

**REPRISK INDICATORS (RRI)**

As at 31st January	FSEF	S&P 500
Environmental	3.9	5.1
Social	10.7	12.6
Governance	10.9	11.5
<b>Total RRI</b>	<b>25.5</b>	<b>29.1</b>
1 month RRI Change	-0.3	0.0

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

As at 31st January	FSEF	S&P 500
R&D as % of sales*	5.7%	4.8%
TTM Organic Growth"	-0.9%	n/a
Capital Impact™	0.55	0.19

**ENVIRONMENTAL\***

As at 31st January	FSEF	S&P 500
Waste tns/£m FCF	32	3,009
Hazard's Waste tns/£m FCF	3.8	49
Water m³/£m FCF	13,363	309,890
GHG/CO2 tns/£m FCF	217	2,741
Energy MWh/£m FCF	823	8,039

**SOCIAL\***

As at 31st January	FSEF	S&P 500
Women Executives	37%	18%
Women Directors	32%	27%

**GOVERNANCE\***

As at 31st January	FSEF	S&P 500
UN Global Compact Sign's.	41%	14%
Independent Directors	79%	85%

**LEAST REPRISK**

As at 31st January	RRI
Kone	0
IDEXX	0
Waters	0
Undisclosed Position	3

**MOST REPRISK**

As at 31st January	RRI
Johnson & Johnson	55
PepsiCo	50
Microsoft	49
Visa	48

**PROXY VOTING**

12 Months ending 31st January	%
Proxies voted	100
Voted against an item	73
Voted against remuneration policy	64

**JANUARY 2021 COMMENTARY**

**Environmental**

- Waters, in a recent presentation, updated investors on its progress to meeting its environmental and social goals:
  - GHG emissions have fallen by 35% compared to 2016
  - 27% of electricity usage is now renewable and/or low-carbon
  - Introduced a new supply chain sustainability program to align supplier code of conducts across key customers
  - Female participation at the VP-and-above level has increased to 33% in 2019 from 8% in 2015
- Estée Lauder's travel retail division has published its sustainability goals:
  - Achieve Net Zero carbon emissions for transportation to Travel Retail customers by the end of 2023
  - Achieve Net Zero carbon emissions for all Corporate Travel Retail Worldwide Business Air Travel by the end of 2023
  - Transition all Travel Retail Exclusive (TRES) paper cartons to responsibly sourced FSC-certified paper by 2025
  - Reduce plastic usage by removing plastic film-wrap from around Travel Retail Exclusive packaging by 2023
  - Incorporate sustainability practices in Travel Retail with a new store design and visual merchandising across all brands
  - Deploy sustainability practices across all Travel Retail office locations by the end of 2023
- PepsiCo has pledged to be carbon neutral by 2040 and to reduce absolute and Scope 3 emissions by 75% and 40% from 2015 levels by 2030 respectively.

**Social**

- Starbucks' now ex-CEO called for incoming president Biden to invest more in businesses owned by people of colour that have been hard hit by the virus. She did this during an announcement of the company's commitment to investing \$100m over the next 5 years in such ventures, particularly in the poor urban areas of Atlanta, Minneapolis and New Orleans. Starbucks has a target of employing at least 30% people of colour at all corporate levels and 40% in retail and manufacturing jobs by 2025.
- PepsiCo announced that it will work with the Inter-American Development Bank until at least 2026 on "programmes that will drive social and economic growth in Latin America and the Caribbean." Over the next 5 years PepsiCo and the PepsiCo Foundation plan is to invest \$6m in the programmes – which are related to "water access, inclusive recycling, sustainable agriculture, and economic recovery. All programs will pay special attention to women's empowerment."
- ADP has achieved its 12<sup>th</sup> consecutive perfect score in the Human Rights Foundation's annual corporate equality index. The release also states that among other training in 2020, 800 executives had undergone classes on unconscious bias.

**Innovation**

- Unilever and Alibaba have launched recycling machines featuring AI, which are able to identify and sort whatever waste is put through them. 20 such machines will be installed in offices and community spaces in Shanghai and Hangzhou by way of a pilot scheme and 500 more will be added in the course of 2021. The scheme is labelled "Waste Free World."
- Unilever's Vegetarian Butcher brand has expanded its partnership with Burger King to launch the plant-based Whopper (PBW) in Latin America, China and the Caribbean. The PBW is already available in 35 countries and will be launched nationally in China in Q2 of this year.
- Two engineers at Unilever have invented a factory production line that fits into a 40ft shipping container. Raw materials go in at one end and the finished product – bottled, capped and labelled – comes out at the other. The production line, which is fully digitised, will initially be used to produce Knorr bouillon.

**LAST MONTH RRI CHANGE**

Biggest Decrease	Change	Biggest Increase	Change
Marriott International	-13	Coloplast	+14

- In January Coloplast's RepRisk increased by 14 points after experts from Aalborg and Edinburgh universities accused several large Danish companies of greenwashing by purchasing Guarantees of Origin (GOO). GOO's are traded certificates used to document that enough renewable energy has been produced to offset the purchaser's consumed energy. They come under some criticism as they do not necessarily contribute to lowering carbon emissions as they do not replace existing fossil fuel operations with renewable ones. Coloplast uses GOO's as part of its commitment to have 100% of its electricity produced by renewable sources by 2019, but is planning to switch to power purchase agreements (PPAs) as part of its new 2025 strategy. PPAs are a way of buying renewable energy directly, rather than just offsetting fossil fuel emissions, which encourages the construction of a new renewable energy infrastructure.

\*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.