

## RepRisk Indicators (RRI)

As at 31st October	FSEF	S&P 500
Environmental	2.9	4.3
Social	9.6	9.6
Governance	10.9	14.5
<b>Total RRI</b>	<b>23.4</b>	<b>28.4</b>
1 month RRI Change	-2	-3

Peak RRI	37	43
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RepRisk Rating (RRR)	BBB	BB
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## Innovation

As at 31st October	FSEF	S&P 500
R&D as % of sales*	6.3%	4.3%
Organic Growth**	4.9%	n/a
Capital Impact™	0.27	0.15

## Environmental\*

As at 31st October	FSEF	S&P 500
Waste tns/£m FCF	24	78
Hazard's Waste tns/£m FCF	0.9	3.4
Water m³/£m FCF	2214	8275
GHG/CO2 tns/£m FCF	175	959
Energy MWh/£m FCF	0.5	2.1

## Social\*

As at 31st October	FSEF	S&P 500
Women executives	19%	14%
Women directors	28%	20%

## Governance\*

As at 31st October	FSEF	S&P 500
UN Global Compact Sign's.	39%	10%
Independent Directors	83%	89%

## Least RepRisk

As at 31st October	RRI
CR Bard	0
IDEXX	0
Intertek	0
Waters	0

## Most RepRisk

As at 31st October	RRI
Nestle	54
Unilever	49
Johnson & Johnson	46
Microsoft	42

## Proxy Voting

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

All data pertains to the Comic Relief segregated account.

## Pro Forma Sustainability Factsheet

### Environmental

- Microsoft has signed an agreement with General Electric (GE) to purchase all of the energy generated by their new wind farm in Country Kerry, Ireland. Each of the wind turbines on the new wind farm has an integrated battery. As part of the agreement Microsoft will help GE research how these batteries can be used for "smoothing out peaks and valleys" in wind energy in order to provide a more predictable supply of energy to customers.
- The residents of Evart and Flint in Michigan, US have criticised 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 their water bottling operations by 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 residents. Contrary to Nestlé's claims that it promotes sustainable water practices in its operations, environmentalists have alleged that Nestlé has failed to address plastic pollution as a result of its water bottling.

### Social

- PayPal has announced that 45% of the directors on its board are women or from ethnic backgrounds, up from 20% at the start of the year. The number of female vice presidents at PayPal has also increased by 20%. The company has also announced 100% pay equity by gender worldwide and additionally 100% pay equity by ethnicity in the United States.

### Governance

- We voted against Pershing Square's attempt to vote its activist fund manager, Bill Ackman, to ADP's board along with two other proposed directors. Ackman initially wanted 5 board seats and implied he wanted to remove ADP's CEO Carlos Rodriguez.
- Ackman argued, in 168 slides, that ADP could significantly improve its operating margin if they followed his plan. This plan included firing support staff in the Employer Services segment to transform it into a "pure-play SaaS" business, cut spending on legacy software and further consolidate ADP's back-office functions. Ackman said that this was needed as ADP was "underperforming its potential," and Employer Services growth was slowing and margins were "vastly below their potential," which meant ADP was losing market share to mid-market competitors.
- ADP disagreed with Ackman's accusations saying "we strongly disagree with many of the assertions made by Mr. Ackman in today's presentation, which betrays a fundamental lack of understanding of the current state of ADP's business and strategy. He presented nothing that has not previously been analysed by the Board and management." They also highlighted Ackman's previous record for shareholder returns at Valeant (-94%), JC Penney (-57%), Borders (-99%) and Target (-42%) and that Ackman has no human capital management experience. Nor did his other two proposed directors. ADP accused Ackman of not fundamentally understanding what makes ADP successful at attracting new customers and prevents other companies from competing against it. ADP argues that the failure to understand its business would put the company's recent successful performance (6-year revenue CAGR of 7%) at risk. Ackman also disingenuously stated his ownership of ADP at 8.3%, when in reality he can only vote 2% of the share capital at the AGM. The remaining 6.3% is potential exposure from call options, which gives him the right to buy more shares, assuming he won his proxy battle.
- To support ADP we met with management and sent a letter to proxy voting service ISS to explain our views that Ackman's proposals were not in the best interests of ADP's long-term shareholders.

### Innovation

- 3M has developed a new reflective material, the 5410 Diamond Mesh Trim, which is used by, for example, people doing roadworks at night, and was described as a "revolutionary leap in performance and design." The material is said to have been developed with "patent pending cut-and-spread technology" that eliminates material waste in production. This means they have created a reflective trim for high visibility jackets that is lower cost and more resource efficient.

### October RRI Change

Best Performer	Change	Worst Performer	Change
Microsoft	-13	Kone	+21

- According to news outlet Mirror Media, the Republic of China Elevator Association is suspected to have "played a lead role" in the systematic falsification of maintenance records for elevators and escalators across metro stations in the Greater Taipei area in Taiwan. This has potentially affected 1,130 elevators, which service about 2m commuters every day. It was exposed earlier this year that Kone Elevators Taiwan (KET) had hired unqualified elevator maintenance personnel and falsified records for lackluster maintenance work, which led to an investigation by district prosecutors and the suspension of KET's business in Taiwan for one year.

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.

\*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		

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