Janus Henderson INVESTORS

Q4 2023

GLOBAL RESPONSIBLE MANAGED FUND

KNOWLEDGE SHARED

Quarterly Voting and Engagement Report

Key quarterly engagement

Summary of ESG engagement

Meetings of interest with companies held by the Janus Henderson Global Responsible Managed Fund during the fourth quarter of 2023 in terms of environmental, social and governance (ESG) issues are detailed below:

Company name	E	S	G
ASML			
AstraZeneca			
DS Smith			
Microsoft			
National Grid			

ASML

Categories: *Environmental, Governance, Social*
ASML is a global manufacturer of semiconductor microchip-making equipment. We met with the company to discuss its ESG reporting and water management approach.

ASML has very impressive and comprehensive ESG reporting, and the company is currently preparing to align with the EU's Corporate Sustainability Reporting Directive (CSRD) in 2024. Typically, ASML has a proactive approach and aims to report above the regulatory baseline. However, the uncertainty surrounding the EU Taxonomy regulation has been a challenge. The company has scored poorly as the published taxonomy categories are not suited to ASML's business. The company also noted that the manufacturing of Extreme Ultraviolet (EUV) equipment is pushing up their energy consumption. ASML explained that it takes on an increased manufacturing energy burden to try and save energy for the end customer. The company highlighted that it is looking to contribute to its customers' ambitions for net zero and has detailed this in its own roadmap to net zero. Pleasingly, ASML has kept its plans to achieve net zero by 2050.

We also discussed water management; ASML's water consumption is only a fraction of what most companies in the semiconductor industry use. Nevertheless, ASML promotes responsible water use throughout the company and reports water metrics. While ASML does not consider water to be a material risk to the business, the company is forming a programme to reduce its water usage over time given the high number of investor requests it gets on the subject.

AstraZeneca

Categories: *Governance*
We held a call with the Chair of AstraZeneca's Remuneration Committee to discuss the proposed changes to the company's executive pay. AstraZeneca is proposing increases to both the annual bonus range and long-term incentive plan range as a percentage of base salary.

These changes have been proposed because the Board is keen to retain the CEO and ensure the company's remuneration is in line with global pharmaceutical peers. Although the proposed changes seem logical, we discussed the inclusion of employee retention goals to demonstrate that AstraZeneca is recruiting the right people and management are able to retain talent. We will monitor the situation and are awaiting the company's final remuneration policy to see if employee metrics are included.

Note: 'Key quarterly engagements' refers to a sample of this quarter's engagements.
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Key quarterly engagement

DS Smith

Categories: *Environmental, Governance*
We met with the new Chief Financial Officer (CFO) of DS Smith to discuss recent management changes, succession plans, and net zero targets.

The CFO has settled in well at DS Smith, benefitting from the mentorship of his predecessor, as well as his expertise in glass and waste management gained from his time at Biffa. We talked about the succession plans for the outgoing CEO, who has been in the role for 13 years, and were comforted to hear there will be a two-year period before his exit, allowing for an orderly transition.

We then discussed sustainability, which is a key focus for DS Smith. The company is investing in upgrading its facilities to improve efficiency. One aspect of this is utilising solar energy across 54 of the company's sites which, if implemented, should reduce both CO2 emissions and cost. We also spoke about the possibility of implementing segmented reporting to align with evolving frameworks like the EU Taxonomy and the FCA's Sustainability Disclosure Requirements (SDR). This would enable the company to map revenues directly to its environmental and social benefits. The CFO was receptive to this and has committed to exploring the topic. We will follow up on the company's progress.

We also covered DS Smith's efforts in setting a net-zero target. While the company currently has an approved science-based target, it acknowledges the challenge posed by its paper business in achieving net-zero emissions. To address this, DS Smith has made investments in electrification, hydrogen technology, and simplifying logistics to move closer to net-zero.

Microsoft

Categories: *Environmental, Social, Governance*
Microsoft is one of the world's leading computing providers and we had two engagement meetings with the company over the quarter. The first covered the company's work to improve supply chain conditions in the Democratic Republic of Congo (DRC). The second was to discuss the upcoming proxy vote for the company.

We started engaging with Microsoft on the topic of supply chain conditions in 2018, in response to an Amnesty International report. Microsoft confirmed that it is looking to have a direct relationship with the miners in the DRC, not just for cobalt but other minerals and metals too. Microsoft is undergoing a process to map its supply chain but notes this will take time. The company has been focused on meeting reporting requirements for modern slavery and conflict minerals, while also increasing and enhancing checks on its supply chain. We note that the DRC supply chain issues are complex, with many touch points. But we will continue to engage with Microsoft on this topic.

We also contacted Microsoft on the shareholder proposals ahead of the AGM, discussing its reporting on Climate Risk in Retirement Plan Options, reporting of Risks of Operating in Countries with Significant Human Rights Concerns and reporting on Risks Related to AI-Generated Misinformation and Disinformation. Post our discussion, we voted with management on each of these shareholder proposals. We feel Microsoft already provides a high level of reporting and that the current data available on some of these areas is limited due to legal and political considerations. However, we were encouraged to hear Microsoft are looking to further develop their reporting in some of these key areas.

Key quarterly engagement

National Grid

Categories: *Environmental, Social*

We met the Chief Sustainability Officer of National Grid to discuss progress on the company's ESG commitments and targets following the launch of its updated Responsible Business Charter. We discussed the company's near-term emissions reduction targets, as well as its longer-term goal of net zero by 2050.

We are pleased to hear National Grid's scope 1 & 2 reductions are likely to meet its 2030 net zero Target and align with a 1.5-degree pathway and the Science Based Targets initiative (SBTi), albeit this is likely to be achieved towards the end of the decade. The company is also making progress against its updated scope 3 reduction target, a 37.5% reduction in Scope 3 greenhouse gas emissions by 2034 (from a 2018/19 baseline), although it is contingent on investment from regulators to support the use of renewable natural gas and hydrogen given the level of investment required.

We also touched upon the challenges of electric vehicle (EV) adoption in the UK, where National Grid is keen to be seen as an enabler of EVs. The company is focusing on increasing the number of connections, estimating they can create charging capacity for an additional 1.5 million EVs over the next five years. Elsewhere, National Grid appears to be making good efforts on health & safety, hiring and diversity, acknowledging the importance of expanding the workforce and skillset for the demands of the ongoing energy transition.

Voting

During the fourth quarter of 2023 the Janus Henderson Global Responsible Managed Fund voted at eight company meetings (100%). Out of 126 proposals that were put forward, there were no votes against management.

Glossary

Scope 1, 2 and 3 is a way of categorising the different kinds of carbon emissions a company creates in its own operations, and in its wider value chain. Scope 1 covers the greenhouse gas emissions that a company makes directly — for example while running its boilers and vehicles. Scope 2 are the emissions it makes indirectly – such as when the electricity or energy it buys for heating and cooling buildings, is being produced on its behalf. Scope 3 covers all the emissions an organisation is indirectly responsible for, up and down its value chain. For example, from buying products from its suppliers, and from its products when customers use them.

The **Science-Based Targets Initiative Institute** is a partnership of the CDP, The United Nations Global Compact, World Resources Institute and the World Wide Fund for Nature. Companies submit targets to the Institute, which provides technical assistance and expert resources to companies to help them reduce emissions in line with the goals of Paris Agreement. For a company's target to be considered "science-based" it must be found to be in line with what the latest climate science deems necessary to meet the goals of the Paris Agreement. For a company to have committed to a science-based target it must send a letter of commitment to the Science-Based Targets Institute (SBTi) setting its intent to set a science-based target. The company will then have 24 months to submit a target and have it validated and published by the SBTi.

The **CDP** is a not-for-profit organisation that runs a global disclosure system for companies. Companies must complete a detailed questionnaire and submit this to the CDP who will score their disclosures from a range of A to D-. The score assesses the comprehensiveness of disclosure, awareness, the management of environmental risks and best practices associated with environmental leadership, such as setting ambitious and meaningful targets.

The Net Zero Asset Owner Alliance (NZAOA) is a member-led initiative of institutional investors committed to transitioning their investment portfolios to net-zero GHG emissions by 2050 – consistent with a maximum temperature rise of 1.5˚ C. The target setting protocol explicitly sets out how individual members will set short-term targets, to be achieved in the next five years. Alliance members have used IPCC 1.5˚ C no- and low-overshoot pathways to inform their targets under the Alliance 2025 Protocol.

The Net-Zero Insurance Alliance (NZIA), brings together a number of the world's leading insurers and reinsurers to play their part in helping accelerate the transition to net-zero emissions economies and achieving the goals of the Paris Agreement. As risk managers, insurers and investors, the insurance industry has a key role in supporting the transition to a net-zero economy.

Net zero refers to the balance between the amount of greenhouse gas produced and the amount removed from the atmosphere. Net zero is reached when the amount of greenhouse gas added is no more than the amount taken away.

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