



2026 report Future Leaders

Welcome to the 2026 EQ Future Leaders Report



Your Future Leaders portfolio is built around two principles: delivering consistent, market-like returns, and doing so through a genuinely responsible investment approach. Neither is negotiable, and neither comes at the expense of the other. This report shows how we continue to deliver on both for you.

Keeping your costs low isn't an afterthought, it's core to how this portfolio is built. Future Leaders is a truly low-cost approach, designed to compete with the lowest-cost propositions across the industry, so more of your money stays invested and working for you.

This proposition also addresses a misconception: that stewardship matters less in passive, low-cost funds. It doesn't. Passive managers hold voting rights too, and how they use them can enable or block meaningful change. Through our stewardship and engagement strategy, your capital gives us real influence with the companies and managers we invest with on your behalf.

At the same time, we're seeing many companies redraw the boundaries of what strong governance looks like, often diluting their commitments in the process. We haven't. Environmental, social and governance factors remain at the heart of how your portfolio is managed, because we believe the businesses genuinely building a better world are the ones best placed to deliver superior returns for you over the long term.

The pages that follow set out how this conviction translates into practice, including how Future Leaders measures up against other low-cost responsible strategies on carbon emissions, negative exposures, and UN SDG alignment.

Sophie Kennedy,
Joint CEO & Head of Investment

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Your portfolio

Future Leaders: our objectives for your investment

Your portfolio is managed with two goals: long-term growth, and responsible investing at a low cost.

Designed to mirror global returns

The portfolios are globally diversified and embed careful risk management at fund and portfolio level to closely track the performance of the market while staying within EQ's responsible framework. The aim is to provide consistent returns year on year.

A consistent approach to avoiding harm

The portfolios have a stringent exclusions policy covering ten business activities, with specific thresholds covering all funds and asset classes.

We exclude:

- ✗ Adult entertainment
- ✗ Alcohol
- ✗ Controversial weapons
- ✗ Civilian firearms
- ✗ Military weapons
- ✗ Gambling
- ✗ Fossil fuel exploration & production
- ✗ Thermal coal extraction
- ✗ Thermal coal electricity generation
- ✗ Tobacco

The portfolios also have a stringent approach to avoid controversial business behaviour:

- ✗ Violations of international norms
- ✗ ESG laggards* in each sector

**ESG laggards refer to companies performing worst when compared to their industry peers. Currently we base this on MSCI data to determine this.*



Promoting social and environmental characteristics

Beyond our strict exclusions, the portfolios select funds with stronger sustainability profiles. Our equity allocation promotes social and environmental characteristics by targeting a higher average ESG score and lower carbon footprint than the global traditional benchmark¹, which we report transparently on.

Within fixed income, we actively seek investments with positive sustainability outcomes such as green or sustainable development bank bonds.

¹MSCI ACWI Index (represented by the SPDR MSCI ACWI IMI Index)

Stewardship matters

Stewardship and engagement are at the core of the funds we hold. We pay particular attention to how the asset manager uses voting rights and company relationship to drive positive change. We prefer those that use their influence to improve sustainability profiles and reduce risks.

EQ's own stewardship strategy additionally contributes directly to improvements across key themes like climate change or human rights.

How we engage for positive outcomes



Fund manager
stewardship



Engaging on
emerging flags



Strategic
themes



Collaborative
engagement



AGM activism

ESG

Investing responsibly

ESG sits at the core of how your portfolio is built and managed.

Your portfolio is invested in companies that respect the environment, treat people fairly, and are run with integrity. These businesses tend to perform better over the long-term and face fewer risks: fines, scandals, poor governance, that can erode returns.

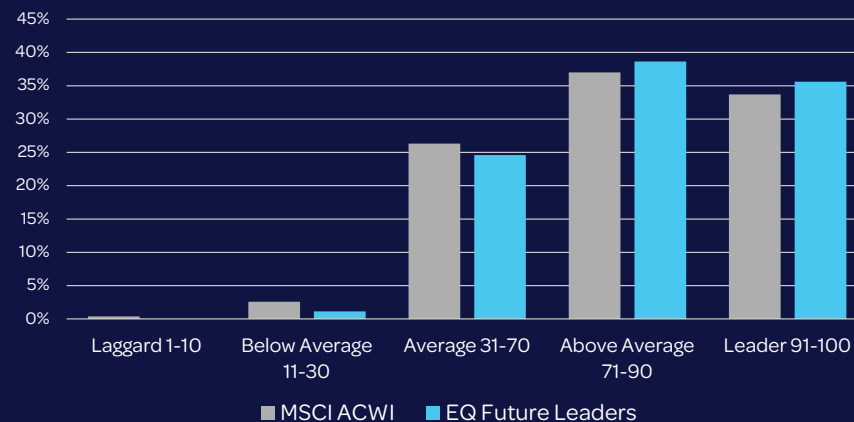
Assessing this takes judgement as well as data. Environmental, social, and governance (E, S, and G) indicators give us a structured way to compare how responsibly companies are run relative to their peers, across industries.

Here we show how the companies in your portfolio rank against their peers. A score of 100 indicates the highest ESG rating.

The graphs below displays the average ranking across your portfolio.

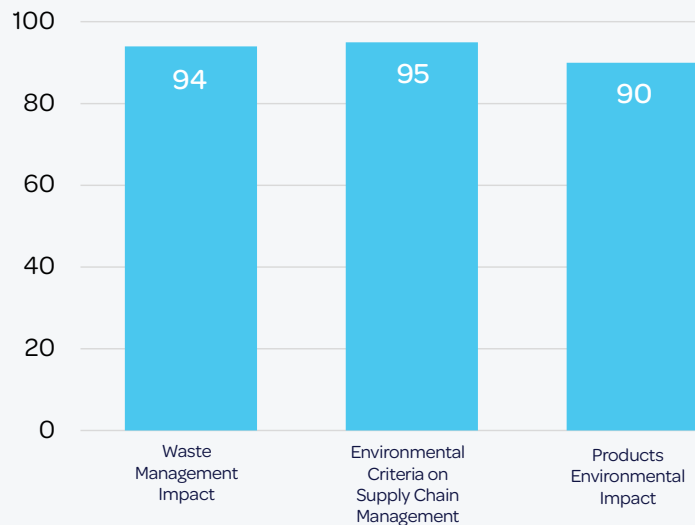
Source: Clarity AI, EQ analysis on equity holdings, March 2026

ESG risk bands



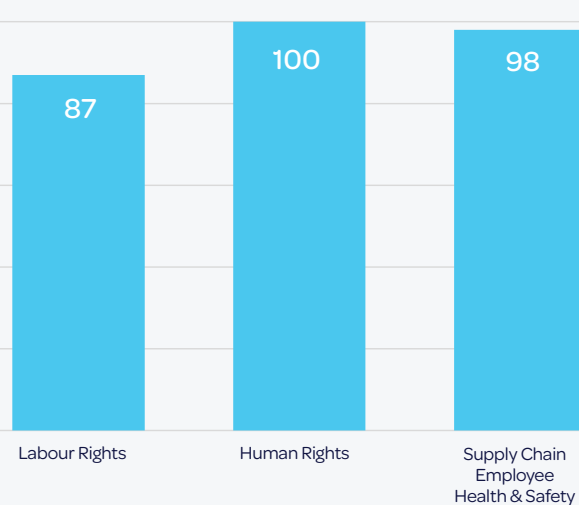
Environmental:

Assesses how effectively a business stewards the natural environment.



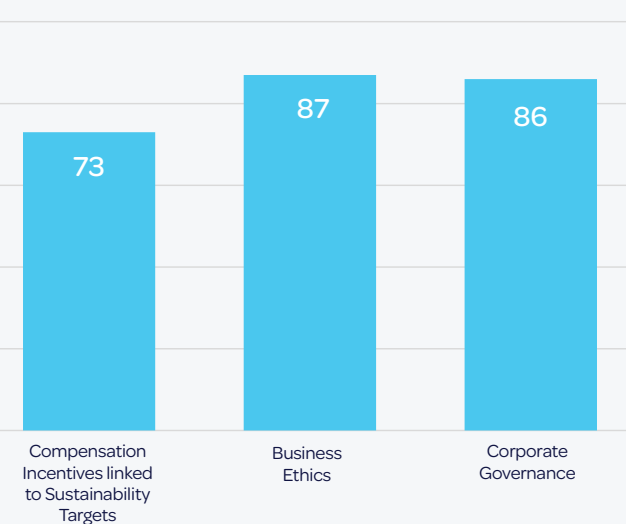
Social:

Examines how a company treats its employees, customers, and local communities.



Governance:

Evaluates how a business governs itself, with policies to prevent corruption and uphold high standards.



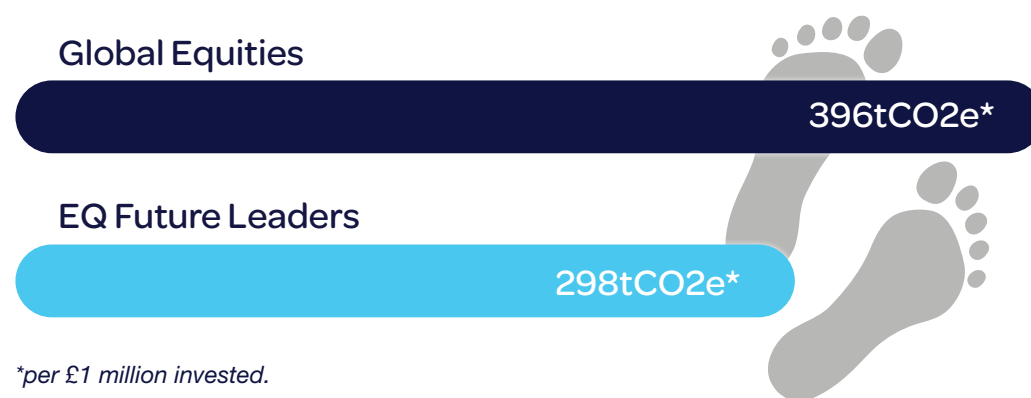
Climate

Managing climate risk

Carbon emissions are the best proxy we have for understanding a company's contribution to climate change, and the difficulty it faces in reaching net zero by 2050.

By excluding high-emissions industries and targeting a lower Scope 1 and 2 emissions intensity than the benchmark, the portfolios achieve a lower carbon footprint than their global equities benchmark.

Carbon footprint across Scope 1, 2 and 3



**per £1 million invested.*

Source: Clarity AI, EQ analysis on equity holdings, March 2026



Scope 1:

Direct emissions, from:

- Company facilities,
- Company-owned vehicles.



Scope 2:

Indirect emissions, from:

- Purchased heat and electricity.



Scope 3:

Indirect emissions, from:

- Material inputs,
- Product usage,
- Waste & disposal.



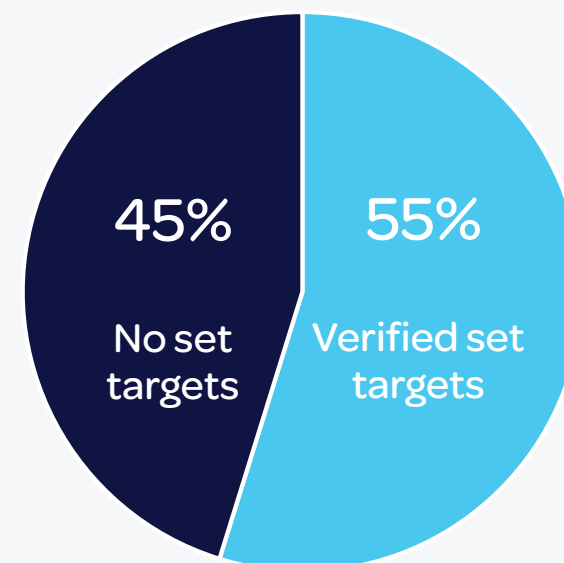
Science based targets

We also look beyond current emissions and assess whether companies have credible plans to reduce them over time.

One approach is by tracking the percentage of the portfolio invested in companies with climate targets independently verified by the Science Based Targets Initiative (SBTi)¹.

SBTi verification gives extra confidence that a company's target is based on climate science, rather than simply being a broad ambition.

Currently, 55% of your investments have verified SBTi targets.



¹ <https://sciencebasedtargets.org/>

Case studies

Success stories: Equity

Two portfolio holdings showcasing standout ESG leadership.



The Hartford Financial Services

The Hartford is a major US insurance group, with sustainability priorities shaped by its role in managing risk for customers, employees and communities.



Environmental:

The Hartford aims for **net-zero greenhouse gas emissions** across its business by 2050 and is shifting its client portfolio away from the most carbon-intensive sectors. It also uses climate risk analytics and product design to encourage resilient rebuilding after severe weather events.



Social:

The Hartford focuses on employee wellbeing, inclusion and development to attract and retain talent in a competitive market. It also supports local communities through **philanthropy, volunteering and programmes linked to education, financial resilience and disaster recovery**. Its insurance products help customers manage risk and recover from unexpected events.



Governance:

The Hartford has a **board-led governance structure** that oversees sustainability, risk and strategy. ESG topics are embedded in management processes and monitored through regular reporting and accountability mechanisms. This helps keep climate, human capital and social priorities linked to long-term business performance.



General Mills

General Mills is a global packaged food company with a significant footprint across agriculture, manufacturing and consumer markets.



Environmental:

General Mills is focused on reducing emissions across its value chain, including raw materials, manufacturing and packaging. It has made **regenerative agriculture a major priority**, working with farmers to improve soil health and reduce environmental impacts. It is also progressing towards more recyclable or reusable packaging and lower waste across operations.



Social:

General Mills places emphasis on **community support and workforce inclusion**. The company also invests in employee development and a diverse workplace, while its agricultural programmes support farmer livelihoods and supply chain resilience. On the nutritional content of its products, improvements are made to improve their formulation.



Governance:

General Mills integrates **sustainability into governance** through board and committee oversight, CEO-led global impact councils, and policies that embed climate, nature and social priorities into strategy, risk management and executive accountability frameworks.

Case studies

Success stories: Fixed income

Your investments contribute to bonds that help finance projects, companies and solutions addressing social and environmental needs.



The African Development Bank (AfDB)

The African Development Bank (AfDB) is Africa's regional multilateral development bank, financing projects that promote sustainable growth, climate resilience and poverty reduction across the continent. It features

in the HSBC Sustainable Development Bank Bonds ETF for its focus on clean energy, climate-resilient agriculture and essential services.

Africa is highly vulnerable to climate shocks, which are already undermining food security, water availability and livelihoods. Climate-resilient food systems help protect smallholder farmers from droughts and floods, stabilise local economies, and safeguard biodiversity in rain-fed and semi-arid landscapes.

In 2025, AfDB's support helped 6.9 million farmers adopt climate-resilient technologies, drought-tolerant seeds, efficient irrigation, climate-smart farming - improving food security for 18.4 million people and supporting nearly 5,000 agribusinesses.

This is backed by real financial commitment: in 2025, AfDB approved \$10.9 billion for projects across its portfolio, with a significant share for agriculture, climate action and resilience. Through initiatives like the Africa Adaptation Acceleration Program and the African Climate Action Window, AfDB helps countries scale up adaptation, protect natural capital and create jobs in rural communities.

6.9m

Farmers adopting climate-resilient technologies

18.4m

People with improved food security.

\$10.8bn

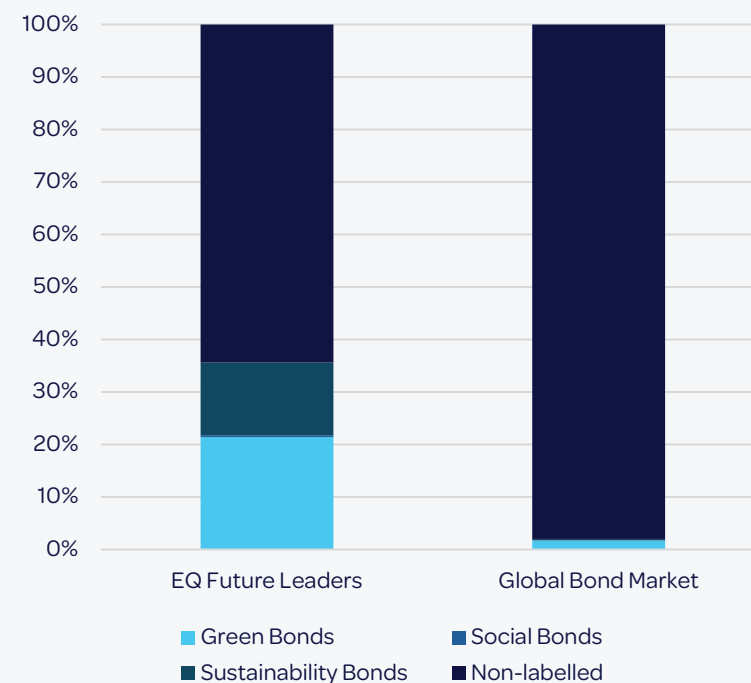
Approved for projects across its portfolio in 2025.



Labelled bonds

Labelled bonds are financial instruments that raise money for projects supporting the environment or social good. The main categories: green, social, and sustainability bonds, each follow principles set by the International Capital Market Association (ICMA).

EQ Future Leaders invests in all three types, and roughly 35% of the portfolio's fixed income holdings are labelled.



Source: EQ analysis on bond holdings, 2026

Stewardship

Collaborative & hands-on engagement

Engaging companies directly via collaborations and AGMs.



Banks & Climate

In 2025, several major banks weakened their climate targets, including for financed emissions. Since 2023, EQ has worked with ShareAction's investor group to promote stronger climate commitments in the industry.

Last year, EQ co-signed AGM statements at HSBC, Barclays, and Standard Chartered on your behalf, urging sustainable finance and loan book decarbonisation, and met with Heads of Sustainability to reinforce credible, science-based transition plans toward net-zero.



Responsible AI

Artificial intelligence has significant potential to benefit society, but responsible governance is essential to prevent unintended harms.

EQ has been a member of the World Benchmarking Alliance's (WBA) Ethical AI Collective Impact Coalition (formerly the Digital Inclusion Coalition) since 2022, working to encourage ethical and transparent AI practices across the digital sector. We have supported investor engagements with companies including BT Group, PayPal, and Apple.

In 2025, EQ attended BT Group's AGM to raise a question on responsible AI. As the CEO highlighted AI's growing role, investors seized the opportunity to demand ethical safeguards in the company's innovation approach.

Other engagements & AGMs

ATNI and ShareAction healthy markets:

Promoting healthy food sales, in collaboration with Access to Nutrition Initiative (ATNI) and ShareAction's Healthy Markets collaboration.



UN PRI Advance:

Promoting human rights protection in renewables' and utilities' supply chains, in collaboration with UN PRI Advance. (Supporting engagement with E.on)



Annual General Meetings (AGMs):

Using AGM attendance to hold boards to account on material sustainability topics. In 2025-26 this included:

AstraZeneca, GSK, Tesco, Antofagasta,
and Reckitt Benckiser.

Stewardship

Low cost doesn't mean passive stewardship

Promoting social and environmental characteristics.

In recent years, stewardship ambition has declined across the industry, particularly among passive asset managers. A common misconception is that stewardship matters less in passive and low-cost systematic funds. But passive managers hold voting rights too, and how they use them can enable or block change.

At EQ, we use stewardship to mitigate risks from bad actors and ESG weaknesses across all our portfolios, and where possible, we select managers with the strongest practices.

We've developed expertise in telling lip-service apart from effective engagement and use a stewardship ambition rating to guide fund selection.

What we look for are managers using every tool available to effect change. Nordea Asset Management conducted 1,391 engagements last year, three examples are below:



Forever Chemicals Ecolab



Nordea engages Ecolab on chemical stewardship, focusing on PFAS management and disclosure transparency. PFAS are persistent "forever chemicals" linked to environmental contamination and potential health risks, including cancer and immune effects, making their phase-out a material regulatory and reputational issue.

Management confirmed a 2026 PFAS phase-out commitment, pre-commercialisation screening, and dedicated removal technology, alongside a structured product stewardship framework. ChemSec rankings have improved from mid-table to top five. Engagement remains open.

Diversity & Inclusion Alibaba



Nordea engages Alibaba on DEI because diverse talent is critical to competitiveness in AI, cloud, and digital commerce, and because credible progress requires transparent, measurable accountability following a 2021 misconduct incident. Following this continued pressure, Alibaba reported 30% female board representation, ~50% female workforce, and executive female representation rising from 25% (FY2023) to 37.5% (FY2025).

However, disclosure has grown more fragmented, and AI-driven hiring skews male. Given these new challenges, Nordea is now pressing for more granular reporting and accountability.

Fossil Finance JP Morgan

J.P.Morgan

JPMorgan, a US bank involved in fossil fuel financing, has been engaged by Nordea Asset Management (NAM) since 2024 on climate targets, financing disclosure, and transition finance. JPMorgan hasn't committed to shifting its fossil fuel strategy or setting timelines, but it has agreed to enhanced indigenous rights reporting and invited NAM to a 2026 transition finance roundtable.

NAM is using this new forum to increase pressure, at a time when other shareholders are stepping back, making NAM's continued engagement an important counterweight.

Exceeding expectations

Staying ahead of the pack

A comparative analysis.

Responsible investing can be interpreted in many ways, and ambition varies widely. A lack of regulation, combined with limited reporting from many sustainable low-cost MPS providers, makes it difficult to gauge the ambition behind low-cost responsible portfolios.

Transparency and accountability through reporting are core to responsible investing, and regular reporting lets clients verify that their portfolio stays consistent with their values.

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

- Low carbon footprint: Strong climate risk management.
- Fewer negative exposures: Stronger responsible investing standards.
- Higher SDG alignment: Greater exposure to solutions.



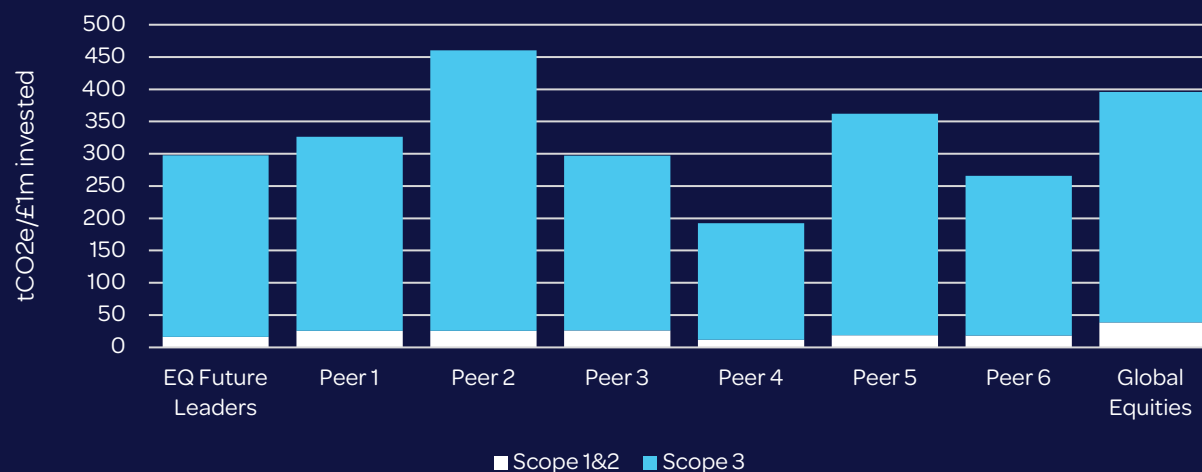
Carbon emissions

Most responsible low-cost MPS peers have similar or higher carbon emission intensities across Scopes 1, 2 and 3. All except peer 2 sit below the global benchmark.

The core Nordea fund within EQ Future Leaders aims to deliver market-like equity exposure while maintaining Scope 1 and 2 emissions at least 25% below the benchmark.

Source: Clarity AI, EQ analysis on equity holdings, 2026

Carbon footprint vs low cost peers



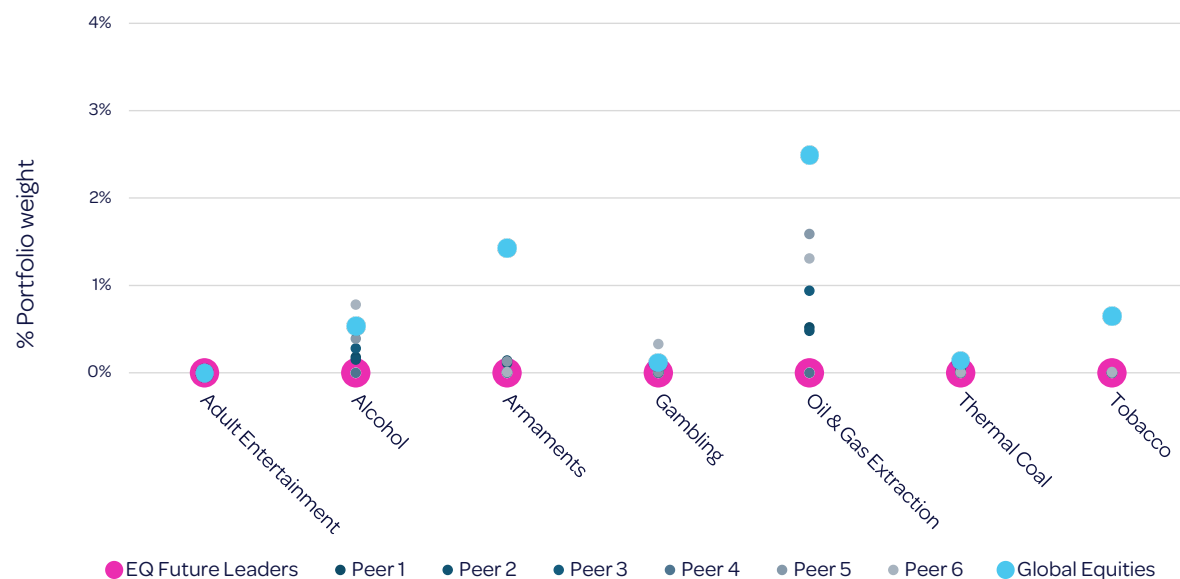
Exceeding expectations

Negative exposures

EQ Future Leaders is an intentional, structured and reliable answer to investing responsibly at low cost.

A closer look at the underlying holdings in responsible low-cost MPS peers reveals inconsistent screening methodologies, where some funds apply a screen or sustainability threshold, others don't. This results in exposures that wouldn't pass EQ Future Leaders Portfolios' own screening.

Negative exposures vs low cost peers



Conclusion: 6/6 peers have exposure to at least one negative category, fully avoided by EQ Future Leaders.

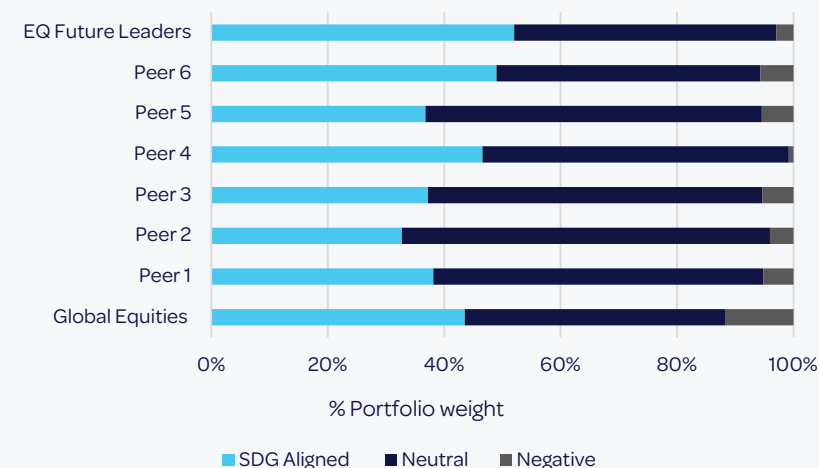
Source: EQ analysis on balanced risk profile, 2026



UN SDG alignment

EQ Future Leaders Portfolios have higher exposure to the UN Sustainable Development Goals (SDGs) than traditional investments. As the graph below shows, the portfolios achieve 50% alignment to the UN SDGs, over 10% above the sustainable peer-group average. This is driven in part by the intentional inclusion of sustainable themes within fixed income, including green and development bank bonds.

UN SDG alignment vs low cost peers



By comparison, many peers show exposure levels similar to traditional benchmarks. Based on our assessment of their investment processes, their exposure to UN SDG solutions companies or bonds appears coincidental, mirroring levels seen in the unscreened market (Global Equities), rather than the result of deliberate positioning.

Source: EQ analysis on balanced risk profile, 2026



Contact your financial adviser to invest sustainably with credibility and integrity

About EQ

EQ Investors (EQ) is one of the UK's leading specialists in ESG, impact and sustainable investing. EQ is a founding certified B Corporation and proudly holds one of the highest B Corp scores among UK firms - a testament to our commitment to doing business as a force for good.

EQ has always been at the forefront of innovation. We first began investing in with a sustainability lens over a decade ago and have continued to adapt with the global economy.

As a leading Certified B Corporation, EQ is committed to sustainability and positive impact. Part-owned by its sister charity, the EQ Foundation, it channels profits to support good causes and drive charitable innovation.

EQ is dedicated to achieving net-zero emissions by 2030, rigorously measuring and offsetting its carbon footprint. As a staff-owned business, it champions diversity, equity, and inclusion, with ambitious targets for female leadership and partnerships to attract diverse talent. EQ Investors blends responsible investment with a strong social and environmental purpose.



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

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