KNOWLEDGE. SHARED

Janus Henderson
INVESTORS

Quarterly Voting and Engagement Report

Q1 2020

UK Responsible Income Fund

Engagement activities

The Janus Henderson UK Responsible Income Fund voted on seven out of nine ballots (78%) over the quarter and did not register any votes against company management.

Two Swiss meetings were not voted at due to concerns over potential share blocking.

Firm wide, Janus Henderson voted at 536 meetings this quarter; 27% of these meetings included at least one vote against management.

UK Responsible Income Fund: votes against management Q1 2020

Company Name	Meeting Date	Market	Proposal Description	Proposal Type Category
n/a	n/a	n/a	n/a	n/a

Summary of ESG Engagement

Meetings of particular interest with companies held by the fund in terms of environmental, social and governance (ESG) issues are detailed below:

Security	E	S	G
Bellway		■	
Bristol-Myers Squibb		■	
Euromoney			■
Hammerson	■	■	■
Informa			■
Johnson Matthey	■	■	
M&G		■	■
RELX		■	
SAP		■	
Smurfit Kappa	■	■	■
Standard Life Aberdeen		■	■
Vivendi			■
Whitbread			■

Key quarterly engagement

COVID-19

In addition to the examples below of engagement with companies on ESG related issues, the investment teams at Janus Henderson were very active in engaging with companies regarding COVID-19 during the quarter. These engagements covered various ESG related issues based around how the companies were managing staff, discussing topics such as 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, ensuring that the companies are acting responsibly and in the best interests of shareholders and other stakeholders.

Bellway

We engaged with Bellway, a UK residential property developer, on a number of topics including site closures, credit facilities and the workforce. Both the CEO and CFO emphasised the importance of staff wellbeing, and how when it was clear that its sites would have to close it was important to take a longer-term view. In particular, the long-term focus of the business would have been inconsistent with reducing the workforce on a short-term basis in response to the virus.

Bristol-Myers Squibb

Pharmaceutical companies come up with great, innovative products that can have a huge benefit to health but it is important that the companies have clear plans on allowing broad access to their drugs. We engaged with Bristol-Myers Squibb (BMS), an American pharmaceutical company, as part of the collaborative engagement on Access To Medicine (A2M) and Sustainable Development Goal 3. The Access to Medicine Index ranks 20 of the world's largest pharmaceutical companies based on their efforts to address access to medicine, including strategy, governance, research & development, and pricing. The purpose of the collaborative engagement plan is to discuss companies' future access strategies and to get feedback more broadly on the A2M initiative. The call was with both BMS and Celgene representatives to discuss their thoughts on the rankings, their access strategies and any potential new areas of focus as a combined firm.

Euromoney

We met with the Global Reward Director of Euromoney, an international business-to-business provider of specialty journals, databases and information services, to discuss the proposed use of a revenue growth measure as part of the company's long-term incentives (LTI) plan. The Director explained that, previously, there had been a focus on short-term profits at the expense of long-term growth and that there was a need to redress this balance. Overall shareholder feedback had been broadly positive, but a number of shareholders (including ourselves) were unhappy with the proposed use of a revenue growth measure. As a result, Euromoney's Remuneration Committee is now proposing to reduce the size of this part of the LTI from 50% to 25%. The other 25% would then be based on reintroducing an earnings per share (EPS) measure, with a total shareholder return (TSR) measure making up the remaining 50%. We reiterated our opposition to a revenue growth measure on principle, even at a lower level. We recognise that the company is listening to shareholders and is moving in the right direction and await the Remuneration Committee's final proposals.

Key quarterly engagement

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.

Informa

We engaged with the outgoing Chairman of Informa, the publishing, business intelligence and exhibitions group, to discuss the culture within the business after multiple acquisitions. He felt that the company's culture is starting from a strong position and that the company is taking considerable steps to try and engage with their employees. The Chairman also noted that the company has become more transparent and communicative on their disclosure around their impact on the environment. Responsibility for environmental initiatives and disclosure sits with the board but they also regularly meet with the top 30 directors to try to engage employees on environmental initiatives. In future the Chairman anticipates that the board will want to see more gender and ethnic diversity and potentially a board member who has special expertise in events.

Johnson Matthey

We met with Johnson Matthey, a speciality chemicals and sustainable technologies company, where we discussed a range of topics including its production of materials for electric vehicles and clean air catalysts as well as how it is approaching ESG integration as a whole. The company is working to find ways to ethically source cobalt and is also working on battery recycling as a source of materials. Regarding further ESG integration, the company is implementing more work in-house on how to measure its ESG performance and has appointed a sustainability director.

M&G

We had a positive introductory meeting with the Chairman of investment manager M&G post its demerger from Prudential. The purpose of the call was to get an understanding of how the Board was formed and its main priorities (clearly a lot of these have now been temporarily put on hold due to COVID-19). We also wanted to engage with the company to understand more about its culture, particularly after the uncovering of a harassment case in 2019. We felt that the Chairman was an impressive individual who has a wealth of board experience and is building a strong Board.

Key quarterly engagement

Smurfit Kappa

We met with Smurfit Kappa, a leading paper-based packaging business, where a large part of the meeting was dedicated to ESG issues. We were impressed by the training, schooling and work placement programmes in Latin America and Eastern Europe. The company plans to abandon its 2018-21 efficiency upgrade efforts and implement a new plan that is more focussed on customer-facing capabilities in Europe, rather than paper-related big mill upgrades in Latin America. The focus will shift to offering full solutions for leading fast-moving consumer goods companies to help them replace plastic packaging. Smurfit Kappa will also move away from big mill investments / upgrades to concentrate on running existing mills more efficiently.

Standard Life Aberdeen

We had a call with the Remuneration Committee Chair of Standard Life Aberdeen, an investment company, to review the company's proposed new remuneration policy. Having previously adopted a more unusual structure (with restricted shares based on historical performance) the proposed new structure includes a standard long-term incentives plan based 50/50 on EPS and relative TSR. We also discussed the use of ESG targets. The 'S' is covered in people targets in the short-term incentives, and we spent some time on staff engagement scores and the Board's growing focus on people issues through initiatives such as 'Meet the Board'. They believe they have a cutting-edge programme of board and employee engagement. The Remuneration Committee Chairman inspires confidence, given his industry experience, and it is clear that the Board rather than senior management are driving the changes.

Vivendi

We met with Vivendi, a French media company, and discussed a few topics including the impact of COVID-19 on the business and governance. Vivendi's subsidiary Telecom Italia has seen governance improve since the appointment of a new CEO last year and has just announced a new plan that Vivendi fully supports. Vivendi have yet to see any impact of COVID-19 on the business, although they expect increased demand for music and gaming, and lower demand for merchandising and touring activities.

Whitbread

We had a call with the Chairman of Whitbread, the hotel and restaurant business, to discuss a wide range of corporate governance and broader sustainability issues. The response of the board and company to the growing COVID-19 crisis was a major focus. Governance topics included the management structure post the de-merger of Costa, board composition, action points from the most recent board appraisal exercise and oversight of the German business and expansion plans. A substantial part of the call was focused on workforce engagement, pay and conditions including the living wage.

Janus Henderson Investors
201 Bishopsgate, London EC2M 3AE
General enquiries: +44 (0) 20 7818 4411
Email: sales.support@janushenderson.com
Website: janushenderson.com

Important information

This document is intended solely for the use of professionals, defined as Eligible Counterparties or Professional Clients, and is not for general public distribution.

Past performance is not a guide to future performance. The value of an investment and the income from it can fall as well as rise and you may not get back the amount originally invested. Tax assumptions and reliefs depend upon an investor's particular circumstances and may change if those circumstances or the law change. If you invest through a third-party provider you are advised to consult them directly as charges, performance and terms and conditions may differ materially. Nothing in this document is intended to or should be construed as advice. This document is not a recommendation to sell or purchase any investment. It does not form part of any contract for the sale or purchase of any investment. Any investment application will be made solely on the basis of the information contained in the Prospectus (including all relevant covering documents), which will contain investment restrictions. This document is intended as a summary only and potential investors must read the prospectus, and where relevant, the key investor information document before investing. We may record telephone calls for our mutual protection, to improve customer service and for regulatory record keeping purposes.

Issued in Europe by Janus Henderson Investors. Janus Henderson Investors is the name under which investment products and services are provided by Janus Capital International Limited (reg no. 3594615), Henderson Global Investors Limited (reg. no. 906355), Henderson Investment Funds Limited (reg. no. 2678531), AlphaGen Capital Limited (reg. no. 962757), Henderson Equity Partners Limited (reg. no.2606646), (each registered in England and Wales at 201 Bishopsgate, London EC2M 3AE and regulated by the Financial Conduct Authority) and Henderson Management S.A. (reg no. B22848 at 2 Rue de Bitbourg, L-1273, Luxembourg and regulated by the Commission de Surveillance du Secteur Financier).