Investment principles
Janus Henderson UK Responsible Income Fund

2018

Investment Principles

The Janus Henderson UK Responsible Income Fund seeks to invest in responsibly run businesses that exhibit good dividend growth and generate good capital returns over the long term. In order to achieve these aims the fund manager spends a considerable amount of time assessing the sustainability of a company's long-term business model. This involves identifying any factors, including material environmental, social and governance issues, which may impact long-term profit, cash flow and dividend growth.

ESG integration

Material ESG issues are an important part of the core analysis of a company's business fundamentals. 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 sustainable value for shareholders.

We examine issues such as a company's supply chain, reputation, brand value, the use of management incentives and the sustainability of industry returns; all of these can potentially be impacted by ESG factors. Key ESG issues considered as part of the investment process include corporate governance, human capital and diversity, carbon footprint, controversies, transparency and business ethics.

In addition to looking at ESG issues as a key part of the investment process, the fund manager has access to specialist external ESG data, which links directly into the systems used to monitor portfolios.

Company engagement

Company engagement forms an important part of the investment process. Meetings incorporate a wide range of topics including environmental, social and governance issues where relevant. We take an active approach to communicating our views to companies and seeking improvements in performance, including appropriate standards of corporate responsibility.

Voting authority rests with the fund manager, who is responsible for ensuring that votes are exercised in the best interests of clients. The fund manager is supported by the in-house governance team who work closely with investment teams to help analyse voting-related issues. With regard to voting and company engagement the fund manager considers certain core principles such as disclosure, transparency, board composition, shareholder rights, audit and internal controls, and remuneration. A key element of the approach to proxy voting is to support these principles and practices and foster the long-term interests of shareholders.

Avoidance criteria

All holdings in the fund are compliant with the UN Global Compact, whose Ten Principles cover human rights, the International Labour Organisation's declaration on workers' rights, corruption and environmental pollution[1].

[1] The UN Global Compact's Ten Principles are derived from: the Universal Declaration of Human Rights, the International Labour Organization'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 please visit www.unglobalcompact.org/what-is-gc/mission/principles.

In order to minimise exposure to activities regarded as being contrary to the development of a sustainable economy the fund seeks to avoid businesses that have products or operations directly associated with the following criteria (subject to the notes and de minimis limits explained below):

People	Environment	Animals
Alcohol	Fossil fuel power generation	Animal testing (non-medical)
Armaments	Chemicals of concern	Fur
Gambling	Contentious industries	Genetic engineering
Pornography	Nuclear power	
Tobacco		

Alcohol: We avoid companies involved in the production of alcoholic drinks or which generate more than 10% of their turnover from its sale.

Animal testing: We avoid companies that use animal testing for non-medical purposes. We allow animal testing for medical purposes only where the company employs best practices in accordance with the 3Rs policy of refinement, reduction and replacement[2].

Armaments: We avoid companies involved in the direct production or sale of weapons. We will not invest in companies involved in the direct production of land mines, cluster munitions, biological/chemical weapons, and nuclear weapons.

Chemicals of concern: We avoid companies that manufacture or sell chemicals, or products containing chemicals, subject to bans or severe restrictions in major markets around the world. This includes ozone-depleting chemicals, micro beads, persistent organic pollutants, and the manufacture of any other substances banned or restricted under international conventions.

Contentious industries: We avoid companies that generate high carbon emissions or exploit non-renewable resources, either directly or in their supply chain, unless the company can demonstrate an outstandingly positive response towards environmental and social concerns. Our definition of contentious industries includes cement, mining, oil & gas extraction and timber.

Fossil fuel power generation: We avoid companies engaged in fossil fuel power generation. Investment in companies generating power from natural gas may be allowed in cases where the company's strategy involves a transition to renewable generation.

Fur: We avoid companies involved in the sale or manufacture of animal fur products.

Gambling: We avoid companies with activities related to gambling.

Genetic engineering: We avoid companies involved in the deliberate release of genetically modified organisms (e.g. animals or plants). Investment in companies where genetic technologies are used for medical or industrial applications may be acceptable providing high environmental and social standards can be demonstrated. Companies that use or sell products that make use of such technologies may be acceptable providing genetically modified organism (GMO) ingredients are clearly labelled.

Nuclear power: We avoid companies that are involved in the uranium fuel cycle, treat radioactive waste, or supply specialist nuclear-related equipment or services for constructing or running nuclear plant or facilities.

Pornography: We avoid companies that publish, print or distribute newspapers or magazines or distribute films or videos classed as pornographic material.

Tobacco: We avoid companies that engage in activities related to the production of tobacco products or generate more than 10% of turnover from tobacco sales.

[2] 3Rs: **Refine experiments** to ensure suffering is minimised. **Reduce** the number of animals to a minimum. **Replace** animals with alternative techniques.

Important information: de minimis limits

Where possible we will seek to achieve zero exposure in respect of the negative 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 it 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 will use a 10% threshold. 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, where such activity relates to company operations, will be excluded unless there is clear evidence of significant progress.

Ethical Oversight Committee

Janus Henderson's Ethical Oversight Committee oversees the development, management and implementation of the avoidance criteria. Its responsibilities are to:

- Approve the appointment of an external research provider to advise the investment managers on compliance with the avoidance criteria for the fund
- Review any holding within the fund that does not comply with the advice on the exclusion criteria offered by the external provider
- Approve any changes to the avoidance criteria and the de minimis thresholds.

The committee advises that, given the complexity of some of the issues, and what might be imperfect information, adherence can only be on a 'best endeavours' basis; together with the committee we try to ensure wherever possible that investments are made in accordance with the investment principles contained within this document.

These investment principles are intended to offer transparency on the way we invest, but do not form part of any legal contract. The way the principles are applied may change. Information is correct as at the time of publication (April 2019).

Important information: For promotional purposes. Please read all scheme documents before investing. Before entering into an investment agreement in respect of an investment referred to in this document, you should consult your own professional and/or investment adviser. This document reflects the portfolio managers' investment process and style at the time of publication, which may be subject to change without notice.

The value of an investment and the income from it can fall as well as rise, and you may not get back the amount you originally invested. Please note that the ranges within this document are reflective of the Portfolio Managers' investment process at the time of publication. They are not hard limits and are subject to change without notice.

Janus Henderson
INVESTORS