



FUTURE LEADERS SUSTAINABILITY REPORT 2025



An introduction to the EQ Future Leaders Portfolios

Five years ago, we launched our low-cost answer to the consumer demand for ambitious sustainable investing.

Five years ago, sustainably minded investors were mainly limited to actively managed funds, but an increasing focus on fees and the use of passives led us to develop the concept behind the EQ Future Leaders Portfolios. An offering that can deliver on clients' sustainable objectives with ambition and consistency. This solution democratises sustainable investing, an ambition that is deep rooted in EQ's DNA.

The portfolios' objective is to achieve long term capital growth through investing in the most responsibly run businesses and avoiding the most controversial activities. The core of the portfolios invests in businesses that are strong performers when measured on environmental, social and governance (ESG) criteria. This is complemented by

satellite investments in sustainable themes, such as digital security, healthcare, and green bonds. This report demonstrates how we deliver higher and more consistent sustainable outcomes versus low-cost peers.

While we use passive funds, there are still active decisions being made under the bonnet. We have been evolving EQ Future Leaders Portfolios with best practices and have worked with some of the leading asset managers to create and fine tune their passive offerings to ensure we can meet client's objectives.

This report reflects the strategy's evolution over the last five years, the improvements we have made, and shows you how we have delivered on the dual mandate over this time.

Lastly, we want to debunk the myth that stewardship in passive funds is less important or effective. In fact, just like active managers, passive asset managers hold voting rights too, and their decisions can enable or prevent change. EQ's stewardship and engagement strategy encompass both our active and passive funds and their underlying holdings.

This report gives examples on how clients invested in EQ Future Leaders Portfolios can still align with an active push for sustainability improvements.



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Managed with a dual mandate

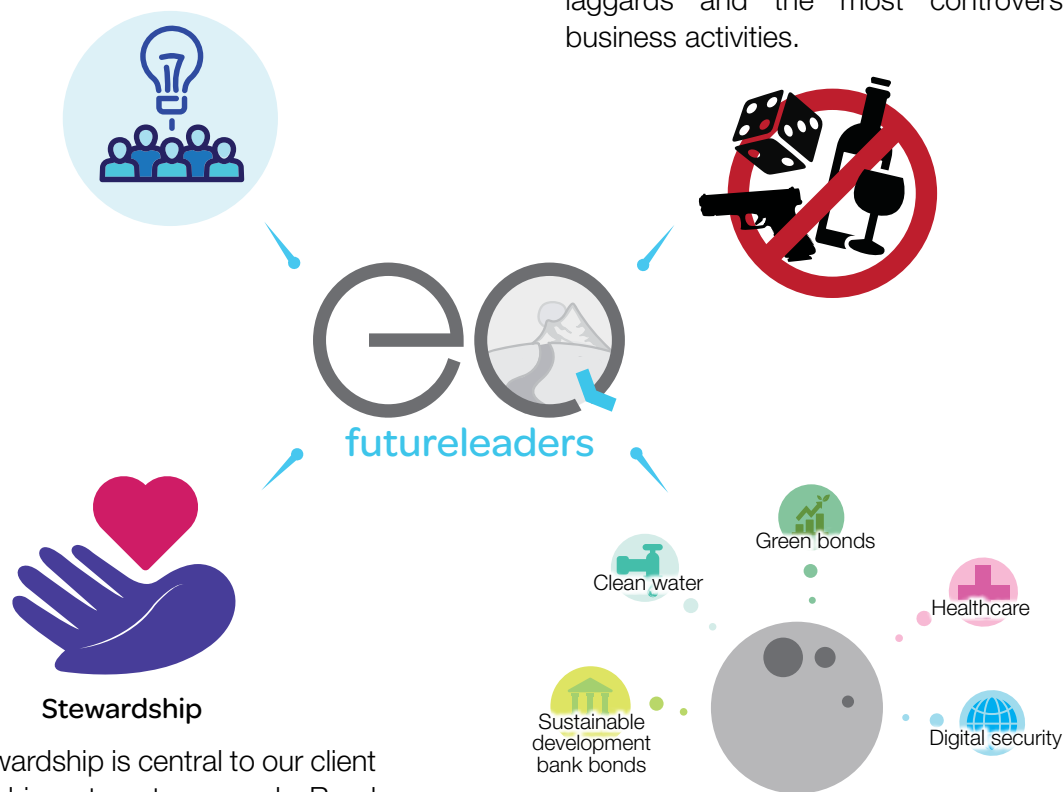
Achieve long-term capital growth by investing in the most responsibly run businesses and avoiding controversial activities.

ESG leaders

EQ Future Leaders Portfolios are comprised of low-cost funds that invest in well-run businesses, leading their peers in managing key environmental, social and governance (ESG) risks.

Exclusions

EQ Future Leaders Portfolios avoid ESG laggards and the most controversial business activities.



Stewardship

Active stewardship is central to our client service and investment approach. Read more about our five levels of influence and 2025 plan on pages 8 & 9.

Satellite themes

Core ESG leader funds are complemented by sustainable thematic funds.

Long term performance

Since inception, EQ Future Leaders Portfolios have delivered both on their ambitious sustainability objective, and their financial objective. Delivering long term capital growth for clients has been helped by the use of passive, low-cost funds with similar size, sector and geographical allocations to traditional indices.



— EQ Future Leaders Balanced — IA Mixed 40-85% Shares

Source: EQ Investors, March 2025

IA Mixed Investments 40-85% is a benchmark representing the performance of over 100 funds that invest in a range of assets, with a minimum of 40% and a maximum of 85% of the fund's assets allocated to company shares equities.

Past performance is not a guide to the future. The value of investments and the income derived from it can go down as well as up and clients can get back less than they originally invested. Model portfolio performance is based on total return (income is reinvested), denominated in GBP, and net of 0.20% EQ Investment Management Fee and all underlying fund charges.

What is ESG leadership - A look inside

The core funds within the EQ Future Leaders Portfolios invest in ESG leaders – companies that prioritise all stakeholders, typically exceeding regulatory sustainability requirements and are regarded as role models in their sectors.

ESG scores are used to summarise how responsibly a business is run compared to other companies in its peer group. The core funds held select the top 25% best performing companies on ESG within their respective peer groups.

Below are some examples of ESG criteria that any company could be assessed on to influence that ranking. While this focus helps the EQ Future Leaders Portfolios achieve its sustainability

objectives, it is also financially relevant to look at companies' management of material ESG topics.

Those companies that manage ESG topics more effectively are more likely to be on the right side of regulation and consumer trends, have a more productive workforce and talent attraction, and are much less likely to be caught in reputational scandal or controversy.

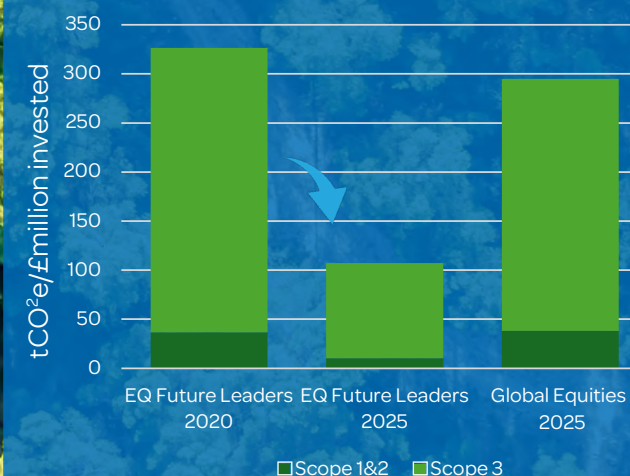


Source: MSCI

5 year climate journey

One aspect of ESG is climate leadership. This is built into the core of the funds, which align with Paris Aligned Benchmark rules. These rules were developed by the EU to mainstream climate aligned investing. This method ensures our portfolio will decarbonise in line with the goals set out by the [Paris Agreement](#) in 2015.

The graph below shows how the carbon footprint of the EQ Future Leaders Portfolios has reduced over five years while also being considerably lower than Global Equities. Carbon emissions are the best proxy for climate risk. By having a lower carbon footprint, the portfolios' investments are more aligned to the low carbon economy and have reduced exposure to regulatory and market uncertainties that could have material financial impacts.



We use an industry standard methodology, which lets us associate the tonnes of CO₂ equivalent emitted per £1m GBP invested. Scope 1, 2 and 3 carbon emissions data is sourced by MSCI. Balanced risk profile. For a full methodology, [click here](#).

ESG leaders showcase

Below are two case studies that showing standout ESG leadership.



Sony is a Japanese multinational conglomerate known for its diverse activities, including electronics, gaming, movies, music, and financial services. Sony features in the Amundi MSCI Japan SRI Climate Paris Aligned Index Fund.



Environment

Sony aims to be carbon neutral by 2040. [It plans to have 100% renewable energy usage by 2030.](#) It has expanded on-site solar energy at production facilities and signed virtual power purchase agreements (PPAs), ensuring a stable supply of green energy.



Social

Sony demonstrates leading practices in supply chain sourcing. The company enforces the [Sony Supplier Code of Conduct](#), which aligns to international standards such as the [Responsible Business Alliance \(RBA\) Code](#). It conducts regular supplier audits, focusing on human rights, labour conditions, and environmental compliance. It also promotes responsible sourcing of minerals using third-party verification schemes to ensure human rights risks are sufficiently assessed.



Governance

Sony has established a [“Sustainability Department”](#), under the supervision of the Senior Executive, which ensures that sustainability-related initiatives are implemented in all departments. It identifies sustainability issues that need to be addressed by Sony as well as formulating group policies on issues. Each year the department details the headway made on each material sustainability issue, and sets targets for the next fiscal year.



Adidas is a well-known sport brand that designs and manufactures footwear, apparel, and accessories. Adidas features in the Amundi MSCI Europe SRI Climate Paris Aligned Index Fund.



Environment

Adidas has implemented a comprehensive waste diversion programme across its supply chain to optimise waste management. In collaboration with co-processing partners in major sourcing countries, non-recyclable manufacturing waste is utilised in energy production, reducing pollution and landfill usage. As a result, suppliers enrolled in [Adidas' environmental program collectively achieved a 96% landfill diversion rate in 2023.](#)



Social

Adidas has engaged extensively with manufacturers in their supply chain in Asia with regards to responsible hiring and employment of foreign migrant workers. [In 2023, it piloted a digital worker tool with ten suppliers in Taiwan.](#) The tool's aim was to amplify worker feedback and monitor and remedy grievances and complaints.



Governance

Adidas has robust governance structures. Its [Sustainability Sponsor Board](#) is composed of senior representatives from various functions, ensuring cross-functional alignment and execution of sustainability goals. Additionally, a separate compliance function, operated by the Social and Environmental Affairs (SEA) Team, monitors supplier-facing social and environmental compliance performance and human rights impacts and reports to the CEO through the General Counsel.

Achieving sustainability targets through satellite themes

Aligning to the UN SDGs through investing in thematic funds, with investee companies that provide solutions to global challenges.

Below is a selection of sustainable themes that EQ Future Leaders Portfolios currently invest in:



Clean water

Companies that are actively engaged in the international clean water industry through the provision of technological, digital, engineering, utility and/or other services.



Digital security

Companies that are involved in the transmission, safeguarding or handling of sensitive data, and/or access control of secure locations, such as data centres.



Sustainable development bank bonds

Fixed income securities, where proceeds help finance development needs of emerging markets, fully aligned to the UN SDGs.



Healthcare innovation

Companies that help prevent, treat, and cure disease. This includes global companies engaged in healthcare, pharmaceutical and biotechnology activities.



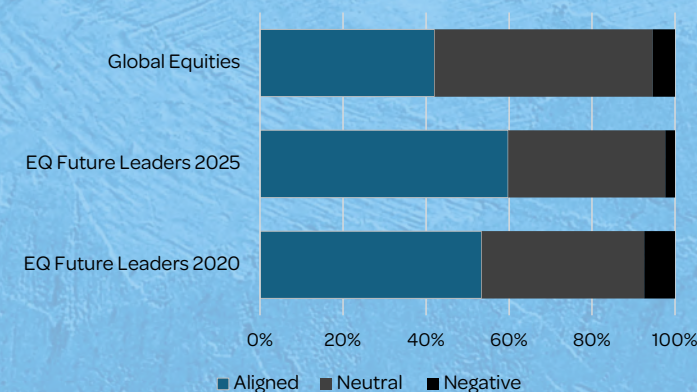
Green bonds

Fixed income securities, where proceeds are only used to finance defined green projects, aligning to the [ICMA green bond principles](#).



The UN Sustainable Development Goals ([UN SDGs](#)) are a globally recognised framework that defines the most pressing social and environmental issues we face; there are 17 goals with underlying targets for each goal.

Over the last five years, EQ Future Leaders Portfolios have built an overweight to sustainable themes resulting in a higher proportion of the portfolio invested in companies aligned to the UN SDGs, as shown in the graph below.



Source: EQ Investors analysis, Balanced risk profile, April 2025

Sustainable themes showcase

Below are case studies showing two of the sustainable themes that are helping to solve global challenges.



SDB Bond - International Bank for Reconstruction and Development (IBRD)

The IBRD, part of the World Bank, provides loans and advisory services to developing countries to facilitate economic growth, reduce poverty and increase overall prosperity. IBRD features in the HSBC Sustainable Development Bank Bonds ETF. Mangrove forests are a type of coastal system made up of trees and shrubbery that are salt-tolerant. These forests play a critical byrole for several reasons. They promote biodiversity, act as a coastal defence reducing wave energy, and help mitigate climate change through storing carbon.



Indonesia has the largest and most productive mangrove ecosystem in the world. It has roughly [25% of the world's total](#). This amount can store up to 3.1 billion tonnes of CO² equivalent to [2.5 billion vehicles driven for a year](#). However, over the last 30 years, 800,000 hectares, equivalent to 32 million tennis courts, have been lost.

The [IBRD has committed to allocating \\$400 million to help restore 600,000 hectares of mangroves](#). Not only will this help sequester carbon and provide coastal defences, but also help local communities, as the government is incentivising locals to plant mangroves providing new sources of income.



Digital Security - Commvault

[Commvault](#) is a data protection and management company that provides solutions for data backup, recovery, and security across on-premises, cloud, and hybrid environments. Its offerings include threat detection, disaster recovery, and backup solutions. Commvault features in the iShares Digital Security ETF.

Cyberattacks can disrupt businesses and financial systems. One potential threat is ransomware, a malicious software designed to block access to a computer system until a sum of money is paid.

In December 2024, there were [574 ransomware incidents globally](#), the highest monthly total since monitoring began in 2021. The UK's National Cyber Security Centre (NCSC) has warned that AI is expected to increase the volume and impact of ransomware attacks.

In addressing ransomware threats, Commvault introduced [Metallic® ThreatWise™](#), a proactive cyber deception service designed to detect and contain ransomware threats early. It uses decoys to bait attackers, enabling organisations to identify and neutralise threats before they impact critical data. This approach provides early warnings and minimises potential damage from cyberattacks.

As a business, you can pick several different decoys that mimic digital assets that would be relevant to your type of business. When a decoy is attacked, the service immediately alerts you, providing the attacker's hostname and IP address.

How EQ engages in a passive world

We recognise that shareholders have power, and we put this to work through our stewardship strategy.

These examples show our work through investor collaborations, which are one lever EQ uses to engage directly with companies. We also attend AGMs of selected companies to elevate issues directly to boards.

1 Responsible AI

While AI has many positive impact potentials, it needs to be implemented with the right ethical governance practices to prevent unforeseen consequences. EQ has been part of the World Benchmarking Alliance's (WBA) Ethical AI collective impact coalition (formally digital inclusion) since 2022 to address this with key digital companies.

We are supporting investors for both Intel and BT Group. Telecoms, like BT, handle vast amounts of sensitive customer data and rely on AI for network management, customer service, and security. Our ongoing engagement aims to instil best-practices and prevent any risks from materialising.

2 Climate change

The pathway to transition to a low carbon world will have significant impact across economies and create new ways of organising.



EQ is part of [Climate Action 100+](#), an investor led initiative to ensure the world's largest corporate emitters are taking ambitious action on climate change. Over the last year we have engaged with Carrefour, the French supermarket chain. The group has specifically focused on Carrefour's Scope 3 emission reduction plans, as well as more transparency around green capital expenditure.

EQ also signed onto three investor statements calling for HSBC, Barclays, and Standard Chartered to continue to raise their climate ambitions, and to steer their loan books towards net-zero.

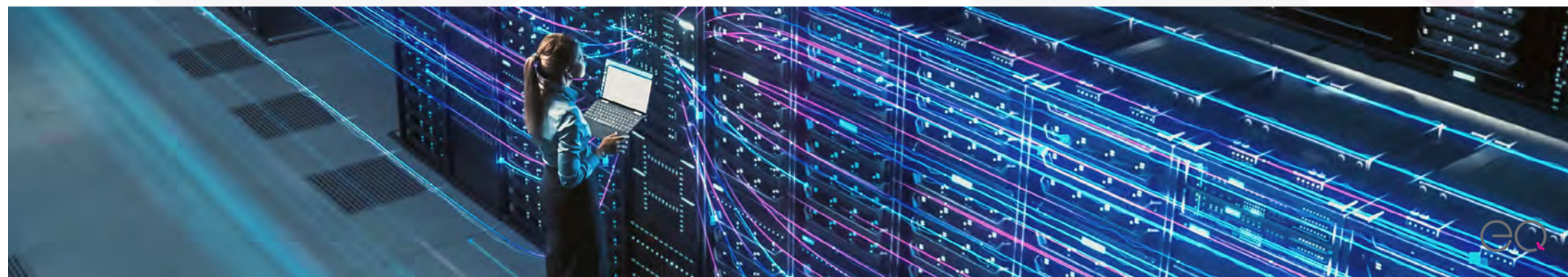
3 Fair access to medicine

While healthcare companies are responsible for researching and developing treatments that help address needs of patients globally, there is disparity between how these businesses work on equal access to these drugs.



The [Access to Medicine Foundation](#) (ATMI) is a philanthropically funded organisation that aims to use research and related shareholder engagement to guide the pharmaceutical industry to do more for people in low- and middle-income countries (LMICs).

In 2025 we formally joined ATMI's SDG 3 collaborative engagement to drive and track pharmaceutical company progress and impact on increased access to medicine in LMICs. We also attended the AstraZeneca and GSK AGMs to ask their boards about access to medicine strategy.



Voting for change

Through voting, passive asset managers have a strong influence on companies' real-world impacts.

In the last few years, we have witnessed a trend of decreasing stewardship ambition, particularly for passive asset managers. A common misconception is that stewardship in passive funds is less important and effective. However, passive asset managers hold voting rights too, and their actions can enable or prevent change.

In the table below, we show research results from ShareAction. The study analysed how asset managers voted in 2024 on 300 important environmental and social AGM resolutions. If these resolutions pass, they commit a business to the requested improvement – for example, a climate target or addressing low-pay in their workforce. The table shows a selection of passive asset managers and where they rank in supporting these resolutions. We pay close attention to the partners we choose, helping

our portfolios attain stronger engagement and voting records that can drive real change in the invested companies and beyond. Amundi and UBS are currently the selected asset managers for the core funds in the EQ Future Leaders portfolios.

At EQ we believe we have a strong mandate to use stewardship to mitigate risks from bad actors and ESG weaknesses across all of our portfolios, and thus always aim to select those with best practices if possible. Sadly, voting support for these types of resolutions is likely to decrease even further due to pressures from the US to reduce ESG stewardship. We therefore encourage you all to consider stewardship ambition seriously when selecting investment managers.

Rank	Asset manager	Overall Score
6	Amundi	96%
21	Legal & General	90%
39	UBS AM	54%
...
67	BlackRock	6%
69	Dimensional	1%
70	Vanguard	0%

Source: ShareAction, January 2025

Asset manager engagement

Biodiversity is declining at rapid rates, and the health of ecosystems directly underpins economic activity and business performance. Companies that fail to address their impact on ecosystems may face stricter regulations, restricted market access, lower access to resources, or damage to brand value, which can affect long-term profitability.

Amundi

ASSET MANAGEMENT

Amundi has been engaging on biodiversity since 2021. In 2023, Amundi engaged with 294 companies on biodiversity, focusing on companies with high exposure to activities harmful to biodiversity that either lack sufficient processes, disclosure, or have been involved in serious controversies. Amundi has a proprietary scoring model that evaluates company performance on corporate reporting on biodiversity, as well as their strategy, management, and targets on the topic.

Since the start of the engagement Amundi has seen an increase in scores across eight high-priority sectors, highlighting the improvements companies have made. Nevertheless, as best practice is continuing develop, Amundi will continue to enhance its scoring model to ensure that bar is continuing to rise.

Ahead of the pack: A comparative analysis

A blueprint for sustainable low cost investing.

Sustainability is a spectrum and can be integrated into investments at varying degrees. Currently, the lack of regulation coupled with the lack of reporting from many sustainable low-cost Managed Portfolio Service (MPS) providers means that it's difficult to clarify the ambition of sustainable low-cost portfolios.

Providing a strong level of transparency and accountability through reporting is an important component of sustainable investing. Regular reporting allows clients to verify that the portfolio remains consistent with their sustainable values.

The following section presents the findings of a comparative sustainability study differentiating features of the EQ Future Leaders Portfolios strategy we conducted against a group of peers:



Carbon emissions: Strong climate risk management



Negative exposures: Robust screening process



SDG alignment: Higher exposure to SDG solution companies



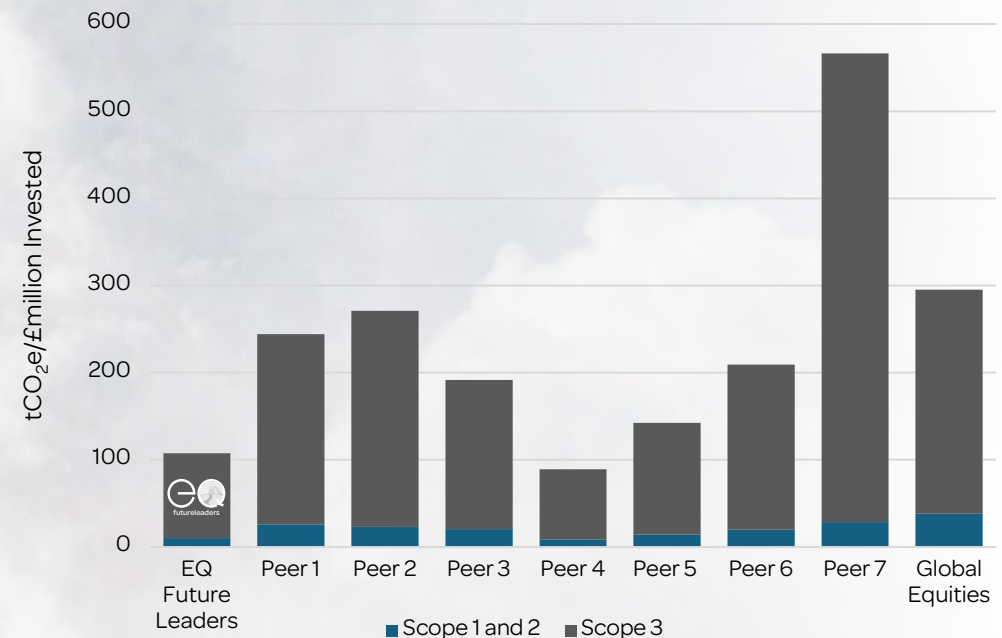
CARBON EMISSIONS

Most sustainable low-cost MPS peers have similar or higher carbon emission intensities. Except for peer 7, they all present lower emissions than the global benchmark.

However, it is also important to assess how this pattern may change over time. As the EQ Future Leaders Portfolios are aligned to the 2015 Paris Climate Agreement in intention and process, we can expect low carbon leadership to continue.

The core funds in the portfolios follow a methodology that mandates a 7% reduction year-on-year in addition to a lower carbon footprint today. All but one of our peers lack this explicit integration of Paris-aligned methodologies to their investment product selection.

Carbon emissions vs Sustainable low-cost peers



Source: MSCI, rebalanced for equity only, April 2025



NEGATIVE EXPOSURES

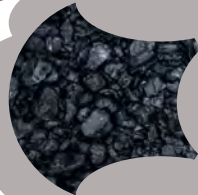
A full look at the underlying holdings within the funds held in the sustainable low-cost MPS peers reveals a misalignment of screening methodologies. This means, while some funds apply a screen or sustainability threshold, another may not. This results in negative exposures that would **NOT** be passable by the EQ Future Leaders Portfolios.



7/7 peers have exposure to businesses involved in oil and gas extraction, such as Shell.



5/7 peers have exposure to businesses involved in gambling, such as Las Vegas Sands.



3/7 peers have exposure to businesses with thermal coal reserves, such as RWE.



6/7 peers have exposure to Meta, a high-profile ESG laggard in its industry.

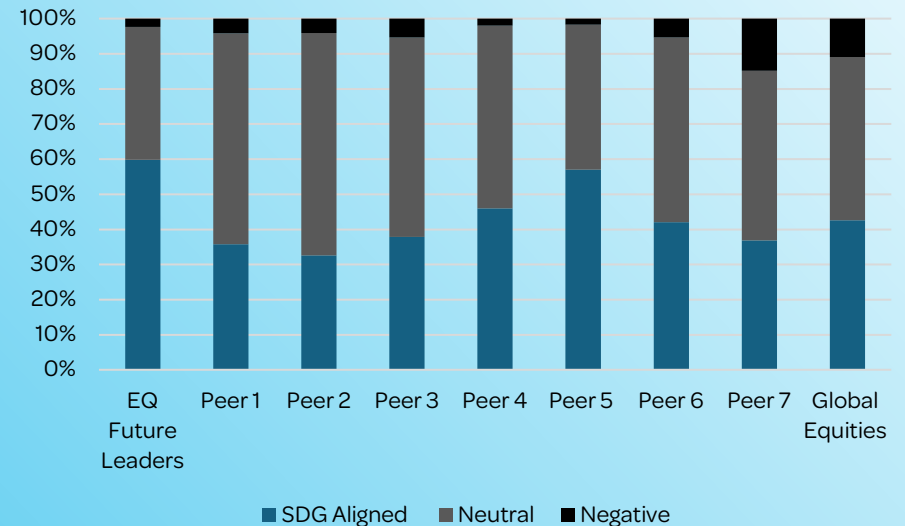


SDG ALIGNMENT

The EQ Future Leaders Portfolios have higher exposure to the UN SDGs than traditional investments.

The graph below also shows that the EQ Future Leaders Portfolios achieve a 60% alignment to the UN SDGs, over 20% more than the sustainable peer-group average. This is achieved in part through the intentional inclusion of sustainable satellite themes, including clean water, digital security, green bonds, and healthcare.

In comparison, many of the peers display a similar exposure to traditional benchmarks. Based on our assessments of their investment processes, the existing exposure to UN SDG solutions companies is a coincidental outcome, mirroring similar levels of exposure to the unscreened market (Global Equities).



Source: EQ Investors analysis, Balanced risk profiles, April 2025



Certified



Corporation

EQ Investors
Centennium House
100 Lower Thames Street
London EC3R 6DL

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