

Reprisk Indicators (RRI)

As at 31st October	FSEF	MSCI World
Environmental	4.4	5.0
Social	12.7	12.8
Governance	13.3	11.4
Total RRI	30.4	29.3
1 month RRI Change	+3.3	0.9
Peak 24 Month RRI	40	41
RepRisk Rating (RRR)	BB	BB

Innovation

As at 31st October	FSEF	MSCI World
R&D as % of sales*	7.1%	5.8%
TTM Organic Growth"	28.1%	n/a
Capital Impact™	0.35	0.12

Environmental*

As at 31st October	FSEF	MSCI World
Waste tns/£m FCF	23	1,128
Hazard's Waste tns/£m FCF	0.5	24
Water m³/£m FCF	1,540	42,891
GHG/CO2 tns/£m FCF	105	517
Energy MWh/£m FCF	318	2,227

Social*

As at 31st October	FSEF	MSCI World
Women Executives	26%	18%
Women Directors	36%	29%

Governance*

As at 31st October	FSEF	MSCI World
UN Global Compact Sign's.	40%	33%
Independent Directors	82%	70%

Least Reprisk

As at 31st October	RRI
IDEXX	0
Waters	0
Amadeus	6
ADP	17

Most Reprisk

As at 31st October	RRI
Johnson & Johnson	67
Undisclosed Holding	59
Unilever	55
Procter & Gamble	53

Proxy Voting

12 Months ending 31st October	%
Proxies voted	100
Voted against an item	79
Voted against remuneration policy	71

October 2021 commentary

Environmental

- ▶ PepsiCo's fruit juice business in South Africa, Ceres, has made the point that the small plastic straws that come with juice cartons are too lightweight to make it through mechanical recycling sorters, making them very difficult to recycle. As a solution, Ceres has removed the plastic straws altogether and is replacing them with an eco-friendly equivalent.
- ▶ An article in Nature has looked at Microsoft's efforts to remove carbon from the environment. Microsoft is the largest contributor to the Fund's weighted average greenhouse gas emissions due to the size of the company and its large position. However:
 - ▶ Microsoft have set up a \$1bn fund to invest in carbon reduction and removal technologies. The company's aim is to be carbon negative by 2030 and, by 2050, to remove all of its emissions since it was founded in 1975.
 - ▶ Microsoft has asked for proposals for carbon removal technologies and received 189 submissions. Roughly one-fifth of proposals focused on avoiding new emissions and not withdrawing CO₂ from the atmosphere as requested and most of the removal proposals were for nature-based carbon storage such as planting trees, which store carbon only until the tree dies and starts to rot or is released by a forest fire.
 - ▶ One proposal in which Microsoft did invest was from Swiss firm Climeworks. The company proposed operating a machine in Iceland that pulls CO₂ from the air and injects it into the ground, where it is mineralised. The amount of CO₂ to be removed by the Climeworks project per year is equivalent to about 11% of the annual emissions from Microsoft's supply chain.
 - ▶ Microsoft is developing technology for measuring soil carbon in agricultural fields and software to count trees via satellite imagery.
 - ▶ Microsoft has committed to cut the water used in its thirsty data centres by 95% before 2024. A typical data centre uses 3-5m gallons of water a day, as much as a city of 30,000 people.
- ▶ Novo Nordisk is going to open a CO₂ research centre at the University of Aarhus later this year focusing on ways to capture, store and recycle CO₂. The foundation says research will centre on using microbes and electrochemistry to turn the greenhouse gas into components for fuel and plastic.
- ▶ Colgate, PepsiCo and L'Oréal were all top performers in Bloomberg's circular economy rankings (how effective these companies are at recycling and reusing materials and products) with scores of over 70%. Unilever and Procter & Gamble also scored well, with results above 60%. The average company score was 48%.

Social

- ▶ The Anti-Defamation League and L'Oréal USA are collaborating on an education initiative designed to raise awareness and understanding of the Holocaust among thousands of students in American classrooms.
- ▶ In Canada, Home Depot has launched TradeWorx with an initial CAD\$1m grant going towards training and helping 100 young people who have experienced homelessness. Since 2017, Home Depot has committed more than \$45m to organisations working to improve social equality.
- ▶ Following requests from employees and shareholders, Microsoft has commissioned a law firm to "identify, understand, assess and address actual or potential adverse human rights impacts of the company's products and services and business relationships with regard to law enforcement, immigration enforcement and other government contracts".

Last Month RRI Change

Biggest Decrease	Biggest Increase
Home Depot -7	Starbucks +15

Starbucks' RRI increased by 15 in October due to accusations of greenwashing and poor working conditions in South Korea. The company was criticised in the local press for misrepresenting its multi-use cups as environmentally friendly. The plastic cups were distributed as part of Starbucks' global 'Reusable Cup Day' and allegedly ended up in landfill as the cups were re-produced for every marketing event. Starbucks' staff in South Korea have staged protests due to heavy workloads caused by understaffing and frequent merchandise launches or promotional events. Workers have also complained about inadequate break areas, claiming they eat their lunches besides cleaning equipment.

*Source: Bloomberg and company reports. Weighted average numbers. The Environmental numbers presented above are a guide only as reporting is nascent with only c.75% 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 and scaling for company's assets. "Organic Growth" is the trailing twelve month, reported average sales growth excluding M&A and FX, using last reported numbers. 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. 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.