

ANNEX IV

Template periodic disclosure for the financial products referred to in Article 8, paragraphs 1, 2 and 2a, of Regulation (EU) 2019/2088 and Article 6, first paragraph, of Regulation (EU) 2020/852

Sustainable investment

means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

The **EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/852, establishing a list of **environmentally sustainable economic activities**. That Regulation does not lay down a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.



Sustainability indicators measure how the environmental or social characteristics promoted by the financial product are attained.

Product name: Fundsmith SICAV – Fundsmith Equity Fund

Legal entity identifier: 5493007LIDK72VIBC263

Environmental and/or social characteristics

Did this financial product have a sustainable investment objective?



Yes



No



It made **sustainable investments with an environmental objective:** ____%



in economic activities that qualify as environmentally sustainable under the EU Taxonomy



in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy



It made **sustainable investments with a social objective:** ____%



It **promoted Environmental/Social (E/S) characteristics** and while it did not have as its objective a sustainable investment, it had a proportion of ____% of sustainable investments



with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy



with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy



with a social objective



It promoted E/S characteristics, but did **not make any sustainable investments**

To what extent were the environmental and/or social characteristics promoted by this financial product met?

This Sub-fund promoted environmental and social characteristics by investing in high quality business with good governance practices. These businesses have demonstrated low exposure to sustainability risks as a result of their high quality and the Sub-fund performed significantly better than expected. The Investment Manager uses exclusions, ESG integration and active ownership as part of the Sub-fund's investment process to help achieve and maintain these characteristics.

Exclusions are used to prevent investment in companies with any exposure to controversial weapons or controversial jurisdictions, substantial exposure to fossil fuel extraction,

refinement, and/or combustion, and those with substantial exposure to mining. Substantial exposure is quantified as generating more than 5% of revenue from the listed activities.

The Sub-fund's underlying investments resulted in a portfolio with a significantly lower environmental footprint (measured by total waste generated, hazardous waste generated, water usage, energy consumption, and greenhouse gas emissions) compared to the average company, which the Investment Manager represented by using the weighted average of the MSCI World Index for the chosen metrics. This index does not take into account the environmental and social characteristics promoted by the Sub-fund and was chosen for comparison purposes.

The Sub-fund's underlying investments also reduced the negative E/S impacts the investments have and generated positive impacts through the allocation of capital to research and development to drive innovation in the products/ services the investee companies offer. The Investment Manager measured the impact that this innovation had on E/S characteristics through improvements in the environmental metrics mentioned earlier and through other qualitative measures, such as improvements to human health and welfare.

● ***How did the sustainability indicators perform?***

	Total waste (metric tons/ £m of free cash flow)	Hazardous waste (metric tons/ £m of free cash flow)	Water use (m ³ / £m of free cash flow)	Energy use (MWh/ £m of free cash flow)	Greenhouse gas emissions (metric tons/ £m of free cash flow)
Fundsmith Equity Sub-fund	83	1	4,189	772	210
MSCI World Index	470	16	26,064	1,873	287

The Sub-fund performed significantly better across all five of the sustainability indicators used compared to the average company, represented by the weighted average scores for the MSCI World Index.

The Sub-fund also considered the principal adverse impacts of its investment decisions on sustainability factors. The outcome of this assessment is detailed in the 'How did this financial product consider principal adverse impacts on sustainability factors?' section below.

● ***...and compared to previous periods?***

The Sub-fund's performance in relation to its promoted characteristics for the previous reporting period (01/01/2022 – 31/12/2022) is provided in the table below.

	Total waste (metric tons/ £m)	Hazardous waste (metric tons/ £m of free cash flow)	Water use (m ³ / £m of free cash flow)	Energy use (MWh/ £m of free cash flow)	Greenhouse gas emissions (metric tons/ £m of free cash flow)

	of free cash flow)				
Fundsmith Equity Sub-fund	23	0	878	558	68
MSCI World Index	791.17	18.27	31,562.03	3,405.65	343.96

The Sub-fund saw an increase in intensity for each of the environmental indicators in the most recent reference period when compared to the previous reference period. This was due to the sale of underlying investments in companies with very small environmental footprints and the purchase of those with relatively higher ones. Across both reference periods, the Sub-fund significantly outperformed the MSCI World Index.

Principal adverse impacts are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

- ***What were the objectives of the sustainable investments that the financial product partially made and how did the sustainable investment contribute to such objectives?***

N/A

- ***How did the sustainable investments that the financial product partially made not cause significant harm to any environmental or social sustainable investment objective?***

N/A

The EU Taxonomy sets out a “do not significant harm” principle by which Taxonomy-aligned investments should not significantly harm EU Taxonomy objectives and is accompanied by specific Union criteria.

The “do no significant harm” principle applies only to those investments underlying the financial product that take into account the Union criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of this financial product do not take into account the Union criteria for environmentally sustainable economic activities.

Any other sustainable investments must also not significantly harm any environmental or social objectives.

How were the indicators for adverse impacts on sustainability factors taken into account?

N/A

- ***Were sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights? Details:***

N/A

How did this financial product consider principal adverse impacts on sustainability factors?

The principal adverse impacts of the Investment Manager's investment decisions on sustainability factors were considered during the reference period (01/01/2023 – 31/12/2023) through the assessment of all of the Sub-fund's underlying investments using the PAI indicators given in Commission Delegated Regulation (EU) 2022/1288 Table 1, where data availability and quality were ascertained. The PAI indicators considered included:



- Greenhouse gas emissions
- Biodiversity
- Water
- Waste
- Social and employee matters

Additionally, the three following indicators were used from Table 2 of that regulation, where data availability and quality could be ascertained, and were assessed:

- Carbon emission reduction plans
- Non-renewable energy usage
- Water management

The judgement of an adverse impact is based on the materiality of the indicator to the company's activities and that business's performance compared to that of similar businesses within the investable universe of the Sub-fund as a comparison. The performance of the Sub-fund in relation to each of the listed principal adverse impact indicators is available in Appendix VIII of this document.



What were the top investments of this financial product?

The Sub-fund's top investments during the period are listed below. Top investments were calculated by taking the portfolio weight of each holding (including cash) at the end of each calendar quarter for the reference period (01/01/2023 – 31/12/2023) and averaging for the year.

The list includes the investments constituting **the greatest proportion of investments** of the financial product during the reference period which is: 01/01/2023-31/12/2023

Largest investments	Sector	% Assets	Country
<i>Microsoft Corp</i>	<i>Technology</i>	<i>9%</i>	<i>United States</i>
<i>Novo Nordisk A/S</i>	<i>Health Care</i>	<i>9%</i>	<i>Denmark</i>
<i>L'Oreal SA</i>	<i>Consumer Staples</i>	<i>6%</i>	<i>France</i>

<i>Stryker Corp</i>	<i>Health Care</i>	<i>5%</i>	<i>United States</i>
<i>IDEXX Laboratories Inc</i>	<i>Health Care</i>	<i>5%</i>	<i>United States</i>
<i>Meta Platforms Inc</i>	<i>Communications</i>	<i>5%</i>	<i>United States</i>
<i>Philip Morris International Inc</i>	<i>Consumer Staples</i>	<i>5%</i>	<i>United States</i>
<i>LVMH Moët Hennessy Louis Vuitton SE</i>	<i>Consumer Discretionary</i>	<i>4%</i>	<i>France</i>
<i>Visa Inc</i>	<i>Technology</i>	<i>4%</i>	<i>United States</i>

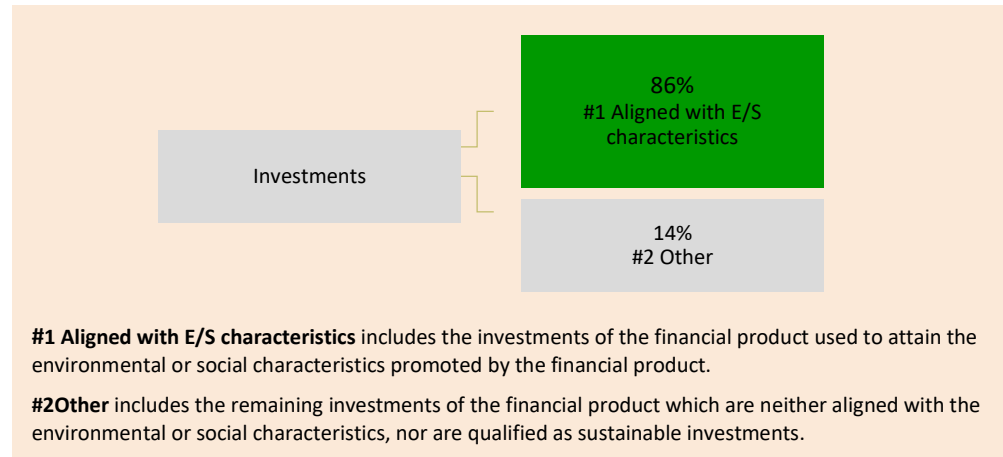


What was the proportion of sustainability-related investments?

N/A

What was the asset allocation?

Asset allocation describes the share of investments in specific assets.



The Sub-fund aimed to allocate 75% of its assets in alignment with the E/S characteristics it promotes, given as '**#1 Aligned with E/S characteristics**' in the chart above. However, during the reference period, 86% (2022: 89%) of the Sub-fund's assets met the promoted characteristics, as detailed in the section '*How did the sustainability indicators perform?*' of this annex. This therefore reduced the proportion of the Sub-fund's assets allocated to '**#2 Other**' from the target of 25% of assets to 14% (2022: 11%) during the period.

In which economic sectors were the investments made?

Sector (Bloomberg Industry Classification System)	Industry (Bloomberg Industry Classification System)	Proportion of investments
Communications	Media	7%
Consumer Discretionary	Consumer Discretionary Products	7%

	Consumer Discretionary Services	1%
	Retail & Wholesale – Discretionary	1%
Consumer Staples	Consumer Staples Products	33%
Health Care	Health Care	27%
Industrials	Industrial products	1%
Technology	Software & Tech Services	19%
	Tech hardware & Semiconductors	1%
Cash		3%

The Sub-fund had no exposure to any economic sector or sub-sector deriving revenues from the exploration, mining, extraction, production, processing, storage, refining or distribution, including transportation, storage and trade, of fossil fuels.



To what extent were the sustainable investments with an environmental objective aligned with the EU Taxonomy?

0%. The Sub-fund did not make any sustainable investments.

● Did the financial product invest in fossil gas and/or nuclear energy related activities complying with the EU Taxonomy¹?

☐

Yes:

☐

In fossil gas

☐

In nuclear energy

Taxonomy-aligned activities are expressed as a share of:

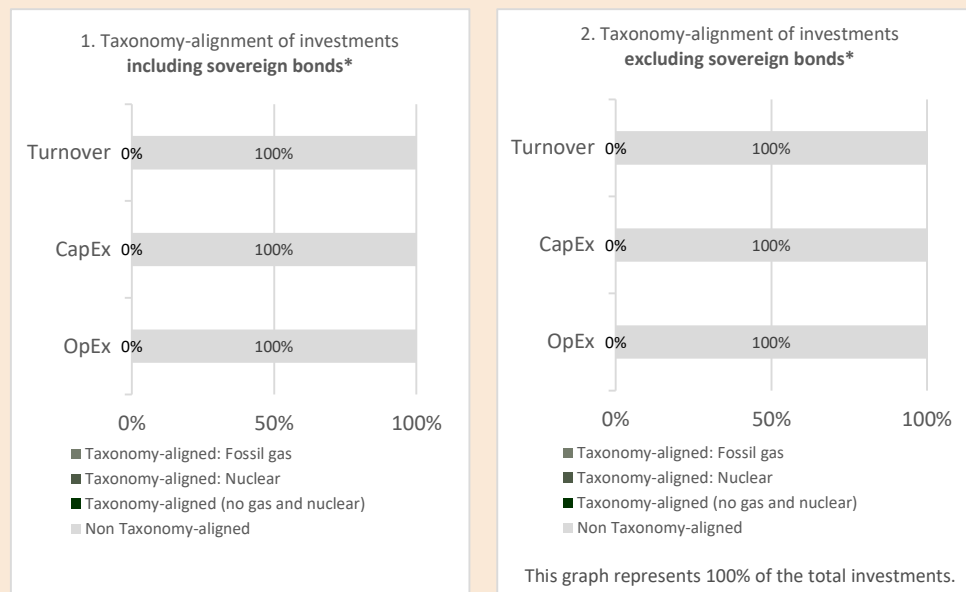
- **turnover** reflects the “greenness” of investee companies today.
- **capital expenditure** (CapEx) shows the green investments made by investee companies, relevant for a transition to a green economy.
- **operational expenditure** (OpEx) reflects the green operational activities of investee companies.

¹ Fossil gas and/or nuclear related activities will only comply with the EU Taxonomy where they contribute to limiting climate change (“climate change mitigation”) and do not significantly harm any EU Taxonomy objective - see explanatory note in the left hand margin. The full criteria for fossil gas and nuclear energy economic activities that comply with the EU Taxonomy are laid down in Commission Delegated Regulation (EU) 2022/1214.



No

The graphs below show in green the percentage of investments that were aligned with the EU Taxonomy. As there is no appropriate methodology to determine the taxonomy-alignment of sovereign bonds*, the first graph shows the Taxonomy alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy alignment only in relation to the investments of the financial product other than sovereign bonds.



* For the purpose of these graphs, 'sovereign bonds' consist of all sovereign exposures.

Enabling activities directly enable other activities to make a substantial contribution to an environmental objective.


Transitional activities are activities for which low-carbon alternatives are not yet available and among others have greenhouse gas emission levels corresponding to the best performance.

● **What was the share of investments made in transitional and enabling activities?**

0%. The Sub-fund did not have a commitment to a minimum proportion of investments in transitional and enabling activities.

● **How did the percentage of investments that were aligned with the EU Taxonomy compare with previous reference periods?**

0%. The Sub-Fund did not make any investments in transitional and enabling activities in 2022.

 are sustainable investments with an environmental objective that **do not take into account the criteria** for environmentally sustainable economic activities under Regulation (EU) 2020/852.



What was the share of sustainable investments with an environmental objective not aligned with the EU Taxonomy?

0%



What was the share of socially sustainable investments?

0%



What investments were included under “other”, what was their purpose and were there any minimum environmental or social safeguards?

Investments included under “other” were companies that failed to meet all of the Sub-fund’s promoted characteristics. These investments were included in the assessment of the Sub-fund’s adverse impacts to ensure they were not causing significant harm to other sustainability indicators. These investments were included in the Sub-fund’s portfolio to benefit the Sub-fund’s financial performance and to ensure the Sub-fund’s holdings were sufficiently diversified. Also included in “other” was cash held during the reference period for liquidity management purposes. Minimum environmental or social safeguards were not considered.

What actions have been taken to meet the environmental and/or social characteristics during the reference period?


Through the use of the Sub-fund’s sustainability indicators mentioned above, the Sub-fund aligned with its promoted E/S characteristics and the investee companies were shown to have performed well. The Investment Manager monitored all investee companies’ performance on a continuous basis throughout the reference period to ensure that the promoted characteristics were being met on an ongoing basis.

Should an investee company be at risk of failing to meet the promoted characteristics, or should the Investment Manager require more data regarding an investee’s performance, engagement is used. This was not necessary during the reference period.

How did this financial product perform compared to the reference benchmark?

N/A. The Sub-fund did not use a reference benchmark.

- ***How does the reference benchmark differ from a broad market index?***
N/A
- ***How did this financial product perform with regard to the sustainability indicators to determine the alignment of the reference benchmark with the environmental or social characteristics promoted?***
N/A
- ***How did this financial product perform compared with the reference benchmark?***
N/A
- ***How did this financial product perform compared with the broad market index?***
N/A



Reference benchmarks are indexes to measure whether the financial product attains the environmental or social characteristics that they promote.