

RepRisk Indicators (RRI)

As at 30th September	FSEF	S&P 500
Environmental	2.3	4.5
Social	9.1	10.0
Governance	10.3	15.0
Total RRI	21.7	29.5
1 month RRI Change	-2	-2

Peak RRI	36	43
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RepRisk Rating (RRR)	BBB	BB
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Innovation

As at 30th September	FSEF	S&P 500
R&D as % of sales*	7.4%	4.3%
Organic Growth"	4.9%	n/a
Capital Impact™	0.39	0.15

Environmental*

As at 30th September	FSEF	S&P 500
Waste tns/£m FCF	13	83
Hazard's Waste tns/£m FCF	0.7	3.5
Water m³/£m FCF	1,176	8,130
GHG/CO2 tns/£m FCF	107	1,061
Energy MWh/£m FCF	0.4	2.1

Social*

As at 30th September	FSEF	S&P 500
Women executives	17%	14%
Women directors	29%	20%

Governance*

As at 30th September	FSEF	S&P 500
UN Global Compact Sign's.	39%	10%
Independent Directors	80%	89%

Least RepRisk

As at 30th September	RRI
CR Bard	0
IDEXX	0
Intertek	0
Waters	0

Most RepRisk

As at 30th September	RRI
Nestle	56
Microsoft	53
InterContinental Hotels	43
Johnson & Johnson	42

Proxy Voting

YTD 2017	%
Proxies voted	90
Voted against an item	84
Voted against remuneration policy	79

RepRisk Data is sourced from RepRisk ESG Business Intelligence www.reprisk.com. RepRisk Indicator (RRI) uses an algorithm to assess 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			

September Commentary

Environmental

- The Ceres Company Network, who are the advocacy group behind the Global Reporting Initiative (GRI), has ranked food companies based on their commitment to water conservation. Nestle scored the highest with 82 points out of a possible 100. The lowest ranked packaged food company was Kraft Heinz with a score of 9.
- Pepsi in its recent Sustainability Report announced that it is 25% of the way towards its 2025 water replenishment target with 2.7bn litres locally replenished in high risk watershed areas. The company also said that it has engaged with farmers who grow 34% of its crops directly.
- The residents of Ewart and Flint in Michigan, US have criticized Nestlé and Nestlé Waters for pumping millions of gallons of water from the state for only \$200 per year. The companies, which plan to apply for a permit to increase its water bottling operations to 60%, reportedly pumps around 100,000 times what an average Michigan resident uses. Meanwhile, residents of Flint, who are paying one of the highest water rates in the US, are facing a water crisis due to the lead-contamination of their tap water which has resulted in illnesses and even deaths among the residents. Contrary to the company's claims that it promotes sustainable water practices in its operations, environmentalists have alleged that Nestle has failed to address plastic pollution as a result of its water bottling.

Social

- Nestlé has a new ad campaign out for Nespresso. The ads feature Humberto, Esteban and Luis, 3 Colombian coffee farmers, who use their 10 seconds of fame to extol the virtues of sustainably sourced coffee.
- 27% of Pepsi's sales now come from the company's reduced sugar/fat/sodium/better for you so-called Everyday Nutrition portfolio.
- Bloomberg quotes Laurent Freixe, the Nestlé Vice President responsible for the Americas, as saying that the company's job training programme aims to help 10m young people find jobs by 2030. Laurent said "we have factories in rural and industrial areas and we can provide jobs in head offices or retail offices... through our more than 100k business partners we can help them join culinary careers, expose them to work in advertising, banking, distribution, logistics, and packaging."

Governance

- Pepsi has announced that it has replaced the Global Reporting Initiative report on its website with the "A-Z topics", which can be found on pepsico.com.
- The Institute of Directors has published its 2017 Good Governance Report. In the report Diageo was the best governed large public company in the UK. InterContinental Hotels was ranked 9th, Unilever 15th, Sage 33rd, Intertek 58th and Reckitt Benckiser 92nd. The institute said scores for each company are based on 47 "governance indicators" which cover 5 broad categories: board effectiveness, audit and risk, remuneration and reward, shareholder relations, and stakeholder relations.
- The French tax authorities are seeking 600m EUR in unpaid taxes from Microsoft's French subsidiary. The company has been accused of billing French customers for services related to Internet advertising and searches through its subsidiary in Ireland, resulting in no revenue going to France for those transactions. In a similar case against Google France, the French court found in favour of the company, but the authorities are appealing the ruling.
- Amadeus released its executive compensation report for FY 2016, which is unchanged from FY 2015. Bonuses for executive management are tied to 3 equally weighted metrics: revenue growth, EBITDA growth and adjusted EPS. The long term incentive plan award, which is in the form of a performance share plan that vests in 3 year cycles, is determined by growth in adjusted EPS (60% weighting) and relative total shareholder return (40%) weighting. We voted against it.

September RRI Change

Best Performer	Change	Worst Performer	Change
Reckitt Benckiser	-16	L'Oreal	+6

- A former employee of Shanghai Lily & Beauty Cosmetics, which is a manager for e-commerce websites for L'Oréal, Max Factor and others in China, has been indicted for stealing and selling customer's personal information. L'Oréal's Greek subsidiary has also been fined 2.6m euros (4th largest fine) by the competition commission. It was fined along with 5 other cosmetic companies operating in Greece for cartel pricing practices after Notos Com Holdings blew the whistle. Notos presented evidence that also incriminated themselves and they were given the 2nd largest fine (4.1m euros).