

REPRISK INDICATORS (RRI)

As at 31st May	FSEF	S&P 500
Environmental	3.4	4.8
Social	8.4	12.7
Governance	11.0	11.3
Total RRI	22.9	28.8
1 month RRI Change	-1.9	-0.5

Peak 24 Month RRI	35	41
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RepRisk Rating (RRR)	BBB	BB
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INNOVATION

As at 31st May	FSEF	S&P 500
R&D as % of sales*	5.6%	4.6%
Organic Growth*	6.9%	n/a
Capital Impact™	0.59	0.21

ENVIRONMENTAL*

As at 31st May	FSEF	S&P 500
Waste tns/£m FCF	10	2,382
Hazard's Waste tns/£m FCF	0.6	47
Water m³/£m FCF	2,951	352,345
GHG/CO2 tns/£m FCF	206	6,463
Energy MWh/£m FCF	461	44,225

SOCIAL*

As at 31st May	FSEF	S&P 500
Women Executives	32%	18%
Women Directors	32%	26%

GOVERNANCE*

As at 31st May	FSEF	S&P 500
UN Global Compact Sign's.	41%	14%
Independent Directors	78%	85%

LEAST REPRISK

As at 31st May	RRI
ADP	0
IDEXX	0
Intuit	0
Sage	0

MOST REPRISK

As at 31st May	RRI
Johnson & Johnson	60
Microsoft	57
Starbucks	42
Unilever	39

PROXY VOTING

12 Months ending 31st May	%
Proxies voted	100
Voted against an item	75
Voted against remuneration policy	63

*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 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 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.

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	21.6	22.1	21.2	19.5	20.3	21.8	19.9	18.7	21.6	20.0	20.1
2019	19.1	20.1	20.5	21.4	21.3	21.8	20.9	21.8	22.5	23.3	23.4	21.9
2020	23.7	24.1	24.9	24.8	22.9							

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

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MAY 2020 COMMENTARY

Environmental

- Estée Lauder has recalled all shades of its Light Shifter Brightening Concealer in the US because a "brownish-black material identified as a common household mould was found on the sponge-tip applicator of some units."

Social

- The attorney general of West Virginia announced that Johnson & Johnson has agreed to pay £3.9m to settle a lawsuit filed by the state, claiming J&J deceptively marketed its vaginal mesh and hip replacement products.
- Unilever issued a press release on "ways of measuring social impact" which quotes one of its senior global sustainability managers saying "we have to acknowledge that there's no universally agreed way of measuring companies' social impact. And the approaches that do exist are often very labour intensive and hard to implement." Among its "lessons for the future" however, are two seemingly contradictory plans: "examine bespoke social indicators for specific interventions" and "encourage the standardisation of measurement tools, indicators and benchmarks."
- Reckitt Benckiser is donating £1m to the International Rescue Committee's COVID-19 projects.
- Novo Nordisk has launched a new social responsibility strategy called "Defeat Diabetes", which involves actions such as reducing the prices for some insulins, donating medicines and supporting charities. One in every 11 people in the world currently has diabetes and this is expected to increase to one in 9 by 2045. The company's specific actions are as follows:
 - Reducing the ceiling price of human insulin from \$4 to \$3 per vial in 76 low and middle-income countries.
 - Donating Kr.15m to the Red Cross and Kr.20m worth of insulin to a group of organisations over the next 6 months.
 - The company has already donated medicines to 25,000 children in low-income countries under a programme called Changing Diabetes in Children. They now plan to help another 75,000 children by 2030.
 - They have also noted that some of their previously announced programmes are now part of the Defeat Diabetes strategy, including a programme to prevent childhood obesity in Mexico and Colombia and a programme that provides a 90-day supply of insulin to patients who lost their insurance coverage due to job cuts during the coronavirus pandemic.
- The Centres for Medicare and Medicaid Services (CMS) announced its collaboration with Novo Nordisk, Eli Lilly, and Sanofi to cap the co-pay cost for a patient's monthly supply of insulin during the coverage gap period at \$35. CMS estimated that the co-pay cap would mean the three manufacturers end up providing discounts worth around \$250m over the next 5 years.

Coronavirus

- Visa's CEO declared in a LinkedIn post that most of the company's employees would continue to work from home until the end of the year. He said, "It simply seems wrong for Visa employees to be crowding transit systems and roads when we have the flexibility for full business continuity while working from home. Those who have to get to their place of work to receive a pay check should have priority use of socially distanced transit."

LAST MONTH RRI CHANGE

Biggest Decrease	Change	Biggest Increase	Change
Marriott International	-13	Johnson & Johnson	+7

- Johnson & Johnson's RepRisk score increased in May as a result of the West Virginia lawsuit mentioned above and because of its decision to stop selling its talc-based baby powder in the US and Canada. This comes after a decline in demand due to safety concerns. The company will continue to sell corn-starch-based baby powder, which makes up 75% of sales. Imerys, which supplies J&J with talc, agreed to sell its North American units to settle more than 14,000 lawsuits against the company. J&J is also facing ~20,000 lawsuits over allegations that its talc-based baby powder caused ovarian cancer and other illnesses. The culpability of the company in these cases is somewhat questionable. We discuss this topic in more detail in the 2019 FSEF annual letter. J&J will continue to sell talcum-based baby powder outside the US where it accounts for ~75% of sales and "where there's significantly higher demand, and where consumers are not confused by misleading litigation advertising."