HENDERSON EUROTRUST PLC
ESG POLICY

Investing sustainably in Europe

The Board believes that sustainable business practices and long-term investment returns are inextricably linked. When analysing a business model, sustainability has always been a key part of the Company's investment approach and the Board works closely with the Manager to ensure that relevant considerations are incorporated as part of the investment process. The Company seeks to promote environmental, social and governance (ESG) characteristics, including climate change mitigation and health & wellbeing.

As set out in the Investment Policy, the Company does not invest in companies that derive more than 5% of their revenue from any of the following activities: shale energy extraction, palm oil, arctic oil and gas drilling or exploration, tobacco, or the adult entertainment sector.

The Company does not invest more than 5% of the portfolio in companies which are classed as ESG laggards.

The Company excludes the bottom 5% of companies in the index when ranked by carbon intensity.

At least 5% of the portfolio is invested in companies that are aligned with the UN Sustainable Development Goals of "Good Health & Wellbeing".

If an existing investment becomes ineligible based on exclusionary screens, it will be divested within 90 days.

The Company only invests in companies which comply with the UN Global Compact principles (a voluntary framework encouraging businesses worldwide to adopt sustainable and socially responsible policies).

The Manager's ESG Investment Policy includes baseline exclusions which also apply to the Company. The baseline exclusions are current manufacture of or a minority shareholding of 20% in a manufacturer of: cluster munitions; anti-personnel mines; chemical weapons; and biological weapons.

The exclusions and/or limits currently set on investments in sectors and companies are those that the Board, as advised by the Manager, are consistent with the environmental and social characteristics promoted by the Company. The Board believes that adopting this approach in the Company's Investment Policy broadens the appeal of the Company to certain investors. The Investment Policy restricts the Company from making such investments even if the Manager were to identify attractive investment opportunities. The Manager believes that these restrictions do not detract from the ability to achieve a superior total return for shareholders.

What does sustainability mean to us?

For the Company, a sustainable company is one whose management thinks, acts and allocates capital in a way that maximises the long-term growth in net worth in a way that benefits its wider stakeholders. To be sustainable, a company's management must consider the long-term implications of how its company impacts the environment, the societies affected by its business activities and other stakeholders. While this is a straightforward concept, implementing it requires both analysis and judgement, and there can be data challenges.

Integration into the investment process

The investment approach of the Manager is focused on finding high return businesses ('Compounders') or companies whose return profile should materially improve over time ('Improvers'). By focusing on return on capital and by having a long-term time horizon the

Manager is keenly focused on whether a company is demonstrating sustainable business practices.

For each company that the Company invests or considers investing in, the Manager constructs a model and compiles an Investment Thesis which explains why it finds the company attractive. The Investment Thesis is focused on the same three areas for every company, irrespective of sector. Based on the model and the Investment Thesis for the company, the Manager allocates a score for each of the three topics below. Weighting these scores according to the stated percentages produces a single 'Ranking Framework score' for each potential investment. This Ranking Framework score frames the debate over the 'competition for capital' within the portfolio.

Fundamental attractiveness:
- Quality
- Valuation

Timelines:
- Momentum

A score for 'Sustainability considerations' accounts directly for half of the 'Quality' score and therefore has a meaningful impact on a company's Ranking Framework score. The Manager uses MSCI analysis to construct the score for 'Sustainability considerations'.

As mentioned above the Board and the Manager have determined that companies classed as ESG laggards by MSCI will comprise a maximum of 5% of the portfolio by Net Asset Value. This imposes a minimum ESG threshold across the portfolio as a whole, with the effect that companies that might otherwise be considered for investment could be excluded for ESG reasons alone.

The Board and Manager believe that, in addition to the inherent bias towards sustainability, this approach provides a simple, third-party verified methodology that helps us to ensure that consideration of sustainability remains at the very heart of the process.

Why hold any companies with a below average ESG score?

Subject to the 5% limit set out above, the Company may consider investing in companies which may not score well in the short term but appear credibly to be travelling in the right direction. Indeed, for some companies categorised by the Manager as "Improvers", the reason for expecting an improvement in their return on capital is because of the expected improvement in their sustainability characteristics. For those companies classed as ESG laggards by MSCI, the Board requires the Manager to formally explain the rationale for the potential improvement of the MSCI risk rating to a minimum of 'medium' within three years. Progress is reviewed on a regular basis for all such companies in the portfolio; in the event that the expected progress does not materialise, the Board can require the position to be divested. We believe that this process minimises the risk of holding companies which fail to deliver on ESG promises and expectations.

This overall approach should embed a strong bias towards companies that score well on ESG metrics but also enable the Company to benefit from an exposure to companies with an improving ESG profile which meet our other investment criteria.

Sustainable Financial Disclosure Regulation ("SFDR")

As the Company is marketed in the EU (Ireland), it is indirectly in scope of the SFDR and converted to Article 8 of SFDR (Light Green) with effect from 1 January 2022 to support its ESG policy further. By adopting the restrictions set out in the Investment Policy there has been no material change in the investment process or strategy.

ESG is a rapidly evolving area subject to regulatory change, the Investment Policy and/or the ESG policies of the Company may be subject to change in the future. Any material changes to the Investment Policy would require shareholder approval. The Company does not have sustainable investment as its objective. Currently, the Company does not actively seek to invest in activities aligned with the Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment ("EU Taxonomy").

The Board of Henderson EuroTrust plc
September 2023