

Fundsmith Stewardship Fund Sustainability Screening

Sector Exclusion Policy

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Introduction

At Fundsmith, integrating the assessment of sustainability-related performance 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 investible universes (“IU”) for all our funds, we exclude companies with excessive exposure to sustainability-related risks as this can materially impact company performance over the long term.

At the Firm level, we exclude any company involved in the production, sales or distribution of controversial weapons. We also exclude any company that has their primary listing in, or who generates a substantial¹ proportion of their profits from, a country identified by and specified in the UN Security Council’s Sanctions², and high-risk jurisdictions subject to a ‘Call for Action’ by the Financial Action Task Force³.

The investible universe for the Fundsmith Stewardship Fund (FSF) is created from the universes of ‘good companies’ that underly the Fundsmith Equity Fund (FEF) and Smithson Equity Fund (SEF). The companies within the FEF and SEF investible universes must pass additional sustainability-related hurdles before being admitted to the FSF IU. These additional criteria are in place to hold the companies in the FSF IU to a higher standard of sustainability. We achieve this by applying two exclusionary, or “negative”, screens over the two investible universes. 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](#).

The Fund does not have a UK sustainable investment label as it does not have a sustainability goal. Sustainable investment labels help investors find products that have a specific sustainability goal.

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 Stewardship Fund IU if they are classified by MSCI's Global Industry Classification Standard (GICS) as operating within or generating a substantial proportion¹ 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 any company that derives a substantial proportion of their revenues from the products and services provided by the following industries, even if they aren't classified as within them by GICS. For example, Louis Vuitton Moët 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. As such, it is excluded from the investible universe.

The GICS industries excluded from the Fundsmith Stewardship 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)
- Tobacco² (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.

¹Greater than 5% of revenue

²Including tobacco-supporting products

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