Janus Henderson INVESTORS

ANNUAL ENVIRONMENTAL, SOCIAL & GOVERNANCE (ESG) REPORT

UK Responsible Income Fund

CONTENTS

UK Responsible Income

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

ESG can have a material impact on financial returns. As investors in companies, we believe we are among those best placed to assess the relevance of ESG issues on financial performance. This report highlights the most material and quantifiable ESG key performance indicators (KPIs) for the UK Responsible Income Fund.

Responsible investment

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

The UN PRI defines responsible investment as:

> “a strategy and practice to incorporate ESG factors in investment decisions and active ownership.”

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

ESG integration & avoidance criteria

ESG integration

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

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

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

Avoidance criteria

The Fund seeks to avoid businesses that have products or operations directly associated with the criteria in the table below (subject to the de minimis limits) in order to minimise exposure to business activities that may be environmentally and/or socially harmful.

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

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

When the activity relates to a company's revenues we use a 10% threshold, unless otherwise stated.

When the activity relates to a company's operations, we will seek to gain comfort that the company is taking action to improve its performance, or is managing it in an exemplary fashion. Any company with a persistent record of misconduct will be excluded unless there is clear evidence of significant progress. For more details, please see the Fund's Investment Principles document that can be found on Janus Henderson's website.

Key avoidance criteria

Alcohol	Fossil fuel extraction & refining	Animal testing (for non-medical purposes)
Armaments	Fossil fuel power generation[1]	Fur
Gambling	Chemicals of concern	Genetic engineering
Pornography	Contentious industries	Nuclear power
Tobacco		

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

ESG performance [2]

We believe that ESG factors can have a material impact on financial returns. There are a myriad of ESG factors, which can vary in importance depending on a company's operational sector/industry. A variety of internal and external resources are used to identify and analyse key ESG issues. We also work closely with the central Janus Henderson Responsibility Team.

The following metrics show some of the ESG Key Performance Indictors (KPIs) that we consider during our fundamental assessment of a company. This is not an exhaustive list and may change over time as the as the quality and consistency of reporting improves[3]. Carbon-related metrics are shown separately in the TCFD reporting section.

Carbon Disclosure Project (CDP)

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

To disclose, a company must complete a detailed questionnaire and submit this to the CDP which will be available to access on the CDP website. These disclosures are also scored from A to D- by the CDP based on the comprehensiveness of disclosure, awareness, the management of environmental risks and best practices associated with environmental leadership, such as setting ambitious and meaningful targets.

We regularly engage with companies on climate change and reporting, so it is encouraging to see the Fund remains ahead of the benchmark with regard to CDP.

	Portfolio percentage of companies (%)	Benchmark percentage of companies (%)
2022	94.4	85.9

Coverage rate:
Portfolio: **99.3%**
Benchmark: **96.0%**

Source: Janus Henderson, Bloomberg, Carbon Disclosure Project. As at 31 December 2022. Benchmark: FTSE All-Share Index.

Note: This is the percentage of companies currently disclosing to the Carbon Disclosure Project on either climate change, water or forests. This data is sourced from Bloomberg. Where a company's data is not covered by Bloomberg, it is assumed that it does not disclosure to the CDP.

Science-Based Targets (SBTi)

The Science Based Targets Institute is a partnership of the CDP, The United Nations Global Compact, World Resources Institute and the World Wide Fund for Nature. Companies submit targets to the Institute which, in turn, provides technical assistance and expert resources to assist these companies in reducing emissions in line with the goals of Paris Agreement. For a company's target to be considered science-based, it must be on track to meet the goals of the Paris Agreement according to the latest climate science. For a company to have committed to a science-based target, it must send a letter of commitment to the SBTi establishing its intent to set a science-based target. The company will then have 24 months to submit a target and have it validated and published by the SBTi.

We regularly engage with companies on SBTi and encourage its adoption. It is therefore encouraging to see that almost 76% of the fund's holdings have either set or committed to set science-based targets. This is greater than the 56% reported for the Fund in 2021 and is higher than the benchmark weighting of 54%.

	Portfolio percentage of companies (%)	Benchmark percentage of companies (%)
Set Science-based targets	59.5	44.2
Committed to setting Science-based targets	16.1	10.0

Coverage rate:
Portfolio: **100.0%**
Benchmark: **100.0%**

Source: Janus Henderson, Bloomberg, Science-Based Target Institute, as at 31 December 2022. Benchmark: FTSE All-Share Index.

Note: This is the percentage of companies in the portfolio and benchmark, by weight, which have set or have committed to set science-based targets. Where there is no data, companies are assumed to have not set or disclosed any commitment to targets.

[2] Data in this document is taken from multiple sources, including MSCI, ISS, Bloomberg, and Sustainalytics. Providers are selected for certain metrics based on the quality of data and coverage rates. Figures are likely to vary according to data provider. See Table 1 in the appendix for the calculation methodology.

[3] The portfolio coverage rate was a factor when selecting metrics for this section.

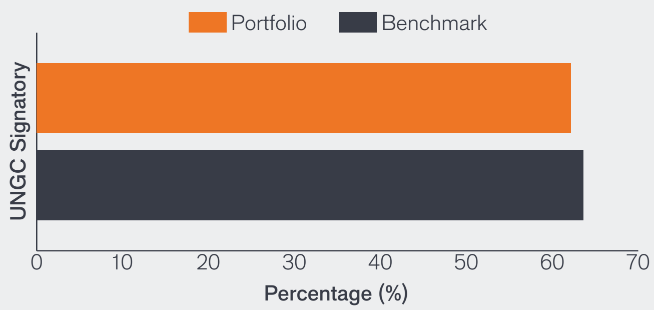
ESG performance continued

UN Global Compact

This is the percentage of companies that are signatories to the 10 principles of the UN Global Compact (UNGC). The principles set out a minimum standard of operation that organisations voluntarily commit to upholding. The principles are focused on four areas: human rights, labour, environment, and anti-corruption.

We saw an increase in the number of companies signed up to the UNGC in 2022 in both the portfolio and benchmark. This has been driven by increased stakeholder demand for companies to demonstrate commitment to responsible management practices, although many companies are opting to meet the UNGC without becoming a signatory of the principles.

The team supports the Global Compact and recommends that organisations commit to the principles and elect to become official signatories. Companies in violation of the UNGC principles are excluded as part of our investment process.



Coverage rate:

Portfolio: **99.1%**

Benchmark: **92.1%**

Source: Janus Henderson, Bloomberg, UNGC Website, as at 31 December 2022. Benchmark: FTSE All-Share Index

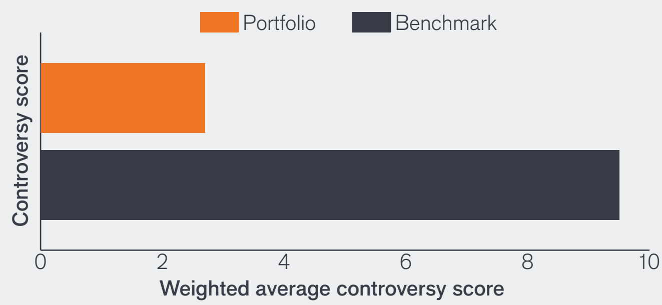
Note: This is the sum, by weight, of companies in the portfolio and the benchmark that are signatories of the UN Global Compact. Where a company's data is not covered by Bloomberg, companies are assumed to not be signatories of the UN Global Compact.

Company controversies

We use data providers to help us identify when organisations have alleged involvement in controversies related to their practices. The below metric from MSCI reflects the number of incidents of involvement in issues with negative ESG implications. This is reported as an average of the portfolio and benchmark[4].

The portfolio is significantly outperforming the benchmark on this metric. Controversies can lead to value destruction and one of the benefits of performing ESG analysis before we make an investment is our belief that companies with strong management of ESG risks are less likely to be involved in controversies. Our investment process also looks to avoid investing in companies with severe controversies that have not been addressed and remediated.

When controversies arise in portfolio holdings, we seek to engage with the company in question to determine materiality and assess the strength of response.



Coverage rate:

Portfolio: **97.4%**

Benchmark: **93.4%**

Source: Janus Henderson, MSCI, as at 31 December 2022. Benchmark: FTSE All-Share Index.

Note: This is the weighted average controversy score for the portfolio and the benchmark based on the total number of controversies attributed to a company by MSCI.

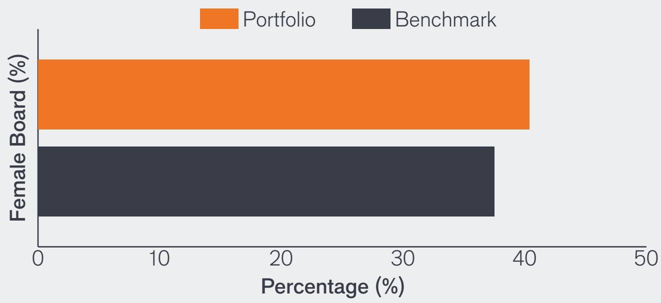
[4] The team elected to switch from Sustainalytics to MSCI's controversy scoring methodology, meaning data is not comparable to 2021. The Sustainalytics controversy risk score is measured on a scale of 1-5, and in 2021 was 1.6 for the portfolio versus 2.2 for the benchmark.

ESG performance continued

Average ratio of female to male board members

Our investment process includes analysis of diversity and inclusion. We believe that diversity of thought and background is essential, especially in leadership where it can make a significant impact on company culture. The ratio of females to males in board seats is a key aspect of that diversity[5].

We consider board diversity vital to ensure that opportunities exist at all levels for underrepresented groups with Diversity & Inclusion an ongoing engagement topic for the team in company meetings. The data shows that the Fund's holdings already comply in aggregate with the recently published government-backed FTSE Women Leaders Review that recommends a voluntary target for FTSE 350 Boards and leadership teams of a minimum 40% women's representation by the end of 2025. The Fund also has better female representation on its company's boards than the benchmark.



Coverage rate:

Portfolio: **98.3%**

Benchmark: **92.1%**

Source: Janus Henderson, Bloomberg, as at 31 December 2022. Benchmark: FTSE All-Share Index.

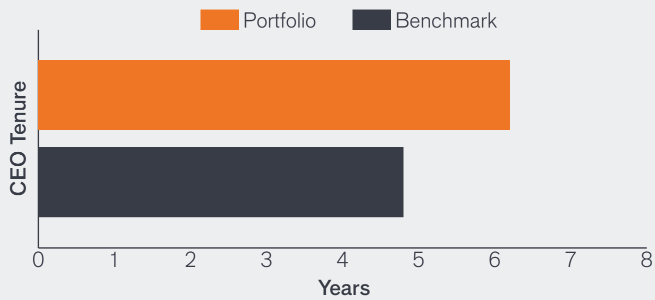
Note: This is a weighted average.

Chief Executive Officer (CEO) tenure

The Fund invests on a long-term time horizon and seeks management teams whose views and commitments are equally long-term in nature. Although a change of management may sometimes help a business that is struggling, the ability to implement a long-term strategy often benefits from CEOs that remain in place long enough to deliver it.

We believe that companies with a long-serving CEO are more likely to be focused on ESG with positive implications for corporate resilience and employee job security.

The table shows the length of CEO tenure in years reported as a weighted average of the portfolio and benchmark.



Coverage rate:

Portfolio: **99.3%**

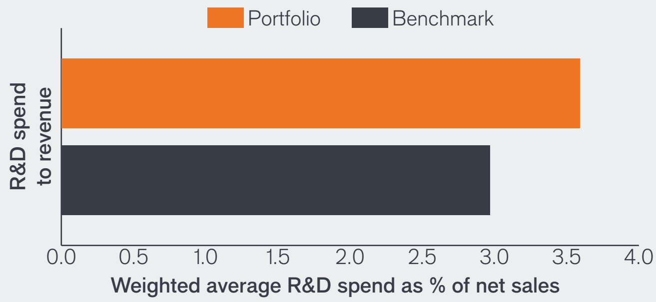
Benchmark: **92.1%**

Source: Janus Henderson, Bloomberg, as at 31 December 2022. Benchmark: FTSE All-Share Index.

Note: CEO tenure is a weighted average. Where a company's data is not covered by Bloomberg, it is assumed that that CEO tenure is 0.

Research and Development (R&D) spend to net sales

This KPI shows the average R&D expenditure as a percentage of revenue (net sales) and is reported as the weighted average of the portfolio and benchmark. We believe companies which place value on R&D are more likely to have durable long-term business models. This is reflected in the portfolio's higher R&D spend when compared to that of the benchmark.



Coverage rate:

Portfolio: **73.1%**

Benchmark: **75.5%**

Source: Janus Henderson, Bloomberg. As at 31 December 2022. Benchmark: FTSE All-Share Index.

Note: R&D expenditure as a percentage of revenue. This data is given as a weighted average and sourced from Bloomberg. Where a company's data is not covered by Bloomberg, the value is left as 0.

[5] We elected to replace 'Female executives' as our measure of gender diversity in 2021 with 'Average ratio of female to male board members' to align with the recent UK government backed FTSE Women Leaders Review which has set out the following recommendations.

i) for FTSE 350 boards to have a minimum 40% female representation by 2025,

ii) to have at least one women Chair / Senior Independent Director and/or one woman in the CEO or Financial Director (FD) role by end 2025

iii) to extend the scope beyond the FTSE 350 to include the largest 50 private companies in the UK by sales.

ESG performance continued

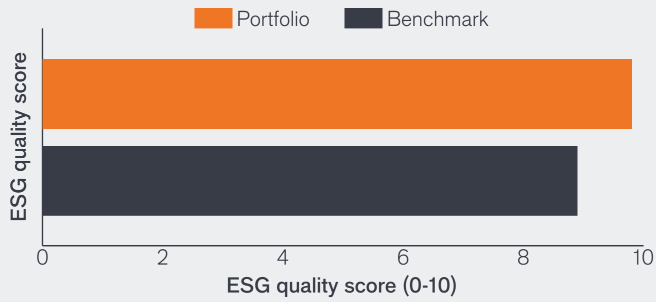
Overall ESG rating[6]

ESG issues are an important part of the analysis of a company's business fundamentals and we use data providers such as MSCI to obtain ESG rankings at both the portfolio and individual company level. These ratings are supplemented with Janus Henderson research and analysis as well as engagements with companies when appropriate.

MSCI provides an ESG quality score which measures the ability of the underlying holdings to manage key medium to long term risks and opportunities that arise from ESG factors. It is based on MSCI ESG ratings and is measured on a scale of 0 to 10 (worst to best). For this metric the Fund scores 9.8 and the benchmark 8.9.

MSCI's ESG ratings are ranked using a seven-point AAA-CCC scale. Both the Fund and the benchmark score AAA ratings using this analysis.

There is no minimum MSCI ESG rating for a company to be eligible for the Fund and the final ESG assessment is subject to a qualitative overlay. However, it is expected that the Fund's ESG rating, as measured by MSCI, will be superior to its benchmark, the FTSE All-Share Index.

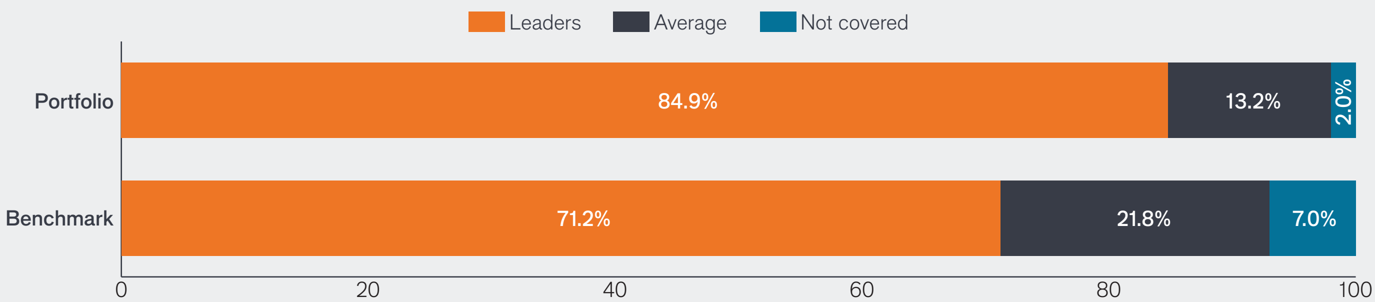


Coverage rate:
Portfolio: **98.0%**
Benchmark: **93.0%**

Source: Janus Henderson, MSCI. As at 31 December 2022. Benchmark: FTSE All-Share Index.

ESG rating distribution

In aggregate, the holdings in the portfolio were found to be of a higher ESG rating when compared to the benchmark using MSCI data. The portfolio has 84.9% of companies rated 'Leader' (AA-AAA) whereas the benchmark has 71.2%.



Coverage rate:
Portfolio: **98.0%**
Benchmark: **93.0%**

Source: Janus Henderson, MSCI. As at 31 December 2022. Benchmark: FTSE All-Share Index.

Note: ESG ratings distribution represents the percentage of a portfolio's market value coming from holdings classified as ESG Ratings Leaders (AAA and AA), Average (A, BBB, and BB), and Laggards (B and CCC). There were no Laggards in either the portfolio or benchmark.

[6] The team elected to switch from Sustainalytics ESG Risk Rating to MSCI's Quality Score, meaning data is not comparable to 2021. The Sustainalytics Overall ESG Risk Rating is measured on a scale of 0-100, and as at December 2021 was 16.6 for the portfolio versus 21.6 for the benchmark.

Task Force on Climate-Related Financial Disclosures reporting

To help identify the information needed by investors, lenders, and insurance underwriters to appropriately assess and price climate-related risks and opportunities, the Financial Stability Board established an industry-led task force: The Task Force on Climate-related Financial Disclosures (TCFD). The Task Force released its final report in June 2017 which outlined recommendations for more effective climate-related disclosures. Since then, the TCFD has reported that almost 10% of annual reports it reviewed contained TCFD recommendations, with adoption being strong amongst asset managers.

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

We will be reporting in line with the TCFD's Core Elements of Recommended Climate-Related Financial Disclosures.

Governance

Janus Henderson's ESG Oversight Committee, chaired by our Chief Responsibility Officer, provides oversight of a range of issues at a portfolio and security level, including monitoring of issuer-level positions for investments identified as having climate or ESG risks.

Both our Front Office Controls and Governance team embedded within the Investment function and our second line Financial Risk team will provide portfolio level oversight of climate and ESG risks. Our Investment Performance and Risk Committee and Front Office Governance and Risk Committee will provide oversight for their respective areas of governance.

While our Boards of Directors (parent company and relevant subsidiaries) received updates on climate and ESG issues in the past, formal oversight of these issues was put under the remit of the Governance and Nominations Committee of our Parent Company Board in 2023. Our Chief Responsibility Officer is establishing tangible metrics with the Committee and will be providing quarterly updates to the Committee on both operational and investment strategy targets, and initiatives. These metrics and discussion will encompass both Corporate Responsibility and Responsible Investing. In addition, in 2023, our internal risk functions will be providing upgrades to the Risk Committee of the Parent Company Board and our UK entity Boards on both corporate climate risk and portfolio climate risk.

Strategy

Ever since the launch of the strategy in 1995 we have had clearly defined principles concerning the types of businesses we will allocate capital to. A distinguishing feature of our strategy is the Fund's low carbon characteristics relative to its benchmark. We believe it makes sense to avoid investing in companies that are heavily exposed to climate-related risk and look to invest in climate related opportunities where applicable. Our investment approach is aligned with the transition to a lower-carbon economy.

Task Force on Climate-Related Financial Disclosures reporting continued

There are multiple levels to our low carbon investment approach[7].

1. **We do not invest in fossil fuels**
   This includes fracking and tar sands
2. **We do not invest in suppliers of fossil fuel**
   e.g. oil services
3. **We do not invest in fossil fuel technology**
   e.g. diesel engines and turbines for fossil fuel power stations
4. **We do not invest in high carbon emitters**
   e.g. cement and airlines
5. **We invest in solution providers**
   e.g. Renewables, efficiency, electrification, semiconductors, building materials and design
6. **We engage with companies in our portfolio on carbon reduction and elimination**

We actively engage with senior management and company boards to encourage them to reach net zero by a defined date and within a reasonable timeframe, and to do so by developing realistic and credible strategies with currently available technologies.

Progress along this journey will vary company to company, meaning that our level of engagement also differs. However, our engagement agenda can broadly be categorised in three ways, starting with the best case scenario:

I. Adopting a target to become net zero by 2030

II. Reporting on emissions and adopting a target to become net zero by 2050 or earlier.

III. Reporting on emissions and adopting a target to become net zero by any date.

Engagements II and III are regarded as a progression towards engagement in line with I.

Risk management

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

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

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

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

Task Force on Climate-Related Financial Disclosures reporting continued

Type	Climate-related risk	Mitigation approach
Transition	Policy and Legal	Policy and Legal changes are incorporated into the strategy through a process of continuous improvement. The team analyse the impact of regulatory developments on the companies it invests in as part of the ESG analysis. Where we feel that a risk can be mitigated, it is included as an engagement topic.
	Technology	The Fund avoids high carbon emission industries and technologies. To demonstrate this, we have made public our carbon footprint in comparison to our benchmark. The ESG analysis includes consideration of a company's use of technology to reduce its climate-related risks. We also engage with companies on this topic.
	Market	We believe that there is already a market shift taking place where companies that do not consider climate-related risk will be negatively impacted. Our investment framework seeks to avoid investing in companies that the investment manager considers to be involved in business activities and behaviours that may be environmentally and/or socially harmful.
	Reputation	We have made public our carbon footprint in comparison to our benchmark in this annual report. In addition, we analyse the companies we invest in for climate-related controversies using controversy screening. We also engage with companies on this topic.
Physical	Acute	As part of our ESG analysis, we consider the location of the companies we invest in as well as the location of their supply chain. As part of this, we use scenario analysis to analyse acute and chronic risk associated with the companies we invest in. We also engage with companies on this topic.
	Chronic	

Source: UK Responsible Income Strategy, 2022.

Metrics and targets

We use a variety of metrics and tools to manage and monitor the impact of climate change on the Fund, as well as our alignment with the Paris Agreement. We will be discussing the following metrics based on the Fund as of 31 December 2022:

Greenhouse gas (GHG) emissions metrics	Expected temperature rise	Scenario analysis
Point in time, retrospective	*Forward looking, planetary impact*	*Forward looking, fund impact*
▪ Scope 1 and 2 emissions	▪ MSCI expected temperature rise	▪ Climate value-at-risk
▪ Scope 3 emissions, upstream and downstream	▪ 2050 horizon	▪ Transitional risks and opportunities
▪ Carbon footprint		▪ Physical risks and opportunities
▪ Weight Average Carbon Intensity (WACI)		▪ 15-year horizon

Task Force on Climate-Related Financial Disclosures reporting continued

Fund GHG metrics

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

- **Scope 1:** Direct emissions that are a result of a firm's facilities, plant, or equipment (including vehicles) use during the production of goods or services
- **Scope 2:** Indirect emissions derived from the generation or purchase of energy that a company consumes as an ancillary activity to the production process
- **Scope 3:** All other indirect emissions, including across the company's upstream emissions (supply chains, commuting, transport, etc.) and downstream emissions (use of goods and services, investments, end-of-life treatment, etc.).[8]

We have elected to report GHG emissions metrics data from MSCI in this year's report.

GHG emissions

Allocation Base	EVIC	Unit	Fund	Benchmark
Carbon Emissions				
Total Carbon Emissions	Scope 1 & 2	Tons CO_2e	13,484.5	47,231.7
Total Carbon Emissions	Scope 3 – upstream	Tons CO_2e	62,304.6	79,440.6
Total Carbon Emissions	Scope 3 – downstream	Tons CO_2e	22,239.2	381,776.9
Carbon Footprint				
Total Carbon Footprint	Scope 1 & 2	Tons CO_2e/\$M invested	23.9	83.7
Total Carbon Footprint	Scope 3 – upstream	Tons CO_2e/\$M invested	110.4	140.8
Total Carbon Footprint	Scope 3 – downstream	Tons CO_2e/\$M invested	39.4	676.6
Weighted Average Carbon Intensity (WACI)				
WACI Corporate Constituents	Scope 1 & 2	Tons CO_2e/\$M revenue	62.5	123.5
WACI Corporate Constituents	Scope 3 – upstream	Tons CO_2e/\$M revenue	210.7	249.9
WACI Corporate Constituents	Scope 3 – downstream	Tons CO_2e/\$M revenue	108.5	926.9
Fund Temperature Alignment				
Implied Temperature Rise		Degrees Celsius	1.7	2.5
Data Quality				
Reported Emissions		Percentage	95.5	89.2
Estimated Emissions		Percentage	1.9	4.6

Source: MSCI as at 31 December 2022. EVIC = Enterprise Value Including Cash.

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

Task Force on Climate-Related Financial Disclosures reporting continued

Scenario analysis

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

A security's climate value-at-risk (CVaR) estimates the magnitude of changes in market value resulting from physical and transitional climate risks and opportunities. We analyse four potential scenarios based on the REMIND[9] integrated assessment model and provided by the Network for Greening the Financial System (NGFS)[10] below.

Orderly Transition 1.5°C	Disorderly Transition 1.5°C	2°C Orderly Transition	Hot House World 3°C
Assumes climate policies are introduced early and become gradually more stringent. Assumes that we limit global warming to 1.5°C through stringent climate policies and innovation, reaching global net zero CO_2 emissions by around 2050. Both physical and transition risks are relatively subdued.	Explores the possibility of higher transition risk due to policies being delayed or divergent across countries and sectors. Assumes that we limit global warming to 1.5°C by 2050 but with higher costs due to divergent policies introduced across sectors[11] leading to a quicker phase out of oil use. Carbon prices are typically higher for a given temperature outcome.	Assumes climate policies are introduced early and become gradually more stringent. Assumes that we limit global warming to below 2°C gradually increasing the stringency of climate policies, giving a 67% chance of limiting global warming to below 2°C. Both physical and transition risks are relatively subdued.	Assumes that some climate policies are implemented in some jurisdictions, but global efforts are insufficient to halt significant global warming. Assumes that we meet Nationally Determined Contributions (NDCs)[12] which includes all pledged targets even if not yet backed up by implemented effective policies. Critical temperature thresholds are exceeded leading to severe physical risks and irreversible impacts like sea-level rise.

[9] REMIND was developed by the Potsdam Institute for Climate Impact Research (PIK) to analyse the future implications of interactions between energy, land-use, economy and climate systems. REMIND uses a general equilibrium model with perfect foresight, meaning the model can anticipate changes happening over the modeling time horizon, to simulate the interactions between the various systems inside a closed economy.
The REMIND model is made up of four different components: a core macroeconomic-energy model called REMIND; a second model, MAgPIE, that handles land use and agricultural variables and effects; a third model, LPJmL, that handles vegetation variables and effects and is linked to MAgPIE; and finally a climate model, MAGICC, that accounts for changes in climate-related variables. All of these models are interlinked and REMIND allows for feedback loops between the agriculture model MAgPIE and the climate model MAGICC.

[10] This is a group of Central Banks and Supervisors willing, on a voluntary basis, to exchange experiences, share best practices, contribute to the development of environment and climate risk management in the financial sector, and to mobilise mainstream finance to support the transition toward a sustainable economy. Its purpose is to define and promote best practices to be implemented within and outside of the Membership of the NGFS and to conduct or commission analytical work on green finance.

[11] Therefore, carbon prices vary across sectors

[12] A climate action plan to cut emissions and adapt to climate impacts. Each Party to the Paris Agreement is required to establish an NDC and update it every five years.

Task Force on Climate-Related Financial Disclosures reporting continued

The results below describe the expected changes to the value of the fund and benchmark on a 15-year forward looking time horizon:

Scenario: REMIND NGFS 1.5°C Orderly	Climate VaR Contribution	Benchmark
Transition Climate VaR – Policy	-8.3%	-17.2%
Transition Climate VaR – Technology	5.2%	5.0%
Physical Climate VaR	-18.2%	-17.1%
Aggregated Climate VaR	-21.3%	-29.3%

Scenario: REMIND NGFS 1.5°C Disorderly	Climate VaR Contribution	Benchmark
Transition Climate VaR – Policy	-35.6%	-45.4%
Transition Climate VaR – Technology	14.6%	17.7%
Physical Climate VaR	-18.2%	-17.1%
Aggregated Climate VaR	-39.2%	-44.7%

Scenario: REMIND NGFS 2°C Orderly	Climate VaR Contribution	Benchmark
Transition Climate VaR – Policy	-1.9%	-3.7%
Transition Climate VaR – Technology	2.5%	1.1%
Physical Climate VaR	-18.2%	-17.1%
Aggregated Climate VaR	-17.6%	-19.6%

Scenario: REMIND 3°C Hot House	Climate VaR Contribution	Benchmark
Transition Climate VaR – Policy	-1.7%	-2.0%
Transition Climate VaR – Technology	0.8%	0.3%
Physical Climate VaR	-18.2%	-17.1%
Aggregated Climate VaR	-19.1%	-18.8%

Source: MSCI as at 31 December 2022. Physical Climate VaR run using MSCI's aggressive scenario.

The CVaR analysis shows that the Fund is well positioned for the low carbon transition relative to the benchmark. However, the Fund's Physical Climate VaR in all scenarios is worse than that of the benchmark. This is due to MSCI identifying Coastal Flooding as a risk for some of the Fund's holdings where they have a large property or infrastructure footprint. Some of the MSCI analysis also identifies extreme heat and tropical cyclones as the primary physical risk hazard and this has prompted further analysis by the team.

Although the team do not currently leverage this complex and evolving data in day-to-day investment decisions, these metrics provide insight on the possible climate-related financial risks that may be incurred by investors should its underlying assumptions suddenly occur.

ESG integration at Janus Henderson

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 to achieve the best outcomes for our clients.

ESG and financial materiality

'Materiality' describes the financial impact that is attributed to specific ESG factors. An ESG issue is material if it affects (or could affect) the future value of a company. Which ESG issues are financially material can vary significantly between companies and industries.

At the heart of ESG integration is the simple idea that evaluating and understanding a company through both traditional financial analysis and ESG financial materiality analysis allows for a more complete perspective of future performance than either alone.

Importantly, ESG analysis is not about what a company is doing today, but about the future. Our research focuses on how a company is managing ESG risks and opportunities and the impact on future cash flows or valuation – the same as for traditional financial analysis.

ESG integration in practice

Janus Henderson generally applies an ***integrated approach, i.e. the consideration of E, S, and G factors that may directly influence the long-term financial success of a company***. We believe this helps us deliver better investment returns for our clients.

For actively managed portfolios, ESG integration can help investors maximise risk-adjusted returns. Some asset owners want to invest for a purpose beyond just financial outcomes; for these clients asset managers offer a range of ESG-focused strategies – an ESG-objectives alongside a financial objective.

Our approach to ESG integration has been crafted to be thoughtful, practical, research-driven, and forward-looking.

> "We believe a critical enabler of fulfilling our fiduciary duty to our clients includes integrating financially material ESG factors into our investment decisions, as we do other financially material factors, and acting as effective stewards of their capital."
>
> Michelle Dunstan,
> Chief Responsibility Officer

When evaluating a company, we think about its products and services, its behaviour, conduct, supply chain management, and other considerations in running the business currently and into the future.

ESG in our investment process

Leveraging our differentiated research on financially material ESG themes from our central Responsibility Team and investment teams is integral to the generation of actionable investment insights. We share the research and views of our investment teams through articles, videos, and white papers on our website.

We engage with our portfolio companies to conduct research for insight, but also for action, to help these companies create long-term value by encouraging companies to better manage financially material ESG risks and opportunities.

Such research is integral to Janus Henderson's DNA and can help us generate persistent long-term returns over time.

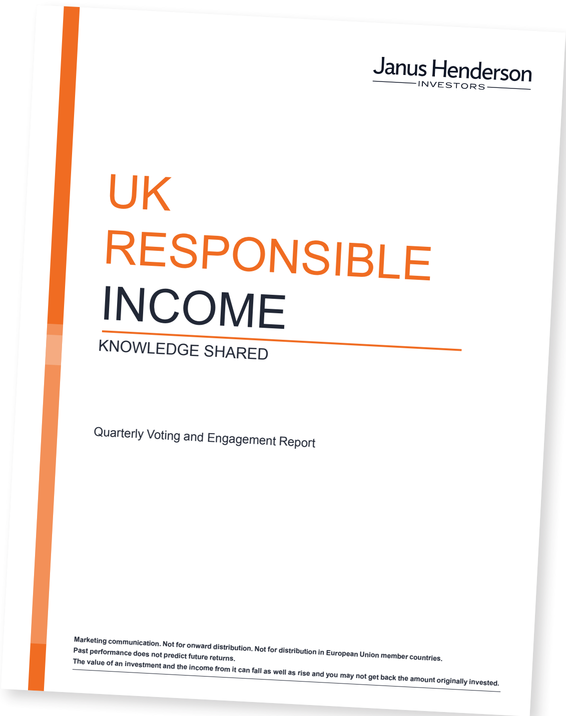
Idea Generation	Research	Engagement	Investment Decision	Stewardship
▪ Identify key ESG controversies that could drive cash flows, valuation, cost of capital, etc.	▪ Develop proprietary and differentiated point of view ▪ Determine impact	▪ Engage for insight ▪ Engage for action	▪ Integrate financially material ESG information to inform and enhance security selection and portfolio construction	▪ Continue engaging ▪ Incorporate material ESG issues into proxy voting decisions

Source: Janus Henderson Investors.

Additional resources

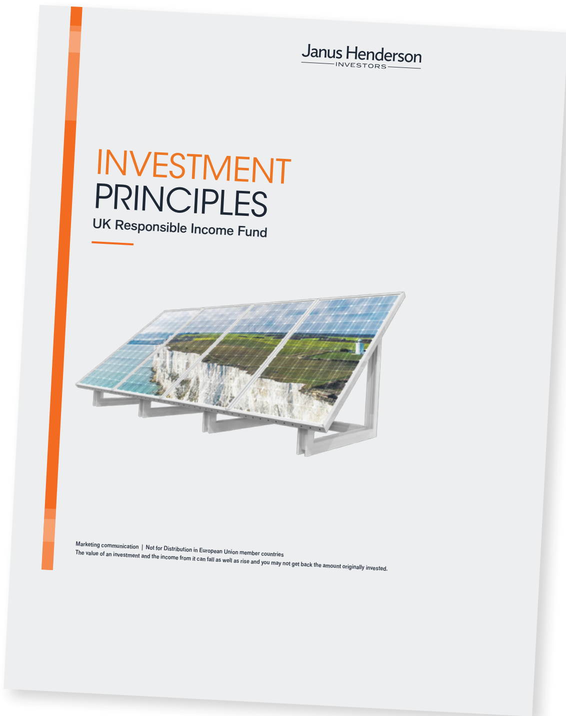
Quarterly voting & engagement report

This report outlines the key engagements with companies held in the portfolio over the quarter and votes against management.



Investment principles

The report provides details of the fund's investment philosophy, environmental and social avoidance criteria, ESG integration, company engagement and voting approach.



Meet the team

The team is made up of investment professionals with 70+ years of combined experience.

Andrew Jones – Portfolio Manager

Andrew Jones is a Portfolio Manager on the Global Equity Income Team at Janus Henderson Investors. Prior to joining Henderson in 2005 as a portfolio manager on the UK Equities Team, Andrew worked as a fund manager at Invesco Perpetual, where he started his career in 1995.Andrew graduated with a BA degree (Hons) in economics from Queens' College, Cambridge University. He holds the Securities Institute Diploma and has 28 years of financial industry experience.

Jane Shoemake, ASIP – Client Portfolio Manager

Jane Shoemake is a Client Portfolio Manager on the Global Equity Income Team at Janus Henderson Investors. Prior to joining Henderson in 2006, Jane spent two years at Threadneedle Investments and five years with J.P. Morgan Asset Management, where she was responsible for a wide range of UK clients. Her career began at Allianz Global Investors in 1994 as a global equity fund manager. Jane holds a first class BEng degree (Hons) in civil engineering from Warwick University. She is an Associate of the CFA Society of the UK, attaining the ASIP qualification in 1997. Jane has 29 years of financial industry experience.

Olivia Vernall – Associate Analyst, Research & ESG

Olivia Vernall is Associate Analyst Research and ESG at Janus Henderson Investors, a position she has held since 2022. She joined the firm in the graduate scheme, supporting the UK-based Global Equity Income Team in 2017 and transitioned to assistant client portfolio manager with the team in 2019. Olivia received her BSc degree (Hons) in biology from the University of Southampton. She holds the Investment Management Certificate (IMC) and has 6 years of financial industry experience.

Callum Rushforth, CFA – Associate Client Portfolio Manager

Callum Rushforth is an Associate Client Portfolio Manager on the Global Equity Income Team at Janus Henderson Investors, a position he has held since 2022. Before this, he was a senior UK sales executive from 2021. He joined the firm in 2018 as a graduate trainee. Callum began his career as an equity communications specialist at Fidelity Investment Limited in 2016. Callum received a first-class bachelor's degree (Hons) in business administration from the University of Bath. He holds the Investment Management Certificate (IMC), the CFA Institute Certificate in ESG Investing, and the Chartered Financial Analyst designation and has 7 years of financial industry experience.

Global Research Network

eQuantum

Proprietary research tool

Regional investment teams

- Global Equity
- Global Income
- US
- Asia Pacific
- UK/Europe Equities
- Asia Pacific
- Emerging Markets

Centralised research

- 34 sector specialists with an average of 17 years of financial industry experience
- 20 credit analysts with an average of 16 years experience

Specialised research

- Technology
- Property
- Global Natural Resources
- Global Life Sciences and Biotech
- Global Sustainable
- Absolute Return

Risk Management Network

- Responsibility Team
- ESG Oversight Committee
- Front Office Governance & Risk Committee
- Investment Performance & Risk Committee
- Financial Risk Team
- Investment Compliance

Appendix

Table 1: Portfolio aggregation methodologies

Aggregation Methodology	Calculation	Description
Total	$\sum_{n}^{i} metric_i$	The reported metric summed across all companies in the portfolio.
Investor Allocation	$\sum_{n}^{i} \left(\frac{shares\ held_i}{total\ shares\ outstanding_i} \times metric_i\right)$	The reported metric multiplied by investor allocation and summed across all companies in the portfolio. Investor allocation is calculated by dividing total shares held in the company across funds by total shares outstanding.
Investor Allocation (per \$m)	$\frac{\sum_{n}^{i} \left(\frac{shares\ held_i}{total\ shares\ outstanding_i} \times metric_i\right)}{value\ of\ all\ investments\ (\$m)}$	The reported metric multiplied by investor allocation and summed across all companies in the portfolio. Investor allocation is calculated by dividing total shares held across funds by total shares held. This is then divided by the value of all investments in \$m.
Weighted Average	$\sum_{n}^{i} \left(\frac{value\ of\ investment_i}{value\ of\ all\ investments\ (\$m)} \times metric_i\right)$	The sum of the portfolio weights multiplied by the reported metric.
Percentage Sum	$\sum_{n}^{i} \frac{value\ of\ investment_i}{value\ of\ all\ investments\ (\$m)}$	The sum of the portfolio weights.
Count	$\frac{\sum_{n}^{i} metric_i}{n}$	A count of the number of occurrences divided by the number of companies.

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

Glossary

Aggregated Climate Value at Risk (VaR)	The Aggregated Climate VaR is the sum of the Aggregated Policy Risk Climate VaR, the Technology Opportunity Climate VaR, and the Physical Risk Climate VaR with the selected transition and physical risk scenarios. The Climate VaR metric, expressed as a positive or negative percentage reflects a change from a portfolio's current valuation, assesses how an investment portfolio could be impacted by climate policy risk and extreme weather (physical climate risks), and benefitted by a low-carbon technology transition.
Carbon footprint	The sum of GHG emissions generated per amount invested by the Fund.
Carbon Intensity (CI)	The amount of carbon by weight emitted per unit of energy consumed.
CO_2e	Carbon dioxide equivalent is a term for describing different greenhouse gases in a common unit. For any quantity and type of greenhouse gas, CO_2e signifies the amount of CO_2 which would have the equivalent global warming impact.
Emissions, Scope 1	Direct emissions from company-owned and controlled assets.
Emissions, Scope 2	Indirect emissions from the generation of purchased energy, from a utility provider.
Emissions, Scope 3	Avoided emissions, (also referred to as Scope 4, comparative, substituted emissions, climate positive, or carbon handprint), are those GHG emission reductions that occur outside of a product's life-cycle or value chain, but result from the use of that product or service. Usually, they are measured relative to a comparative product or service.
ESG Environmental, Social and Governance (ESG)	Aspects of a company's operations, products or services which may be financially material to the business and/or impact the long-term sustainability of an investment. Environmental factors include climate change, energy efficiency, resource depletion, and water and waste management. Social factors include employee and community relations, diversity, quality of life, enhancements in knowledge, and advances in supportive technology for improved sustainability. Governance factors include mitigating risks such as bribery and corruption, ensuring board independence and diversity, executive pay, accounting standards and shareholder rights, and positively influencing corporate behaviour.
ESG integration	The practice of systematically incorporating material environmental, social and governance information alongside traditional financial metrics into the investment analysis and decision process with the aim of improving the long-term financial outcomes of portfolios.
Greenhouse Gas	Also known as GHG, these are gases in the Earth's atmosphere that causes the 'greenhouse effect', which traps the suns radiant heat. The primary greenhouse gases in Earth's atmosphere are water vapor, carbon dioxide, methane, nitrous oxide, and ozone. Human activity is increasing the emission of these gases and resulting in increased greenhouse effect, warming average temperatures and causing changes to climates and weather patterns.
Implied Temperature Rise	The Implied Temperature Rise metric provides an indication of how companies and investment portfolios align to global climate targets. Some institutional investors would like to understand if their portfolios are 2°C aligned, referring to the Intergovernmental Panel on Climate Change (IPCC) goal of limiting the global temperature increase in the year 2100, compared to pre-industrial levels, to 2°C. Another important target is the 1.5°C limit, which was also popularised by the Paris Agreement. This limit has been advocated strongly by small island states, which are most threatened by sea level rise in a world with temperatures exceeding a rise of 1.5°C.
Institutional Shareholder Services (ISS)	Institutional Shareholder Services is a leading provider of corporate governance and responsible investment solutions.
MSCI	MSCI is a leading provider of critical decision support tools and services for the global investment community.
MSCI World	A broad global equity index that represents large and mid-cap equity performance across 23 developed markets countries. It covers approximately 85% of the free float-adjusted market capitalisation in each country and MSCI World Index does not offer exposure to emerging markets.
Network of Central Banks and Supervisors for Greening the Financial System (NGFS)	This is a group of Central Banks and Supervisors willing, on a voluntary basis, to exchange experiences, share best practices, contribute to the development of environment and climate risk management in the financial sector, and to mobilise mainstream finance to support the transition toward a sustainable economy. Its purpose is to define and promote best practices to be implemented within and outside of the Membership of the NGFS and to conduct or commission analytical work on green finance.
Nationally Determined Contributions (NDCs)	A climate action plan to cut emissions and adapt to climate impacts. Each Party to the Paris Agreement is required to establish an NDC and update it every five years.
Net zero	Achieving a balance between greenhouse gases emitted into the atmosphere and those removed from the atmosphere.
Physical Risk	Climate-related physical risk affects all company facilities; to some degree. Particularly at risk are those enterprises with locations in climate sensitive regions, or with longlived fixed assets. Physical climate risk scenarios are essential in identifying the potential change in extreme weather caused by increased levels of GHG emissions in the atmosphere. Physical risk scenarios model how the physical aspects of the climate system changes including variables such as temperature rise, seal level rise, and changes to the frequency and severity of specific extreme weather events. The physical risk analysis assesses changes in global temperatures, precipitation levels as well as flooding and cyclones due to climate change by relying on the both historical data of observed extreme weather and forward looking climate models. Physical risks and opportunities can be aggregated across company facilities, to issuer level, to portfolio level and capture both acute and chronic risks with 10 hazards being currently modelled.

Glossary continued

Policy Risks	The transition to a low-carbon economy will be accompanied by extensive regulatory and policy changes across the globe. Using a hybrid top-down and bottom-up methodology, MSCI ESG Research calculates the potential risks from future climate change policies. Direct GHG Emissions (Scope 1), Electricity Use (Scope 2), and Value Chain GHG Emissions (Scope 3) are calculated separately. Country-level greenhouse gas (GHG) emission reduction targets proposed in the Nationally Determined Contributions (NDCs) of the Paris Agreement are modelled. Country emission reduction targets are broken down into sector level targets and based on MSCI ESG Research's production facilities location database, sector emission reduction targets are then assigned to each company's production facilities. Using scenario production and consumption electricity data and estimates of the costs passed through to final electricity users, MSCI ESG Research calculates the potential costs related to electricity consumption in a transition scenario. Scope 3 emissions can be separated into upstream and downstream elements. A company's exposure to upstream emissions can add input costs whereas downstream emission exposure can lead to a company's loss in market share due to shifts in demand. Therefore, both sides of the supply chain are assessed independently to compute a company's policy risk. Policy costs are aggregated to issuer and portfolio level. The metric incorporates double counting considerations.
Science Based Targets initiative (SBTi)	The Science Based Targets initiative defines and promotes best practice in emissions reductions and net-zero targets in line with climate science. Provides technical assistance and expert resources to companies who set science-based targets in line with the latest climate science.
Task Force on Climate-related Financial Disclosures (TCFD)	Climate-related financial disclosure recommendations designed to help companies provide better information to support informed capital allocation. The disclosure recommendations are structured around four thematic areas that represent core elements of how companies operate: governance, strategy, risk management, and metrics and targets.
Taskforce on Nature-related Financial Disclosures (TNFD)	The TNFD aims to build a risk management and disclosure framework that can be used by organisations of all sizes in all jurisdictions to identify, assess, manage and disclose nature-related dependencies, impacts, risks and opportunities.
Total greenhouse gas emissions	The most recent aggregate GHG emissions of the company based on reported or estimated Scopes 1 and 2, and estimated Scope 3 emissions.
Weighted Average Carbon Intensity (WACI)	The weighted average of individual company intensities (operational and first tier supply chain emissions over revenues), weighted by the proportion of each constituent in the index.
The United Nations Global Compact's (UNGC)	Ten Principles are derived from the Universal Declaration of Human Rights at Work, the International Labour Organisation's Declaration on Fundamental Principles and Rights at Work, the Rio Declaration on Environment and Development and the United Nations Convention Against Corruption. For further information, visit https://www.unglobalcompact.org/what-isgc/mission/principles. For more information on issues covered visit https://www.unglobalcompact.org/library.

FOR MORE INFORMATION, PLEASE VISIT **JANUSHENDERSON.COM**

Janus Henderson
INVESTORS

GC-0723 124994 31-08-24 200-99-117641 07-23