KNOWLEDGE SHARED

Janus Henderson INVESTORS

Voting and Engagement Report

1H 2020

Global Property Equities

Engagement activities

- The Janus Henderson Global Property Equities Strategy voted on 46 out of 49 ballots (94%) and did not register any votes against company management.
- The Janus Henderson European Property Equities Strategy voted on 25 out of 28 ballots (89%) and did not register any votes against company management.
- The Janus Henderson Asia-Pacific Income Property Strategy voted on 16 out of 16 ballots (100%) and registered 4 votes against company management.

ESG engagement by company

Company	E	S	G
Duke Realty			
Grainger			
Hammerson			
Industrial & Infrastructure Fund			
MGP			
Mirvac Group			
NVR			
Unite			
VGP			

Voting activity

JH Global Property Equities Strategy

Total number of meetings where it was possible to vote	47
Number of meetings voted	45
% of meetings voted	96%

Total number of proposals where it was possible to vote	563
Number of items voted	535
% of items voted	95%
Number of votes with policy	519
Number of votes against policy	16
Number of votes with management	524
Number of votes against management	11

JH European Property Equities Strategy

Total number of meetings where it was possible to vote	26
Number of meetings voted	25
% of meetings voted	96%

Total number of proposals where it was possible to vote	423
Number of items voted	402
% of items voted	95%
Number of votes with policy	397
Number of votes against policy	5
Number of votes with management	393
Number of votes against management	9

Voting activity

JH Asia-Pacific Income Property Strategy

Total number of meetings where it was possible to vote	
Number of meetings voted	16
% of meetings voted	100%

Total number of proposals where it was possible to vote	
Number of items voted	119
% of items voted	100%
Number of votes with policy	118
Number of votes against policy	1
Number of votes with management	115
Number of votes against management	4

Key company engagement

COVID-19

In addition to the below examples of engagement with companies on ESG-related issues, the Global Property Equities Team was highly active in engaging with companies regarding COVID-19 during 1H 2020. These engagements focused on various ESG-related issues around employees, including the management of staff, their mental health, safety and working conditions, benefits and employee retention. Remuneration and dividend policies were also a focus of discussion in relation to COVID-19, to ensure that the companies we invest in are acting responsibly and in the best interests of shareholders and other stakeholders.

EUROPE:

Grainger

We contacted UK residential landlord Grainger following their decision to withdraw from Global Real Estate Sustainability Benchmark (GRESB), in an effort to further gain clarity on this decision and to assess Grainger's ESG credentials going forward. We use GRESB data as a key data point to evaluate ESG credentials of European real estate companies and the metric is factored into our equity valuation process. We have made our view clear over the years and always encourage companies to participate in GRESB. GRESB covers around 2/3 of our European universe and in our opinion provides by far the most granular analysis, but we are aware it does have some shortcomings and requires significant resources from companies.

Simply speaking, GRESB ratings favour companies that own fewer and larger assets as they are able to report data consistently across their portfolio, and GRESB collects data on a 'city level'. Grainger management discussed the significant challenges between asset classes, which is something we see across Europe with residential landlords based on their fragmented portfolio characteristics (smaller lot sizes and thousands of tenants who are mostly responsible for their own energy consumption). We agree with Grainger's criticism and do not feel GRESB accurately provides a fair representation of Grainger's ESG credentials, and in our view, their commitment to their sustainability strategy. Ultimately, we believe that an ESG ethos runs through the company and rather than penalising Grainger in our assessment of ESG for a lack of participation in GRESB we are comfortable in maintaining their 4/5 ESG score within our Quality Scorecard metric.

Hammerson

We met with Hammerson's Head of Sustainability to discuss the property development company's ESG efforts. The company has a reputation as a leader on ESG issues and our meeting predominantly focused on the company's ambitious “net positive” target, whereby Hammerson aims to become net positive on a range of ESG issues including carbon emissions, resource use, and water use by 2030. The company has a mix of group level targets to improve its own performance and its performance as a landlord in encouraging best practises from its tenants. We were impressed with the degree to which sustainability has been integrated into the company's overall strategy and the level of commitment from both the board and senior management.

Key company engagement

Unite

We engaged with Unite's management team to discuss the decision to release students from their contracts following the outbreak of the COVID-19 pandemic and to find out what measures they were taking to make their assets safe and utilised going forward. UTG was the first purpose-built student accommodation (PBSA) provider to allow the return of rental payments for summer term for unoccupied rooms. We informed management that this is a decision we wholly support and feel that it strengthens Unite's position as the partner of choice for leading universities. We were pleased to hear that the measures they have taken to make their assets safe had resulted in their platform being accredited as COVID-secure. In short, we regard Unite and its management team as a best in class operator with responsible social actions strengthening their long-term relationships and creating business opportunities going forward.

VGP

We met with Belgium logistics firm VGP to discuss a number of topics including incentives, compensation, board renumeration and reporting. Following the call, we feel that long and short-term key performance indicators' (KPIs) incentives are aligned to company strategy, shareholder interests and value creation. We had flagged the rising CEO and board renumeration percentage levels. However, following discussions we do not feel that the absolute remuneration is excessive, and management was very transparent and able to provide compelling rationale for the changes. The level remains competitive versus peers and aligns to shareholder interests. We also discussed company disclosure and the Institutional Shareholder Services' (ISS) research/recommendations more broadly. The company seemed genuinely eager to learn and to provide the types of disclosures that are being asked for. This is clear when looking at improvements in sustainability reporting over the last few years. It is worth noting that company investor relations (IR) was largely unaware of the Institutional Shareholder Services' (ISS) recommendations and the methodology that ISS applies – the company was not given the opportunity to provide a response to the ISS report. VGP will now look to proactively monitor and engage with ISS next year to ensure that appropriate disclosures are available where possible.

NORTH AMERICA:

Duke Realty

We spoke with Duke Realty's management team regarding their corporate responsibility to deliver Leadership in Energy and Environmental Design (LEED)-certified buildings and commit to green initiatives on all new developments. As the second largest US industrial REIT, and with the most sizeable development pipeline relative to total assets, development has been (and is likely to remain) a key pillar of Duke Realty's capital strategy, and the primary focus of the company's external growth initiatives. Management discussed their commitment to deliver efficient, cost-effective, and sustainable buildings and re-affirmed their stated 2019 aim to attain 100% LEED certification on all new development projects. Management also referenced the US$400 million green bond offering at the end of 2019, the first green bond to be issued by a US industrial REIT, with proceeds to be used to finance future development projects. We applaud management's efforts to deliver modern, sustainable, and high-quality logistics facilities for tenants, at a time when demand for warehouse space remains buoyant amid a backdrop of accelerating e-commerce adoption.

Key company engagement

MGP

We held detailed conversations with MGP's management team around the role of controlling shareholder MGM on MGP's board, as well as the path towards a more shareholder-friendly corporate structure for MGP. We have made clear our view for several years that we would like to see a removal of MGP's dual share class structure as well as an independent board, however, this is unlikely to happen prior to a reduction in MGM's majority ownership stake in MGP. In our meeting earlier this year, MGP management laid out a plan to achieve some of the changes we, and other shareholders have been requesting. MGM is expected to reduce its ownership stake below 50%, a process that moved forward meaningfully with a large share redemption in May. Subsequently MGM/MGP plans to remove the dual class share structure, and then convert from an LLC to a corporation. We applaud each of these planned governance changes.

NVR

We had a call with NVR regarding their upcoming proxy vote, where there were concerns highlighted around the say on pay vote. The company has a unique compensation structure but on the whole, we felt that the compensation philosophy is well aligned with shareholders. When considering NVR's holistic compensation structure – particularly the firm's emphasis on options – we believe that total returns from NVR's stock suggest that the plan aligns with shareholders. We have encouraged NVR to continue its efforts to improve disclosure. We also discussed COVID-19 where we learned staff have been furloughed at the New York and Pennsylvania facilities. Providing all necessary personal protection equipment for workers and employee safety is being taken very seriously. We questioned if staff furloughs would likely be taken into consideration for next years' compensation and investor relations noted that he believed it would be but that will decision taken by the compensation committee. With no new joiners or recent promotions, this means there would be no new equity grants during this period of suppressed share prices. We note that in 2018 when NVR shares were at an all-time high compensation and share awards were not accordingly adjusted upwards. Some shareholders questioned this, given the company's philosophy is focused on generating long-term positive returns for the business and shareholders.

ASIA-PACIFIC:

Industrial and Infrastructure Fund Investment Corp.

We spoke to Industrial and Infrastructure Fund regarding their ESG activities and reporting. Management is generally leading the way for Japanese REIT ESG initiatives and we wanted to better understand these efforts and how other JREITs may consider following suit. We were pleased to hear that management is targeting 70% of its portfolio to achieve green certification. Furthermore, the company has recently established a sustainability committee, appointed a chief sustainability officer and held an ESG briefing. While we view these as positive moves, we wanted to emphasise to management that we would like to see greater transparency in reporting. We also discussed green financing, with management stating that they are still assessing tapping on the green bond market.

Key company engagement

Mirvac Group

We spoke to Mirvac regarding their environmental credentials, focusing particularly on reducing and reusing waste. We believe the real estate sector has a pivotal role to play in the fight against climate change and it was pleasing to hear management's commitment to waste management with their plan to send zero waste to landfill by 2030. They outlined that they are designing out waste up front as part of the development process for buildings. Mirvac has a focus on more sustainable materials and are seeking to use their purchasing power to buy more recycled content rather than concrete and steel. We agreed with management that it is important to use innovation in construction to generate less waste and extend the life of materials in the value chain, and are confident in their commitment to do so. We also used the meeting as an opportunity to engage on social issues, particularly following the pandemic. Management outlined that they are attempting to measure the impact of the social measures they are taking, most notably their flexibility charger and focus on" fusion work" going forward, which combines the use of home and office. It was pleasing to hear Mirvac is taking a proactive approach to the wellbeing of their employees, listening to feedback and factoring that into their decisions.

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Important information