

Sustainable Finance Disclosure Regulation

Sustainability Risk Statement

Fundsmith, across all its products identifies and analyses sustainability risk (i.e. an environmental, social, or governance event or condition that, if it occurs, could potentially or actually cause a material negative impact on the value of an investment) as part of its risk management process.

Sustainability risks can represent a risk in their own right, but can also have an impact on other risks, and may contribute significantly to market risks, operational risks, liquidity risks and counterparty risks, among others. Sustainability risks can have an impact on long-term, risk adjusted returns for investors. Assessment of sustainability risks is complex and may be based on environmental, social, or governance data, which is often difficult to obtain, incomplete, estimated, out of date, or otherwise materially inaccurate. Even when identified, there can be no guarantee that this data will be correctly assessed.

The impacts of a sustainability risk occurring are numerous and vary according to a specific risk, region, or asset class. Generally, if a sustainability risk occurs for an asset, there will be a negative impact and, potentially, a loss of its value. This can in turn impact the Net Asset Value of the concerned financial product.

Fundsmith believes that the integration of this risk analysis could help to enhance long-term risk adjusted returns for investors, in accordance with the respective investment objectives and policies of our funds.