics will serve to reinforce and accelerate some of the sustainable investment trends we are focused on. For instance, higher fossil prices are supportive of clean technology economics, and energy security concerns will only serve to incentivise investment into the low carbon energy transition; we call this the energy transition paradox.

Friction in global supply chains has risen to become one of the most topical issues in the last few years and, coincident with this, there is much greater recognition that many of the most pressing environmental and social issues are associated with these complex supply chains. We are monitoring with interest the emerging trends towards re-shoring and re-localisation of supply chains and we believe this is aligned to improving both economic resilience and to sustainability goals.

As we navigate these troubling times we remain focused on investing in businesses with strong value propositions and resilient cash flows. We seek businesses with goods and services that will continue to be sought after during more volatile economic times and through periods of inflation. We still see enormous value creation opportunities associated with the transition to a more sustainable global economy over the next decade.

Global Sustainable Equity Team

INVESTMENT APPROACH

A core requirement for sustainable investing is intentionality. Our investment approach seeks to intentionally identify positive impact and avoid doing harm 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 refer to this the four pillars of our sustainability driven investment strategy:

The four pillars of our sustainability-driven investment strategy

UNCONSTRAINED IDEA GENERATION

Constant communication and collaboration with a global network inside and outside of the firm

GLOBAL SUSTAINABLE EQUITY TEAM

- Industry participants
- Sustainability experts
- Team culture

CENTRAL RESEARCH

Seven sector teams,
32 analysts

SPECIALISED & REGIONAL TEAMS

Sector teams
Fixed income
Global and regional

STRUCTURED EVALUATION FRAMEWORK

Four pillars guide our evaluation; determining if the company meets our sustainable, do-no-harm and financial criteria

SUSTAINABLE DEVELOPMENT 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 & ESG analysis

PORTFOLIO CONSTRUCTION & RISK MANAGEMENT

Valuation framework
Portfolio fit
Engagement

BEST IDEAS WATCHLIST ~120

Sustainable development themes

We only invest in companies aligned with our ten sustainable development themes which serve the dual purpose of helping us to invest with positive impact and identifying sources of alpha generation. A full description of these can be found in our Investment Principles document.

ENVIRONMENTAL

CLEAN ENERGY

EFFICIENCY

ENVIRONMENTAL SERVICES

SUSTAINABLE TRANSPORT

WATER MANAGEMENT

SOCIAL

KNOWLEDGE & TECHNOLOGY

HEALTH

SAFETY

SUSTAINABLE PROPERTY & FINANCE

QUALITY OF LIFE

These themes are product focused and we operate a 50% revenue threshold. The full list of our investments along with the percentage alignment and justification is published quarterly in our Positive Impact Companies document.

Do no harm, avoidance criteria

Our exclusions make sense ethically, socially, environmentally and financially. Many negative externalities such as environmental pollution, violence and armed conflict, and smoking have a detrimental effect on the global economy.

Where possible, we will seek to achieve zero exposure in respect of the avoidance 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 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 use a 5% threshold, unless otherwise stated. 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 will be excluded unless there is clear evidence of significant progress. The table below shows that the strategy operated within the confines of the avoidance criteria.

Restricted activities

Alcohol	Fossil fuel extraction & refining	Animal testing
Armaments	Fossil fuel power generation	Fur
Gambling	Chemicals of concern	Genetic engineering
Pornography	Contentious industries	Intensive farming
Tobacco	Nuclear power	Meat & dairy production

Theme allocation

Theme allocation is based on revenue with a 50% threshold for primary theme and a 10% de minimus threshold for secondary theme. Theme weightings are rounded to the nearest 10% (or rounded to zero if below 10%). The overall thematic distribution of the portfolio is based on pro-rata allocation according to position weights. Data rounded and may therefore not add up to 100%.

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. The representative account is not available in European Union member countries.

For example if company X is a 1% position in the fund and its revenues are allocated 70% to the Sustainable Transport theme and 30% to the Cleaner Energy theme, there would be a 0.7% weight to Sustainable Transport and a 0.3% weight to Cleaner Energy. Primary and secondary theme weightings have then been summed to derive the overall portfolio theme allocations.

Source: Janus Henderson Investors as at 31 December 2021.

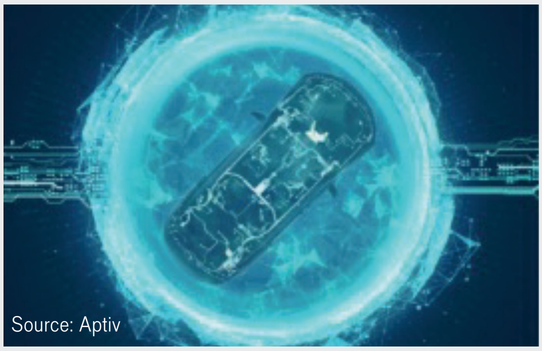
CASE STUDIES

Every quarter we publish a detailed case study in our Positive Impact Companies document. These are summaries of the case studies for 2021.

Q1: Aptiv

Enterprise value:	Region:	Industry group:	Website:
$46.2bn	North America	Auto parts & equipment	www.aptiv.com

Aptiv, headquartered in North America, is a leader in the automotive technology industry. Aptiv is unique in being able to offer auto manufacturers complete solutions, comprising both hardware and software, that enhance electrification and enable the development of smarter vehicle architectures. Aptiv prioritises smart design to make components smaller and lighter, helping make the resulting product greener, more efficient, and more connected. In addition, Aptiv's technology is a key building block enabling driverless vehicles. With 94% of accidents being a result of driver error, Advanced Driver Assistance Systems (ADAS) can help avoid accidents entirely. The result should be fewer accidents and the creation of new transportation business models.



Source: Aptiv

Key contributions from products:

- **Reduced weight:** Aptiv's high voltage electrification solutions (involving wiring harness, connectors, electrical centres and cable management) can reduce the size of vehicle architecture by 30-40%. This reduces the weight of the final vehicle, leading to emissions saving in the use-phase.
- **Electrification:** By 2040, over half of all passenger vehicles sold will be electric. With 20 years in the industry, Aptiv designs, develops and delivers both connection systems and electrical distribution systems for electrified vehicles.

- **Anti-lock breaking and electronic stability control:** These safety features form the basis for the autonomous vehicles of the future and are vital for accident prevention. In 2019, 15 million vehicles were equipped with Aptiv's advanced driver-assistance systems.
- **Blindspot monitors and lane/side-view cameras:** Aptiv estimates that these two forms of technology could help prevent almost 400,000 crashes in the US per year.
- **Automatic braking systems:** This system can detect an impending back-end collision with another vehicle in time to avoid or mitigate it. The Insurance Institute for Highway Safety found that this technology reduced front-to-rear crashes by 50%.

Source: Aptiv website and external documents, accessed Q1 2021.

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Q2: Adobe

Enterprise value:	Region:	Industry group:	Website:
$291.7bn	North America	Software	www.adobe.com/uk

Adobe is a North American technology company that develops and sells software and services for content creation and measurement of digital advertising and marketing. Adobe's inventions are helping to drive the creation of ideas and the exchange of information – presenting new ways of solving social and environmental problems. It is estimated that over 90% of the world's creative professionals use Adobe software. One of Adobe's largest end markets is education. The shift to digital media also enables customers to reduce waste and save natural resources. Adobe is benefiting as it transforms its business to a cloud-based subscription model. This shift to cloud computing has a beneficial environmental impact due to Adobe's policy of using renewable energy to power its datacentres, thereby enabling customers to reduce the energy intensity of their operations and therefore their carbon emissions.

Source: Adobe

Key contributions from products:

- **Enabling creativity:** Adobe powers creativity and artistic expression through its products, as well as enabling enterprises and governments to design and deliver high quality digital content.
- **Adobe InDesign:** Used for digital magazines, eBooks and interactive online documents, InDesign has become an invaluable tool enabling digital communication and knowledge sharing.

- **Minimising resource consumption:** The company provides tools to enable the shift to a paperless working environment. One of Adobe's customers reported that it saved 9 million sheets of paper and 960,000 gallons of water with paperless workflows supported by Adobe software.

Q3: Evoqua Water Technologies

Enterprise value:	Region:	Industry group:	Website:
$6.3bn	North America	Environmental control	www.evoqua.com

Evoqua Water Technologies is a water technology company, with a sole focus on water treatment. Its core technologies are focused on purification, removing impurities from water, rather than neutralising them through the addition of chemicals. In 2020, Evoqua reported that it transformed approximately 378 billion litres of water every day with its products and services. It serves municipal and industrial customers and its solutions span the entire water life cycle from extraction and purification to waste treatment and reuse. Evoqua's treatment systems and services enable customers to achieve lower costs from the more efficient use of water, as well as ensuring their ability to meet regulatory compliance requirements and environmental sustainability objectives.

Source: Evoqua

Key contributions from products:

- **Integrated Solutions and Services:** This provides application specific solutions and full lifecycle services for critical water applications; including disinfection and sanitisation for hospitals, laboratories, and aquatics.
- **Applied Product Technologies:** Delivers water and wastewater treatment products to a diverse set of end users, including industrial, municipal, and commercial applications, ranging from biological treatment to filtration and disinfection.

- **Innovation:** Evoqua's anaerobic digestion technologies help customers tap into green energy by utilising biogas by-product as a replacement for conventional energy sources. The company estimates its technology helps power around 5,000 homes per day.

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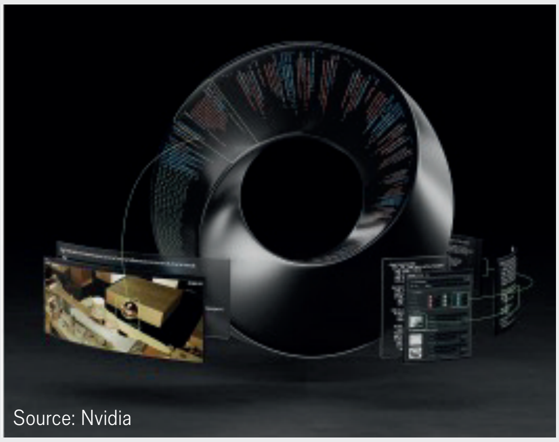
Q4: Nvidia

Enterprise value:	Region:	Industry group:	Website:
$318.2bn	North America	Semiconductors	www.nvidia.com/en-gb

NVIDIA is a US-based company that designs, develops and markets graphics processing units (GPUs) that enhance the performance of computing platforms across the globe. Nvidia's GPUs use up to 90% less energy than Central Processing Units (CPUs) for computer graphics, image processing, and processing large blocks of data in parallel. This increases the processing power efficiency of computing and in turn energy efficiency. Analysis from the International Energy Agency shows that in a 10-year period from 2010 to 2019 global data centre energy use remained flat despite a greater than 8-fold increase in data centre workloads. NVIDIA's GPUs have also enhanced cloud-based gaming and game-streaming, increasing connectivity between users; NVIDA GeForce has more than 200 million gamers. In addition, the company's products are increasingly being used in autonomous vehicles, AI, and research and development (R&D) for medical science.


Source: Nvidia

Key contributions from products:

- **Reducing energy consumption:** Nvidia GPUs are essential for minimising the strain of high-performance computing on data centres. Nvidia's GPUs are up 42 times more energy-efficient than traditional CPUs whilst taking up 1/47th of the rack space.
- **High performance gaming:** Nvidia's recently released GeForce RTX 30 Series graphics card which offers up to 2 times performance and 1.9 times power efficiency compared to previous generations.

- **Powering eSports:** Nvidia powers the eSports industry contributing towards a new form of high-performance competition that helps fans and competitors develop personal connections, build relationships, and develop core competencies.
- **Cinematics:** Nvidia's GPUs have been behind the visuals and cinematics of every Academy Award winner for Best Visual Effects over the last 13 years.

ESG PERFORMANCE[1]

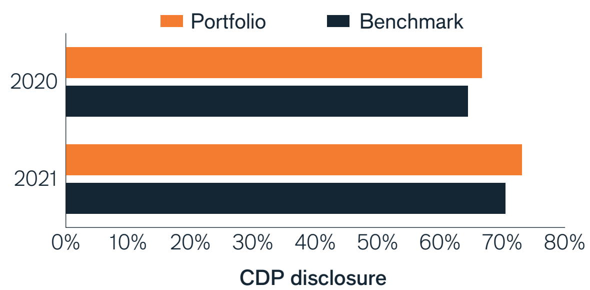
We believe performance on ESG factors can have a material impact on financial returns. Pre-investment, all companies assessed for inclusion in the strategy must demonstrate acceptable management of their operational ESG performance. Post investment, we continue to monitor our investee companies against certain metrics, as well as the strategy's overall performance at the portfolio level, to glean insight into changes in ESG profile and to guide our engagement agenda. We also work closely with the central Janus Henderson Governance and Stewardship Team to this end.

The following metrics show some of the ESG KPIs that we consider over the course of our operational analysis of companies. This is not an exhaustive list of the metrics we track and hope to expand this list as the quality and consistency of reporting improves[2]. The following section provides some context around these numbers. Climate-related metrics are discussed separately in the TCFD reporting section.

CDP disclosure

Used by investors, corporations and regulators, the Carbon Disclosure Project (CDP) has become the gold standard for reporting globally on carbon emissions, climate change risks, and opportunities. While we note that a number of our holding companies report carbon metrics outside of the CDP, our preference is for companies to use the CDP to ensure the adoption of a common framework.

Top performers in the portfolio average above 30% sales growth on a five-year basis.



Coverage rates 2021: Portfolio: **96.09%** Benchmark: **97.29%**

Source: Janus Henderson Investors, MSCI, latest available data based on the representative account. For calculation methodology, see **Count** in the appendix

We are pleased to see the proportion of holdings reporting to the CDP increase by 6% relative to 2020, with companies such as Crown Castle International and Boralex receiving scores for the first time in 2021. A trend towards increased disclosures in the market means we remain around 3.7% ahead of the benchmark against the previous year. Increases in market disclosures are being driven by growing demand for decision relevant climate information across sectors. For investors, this means the opportunity for deeper integration of climate risk into investment processes. Climate change and reporting are two of our key engagement topics. The CDP cuts across both issues, therefore, encouraging increased disclosure is a common engagement point with our portfolio companies.

1. Data in this factsheet is taken from multiple sources, including MSCI, ISS, Bloomberg, and Sustainalytics. Providers are selected for certain metrics based on the quality of data and coverage rates. Figures are likely to vary according to data provider. See Table 1 and 2 in the appendix for the calculation methodology. 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. The representative account is only available in the United Kingdom.

2. The portfolio coverage rate was also a factor when selecting metrics for this section. See Table 5 in the Appendix for the remaining SFDR PAI indicators for the portfolio compared to the benchmark.

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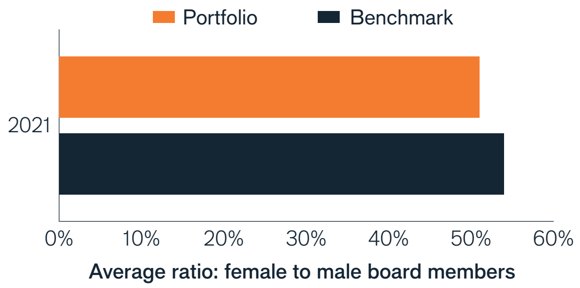
ESG PERFORMANCE

Average ratio of female to male board members

Our investment process includes analysis of diversity and inclusion. We believe that diversity of thought and background is crucial, especially in leadership, where it can have a significant impact on company culture. The ratio of females to males in board seats is a key aspect of that diversity.[3]

The graph suggests that there is slightly more than one female for every two males on board seats in both the portfolio and benchmark, with the benchmark slightly more diverse than the portfolio. While there is no agreed upon target for what constitutes an appropriate level of board diversity, we consider it vital to ensure that opportunities exist at all levels for underrepresented groups, beginning in the board room. Diversity and inclusion therefore remains an ongoing engagement area for 2022.



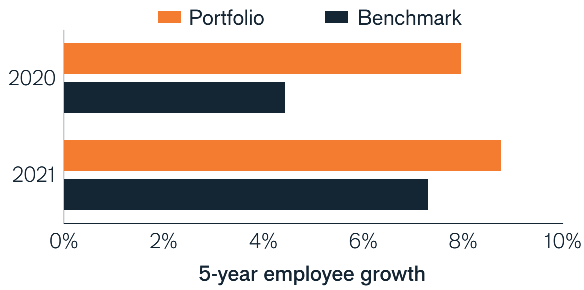
Coverage rates 2021: Portfolio: **96.10%** Benchmark: **97.02%**

Source: Janus Henderson Investors, MSCI, latest available data based on the representative account. For calculation methodology, see **Weighted Average** in the appendix

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. Growing companies create jobs, which in turn improves living standards, giving society space to consider the sustainability of that growth. We engage regularly with companies on the topics of human capital management and employee initiatives. Five-year employee growth figures show the percentage geometric growth rate over five years[4] in number of employees reported as an average of the portfolio and benchmark.

Employee growth increased slightly for the portfolio in 2021 against the previous year, while the benchmark increased significantly. We saw growth in headcount across all sectors in 2021. This increase was primarily driven by the strategy's growth holdings in the IT sector, although the financials and healthcare sectors also saw notable increases. The chart suggests that our portfolio companies have been increasing employee headcount by 1.5% more per year on average than the benchmark for the previous five years.



Coverage rates 2021: Portfolio: **88.64%** Benchmark: **93.30%**

Source: Janus Henderson Investors, Bloomberg, latest available data based on the representative account. For calculation methodology, see **Weighted Average** in the appendix

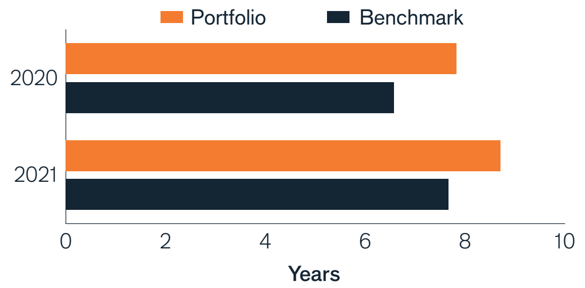
3. We elected to replace 'Female executives' as our measure of gender diversity in 2021 as 'Average ratio of female to male board members' to align with the SFDR PAI indicators. This metric was not tracked on the fund in 2020.

4. A five-year figure is used to dampen the effects of significant one-off corporate events around merger and acquisition activity or restructuring.

ESG PERFORMANCE

CEO tenure

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 with respect to corporate resilience and job security for employees. CEO tenure in years reported as an average of the portfolio and benchmark. CEO tenure increased by almost a full year in 2021 relative to the previous year, with under 10% of the portfolio appointing a new CEO in 2021.

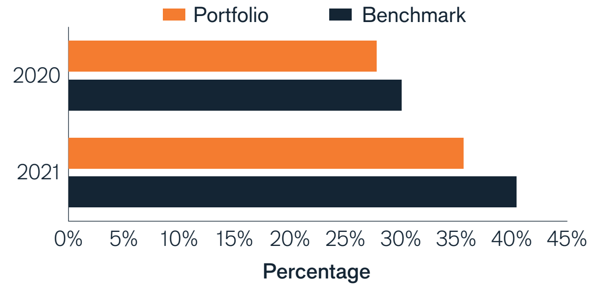


Coverage rates 2021: Portfolio: **96.75%** Benchmark: **98.37%**

Source: Janus Henderson Investors, Bloomberg, latest available data based on the representative account. For calculation methodology, see **Weighted Average** in the appendix

UN global compact signatory

This is the percentage of companies that are signatories to the 10 principles of the UN Global Compact (UNGC). The principles set out a minimum standard of operation that organisations voluntarily commit to upholding. The principles are focused on four areas: human rights, labour, environment, and anti-corruption. We saw an increase in the number of companies signed up to the UNGC in both the portfolio and benchmark, driven by increased stakeholder demand for companies to demonstrate commitment to responsible management practices. Although, many companies opt to meet the UNGC without becoming a signatory of the principles. We exclude companies in violation of the UNGC principles as part of our investment process and support organisations that elect to become official signatories.



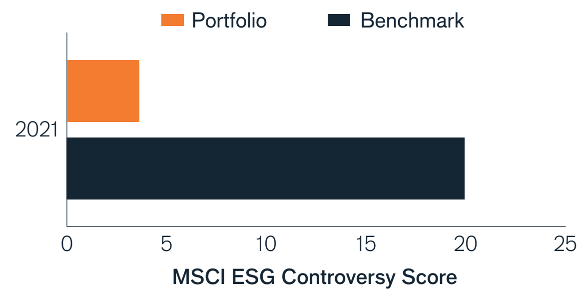
Coverage rates 2021: Portfolio: **88.19%** Benchmark: **96.81%**

Source: Janus Henderson Investors, Bloomberg, latest available data based on the representative account. For calculation methodology, see **Percentage Sum** in the appendix

Company controversies

We use data providers to help us identify when organisations have alleged involvement in controversies related to their practices. The below metric from MSCI reflects the number of incidents of involvement in issues with negative ESG implications. This is reported as an average of the portfolio and benchmark.[5]

The portfolio is significantly outperforming the benchmark on this metric. Our investment process includes operational ESG analysis of prospective investments which we use to identify the company's exposure to potentially value destroying ESG controversies. We view companies with a strong operational ESG profile as having a reduced likelihood of experiencing such controversies, which in turn, makes them more attractive investments. When material controversies arise in one of our holdings, we seek to engage with the company in question in order to determine materiality and assess the strength of response.



Coverage rates 2021: Portfolio: **96.10%** Benchmark: **97.05%**

Source: Janus Henderson Investors, MSCI, latest available data based on the representative account. For calculation methodology, see **Weighted Average** in the appendix

[5] The team elected to switch from Sustainalytics to MSCI's controversy scoring methodology, meaning data is not comparable to 2020. The Sustainalytics controversy risk score is measured on a scale of 1-5, and in 2020 was 1.44 versus 2.29 for the portfolio.

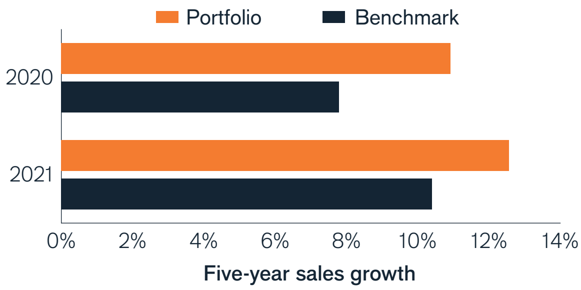
ESG PERFORMANCE

Sustainability, innovation, and growth

We see a close link between sustainability, innovation and growth. Scientific and technological progress is essential if we are to address environmental and social challenges and adapt to a changing planet. We take the following three metrics as indicators of a company's growth and innovative capacity.

Five-year sales growth

This is the average sales growth over a five-year[6] period reported as the average of the portfolio and benchmark. Average sales growth increased by roughly 0.6% in 2021 compared to the benchmark 2020. Driven by the holdings in information technology sector, some of the best performers include Zendesk, a company focused on enabling more effective communication with customers, Atlassian, whose products supports project management and Avalara, whose products that help to automate tax compliance. Top performers in the portfolio average above 30% sales growth on a five-year basis.

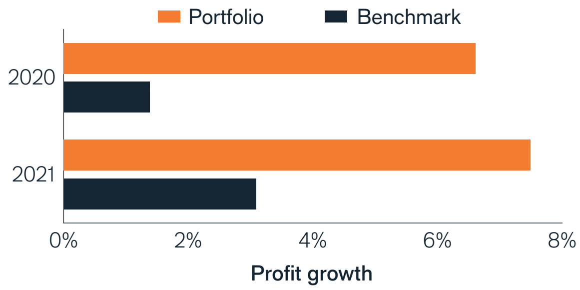


Coverage rates 2021: Portfolio: **98.36%** Benchmark: **97.75%**

Source: Janus Henderson Investors, ISS, latest available data based on the representative account. For calculation methodology, see **Weighted Average** in the appendix

Profit growth

This is the five-year geometric profit growth reported as the average of the portfolio and benchmark. The portfolio saw a roughly 1% increase in profit growth in 2021 compared to 2022, comfortably ahead of the benchmark. The increase was driven by strong performances across multiple sectors in the portfolio, including in utilities, semiconductors, water management, and healthcare. The team places an emphasis on robust fundamental research at pre-investment, reflected here in financial performance.

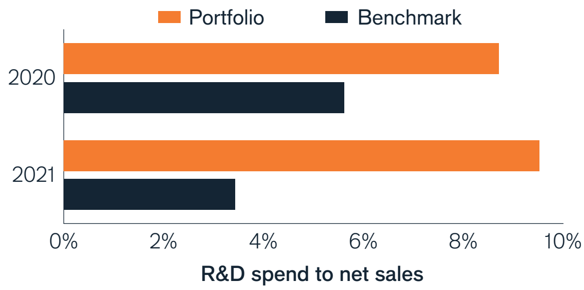


Coverage rates 2021: Portfolio: **88.16%** Benchmark: **97.76%**

Graph source: Janus Henderson Investors, ISS, latest available data based on the representative account. For calculation methodology, see **Weighted Average** in the appendix

R&D spend to net sales

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. We aim to identify companies that are investing for the future and driving innovation. This is reflected in the portfolio's high R&D spend, with the portfolio averaging close to 10% of net sales relative to the benchmark. Highest spend was seen in the portfolio's growth technology holdings, including companies such as Atlassian, Cadence Design Systems, and Bill.com.



Coverage rates 2021: Portfolio: **86.26%** Benchmark: **96.23%**

Source: Janus Henderson Investors, ISS, latest available data based on the representative account. For calculation methodology, see **Weighted Average** in the appendix

[6] The five-year figure dampens the effects of significant one-off corporate events around merger and acquisition activity or restructuring.

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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 outlined recommendations for more effective climate-related disclosures.

The Janus Henderson Global Sustainable Equity Strategy welcomes and fully endorses the recommendations of the Financial Stability Board's TCFD and the increased focus on climate change. Our disclosure on climate-related risk and opportunities will focus on how we incorporate impacts related to the **transition** to a lower-carbon economy as well as the **physical** impacts of climate change.

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 strategy in 1991 we have had clearly defined principles concerning the types of businesses we will allocate capital to. A distinguishing feature of the strategy is our low carbon approach. We believe it makes good investment sense to avoid investing in companies that are heavily exposed to climate-related risk and to invest in climate-related opportunities. We aim to invest in companies that contribute to the transition to a lower-carbon economy that is consistent with a 1.5°C scenario.

There are multiple levels to our low carbon investment approach.[1]

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. cement and airlines.
5. **We invest in solution providers**
   e.g. renewables, batteries, efficiency, electrification, semiconductors, building materials and design.
6. **We enage with companies in the portfolio on carbon reduction and elimination**

Janus Henderson's Ethical Oversight Committee meet four times per year to oversee the development, management and implementation of our climate-related avoidance criteria.

The strategy has a target of ensuring that at least 10% by weighting of the companies within the portfolio are a) carbon neutral, b) have strategies in place to become carbon neutral by 2030, or c) engaged with towards achieving point b in line with the requirements of our NZC10[2] commitments (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 invest in companies playing a positive role in the transition to a low carbon economy.

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

[2] Commitments have been upgraded to 20% as of 2022.

Risk management

Our investment process considers climate-related risk and opportunities at pre-investment. This analysis is often both quantitative and qualitative in nature.

We consider both transitional and physical risks and opportunities associated with a company. Many of these risks are avoided through the design of our investment process. Other risks are captured through our ESG analysis and the results are incorporated into the portfolio construction. Where risks cannot be fully eliminated, we seek to engage on potential improvement points.

Using the *Task Force on Climate-related Financial Disclosures: Guidance on Risk Management Integration and Disclosure*, we have sought to expand on the mitigation measures in place for transition and physical risk.

Type	Climate-related risk	Mitigation approach
Transition	Policy and Legal	Policy and Legal changes are incorporated into the strategy through a process of continuous improvement. The team analyse the impact of regulatory developments on the companies it invests in as part of the ESG analysis. Where we feel that risks can be mitigated, they are included as an engagement topic. The strategy monitors the effectiveness of these mitigation measures using stress-testing.
	Technology	The strategy seeks to invest in technology that is enabling the transition to a low carbon economy, and it avoids technology that is associated with the extraction and refinement of fossil fuels. Our ESG analysis includes consideration of a company's use of technology to reduce its climate-related risks. We also engage with companies on this topic.
	Market	We believe that there is already a market shift taking place where companies that do not consider climate-related risk will be negatively impacted. 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.
	Reputation	We have made public the portfolio's carbon footprint in comparison to the benchmark and also publish reports quarterly and annually on our investments and their performance. In addition, we consistently analyse the companies we invest in for climate-related controversies using controversy screening. We also engage with companies on this topic.
Physical	Acute	As part of our ESG analysis, we consider the location of the companies we invest in as well as the location of their supply chain. As part of this, we use scenario analysis to analyse acute and chronic risk associated with the companies we invest in. We also engage with companies on this topic.
	Chronic	

Source: Global Sustainable Equity Strategy, 2021.

Metrics and targets

We use a variety of metrics and tools to manage and monitor the impact of climate change on the portfolio, as well as our alignment with the Paris Agreement. We will be discussing the following metrics based on the investment portfolio as of 31 December 2021:

GHG EMISSIONS METRICS	EXPECTED TEMPERATURE RISE	SCENARIO ANALYSIS
Point in time, retrospective	**Forward looking, planetary impact**	**Forward looking, portfolio impact**
• Scope 1 and 2 emissions • Upstream and downstream scope 3 emissions • Carbon footprint • Weight Average Carbon Intensity (WACI)	• IEA emissions scenarios • ISS and MSCI expected temperature rise • 2050 horizon	• Climate value at risk • Transitional risks and opportunities • Physical risks and opportunities • 15-year horizon

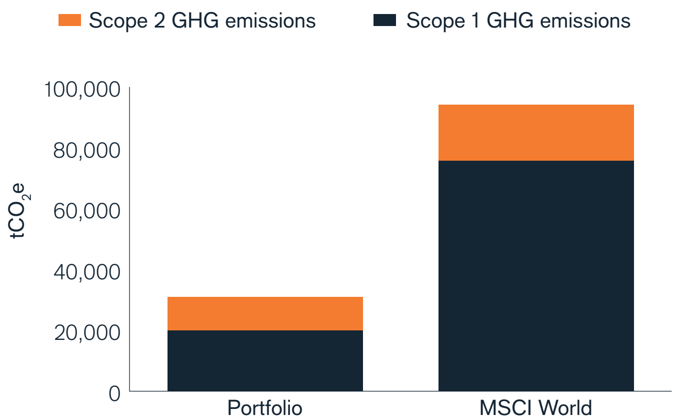
Portfolio GHG Metrics

Portfolio greenhouse gas (GHG) metrics provide point in time information helping us to understand the current source of emissions in the portfolio. This information is useful for helping us identify companies' or industries' exposure to climate transition risks, as well as to identify climate focused engagement opportunities. In line with the Greenhouse Gas Protocol (GHGP), we consider GHG emissions in three types:

- **Scope 1:** Direct emissions that are a result of a firm's facilities, plant, or equipment (including vehicles) use during the production of goods or services
- **Scope 2:** Indirect emissions derived from the generation or purchase of energy that a company consumes as an ancillary activity to the production process
- **Scope 3:** All other indirect emissions, including across the company's upstream emissions (supply chains, commuting, transport, etc.) and downstream emissions (use of goods and services, investments, end-of-life treatment, etc.).[3]

Given some of the challenges of data consistency with GHG emissions metrics, we have elected to report data from two providers, ISS and MSCI, in this year's report. Graphs and data tables are all constructed using ISS data unless stated otherwise.[4]

	ISS		MSCI	
Scope 1 and 2 GHG emissions	Portfolio	MSCI World	Portfolio	MSCI World
Scope 1 + 2 GHG emissions Tonnes CO_2e	30,934	94,256	32,160	95,538
Coverage	100%	98.6%	96.1%	96.9%



Source: Janus Henderson Investors, ISS, latest available data based on the representative account. Benchmark: MSCI World. For calculation methodology, see **Investor Allocation** in the appendix.

Sector	% of Total	Portfolio weight
Materials	33.9%	1.4%
Utilities	32.0%	4.0%
Information Technology	15.0%	44.6%
Industrials	8.6%	16.7%
Health Care	6.6%	6.9%
Consumer Discretionary	2.5%	7.3%
Financials	0.7%	12.3%
Real Estate	0.6%	4.3%
Consumer Staples	0.1%	0.5%
Communication Services	0.02%	2.1%

Comparing scope 1 and 2 emissions footprints, the strategy is around two thirds lower than the benchmark. Scope 1 emissions contribute[5] notably more to the final figure than scope 2. The majority of these emissions are concentrated in a small number of holdings. In particular, the Scotland-based power generator and distributor SSE plc, and the London-based paper, packaging and recycling company DS Smith. These holdings together contribute over 75% of the portfolio's final scope 1 emissions figure.

We are always working to minimise the portfolio emissions, and have identified these two names as well positioned to take advantage of the shift towards renewable energy and the circular economy respectively. Both companies have strong climate strategies, with verified near-term science-based targets to reduce emissions in line with a 1.5°C scenario. We will continue to engage with each firm on their progress and expect to see reductions in emissions output by 2030.

3. Further information on what is included within a company's scope 3 emissions can be found via The Greenhouse Gas Protocol

4. See tables 3 and 4 in the appendix for MSCI and ISS GHG Emissions data in table format

5. Note that the contribution of a company's emissions to the portfolio's overall emissions is dependent on both the company's emissions and the portfolio's stake in the company. Therefore, the companies discussed above may not be the highest emitters in the portfolio in absolute terms.

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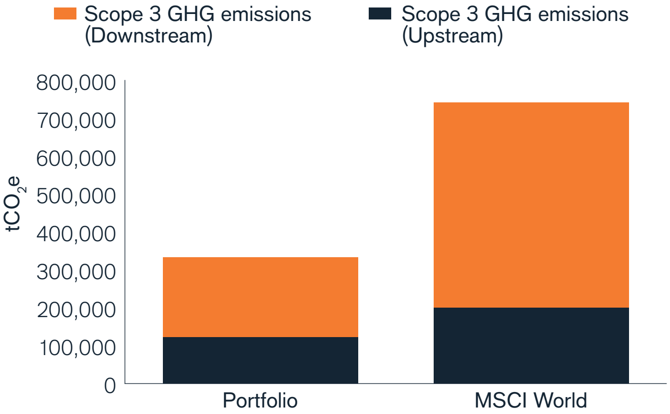
Scope 3 GHG emissions	ISS Portfolio	ISS MSCI World	MSCI Portfolio	MSCI MSCI World
Scope 3 GHG emissions Tonnes CO_2e	330,475	716,519	217,278	569,410
Coverage	100%	98.6%	96.1%	96.9%



Source: Janus Henderson Investors, ISS, latest available data based on the representative account. Benchmark: MSCI World. For calculation methodology, see **Investor Allocation** in the appendix.

Sector	% of Total	Portfolio weight
Industrials	64.5%	16.7%
Consumer Discretionary	9.2%	7.3%
Information Technology	8.1%	44.6%
Materials	5.3%	1.4%
Financials	4.8%	12.3%
Utilities	4.4%	4.0%
Health Care	2.2%	6.9%
Communication Services	0.7%	2.1%
Real Estate	0.5%	4.3%
Consumer Staples	0.3%	0.5%

Scope 3 represents approximately 90% of the portfolio's overall emissions, although we remain significantly below the benchmark. Our upstream emissions from supply chains are notably smaller than downstream emissions associated with the finished product or service offered by the companies we are invested in, although this difference is much less pronounced versus the benchmark. Half of the portfolio's top 10 emitters are manufacturers and distributors of capital goods operating in the industrials sector, with one name in particular, Wabtec, a supplier of equipment and components to the global freight and transit rail industries, contributing more than a third to the final scope 3 figure, primarily through downstream emissions. Wabtec is a world leader and innovator supporting an industry that provides the world's most carbon-light form of heavy transport, with its products providing up to 20% fuel efficiency gains versus competitors. We note that due to the challenge of measuring scope 3 emissions, over half of the reported figures in our data set are estimated by data providers, meaning the above information data is sensitive to changes in their chosen estimation methodology. As such, scope 3 data should be used for illustrative purposes only.

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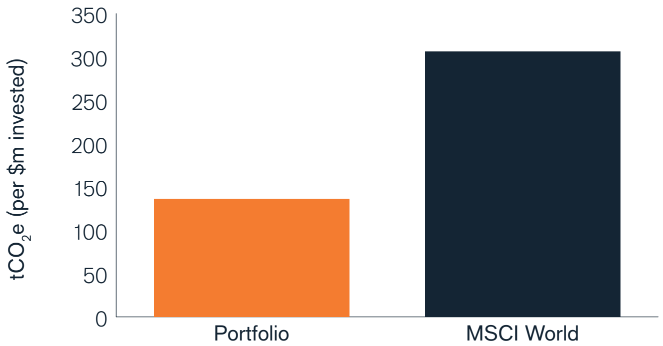
Carbon footprint (Scope 1, 2, & 3)	ISS Portfolio	ISS MSCI World	MSCI Portfolio	MSCI MSCI World
Carbon footprint Tonnes CO_2e per $1m invested	136	306	94	250
Coverage	100%	98.6%	96.1%	96.8%

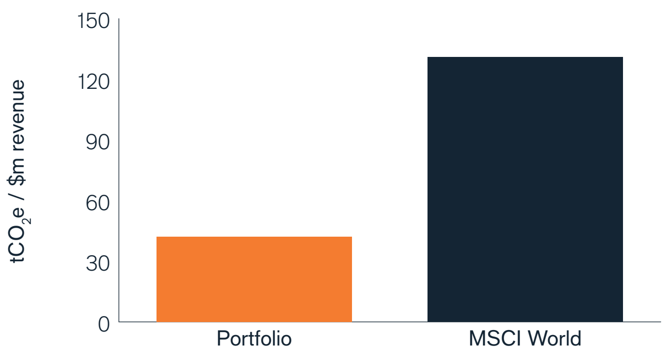


Source: Janus Henderson Investors, ISS, latest available data based on the representative account. Benchmark: MSCI World. For calculation methodology, see **Investor Allocation per million invested** in the appendix.

Sector	% of Total	Portfolio weight
Industrials	59.7%	16.7%
Information Technology	8.7%	44.6%
Consumer Discretionary	8.6%	7.3%
Materials	7.7%	1.4%
Utilities	6.8%	4.0%
Financials	4.5%	12.3%
Health Care	2.5%	6.9%
Communication Services	0.7%	2.1%
Real Estate	0.5%	4.3%
Consumer Staples	0.3%	0.5%

Whilst the metrics discussed previously are useful for understanding overall exposure, they do not permit comparisons across funds due to the heavy influence of fund size, which will increase proportional ownership. On the other hand, the portfolio carbon footprint measures total emissions based on $1m invested, enabling such comparisons. The downside is that the carbon footprint is susceptible to fluctuations in asset valuations, meaning carbon footprint relative performance against the benchmark will vary with financial performance, making it difficult to compare the same portfolio through time. At the end of 2021, the portfolio's carbon footprint is less than half that of the benchmark, with the major contributors aligning with those mentioned in the previous section. The portfolio footprint is driven primarily by our low carbon investment approach which avoids investments in carbon intensive industries, aims to select sustainability leaders in both products and operations, and prioritises engaging with existing holdings on climate change strategy and net-zero.

Weighted Average Carbon Intensity (Scope 1+2)	ISS		MSCI	
	Portfolio	MSCI World	Portfolio	MSCI World
Weighted Average Carbon Intensity Tonnes CO2e/$1m revenue	42	131	55	127
Coverage	100%	98.6%	96.1%	97.1%

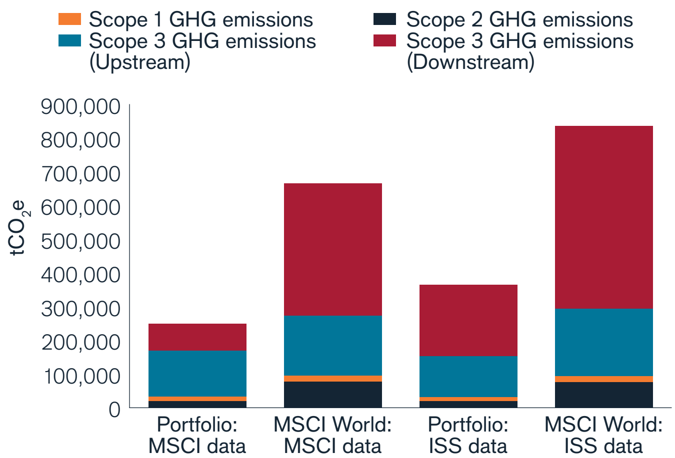


Source: Janus Henderson Investors, ISS, latest available data based on the representative account. Benchmark: MSCI World. For calculation methodology, see **Weighted Average** in the appendix.

Sector	% of Total	Portfolio weight
Utilities	37.9%	4.0%
Information Technology	30.9%	44.6%
Materials	12.4%	1.4%
Industrials	9.0%	16.7%
Health Care	3.8%	6.9%
Consumer Discretionary	2.6%	7.3%
Real Estate	2.5%	4.3%
Financials	0.8%	12.3%
Consumer Staples	0.2%	0.5%
Communication Services	0.02%	2.1%

Portfolio carbon intensity measures the quantity of emissions that need to be produced to generate $1m of revenue as a weighted average of the portfolio. The portfolio's WACI is just over 60% lower than the benchmark. In other words, the portfolio produces over 60% fewer emissions for every $1m of revenue generated. As with many of the other metrics discussed, the majority of the emissions are concentrated in a small number of holdings, primarily in the industrials and utilities sectors. In fact, the top 10 emitters by carbon intensity account for around 80% of the final portfolio WACI. The Scope 1+2 WACI measures the carbon efficiency of revenue generation in a company's operations. Basing the calculation on revenue instead of millions invested, as used in the carbon footprint, is often the preferred metric for assessing emissions performance, as the WACI is independent of asset price fluctuations.

Total emissions (Scope 1, 2, & 3) – comparing data providers



Coverage: ISS: Portfolio: 100% Benchmark: 98.6%; MSCI: Portfolio: 96.1% Benchmark: 96.9%

Source: Janus Henderson Investors, ISS, MSCI, latest available data based on the representative account. Benchmark: MSCI World. For calculation methodology see **Investor Allocation** in the appendix.

Despite significant improvements in reporting in recent years, a lack of quality carbon data remains a challenge. The team therefore relies on data providers to estimate missing data. Emissions estimations, particularly for scope 3 emissions, are extremely challenging and can vary dramatically by the estimation methodology employed. To illustrate this, we've compared the portfolio and benchmark to the reported figures offered by two data providers, ISS and MSCI. There are significant variations in estimates across providers, particularly in the estimation of downstream emissions. In this case, selecting ISS's methodology over MSCI's increases the final portfolio emissions by a third, and around a quarter for the benchmark. We highlight this to illustrate some of the challenges that still exist in bringing consistency into carbon data, which is vital for decision-making and target setting. This is one of the reasons continued engagement on quality reporting remains a priority for the fund into 2022.

Summary

Portfolio level emissions metrics provide a useful point in time assessment of the portfolio's ownership of carbon emissions. We see this an important first step in understanding how climate change impacts risk-adjusted returns, informing forward-looking strategies and decision-making. Some key takeaways from the above include:

- **The majority of portfolio emissions are generated by a small number of holdings** primarily in the industrials, utilities, and materials sectors.
- **Scope 3 emissions are by far the biggest challenge** in terms of contribution to overall emissions but also in terms of measurement and reporting for companies.
- **Data completeness and validation remain a challenge.** We view it as vital to remain vigilant and to always question whether data makes sense against our understanding.
- **We are outperforming the benchmark;** however, we are mindful not to sacrifice engagement for outperformance. Companies that we consider as having strong alignment between impact and profit may still have work to do in mitigating some of their other externalities. We view it as our responsibility as stewards of these assets to provide support and guidance to ensure continuous improvement in the transition to a low carbon world.

Expected temperature rise

Whilst the GHG emissions metrics provide useful point in time estimates, it is also vital to use forward-looking metrics to understand how this emissions output is likely to impact the planet. To this end, we use the portfolio's expected temperature rise to understand how well aligned the portfolio is to existing climate scenarios and, ultimately, to the goal of 1.5°C of global warming set out in the Paris Agreement. We use research from the International Energy Agency (IEA) which provides different energy and emission scenarios describing the future energy mix and policy outcomes.[6] The ISS climate scenario alignment tool compares current and future portfolio greenhouse gas emissions with the carbon budgets for three scenarios until 2050. The ISS carbon footprint data informs the scenario model which translates this into an expect temperature rise. The table describes each of the three main IEA scenarios along with the objective of each.

The results show that the portfolio is aligned to the SDS for the next three decades with performance shown as the percentage of assigned budget used by the portfolio and benchmark. We significantly outperform compared to the benchmark, which is misaligned to all scenarios by 2030. The model suggests that the portfolio starts to exceed the SDS budget in 2046 but remains aligned to the APS scenario until 2050. This aligns with our strong performance on point in time emissions metrics against the benchmark.

Portfolio and benchmark comparison to SDS budget
(Dark Green = SDS; Light Green = APS; Orange = STEPS; Red = Misaligned[8])

	2020	2030	2040	2050
Portfolio	-73.56%	-67.61%	-28.32%	+93.08%
Benchmark	-0.82%	+32.89%	+135.67%	+375.48%

Source: Janus Henderson Investors, ISS Climate Impact, latest available data as at 31 December 2021 based on the representative account.

Given these results, the model suggests that the strategy as of the 31 December 2021 is associated with the following temperature increases. We also include the results of MSCI's Implied Temperature Rise (ITR) model for comparison.

	ISS Model		MSCI Model	
	Portfolio	Benchmark	Portfolio	Benchmark
Temperature Rise (°C)	1.7	2.8	2.1	2.8

Despite the portfolio outperforming on point in time GHG emissions metrics using MSCI versus ISS data, we are associated with below 2°C of warming under the ISS model, whilst we overshoot this target in the MSCI model. Estimating portfolio temperature rise is extremely complex with a variety of possible approaches that can be employed. Methodological difference between the two providers are therefore the likely to cause of the variation in results. Despite the challenges in measurement, we take these results as an indication that despite outperforming the benchmark significantly on all GHG emissions metrics and aligning with the SDS scenario until 2046, emissions must come down further in order to align with the goal of 1.5°C of warming as set out in the Paris Agreement. We remain committed to this objective and will continue enhancing our climate engagement on emissions and climate strategies to align more closely with a level of warming within planetary boundaries.

SCENARIO[7]	DEFINITION	OBJECTIVE
Stated Policies Scenario (STEPS)	STEPS reflects a scenario where all existing and announced policies at the sector level are implemented. This reflects a business-as-usual scenario.	To provide a benchmark to assess the potential achievements (and limitations) of recent developments in energy and climate policy.
Announced Pledges Scenario (APS)	APS assumes that all existing climate commitments made by governments at the national level are met, including net-zero targets.	To show how close current pledges get the world towards the target of limiting global warming to 1.5°C, it highlights the "ambition gap" that needs to be closed to achieve the goals agreed at Paris in 2015.
Sustainable Development Scenario (SDS)	SDS is a well below 2 degrees scenario representing a gateway to the outcomes targeted by the Paris Agreement.	To demonstrate a plausible path to achieve universal energy access and set a path towards meeting the objectives of the Paris Agreement on climate change and significantly reduce air pollution.

6. IEA, World Energy Outlook, 2021.
7. IEA, World Energy Model Documentation, 2021.
8. Misaligned means the portfolio's level of emissions does not fall within any of the discussed scenarios

Scenario analysis

In an earlier section, we identified the physical and transitional climate-related risks associated with the portfolio as well as some mitigation measures. We now use scenario analysis to understand the effects of different transitions to a low carbon economy on the portfolio relative to the benchmark. The results highlight which risks are driving changes in asset prices, improving our understanding of the portfolio's risk profile, and allowing us to enhance mitigation measures where appropriate.

A security's climate value-at-risk (CVaR) estimates the magnitude of changes in market value resulting from physical and transitional climate risks and opportunities. We analyse three potential scenarios based on the REMIND integrated assessment model and provided by the Network for Greening the Financial System (NGFS) below.

Orderly Transition 1.5°C	Assumes climate policies are introduced early and become gradually more stringent. Both physical and transition risks are relatively subdued.
Disorderly Transition 1.5°C	Explores the possibility of higher transition risk due to policies being delayed or divergent across countries and sectors. Carbon prices are typically higher for a given temperature outcome.
Hot House World 3°C	Assume that some climate policies are implemented in some jurisdictions, but global efforts are insufficient to halt significant global warming. Critical temperature thresholds are exceeded leading to severe physical risks and irreversible impacts like sea-level rise.

The results below describe the expected changes to the value of the portfolio and benchmark on a 15-year horizon.

	Orderly Transition 1.5°C		Disorderly Transition 1.5°C		Hot House World 3°C	
	Portfolio	Benchmark	Portfolio	Benchmark	Portfolio	Benchmark
CVaR	-0.31%	-10.23%	-0.92%	-32.83%	-4.01%	-10.52%
Transition risk	+1.87%	-4.17%	+1.26%	-26.77%	-0.22%	-0.39%
Physical risk	-2.18%	-6.06%	-2.18%	-6.06%	-3.79%	-10.12%

Source: Janus Henderson Investors, MSCI, latest available data based on the representative account.

Orderly transition 1.5°C

Under the orderly scenario, the transitional aspect of the CVaR is expected to have a positive impact on the fund, driven by value creation through technological opportunities from patents and the expansion of existing green revenues. The strong technological opportunities score is driven primarily by five holdings in the water management and energy industries. In energy, the portfolio's holdings in two pure play renewable energy companies, Boralex and Innergex, are expected to benefit from increased demand due to higher carbon price. In water management, three companies focused on water infrastructure, purification, and recycling, Advanced Drainage Systems, Xylem, and Evoqua Water Technologies, are also predicted benefit, most likely from increased reliance on their services in an increasingly water stressed environment.

The model identifies two primary risks to the portfolio, the first is policy risk from relatively high direct (scope 1) emitters, these emissions must be aggressively reduced in order to meet each country's nationally determined contributions (NDC's). Both DS Smith, a paper packaging and recycling company, and SSE, an energy company with exposure to natural gas power generation are some of the most significant contributors, which the model expects will see significant cost increases due to a rapid necessity for emissions reductions resulting from high carbon taxes. The second major risk to the portfolio is the physical risk of increased extreme heat and coastal flooding. Our holdings operating in health and infrastructure insurance, including Humana, AIA Group, Marsh & McLennan, and The Progressive Group, are the most negatively impacted, likely through the increased costs of insurance pay-outs.

Disorderly transition 1.5°C

Under a disorderly transition scenario, the low-carbon transition plays a much greater role in impacting asset prices, however, the structure of the risk and opportunity results remains similar to the orderly scenario. The impact of policy risk from scope 1 emissions for example increases 4-fold, as carbon reduction policies are implemented much more suddenly and harshly than in the orderly scenario, however, this is offset by a 4-fold increase in value creation from technology related opportunities.

We also see increases in impacts from scope 2 emissions, as electricity derived fossil fuel prices increase sharply in heavy emitting countries, and scope 3 emissions, as companies with emissions intensive value chains experience shocks due to increased climate focused regulation. Under this scenario, real estate, and in particular one company, Equinix, is much more heavily impacted through increased energy costs. However, the team challenges this finding, given that the model appears not to take into account Equinix's extremely strong renewable energy purchasing program, which had over 95% coverage on its 232 data centre footprint.

Hot house world 3°C

As expected, the portfolio performs the least well under the hot house scenario given the heavy skew towards negative impacts in high physical risk scenarios. However, the portfolio still significantly outperforms the benchmark. The positive impact of technological opportunities from the low-carbon transition are reduced significantly, whilst the physical impacts of climate change represent a greater risk, as a 3°C average temperature increase creates more unpredictable and severe weather conditions. The impacts on insurers from extreme weather and coastal flooding are intensified, whilst tropical cyclones in countries with traditionally moderate climates, including in the UK (impacting SSE), the Netherlands (impacting Adidas), and Canada (impacting Boralex) begin having an impact on holdings across sectors. Although, we still are considered significantly less exposed to these risks in comparison to the benchmark.

Summary

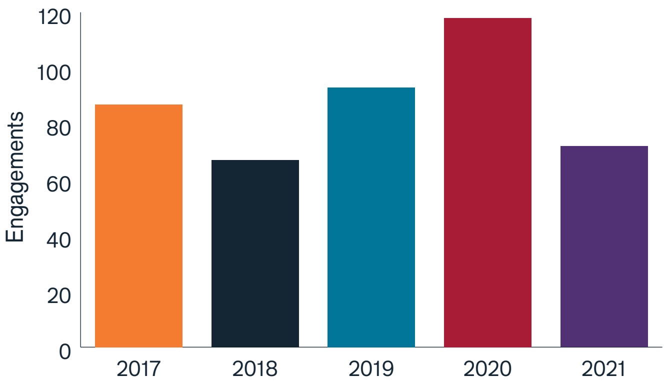
Results of the CVaR analysis show that:

- **The portfolio is well positioned for the low carbon transition relative to the benchmark** through reduced exposure to both physical and transition risk and increased opportunities.
- **The portfolio tends to perform better in more aggressive emissions reduction scenarios** which intensify value creation opportunities and reduce the impacts of physical risks.
- **Many companies are likely to experience both risks and opportunities** as companies that experience higher policy risk, such as electricity generation, are also likely to experience significant opportunities
- **Climate scenario modelling is a useful indicator,** but fails to holistically capture all risks and opportunities, such as the interplay between transition and physical risks, as well as feedback loops due to the destruction of the natural world which are extremely challenging to factor in. Our view is that this model underplays the significance of physical risks as a result.

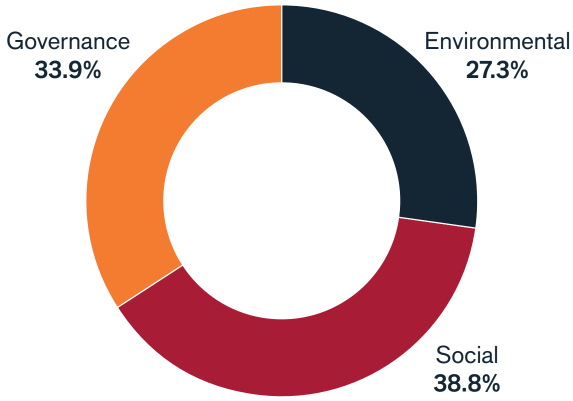
ENGAGEMENT

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 companies that perform well on material sustainability issues will prove to be better long-term investments, we therefore see engagement being as much about minimising negative environmental and social impacts as about improving investment performance. Our investment process requires high standards on sustainability issues so if we encounter companies that are resistant to engagement this is likely to result in divestment. We are not activist investors and do not generally invest in and engage with controversial industries.

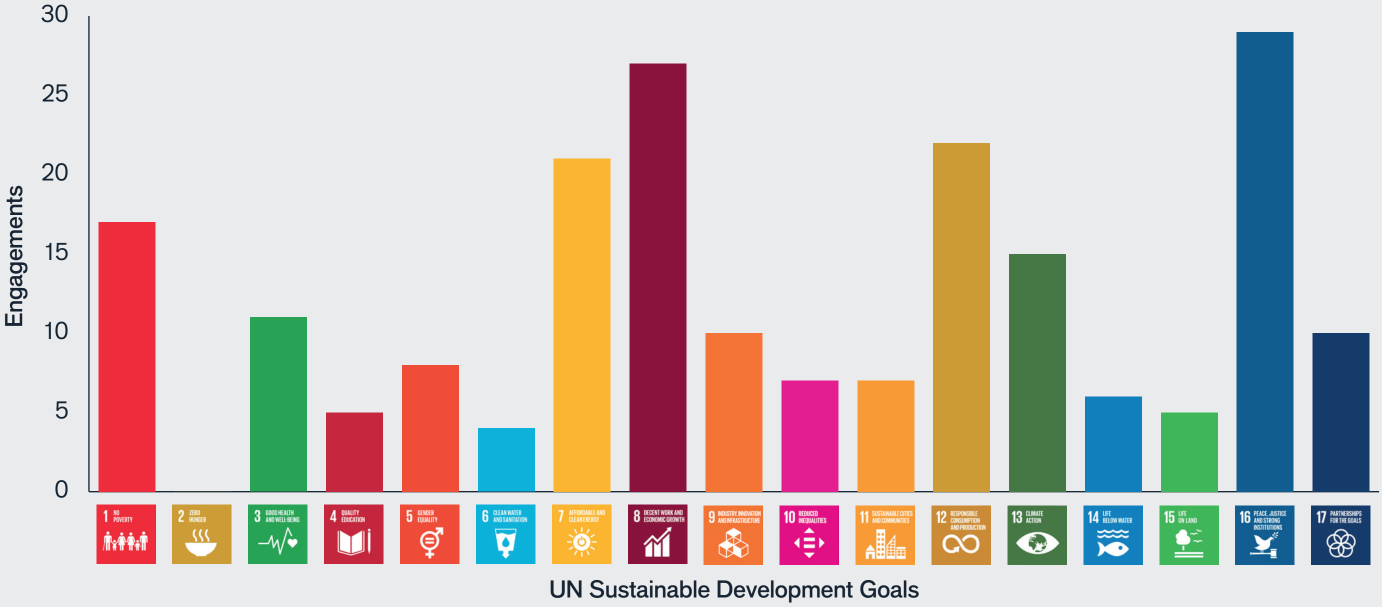
In 2021 we had a total of 73 engagements on a range of ESG issues with more than 70% of the companies within the strategy. Many of these were repeat engagements on issues we had engaged on earlier in the year. One of the principal reasons for the decline in engagements versus the prior year was the introduction of more stringent definitions around what constitutes an ESG engagement versus an ESG interaction.



The chart below displays the distribution of engagements between ESG issues. The distribution of engagements was more or less even across pillars, with a slight lean towards social issues. Over 60% of engagements involved the discussion of one or more material topics.



The chart below highlights the number of engagements aligned by topic to each of the SDGs. Whilst the SDGs do not determine our engagement agenda, they do represent a common framework for understanding impact which helps bring comparability into our reporting.



Reporting

We held a significant number of engagements addressing sustainability reporting in 2021. The goal of these engagements is to improve our own understanding of content, to check validity, as well as to enhance future reporting. 2021 has seen improvements in the portfolio company's reporting quality.

We continued to engage with Evoqua Water Technologies throughout 2021 after a number of positive engagements in 2020. After the release of its most recent sustainability report, which incorporated many enhancements, we provided additional feedback and recommendations on how the company could make further improvements, including through more effectively addressing product impact, as well as more detailed carbon emissions reporting in light of its 2030 net zero commitment. Evoqua is on a journey of continual improvement in its disclosures, and we will continue to work with them.

In certain instances, companies reach out for advice on how they might develop and improve their reporting. This was the case in 2021 with Walker & Dunlop, where the company had been working hard at building upon its ESG strategy and felt it needed our perspective on how this might be improved upon and communicated. The company revealed areas it planned to report on, including carbon emissions, Task Force for Climate-Related Disclosures, and diversity & inclusion. We provided feedback on additional areas that could be covered such as product information, 'green' revenues, and affordability.

Covid-19

Throughout 2021, we continued to engage with many of our companies on their response to the global pandemic. Companies were challenged to adapt their business models to pandemic operating conditions. This included adjusting supply chains as well as exercising a degree of sensitivity regarding pay increases. Some companies reopened their offices and are still finding the balance between flexible work environment and maintaining company culture. Whatever the effect, Covid-19 impacted all companies, and therefore it was vital for us to monitor the portfolio's transition into this new landscape.

Supply chain: We engaged Nike over a number of accusations made about the working conditions of employees in the company's Chinese supply chain during Covid-19. Nike informed us that getting into China to perform on-site checks had been challenging due to the country's strict lockdown rules, quarantines requirements, and travel restrictions. However, the company confirmed that it has robust labour policies and a supplier onsite audit function in place and is looking into new solutions to assess supply chain standards during the pandemic. Nike also highlighted some issues with inventory from factories based in South East Asia, however, the company is looking into various options to improve logistics and is putting plans in place to cope with freight issues that it foresees in the future.

Reopening: Evoqua's target is to eventually have at least 50% of its employees back in the office fulltime. Whether an employee comes back into the office is at the discretion of their manager. The company recognise that maintaining its culture is very difficult through remote working alone and wants to maintain an office presence to ensure successful onboarding of new staff. Evoqua had no layoffs and is seeking to hire people in growth areas. The company grew 15% and management is not hesitant to hire where necessary.

Recruitment: We engaged with AIA over its approach to human capital management in a hybrid working environment. AIA had shifted its agent recruitment and training online, which led to a large percentage of that cohort struggling to build a productive customer base. We learned that most training is now done in company offices, to allow recruits to get to know the team. The company think it's important for culture and development. As a result, AIA has been approached by agents/ leaders from peers who want to join the company, even for new branches in Sichuan. However, AIA has remained selective, only taking a small percentage of those that approached the company to ensure higher quality agents enter the business.

Diversity & inclusion

Diversity & inclusion remains an important area of focus for the strategy. We spoke with a number of companies about improving transparency on diversity, as well as ensuring products and services are inclusive and considerate of underserved markets in 2021.

Gender and racial pay gap reporting: We contacted Microsoft to review a number of shareholder proposals on the ballot for the upcoming shareholder meeting. One point raised was Microsoft's reporting of its gender and racial pay gap. We communicated some of the advantages of disclosure, pointing toward the UK experience where disclosure of the gender pay gap is mandatory. Whilst recognising Microsoft's concerns of numbers being taken out of context, our view was that reporting in this way would be consistent with the leadership position they have taken on so many other ESG issues, and it would also be a positive step in highlighting how far they, and the market in general, still has to go to achieve greater pay equity.

Products for women: We engaged adidas to discuss gender equity in its product line. adidas admitted that this had been an area of weakness historically, however the company is now putting in measures in place to rectify this. These measures include hiring people who are experienced in womenswear and improving communication. The company has also developed new product lines such as menstruation proof leggings/tights which are now on sale.

Climate

As a prolific acquirer, Nidec faces significant challenges when reporting data for new acquisitions. The company has implemented initiatives, such as ESG due diligence when evaluating potential candidates and post-acquisition data correction exercises. However, despite this, Nidec is having difficulty obtaining data from several entities. They currently have coverage on around 55-60% of total sales. The company's coverage of scope 1 and 2 emissions is around 85%. Nidec's wide geographical supply chain means scope 3 emissions remains a pain point. The team followed up on the call with additional guidance to assist in reporting Scope 3 emissions. Nidec recognises the enhanced reporting obligations and is in discussion with the TCFD to provide more assistance. This represents an ongoing engagement for the strategy, and we will continue to work with Nidec to improve the quality of its emissions reporting as it works towards its carbon neutrality commitment.

NZC10

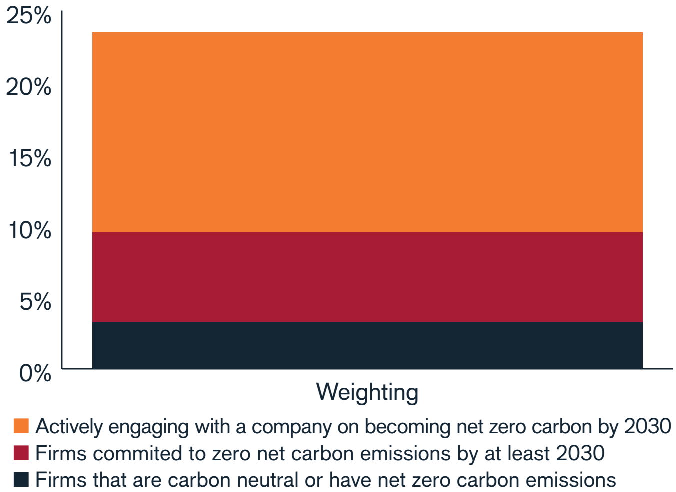
Net-zero emissions are necessary for global warming to stabilise and it is imperative that companies develop strategies to contribute to achieving a carbon-neutral economy. We are co-founders of the Net Zero Carbon 10 (NZC10)[1] commitment with other asset management firms, an asset owner and the University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

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 engage with companies to meet point B.

The fund comfortably meets the NZC10 standard with around 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 above 20%, an increase on the previous year.



A key outcome of committing to NZC10 has been the impact it has had on our engagement. With the requirements for NZC10 increasing to 20% of the portfolio in 2022 (NZC20) we look forward to further galvanising our discussions with companies on their strategies for a low carbon transition.

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

References made to individual companies or any securities should not constitute or form part of any offer or solicitation to issue, sell, subscribe or purchase, and neither should be assumed profitable.

Key engagement topics for 2022

We take a data-driven approach to our interactions with portfolio companies, using our sustainability analysis (ESG KPIs, TCFD reporting, current events) to inform us where to prioritise our engagement efforts.

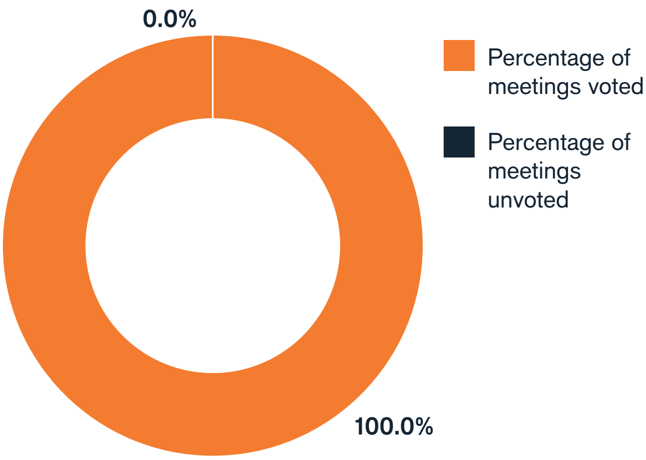
2022 PRIORITY	RATIONALE
Corporate reporting ▶ Corporate social responsibility Reporting ▶ Environmental reporting – GRI/CDP/SASB ▶ Supply chain reporting ▶ Principle Adverse Impact data	The complexity of sustainability data leaves reporting of key metrics inconsistent, and oftentimes unavailable. As per the TCFD reporting section, scope 3 emissions reporting remains poor. Furthermore, there are additional metrics that we monitor on desk but are unable to publish due to low coverage rates. Engaging for improved data quality brings with it a dual benefit. At the investor level, it increases visibility of portfolio impacts, enabling more effective decision-making. At the company level, measurement and reporting of sustainability metrics represents the first step towards mitigating negative impacts.
Climate ▶ Emissions reduction strategies and targets ▶ SBTi verification ▶ NZC20 ▶ TCFD	Whilst we remain well below benchmark on carbon emissions metrics, in our exposure to transitional and physical climate risks, the results of the portfolio temperature rise assessments suggest that we are not in line with our 1.5°C Paris alignment objective. Reducing portfolio emissions and ensuring companies have in place robust and verified emissions reduction targets therefore remains a priority.
DEI ▶ Equality in products ▶ Equity for employees ▶ Minority pay gap ▶ C-suite and board representation	Board level gender representation is the only metric in the performance section where we are underperforming the benchmark. Whilst this is disappointing, we're committed to using engagement to communicate our concerns to companies. DEI across senior leadership, in the workforce, and in products and services therefore remains a priority into 2022.

This not our complete list of engagement topics for 2022, nor is this a fixed list. It may become appropriate to adjust priorities based on any incidents that arise during the year, changes in company activities, or the materiality of certain topics. The engagement topics highlighted here are aligned with the key engagement topics set and enacted upon by the central governance and stewardship team at the firm level. As a fundamental and ongoing topic, governance related engagements are also a priority, both at the fund and firm level.

VOTING

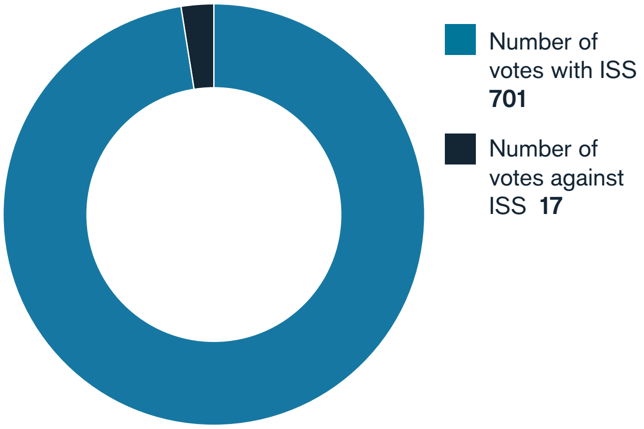
Exercising our shareholder rights and being transparent is a core aspect of sustainable investment.

We are proud to have voted on every votable item in 2021. 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.



The Janus Henderson 2020 ESG Engagement and Voting Review 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.

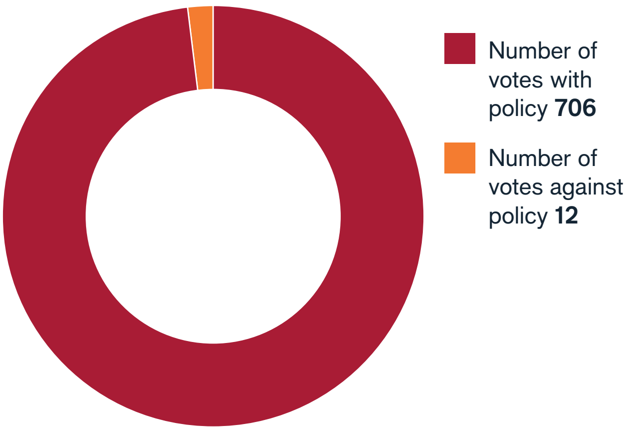
We emphasise that ISS is used only as an input into our decision making. Voting items are reviewed by the team on a case-by-case basis. As a result, there have been times that we have elected to vote against ISS recommendations.

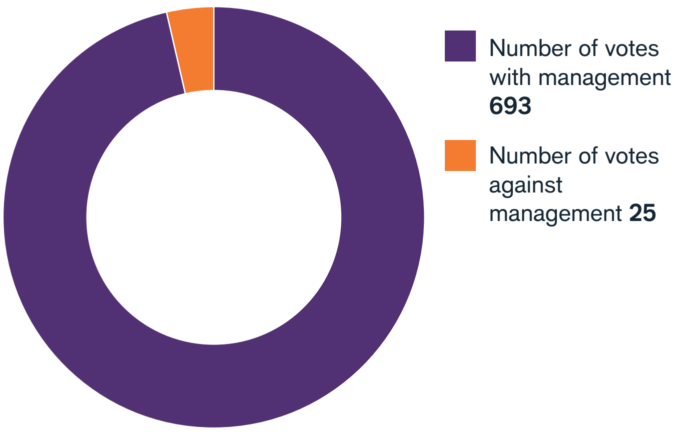


Proxy voting

1. ISS provides custom voting policy recommendations based on JHG policy
2. Recommendations are scrutinised by the GRI team in collaboration with investment team
3. Additional inputs include company engagement, broker research, newswires and IVIS
4. Final voting decisions are made
5. Voting positions and outcomes are used as an input for future engagement work

Votes on the fund





VOTES AGAINST MANAGEMENT

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

The votes against management are shown below along with explanations:

Company name	Proposal code description	Proposal text	Rationale
Aptiv	Advisory Vote to Ratify Named Executive Officers' Compensation	Advisory Vote to Ratify Named Executive Officers' Compensation	A vote AGAINST this proposal is warranted due to concerns regarding the significant COVID-19 related modifications to incentive awards. Although the resulting short-term incentive (STI) pay-outs were somewhat reasonable, the modifications to closing-cycle long-term incentive (LTI) awards increased the earnouts significantly, and the committee also adjusted the financial goals for in-progress performance shares. Such modifications were not viewed as an appropriate reaction to COVID-19.
Orange	Authorize Board to Increase Capital in the Event of Demand Exceeding Amounts Submitted to Shareholder Vote Above	Authorize Board to Increase Capital in the Event of Additional Demand Related to Delegation Submitted to Shareholder Vote Under Items 19-24	JHI will generally vote against proposals seeking to implement measures designed to prevent or obstruct corporate takeovers (includes poison pills), unless such measures are designed primarily as a short-term means to protect a tax benefit, or are structured in such a way that they give shareholders the ultimate decision on any proposal or offer, and are proposed in a transparent and independent fashion.
		Allow Board to Use Delegations under Item 19 Above in the Event of a Public Tender Offer	
		Allow Board to Use Delegations under Item 21 Above in the Event of a Public Tender Offer	
		Allow Board to Use Delegations under Item 23 Above in the Event of a Public Tender Offer	
		Allow Board to Use Delegations under Item 26 Above in the Event of a Public Tender Offer	
		Allow Board to Use Delegations under Item 28 Above in the Event of a Public Tender Offer	

References made to individual securities should not constitute or form part of any offer or solicitation to issue, sell, subscribe or purchase the security. Janus Henderson Investors, one of its affiliated advisor, or its employees, may have a position mentioned in the securities mentioned in the report.

Company name	Proposal code description	Proposal text	Rationale
Xylem	Amend Proxy Access Right	Amend Proxy Access Right	A vote FOR this proposal is warranted as the proposed elimination of the 20-shareholder aggregation limit would improve the company's existing proxy access right for shareholders.
Avalara	Elect Director	Elect Director Marion Foote Elect Director Rajeev Singh Elect Director Kathleen Zwickert	WITHHOLD votes are warranted for incumbent director nominees Rajeev Singh, Marion (Robin) Foote, and Kathleen (Kathy) Zwickert given the board's failure to remove, or subject to a sunset requirement, the supermajority vote requirement to enact certain changes to the governing documents and the classified board, each of which adversely impacts shareholder rights.
Equinix	Provide Right to Act by Written Consent	Reduce Ownership Threshold for Shareholders to Request Action by Written Consent	A vote FOR this proposal is warranted given that the reduced threshold to initiate action by written consent would give shareholders a more meaningful written consent right.
Texas Instruments	Provide Right to Act by Written Consent	Provide Right to Act by Written Consent	A vote FOR this proposal is warranted given that the ability to act by written consent would enhance shareholder rights.
NIKE	Political Contributions Disclosure	Report on Political Contributions Disclosure	A Vote FOR was warranted as more comprehensive information regarding Nike's political contribution spending and non-profit organisation participation would enable shareholders to have a more comprehensive understanding of the company's political activities.

Company name	Proposal code description	Proposal text	Rationale
Tesla	Elect Director	Elect Director James Murdoch Elect Director Kimbal Musk	Votes AGAINST directors James Murdoch and Kimbal Musk are warranted due to concerns regarding excessive compensation to named executive officers and to non-executive directors. A vote AGAINST Murdoch is further warranted, in his capacity as a member of the governance committee, given the board's insufficient responsiveness to last year's majority-supported shareholder proposal. A vote AGAINST Murdoch is further warranted, in his capacity as a member of the audit committee, given concerns about the board's risk oversight in light of the pledging of a significant amount of the company's stock by certain directors.
	Declassify the Board of Directors	Declassify the Board of Directors	A vote FOR this proposal is warranted because the declassification would enhance board accountability.
	Establish Environmental/ Social Issue Board Committee	Assign Responsibility for Strategic Oversight of Human Capital Management to an Independent Board-Level Committee	A vote FOR this proposal is warranted, as reporting quantitative, comparable diversity data would allow shareholders to better assess the effectiveness of Tesla's diversity, equity and inclusion efforts and management of related risks.
	Mandatory Arbitration on Employment Related Claims	Report on Employee Arbitration	A vote FOR this proposal is warranted because more information on the impact that the company's standard arbitration provision has on Tesla's employees may bring information to light that could result in improved recruitment, development and retention; and the company has been involved in several recent and related controversies.
	Report on EEO	Report on Diversity and Inclusion Efforts	A vote FOR this proposal is warranted, as the company has faced human capital management controversies and it is unclear if the company's existing board framework allows for adequate oversight of issues related to human capital management.

Company name	Proposal code description	Proposal text	Rationale
Microsoft Corporation	Gender Pay Gap	Report on Gender/Racial Pay Gap	A vote FOR this proposal is warranted, as shareholders could benefit from the median pay gap statistics that would allow them to compare and measure the progress of the company's diversity and inclusion initiatives.
	Political Activities and Action	Report on Lobbying Activities Alignment with Company Policies	A vote FOR this proposal is warranted, as a report on the congruency of the company's public position with its and its political partners' lobbying positions would provide shareholders needed information about reputational risks that may arise from publicity around perceived inconsistencies.
Bill.com Holdings	Elect Director	Elect Director Steven Piaker	WITHHOLD votes are warranted for director nominees Allison Mnookin, Steven Piaker, and Rory O'Driscoll given the board's failure to remove, or subject to a sunset requirement, the supermajority vote requirement to enact certain changes to the governing documents and the classified board, each of which adversely impacts shareholder rights.
		Elect Director Allison Mnookin	
		Elect Director Rory O'Driscoll	

MAPPING THE PORTFOLIO TO THE UN SUSTAINABLE DEVELOPMENT GOALS

The UN Sustainable Development Goals (SDGs) call on governments and businesses everywhere to advance sustainable development through the investments they make, the solutions they develop and the practices they adopt. This is our fourth year reporting our portfolio's contribution to the SDGs. We have published our methodology on how we do this reporting and discussed this extensively at conferences and in webinars.

We regard the SDGs as an impact measurement of the strategy. Shown below is the percentage of the strategy that contributes to each goal.

Conclusion

Our strategy contributes to all 17 of the goals. The SDGs are an important impact measurement tool and a helpful framework for reporting on the strategy's sustainability characteristics.

There are two key reasons why the strategy performs well against the SDGs. The first is our investment process is founded on the same principles that informed their creation. The four pillars of our investment process address the goals both in the idea generation and best ideas watch list (see the introduction for more information). The second is we actively engage the companies held in the strategy on sustainability and impact reporting.

There is a natural variation in the degree of alignment to different SDGs. This is due to several reasons. Firstly, some of the underlying SDG targets are less investable than others, i.e., some goals are orientated more towards government action and collaboration, rather than being directly addressable by the private sector. Secondly, our investment process and exclusions policy limit our ability to invest in certain sectors due to excessive risk, resulting in increased alignment with some goals over others. And finally, data on sustainability from portfolio companies is often not complete, meaning all the components of a company's impact profile are often not captured.

Sustainability reporting remained a key engagement point for 2021 and we saw improvements in the strategy's alignment against 13 of the 17 goals versus 2020, as a result of improvements in data. Nevertheless, we recognise there is more work to do and continuing our engagement to improve sustainability reporting remains a priority in 2022.

2 ZERO HUNGER	The strategy avoids investments in unsustainable intensive farming, or meat and dairy as part of our exclusionary criteria. Identifying potential investments with products that address SDG 2 therefore remains a challenge. The majority of aligned companies contributed through their operations, by teaching employees about healthy eating, or through offering free and healthy food options at work.
4 QUALITY EDUCATION	Over 90% of the strategy is aligned to quality education, mainly through operational activities. Many of our companies understand the importance of continual employee development for talent attraction and retention. Therefore, the provision of educational opportunities at all levels, from graduate development schemes to subsidised university courses for existing employees amongst our companies resulted in strong alignment to this goal.
8 DECENT WORK AND ECONOMIC GROWTH	Nearly all of our portfolio companies align with SDG 8. Our companies tend to be large growth companies that provide a wealth of high-quality employment opportunities for local economies. Factors such as robust approaches towards human rights in supply chains and consistent resource efficiency improvements have also contributed towards the strategy's strong alignment to SDG 8.
11 SUSTAINABLE CITIES AND COMMUNITIES	Just over a third of the portfolio companies are involved in delivering products and services specifically for cities and other human settlements. However, we have identified the opportunity to encourage some of our holdings to be clearer about their potential contribution and will continue to engage on this point in 2022.
15 LIFE ON LAND	Under 50% of the strategy currently contributes towards this goal, however, a number of opportunities exist to enhance action and improve reporting. Initiatives such as encouraging the adoption of nature-based solutions, or promoting the recommendations of the Taskforce for Nature-related Financial Disclosures (TNFD) represent a strong engagement opportunity for the strategy. The team is also constantly looking for investment opportunities that promote SDG 15 through their products and services

APPENDIX

Table 1: Portfolio aggregation methodologies

AGGREGATION METHODOLOGY	CALCULATION	DESCRIPTION
Total	$\sum_{n}^{i} \text{Metric}_i$	The reported metric summed across all companies in the portfolio.
Investor Allocation	$\sum_{n}^{i} \left(\frac{\text{Shares held}_i}{\text{Total shares outstanding}_i} \times \text{Metric}_i \right)$	The reported metric multiplied by investor allocation and summed across all companies in the portfolio. Investor allocation is calculated by dividing total shares held in the company across funds by total shares outstanding.
Investor Allocation (per $m)	$\frac{\sum_{n}^{i} \left(\frac{\text{Shares held}_i}{\text{Total shares outstanding}_i} \times \text{Metric}_i \right)}{\text{Value of all investments (\$M)}}$	The reported metric multiplied by investor allocation and summed across all companies in the portfolio. Investor allocation is calculated by dividing total shares held across funds by total shares held. This is then divided by the value of all investments in $m.
Weighted Average	$\sum_{n}^{i} \left(\frac{\text{Value of investment}_i}{\text{Value of all investments (\$M)}} \times \text{Metric}_i \right)$	The sum of the portfolio weights multiplied by the reported metric.
Percentage Sum	$\sum_{n}^{i} \frac{\text{Value of investment}_i}{\text{Value of all investments (\$M)}}$	The sum of the portfolio weights.
Count	$\frac{\sum_{n}^{i} \text{Metric}_i}{n}$	A count of the number of occurrences divided by the number of companies.

Where i represents the individual data point for the holding. n represents the total number of holdings for which the data is summed.

Table 2: ESG Performance

Metric	Aggregation Methodology[1]	Portfolio[2] Coverage	MSCI World Coverage	Difference
CDP Disclosure % of companies	Count	73% 96.1%	71% 97.1%	+2%
Average ratio of female to male board members Ratio female to male	Weighted Average	51% 96.1%	54% 97%	-3%
Five-Year Employee Growth % employee growth	Weighted Average	8.8% 88.6%	7.3% 93.3%	+1.5%
CEO Tenure Years	Weighted Average	8.7 96.8%	7.7 98.4%	+12.2%
UN Global Compact Signatories % of companies	Percentage Sum	35.7% 88.2%	40.4% 96.8%	-4.7%
Company Controversies Number of companies	Weighted Average	3.6 96.1%	19.9 97.1%	-82%
Five-Year Sales Growth %	Weighted Average	12.6% 98.4%	10.4% 97.9%	+2.2%
R&D Expenditure to Net Sales %	Weighted Average	9.2% 86.3%	3.4% 96.2%	+5.8%
Five-Year Profit Growth %	Weighted Average	7.5% 88.2%	3.1% 97.8%	+4.4%

Table 3: GHG Emissions Metrics – ISS

Metric	Aggregation Methodology	Portfolio Coverage	MSCI World Coverage	Difference
Scope 1+2 GHG emissions Tonnes CO_2e	Investor Allocation	30,934 100%	94,256 98.6%	-67%
Scope 3 GHG emissions Tonnes CO_2e	Investor Allocation	330,475 100%	716,519 98.6%	-53.9%
Total GHG emissions Tonnes CO_2e	Investor Allocation	361,409 100%	810,776 98.6%	-55.4%
Carbon footprint Tonnes CO_2e per $1m invested	Investor Allocation per $1m invested	136 100%	306 98.6%	-56%
Weight Average Carbon Intensity (Scope 1+2) Tonnes CO_2e / $1m revenue	Weighted Average	42 100%	111 98.6%	-62.1%

1. See table 1 for calculation and description

2. 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. The representative account is only available in European Union member countries.

Table 4: GHG Emissions Metrics – MSCI

Metric	Aggregation Methodology	Portfolio Coverage	MSCI World Coverage	Difference
Scope 1+2 GHG emissions Tonnes CO_2e	Investor Allocation	**32,160** 96.1%	**95,538** 96.9%	-66.3%
Scope 3 GHG emissions Tonnes CO_2e	Investor Allocation	**217,278** 96.1%	**569,410** 96.9%	-61.8%
Total GHG emissions Tonnes CO_2e	Investor Allocation	**250,147** 96.1%	**661,999** 96.9%	-62.2%
Carbon footprint Tonnes CO_2e per $1m invested	Investor Allocation per $1m invested	**94** 96.1%	**250** 96.8%	-62.2%
Weight Average Carbon Intensity (Scope 1+2) Tonnes CO_2e / $1m revenue	Weighted Average	**55** 96.1%	**127** 97.1%	-56.7%

Table 5a: Remaining Principle Adverse Impact indicators

Metric	Aggregation Methodology	Portfolio Coverage	MSCI World Coverage	Difference
Share of investments in companies active in the fossil fuel sector %	Percentage Sum	**1.6%** 96.1%	**8.8%** 97.1%	-7.2%
Share of non-renewable energy consumption and production %	Weighted Average	**70.1%** 77.8%	**73.4%** 81.4%	-3.3%
Activities negatively affecting bio-diversity sensitive areas %	Percentage Sum	**0%** 96.1%	**2.8%** 96.1%	-2.8%
Water emissions Tonnes	Investor Allocation per $1m invested	**3.4** 8%	**288** 11.4%	-98.8%
Hazardous waste Ratio	Investor Allocation per $1m invested	**0.1** 32%	**50** 33.9%	-99.8%
Share of investee companies that have been involved in violations of the UN Global Compact and OECD Guidelines for Multinational Enterprises %	Percentage Sum	**0%** 100%	**12%** 98.7%	+12%
Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises %	Percentage Sum	**0%** 100%	**12%** 98.8%	-12%
Unadjusted Gender Pay Gap %	Weighted Average	**9%** 16.9%	**10%** 24.9%	-1%
Exposure to controversial weapons %	Percentage Sum	**0%** 96.4%	**0.4%** 97.1%	-0.4%

Table 5b: Energy consumption intensity (Gwh/Million USD Revenue) by NACE sector

Energy consumption intensity (GwH/million USD revenue) (NACE Code A)	Agriculture, Forestry and Fishing	No exposure
Energy consumption intensity (GwH/million USD revenue) (NACE Code B)	Mining and Quarrying	No exposure
Energy consumption intensity (GwH/million USD revenue) (NACE Code C)	Manufacturing	0.14
Energy consumption intensity (GwH/million USD revenue) (NACE Code D)	Electricity, Gas, Steam and Air Conditioning Supply	0.00
Energy consumption intensity (GwH/million USD revenue) (NACE Code E)	Water Supply; Sewerage, Waste Management and Remediation Activities	No exposure
Energy consumption intensity (GwH/million USD revenue) (NACE Code F)	Construction	No exposure
Energy consumption intensity (GwH/million USD revenue) (NACE Code G)	Wholesale and Retail Trade; Repair of Motor Vehicles and Motorcycles	0.06
Energy consumption intensity (GwH/million USD revenue) (NACE Code H)	Transportation and Storage	No exposure
Energy consumption intensity (GwH/million USD revenue) (NACE Code I)	Accommodation and Food Service Activities	No exposure
Energy consumption intensity (GwH/million USD revenue) (NACE Code J)	Information and Communication	0.11
Energy consumption intensity (GwH/million USD revenue) (NACE Code K)	Financial and Insurance Activities	0.01
Energy consumption intensity (GwH/million USD revenue) (NACE Code L)	Real Estate Activities	0.02
Energy consumption intensity (GwH/million USD revenue) (NACE Code M)	Professional, Scientific and Technical Activities	No exposure
Energy consumption intensity (GwH/million USD revenue) (NACE Code N)	Administrative and Support Service Activities	No exposure
Energy consumption intensity (GwH/million USD revenue) (NACE Code O)	Public Administration and Defence; Compulsory Social Security	No exposure
Energy consumption intensity (GwH/million USD revenue) (NACE Code P)	Education	No exposure
Energy consumption intensity (GwH/million USD revenue) (NACE Code Q)	Human Health and Social Work Activities	0.00
Energy consumption intensity (GwH/million USD revenue) (NACE Code R)	Arts, Entertainment and Recreation	No exposure
Energy consumption intensity (GwH/million USD revenue) (NACE Code S)	Other Service Activities	No exposure
Energy consumption intensity (GwH/million USD revenue) (NACE Code T)	Activities of Households as Employers; Undifferentiated Goods and Services Producing Activities of Households for Own Use	No exposure
Energy consumption intensity (GwH/million USD revenue) (NACE Code U)	Activities of Extraterritorial Organisations and Bodies	No exposure
*Energy consumption intensity coverage %		**81.77%**

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 Equities, Portfolio Manager

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.

Amarachi Seery, CEnv, MIEnvSci, PIEMA – Sustainability Analyst

Amarachi 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.

Jigar Pipalia – Portfolio Analyst

Jigar Pipalia is a Portfolio Analyst on the Global Sustainable Equities Team at Janus Henderson Investors, a position he has held since 2021. Prior to joining the firm, Jigar was a graduate wealth manager at Cantab Asset Management from 2019, managing high net-worth client portfolios and assisting on the European fund research team.

Harry Schmidt – Sustainability Analyst

Harry Schmidt is a Sustainability Analyst on the Global Sustainable Equities Team at Janus Henderson Investors. Prior to joining the firm in 2022, Harry was an ESG research and strategy associate consultant at KKS Advisors from 2020.

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.

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- **Portfolio Risk & Analytics**
- **Investment Risk Management**
- **Investment Compliance**

Discrete Performance

Performance (%)	Strategy (Gross)	Benchmark
December 2020 – December 2021	17.9	22.35
December 2019 – December 2020	38.46	16.5
December 2018 – December 2019	39.08	28.4
December 2017 – December 2018	-11.08	-8.2
December 2016 – December 2017	31.1	23.07

Past performance does not predict future returns.

Morningstar, Janus Henderson Investors Analysis, as at 31 December 2021. Composite: Gross of Fees, in USD. Inception date: 1 January 2009. Benchmark: MSCI World U$-Total Return Index.

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.

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.

Glossary

Alpha: A measure that can help determine whether an actively-managed portfolio has added value in relation to risk taken relative to a benchmark index. A positive alpha indicates that a manager has added value. Alpha is the difference between a portfolio's return and its benchmark's return after adjusting for the level of risk taken.

ESG: Environmental, Social and Governance (ESG) or sustainable investing considers factors beyond traditional financial analysis. This may limit available investments and cause performance and exposures to differ from, and potentially be more concentrated in certain areas than the broader market.

Volatility: The rate and extent at which the price of a portfolio, security or index, moves up and down. If the price swings up and down with large movements, it has high volatility. If the price moves more slowly and to a lesser extent, it has lower volatility. Higher volatility means the higher the risk of the investment.

In accordance with the Sustainable Finance Disclosure Regulation, Portfolios within this strategy are classified as Article 9 and have sustainability as their objective.

Important information

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