

RepRisk Indicators (RRI)

As at 31st January	FSEF	S&P 500
Environmental	3.4	4.1
Social	9.4	10.2
Governance	10.0	13.8
Total RRI	22.9	28.2
1 month RRI Change	-1	-2

Peak 24 Month RRI	36	41
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RepRisk Rating (RRR)	BBB	BB
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Innovation

As at 31st January	FSEF	S&P 500
R&D as % of sales*	6.6%	4.3%
Organic Growth [†]	4.9%	n/a
Capital Impact [‡]	0.27	0.15

Environmental*

As at 31st January	FSEF	S&P 500
Waste tns/£m FCF	18.5	91.5
Hazard's Waste tns/£m FCF	1.1	5.2
Water m ³ /£m FCF	1,572	8,402
GHG/CO2 tns/£m FCF	134	1,151
Energy MWh/£m FCF	0.6	2.2

Social*

As at 31st January	FSEF	S&P 500
Women executives	17%	14%
Women directors	26%	20%

Governance*

As at 31st January	FSEF	S&P 500
UN Global Compact Sign's.	42%	11%
Independent Directors	82%	89%

Least RepRisk

As at 31st January	RRI
IDEXX	0
Intertek	0
Waters	0
Sage	4

Most RepRisk

As at 31st January	RRI
Nestle	57
Johnson & Johnson	56
PepsiCo	50
Microsoft	49

Proxy Voting

Last Twelve Months	%
Proxies voted	90
Voted against an item	84
Voted against remuneration policy	79

January Commentary

Environmental

- Newsweek's "green rankings" for 2017 has seen Visa move up 170 spots to #73. Among progress that Visa has made, 57% of its corporate real estate portfolio has achieved LEED certification, their landfill diversion rate has increased to 76% and 'emissions per dollar' of revenue have reduced 46% since 2009. The company also touts its transparency through 'quantitative and qualitative' responses to the CDP Climate Change questionnaire.
- 2,000 palm oil farmers gathered together this month in Kuala Lumpur to protest the EU's plan to remove palm oil from its list of designated renewable fuels, on the grounds that it drives deforestation and the draining of wetlands, "...making biodiesel from palm oil three times worse for the climate than fossil diesel', according to a Brussels lobby group. Meanwhile the farmers in Malaysia say that this isn't true and that 'the only motive.....is that they want to put Malaysian smallholders back in poverty'.
- L'Oreal has said that in Canada the company will start buying natural gas from the City of Saint-Hyacinthe's new biomethanation plant (using microbes to produce methane under anaerobic respiration). L'Oreal says switching to this renewable source of natural gas will reduce its greenhouse gas emissions by 2,100 tonnes per year.

Social

- ADP has noted that 4 American states have passed laws that restrict employers from making inquiries into a job applicant's pay history - on the grounds that this history might reflect the discriminatory pay practices of a previous employer.
- Staying with ADP it also noted that it ranked in the top 10 of the Fortune 500 Top 100 Employment Brands (vs. 65th last year). ADP noted, as it would, that it received perfect scores in corporate social responsibility and recruitment initiatives.
- A New York Times article titled "Can Your Hip Replacement Kill You?" described how medical device implants manufactured by companies such as Johnson & Johnson (J&J), Medtronic, and others have been linked to the growing number of medically-related fatalities in the US. For instance, J&J's Pinnacle hip implants have been the subject of more than 9,000 lawsuits. The product has also been linked to a \$247m fine for J&J in November 2017 for alleged harms as well as for J&J's failure to warn about the product's dangers. Meanwhile, critics such as the National Academy of Medicine have also highlighted alleged loopholes in the Food and Drug Administration's approval of these high-risk devices. They claim that companies exploit these loopholes, which enables them to sell the devices without proper testing.

Governance

- Eight banks have filed a lawsuit in New Jersey, against eight executives of Transmar Group, a cocoa supplier to Hershey and Nestle, for fraud. Allegedly, the executives have defrauded the banks of \$360m in credit lines after one of the company's units filed for bankruptcy in 2016.
- A lawsuit has also been filed in New York's Supreme Court against companies, including Purdue and J&J, for complicity in the opioid epidemic in the US. According to the Mayor of New York, the companies oversupplied the market with the drug, while misrepresenting its safety. Other companies included in the lawsuit are Endo International together with distributors such as McKesson, Cardinal Health and AmerisourceBergen. Reportedly, the lawsuit seeks \$500m for the fight against the opioid epidemic.

Innovation

- L'Oreal put out a press release saying it 'advances its commitment to promoting sun safety with La Roche-Posay UV Sense, the first battery-free wearable electronic UV sensor'. L'Oreal introduced a product in 2016 called My UV Patch which has allegedly had a positive impact on consumer behavior with 34% of users applying sun screen more often and 37% trying to stay in the shade more frequently. The new device is 9mm in diameter and 2mm thick, and is designed to be worn on the thumbnail. It can store up to 3 months of data and comes with an app which translates the data from the sensor onto your phone.

Last Month RRI Change

Best Performer	Change	Worst Performer	Change
Unilever	-13	Reckitt Benckiser	+8

- The Supreme Court in South Korea has sentenced former top executives at some Korean humidifier disinfectants manufacturers and retailers to prison for negligence, which included Reckitt Benckiser. Reckitt's Oxy disinfectant, a Korean brand they bought in 2001, used polyhexamethylene guanidine (PHMG) in its disinfectants until 2011 when the Korea Centres for Disease Control and Prevention published a report showing a link between the compound and lung damage and deaths. According to Korean prosecutors, inhalation of the Oxy disinfectant affected 177 people and killed 70 of them.

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.

*Source: Bloomberg. Median numbers except R&D as % of sales which is a mean.

[†]Organic Growth is the mean sales growth excluding M&A and FX.

[‡]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

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2017	-	-	-	-	-	-	-	-	21.7	23.3	21.8	23.7
2018	22.9											

Data/factsheets prior to Nov 2017 relate to the Comic Relief Segregated Account