

# The Bankers Investment Trust PLC

Annual Report 2020 (extract)



MANAGED BY

**Janus Henderson**  
INVESTORS

# Our Approach to Environmental, Social and Governance matters

## Our principles

The Board believes that integrating environmental, social and governance or ('ESG') factors into the investment decision-making and ownership practices is an important element in delivering our investment objective. ESG considerations are a fully integrated component of the investment processes employed by each of the active investment teams at Janus Henderson, our Manager. These teams, spanning different geographic markets, operate and are structured in ways that are suited to their respective regions. This means that ESG considerations are embedded in ways that are appropriate to the markets in which the teams invest. They apply their differentiated perspectives, insight and experience to identify sustainable business practices that can generate long-term value.

## Defining ESG

- **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, questioning board diversity, executive pay, accounting standards and shareholder rights, and positively influencing corporate behaviour.

## Investment considerations

When employing fundamental security analysis, the investment teams take a long-term view, seeking to identify companies differentiated by their sustainable competitive advantage, strong earnings potential and shareholder-friendly management teams. As they strive to understand all drivers of company performance, they also strive to understand the risks. An evaluation of environmental, social and governance factors is integral to this.

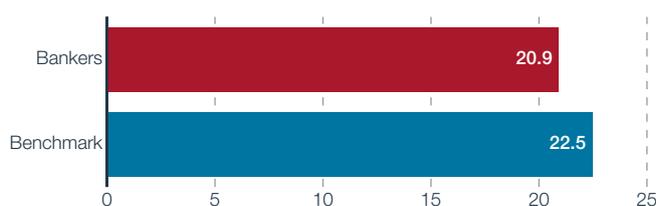
Governance is a key part of fundamental analysis with good corporate governance supportive of long-term decision-making and investment returns. The interpretation of environmental and social factors can vary in importance depending on the sector and geographic region in which a company operates. Nonetheless, each ESG factor, in addition to the quantitative and qualitative assessments, are important considerations when calculating the opportunity in an equity investment.

Fundamental factors considered vary, and may include:

<b>Financial analysis</b>	Capital structure, balance sheet strength, revenue growth, free cash flow, earnings growth, return on invested capital, leverage ratios
<b>Qualitative evaluation</b>	Executive management, business model, industry growth, barriers to entry, competitive strength, product cycle, macro cycle
<b>Environmental</b>	Sustainable sourcing, emissions, water usage, energy dependency, regulatory impact, waste management
<b>Social</b>	Labour practices, data privacy, workplace safety, supply chain standards, diversity, community action, customer support
<b>Governance</b>	Accounting standards, shareholder rights, voting structure, transparency, compensation, board independence
<b>Valuation</b>	Discounted cash flow, sum of the parts, dividend payout, price to earnings, price to book, free cash flow yield, enterprise value/ EBITDA (earnings before interest, taxes, depreciation, amortisation)

The Manager engages Sustainalytics, an independent leading firm researching and rating ESG factors globally, to support investment research. The Company's portfolio, as at 31 October 2020, exhibited the following factors, as defined by Sustainalytics' analysis.

### Overall ESG risk rating

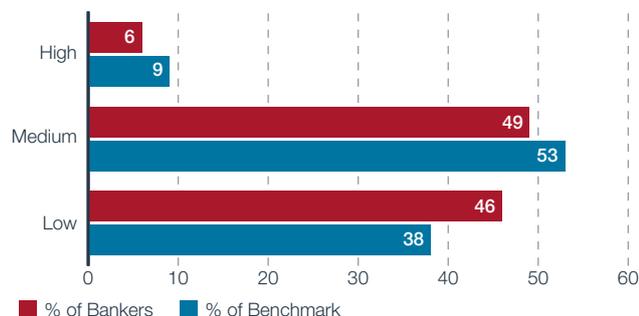


Source: Sustainalytics as at 31 October 2020

The ESG risk rating measures the degree to which a company's economic value is at risk due to ESG factors, as assessed through Sustainalytics' calculation of the company's unmanaged ESG risks. The risk ratings are aggregated for both Bankers' portfolio and the benchmark, the FTSE World Index. The Bankers portfolio's ESG risk is 7% lower than the benchmark.

# Our Approach to Environmental, Social and Governance matters (continued)

## ESG risk exposure by category



Source: Sustainalytics as at 31 October 2020

The ESG risk exposure considers a company’s sensitivity or vulnerability to ESG risks. Lower exposure scores indicate that the constituent companies face less risk. The Company’s portfolio is less heavily weighted to high risk companies than the benchmark.

## Carbon intensity (tCO<sub>2</sub>e/USD million)



Source: Sustainalytics as at 31 October 2020

Carbon Intensity is a metric used to compare company emissions across industries. Sustainalytics divides the absolute emissions by total revenue, meaning the figure is expressed in tonnes of carbon dioxide equivalent per USD million of total revenue. The overall Bankers portfolio is 48% less carbon intensive than the benchmark.

As these reports are disclosed for the first time this year there is no comparative data but it is intended to produce previous year’s data in future years.

## Stewardship and company engagement

Stewardship is an integral and natural part of Janus Henderson’s long-term, active approach to investment management. Strong ownership practices, such as management engagement and proxy voting, can help protect and enhance long-term shareholder value. Janus Henderson entities support a number of stewardship codes, such as the UK and Japanese stewardship codes, and broader initiatives around the world including being a founder signatory of the UN Principles for Responsible Investment.

The intensive research of the portfolio managers and analysts involves conducting on an annual basis thousands of interviews with senior executives and chairmen of companies throughout the world. These 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, they seek to leverage these constructive relationships by engaging with company management or expressing their views through voting on management or shareholder proposals. Escalation of the engagement activities depends upon a company’s individual circumstances.

## Voting

The Board believes that voting at general meetings is an important aspect of corporate stewardship and a means of signalling shareholder views on board policy, practices and performance. We have chosen to delegate responsibility to Janus Henderson for voting the rights attached to the shares held in the Company’s portfolio and the Manager actively votes at shareholder meetings and engages with companies as part of the voting process.

Voting decisions are taken in keeping with the provisions of the Manager’s Responsible Investment Policy (‘RI Policy’). The RI Policy can be found on the Manager’s website at [www.janushenderson.com](http://www.janushenderson.com).

Corporate governance regimes vary significantly as a function of factors such as the relevant legal system, extent of shareholder rights and level of dispersed ownership. The voting and engagement activities vary according to the market and pay close attention to local market codes of best practice.

However, there are certain core principles that are universal:

- disclosure and transparency;
- board responsibilities;
- shareholder rights; and
- audit and internal controls.

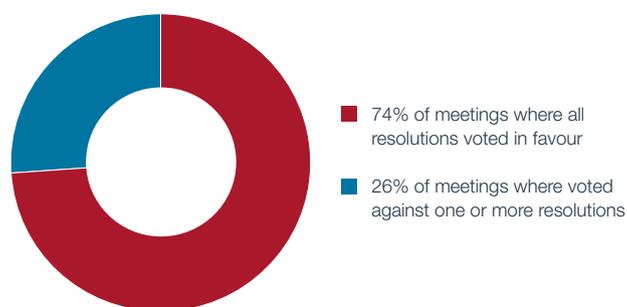
A key element of the Board’s approach to proxy voting is to support these principles and to foster the long-term interests of our shareholders.

In order to retain oversight of the process, the Board regularly receives reports on how the Manager has voted the shares held in the Company’s portfolio and reviews, at least annually, the RI Policy, which sets out the Manager’s approach to corporate governance, corporate responsibility and Janus Henderson’s compliance with the UK Stewardship Code.

# Our Approach to Environmental, Social and Governance matters (continued)

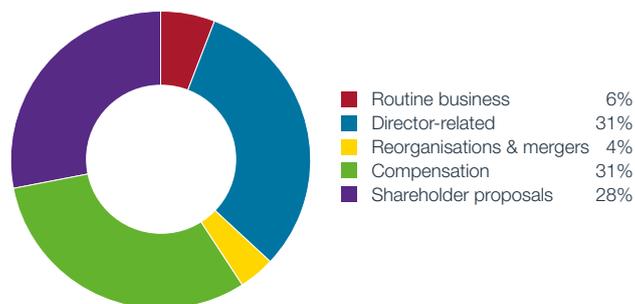
In the period under review, investee companies held 177 general meetings. The shares held in the Company’s portfolio were voted at 171 of these meetings. The level of governance in leading global companies is generally of a high standard in terms of best practice which meant support in favour of most of the resolutions proposed by management was warranted. However, in respect of 44 meetings, support was not warranted for all of the resolutions proposed and, following discussion between the Fund Manager and Janus Henderson’s governance team, the shares were voted against the passing of at least one resolution.

## Voting record



In terms of the resolutions not supported, these covered three predominant themes relating to the undue dilution of shareholders’ interests in the investee company, Director re-election and executive remuneration.

The proportion of the votes that were against management:



Source: Janus Henderson using Institutional Shareholder Services (ISS) categories

## The environment

As an investment company, the Company’s own direct environmental impact is minimal. The Company has no greenhouse gas emissions to report from its operations, nor does it have responsibility for any other emissions producing sources under the Companies Act 2006 (Strategic Report and Directors’ Reports) Regulations 2013.

Janus Henderson, the Company’s Manager, recognises the importance of managing its operational activities in a sustainable way and minimising any adverse impact on the environment. To this end, Janus Henderson has made the following commitments:

- maintain a carbon neutral status;
- reduce carbon use by 15% per full time employee over a three year period – starting January 2019; and
- maintain a Carbon Disclosure Project (‘CDP’) score of B, which is higher than the financial services sector average CDP score of C (CDP scores range from A to D, with A being the best).

## Business ethics

As the Company’s operations are delegated to third-party service providers, the Board seeks assurances, at least annually, from its service providers that they comply with the provisions of the UK Modern Slavery Act 2015 and maintain adequate safeguards in keeping with the provisions of the Bribery Act 2010 and Criminal Finances Act 2017.

The Bankers Investment Trust PLC  
Registered as an investment company in England and Wales with registration number 00026351  
Registered office: 201 Bishopsgate, London EC2M 3AE

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SEDOL number: 0076700  
London Stock Exchange (TIDM) Code: BNKR  
New Zealand Stock Exchange Code: BIT  
Global Intermediary Identification Number (GIIN): L5YVFP.99999.SL.826  
Legal Entity Identifier (LEI): 213800B9YWXL3X1VMZ69

Telephone: **0800 832 832**  
Email: [support@janushenderson.com](mailto:support@janushenderson.com)

[www.bankersinvestmenttrust.com](http://www.bankersinvestmenttrust.com)

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