2022 ESG COMPANY ENGAGEMENT & VOTING REVIEW

Environmental, Social & Governance (ESG)

INTRODUCTION

Janus Henderson Investors is a leading global active investment manager committed to helping our clients achieve their long-term financial goals. We help clients define and achieve superior financial outcomes through differentiated insights, disciplined investments, and world-class service. We seek to be at the forefront of anticipating and adapting to change to deliver long-term, market-leading, risk-adjusted returns. That commitment includes a focus on authentically and transparently managing our business and clients' assets in support of long-term sustainable business practices.

In line with our Purpose - **Investing in a brighter future together**, we seek to provide transparency of this approach and share investment insights to support our clients in meeting their goals. This report provides an overview of work undertaken on environmental, social and governance (ESG) engagement across the firm in 2022, and shared on our internal research platform, as well as a summary of proxy voting activity.

Voting examples within the report are based on all portfolios where Janus Henderson's portfolio managers have voting authority and where the voting position was the same across all portfolios. Subsidiaries of Janus Henderson are not included within the report's findings.

At Janus Henderson, we leverage our differentiated research to engage and educate. Our approach to integration of financially material ESG factors is thoughtful, practical, research-based, and forward looking. We believe this allows for improved risk management, better opportunity identification, and enhanced outcomes.

We engage with companies for two reasons - for insight and for action. Engaging for insight means we strive to learn more about a company's ESG risks/opportunities and how they are managing them to leverage that information in the research and investment process. Engaging for action (outcome-oriented engagement) is where we have identified an area where a company is not managing an ESG risk, we encourage it to take specific action that is in the best-interests of its valuation or cash flows and consequently our clients' long-term returns.

Finally, we aim to educate and inform our clients through sharing of ESG insights, reflecting our commitment to helping clients achieve their investment objectives. In 2022, we generated approximately 40 thought leadership and educational pieces on ESG topics. As part of our mission to help clients define and achieve superior financial outcomes through differentiated insights, disciplined investments, and world-class service, we share the views of our investment teams as articles, videos and white papers on our website. We publicly support standard setters and industry groups who work with governments to develop policy that allows investors to pursue their investment objectives, including sustainable investing. Where possible, we also contribute to ESG policy and regulatory discussions through our response to consultations.

Michelle Dunstan

Michelle Dunstan
Chief Responsibility Officer

Responsible investing across our business

At Janus Henderson, we believe integrating financially material ESG considerations is instrumental to fulfilling our fiduciary duty to our clients. Global environmental challenges such as climate change, biodiversity loss and pollution, and societal issues such as wealth and income inequality, access to education and healthcare, and cyberwarfare represent substantial long-term material risks to investor portfolios. We believe integrating financially material ESG considerations into our investment decisions and stewardship processes allows us to better manage these risks in order to achieve the best outcomes for our clients.

Stewardship is a fundamental part of Janus Henderson's long-term, active approach to investment management. Strong ownership practices through engagement with company management and voting proxies can help protect and enhance long-term shareholder value. As long-term active investors, we regard voting and engagement as a means of promoting strong corporate governance, accountability and management of relevant environmental, social and governance (ESG) issues. We support a number of stewardship codes, such as the UK Stewardship Code, and broader initiatives around the world including the UN Principles for Responsible Investment.

This report provides an overview of work undertaken on ESG engagement across the firm in 2022, and shared on our internal research platform, as well as a summary of proxy voting activity.

2022 Highlights

- We recorded more than **1,100 company engagements** in 2022 in which ESG topics were part of the discussion.
- We voted at over **5,900 meetings** with over **62,000 items** where ESG topics were part of the discussion.
- We have attained signatory status of the Financial Reporting Council's UK Stewardship Code 2020.

Engagement Summary

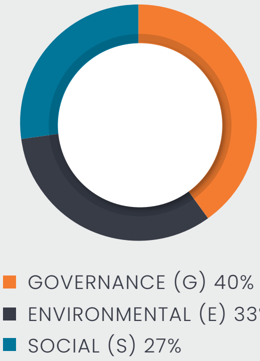
As a responsible steward of capital, Janus Henderson aims to maximise long-term value for our investors. When we engage and vote on ESG issues, we always link a company's management of these issues back to the financial impact on the company - its cashflows, valuation or cost of capital. Our focus is to encourage issuers to successfully address and manage material risks and opportunities, thus supporting their future financial success. We are committed to engaging and voting proxies as ways of enhancing value, including by encouraging issuers to mitigate material ESG risks as appropriate.

The Responsible Investment and Governance team supports the investment teams on relevant ESG issues and developing stewardship themes. We expect our investment teams to engage with the issuers they invest in to improve performance on material sustainability issues, with a particular focus on our three core engagement themes: **climate change, diversity, equity & inclusion and corporate governance.**

The Responsible Investment and Governance team also engages on relevant and emerging themes, such as access to medicines, human rights and other pertinent issues. Below is a summary of E, S and G topics which we have engaged on along with a breakdown of engagements in 2022:

ENVIRONMENTAL	SOCIAL	GOVERNANCE
Climate Change	Human Capital	Capital Allocation & Strategy
Recycling / Plastics / Packaging Waste	Workforce Diversity & Equality	Management Remuneration
Land Use & Biodiversity	Supply Chain / Human Rights	Board Independence & Composition
Sustainable Design & Products	Communities	Audit, Accounting & Risk
Water	Data Security & Privacy	Succession Planning
Chemical/Pollution	Consumer & Products	Management Change
Real Estate Sustainability	Access to Medicine	Business Ethics, Culture & Purpose
Green Bonds/ Green Financing/ Green Revenue	Food, Nutrition & Health	Board Oversight of ESG

2022 COMPANY ENGAGEMENTS BY TYPE



Below we summarise the main engagements our investment teams have conducted with the support of our Responsible Investment and Governance team across an array of ESG themes in 2022.

Environmental Engagements

Engagements with management on environmental issues covered a range of topics and approaches. By far the most discussed topic with companies was climate change. Other topics of frequent interest included biodiversity, water and circular economy, and how they were managing associated risks and opportunities. The approach for meetings ranged from discussing a variety of environmental topics with a company to a single topic, as well as thematic sector-based meetings. One example of a thematic sector-based conversation covering multiple environmental topics occurred with several data centre providers.

CASE STUDY:

Environmental impact of data centres

Growth in global connectivity, digital infrastructure, and cloud computing are increasing demand for data centres to the extent that they are becoming part of the critical infrastructure of cities. Yet, data centres generally require large amounts of energy and water to operate. The high energy and water usage in some locations are stressing available infrastructure systems creating a potential for higher operating costs. The impacts on electrical grids and water availability are resulting in moratoriums on new data centres in some communities and increasingly the potential for introduction of regulation. These risks are necessitating improvements in energy and water usage.

Due to the increasing importance of data centres, we decided to conduct thematic analysis and engagement with companies operating data centres. During the engagements, we found that disclosure on water usage was poor, and we urged increased disclosures, especially in water-stressed areas.

We also learnt about several innovations that are reducing carbon and water usage including use of underwater data centres in seawater that can reduce energy consumption by 30%, DNA-based storage that can reduce water and energy consumption by 60%, and non-lithium-based batteries offering higher power density and full recyclability. Other beneficial design features include the installation of real-time water metres, injection of carbon dioxide into cooling tower water enabling reuse of water up to four times, and use of highly efficient evaporative cooling techniques instead of mechanical chillers.

Climate change

Climate change continues to be a prominent topic of concern amongst governments, companies, and the public as demonstrated by the variety of actions being taken on the subject. For example, the Intergovernmental Panel on Climate Change (IPCC) has continued publishing reports warning about the rising levels of greenhouse gases and their associated impacts on climate. In the US, the Securities and Exchange Commission (SEC) released a proposal on climate change disclosure for public comment and the Biden administration passed the Inflation Reduction Act, which among other things, intends to promote clean energy production. In Europe, reporting in line with EU Taxonomy disclosure requirements for climate change objectives came into effect and Climate Action 100+ spent most of the year developing a phase 2 update. All of these actions can potentially translate into financially material impacts on cash flows, valuations or cost of capital.

Given the above, it's not surprising that climate change was the most frequently discussed environmental topic with companies. Companies tended to be very responsive to recommendations on climate change and therefore this was a productive area of engagements. Engagements were conducted across numerous investment teams and included thematic and collaborative engagements. Some collaborative engagements were associated with our memberships in organisations such as the Institutional Investors Group on Climate Change (IIGCC) and Investor Forum. Conversations across all sectors tended to focus on climate transition plans and disclosures. Sector-specific discussions included those on methane emissions, green hydrogen and low carbon steel.

A significant change for 2022 was a marked increase in engagements on disclosures and targets around scope 3 emissions - the indirect emissions coming from a company's value chain. For a vast majority of companies, scope 3 emissions account for the bulk of their greenhouse gas emissions, however, they are the most difficult for companies to reduce. When engaging with companies on scope 3 emissions, we shared industry best practices, encouraged companies to engage with their suppliers on setting emission reductions targets, improved product designs for end users, and encouraged companies to join industry-relevant collaborations, as various means for reducing scope 3 emissions. Other occasional requests encouraged companies to adopt best practice standards such as participation in the CDP (formerly Carbon Disclosure Project) and establishment of science-based targets either with the Science Based Targets Initiative (SBTi) or an equivalent target.

In alignment with our public announcement of climate as a core ESG theme, and given the increasing financial implications for both companies and investors, we initiated a firmwide engagement plan on climate change. The intent of the plan was to improve laggards within sectors to encourage closer alignment with peers or when a sector had no leader, to encourage a company to become one. Engagement objectives were specific to each company and based on rigorous analysis of a company's current actions. For some companies this meant encouraging them to disclose scope 1 (direct emissions from owned or controlled sources) and scope 2 (indirect emissions from the generation of purchased electricity, steam, heating, and cooling used by the reporting company) emissions and setting reduction targets to address what we perceive as material risks to the issuer. More frequently, we requested improvements in scope 3 disclosures, setting emissions reduction targets for all three scopes, disclosing credible short-term actions, and improving internal governance structures.

CASE STUDY:

Methane emissions from the oil & gas industry

There has been increasing coverage of how methane leaks have been previously underestimated, and as methane is 80x more potent than carbon dioxide, methane is poised to be a much greater near-term climate risk than predicted. Regulations are starting to catchup to this issue and at COP26 100 countries pledged to cut methane emissions by 30% by 2030. This has potential financial implications for methane-emitting companies.

We conducted engagements with three European oil & gas companies to specifically discuss methane emissions and flaring practices to understand their approach and where problem areas still exist. We asked each company for greater disclosure and transparency regarding methane and encouraged improved breakdown of emissions disclosure by operated versus non-operated assets, region and emission type. We also encouraged greater industry collaboration to address practices of venting and flaring of fugitive emissions in under-resourced methane hotspots and more ambitious and specific targets around methane, moving to absolute targets from intensity targets.

Biodiversity

Biodiversity, defined as the variety of all plant and animal life on earth, is an integral component of ecosystems. Ecosystems are the lifeblood of our environment and provide immensely beneficial natural assets such as clean air, water purification, flood protection, food and soil regeneration. Much like climate change, our actions as a society are placing extreme strain on ecosystems. For example, species extinction rates due to anthropogenic impacts are estimated to be between 100 and 1,000 times higher than pre-human rates. This can translate into impacts on a company's cashflows, valuation, and cost of capital. Like with climate change, there exists a potential to reduce the impacts and take actions to protect biodiversity, exemplified by global commitments to place 30% of the planet and 30% of degraded ecosystems under protection by 2030, which was announced at the end of the last UN Biodiversity Conference (COP15).

Auspiciously, the financial industry is also in the process of acting. A prominent example is the Taskforce on Nature-related Financial Disclosures (TNFD), which underwent several rounds of public input in 2022 and hopes to do for nature-related risk management and disclosures what the Task Force on Climate-related Disclosures (TCFD) is doing for climate change. In recognition of biodiversity's importance, we conducted engagements discussing the financial impact of biodiversity, including deforestation, with increasing frequency. However, unlike with climate change, where nearly every company was taking action, the range of action on biodiversity loss was considerably more variable.

The majority of engagements where we discussed biodiversity occurred with companies in the oil & gas, food retail and suppliers, apparel, and home goods sectors. The engagements tended to focus on encouraging improved disclosures and on enquiring about what, if any, actions companies were taking to reduce impacts on biodiversity loss, and to manage the associated financial risks.

Several companies shared that they considered impacts on biodiversity as non-material at this time, but with development of carbon transition plans completed, they will begin assessing the need for broader biodiversity targets. Other companies are at the stage of conducting materiality assessments and associated disclosures. For example, a food retailer shared they are in the process of mapping their supply chain to identify biodiversity hotspots. Elsewhere, a home goods company agreed to disclose to CDP Forests, and we encouraged the company to provide better transparency on their practices and rationale for not requiring Forest Stewardship Council (FSC) certification of wood products. Companies furthest along had developed targeted plans in key areas, which was at least partially due to current difficulties in data access. An oil & gas firm recently began including the cost associated with implementing biodiversity action plans into the decision process associated with long-term holdings.

Water

An integral element of biodiversity and ecosystems is water. Its importance to life and prevalence of use warrants engagement on water stewardship as a stand-alone topic where it is financially material. And while water appears plentiful on Earth, covering over 70% of our planet's surface, only 3% of the world's water is freshwater and most of it is frozen in glaciers or otherwise inaccessible and hard to access. An increasing proportion of people lack access to water or live in water-scarce areas with water scarcity being further exasperated by the effects of climate change. Topics of relevance for discussion related to water stewardship include water use and management, pollution emissions, and high use in water-stressed areas. Much like with other resources, there are a multitude of ways companies can minimise their water-related impacts, which includes analysing their water footprint and then mitigating water stress via direct operations, within supply chains and thoughtful product design.

Engagements this year were most frequent in specific sectors – chemical manufacturing, IT, mining, apparel, and steel manufacturing – whereby we predominately discussed sustainable water management and targets for reduction in water use, especially in water-stressed areas and encouraged companies to disclose with CDP Water. Besides commitments to water reductions, some companies were taking steps to increase water recycling to reduce overall water consumption.

Circular economy

Virgin stocks of many resources like minerals and fossil fuels will not last indefinitely and the associated extraction of those materials can have profound negative environmental impacts such as air and water contamination. Likewise, there are environmental impacts of disposed products, especially when improperly managed. For example, improperly discarded plastics have degraded into microplastics which can be found in some of the most remote places on Earth. These issues can have financially material implications for the companies in which we invest.

Yet an alternative option exists whereby resources are not discarded at end-of use and instead reused or recycled; this alternative approach is most recently being referred to as a circular economy. The theoretical premise of a circular economy is to eliminate waste and extraction of new resources by instead re-circulating a product's components at end-of-use into another product, thereby extending the life of the resources used to make products.

Life Cycle Assessments (LCAs) of implementation of circular economy principles reveal that thoughtful product design, use of resources in manufacturing, and management of products at end-of-use can reduce the environmental and health impacts of those products. Implementation of circular economy best practices encompasses many topics such as recycling, waste reduction, increased lifespan of products, packaging and sustainable sourcing. Janus Henderson has had ongoing engagements with companies on these topics for many years and 2022 was no exception. These engagements frequently overlap with other prominent environmental topics of climate change, biodiversity and water.

Engagements covered a range of sectors with meetings most prominent amongst the areas of electronics, building materials, packaging, apparel and food retail. Because topics relevant to the circular economy have been in existence for many years, companies were receptive to conversations on the topic and open to discussing their progress. Meetings revealed that recycling and waste reduction targets like zero waste to landfills and associated actions were more common while other elements like conversion to alternative packaging and thoughtful sourcing were less frequent and in varied stages of development. An example of an advanced topic on recycling occurred in meetings with some companies that work with harder to recycle materials like PVC. In these engagements, we learned about innovations like the development of specialised collection networks for post-consumer waste.

Overall, discussions with the companies tended to focus on several key elements of the circular economy – reductions, recycling and zero waste commitments. We tended to encourage improvements in several areas depending on specific circumstances. For example, we encouraged more transparency and disclosure on volumes of materials used and proportions of content from recycled goods. A related ask was better disclosures of a company's waste stream, such as a percentage breakdown between waste and hazardous waste and how both streams were managed through recycling, incineration and landfilling. When we discussed waste generally, we frequently encouraged commitments to reduce waste and hazardous waste.

We also conducted a couple of thematic engagements with electronics manufacturers. One thematic engagement focused on thoughtful design of products to encourage repair and ease of dismantling to improve reuse and recycling of components. Both actions help to reduce consumption of virgin materials and by doing so reduce environmental impacts of extraction and processing. The other theme focused on improved disclosures for origins of raw materials. Increasingly, electronics manufacturers are committing to incorporate greater amounts of recycled materials with commitments as high as 100% for some materials, however, the origins of those materials is unclear. In an ideal circular economy, the raw materials used by electronics manufacturers would come from recycled electronic devices, yet most current disclosures do not describe the origins of raw materials. We encouraged companies to disclose the sources of their raw materials, ideally by region. Such disclosures helps shareholders to analyse how advanced companies are in adopting circular economy principles, and thereby managing future regulatory risk.

Social Engagements

With regards to the 'S' in ESG, human capital (including labour relations and employee welfare) was the most discussed topic with company management in 2022, followed closely by the topic of diversity, equity & inclusion (DE&I). DE&I is an increasingly important company engagement issue across our investment teams and continues to be a core engagement theme for Janus Henderson. Several studies have shown that more diverse companies tend to outperform over the long term. Another focus area of engagement during 2022 was human rights within company supply chains, particularly those of apparel and clothing manufacturers.

Diversity, equity & inclusion (DE&I)

Looking at the direction of travel from a regulatory and social standpoint, we see diversity as an important trend that is going to continue to build momentum over the years. There is growing evidence to support that diversity within the workplace is good for business and can be viewed as a proxy for corporate culture. Companies that do not embrace diversity may be more prone to harassment/discrimination scandals which could cause reputational or financial damage. Many of our engagements were targeted towards certain sectors which have historically lacked diverse workforces, for example the technology or mining sector, or industries with low paid female workforce like the hospitality/retail sector. We also looked at misconduct allegations flagged in the media which may be a symptom of a wider systemic cultural problem and may impact a company's ability to attract and retain talent.

Our engagements on diversity and inclusion took different forms; some were company specific, whereas others were thematic targeting a group of companies facing similar issues; some were investment team-led while others were identified at group level by looking across firmwide holdings and identifying laggards in certain sectors.

Our top-down analysis identified a Japanese electronics company for a company-specific engagement. After conducting a regional and global peer group analysis, this company was identified as a laggard due to falling behind peers on board- and executive-level diversity. Leading companies in the industry were providing better disclosure of diversity across the business, had disclosed anti-sexual harassment policies, offered flexible working hours and some disclosed their gender pay gap. Japanese companies (like many others) face the risk of an aging population and a shrinking workforce, and therefore need to do more to attract and retain diverse talent to remain globally competitive. The company also faced more recent allegations of harassment and discrimination in their US business workplace. This issue is considered higher risk within the gaming industry and can have material financial consequences as witnessed by recent US litigation. We therefore initiated engagement with company management and have engaged on this topic on three separate occasions. The company is aware of our concerns and we are monitoring company progress.

From a more thematic perspective, we have also engaged with companies in certain sectors which have historically lacked diversity. During 2022, calls were arranged with two UK-based asset management companies to understand the steps taken to foster DE&I within their organisation. We arranged calls with relevant executives at each of the asset management firms to assess how the company aims to increase workforce diversity and compare their DE&I practices to peers. Discussions focused on company policies and practices in talent management, diversity-related disclosure and their future commitments to improve diversity across the organisation.

While diversity in terms of gender and ethnicity continues to be lacking across the asset management industry, the companies have identified DE&I as a material matter and are taking steps to address the imbalance. It was encouraging to see improved polices on maternity and paternity leave, reverse mentoring, efforts taken to reduce turnover levels and gender pay gap disclosures. Discussions also allowed us to push companies lagging in this area and understand challenges they faced in terms of recruitment and monitoring. The consensual view amongst the asset managers surveyed is that in order to improve DE&I, significant steps must be taken at the graduate intake level. This will allow more diverse employees to enter the industry and help broaden the employee base. Engagements with these firms will continue to further improve their DE&I reporting and performance.

Another sector we have prominently engaged with on the topic of diversity is the mining sector. In 2022, one prominent mining company released an independent report addressing workplace culture issues and a framework for action. The eight-month study saw more than 10,000 people sharing their workplace experiences with numerous accounts of sexual harassment, attempted rape, as well as systemic racism, bulling and sexism documented. We joined a call with the company to understand how these issues had occurred, whether the leadership team was taking the report seriously, and what actions were in place to correct systemic cultural issues within the workplace.

In light of this company's Report into Workplace Culture, as well as the Western Australian Parliament inquiry into systemic harassment occurring within the Fly-in Fly-Out (FIFO) mining industry, we reached out to several mining companies to understand how they were addressing this issue. The government inquiry brought to light serious incidents and highlighted that the mining industry overall were not doing enough to protect women working at these sites.

We emailed five companies asking whether an internal inquiry had been conducted within the business, whether the findings had been made public, what steps had since been taken and how the company was measuring progress/improvement. We then conducted a peer analysis identifying best practice and responded to each company providing feedback on current practices and flagging areas for further improvement. We appreciate that this is a complex issue to address, and cultural improvements will only be visible over a period of time. We therefore intend to follow up next year to monitor how the industry overall is progressing.

Human rights in supply chains

Another focus area of engagement was human rights within company supply chains, particularly those of apparel and clothing manufacturers.

We engaged with certain companies (both global brands and domestic Chinese companies) to understand their exposure to US supply chain legislation. Discussions focused on how companies were auditing their supply chain and addressing potential human rights violations. We encouraged further company disclosure regarding human rights policies/practices where appropriate, including disclosure of supplier code of conduct and list of Tier 1 suppliers.

We also engaged with global retailers importing products from China. Management discussed its due diligence, risk assessment and monitoring process, as well as monitoring audits from independent organisations, including the Fair Labor Association and the Better Work Programme. The issue is complex and politically sensitive, however all companies we spoke to are trying to improve transparency and disclosure around human rights within their supply chain.

Our engagement on human rights expanded more broadly to responsible sourcing. Several reports from NGOs and workers' rights groups have highlighted labour abuses occurring within apparel supply chains. This includes accounts of unpaid severance benefits following factory closures, low wages, excessive overtime, wage theft during the COVID-19 pandemic and gender-based violence. Often apparel companies have supply chain exposure to countries where corruption is prevalent, there is a lack of freedom of association and companies face high political risk.

CASE STUDY:

Apparel supply chain oversight

We engaged with two British multinational retailers in response to labour misconduct allegations. Both conversations (one with the Head of Supplier Ethical Compliance and the other with the Global Head of Responsible Sourcing for Apparel) focused on evidencing the level of supply chain oversight including approach to wages, governance structure overseeing human rights in supply chain, level of visibility/on the ground monitoring/ site visits and third-party auditing. The latter discussion also focused specifically on the company's decision to not pull out of Myanmar when other peers have done so, and how regularly they review the situation. We asked about potential conflict of interest between the sourcing department and other functions like the buying department and were pleased to hear that the sourcing departments have sufficient independence as well as exposure to the board where they regularly communicate to review these issues. After these discussions, we felt more comfortable that both companies have strong (and improving) oversight of their supply chains. Both companies also confirmed large local presence on the ground in all key sourcing countries where they have built strong relationships with factories and conduct frequent site visits/auditing.

Human capital

Another area that several investment teams discussed with companies in 2022 was human capital, labour relations and employee welfare. This spanned a range of topics including staff redundancies/furloughs; paying conditions across the organisation and how this was fairly reflected in management compensation decisions; the impact of labour strikes on workforce production; how companies were managing or retaining a flexible working culture post-COVID; level of employee engagement from senior management, responses from employee surveys and channels of employee communication. Investment teams frequently discuss the level of staff retention and voluntary turnover as part of their conversations with company management. One topic which was specifically prominent with US retailers regarding labour relations was how management deal with workforce unionisation efforts and maintain a positive workplace environment free from retaliation.

One longstanding company-specific engagement on labour relations has been with a global fast-food chain. We have held numerous calls with the company to discuss employee rights/protections, and the role of HQ in holding franchisees accountable. The discussion focused on restaurant labour – specifically, recent harassment/abuse allegations and what the company is doing to fortify its franchisee auditing process. This is a complex topic to resolve as employees at franchised units are not legally employees of the company. However, given the company's scale, public scrutiny should be expected. We emphasised that what happens inside every restaurant reflects on the brand. We pushed the company to do more to codify brand standards, strengthen the franchisee audit process, and ultimately hold franchisees accountable when they fail their employees or customers. Our message to management is that the company has an opportunity to lead on this issue and establish best practices for franchised restaurant systems globally, and we intend to continue to push management to embrace this opportunity.

Another example of an engagement which was focused on labour relations was a collaborative engagement organised by members of the Asia Corporate Governance Association. Janus Henderson is a longstanding member of this organisation and part of the China Working Group as well as the Japan Working Group. One longstanding engagement is with a Chinese Technology company focused on delivery rider welfare, as well as data privacy & cybersecurity and board governance. The group wants to understand how the company is managing the wellbeing and rights of riders (riders are not employees of the company but of the agencies however they are essential to the business). We discussed the company's relationship with riders, safety and training, coverage of riders' initiatives and rider wages. We encouraged further disclosure of metrics around riders in their next ESG/Annual report.

Clinical trial diversity

One engagement focus within the healthcare sector has been encouraging pharmaceutical and biotechnology companies to improve clinical trial diversity. Within the industry there has been a persistent underrepresentation of diversity within clinical trials. The safety and efficacy of therapeutics can potentially be influenced by one's age, sex, race and ethnicity. In order to achieve a more holistic perspective on the efficacy and safety of these therapeutics on a particular population, companies need to improve the diversity of those enrolled in the clinical trial process. Removing barriers to the clinical trial process may enable a more inclusive trial, allowing for a greater understanding of these therapeutics.

We continue to engage with numerous healthcare companies on how they can improve their clinical trial diversity. Many of these conversations started a year ago and were follow-up discussions, and some were initial conversations especially with medical device companies and biotech companies where there has been less focus on clinical trial diversity. We encouraged companies to track different measures of diversity in studies, to provide further disclosure around current trial diversity, and set future goals or targets in this space making information more transparent and available to investors.

We have seen dramatic improvements in transparency over the past two years from companies on how they are addressing clinical trial diversity. A few companies have since appointed directors and/or dedicated teams to work on improving trial diversity. Companies have committed to raising this issue with R&D/trial teams, and others are considering setting future targets around this. We have spoken to many companies that are focusing on improving diversity at investigator level as this has shown to improve diversity at trial level.

Access to medicine

The Access to Medicine Index ranks 20 of the world's largest research-based pharmaceutical companies on the basis of how they manage risks and opportunities related to access to medicine in low- and middle-income countries. The Index measures a range of value drivers within the pharmaceutical business, including pricing, R&D, governance and compliance. The collaborative engagement is a long-term engagement project for tracking the progress of pharmaceutical companies towards SDG 3 ("Good Health and Well-being") by 2030. It represents a unique opportunity for investors to collectively drive pharmaceutical companies forward to achieve the SDG 3, as well as to track the progress and impact through the engagement.

We have been a longstanding signatory of the Access to Medicine Index and a lead engager with a European pharmaceutical company since 2019. The goal of the collaborative engagement is to encourage pharma companies to improve their access strategy, governance around access and related initiatives progressing towards SDG 3 by 2030. We were pleased to see that the company performed very well in this year's ATMI ranking, moving up from seventh to third across peers. We view performance in the ATMI index as one potential indicator of how well companies are positioning themselves to successfully manage and grow their businesses in key developing markets. The discussion focused on new opportunities as well as discussing progress and access strategy moving forward. Although there were no particular concerns with the company's approach to access, there is always scope for further collaboration especially in under-resourced areas like emerging infectious diseases/ tropical diseases where there is limited R&D/projects across the industry.

We welcome the company's continued work in this space reflected in rankings after years of engagement. The company has the largest pipeline vs. assessed peers for non-communicable diseases and ranks number one in the index for product delivery (tailored access strategy across different income groups). We are also pleased to see the company tackling access issues of oncology, which is an area pharma companies have avoided due to the complexity and lack of infrastructure in this area.

Governance Engagements

Governance is a key part of fundamental analysis for our investment teams with good corporate governance supportive of long-term decision-making and investment returns. Accordingly, in 2022, we engaged extensively with company management teams and their board members on various governance topics including capital allocation & strategy, management remuneration, board independence & composition, succession planning, board oversight of ESG risks and opportunities.

Approach to governance engagements

As effective stewards of capital, we consider it one of our responsibilities to promote sound corporate governance within our portfolio companies. Our investment teams naturally develop long-term relationships with the management of firms in which they invest. Should concerns arise over a firm's practices or performance, we seek to leverage these constructive relationships by engaging with company management or expressing our views through our engagement or voting on management or shareholder proposals.

Escalation of our engagement activities depends upon a company's individual circumstances. While we view proxy voting as a critical means of exercising our rights and duties as shareholders, we view engagement as an incremental and potentially more effective means to driving change. How we seek to escalate concerns we have around governance very much depends on local market practice. In markets such as the UK, Europe and the US we regularly engage with the board chair and independent directors when we have concerns about management performance and/or strategy.

Chair meetings

In 2022, we had meetings with the chairs of several UK, European and Japanese companies either directly or through meetings facilitated by the UK Investor Forum or the Asian Corporate Governance Association. Discussions were focused on understanding board composition, company strategy, succession planning and board oversight of financially material ESG risks. Some of these meetings were also arranged on the back of shareholder proposals regarding climate change, activist shareholders' demand for strategic review or where we had concerns with recent governance decisions undertaken by the board.

Such meetings with the chair provided insights about board dynamics and relations, role played by the board whether protecting value or creating value and how active and engaged the board is.

The direct line of communication from portfolio managers to portfolio company chair also helped prioritise and emphasise issues where the relevant company was lagging. The overall experience of engaging with the chair of portfolio companies has been constructive. The different ways portfolio companies responded to our requests also provided insights regarding the companies' culture and attitude towards shareholder rights.

CASE STUDY:

Board decision making

We engaged with a German printing company with multi layered and opaque governance structure in light of its recent decision to replace the CEO and re-appoint the chair of board of trustees. There was lack of transparency regarding the above decision and we felt the overall governance structure was ineffective and required change.

We expressed our disappointment to governing bodies in writing and asking them to adopt good governance practices in a proactive and timely manner. We also expressed our loss of confidence in board functioning.

In light of our letter and similar shareholder pressure, the board assessed its recent decisions and corrected its decision relating to the re-appointment of the chair of board of trustees. The company then reached out to us to provide transparency around its governance structure and decision making. Since then the company has refreshed members on its various boards. We will continue to engage with the company to assess the effectiveness of the changes undertaken.

Capital allocation & strategy

The recent challenging economic environment has resulted in many companies reconsidering their strategy and capital allocation. Companies have also had to evaluate their long-term strategy and capital allocation policies in light of risks and opportunities associated with climate change. We engaged with our portfolio companies to discuss their strategy, a key factor affecting company's long-term prospects and changes made in light of the above. We also discussed strategy with underperforming companies and companies facing activist interest.

CASE STUDY:

Shareholder proposal requiring a company to undertake a buyback as opposed to current dividend policy

A Swedish company operating in the education space received a shareholder proposal requiring it to undertake a buyback given the strong financial position and cash generation profile of the company. The board of the Swedish company recommended to vote against the shareholder proposal and was supportive of its existing dividend policy. We engaged with the company to convey our disappointment for the inadequate response by the board to the buyback proposal.

Discussions were held with the chief executive to understand the board's rationale for the dividend policy as opposed to buyback. We challenged the board's decision and explained why it was important for the company to demonstrate capital discipline. We discussed the potential merits and downside of share repurchases. We also explained the risk of deploying further capital to local markets and undertaking acquisitions.

The chief executive noted our feedback and confirmed that our views would be passed on to the board. Following the meeting, we casted our vote in favour of the shareholder proposal requiring share buyback. The proposal however failed to garner the requisite vote as per Swedish corporate laws. We will continue to monitor the company and push for capital discipline.

CASE STUDY:

Governance – climate change and capital allocation

We have engaged with an Asian technology company over many years on a range of corporate governance, social and environmental issues that we thought were negatively impacting the company's long term growth prospects. Earlier engagement with the company was successful and resulted in board refreshment, with climate expertise also added. However, the company continued to make slow progress on managing its climate risks by materially reducing emissions and allocating capital accordingly.

Regular discussions were held with the company executives to understand the status of its decarbonisation strategy and the challenges faced in achieving it. One of our investment teams also clearly indicated its expectations and voting intentions to the company, including its willingness to ultimately sell the shares if no progress could be achieved.

We viewed the company's climate risk as very material and financially significant, and the failure to address it impacted our views on the company's future financial performance. Given the slow progress made by the company, failure to attract/retain high calibre international directors and the fact that new governance issues were emerging, one of the investment teams decided to divest its position after providing a detailed rationale to the company's management.

We also engaged with a US-based tech company and challenged its capital allocation in the context of a proposed acquisition announced by the company which was considered to be value destructive. Please refer to more details in voting section on page 16.

Management remuneration

Executive remuneration continues to be the most frequently engaged governance topic, especially in 2022 given many remuneration policies were due for renewal the following year. Discussions on this topic were held in different ways. In many instances, we reviewed the proposed remuneration policies and provided written comments/feedback to the portfolio companies after aligning with our investment teams. The outcome of such exercises was evolution of robust and transparent remuneration policies which we consequently supported at their next annual general meetings (AGM).

In other instances, we held conversations with chairs of remuneration committees leading to company's AGM. Notably in 2022, we also had discussions with portfolio companies on the back of our negative votes to explain our concerns on existing remuneration frameworks.

Such discussions also allowed us to present our views regarding linking executive compensation with financially material ESG priorities. We do not believe in 'one-size-fits-all' approach to linking executive remuneration to ESG priorities. We believe clear and purposeful performance conditions should be provided for in remuneration arrangements, depending on stage of the company. Further, the overall remuneration framework should take a longer-term view that is clearly aligned with stakeholders' interests.

CASE STUDY:

Executive remuneration

We engaged with a regional financial services firm given difficulty in assessing executive compensation owing to poor disclosure by the company and complex pay arrangements. At the 2022 AGM, we voted in favour of remuneration reports pursuant to our satisfactory engagement, and improvements seen in the remuneration framework and disclosures.

We engaged with the members of the remuneration committee to discuss its remuneration framework and intent, and to understand its alignment with long-term strategy. We expressed the need for simplicity in design with clear and purposeful performance measures to be incorporated going forward. We also used the opportunity to engage with the board members on board evaluation and succession planning.

The remuneration report was approved by the shareholders. We re-engaged with the company later in the year to discuss progress made on its remuneration framework and provided feedback.

Board independence and composition

We believe that performance of the board is critical to the economic success of a company and the protection of stakeholders' interests. Accordingly, we emphasise that there should be a sufficient number of independent directors, free from conflicts of interest, to ensure objectivity in the decision making of the board and its ability to constructively challenge management. In 2022, our governance engagements involved undertaking qualitative assessments to understand board competence and background. Based on the research, we proactively engaged with companies to discuss board diversity and independence.

CASE STUDY:

Board composition – improving independence and diversity

We engaged with a British airline company given a lack of diversity and independence on its board. We also had concerns regarding the design and disclosures of executive compensation. We believe effective board composition and appropriate compensation structures are critical to the economic success of the company and protection of shareholders' interests.

The central Responsible Investment and Governance team, along with the investment team, conducted a focused call with the chair and non-executive director to discuss the above issues and understand their perspective.

The engagement allowed us to gain access to the chair and non-executive director at the company, which had previously been a challenge. It allowed us to understand the steps taken by the company in improving diversity and independence of the board. It also enabled us to challenge the existing compensation structure and support the company's proposal to move to a more structured compensation structure for the executives from next year. On the basis of the engagement, the investment teams decided to vote at the company's upcoming meeting to support management on executive compensation and push it to improve board composition. We will continue to monitor progress made and engage with the company.

Similarly, we also engaged with a Canadian mining company on board independence and diversity. The company positively acknowledged our concern and refreshed its board in early 2023.

Other topics

During 2022, we also engaged with the boards of several companies where we saw succession risks. Discussions were focused on steps taken to assess talent bench strength of senior leadership team and development of potential candidates.

In 2022, we increasingly engaged with boards to understand how they were exercising oversight on financially material ESG risks such as cybersecurity, anti-trust, data protection and human capital management. The discussions allowed us to emphasise the importance of these issue to us as investors and understand companies' risk management framework and the role of the board.

CASE STUDY:

Governance – privacy, data security and disclosures

We have engaged with a US-based social media company over several years, seeking to encourage improvements to its corporate governance. The engagement also aimed to address a broad range of concerns around privacy and data security, key factors affecting the company's long-term prospects.

We conducted several meetings, initially with the global head of content and human rights. Whilst we have seen some positive initiatives, such as the company becoming a UN Global Compact (UNGC) signatory, the company's practices on the key issue of senior management alignment with user welfare and human rights continue to raise concerns. In 2022, we engaged with the company further to explain and discuss this issue.

As part of the engagement, we gave examples of potential metrics to include in reports in order to provide a more holistic measure of ESG alignment. Examples of these user metrics included the response time relating to user concerns alongside other mental health and meaningful group engagement statistics. However, we made it clear that the company is far better placed to set its own transparent alignment targets. At the 2022 AGM, one of our investment teams voted in favour of shareholder proposals calling for an independent board chair and reporting on third-party human rights impact assessment, consistent with our engagement.

CASE STUDY:

Thematic engagements - corporate governance at privately-owned telecom companies

Proactive engagement with two European privately-owned telecom companies on corporate governance as these could materially affect long-term financial outcomes.

During the year, a meeting was organised with the general counsel and investor relations of these companies to discuss their existing governance structure and best practices. Both companies were recently delisted. Discussions allowed us to highlight the challenges bond investors face in privately-owned set-ups given ownership structure and fewer disclosures.

The engagement allowed us to compare and contrast corporate governance practices at both companies. While one company retained most of the governance structures typically seen at listed companies, the other company had significantly scaled down listed company governance requirements. After the meeting, we held regular exchanges with these companies. We provided them with recommendations to be adopted in a proactive and timely manner that could help in further boosting investor confidence. The companies also came back with their perspectives and approach to addressing some of our recommendations. We will follow up engagements with these companies, focusing more on ESG governance, environmental commitments and progress made thereunder.

Proxy Voting

Janus Henderson typically exercises voting rights on behalf of clients at meetings of all companies in which we have a holding. Exceptions may occur if a client retains voting rights, or where share blocking, voting restrictions or other unique situations apply.

As an active manager our preference is to engage with corporate management and boards to resolve issues of concern rather than to vote against shareholder meeting proposals. In our experience, this approach is more likely to be effective in influencing company behaviour. We therefore actively seek to engage with companies throughout the year and in the build up to annual general meetings (AGMs) with shareholders to discuss any potentially controversial agenda items. However, we will vote against a board recommendation when we believe proposals are not in shareholder interests or where engagement proves unsuccessful.

To assist us in assessing the corporate governance of investee companies we subscribe to ISS (an independent proxy voting adviser). ISS provides voting recommendations based upon Janus Henderson's corporate governance policies and highlights key voting issues requiring review by investment teams. Our in-house Responsible Investment and Governance team works with our investment teams and provides input into voting decisions. Fund managers have ultimate voting authority.

Janus Henderson has a Proxy Voting Committee, which is responsible for developing Janus Henderson's positions on major voting issues, creating guidelines and overseeing the voting process. The Committee is comprised of representatives of fund administration, compliance, portfolio management, and governance and stewardship. Additionally, the Responsible Investment and Governance team is responsible for monitoring and resolving possible conflicts of interest with respect to proxy voting. During 2021, all conflicts of interest identified as part of the voting process were referred to the Proxy Voting Committee and resolved in accordance with our policy and procedures.

Stock lending makes an important contribution to market liquidity and provides additional investment returns for our clients. However, stock lending also has important implications for corporate governance policy as voting rights are transferred with any stock that is lent. We maintain the right to recall lent stock across all our funds under management for voting purposes. All decisions to recall stock are made by the relevant fund manager.

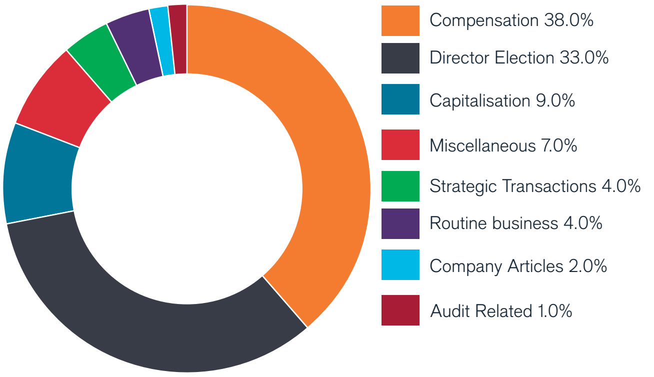
Overall, Janus Henderson voted in excess 5,900 shareholder meetings in 2022. On average, we voted against board recommendations on 7% of resolutions. This works out as a vote against at least one board recommendation at approximately one third of shareholder meetings.

Below, we highlight key proxy voting themes across major global markets together with examples of some notable meetings where Janus Henderson voted against board recommendations. Notable meetings have been selected to highlight the most frequently reoccurring issues on which Janus Henderson votes against board recommendations and meetings with unusually high levels of shareholder opposition.

Voting examples within the report are based on all portfolios where Janus Henderson's portfolio managers have voting authority and where the voting position was the same across all portfolios. Subsidiaries of Janus Henderson are not included within the report's findings.

UK – 2022 Proxy Season Voting Themes and Notable Meetings

Votes Against by Resolution Type



Source: Janus Henderson as at 31 December 2022. The chart may not add up to 100% due to rounding.

Key themes

Remuneration-related resolutions were the most significant area of contention in 2022. Company context was especially important in vote decision making given the major disparities in corporate performance. Whilst many businesses were still suffering underperformance related to the COVID-19 pandemic, others bounced back strongly. For companies performing well, an increasingly loud debate has been pay relativities with other countries (especially the US) and balancing competitive concerns with local market practice. We continue to take a company-by-company approach to analysing remuneration, and reviewing proposed pay increases, focusing on key drivers of company performance and shareholder returns.

The highest opposition recorded at a UK AGM on remuneration issues in 2022 was Informa Plc. 71% of shareholder voted against the remuneration report. We voted against based on concerns over changes made to in-flight performance criteria and insufficient alignment with shareholder returns. Another major negative vote was recorded at Investment Manager LionTrust where the remuneration policy received 46% opposition. We had concerns over significant changes to quantum that were inadequately justified in relation to company performance in our view.

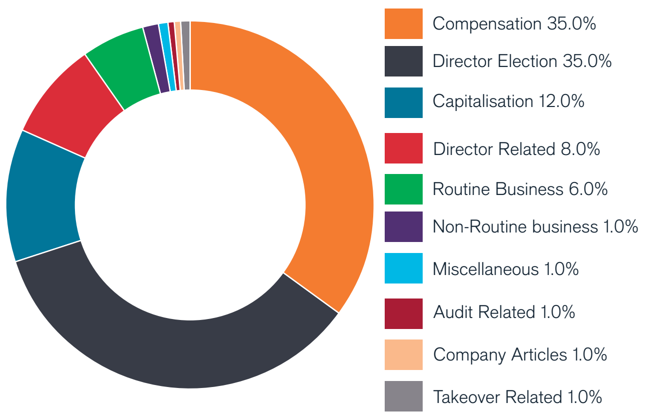
Amongst larger companies, GSK experienced one of the highest levels of shareholder opposition with 38% opposition to the remuneration report. We voted against on the basis that the significant increase proposed to the annual bonus potential was unwarranted, especially in view of the company's smaller size as a result of the de-merger and historic performance.

In terms of votes against, director elections came a close second in the UK market. Common reasons for opposition included a lack of board independence, low board diversity and wider governance concerns. Amongst the most contentious votes were board directors with board leadership roles, such as Committee Chair, with identified performance or oversight concerns. At Informa, longstanding concerns over remuneration led to significant shareholder opposition (including JHI) to the re-election of a director that resulted in the director standing down. At SThree, concerns over performance at another company (Interserve) led shareholders – including ourselves – to oppose the re-election of the Audit Committee Chair and eventually that director also stood down.

Climate change is a growing focus at shareholder meetings in the UK market. A growing trend, particularly amongst the largest emitters (and therefore those companies with the greatest financial climate risk), is to put their climate strategy to the vote in the form of a 'Say on climate'. Most of these resolutions receive overwhelming shareholder support, given their voluntary nature. However, one company receiving a notably high level of opposition in 2022 was Glencore, where approximately one-quarter of shareholders dissented. We voted against on the basis that the company failed to demonstrate sufficient clarity around strategic plans for the thermal coal business, responsible for a large proportion of the company's Scope 3 emissions, in the context of achieving the Paris goals.

Europe – 2022 Proxy Season Themes and Notable Meetings

Votes Against by Resolution Type



Source: Janus Henderson as at 31 December 2022. The chart may not add up to 100% due to rounding.

Across European markets, misalignment of pay and performance was the most common factor underpinning votes against compensation. In the most significant case, this resulted in a majority vote rejecting pay proposals.

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One of the most significant shareholder meetings in 2022 was at German company Bayer, where the remuneration report was rejected by more than three-quarters of shareholders. We voted against the report due to concerns over adjustments made to annual bonus criteria resulting in payouts that were, in our view, misaligned with performance.

A meeting of note in the French market was at market research and consulting firm, Ipsos. We voted against management pay due to concerns over amendments to in-flight long-term incentives and termination provisions. In our view, both issues highlighted misalignment with shareholders. The CEO and Chairman's remuneration was rejected by a majority of shareholders. Also in the French market, we voted against the Chairman/CEO remuneration at Veolia, due to concerns over the decision of the Committee to award a special grant of shares to the former CEO and allow the retention of existing share awards. The resolution was withdrawn.

At Spanish wireless telecommunications and services company Cellnex Telecom, we voted against the remuneration policy due to significant proposed remuneration increases that, in our view, were insufficiently aligned with performance and shareholder returns. Opposition was approximately 44%. At Austrian firm Bawag, we voted against the remuneration report on the grounds that management compensation was excessive relative to company size and peers. Opposition totalled 68%.

The second most common resolution type for votes against management was on board elections. Votes against directors commonly reflect both longstanding issues such as board independence, as well as more recent policy priorities such as lack of board diversity.

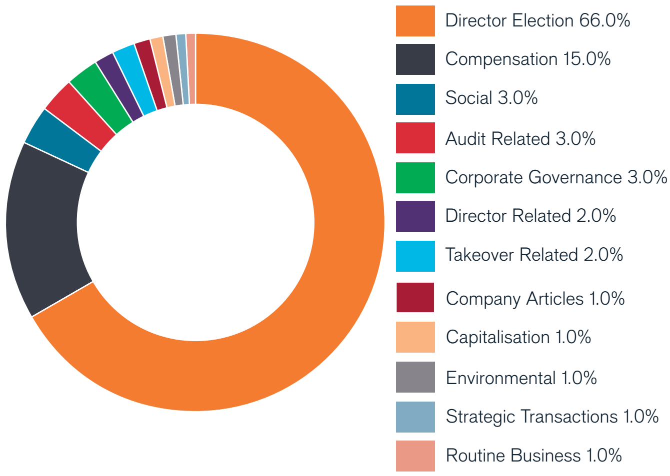
At Orange, we voted against the re-election of a director based on a lack of board independence and over-boarding. Opposition was 23%. Similarly at Kion in Germany, we voted against a director due to low board independence and opposition was 27%.

Board diversity votes with significant shareholder dissent included Recticel in Belgium and Nabaltec in Germany. Across Europe, companies have made major strides in recent years to improve board diversity often pushed by national regulations and quotas. We voted against the re-election of directors at both these companies due to their falling behind market practice. Opposition was 32% and 23% respectively.

The trend of increasing numbers of 'Say on Climate' votes continued in several European markets led by France but also including Italy, Switzerland and Spain. Proposals received relatively high levels of shareholder support, reflecting their voluntary nature. UBS was one of the more notable meetings. We voted in favour of the company's Climate Action Plan in recognition of the company's commitment to net zero by 2050, and 2025 targets for scope 1 and 2 emission reduction targets. However, the relatively high level of opposition at 22% reflected an absence of clear targets and strategy addressing Scope 3 emissions.

North America – 2022 Proxy Season Themes and Notable Meetings

Votes Against by Resolution Type



Source: Janus Henderson as at 31 December 2022. The chart may not add up to 100% due to rounding.

The overall proportion of directors facing significant opposition in 2022 remained relatively constant at 6% year-on-year according to ISS, the proxy advisory firm. However, this level is significantly higher than historical trends, highlighting the more active approach of institutional investors in holding directors to account for poor corporate governance practices.

Director elections accounted for the largest proportion of our votes against management in the North American region. The most common rationale for opposition was corporate governance concerns, including poor compensation practices, weak shareholder rights and poor performance.

Arrowhead Pharmaceuticals saw one of the highest levels of opposition with three directors receiving a majority vote against. Our reason for opposition was the failure of the compensation committee to respond adequately to a majority vote against the 2021 'say on pay'. The company subsequently made significant changes in response to the result. At Netflix, we withheld support for a compensation committee member due to poor compensation practices and a lack of responsiveness to negative results of the 2021 say-on-pay vote. The director received 68% opposition.

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At consumer goods company Constellation Brands, we withheld support for the re-election of a director due to their membership of the company's governance committee and concerns over board oversight regarding share pledging by directors. A majority of shareholders withheld support. We voted against directors at pharma company Elanco Animal Health to reflect our concerns over poor corporate governance practices, including a classified board and restrictions on shareholders amending the bylaws. Opposition was 50%.

Compensation-related proposals, predominantly 'say on pay', were the second resolution type we were most likely to vote against. The most common reason for opposition was a lack of alignment of pay and performance, excessive compensation relative to market practice/peers and poor compensation practices, such as excessive director severance payments. 'Say on pay' votes rejected by shareholders where we voted against included Arrowhead Pharmaceuticals (79%), Centene (66%), Montrose Environmental Solutions (75%) and ServiceNow (65%).

Amongst the most notable shareholder meetings in 2022 was the EGM of software company Zendesk. Shareholder approval was sought to acquire another company Momentive. We considered the merger proposal to be value destructive and made our opposition public in additional to voting against. The acquisition was decisively rejected by shareholders with 91% opposition.

ESG shareholder proposals are a regular feature of North American shareholder meetings and increasing in importance as proposals become both more numerous and attract higher levels of support. Janus Henderson is primarily concerned with the impact of proposals on a company's performance and economic value, and our support rests on identifying significant weaknesses relative to market practice or peers on material issues.

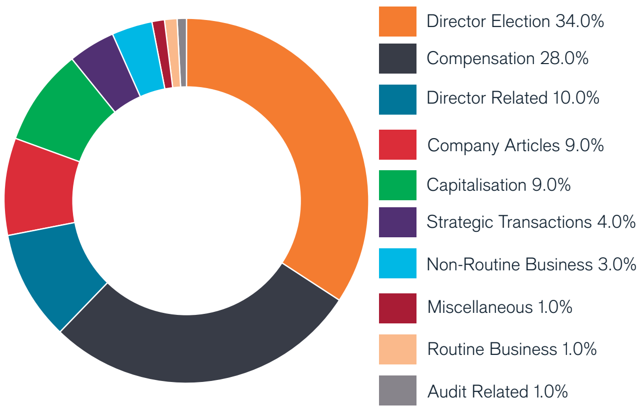
One of the most notable ESG shareholder proposals was at Home Depot, the home improvement retailer. We supported a shareholder proposal calling on the company to report on efforts to eliminate deforestation in the supply chain as we considered the company was not moving fast enough versus leading industry practice. For a retailer, this is a potentially material issue due to growing environmental consciousness and the potential for reputational damage. The proposal was passed with 65% support.

Large technology companies continue to receive significant numbers of shareholder proposals on a wide range of topics. Amongst the proposals we supported were two at Meta Platforms, owner of Facebook. The proposals were to report on community standards enforcement and to conduct a third-party human rights assessment. Shareholder support was relatively high at 19% and 24% respectively, in view of the differential voting rights structure giving disproportional voting rights to the founder.

Shareholder proposals on corporate governance of note included Centene, Global Payments, Netflix and Teleflex. Janus Henderson supports governance proposals that improve shareholder rights where companies have fallen behind good market practice. Proposals we supported that received majority support included the right to call a special meeting (Centene), reduce the ownership threshold to call a special meeting (Global Payments) and to adopt a simple majority vote standard (Netflix and Teleflex).

Asia Pacific – 2022 Proxy Season Themes and Notable Meetings

Votes Against by Resolution Type



Source: Janus Henderson as at 31 December 2022. The chart may not add up to 100% due to rounding.

Significant opposition votes to directors in many Asia-Pacific markets is rare due to the voting power of founder shareholders that vote in line with the Board. An example of a relatively high opposition vote was at Hong Kong Telecom. We voted against re-election of certain directors due to a lack of board independence. Opposition ranged between 14% and 21%. Another relatively high level of opposition was seen at Korean company KT Corp, where a director we voted against was opposed by 27% of shareholders. Ours concerns stemmed from material failures of governance.

Another common issue on which we voted against board recommendations was poor transparency of corporate structures. We voted against proposed article changes at Chinese company Tsingtao Brewery due to concerns over a lack of transparency and accountability to shareholders. Opposition was 27%. At China Mengniu Dairy, we voted

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against proposed article changes due to concerns over reducing the notice period for shareholder meetings. The proposal was rejected with 46% opposition.

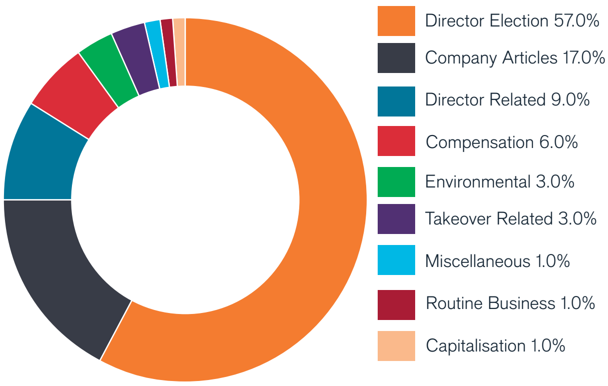
At China Longyuan Power, the company proposed a new financial services agreement with the company's major shareholder. This is a regular resolution in the Chinese market. We voted against due to concerns over potential risks to shareholders. The proposal was rejected by 59% of shareholders.

Another common issue of concern was proposed new share issuances. An example of a high opposition vote was Hong Kong-listed Galaxy Entertainment, where we voted against due to the absence of key disclosures such as the proposed share issuance discount rate. Opposition was 31%.

One of the more notable meetings in Australia was Santos, an oil and gas exploration and production company. Santos put forward an advisory vote on climate change. We voted against due to concerns over the absence of medium-term emissions reduction targets. The proposal was opposed by 37% of shareholders.

Japan – 2022 Proxy Season Themes and Notable Meetings

Votes Against by Resolution Type



Source: Janus Henderson as at 31 December 2022. The chart may not add up to 100% due to rounding.

Director elections were the resolution item that we most likely to vote against in the Japanese market in 2022. Common reasons for opposition included poor board composition with low levels of independent directors and concerns over capital misallocation.

Directors at Sumitomo Mitsui Financial Group received an unusually low level of shareholder support (62-65%). We voted against two directors due to concerns over capital misallocation stemming from cross-shareholdings. Japanese companies have made significant progress in recent years in unwinding cross-shareholdings to improve business focus and transparency, but nevertheless some remain in place. We also voted against an additional outside director on the basis of a lack of independence.

Low levels of board independence relative to global standards is a longstanding issue in Japan. Whilst there have been improvements, the market still stands out for insider-dominated Boards. Insufficient independence was the rationale for our voting position against directors at video game publisher Nexon and housing company Relo Group. An additional factor at Nexon was low board attendance. Support for these candidates ranged between 65-66% at Nexon and 73-75% at Relo.

Another regular feature of the Japanese market where we have concerns was regarding the adoption of anti-takeover devices. These so-called 'poison pills' can work against the interests of shareholders, particularly where there are performance concerns. We only support such proposals where the company adopts best practice features. We voted against proposed plans at Cookpad and Gakken Holdings. Support was 77% and 72% respectively.

Compensation issues are far less prevalent in the Japanese market. However, lack of transparency is often a concern. For example, we voted against bonuses proposed at Otsuka in relation to the retirement of certain directors due to lack of transparency. Support was low at 69%.

Shareholder proposals are relatively rare in the Japanese market and do not usually attract a high level of support. Two proposals that we supported and that stood out in 2022 were at DKK and Mitsubishi Corporation. The proposal at DKK concerned removing an incumbent statutory auditor due to concerns over potential misconduct. Support was 22%. Mitsubishi Corporation faced a shareholder proposal calling on the company to improve reporting around consistency between the company's capital expenditures and net zero by 2050 commitments. The resolution was supported by 20% of shareholders.

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