

# ESG AND ENGAGEMENT – Q1 2021

## European Focus Trust

All data in the presentation is taken as at 31 March 2021, unless otherwise stated.

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











# COMPANY ENGAGEMENT

Security	E	S	G	Security	E	S	G	Security	E	S	G
ABB	○	○	○	CREST NICHOLS	○	○	●	IMPAX ASSET	○	●	●
AKZO NOBEL	○	○	●	DAIMLER	●	○	○	INDITEX	○	●	○
AMUNDI	○	○	○	DAIMLER	○	●	○	INFINEON	○	○	○
ARCELORMITTAL	●	○	○	Delivery Hero	○	●	●	INTL CONS AIRLIN	○	○	○
ASHTEAD	○	○	○	DOMETIC	●	○	○	INTL CONS AIRLIN	●	○	○
ASM INTL	○	○	○	DSM	○	○	○	INTL CONS AIRLIN	○	○	○
ASML	●	○	○	DSV PANALPINA	○	○	●	ITALGAS	●	○	○
ATLAS COPCO	○	○	○	DSV PANALPINA	○	○	●	ITM POWER	●	○	○
BAE SYSTEMS	○	○	●	DUERR	●	○	○	ITV	○	○	●
BARRY CALLEB	○	○	○	EDENRED	○	○	●	JOHNSON MATTHEY	●	○	○
BASF	○	○	○	ELEKTA	○	○	○	JOHNSON MATTHEY	●	○	○
BELLWAY	●	●	●	ERSTE BANK	○	○	●	JUNGHEINRICH	●	○	●
BOUYGUES	●	○	○	FINCOBANK	○	○	○	KERING	○	○	○
BURCKHARDT	○	○	○	GEA	○	○	○	KERRIDGE	●	○	●
CARLSBERG	○	○	○	GERRESHEIMER	○	○	○	KINGFISHER	●	○	●
CARLSBERG	○	○	○	GERRESHEIMER	○	○	○	KION	○	○	●
CERES POWER	●	○	○	HELLA	●	○	○	KION	●	○	○
CERES POWER	●	○	○	HUGO BOSS	○	○	●	KION	○	○	○
CNH INDUSTRIAL	○	○	○	HUGO BOSS	○	○	●	KNORR-BREMSE	○	○	●
COMPASS	○	●	○	IBERDROLA	●	○	○	KNORR-BREMSE	○	○	●

Note: Listed above are those companies that were met by either the Pan European All Cap Equity Team or by Janus Henderson's Responsible Investment Team during the quarter. The data shows our engagement with each company on ESG issues.                                        

# COMPANY ENGAGEMENT (CONTINUED)

Security	E	S	G	Security	E	S	G	Security	E	S	G
KNORR-BREMSE	●	○	○	NOVO NORDISK	○	○	○	SUBSEA 7 SA	●	○	●
KORIAN	○	●	○	Prosus	○	●	●	SUBSEA 7 SA	●	○	●
LAFARGEHOLCIM	●	●	○	RHEINMETALL AG	○	○	○	SYMRISE AG	●	○	●
LANXESS AG	○	○	○	ROCHE HLDG-GENUS	○	○	○	TEAMVIEWER AG	○	○	●
LEGRAND SA	●	○	○	RWE AG	●	●	●	Telecom Italia	●	○	●
MERSEN	○	○	●	RWE AG	●	○	●	TESCO PLC	●	●	●
METSO OUTOTEC	●	○	○	SAINT GOBAIN	○	●	●	TI FLUID SYSTEMS	●	○	●
MICHELIN	●	○	○	SAINT GOBAIN	●	●	●	TRATON SE	●	○	●
MITCHELLS & BUTL	○	○	●	SAMPO OYJ-A SHS	○	○	○	UMICORE	●	○	○
MTU AERO ENGINES	○	○	○	SCANDINAVIAN TOB	○	○	○	UPM-KYMMENE OYJ	●	○	○
MTU AERO ENGINES	○	○	○	SCHNEIDER ELECTR	●	●	○	UPM-KYMMENE OYJ	●	○	○
NEL	●	○	○	SCHNEIDER ELECTR	●	●	○	VESTAS WIND SYST	●	○	○
NOKIA	○	○	○	SIG COMBIBLOC GR	○	○	○	WIZZ AIR HOLDING	●	●	●
NOKIAN RENKAAT	●	○	○	SIGNIFY NV	●	○	○	WPP PLC	○	○	○
NORDEA BANK ABP	○	○	○	SMURFIT KAPPA GR	○	○	●	Zur Rose	○	●	○
NORDEX	●	○	●	SMURFIT KAPPA GR	●	○	○	Total	115	51	17
NORDEX	●	○	○	SOLARIA ENERGIA	●	○	●				39
NORTHERN DATA	○	○	○	ST JAMES'S PLACE	○	○	●				
NORTHERN DATA	○	○	○	STELLANTIS NV	●	○	○				
NOVO NORDISK	○	○	○	STMICROELECTRONI	●	○	○				

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# COMPANY ENGAGEMENT

## This quarter's engagement highlights

### Environmental



#### Arcelor Mittal

We met Arcelor Mittal twice during the quarter. Despite steel being a very carbon intensive industry, there is an increasingly interesting ESG story with the company and sector. The company is seeking to be a leader in decarbonising the steel industry through 1) Smart Carbon – including technologies such as carbon capture, storage and re-use and the replacement of coking coal with bioenergy sources and 2) Green Hydrogen – hydrogen from renewable energy sources used in the manufacturing process. This transition will require huge capital investment and it is here that the potential for new EU policy support (a carbon border tax on steel imports) could allow for a market structure in which this investment can take place (i.e. if the market cannot be flooded by cheaper, but more carbon intensive, steel products from emerging markets then we will likely see the industry decarbonise much quicker).

### Governance



#### Saint Gobain

We hosted a call with outgoing CEO of Saint Gobain to get a business update as well as to discuss some environmental and governance concerns. On the environmental side the company is looking to work more closely with rating agencies. Management believe that the company should get more recognition for its environmental credentials, arguing that agencies should focus more on the broader impact its products have on carbon reduction (i.e. insulation, double glazing). Today, it is difficult to get full recognition for life-time carbon reduction impact of its products; current standards mainly focus on the emissions of Saint-Gobain itself. However, the company is actively involved in changing the narrative here. We also discussed the Grenfell tower tragedy and the procedures put in place to prevent a recurrence. This includes integrating acquired companies faster and implementing compliance standards quicker.

### Social



#### Zur Rose

We raised sustainability during an earnings call with Zur Rose to get a sense of its strategic priority. The company highlighted that its e-scripts model and telemedicine do a lot for the sustainability of the healthcare systems, a pain point in many countries budgets. For example, in Switzerland, where telemedicine has been around since mid-2000s, patients are required by their insurers to see an online doctor before they get recommended for an in-person visit. This has proven very successful in cutting costs for the healthcare system, especially in chronic diseases, which make up 90% of visits. In terms of environment, the logistics carbon footprint (mainly warehousing and packaging) of online drug delivery is much smaller than that of pharmacies and the management team wish to improve the sustainability in their supply chain yet further. They are currently undertaking a number of studies to help them improve their communication and disclosures in this area which currently reflect the relatively early stage nature of the business.

### Environmental



#### Iberdrola

We met with the CFO to address market concerns over the economics of offshore wind (amid aggressive bidding from oil majors) and rising interest rates. The company was keen to emphasise that the offshore wind pipeline is secured with mostly free seabed rights out to 2030 (i.e. BP's expensive seabed bid in the UK, even if extrapolated, is not a threat to Iberdrola's plans this side of 2030) and the market opportunity is such that some temporary exuberance from oil majors as they play pipeline catch-up is not a threat to Iberdrola's business model. The company likes to highlight its 'best-in-class' renewables/networks courtesy of a strong renewables pipeline and network asset base growth which is highly visible/secured.

### Governance



#### Prosus

We spoke with both the CEO and CFO of Prosus' food division during the quarter. First we discussed the India worker legislation where new platform worker legislation was approved last year, which caters to flexibility of the employee and increases the employment. There is a big debate on the gig economy at the moment. So far, developed markets are approaching it very rigidly by forcing the drivers to be employed (Italy and Spain for example). Meanwhile, emerging market countries are approaching it much more flexibly as their main concern is employment. Prosus' management team indicated that they do not mind the employee picking how many days and how many hours they want to work and for how many employers. At the group level we discussed ESG/Remuneration changes. Prosus has recently appointed a Global Head of Sustainability and, having already made some notable changes to the remuneration structure, are working hard on improving disclosure further. We expect to see more in the remuneration report in the summer 2021. This is a point which we have pushed for on a number of occasions and it is pleasing to see the company taking the investors feedback in consideration and will likely increase disclosure from the next Annual report publication.

### Social



#### Delivery Hero

This call was focused on labour rights of Delivery Hero's drivers and regional approaches to regulation. The company is clearly frustrated by regulation differing not only from country to country but also from one city to the next. The management team pointed to a number of surveys showing riders strong bias (60-70%) toward flexibility in working hours, which is restricted if classified a full employee. They suggested that the Austrian approach, where a new "status free employee" gives riders full rights (pension and healthcare) but maintains flexibility, is the most favourable approach. It is also interesting to note that in the US, California (a state with a greater focus on workers' rights) put the gig economy question in a referendum in Nov 2020 and lost. Regulators clearly face the difficult balancing act of protecting workers rights without forcing a reluctant young generation and new businesses into old and rigid ways of business. It's our sense that the Austrian approach will increasingly be seen as the most sensible long term.

Source: Janus Henderson Investors. As at 31 March 2021.

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# COMPANY ENGAGEMENT (CONTINUED)

## This quarter's engagement highlights

### Environmental



#### Stellantis

We met the CEO of Stellantis, the new automaker formed through the merger of Peugeot-maker PSA and Fiat Chrysler (FCA). The company spoke at length about its transition to EV and it is our sense that this is underappreciated by the market. They are taking the theme very seriously and will come with an EV specific Capital markets day in the summer. Aside from the normal EV discussions around product line up and range, it was interesting to hear the CEO be a little sceptical on some claims surrounding EV that do not take into account the damage that battery mineral extraction causes to the planet. One of the crucial factors to prove or disprove these claims will be on the re-usability and recycling of the battery components. This subject matter is not generally a high priority for market participants in this space but will likely emerge as we get some hard data in the coming years.

### Governance



#### Telecom Italia

We met with the new chairman of Telecom Italia to discuss the company's compensation programme, board structure and environmental initiatives to help inform our view ahead of the AGM vote. On compensation we agreed with the move to Equity free cash flow targets given the increased focus on capex and debt levels. We also welcome the inclusion of a new metric in Diversity and Inclusion which, for now, has a relatively narrow focus on gender split in executive roles, but still signals a move in the right direction. We also discussed a number of environmental initiatives and the launch of the company's 'TIM Green' programme which has already seen renewables increase to 30% of its energy mix in 2020. The company is targeting carbon neutrality by 2030 and +50% eco-efficiency and -70% indirect emissions by 2025. These goals are helped by Telecom Italia's willingness to embrace more efficient technologies including 5G and fibre as well as modernising its data centres. We have been impressed by the company's much improved ESG disclosure and its board slate quality is reassuring.

### Environmental



#### Michelin

We discussed with Michelin the topic of tyre recycling and reducing the overall carbon content of tyres. This has increasingly become a focus for auto manufacturers and regulators will likely tighten controls some time down the line. On the recycling side Michelin is viewed as a leader with its Lehigh Technologies business, a US company which specialises in the design and production of micronised rubber powders derived from recycled end-of-life tyres. These materials can then be used in used in the manufacture of tyres, plastics, asphalt and construction materials. Michelin also partnered with Enviro to develop and mass produce pyrolysis technology. This highly innovative technology that serves to manufacture high-quality products such as recovered carbon black, pyrolysis oil, steel and gas, which can then be re incorporated into the production cycle of various industries. The CEO is convinced that recycling will become a major theme in the years to come and Michelin seem well placed versus peers.

Source: Janus Henderson Investors. As at 31 March 2021.

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### Social



#### Tesco

We had a meeting with Tesco's Chair of the Corporate Responsibility Committee and Responsible Sourcing Director to discuss the company's ESG initiatives. In many ways it is a difficult position for supermarkets as they are expected to sell more healthy products, influence consumer choices, ensure biodiversity and sustainability in the food supply chain and all while not raising prices. A lot is asked of them. The upcoming AGM resolution by Share Action calling for more disclosure and targets on healthy products was addressed first – Tesco has been working on and will be soon launching its new healthy foods programme. The most interesting takeaway from this meeting was the need for investment in food supply chains. It is likely that in time players like Tesco will opt to take a more direct role in supply chains, if customers and investors increasingly demand supply chain transparency from food retailers. Direct investments into agriculture technology/infrastructure (like vertical farms and smart greenhouses) might be one route. Providing longer term contracts to growers/suppliers, on more secure terms, to enable them to raise the finance needed to invest in infrastructure is another. On this latter point, "Tenant farming" in the UK was flagged as an obstacle to investment due to the short term nature of tenancies – often as little as 12 months.

### Environmental



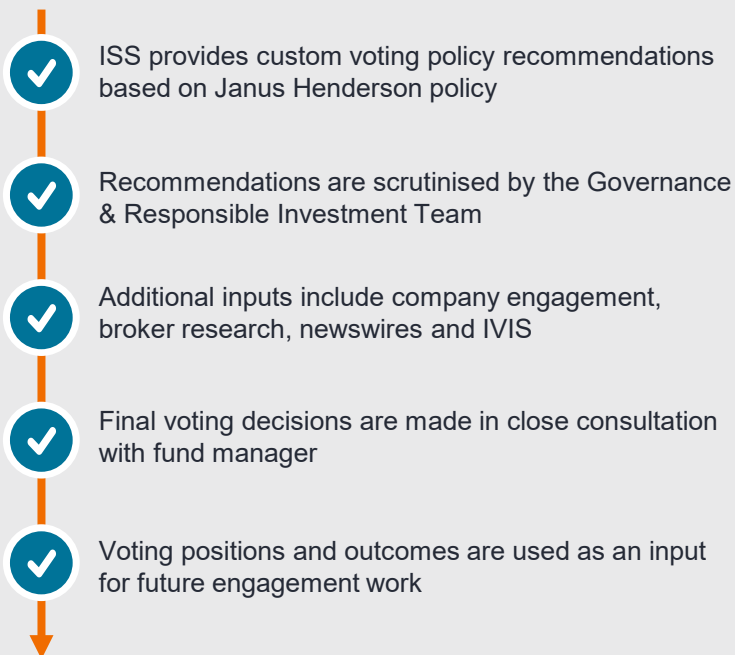
#### International Consolidated Airlines

We met International Consolidated Airlines Group (IAG) to discuss the supply/demand dynamics in European aviation as well as to challenge the company on its sustainability efforts. Specifically, we covered IAG's building blocks to becoming net zero by 2050, and asked whether the company thought this was ambitious enough or if it could achieve net zero any faster. We also discussed the Velocys waste-to-fuel plant to determine how much fuel the plant could supply and whether there were any more deals similar to this in the pipeline. IAG are the first aviation company to target net zero by 2050, a goal that the management team currently view as 'aggressive'. In addition, the management team believe it would be difficult to achieve the goal any faster. New aircrafts will help to achieve this goal (30% fuel reduction in long haul, 15% in short haul) but the company will have to wait for the next generation of aircraft and engines to achieve the ultimate goal. By 2050, the company is targeting for 45% of fuel usage to be sustainable aviation fuel (SAF), a low carbon alternative to jet fuel which uses cooking oil, ethanol or animal by-products. In its latest step, British Airways (BA) – a subsidiary of IAG – is teaming up with SAF producer LanzaJet and to fund its first commercial-scale plant in the US state of Georgia. The company is also partnering with ZeroAvia in hydrogen propulsion. The company has also started work on a hydrogen-fuelled light aircraft but admit that large scale Hydrogen aircrafts will take time to arrive and are reliant on aircraft manufacturers.

# VOTING

## Voting Process

**Our priority is to ensure our rights as shareholders are appropriately safeguarded, and incentives for shareholders and management are well aligned with strategy**



Total Voting Opportunities during the quarter:	265
<b>Proposals Voted</b>	147
<b>FOR Votes</b>	145
<b>AGAINST Votes</b>	2
<b>Votes WITH Management</b>	146
<b>Votes AGAINST Management</b>	1

Source: Janus Henderson Investors, ISS. As at 31 March 2021.

## Contact us

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**Janus Henderson**  
— INVESTORS —

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