

Sector Exclusion Policy

Contents

| | |
|------------------|---|
| Introduction | 1 |
| Sector screening | 2 |

Introduction

At Fundsmith, integrating the assessment of environmental, social, and governance (“ESG”) impacts is an essential component of our investment process.

As a long-term investor with an ideal holding period of forever, we aim to invest in good companies with business models that can be sustained over the long term. Therefore, when building the investable universes (“IU”) for all our funds, we exclude companies with excessive exposure to ESG risks as this can materially impact company performance over the long term.

We exclude any company involved in the production, sales or distribution of controversial weapons from all of our funds’ investable universes. Controversial weapons include anti-personnel mines, cluster munitions, chemical and biological weapons, white phosphorus, depleted uranium weapons, and nuclear weapons.

Fundsmith complies with all applicable sanction laws and regulations, including those imposed by the UN, US, UK, and EU, and maintains appropriate systems and controls to reduce or eliminate the risk of dealing with sanctioned countries, individuals, or entities. As part of this we exclude any company operating, domiciled or listed within, or those generating substantial¹ revenue from, any country identified by the United Nations Security Council’s Sanctions² and those high-risk jurisdictions subject to a ‘Call for Action’, as identified by the Financial Action Task Force³. Companies within the investable universe of all our fund offerings are subject to screening against relevant sanctions regimes prior to investment to ensure compliance.

The investable universe for the Fundsmith Sustainable Equity Fund (“FSEF”) is a subset of the universe of “good companies” that constitute the Fundsmith Equity Fund IU. The FSEF IU is created by adding additional hurdles to entry that that FEF’s good companies must pass before being admitted. These additional criteria are in place to hold the companies in the FSEF IU to a higher standard. We achieve this by applying two exclusionary, or “negative”, screens over the Fundsmith Equity Fund IU. This document details the first of those screens, our Sector Exclusion Policy. Our second ‘net negative impact’ screen is discussed in detail in our Responsible Investment Policy, which is available [here](#).

¹Greater than 5% of revenue

²<https://www.un.org/securitycouncil/sanctions/information>

³<https://www.fatf-gafi.org/home/>

Sector Exclusions

This screen excludes any company from the Fundsmith Sustainable Equity Fund IU if they are classified by MSCI's Global Industry Classification Standard ("GICS") as operating within or generating a substantial proportion of revenue directly from the GICS industries and sub-industries listed below.


The GICS classification provides an independent and objective assessment of a company's overall business model. However, we often find industry classifications to be a poor indicator of a company's actual business activities as these descriptions often over-simplify and group together very diverse business models. Therefore, we also exclude companies that generate a substantial proportion of their revenues from any of the following industries even if they aren't classified as within them by GICS. For example, Louis Vuitton Moet Hennessy (LVMH) is classified as a company within the Textiles, Apparel & Luxury Goods industry but generates almost 10% of its revenues from wines and spirits and as such is excluded from the investable universe.

The GICS industries excluded from the Fundsmith Sustainable Equity Fund's IU are classified as the following (GICS classification code in brackets):

- Aerospace and Defence (201010)
- Metals and Mining (151040)
- Oil, Gas and Consumable Fuels (101020)
- Tobacco⁴ (302030)
- Gas Utilities (551020)
- Electric Utilities (551010)

And GICS sub-industries:

- Brewers (30201010)
- Distillers & Vintners (30201020)
- Casinos and Gaming (25301010)



The Fund also excludes any company that makes a substantial proportion of its revenue or has a substantial interest in pornography.

We exclude the listed industries as they typically have a significantly negative impact on the environment and/or society and we feel they do not belong in a fund labelled as 'sustainable'.

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