Janus Henderson INVESTORS

# HENDERSON DIVERSIFIED INCOME TRUST PLC

ISIN: GB00BF03YC36

**The information provided accords with the requirements of the Financial Conduct Authority ("FCA") Rules implementing the Alternative Investment Fund Managers Directive ("AIFMD") in the United Kingdom.**

**Investors should also consider the Company's latest Annual Report and/or half year results which are available on the website www.hendersondiversifiedincome.com.**

## Status

The Company, registered in England and Wales, is an investment company as defined in the Companies Act 2006 and operates as an investment trust in accordance with section 1158 of the Corporation Tax Act 2010. It is subject to the FCA Listing Rules, the Disclosure Guidance and Transparency Rules and the UK Corporate Governance Code and is subject to English law on the recognition and enforcement of judgements.

The Company is governed by its Articles of Association, the provisions of which are binding on the Company and its shareholders. They set out the respective rights and restrictions attaching to the Company's shares. Under English law, the following types of claim may in certain circumstances be brought against a company by its shareholders: contractual claims under its Articles of Association; claims of misrepresentation in respect of statements made in its prospectus and other marketing documents; unfair prejudice claims, and derivative actions. In the event that a shareholder considers that it may have a claim against the Company in connection with such investment in the Company, such shareholder should consult its own legal advisers. The Company is an Alternative Investment Fund ("AIF") for the purposes of the AIFMD.

## Shareholders rights

All shareholders have equal rights and do not have the right to have their shares redeemed or purchased by the Company. Subject to annual shareholder approval the Company has authority to issue new shares without rights of pre-emption applying; this authority is limited to 10% of the shares in issue. The legal and regulatory regime to which the Company and the Directors are subject ensures the fair treatment of investors. The Listing Rules require that the Company treats all shareholders of the same class of shares equally. In particular, as Directors of a company incorporated in the United Kingdom, the Directors have certain statutory duties under the Companies Act 2006 with which they must comply. These include a duty upon each Director to act in the way he or she considers, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole. No investor has a right to obtain preferential treatment in relation to their investment in the Company and the Company does not give preferential treatment to any investors.

Purchase of shares in the Company by an investor does not give rise to any contractual relationship between the investor and the Company. While investors acquire an interest in the Company when purchasing shares, the Company is the sole legal and/or beneficial owner of its investments. The liability of shareholders for the debts and other obligations of the Company is limited to the amount unpaid, if any, on the shares held by them.

Shareholders who are "Eligible Complainants" for the purposes of the FCA "Dispute Resolutions: Complaints" rules (natural persons, micro-enterprises and certain charities or trustees of a trust) are able to refer any complaints against the Manager to the Financial Ombudsman Service ("**FOS**") (further details of which are available at www.financial-ombudsman.org.uk). Additionally, shareholders may be eligible for compensation under the Financial Services Compensation Scheme ("**FSCS**") if they have claims against an FCA authorised service provider (including the Manager) which is in default. There are limits on the amount of compensation available. Further information about the FSCS is available at www.fscs.org.uk. To determine eligibility in relation to either the FOS or the FSCS, shareholders should consult the respective websites and speak to their legal advisers.

## Investment strategy, objectives and restrictions

The way in which the Company's portfolio is managed by its Alternative Investment Fund Manager ("**AIFM**") is governed by its investment objective and policy and other rules set from time to time by the Board. Material changes to the investment objective and policy can only be made with the approval of shareholders. The

Company's investment strategy, objectives and restrictions are set out in the Strategic Report section of the Company's Annual Report.

## Administration and management of the Company

**Alternative Investment Fund Manager ("AIFM" or "Manager"): Janus Henderson Fund Management UK Limited ("JHFMUK")**
The service provided by JHFMUK, which is authorised and regulated by the FCA, is governed by an investment management agreement effective from 3 March 2017, and includes investment and risk management (which is delegated to Janus Henderson Investors UK Limited (also referred to as the "Investment Manager")), and accounting and administration. The management fee charged by JHFMUK is detailed in the latest Annual Report.

Although conflicts of interest could arise from the AIFM and its delegate being members of the same group, it is not currently considered that there are material existing conflicts of interest between the AIFM and its delegate. There are policies and procedures in place to monitor the conflicts of interests that may arise in the context of the delegation of certain AIFM functions and should any arise they will be managed to seek to minimise the impact on the investment performance of the Company.

The AIFM holds sufficient professional indemnity cover to meet its obligations under the FCA Rules.

**Company Secretary: Janus Henderson Secretarial Services UK Limited**
Company secretarial services are provided in accordance with the investment management agreement with JHFMUK. There are no additional costs to the Company in relation to these services.

**Independent Auditor: Mazars LLP**
The Auditor has a statutory responsibility to report to the members of the Company as a whole in relation to the Company's financial statements, and in particular that they give a true and fair view of the state of the Company's affairs, the profit and cash flows are accurate, and that the financial statements have been properly prepared in accordance with the law and regulations. The Auditor also reviews whether the accounting policies used are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates and the overall presentation of the financial statements.

The fee to be paid to the Auditor is agreed by the Board in advance and is related to the time expected to be spent on each year's audit. Where non-audit services are provided, the fees will be charged on a time spent basis. Details of the fees charged each year are included in the Company's Annual Report.

**Depositary and Custodian: BNP Paribas Trust Corporation ("BNP")**
The Depositary is responsible for providing an independent monitoring role to ensure the Company complies with the requirements brought about by the AIFMD. The Depositary is responsible for ensuring the safe custody of the Company's assets and also acts as Custodian. BNP delegates the safe-keeping of certain non-UK investments to agents where the jurisdiction of the investment necessitates this. It has not entered into any arrangement to contractually discharge itself of liability in relation to the Company's assets, including those assets in the safe-custody of its agents. Shareholders would be notified of any change in this status via a Regulatory Information Service.

The fee paid to the Depositary is agreed by the Board and contains a fixed and variable element dependent on the size of the Company's assets. The fee charged by the Depositary each year is disclosed in the Company's Annual Report. The Depositary appoints a Custodian; a custody fee is charged at agreed rates dependent on the domicile of the Company's investments.

**Stockbrokers: J.P. Morgan Cazenove**
J.P. Morgan Cazenove provides corporate broking services and advice to the Company. There is no annual fee for this service.

**Registrar: Computershare Investors Services PLC**
The registrar maintains the Company's register of members and undertakes related services. The fee for the provision of services is agreed by the Board in advance and is based on both fixed and variable cost rates depending on the type of service provided. Details of the fees charged each year are included in the Company's Annual Report.

## EU Sustainable Finance Disclosure

**Principal Adverse Impacts ("PAI")**
The AIFM does not currently consider the principal adverse impacts of investment decisions on sustainability factors in accordance with the specific regime ("PAI Regime") outlined in the Sustainable Finance Disclosure Regulation 2019/2088 ("SFDR"). Taking into account the size, nature and scale of the AIFM's activities and the types of products the AIFM currently makes available, the AIFM has decided not to comply with the PAI Regime at this time.

**Article 8 SFDR**
The Company promotes the application of greenhouse gas emissions ("GHG") intensity related criteria, political rights and civil liberties and support for the UN Global Compact principles ("UNGCP"). In order to meet the environmental and social characteristics promoted by the Company, the following binding criteria will be applied to the selection of underlying assets as part of the investment decision making process:

- The Company will not make any direct investments in corporate issuers who derive more than 10% of their revenue from oil and gas generation and production, oil sands extraction, shale energy extraction, thermal coal extraction and power generation, and Arctic oil and gas extraction.

- The Company will not make any direct investments in corporate issuers that the Board, as advised by the Investment Manager, deems to have failed to comply with the UNGC principles.
- The Company will not directly invest in sovereign bond issuers that have been sanctioned by the European Union or United Nations and/or that do not score 'free' by the Freedom House Index (or other such similar index as determined by the Board as advised by the Investment Manager) that promotes political rights and civil liberties.
- The Company will not make any direct investments in issuers who derive any of their revenue from the production or distribution of fur or from the production or distribution of controversial weapons.

In addition to adhering to the above investment restrictions, as part of its portfolio construction process the Investment Manager also applies the following measures:

- Seeking to manage the Company in a way that means it will have a lower carbon intensity in the corporate bond portion of its portfolio compared to the relevant reference investment universe.
- Under normal market conditions, seeking to exclude sovereign bond issuers that have not ratified the Paris Agreement. However, should the US choose to exit the Paris Agreement during a future political cycle, the Investment Manager will consider whether excluding US Treasuries from the Company would be excessively detrimental to returns and/or whether it would change the risk-return profile of the Company.

The Investment Manager monitors the Company's portfolio against the formal investment restrictions and additional measures set out above on an ongoing basis. If an existing investment becomes ineligible based on exclusionary screens, it will be divested within a reasonable period.

Investors should note that a specific index is not designated as a reference benchmark to determine whether the Company is aligned with the environmental and/or social characteristics promoted.

The investments underlying this financial product (referred to as the Company) do not take into account the EU criteria for environmentally sustainable economic activities, although the Investment Manager has  a decision making process that will apply to investment decisions relating to the Company as further detailed below:

**The manner in which sustainability risks are integrated into the investment decisions of the Investment Manager.**

A sustainability risk means an environmental, social or governance event or condition that, if it occurs, could cause an actual or potential material negative impact on the value of the investment. To the extent that environmental, social and governance ("ESG") factors (including the six environmental objectives prescribed by the EU's Taxonomy Regulation: climate change mitigation, climate change adaptation, the sustainable use and protection of water and marine resources, the transition to a circular economy, pollution prevention and control and the protection and restoration of biodiversity and ecosystems) represent material risks and/or opportunities to maximising long-term risk-adjusted returns, they will be considered as part of the Investment Manager's investment decision making ("**Taxonomy Regulation**" means Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment.).

When considering an investment for the Company, the Investment Manager may analyse a range of factors or utilise tools as deemed relevant by the Investment Manager, such as:

**A.** An issuer's alignment with international commitments, for example, the Paris Agreement adopted under the United Nations Framework Convention on Climate Change and the UN 2030 Agenda for Sustainable Development which recognise the significant changes required across the corporate and public sectors. The efforts of governments, central banks, regulators and various private sector industry initiatives to promote this shift, including incentivising investment in sustainable companies, alongside growing customer and societal demand for sustainable business may lead to enhanced long-term returns for companies that are better aligned with the ESG factors than their peers; and the Investment Manager's investment approach recognises this.

**B.** The Investment Manager employs fundamental security analysis while taking a long-term view and seeks to identify companies differentiated by their sustainable competitive advantage, strong earnings potential and shareholder-friendly management teams. As part of its investment process, the Investment Manager aims to understand the principal drivers of company performance and the associated risks.

**C.** In addition to proprietary analysis, external research and data on company environmental performance and controversial business activities is used to assist the Investment Manager in assessing adverse impacts and may filter into investment decisions.

**D.** Through management engagement, the Investment Manager may seek to explore improvements in reporting, environmental performance and strategic positioning in relation to key sustainability trends such as the transition to a circular economy. While management engagement is the preferred tool for examining improved ESG performance, divestment is also an option.

The Investment Manager may challenge an investee company's commitment to improve on ESG factors in management engagements, where appropriate and considered to be effective. As part of this, an important responsibility of the Investment Manager as a long-term investor is to encourage new and existing companies to make lasting investments in reducing waste, improving efficiency and environmental technology aimed at driving future sustainable returns.

**The likely impacts of sustainability risks on the returns of the Company**

While the analysis of ESG factors is an integral component across the Investment Manager's investment capabilities and one of a number of inputs to the selection of investments and portfolio construction, the investment process of the Investment Manager is primarily designed to maximise long-term risk-adjusted returns for Investors. Therefore, in managing the Company, the Investment Manager does not maximise portfolio alignment with sustainability risks as a separate goal in its own right nor does it precisely attribute the impact of ESG factors on returns for the Company.

## Valuation policy

Actively traded investments are valued using stock exchange prices provided by third party pricing vendors. Investments that are unlisted or not actively traded are valued using a variety of techniques to determine their fair value; all such valuations are reviewed by both the AIFM's fair value pricing committee and by the Directors. The Company's latest net asset value is available on the Company's website.

## Key risks

There are certain key risks which may arise from investment in the Company which include:

**Market risk:** The potential for change in market value to which the Company is exposed through movements in market prices as a result of change in conditions applicable to the whole market or individual investment and as regards derivatives, through movements in markets for derivatives or the underlying asset, currency, reference rate or index to which a derivative relates. This includes imperfect correlation between movements in the securities or currency on which a futures or options contract is based and movements in the securities or currencies in the Company.

**Credit/counterparty risk:** The risk of loss to which the Company could be exposed if a counterparty to a transaction fails to perform its contractual obligations. Such risk may be specific to a particular transaction or a more general default. For derivative instruments which are transacted over the counter on a bilateral basis there is a direct exposure to the counterparty.

**Liquidity risk:** The risk to which the Company is exposed if either it has insufficient cash available to meet financial obligations resulting from its investment activities, or there is an inability to trade a particular position at the desired price which arises from the absence of a liquid market for a specific instrument at a particular time due to a lack of market depth or occurrence of a market disruption event.

**Operational risk:** The risk of direct or indirect losses resulting from inadequate or failed internal processes, people and systems and from external events.

The risk management process for the Company is designed to satisfy at least the minimum requirements of the AIFMD; associated European Securities and Market Authority ("**ESMA**") regulatory technical standards and guidelines; and relevant FCA regulations.

For a fuller explanation of the risks involved in investing in the Company and the risk management systems employed reference should be made to the Company's latest Annual Report. If applicable, details of assets subject to special arrangements arising from their illiquid nature and any new arrangements for managing liquidity would be disclosed in that document. Investors are recommended to discuss all potential conflicts of interest and risks with their financial and legal advisors.

## AIFMD periodic disclosures

The AIFM and the Company are required to make certain disclosures available to investors in accordance with the Alternative Investment Fund Managers Directive ('AIFMD'). The periodic disclosures to investors are made below:

- information on the investment objective and policy, financial and synthetic gearing, are included in the Strategic Report, and a full list of portfolio holdings (which are included on pages 12 to 14).
- none of the Company's assets are subject to special arrangements arising from their illiquid nature;
- the Strategic Report and note 14 to the financial statements for the year ended 30 April 2023 set out the risk profile and risk management systems in place. There have been no changes to the risk management systems in place in the period under review and no breaches of any of the risk limits set, with no breach expected; and
- there are no new arrangements for managing the liquidity of the Company or any material changes to the liquidity management systems and procedures employed by the AIFM.

Historical performance data is available on the Company's website.

### Leverage

In accordance with the AIFM Directive, the Company is required to make available to investors information in relation to its leverage. Leverage is considered in terms of the Company's overall exposure to financial or synthetic gearing and includes any method by which its exposure is increased whether through borrowing of cash or securities, foreign currency holdings, leverage embedded in derivative positions or by any other means.

The use of leverage may significantly increase the market and counterparty risk of the Company through non-fully funded exposure to underlying markets or securities. It is expressed as the ratio between the total exposure of the Company and its net asset value such that if its exposure was equal to its net asset value, leverage would be disclosed as 100%; as calculated value above 100% means that the Company has leverage equal to the percentage amount above 100%. Exposure values are calculated by two methods, gross and commitment, as defined within the AIFMD.

Exposure under the gross method represents the aggregate of all the Company's exposures other than cash balances held in base currency; the commitment method takes into account the effect of different treatment of certain cash and cash equivalent items and of offsetting instruments between eligible assets to reflect netting and hedging arrangements in line with regulatory requirements.

Maximum leverage levels have been set by Janus Henderson as the AIFM and approved by the Board and are in accordance with the maximum gearing allowed by the Company's Articles of Association. The table below sets out the current maximum permitted limit of leverage for the Company as a percentage of its net asset value as at 28 April 2023:

| Leverage | Gross method | Commitment method |
|---|---|---|
| Maximum limit | 400% | 275% |
| Actual level | 246% | 127% |

Changes to the information contained within the Annual Report in relation to any special arrangements in place, the maximum level of leverage which the AIFM may employ on behalf of the Company; the right of use of collateral or any guarantee granted under any leveraging arrangement; or any change to the position in relation to any discharge of liability by the Depositary will be notified via a regulatory news service without undue delay in accordance with the AIFMD.

## AIFMD Remuneration

The AIFMD Remuneration Code requires Janus Henderson Group plc, in its oversight of JHFMUK, to make relevant remuneration disclosures no later than six months following the end of each AIF's financial year. The disclosures must split remuneration between fixed and variable remuneration and must break down remuneration for categories of JHFMUK's AIFMD Code Staff (defined as all staff whose professional activities have a material impact on the risk profiles of the AIFM or the AIFs it manages). The Janus Henderson Group plc Compensation Committee approves the list of JHFMUK's AIFMD Code Staff annually. In addition, JHFMUK's identified AIFMD Code Staff are notified of their status and the associated implications annually.

## Remuneration policy

The Compensation Committee of Janus Henderson Group plc has established a remuneration policy, one of the guiding principles of which is to ensure that the remuneration of its employees is consistent with and promotes sound and effective risk management and does not encourage risk-taking which is inconsistent with the risk profiles, rules or instruments of incorporation of each AIFM and the AIFs they manage. This policy applies to both JHFMUK and the Company. A summary of the remuneration policy is set out in the annual report and accounts of Janus Henderson Group plc for the year ended 31 December 2022 and in the Janus Henderson Group plc regulatory Pillar 3 disclosures which can be found on www.janushenderson.com.

The aggregate total remuneration of the 2,131 employees either partly or fully involved in the activities of the Company for the year to 31 March 2023 was £230,000 of which £119,000 was fixed remuneration and £111,000 was variable remuneration. Remuneration has been apportioned between the provision of services to the Company and to other entities in the Janus Henderson Group.

The remuneration disclosed is only in respect of the provision of services to the Company for the year, rather than the total remuneration for the year – for this purpose, remuneration has been apportioned between the provision of services to the Company and to other entities in the Janus Henderson Group, as follows:

- in respect of performance fee incentives, 100% of any direct allocations of performance fees generated within the Company;
- in respect of fixed pay and annual/long term incentive bonuses:
  - where fixed pay is directly attributable to the Company (for example, fees for Board members), 100% of those fees;
  - for fund managers, pro-rated using the average AUM of the Company
  - managed by the relevant fund manager (as a proportion of the total AUM
  - managed by that individual) as a proxy.
  - for other individuals, pro-rated using the average AUM of the Company (as a proportion of the aggregate average AUM of Janus Henderson Group plc) as a proxy.

No attempt has been made to apportion time spent by individuals in support of the Company.

There are 44 Code Staff identified; 25 Senior Management and 19 Other Code staff. The aggregate total remuneration paid to the AIFMD Code staff for the Company's related activities was £28,000 of which £15,000 was paid to Senior Management (which includes the Janus Henderson Executive Committee, other Group Board members and the Company's Board of Directors), and £13,000 was paid to other Code Staff (which includes Fund Managers).

The table below provides an overview of the size and composition of the funds managed by JHFMUK, including the Company. This shows the total number of funds managed and the split between the proportions of AIFs, UCITs and other funds.

| | Average 2022-2023 | |
|---|---|---|
| | Number of funds | AUM £m |
| **JHFMUK** | **79** | **29,424** |
| of which | | |
| AIFs | 18 | 2,463 |
| UCITS funds | 49 | 19,841 |
| Other funds | 12 | 7,120 |
| **The Company** | **1** | **131** |


## Contact us

General enquiries: **0800 832 832**
Email: **support@janushenderson.com**
Website: **hendersondiversifiedincome.com**


Janus Henderson INVESTORS