

SUSTAINABILITY RISK POLICY

Version: 1.0

Effective: January 2021

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1 Scope

This document sets out the Firm's policies in respect of the integration of sustainability risks in its investment decision-making process for funds domiciled and marketed in the European Union ("EU") and for segregated mandates contracting with Henderson Management Société Anonyme (HMSA), or where the client is domiciled in the EU, as required by Article 3 of the EU Sustainable Finance Disclosure Regulation ("SFDR").

The external harm of investments is covered by a separate regime under SFDR, which considers the principal adverse impacts of a firm's investment decisions on sustainability factors. Further information on the extent to which the Firm is compliant with the principal adverse impacts rules under Article 4 of SFDR can be found on janushenderson.com.

2 ESG Oversight and Implementation

The Firm does not apply top-down rules or a firm-wide exclusionary approach to environmental, social and governance ("ESG") integration. Rather, each investment team defines the ESG factors they believe are material to their investment approach and the long-term, sustainable growth of the companies in which they invest. Commitments and accountability for the execution of ESG factors therefore rests with the relevant investment teams. Each team is responsible for articulating their specific objectives as part of their Investment Policy Statement ("IPS"). This means that the implementation of ESG criteria is carried out at the strategy level.

The Firm encourages and supports the investment teams in embedding ESG factors in their work. This support includes centralised functions, such as data management, research, investment platforms and risk management tools:

- **Internal Research Platform:** Investment teams are responsible for sharing relevant ESG research produced in-house by analysts across a centralised research platform.
- **Governance & Responsible Investment Team:** A specialised group focused on ESG analysis, company engagement and voting that serves as a resource for all investment teams. The team's mission is to promote ESG integration across the Firm.
- **ESG Risk Reporting:** ESG data is incorporated into the Firm's risk reporting tools, covering issues such as exposure to companies with low ESG ratings, controversies, weak corporate governance, and climate risk.
- **ESG Research, Data, and Ratings:** The Firm subscribes to a broad range of external ESG information providers and makes this information available directly to the investment teams.

3 Investment Considerations

The analysis of ESG factors is an integral component across the Firm's investment capabilities that utilise a fundamental research process. Blending quantitative financial analysis with a qualitative evaluation, including any potential impact from ESG factors, helps investment teams make a more informed assessment of the intrinsic value of a security.

3.1 Equities

When employing fundamental security analysis, 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 investment teams understand all drivers of company performance, they should also understand the risks. An evaluation of ESG 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 to calculating the opportunity in an equity investment.

Fundamental factors to consider vary by strategy, and may include:

FINANCIAL ANALYSIS	Capital Structure, Balance Sheet Strength, Revenue Growth, Free Cash Flow, Earnings Growth, Return on Invested Capital, Leverage Ratios
QUALITATIVE EVALUATION	Executive Management, Business Model, Industry Growth, Barriers to Entry, Competitive Strength, Product Cycle, Macro Cycle
ENVIRONMENTAL	Sustainable Sourcing, Emissions, Water Usage, Energy Dependency, Regulatory Impact, Waste Management
SOCIAL	Labour Practices, Data Privacy, Workplace Safety, Supply Chain Standards, Diversity, Community Action, Customer Support
GOVERNANCE	Accounting Standards, Shareholder Rights, Voting Structure, Transparency, Compensation, Board Independence
VALUATION	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)

3.2 Fixed Income

The Firm's fixed income investment philosophy is built on the belief that rigorous analysis of ESG factors can enhance risk-adjusted returns by reducing investment risk and unlocking opportunities.

The Firm's ESG process blends top-down thematic research with bottom-up assessment and proactive engagement with issuers. The output of the Firm's proprietary ESG analysis is an in-house ESG rating for the issuers the Firm's credit teams invest in. These are shared globally across the fixed income platform.

Robust ESG analysis is not simply a matter of evaluating a company's products and services, but also its sustainability, conduct, corporate governance and other considerations applicable to running the business. Analysis must evaluate a company's ESG disclosures as well as its forward-looking strategy. Investment decisions based only on backward-looking ESG metrics is sub-optimal. The Firm's adopts a forward-looking, dynamic approach to consider ESG risks and opportunities, allowing the investment team to better understand the potential consequences and the likely response from credit borrowers. This is why the investment team conduct proprietary ESG analysis and integrate it into its recommendations and processes, separately addressing each of the "E", "S", and "G" components. The views of the broader responsible investment resources within Janus Henderson, fixed income research teams, and a variety of third-party tools are incorporated into this analysis.

Investment teams assess the materiality of an issuer's ESG risks, but also focus on the underlying trends. An improving company is a potential outperformer. A company with material risks and deteriorating trends should be avoided or divested. A pragmatic trends-based approach is how investment teams prefer to implement an ESG policy, rather than rely on blanket exclusion lists. Engagement allows teams to corroborate whether an issuer is willing and able to navigate material risks. The investment teams inform companies that ESG issues are an important factor in their fundamental analysis and, therefore, their appetite to invest.

3.3 Multi-asset

The Firm manages a wide range of multi-asset solutions that offer clients a variety of outcomes. The implementation of ESG analysis in this group of strategies depends on the method of investment selection and portfolio construction. The Firm's Multi-Asset team combine traditional financial metrics together with non-financial ESG factors to support effective decision-making. These considerations help the team mitigate risk and make better informed decisions on behalf of clients, with the aim to enhance value. There are three key principles that form a cornerstone to the team's ESG integration process:

1. **Active Ownership:** As long-term active investors the Firm regards voting and engagement as a means of promoting strong governance, accountability and management of relevant ESG issues.
2. **Risk Management:** Financial risk and ESG risk are two sides of the same coin. Therefore, in the Firm's security analysis the teams focus on material ESG risks, which are those that are reasonably likely to impact the financial condition or operating performance of a company.
3. **Investment Opportunities:** In addition to mitigating risks, there are investment opportunities in new technology/disruptive businesses specifically designed to improve environmental and/or social outcomes. From a returns perspective, there is also increasing academic evidence to suggest that companies with improving ESG practices may be positively re-rated, thereby providing excess return potential, as the market acknowledges that risks within the business have been reduced.

3.4 Stewardship and Company Engagement

Stewardship is an integral and natural part of the Firm'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. The Firm supports a number of stewardship codes, such as the UK and Japanese stewardship codes, and broader initiatives around the world including the UN Principles for Responsible Investment.

Investment teams naturally develop long-term relationships with the management of firms in which they invest. Should concerns arise over a firm's practices or performance, investment teams seek to leverage these constructive relationships by engaging with company management or expressing views through voting on management or shareholder proposals. Escalation of engagement activities depends upon a company's individual circumstances.

3.5 Proxy Voting

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 Firm varies its voting and engagement activities according to the market and pay close attention to local market codes of best practice. However, the Firm considers certain core principles to be universal:

- Disclosure and transparency
- Board responsibilities
- Shareholder rights
- Audit and internal controls

A key element of the Firm's approach to proxy voting is to support these principles and to foster the long-term interests of clients.

The Firm also recognises that, in some instances, joint action by shareholders has the potential to be more effective than acting alone. This is especially true when shareholders have a clear common interest. Where appropriate, the Firm pro-actively collaborates with other investors on governance and wider environmental and social engagement issues, directly and through industry bodies.

The Firm has a Proxy Voting Committee, which is responsible for positions on major voting issues and creating guidelines overseeing the voting process. The Committee is comprised of representatives of investment portfolio management, corporate governance, accounting, legal and compliance. Additionally, the Proxy Voting Committee is responsible for monitoring and resolving possible conflicts of interest with respect to proxy voting. Public links to the Firm's voting records are available on company websites in applicable jurisdictions.

3.6 Monitoring

The Firm's investment teams define and regularly review their ESG priorities. These are included in reviews by centralised risk management and performance oversight processes. The investment teams conduct periodic monitoring of client portfolios and take corrective action if there are inconsistencies with any ESG priorities set out in the relevant Investment Policy Statement (IPS).

4 Governance and oversight

The Firm's ESG Investment Oversight Group oversees the integration of ESG into the Firm's investment activities, and is responsible for monitoring, reporting and evaluating aspects of ESG implementation within the investment processes. This group is made up of senior investment leaders from across the organisation, with oversight from the Global Chief Investment Officer.

The Firm's Front Office Governance and Risk Committee is ultimately responsible for the firm's front office policies and procedures, including sustainability risks and the integration of sustainability risks into investment decision making.

5 Review

This policy will be reviewed by the Firm on at least an annual basis or as and when required.

6 Escalation requirements

Violations of any company policy must be reported immediately upon detection by employees via the incident management form within the governance, risk management and compliance system. Anonymous reports can also be made by employees calling a toll-free hotline. Failure by employees to report policy violations may lead to appropriate disciplinary action.

7 References

The Firm maintains other policies and documentation related to sustainability, including:

- ESG Investment Principles
- JHI Responsible Investment Policy
- Fund- and strategy-specific Investment Policy Statements (IPS)

Additional information, including the Firm's ESG Corporate Statement and ESG Investment Principles, can be found on [janushenderson.com](https://www.janushenderson.com).

Document control

Policy Owner	Chief Investment Officer
Author	Senior Manager, Front Office Controls & Governance
Committee Approval	Front Office Governance and Risk Committee
Date Last Reviewed	January 2021
Date Due for Next Review	January 2022

Version history

Version	Change
1.0	Published Firm's Sustainability Risk Policy

Important information

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