

Q4 2020

# UK RESPONSIBLE INCOME

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KNOWLEDGE SHARED

QUARTERLY VOTING AND ENGAGEMENT REPORT

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# Key quarterly engagement

## Summary of ESG engagement

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

Company Name	E	S	G
Bristol-Myers Squibb			
Informa			
Microsoft			
Paragon			
Pennon			
Schneider			
Smurfit Kappa			
Paragon			

## COVID-19

COVID-19 remained a key theme of engagement with companies during the quarter. We engaged with companies including Pennon, Microsoft and Paragon on the impact of the pandemic on their businesses and how they are providing support for customers, employees and their local communities.

## Transition to a low-carbon environment

Following the European Union's (EU's) agreement on a €750 billion 'NextGenerationEU' recovery fund last quarter, the UK launched its own 10-point plan for a 'Green Industrial Revolution'. It aims to turn the UK into the world's number one centre for green technology and finance through investment in clean technologies (wind, carbon capture and hydrogen amongst others), transport, buildings, technological innovation and the protection of the natural environment. The plan involves £12 billion of government investment and is expected to create up to 250,000 green jobs. Meanwhile, in the US, the Biden administration is backing a "Green New Deal" which is expected to provide up to \$2 trillion of investment in clean energy. Since taking office President Biden has unveiled several climate policies, the most notable of which is re-joining the Paris Agreement on climate change which limits global warming to well below 2C compared to pre-industrial levels. The Keystone XL pipeline, which would have carried oil from Canada across the US for refining, has also been cancelled.

## Access to medicine

Janus Henderson is a part of the access to medicine initiative which seeks to engage with pharmaceutical companies to do more for people living in low- and middle-income countries with limited access to medicine. Meetings were held over the quarter with healthcare companies including Eli Lilly and Bristol-Myers Squibb. Discussions focussed on Anti-Microbial Resistance (AMR), better delivery of medicines, training provisions in developing countries and how to address health disparities.

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# Key quarterly engagement

## Bristol-Myers Squibb (BMS)

**Categories:** *Social, Governance*

We held a call with global healthcare company Bristol-Myers Squibb covering its approach to diversity and changes to its executive remuneration. The company has invested \$300 million in a 5-year project to address health disparities, increasing clinical trial diversity, raising disease awareness and improving healthcare access globally. BMS is also looking to increase workforce diversity, aiming to have gender parity at an executive level and significantly increasing BAME representation. The company has added a human capital metric to its executive remuneration which will make up 20% of the total annual cash incentive for executives. The metrics will focus on employee turnover and engagement, as captured by staff surveys.

## Informa

**Categories:** *Governance*

We engaged with the publishing, business intelligence and exhibitions group to gain a greater understanding of its new 'Equity Revitalisation Plan' ahead of a special vote on the approval of the remuneration policy. While we understand the need to amend incentive plans as a result of the pandemic, we had significant concerns over whether the performance metrics proposed in the plan were challenging enough. Consequently, we voted against the proposal.

## Microsoft

**Categories:** *Environmental, Social*

We met with the global technology company to discuss its latest Microsoft Devices "Sustainability Report". Microsoft has partnered with several industry groups and charities to address the issue of child labour in the cobalt supply chain. Through these initiatives Microsoft has been able to talk directly to miners about the issue and work alongside local communities to try and eradicate child labour. In addition, the report covered sustainable design, including how to provide solutions to reduce the use of mined raw materials, reduce ocean plastics and improve device accessibility for those with disabilities. We also discussed the safety measures Microsoft has put into place to protect its supply chain during the COVID-19 pandemic. These include paying contractors in advance so they can retain staff, supporting local companies and providing a hotline for employees to raise safety concerns.

## Paragon

**Categories:** *Social*

We discussed COVID-19 with the Chief Executive Officer (CEO) and Chief Financial Officer (CFO) of Paragon, a UK-based bank. The company did not utilise the government's furlough scheme and was able to transition 90% of staff to work from home within four days. Additionally, Paragon rewarded all employees with a £1,000 share bonus as recognition of the strains the pandemic has caused employees. The company was also able to provide support to customers through granting payment holidays.

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# Key quarterly engagement

## Pennon

**Categories:** *Environmental, Social and Governance*

We met with Pennon's CEO and CFO and discussed the impact of COVID-19 on the British water and waste company's business, and environmental concerns. The company was able to keep 97% of services open during the pandemic and took action to protect employees and customers by deciding to stop meter readings. Pennon further supported employees through providing mental health awareness courses.

We also discussed the pollution incidents within its subsidiary South West Water, which were highlighted in the Environment Agency's report in October. During the summer there were approximately 25 pollution incidents a month but this has seen a significant reduction after it prompted a change in management.

## Schneider Electric

**Categories:** *Environmental, Social*

We hosted a meeting with energy management and industrial automation company Schneider Electric, to discuss the details of its ESG investor day as well as recent market trends. It is our view that ESG has been a core part of objective setting for more than 15 years and the company continues to adapt to the latest ESG reporting standards. The company has moved to a new sustainability index that has 12 parameters. The previous model had 21 parameters and was criticised for its complexity. The new sustainability index seeks to increase green revenues to 80% by 2025 (defined as any product or service that allows customers to reduce their electricity consumption and impact on the environment to be more efficient). In addition, the company has committed to being fully carbon neutral for Group Operations (scope 1 and 2) by 2025 and reduce CO2 emissions by 50% from the top 1000 suppliers. Outside of environmental commitments we also discussed its targets in terms of gender diversity and creating opportunities for the next generation.

## Smurfit Kappa

**Categories:** *Environmental*

The company, a provider of paper-based packaging products, proactively contacted us to determine if there were any gaps in its ESG reporting. Smurfit Kappa is seen as a leader in sustainability reporting, given it has been publishing sustainability development reports for the last 13 years, and we believe the company has excellent levels of ESG disclosure and reporting. Most importantly, information around relevance and materiality to the company has been provided for each topic and the majority of figures/data given. There are no obvious ESG areas in which the company is particularly falling behind its peers although we did suggest that they could offer further details in the area of climate risks i.e. biodiversity, water impacts/risks within the supply chain. Where relevant, this would also ideally extend to product stewardship.

## SSE

**Categories:** *Environmental, Social*

We held a call with energy supplier SSE regarding its recently released Social Mobility Report and its Annual Sustainability Report. SSE's Social Mobility Report outlines how the company engages with local communities including local schools and community investment. The company explained how addressing inclusion of Black, Asian and minority ethnic (BAME) employees is very challenging, partly due to the locations of its businesses, and also due to a lack of data with just 14% of employees currently disclosing ethnicity. With regard to environmental concerns, we discussed the company's annual sustainability report within which we were encouraged to see its efforts to report more comprehensively on carbon emissions by starting to report in line with the Task Force on Climate-related Financial Disclosures (TCFD).

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# Voting

The Janus Henderson UK Responsible Income Fund voted on 85 ballots (100%) during the quarter and voted against two management proposals at one meeting (2%).

## UK Responsible Income Fund: votes against management Q4 2020

Company Name	Meeting Date	Country	Details
Informa	23 December 2020	United Kingdom	We voted against the company's proposals to adopt a new directors' remuneration policy and the resolution to adopt the Informa Equity Revitalisation plan. We do not believe performance metrics underpinning the proposals are challenging enough.

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