

Quarterly Voting and Engagement Report

Global Sustainable Equity

Q2 2019

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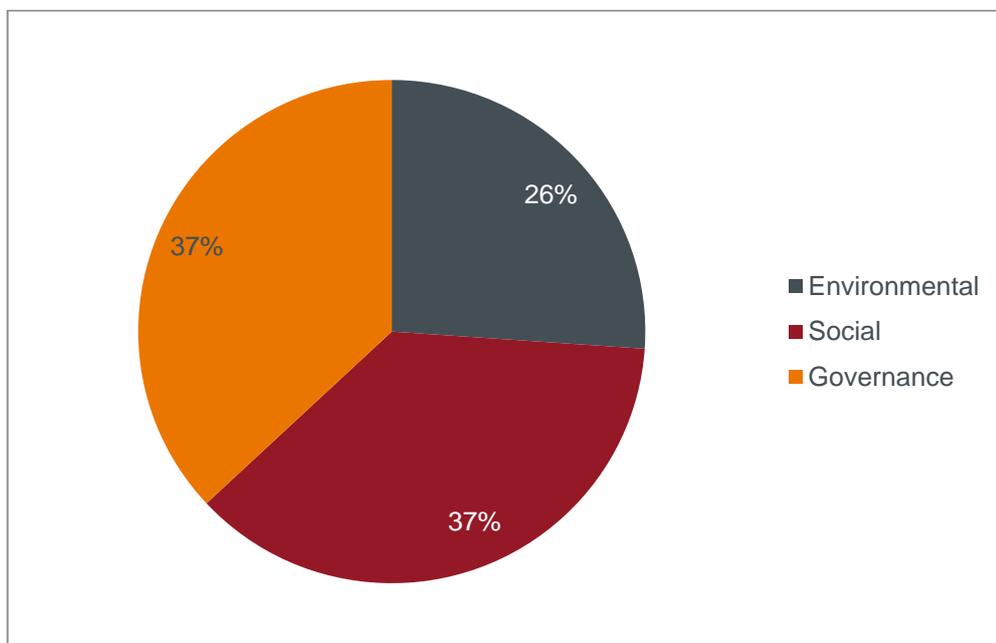
Engagement Activities

Summary of Engagement

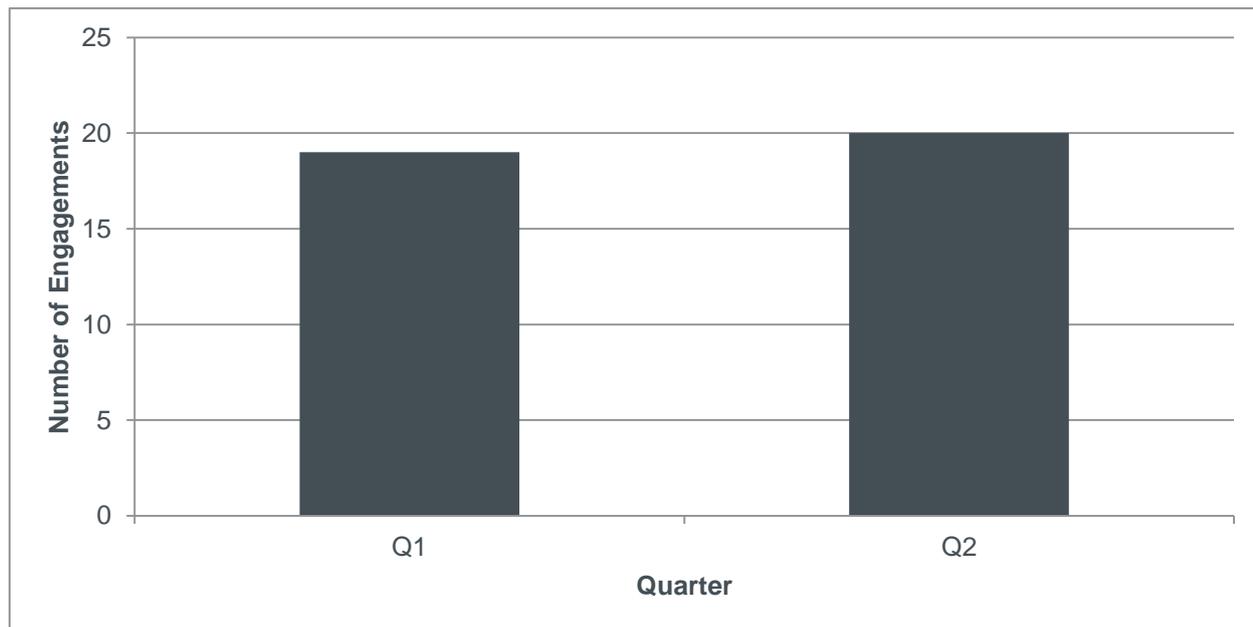
Some of the companies we engaged with on environment, social and governance (ESG) matters this quarter were:

- Aptiv
- Autodesk
- Cognizant
- Costa Group
- Equinix
- ING Groep
- Intact Financial
- Intuit
- IPG Photonics
- Knorr-Bremse
- LAM Research
- Microchip Technology
- Nanosonics
- Tesla
- Xylem

The chart below displays the distribution of engagement between environment, social and governance issues for the quarter. Many of the companies we engaged with were in the process of assimilating recently completed acquisitions. Reporting, culture and human capital also featured in many of the engagements, in particular concerns around safety and board governance. These resulted in an increased proportion of social and governance engagements.



The number of engagements has increased slightly compared to Q1. Our aim is to continue this increase into Q3.



Key Quarterly Engagement

Autodesk

Categories: *Environment, Social and Governance*

Autodesk offers a suite of design software that is used by architects and engineers. Autodesk has changed CEO and completed a number of acquisitions within the last two years. Acquisitions are being integrated into the main business and there is a coherent product development plan. The company's most recent acquisition, Plan Grid, is still operating as a separate unit; however, Autodesk views this as temporary.

Autodesk is prioritising communicating the positive impact case for its products. During the meeting the company highlighted the positive impact of Generative Design¹. For example, Airbus was able to reduce material costs by 80% and achieve a 45% reduction in weight by using generative design tools. Examples in construction showed a 40%-60% reduction in waste (which is significant given construction accounts for 30% of landfill). Generative design can also be used for cities, optimising neighbourhood planning to improve health and quality of life.

Cognizant

Categories: *Social*

Cognizant is a global IT consultant. It specialises in helping its clients transition their business models to capture the benefits of the digital economy. We wanted to discuss the vital role that Social Media Analysts play in society as well as the company's efforts to reduce the risk of workplace trauma on employees. After a negative article on Cognizant about the company's Social Media Analyst employees suffering trauma, we asked for a call to better understand the way that Cognizant manages this role.

Prior to the meeting, we reached out to the Hertfordshire, Bedfordshire, Buckinghamshire and Cambridgeshire Police Occupational Health Officer to understand what would be best practice in managing trauma risk within a workplace which informed our meeting with Cognizant. We found the claims of the article to be sensationalist, but also had some concerns relating to trauma management policies and procedures that we will address in future engagements.

Microchip Technology

Categories: *Social and Governance*

Microchip designs and manufactures microcontrollers and analog semiconductors. We had a meeting with the company where we discussed the impact of the China tariffs and company culture.

The impact of the China tariffs has been limited. In addition to this, Huawei makes up a tiny proportion of Microchip's sales. Microchip has a very broad customer base which makes it difficult for the company to have a detailed view on the impact of tariffs on its customers.

Microchip has conducted company surveys against their 12 guiding values² since 1990. Score are consistently in the high-80s/low-90s for employee perception that the company is operating in-line with their guiding values. Acquired companies typically achieve this score level within 2-3 years, after starting in the 60s. The survey is a good way to identify "hot spots" and understand different issues within the company.

Tesla

Categories: *Social and Governance*

Tesla is a world leading manufacturer of electric vehicles, lithium-ion batteries, and solar power systems. We had a meeting with Tesla at their Fremont factory, which included a factory tour.

¹ Generative design is a design exploration process. Designers or engineers input design goals into the generative design software, along with parameters such as performance or spatial requirements, materials, manufacturing methods, and cost constraints. The software explores all the possible permutations of a solution, quickly generating design alternatives. It tests and learns from each iteration what works and what doesn't. <https://www.autodesk.com/solutions/generative-design>

² Please see refer to link <https://www.microchip.com/sec/InvestorDocuments/Mission%20Statement/Mission%20and%20Guiding%20Values.pdf>

We discussed safety, waste management, and diversity. There were several prominent signs around the factory regarding a safety first culture and our factory guide made reference to a safety KPI board which showed that it been over 1 year since a major incident. Tesla is also very focused on operational sustainability and our guide proudly talked about the zero waste philosophy at the factory with recycling rates at almost 100%. Our tour gave us an impression of a diverse workforce.

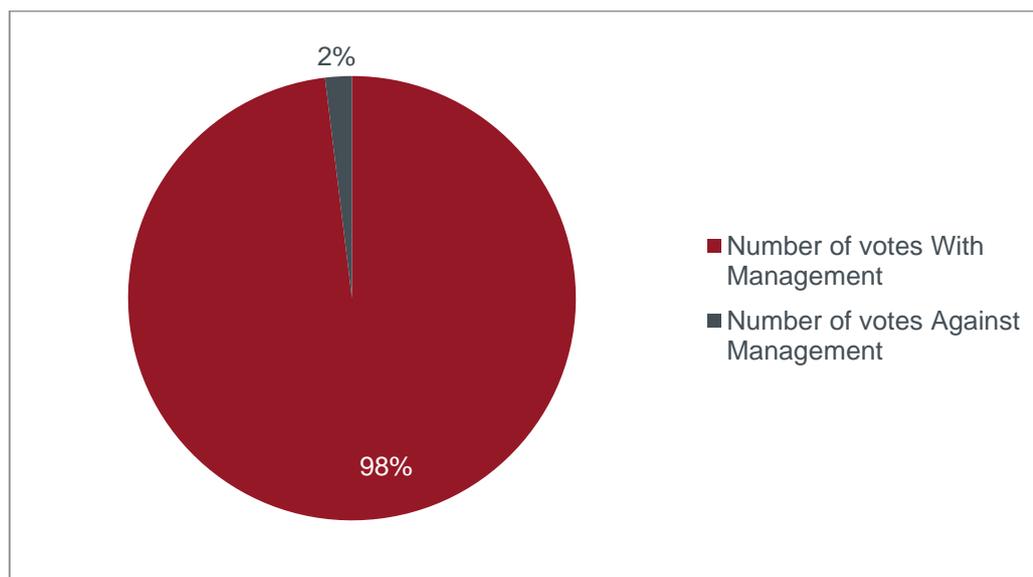
Voting

Janus Henderson’s [Responsible Investment Policy](#) sets out our approach to ESG issues, including our proxy voting policy.

We believe that in order to achieve long-term success, companies need not only to conceive and execute appropriate business strategies, but also to exhibit good standards of corporate governance and corporate responsibility with regards to all stakeholders.

We have voted on every meeting available.

For the majority of the meetings, we voted with management.



The votes against management are shown below along with explanations:

Company Name	Proposal Code Description	Proposal Text	Rationale
Orange SA	Authorize Capitalization of Reserves for Bonus Issue or Increase in Par Value	Authorize Capitalization of Reserves of Up to EUR 2 Billion for Bonus Issue or Increase in Par Value	A vote AGAINST this was warranted as it can be used during a takeover period.
Orange SA	Authorize Board to Increase Capital in the Event of Demand Exceeding Amounts Submitted to Shareholder Vote Above	Authorize Board to Increase Capital in the Event of Additional Demand Related to Delegation Submitted to Shareholder Vote	A vote AGAINST this was warranted as it can be used during a takeover period.
Orange SA	Allow Board to Use All Outstanding Capital Authorizations in the Event of a Public Tender Offer or Share Exchange Offer	Allow Board to Use Delegations in the Event of a Public Tender Offer	Votes AGAINST these antitakeover mechanisms were warranted.
Orange SA	Allow Board to Use All	Allow Board to Use	Votes AGAINST these anti-takeover

Company Name	Proposal Code Description	Proposal Text	Rationale
	Outstanding Capital Authorizations in the Event of a Public Tender Offer or Share Exchange Offer	Delegations in the Event of a Public Tender Offer	mechanisms were warranted.
Orange SA	Allow Board to Use All Outstanding Capital Authorizations in the Event of a Public Tender Offer or Share Exchange Offer	Allow Board to Use Delegations in the Event of a Public Tender Offer	Votes AGAINST these anti-takeover mechanisms were warranted.
Orange SA	Allow Board to Use All Outstanding Capital Authorizations in the Event of a Public Tender Offer or Share Exchange Offer	Allow Board to Use Delegations in the Event of a Public Tender Offer	Votes AGAINST these anti-takeover mechanisms were warranted.
Orange SA	Allow Board to Use All Outstanding Capital Authorizations in the Event of a Public Tender Offer or Share Exchange Offer	Allow Board to Use Delegations in the Event of a Public Tender Offer	Votes AGAINST these anti-takeover mechanisms were warranted.
Adobe Inc.	Gender Pay Gap	Report on Gender Pay Gap	A vote FOR this proposal was warranted, as shareholders would benefit from additional information allowing them to better measure the progress of the company's diversity and inclusion initiatives.
Getlink SE	Approve Modification in Share Ownership Disclosure Threshold	Amend Article 14 of Bylaws Re: Shareholding Disclosure Thresholds	A vote AGAINST this item was warranted as it would unnecessarily increase the burden of the notification process for shareholders.
Xylem Inc.	Amend Articles/Bylaws/Charter - Call Special Meetings	Reduce Ownership Threshold for Shareholders to Call Special Meeting	A vote FOR this proposal was warranted as it would further enhance shareholder rights.
Equinix, Inc.	Political Contributions Disclosure	Report on Political Contributions	A vote FOR this resolution was warranted, as additional disclosure of the company's political contributions, including trade association memberships and payments, and the company's oversight mechanisms regarding those contributions would allow shareholders to better assess related risks.
Mastercard Incorporated	Gender Pay Gap	Report on Gender Pay Gap	A vote FOR this proposal was warranted, as shareholders would

Company Name	Proposal Code Description	Proposal Text	Rationale
			benefit from additional information allowing them to measure the progress of the company's diversity and inclusion initiatives.
Cognizant Technology Solutions Corporation	Political Contributions Disclosure	Report on Political Contributions	A vote FOR this proposal was warranted. The company does not disclose its political contributions or sufficiently detailed information about its participation in trade association or other tax exempt organization, and related board oversight. Disclosure of this information could help shareholders evaluate more comprehensively Cognizant's political activities and related risks and benefits.

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