

# TCFD Product Disclosure 2024

## Janus Henderson European Selected Opportunities Fund

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### Approach to Climate Change and ESG

**Janus Henderson is committed to responsibility – both in our own Corporate Responsibility policies and practices and in Responsible Investing. We believe that ESG considerations, including climate change factors, can have a material impact on the financial outcomes of our investments; these financially material considerations are vital to long-term risk-adjusted returns.**

Our firmwide ESG Investment Principles are based on four key beliefs:

- Investment portfolios are built to maximise long-term risk-adjusted returns for our clients.
- Evaluation of financially material sustainability, climate, and ESG factors is a fundamental component of the investment processes for most of our actively managed strategies.
- Engagement is vital to understanding and promoting practices that position the issuers we invest in for the future.
- Investment teams should have the freedom to interpret and implement sustainability factors in the way best suited to their asset class and strategy objective, as they do for any fundamental investment factor.

At Janus Henderson, we strive to equip our investment teams—analysts and portfolio managers—to manage financially material climate and ESG risks and opportunities within our portfolios. This includes providing training and a combination of third-party data and proprietary insights to enable our investment teams to assess risk at a security and portfolio level and evaluate the impact on the financial outcomes of each portfolio. This process is a journey on which we have made significant strides in recent years, yet we have identified ways in which we can continue to make progress. We have tangible initiatives underway to enhance the data, analytics, and skills of our investment teams.

We believe that active research and engagement, the foundation of Janus Henderson's investment processes, is the optimal way to identify and manage financially material climate and ESG risks and opportunities. The use of ESG and climate data—such as carbon emissions and Climate Value at Risk—is still in its infancy. Much of the data and third-party analytics are estimated and backward-looking, while availability across asset classes and issuers is often incomplete, therefore any conclusion drawn, solely on numbers, can be misleading and requires interpretation and judgment. Our investment teams, who understand their portfolio holdings extremely well, and in partnership with the ESG subject matter experts on our central Responsibility Team, are best positioned to provide distinctive, actionable insight.

## Climate Change and ESG data, Metrics and Analytics

Janus Henderson has, and will continue, to improve the range of data, metrics, and analytics available to our investment teams.

### ESG Data

Investment teams have access to a range of third-party and proprietary data. These data include ESG ratings, risks and controversies, business-involvement, US Sustainable Development Goal-alignment, and other climate and ESG related data sets.

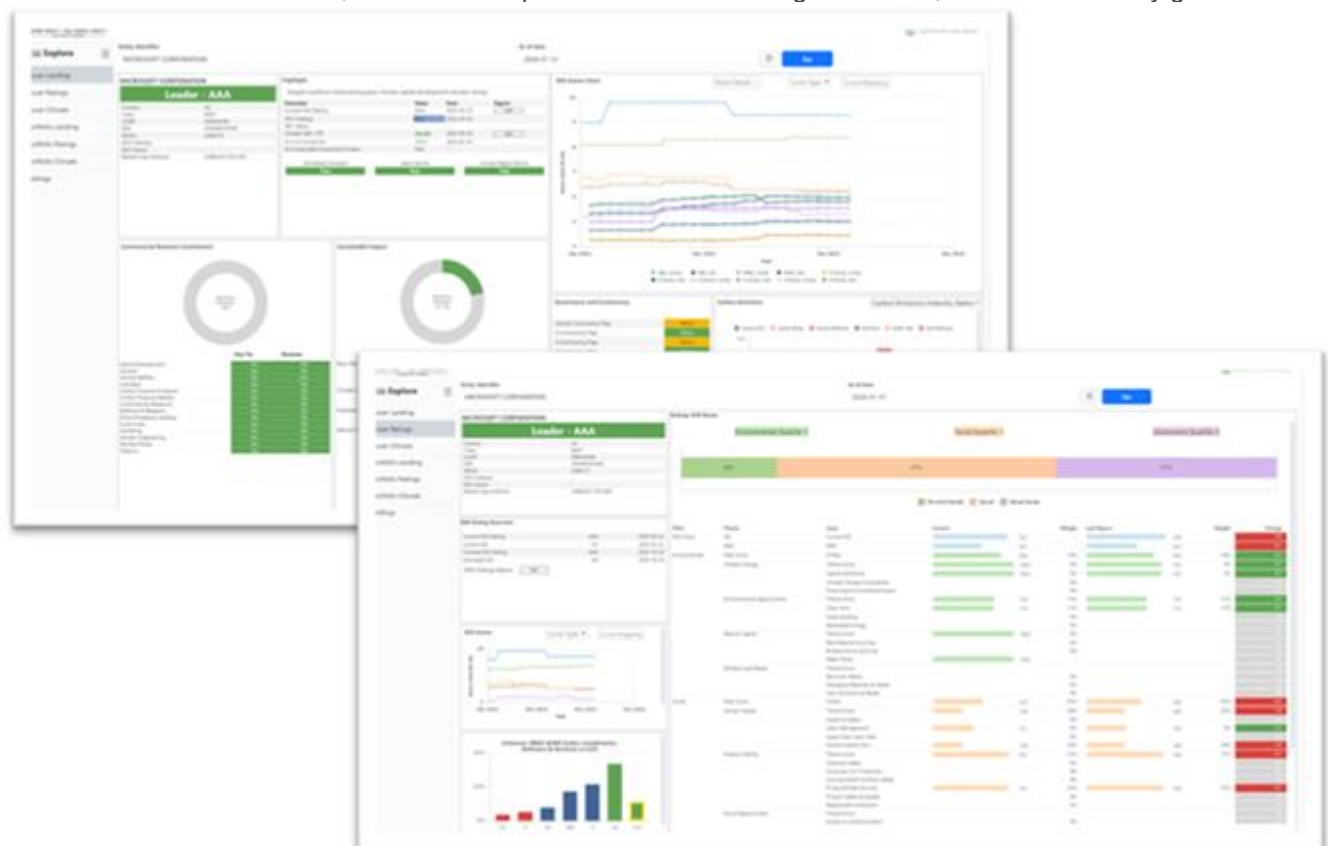
### Carbon and Climate Data

Our investment teams have access to a wide range of third-party climate data that is available, as appropriate, at both an issuer and portfolio level. We continue to conduct comprehensive education, training, and embedding of climate metrics and scenario analysis in the investment process. These data include:

- Carbon metrics
- Climate scenario analysis, using a range of scenarios and assessed in detailed with respect to physical and transition risks
- Implied Temperature Rise
- Stranded asset risk, green revenues and low carbon transition opportunities

### Proprietary ESG and Climate Dashboard

In 2024, we launched our firmwide proprietary ESG data and analysis tool, ESG Explore (ESGX). ESGX includes portfolio- and issuer-level landing, ratings, and climate pages. These portfolio and issuer climate pages show various climate-related metrics, including those identified as best practice by the Task Force on Climate-related Financial Disclosures, the Partnership for Carbon Accounting Financials, and other industry guidance.



## Identification, Analysis, Management of Financially Material Climate and ESG Risks and Opportunities

**We believe that our investment teams are best positioned to research, analyze, and determine the impact of financially material climate and ESG risks and opportunities on both issuers and portfolios.**

Integration of climate and ESG considerations needs to align with our investment processes. Our investment teams are primarily responsible for the research, financial modelling, portfolio construction and stewardship activities. Having investment teams lead the integration process for climate and ESG risks and opportunities helps ensure that there is integration at each appropriate stage of the investment process, including portfolio decisions. Our investment teams are supported by our central Responsibility Team, who are subject matter experts in ESG. This team manages ESG data and training, and partners with the investment teams on research and engagement. This partnership leads to enhanced research and decision-making—marrying the sector and industry expertise of the investment teams with the ESG skills of the Responsibility Team.

This process is a combination of bottom-up analysis, starting at the issuer level and is increasingly leveraging portfolio-level data for an incremental lens and layer of oversight. For bottom-up analysis, our investment teams have access to the issuer-level and portfolio-level third-party data described previously. They leverage these data to identify potentially financially material climate and ESG risks and opportunities as they research their issuers. They may consider and utilize third-party financial materiality frameworks in conjunction with their own knowledge, to focus on the issues likely to be most material.

The geographical domicile of the issuer or its assets can also impact materiality. The investment teams potentially conduct engagements to both obtain further insight on the climate or ESG issue, often to encourage the issuer to better manage these risks and opportunities to best-position the issuer for future success. As part of the research process, investment teams assess the materiality and the impact on relevant financial metrics for the issuer, which could include cash flows, valuation, cost of capital, or credit ratings. This research and insight flow into the investment decision, similar to how an investment team would consider any financially material factor. Should a material unmanaged risk be identified and quantified, we evaluate the impact on a security's price and risk-adjusted return. Should we believe the risk is not fully priced in, the portfolio impact could include escalation through further engagement, re-weighting of position sizes, changing target prices, or divestment for outsized unmanaged risks.

Increasingly, we are marrying portfolio-level analysis with the bottom-up process to identify, analyze and manage financially material climate and ESG risks. ESGX enables investment teams to quickly identify any material climate or ESG risks at the portfolio level, then drill down to issuer to better understand the source of those risks.

## Engagement vs. Exclusion or Divestment

**We prefer an engagement-focused approach to a firm-level exclusion or divestment policy, both in sectors with higher environmental risk and for issuers where we have identified financially material climate or ESG risks.**

We believe this approach is best for maximising risk-adjusted returns for our clients and for driving positive change at our portfolio issuers. Most products and services offered by an issuer play necessary roles for the global economy, including sectors with higher carbon emissions such as energy, industrials, materials, and utilities. We research and engage with these issuers to improve client outcomes. First, we can engage for information; the knowledge we gain through our engagements with issuers can be leveraged in the investment process to better inform our research, modelling, and investment decisions. Engaging for information helps us assess the magnitude of any potential risk, how well an issuer is managing that risk, and the potential impact on that issuer's financial outcomes. Second, we can engage for action. Where we believe an issuer is ignoring or not adequately managing a financially material climate or ESG risk, we can engage for action—to encourage that issuer to adopt policies or practices that will address that risk and better position it for the future. This includes asking for issuers to enhance their disclosure of material ESG or climate data, such as carbon emissions. Our discussions with the issuer's management or board of directors directly link the climate or ESG consideration to why we believe addressing it makes them a better issuer, which may lead to improved cash flows, valuations, cost of capital, or credit ratings. Our investment issuer regularly partner with our central Responsibility Team on engagements. The professionals on our Responsibility Team are both engagement and ESG subject matter experts, that can assist in identifying and researching the engagement topics and facilitating the engagements themselves.

## Carbon Intensive Equity Sectors

### Energy

This sector includes issuers in oil and gas drilling equipment and services, exploration and production, refining and marketing, storage and transportation, integrated oil and gas, and coal and consumable fuels. Under orderly and disorderly scenarios, there will be a quicker phase out of oil use, posing headwinds to this sector. However recent energy security concerns demonstrate the need for new, alternative energy solutions, which will benefit issuers that develop new, low-carbon technologies. These issuers will also have to consider how to phase out assets at risk of being stranded.

### Industrials

This sector includes capital goods (including aerospace and defence, building products, construction and engineering, electrical equipment, industrial conglomerates, machinery, and trading issuers and distributors), commercial and professional services, and transportation (including air freight and logistics, airlines, marine, road and rail, and transportation infrastructure). Some of these issuers might face headwinds associated with transition risks related to policies that try to shift the world to a lower carbon economy, especially under the orderly and disorderly transition scenarios. However, some of these issuers might face tailwinds associated with technology opportunities if they can innovate, for example, with the development of sustainable fuels. Many of these issuers face significant physical risks, as assets may be negatively affected by climate-related weather events.

### Materials

This sector includes issuers in chemicals (including commodity chemicals, diversified chemicals, fertilizers and agricultural chemicals, industrial gases, and specialty chemicals), construction materials, containers and packaging (including metal and glass containers, and paper packaging), metals and mining (including aluminium, diversified metals and mining, copper, gold, precious metals and minerals, silver, and steel) and paper and forest products. Demand for these issuers is expected to increase amid a low-carbon transition, as many of their raw products are used in renewable energy technologies. However, a key transition risk will be considering the conditions for people living and working near mines and operations. Also, some facilities may face physical risks associated with operating in high water stress areas.

### Utilities

This sector includes electric utilities, gas utilities, multi-utilities, water utilities, an independent power and renewable electricity producers. The electrification of global energy systems is imperative to the climate transition. Renewable or green energy sources could benefit from investment flows being directed towards the sector to help achieve net zero targets. These issuers could face increased demand as other sectors decarbonise. However, these issuers could also face challenges associated with physical risks, like water scarcity impacting hydro-electric plants.

This product has the following exposures to high carbon intensive sectors:

Equity Sectors	Product Exposure (%)
Industrials	19.73%
Materials	16.20%
Energy	7.55%
	43.48%

Note that this product may have product-level exclusions. Please refer to the documentation on the product website for more details.

## Governance and Oversight

**We continue to strengthen the governance and oversight of climate and ESG risks.**

Our investment teams are at the core of our governance process and bear the primary responsibility for identifying, analyzing, and integrating financially material ESG and climate considerations. In addition, we have established independent oversight mechanisms.

Our ESG Oversight Committee, chaired by our Chief Responsibility Officer, provides effective oversight over ESG investment processes including portfolio design, portfolio management, various ESG data and toolsets, risk and compliance activities, as well as non-investments oversight over ESG processes including reporting and ESG disclosure. Other independent functions provide oversight for their respective areas of governance, and escalate any concerns to the ESG Oversight Committee, which can, in turn, escalate concerns to the Janus Henderson Executive Committee (ExCo):

- Front office controls and governance: ongoing assurance that alignment with documented sustainability commitments can be evidenced where automated controls and/or third-party data are not available
- Compliance: portfolio- and issuer-level monitoring of implementation of ESG and climate commitments
- Financial risk team: portfolio-level oversight and climate and ESG risks

Lastly, the Janus Henderson Group Board of Directors provides top-level oversight of climate and ESG risks. Our Chief Responsibility Officer provides quarterly updates to the Governance and Nominations Committee on both operational and investment issues. More details on our approach to the governance and oversight of climate and ESG risks can be found in our firmwide TCFD report.

## Portfolio Climate Metrics

**Below are the carbon metrics for this product used to assess climate related risks and opportunities.**

The combination of these metrics provides a multi-dimensional view of the product's climate risk exposures and provide useful insights about the product holdings when assessing climate risks and opportunities.

It is important to note that climate risk considerations are part of the wider investment decision making about the attractiveness of an investment and will not explicitly supersede other inputs in security selection unless explicit climate risk management is an objective of the mandate.

Note that all climate-related data are sourced from MSCI. Coverage may differ by asset class and is provided as far as reasonably practicable. Datapoints with coverage of less than 60-70% may be less informative for understanding product risks and opportunities. The period of the data reflects the disclosure of metrics after the first year of producing a TCFD report.

Allocation base	EVIC	Unit	Portfolio	Coverage	Portfolio	Coverage	Benchmark	Coverage
			2022	2022	2023	2023	2023	2023
<b>Carbon Emissions</b>								
Total Carbon Emissions	Scope 1 & 2	Tons CO2e	465,606.00	96.95	394,052.46	94.50	193,068.84	99.66
Total Carbon Emissions	Scope 3 - upstream	Tons CO2e	339,136.80	96.95	478,082.53	92.74	364,511.71	99.60
Total Carbon Emissions	Scope 3 - downstream	Tons CO2e	829,329.50	96.95	943,105.00	92.74	678,810.48	99.60
<b>Carbon Footprint</b>								
Total Carbon Footprint	Scope 1 & 2	Tons CO2e/\$M invested	210.65	96.95	148.04	94.50	72.53	99.66
Total Carbon Footprint	Scope 3 - upstream	Tons CO2e/\$M invested	153.43	96.95	179.61	92.74	136.94	99.60
Total Carbon Footprint	Scope 3 - downstream	Tons CO2e/\$M invested	375.21	96.95	354.32	92.74	255.02	99.60
<b>Weighted Average Carbon Intensity (WACI)</b>								
WACI Corporate Constituents	Scope 1 & 2	Tons CO2e/\$M revenue	372.92	96.95	240.92	94.50	103.04	99.84
WACI Corporate Constituents	Scope 3 - upstream	Tons CO2e/\$M revenue	347.54	96.95	366.16	92.74	285.51	99.60
WACI Corporate Constituents	Scope 3 - downstream	Tons CO2e/\$M revenue	619.44	96.95	633.99	92.74	397.79	99.60
WACI Sovereign Constituents	GHG Intensity	Tons CO2e/\$M GDP nominal	na	0	na	0	na	0
<b>Portfolio Temperature Rise</b>								
Implied Temperature Rise		Degrees Celsius	2.10	96.95	2.10	92.74	2.00	99.61

Source: MSCI

Benchmark: FTSE World Europe (Ex UK) Index

\* Equity portfolios and benchmarks might have minimal exposure to sovereigns through holdings of certain instruments, including treasury notes, sovereign debt, or indices with exposure to sovereigns.



At year-end, our portfolio had a higher carbon footprint than the benchmark, meaning it had greater financed emissions than the benchmark. This derives from our view of attractive risk/reward opportunities offered by stocks in the materials, chemicals and energy sectors (high carbon sectors). Carbon intensity – or more specifically, its rate of change in the years ahead - is actively considered in our investment evaluation process. We aim to look for ambitious, often 'Science Based Targets Initiative' (SBTI) approved targets for a reduction in carbon intensity over the coming years. We intend to cross-check these targets with the operating and/or capital expenditure that will be committed to fund the required initiatives; for example, the European energy majors plan to spend, on average, in excess of 30% of annual capital expenditure on their renewable energy business expansions. We believe credible, well-considered carbon intensity targets assist us in identifying the best-in-class operational talent that is fundamental to our investment philosophy.

Scope 3 emissions data associated with the upstream and downstream value chains of portfolio holdings are sometimes less reliable than Scope 1 + 2 data, due to the challenges of collecting such data across the value chain. Therefore, we focus more closely on Scope 1 + 2 emissions.

The weighted average carbon intensity (WACI) of the portfolio was greater than the benchmark, meaning the portfolio had more exposure to high carbon intensive issuers in terms of tCO<sub>2</sub>e/\$M revenue. The portfolio's Scope 1 + 2 WACI was driven by positions in the materials, chemicals and energy sectors (high carbon sectors).

The implied temperature rise is broadly inline with the benchmark as can be seen in the table above. This implied temperature rise is the degrees celsius mean temperature rise by the end of the century from pre-industrial levels, assuming the portfolio represented the global economy.

## Climate Scenario Analysis

**Significant progress has been made on our journey to equipping our investment teams with the data and the capabilities to properly assess the accuracy and impact of the information contained in climate scenario analysis.**

Climate scenario analysis helps us analyse at the portfolio and issuer level:

(a) transition risks and opportunities (policy risks resulting in the asset being impacted by societal and economic shifts towards a low-carbon future; and technological opportunities such as innovations in clean technology)

(b) physical risk, which is the impact on the asset of environmental events such as floods or storms.

Based on input from our ESG subject-matter experts in the central Responsibility team, we have selected three Network for Greening the Financial System (NGFS) transition risk scenarios and two physical risk scenarios (Average and Aggressive) to provide a forward-looking and return-based valuation assessment.

- i. **NGFS SCENARIO 1.5°C ORDERLY: Net Zero 2050** limits global warming to 1.5°C through stringent climate policies and innovation, reaching global net zero CO<sub>2</sub> emissions around 2050. Some jurisdictions such as the US, EU and Japan reach net zero for all GHGs.
- ii. **NGFS SCENARIO 1.5°C DISORDERLY:** Divergent Net Zero reaches net zero around 2050 but with higher costs due to divergent policies introduced across sectors leading to a quicker phase out of oil use.
- iii. **NGFS SCENARIO 3°C HOT HOUSE:** Current Policies assumes that only currently implemented policies are preserved, leading to high physical risks and failure to reach net zero.

Note that all climate-related data are sourced from MSCI. Coverage may differ by asset class and is provided as far as reasonably practicable. Datapoints with coverage of less than 60-70% may be less informative for understanding product risks and opportunities. The period of the data reflects the disclosure of metrics after the first year of producing a TCFD report.

	Portfolio	Coverage	Portfolio	Coverage	Benchmark	Coverage
Scenario: REMIND 1.5C Orderly Average	2022	2022	2023	2023	2023	2023
Transition Climate VaR - Policy	-23.98	96.95	-21.22	92.74	-13.73	97.58
Transition Climate VaR - Technology	8.82	96.95	3.21	92.74	2.60	97.58
Physical Climate VaR	-9.76	94.05	-1.69	92.74	-3.06	96.85
Aggregated Climate VaR	-24.92	96.95	-19.69	92.74	-14.20	97.58
Scenario: REMIND 1.5C Disorderly Aggressive						
Transition Climate VaR - Policy	-51.70	96.95	-25.00	92.74	-17.14	97.58
Transition Climate VaR - Technology	30.87	96.95	5.87	92.74	4.75	97.58
Physical Climate VaR	-12.06	94.05	-2.30	92.74	-4.45	96.85
Aggregated Climate VaR	-32.90	96.95	-21.43	92.74	-16.84	97.58
Scenario: REMIND 3.0C Hot House Aggressive						
Transition Climate VaR - Policy	-6.19	96.95	-3.87	92.74	-2.53	97.58
Transition Climate VaR - Technology	0.33	96.95	0.54	92.74	0.51	97.58
Physical Climate VaR	-12.06	94.05	-4.44	92.74	-8.17	96.85
Aggregated Climate VaR	-17.92	96.95	-7.77	92.74	-10.19	97.58

Source: MSCI

Benchmark: FTSE World Europe (Ex UK) Index

The aggregate Climate Value at Risk (CVaR) under the 1.5C Orderly Average scenario was greater than the benchmark, meaning it had more value at risk associated with policy risk, technology opportunities, and physical risks. The deviation in comparison with the benchmark is primarily due to a perceived greater 'Policy VaR' in this scenario, which in turn is driven by investments held in carbon intensive sectors such as materials, chemicals and energy. However, it is worth noting that 'Policy VaR' is calculated using a number of relatively subjective assumptions, including potential regulatory policy actions towards specific industries within specific territories. Further, this calculation is applied to a company's current asset base composition. The reality is that many companies are constantly undergoing portfolio change and so the geographical (and even industrial) make up of a company – and therefore its policy risk – is likely to be different in the future than calculated today.

## Glossary and Abbreviations

**CARBON FOOTPRINTING** refers to the calculation of the total greenhouse gas emissions caused by an individual, event, organization, service, or product expressed as a carbon dioxide equivalent.

**CLIMATE-RELATED OPPORTUNITY** refers to the potential positive impacts related to climate change on an organization. Efforts to mitigate and adapt to climate change can produce opportunities for organizations, such as through resource efficiency and cost savings, the adoption and utilization of low-emission energy sources, the development of new products and services, and building resilience along the supply chain. Climate-related opportunities will vary depending on the region, market, and industry in which an organization operates.

**CLIMATE-RELATED RISK** refers to the potential negative impacts of climate change on an organization. Physical risks emanating from climate change can be event-driven (acute) such as increased severity of extreme weather events (e.g., cyclones, droughts, floods, and fires). They can also relate to longer-term shifts (chronic) in precipitation and temperature and increased variability in weather patterns (e.g., sea level rise). Climate-related risks can also be associated with the transition to a lower-carbon global economy, the most common of which relate to policy and legal actions, technology changes, market responses, and reputational considerations.

**GOVERNANCE** refers to "the system by which an organization is directed and controlled in the interests of shareholders and other stakeholders."

### GREENHOUSE GAS (GHG) EMISSIONS SCOPE LEVELS

- Scope 1 refers to all direct GHG emissions.
- Scope 2 refers to indirect GHG emissions from consumption of purchased electricity, heat, or steam.
- Scope 3 refers to other indirect emissions not covered in Scope 2 that occur in the value chain of the reporting issuer, including both upstream and downstream emissions. Scope 3 emissions could include the extraction and production of purchased materials and fuels, transport-related activities in vehicles not owned or controlled by the reporting entity, electricity-related activities (e.g., transmission and distribution losses), outsourced activities, and waste disposal.

**NGFS** The Network for Greening the Financial System is a group of 91 central banks and supervisors and 14 observers committed to sharing best practices, contributing to the development of climate –and environment– related risk management in the financial sector and mobilising mainstream finance to support the transition toward a sustainable economy. NGFS have developed climate scenarios to provide a common starting point for analysing climate risks to the economy and financial system.

**RISK MANAGEMENT** refers to a set of processes that are carried out by an organization's board and management to support the achievement of the organization's objectives by addressing its risks and managing the combined potential impact of those risks.

**SCENARIO ANALYSIS** refers to a process for identifying and assessing a potential range of outcomes of future events under conditions of uncertainty. In the case of climate change, for example, scenarios allow an organization to explore and develop an understanding of how the physical and transition risks of climate change may impact its businesses, strategies, and financial performance over time. Each NGFS scenario used in this disclosure explores a different set of assumptions for how climate policy, emissions and temperatures evolve.

**STRATEGY** refers to an organization's desired future state. An organization's strategy establishes a foundation against which it can monitor and measure its progress in reaching that desired state. Strategy formulation generally involves establishing the purpose and scope of the organization's activities and the nature of its businesses, taking into account the risks and opportunities it faces and the environment in which it operates.

**TRANSITION PLAN** refers to an aspect of an organization's overall business strategy that lays out a set of targets and actions supporting its transition toward a low-carbon economy, including actions such as reducing its GHG emissions.

## Abbreviations

**CO2** Carbon dioxide

**CO2e** Carbon dioxide equivalent

**WACI** Weighted Average Carbon Intensity

**SASB** Sustainability Accounting Standards Board

**TCFD** Task Force on Climate-related Financial Disclosures

**CVaR** Climate Value at Risk

**EVIC** Enterprise Value Including Cash

**GHG** Greenhouse gas

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