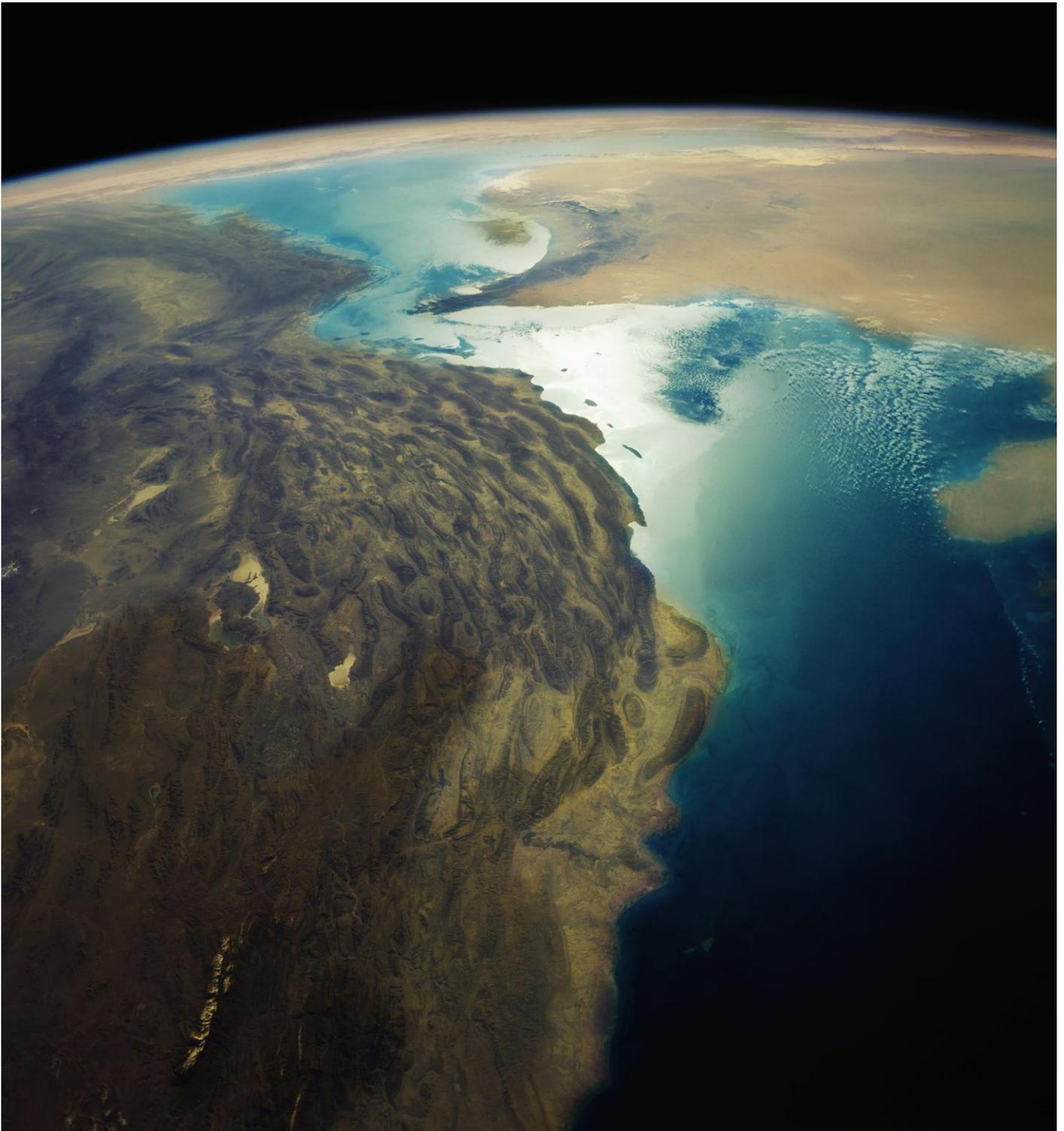


Generation Investment Management Senior Partner Letter

March 2026





Dear fellow investors

The year 2025 was marked by escalating ‘climate realism’ – a new and cynical term for climate denialism – and policy reversals attempting to slow the transition to more sustainable systems. Corporations, investors and asset managers faced increased political, legal and regulatory pressure to step away from sustainability commitments.

Numerous global initiatives meant to galvanise collective action stalled, disbanded or diluted their efforts. At the same time, we must acknowledge that sustainable investing alone – despite some genuine and encouraging progress – is not delivering real-world impacts at the scale or the pace required.

This challenging state of affairs could easily lead one to fear that sustainability, and by extension sustainable business and investing, have run their course. We at Generation categorically believe that is not the case. Indeed, beyond the news and rhetoric, evidence from the real economy bears out that the green transition is still happening albeit less noticeably.

And herein lies a noteworthy contradiction: while progress on sustainability commitments has stalled in some cases, the technology powering the energy and wider sustainability transitions continues to flourish.

As we take stock of the current moment, we must be clear-eyed about the factors that have contributed to these difficulties and what actions we must take to move forward. We think there are four key challenges facing sustainable business and investing.

Firstly, the affirmative case for sustainable business and investing has of late been eclipsed by a well-funded and coordinated campaign from the fossil-fuel industry and others who benefit from the status quo.

These interests have advanced a false but alluringly simplistic story, particularly in the United States. They claim the clean energy transition is too expensive, kills jobs, degrades security and is unfair to the poorest among us. Have no doubt: each assertion is categorically false. Looking at data in the real economy, it is clear renewable energy is now cheaper than fossil fuels, is slated to be one of the fastest engines of job growth, and increases energy resilience and independence and therefore security. Moreover, the energy transition – which yields vast benefits for human health – especially helps the poorest among us. What is true, however, is that the clean energy transition is complex and will have trade-offs. It is essential we acknowledge this and ensure we focus on the people-related challenges of the transition. Our narrative must be straightforward, compelling and work for society at large.

Sustainable investors have also lost ground on how the narrative around fiduciary duty is understood. More than 20 years ago, we at Generation and others established the imperative to consider sustainability-related risks and opportunities as a part of best-in-class investment practice. We said then and restate now: if an issue is relevant to the long-term health of a business or a portfolio, it is every investor's duty to consider it. In fact, in many jurisdictions ignoring material environmental, social or governance factors is now against the law. Nonetheless, many investors today act as if considering sustainability is optional or imprudent. Together, we must remake the case that sustainability is a vital part of fiduciary duty.

Investment performance

Secondly, we know many sustainable investing strategies, including some of our own, underperformed their benchmarks or peer groups in recent years. This leads some to believe that sustainability hurts investment results. This is wrong. Long-term investing strategies should not be judged solely in the short run. It is worth remembering this is the third time since our inception that we have experienced a pause in sustainable investing's momentum. In each of the two prior cases in 2011-12 and 2017-18, sustainable investing slowly but unmistakably rebounded in a better and more robust form. And for those like us who are determined and patient, we have also found these periods to be attractive opportunities to deploy capital.

Developing further convergence of standards and tools

Thirdly, standards and tools have become too complex. We are big supporters of the International Sustainability Standards Board (ISSB) because we believe it provides the baseline investors need to track disclosure and progress against sustainability goals.

But that global baseline only functions if countries and companies adopt it faithfully. Among jurisdictions, we are seeing pressure to introduce local modifications that fragment comparability and undermine the very purpose of a common framework. On the corporate side, some companies are pushing back because they believe the market will not reward them for the disclosure, the commitments or for achieving those commitments. Until there is a coordinated movement of support from investors – directed at regulators and companies alike – these standards will not achieve their potential.

It is also important to remember that disclosure on sustainability does not of itself lead to progress on sustainability. Investors must advocate for policy that supports the transition to a sustainable economy.

Directing capital flows to the highest impact places

Lastly among the four key challenges facing sustainable investing, even though investment in clean technology has soared in recent years, collectively we still have not got the capital flows right. In 2025 the world invested \$2.3 trillion in the clean energy transition.¹ This is twice the amount invested in coal, oil and gas. Unfortunately, it is neither enough nor going to the highest emitting sectors nor to the Global South where we will need to invest at least \$1.3 trillion annually by 2035.²

¹ [BloombergNEF, Energy Transition Investment Trends \(ETIT\) 2026.](#)

² [United Nations Framework Convention on Climate Change \(UNFCCC\), Baku to Belém Roadmap to 1.3T, 5 November 2025.](#)



REASONS FOR OPTIMISM

Despite these challenges and the political environment, let me turn to three reasons for optimism.

The energy transition continues apace

Firstly, even in President Trump's first year back in office, the energy transition gained strength. Clean energy accounted for approximately 90% of the new electricity capacity added in the US.³ Globally, the figure is 92.5%.⁴ Worldwide, the sale of new petrol-powered cars peaked almost a decade ago in 2017, and cars with electric motors are now approximately 25% of the global market.⁵ That figure keeps rising, year on year. China's CO₂ emissions from fossil fuels and cement have now been flat to down for almost two years running.⁶ China promised peak emissions by 2030, but it may meet that promise early – a milestone for the whole world. So, while it is true that the energy transition is not going fast enough, it is absolutely clear that we are going in the right direction.

The business case remains relevant and robust

Secondly, the business case for sustainable investing is both relevant and robust. We believe strongly that the sustainability revolution will continue to be transformational. We think it is undeniable that looking at investments through the lens of sustainability helps investors identify future opportunities and risks.

Across Generation's portfolios, in public and private markets, we see the companies we invest in on clients' behalf sticking with sustainability. These companies are staying firm on climate strategy and doubling down on emissions reduction initiatives. They understand the business benefits of diversity in the workplace. They know that environmental and social sustainability are material business issues. We are also pleased to report that not a single Focus List company in our Global Equity strategy stepped away from validated science-based targets.

³ [BloombergNEF in partnership with the Business Council for Sustainable Energy, Sustainable Energy in America 2026 Factbook.](#)

⁴ [International Renewable Energy Agency \(IRENA\), Renewable Capacity Statistics 2025.](#)

⁵ [International Energy Agency, Global EV Outlook 2025.](#)

⁶ [Carbon Brief, Analysis: China's CO₂ emissions have now been 'flat or falling' for 21 months, 12 February 2026.](#)

Asset owners and managers are joining together

Lastly, asset owners and managers are beginning to work together in new and powerful ways. In June 2025, we convened a small group of the largest global capital allocators for a Chatham House Rule discussion of the challenges facing sustainable investing.



Several months later, this conversation evolved into the first-ever Asset Owners Summit at the 30th global climate conference in Belém, Brazil, as part of the official COP30 agenda. The meeting marked a pivotal moment in bringing large investors directly into the global climate talks. Participants included senior representatives from pension funds, insurers, development banks, endowments and investment consultants, representing about \$10 trillion in assets under management, as well as scientists and executives from corporations across emissions-intensive sectors. The conversation that began in Belém is continuing, and we hope tangible outcomes can be announced at the next climate summit in Turkey later this year.

Other initiatives are forming to tackle shortcomings, including a focus on harmonising and enhancing carbon disclosures and the recently announced restart of the Net Zero Asset Managers initiative. In short, the sustainable investing community is realigning.

So while there are clear challenges, we believe sustainable investing has entered a period of retooling, and momentum is building once again.



Two years ago, we reflected on the methods that we believe best fulfil our duties to clients and our mission to use investment and advocacy to accelerate the transition to a sustainable world.

These practices are four-fold:

1. **allocating** capital to deliver long-term, attractive, risk-adjusted investment returns and positive impact;⁷
2. **engaging** with portfolio companies to scale their impactful products and operate in more sustainable ways;
3. **modelling** sustainable operations within our firm; and
4. **advocating** for the standards and tools that unlock more sustainable investing by others.

The first two practices speak to our commitment to sustainable investing, which we report on in our quarterly investor letters. We report on the third and fourth below.

Equity, diversity and inclusion

We are aware of the political backlash against EDI. Taking steps to reflect the population of the locations and communities in which we operate and creating an environment where people of all backgrounds can succeed is part of our business as usual. We strongly believe we are better investors as a result. There are five leadership committees at Generation, and representation across our leadership is 53% men, 47% women and 23% persons of colour.

Direct environmental impact: our offices

Generation designed its offices to minimise environmental impact. Offices are located centrally and well served by public transport. In London our head office is rated BREEAM Excellent, and the interior fit-out achieved SKA Gold and WELL Platinum designations. Our San Francisco office is located in a LEED Platinum-certified building, and the interior fit-out achieved WELL Silver designation. We seek to source energy from renewable sources.

Certified B Corporation

Generation is proud to be a certified B Corporation, a designation we first achieved in 2015, making us among the earliest financial services firms to join the B Corp movement. Certified B Corps are measured against the B Lab Standards, a globally recognised framework that assesses a company's social and environmental impact across key areas, from climate action to human rights. We chose to become a B Corp because we believe businesses that account for their wider impact will be more resilient and successful over the long term. Our score this year was 157.6 out of 200, placing us among the highest-scoring companies in our sector.⁸



⁷ Generation seeks to deliver attractive, risk-adjusted investment returns and positive impact, but there can be no guarantee this goal will be achieved.

⁸ Generation has been certified by B Lab Global as a B Corporation since September 2015. The most recent recertification was received on 7 February 2026 based on data covering the period from mid-year 2024 to mid-year 2025.

Integrity as a business partner: our vendors

We believe in treating our vendors well. They enable us to succeed on behalf of clients. We are pleased to demonstrate this commitment by paying our vendors promptly for goods and services rendered. In January 2026 we received the UK government's Fair Payment Code Gold Award recognising that we paid at least 95% of all supplier invoices within a month.⁹ The awards aim to encourage firms to pay small businesses and the self-employed quickly and fairly.



Fair
Payment
Code

Gold
Until 2027

2025 sustainability advocacy

The Generation Foundation, established in 2004 alongside Generation Investment Management, continued its commitment to strengthen the sustainable investing ecosystem. In 2025 the Foundation deployed approximately £8.5 million across its grantmaking, research and employee matching programmes. Among the Foundation's grantees were the US Impact Investing Alliance, Commonwealth Climate and Law Initiative, and Asia Investor Group on Climate Change. Each supports the sustainable investing infrastructure that enables investors to consider sustainability as a key input to assess and manage systemic financial risks. Their work builds upon findings of the Foundation's flagship Legal Framework for Impact project – a detailed global analysis that confirms the legal framework already exists in multiple jurisdictions for investors to consider sustainability as a relevant concern.

In 2025 the Foundation also made a major grant to support Climate TRACE, a global not-for-profit coalition of more than 100 universities, scientists and AI experts that has created the world's first comprehensive accounting of greenhouse gas emissions based primarily on direct, independent observation. Through a three-year grant, the Foundation is supporting Climate TRACE's work to facilitate emissions data being used to drive concrete decarbonisation actions. The grant will also help expand Climate TRACE's coverage of non-greenhouse gas air pollutants implicated in millions of deaths around the world each year.

⁹ Generation received the Gold Award in January 2026 and the rating lasts for two years. The payments period assessed was the first half of 2025.

In closing, with each year that passes, the threats posed by the climate crisis, destruction of nature and inequality grow larger.

At Generation we are not turning away from sustainability in the face of challenge; rather we are as committed and determined as ever. Our 2026 advocacy priority is action. Through our engagement with you and others, we will work to develop a more approachable narrative for sustainable investing and reestablish the fiduciary imperative; we will contribute in the effort to harmonise and enhance the carbon disclosure framework and seek to develop proof statements that investing in developing markets is attractive.

At this time of challenge, my colleagues and I take inspiration from the words of Ruth Bader Ginsburg, the former Associate Justice of the US Supreme Court: “Fight for the things you care about. But do it in a way that will lead others to join you.”

We could not be more grateful to have our clients and others alongside us. Thank you for your partnership.



David Blood, on behalf of all colleagues at Generation Investment Management, Just Climate and the Generation Foundation