

**REPRISK INDICATORS (RRI)**

As at 26th February	FSEF	S&P 500
Environmental	3.8	4.9
Social	9.3	12.3
Governance	10.6	11.2
<b>Total RRI</b>	<b>23.8</b>	<b>28.4</b>
1 month RRI Change	-1.7	-0.7

Peak 24 Month RRI	38	41
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RepRisk Rating (RRR)	BB	B
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**INNOVATION**

As at 26th February	FSEF	S&P 500
R&D as % of sales*	5.7%	4.8%
TTM Organic Growth"	-0.7%	n/a
Capital Impact™	0.51	0.18

**ENVIRONMENTAL\***

As at 26th February	FSEF	S&P 500
Waste tns/£m FCF	37	3,411
Hazard's Waste tns/£m FCF	3.7	24
Water m³/£m FCF	12,218	346,177
GHG/CO2 tns/£m FCF	210	3,083
Energy MWh/£m FCF	804	8,528

**SOCIAL\***

As at 26th February	FSEF	S&P 500
Women Executives	37%	18%
Women Directors	32%	27%

**GOVERNANCE\***

As at 26th February	FSEF	S&P 500
UN Global Compact Sign's.	41%	14%
Independent Directors	79%	85%

**LEAST REPRISK**

As at 26th February	RRI
Kone	0
IDEXX	0
Waters	0
Church & Dwight	1

**MOST REPRISK**

As at 26th February	RRI
Johnson & Johnson	51
PepsiCo	51
Microsoft	45
Starbucks	43

**PROXY VOTING**

12 Months ending 26th February	%
Proxies voted	100
Voted against an item	73
Voted against remuneration policy	64

**FEBRUARY 2021 COMMENTARY**

**Environmental**

- United Nations human rights experts have urged the Bangladesh government to stop construction on a tourism project that includes a Marriott International hotel in Bandarban. The project, on which the army started construction in September 2020, is alleged to require the eviction of about 10,000 people, threaten the traditional lands of the indigenous Mro community and pollute and harm the area's biodiversity. The army has also blocked the residents' access to lands for grazing and water.

**Social**

- ADP announced that it has achieved its 12<sup>th</sup> consecutive 100% score in the Human Rights Foundation's annual corporate equality index. The release reveals that among other training in 2020, 800 executives have undergone classes on unconscious bias.
- In its FY 2020 results, Johnson & Johnson (J&J) announced that it has set aside \$3.9bn in provisions for settlements and other expenses related to talc powder lawsuits. The company is still facing 25k lawsuits, of which it settled the most recent in December for \$120m. As discussed in the 2019 FSEF annual letter, these lawsuits are more a reflection of the US's litigious society rather than genuine fault by J&J.
- McKinsey agreed to pay a \$573m settlement for its role in the US's opioid crisis. McKinsey worked with the now-bankrupt Purdue Pharma to increase the sales of OxyContin despite the latter firm's guilty plea in 2007 to criminal charges for misleading physicians and regulators regarding the risks of the painkiller. McKinsey has reportedly also worked for other opioid manufacturers, including Johnson & Johnson, Endo International, and Mallinckrodt Pharmaceuticals.
- PepsiCo-owned Quaker Oats has released its new name and logo for Aunt Jemima products following criticism over its racist imagery. Aunt Jemima will be replaced with the Pearl Milling Company name and logo from June this year. The Pearl Milling Company is a late-19<sup>th</sup>-century business that created the original ready-made pancake mix

**Governance**

- The US Consumer Protection Agency investigated PayPal in February over allegations that its Venmo app uses unauthorised methods for money transfers and collections.

**Innovation**

- Johnson & Johnson (J&J) had their single-shot coronavirus vaccine approved by the US Food and Drug Administration (FDA). Trials found it prevented serious illness but was 66% effective overall when moderate cases were included. The UK, EU and Canada have already ordered doses, while the EU's regulator, the EMA, is expected to approve the drug in early March.

**LAST MONTH RRI CHANGE**

Biggest Decrease	Change	Biggest Increase	Change
Visa	-12	Starbucks	+7

- Starbucks' RepRisk Indicator increased by 7 in February due to the combination of a couple of negative news stories. Firstly, Starbucks was mentioned in a news article in Thailand, having sourced clothes from a factory where workers were not paid minimum wage. Secondly, a news article in Russia accused suppliers of Starbucks' and Nestlé's Nespresso of using child labour. Finally, in an article on the EU Commission announcing that it is trying to overturn the 2020 High Court Decision to dismiss an order requiring Apple to pay €1.3bn in Irish back taxes, Starbucks was mentioned as a case where the Commission was not successful.

\*Source: Bloomberg and company reports. Mean average numbers. The Environmental numbers presented above are a guide only as reporting is nascent with only c.50% of portfolio companies reporting comparable numbers. Where constituent numbers are not available these are estimated by Fundsmith LLP Research based upon nearest comparable sector numbers obtainable. "Organic Growth is the trailing twelve month, reported, weighted average sales growth excluding M&A and FX, pre Sept 2020 unweighted, last reported. Capital Impact™ is the Productive Asset Investment Ratio (capex/depreciation) multiplied by Return on Invested Capital (EBIT/invested capital) as last reported. The more productive the capital investment the higher the number. RepRisk Data is sourced from RepRisk ESG Business Intelligence [www.reprisk.com](http://www.reprisk.com). RepRisk Indicator (RRI) uses an algorithm to access the risk of reputational damage to companies from 28 ESG issues and a variety of specific and thematic "hot topics". E.g. Coral reef damage, human trafficking or threats to endangered species. 0-25 denotes low risk exposure, 26-49 medium risk exposure, 50-59 high risk exposure, 60-74 very high risk exposure and 75-100 extremely high risk exposure. We use the RRI to calculate our most/least sustainable portfolio firms. E, S and G scores are the weighted average percentage of the news stories about the related topic categories respectively. RRI change is how much the weighted average RRI score has changed in the last 30 days with best/ worst performer the largest movers. Peak RRI score is the highest weighted average RRI score in the last 2 years. RepRisk Rating (RRR) takes the RRI and combines it with the ratings of the countries/sectors it is involved in to calculate the rating, which is ranked AAA to D.