

Fundsmith Equity Fund

Sustainability Report 2025

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This report is published in accordance with the Financial Conduct Authority's (FCA) Sustainability Disclosure Requirements (SDR), namely the requirements detailed in 'ESG 5.4' and 'ESG 5.5' of the FCA's Environmental, Social, and Governance sourcebook.

Sustainability Approach

The Fund aims to be a long-term investor in high quality businesses. In assessing whether a business is high quality, one of those qualities looked for (amongst others) is being able to sustain a high return on capital employed. When assessing this quality, a business's sustainability characteristics (alongside other factors) are assessed, as the risks and opportunities resulting from these may materially influence a business's ability to sustain high returns over the long term and, consequently, its perceived investment potential.

The Fund will not invest in businesses whose sustainability characteristics pose a material and unmitigated risk to the business's ability to sustain high returns over the Fund's investment time horizon.

The assessment of a business's exposure to environmental or social risks is non-prescriptive and intended to be holistic, accounting for the specific context of the business being assessed. A range of qualitative and quantitative data is used as part of the assessment, collected from public sources and via direct engagement with the company.

To ensure that the Fund's investment process is adhered to on an ongoing basis, Fundsmith operates a comprehensive, quantitative screening process which analyses the financial results of potential investments and the potential risks it may be exposed to resulting from its operations. As part of the due diligence process, the long-term sustainability of the business is considered in detail. As a long-term investor, Fundsmith approaches environmental, social and governance matters in the widest possible sense, considering all factors that may affect an investee company's ability to sustain returns for the long term.

These processes identify potential investee companies which may meet the Fund's investment criteria. Further research and due diligence is undertaken to determine whether or not the stock is suitable for the portfolio. Only a small percentage of the investment universe meets the Fund's criteria.

As a result, the Company's investment portfolio is concentrated, generally comprising between 20 and 30 stocks.

Following investment, Fundsmith continually monitors the Fund's investee businesses to ensure they remain aligned with the Fund's investment criteria.

Further Information

Further information on the Fund's sustainability framework can be found in the Fund's [Prospectus](#) and in the [Responsible Investment Policy](#). Fundsmith publishes an [Annual Sustainability Summary](#) for the Fund which provides detail on the metrics Fundsmith considers to be relevant to its investee companies. The Fund's product-level [Task Force on Climate-related Financial Disclosures \(TCFD\) Report](#), which contains the Fund's climate-related reporting, is also available on the website.

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