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EUROPE SUSTAINABILITY REGULATION

MARCH UPDATE

01 Concerns over ESRS simplification and climate reporting requirements

The **EU Platform on Sustainable Finance (PSF)** has published its response to the European Commission's consultation on the revised European Sustainability Reporting Standards (ESRS). While it welcomes efforts to make the standards more proportionate and user-friendly, it raises **serious concerns** that the proposed "simplification" may **weaken the EU's alignment with global sustainability reporting standards**.

The PSF expresses **particular concern** about the shift from **mandatory to optional climate scenario analysis**, warning that this change could significantly weaken companies' assessments of climate resilience. It stresses that such analyses are central to robust sustainability reporting and that the EU must ensure ESRS requirements **meet or surpass international ambition** to maintain the credibility and comparability of European disclosures.

Implications of ESRS simplification for EU alignment and framework coherence

- EFRAG's (the European Financial Reporting Advisory Group) revised ESRS, developed as part of the EU's **Omnibus I initiative**, introduce far-reaching simplification measures, including a **61% reduction in mandatory datapoints**, the removal of all voluntary disclosures, increased allowance for the use of estimates, and new reliefs to ease supplier data collection. While intended to reduce the reporting burden for companies, these changes mark a substantial transformation of the original framework designed under the Corporate Sustainability Reporting Directive (CSRD).

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EUROPE SUSTAINABILITY REGULATION

MARCH UPDATE

02 EU Finalizes 90% Emissions-Cut Target for 2040

EU member states in the Council approved amendments to the Climate Law requiring a **90% reduction in GHG emissions by 2040**, with the option to use **carbon credits** to meet the target. This follows the European Parliament's positive vote and is the last major step before final adoption.

Adopted in 2021, the Climate Law enshrined the goal of **climate neutrality by 2050** and an interim target of **-55% net emissions by 2030** (compared to 1990). To set the next milestone, the Commission presented in July 2025 an amendment aiming for **-90% by 2040** and opening the door to **international carbon credits** (Article 6 of the Paris Agreement) from 2036, up to an initial **3% contribution** toward the 90% target.

EU Emissions Trading System 2 (ETS2) timing and next steps:

To reach an agreement, Parliament and Council introduced flexibilities: **international credits may account for up to 5%** of reductions, and the Commission must conduct a review every two years, which could adjust the target based on energy prices and technological progress.

The amendment confirms a **one-year delay** to the ETS2 launch to 2028. ETS2 will extend carbon pricing **to fuels for road transport and heating in buildings**, with room for maneuver allowing member states to compensate shortfalls within individual sectors.

According to Maria Panayiotou (Cyprus, Minister for Agriculture), the EU aims to **lead the fight against climate change while protecting competitiveness** and ensuring that **no one is left behind**. After approval by both co-legislators, the law will be published in the EU's Official Journal and will enter into force 20 days after publication.

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USA SUSTAINABILITY REGULATION

MARCH UPDATE

03 California sets August 2026 deadline for companies' first climate reports

The California Air Resources Board (CARB) has set August 10, 2026, as the deadline for companies to report their greenhouse gas (GHG) emissions by adopting the **"California Greenhouse Gas Reporting and Climate Financial Risk Disclosure Initial Regulation."** This regulation requires thousands of companies operating in California to publish their emissions (including those across their value chain) and report on climate-related financial risks. The stated objective is **to provide reliable information to investors and consumers**, aligning with the global trend toward **greater climate transparency**.

This regulation is based on **two laws: SB253 and SB261**.

SB253 requires companies with over \$1 billion in revenue and doing business in California to **report annually their Scope 1 and 2 emissions, as well as Scope 3 emissions** from their value chain (suppliers, business travel, etc.).

SB261 applies to **companies with over \$500 million in revenue**, which are required to **publish a climate financial risk report and details their mitigation and adaptation measures**. According to CARB, more than 4,000 U.S. companies are potentially affected by these requirements. The rollout is gradual: in the first year (2026), reporting only covers Scopes 1 and 2, Scope 3 reporting only becomes mandatory from 2027. This phased approach aims to give companies time to organize data collection across the entire value chain, often the most complex and highest-emitting part.

Challenged but reporting continues

Finally, the system **faces legal challenges**. The Ninth Circuit Court of Appeals issued an injunction in late 2025 suspending the implementation of SB261 pending a ruling, the initial release of risk reports scheduled for January 1, 2026, has therefore become voluntary. Despite this, the California Regional Bureau of Regulation (CARB) reports that 120 reports have already been voluntarily filed and made public, while authorities reaffirm the importance of climate transparency to guide the decisions of businesses and consumers.

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NORTH AMERICA SUSTAINABILITY REGULATION

MARCH UPDATE

04 Pensions and climate: legal challenges that are shaking up pension funds

Two lawsuits, one in Canada and the other in the United States, are directly testing how pension managers are taking climate risk into account and could redefine fiduciary responsibility. In Canada, four young contributors are suing CPPInvestments (manager of the Canada Pension Plan), accusing it of exposing their pensions to losses by underestimating long-term climate risks and maintaining investments in fossil fuels.

Plaintiffs say opaque “black box” models understate climate risks, potentially lowering pensions or raising contributions for those retiring after 2050. With CPPInvestments managing \$700 billion for 22 million contributors, the stakes are systemic. The suit follows CPP’s May 2025 withdrawal of its “net-zero 2050” target over greenwashing-related legal risks, a move watchdogs condemned even as CPP reports a 41% drop in portfolio emissions since 2020 and adopts a more cautious climate message.

Towards a legal obligation to integrate climate risk into pensions?

In the United States, ClientEarthUSA is supporting a class action lawsuit against Cushman & Wakefield, accusing the employer of ignoring material climate-related financial risks by offering an underperforming, climate-insensitive fund (Westwood Quality SmallCap) to employees. The plaintiffs cite a 17% shortfall in 2025 and high fees, while highlighting the paradox between the company’s climate risk management for its operations and the lack of equivalent analysis for employee savings.

Presented as a landmark case, the lawsuit could establish that climate risk management is a mandatory component of due diligence in light of the \$12 trillion in American retirement savings. However, several observers note legal obstacles (proof of harm, causal link) that could hinder swift legal precedent.

These cases send a signal to trustees: ignoring physical, transitional and systemic climate-related risks could be perceived not as neutrality, but as a management failure with regard to a multi-decade horizon.

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ESG MARKET INSIGHTS

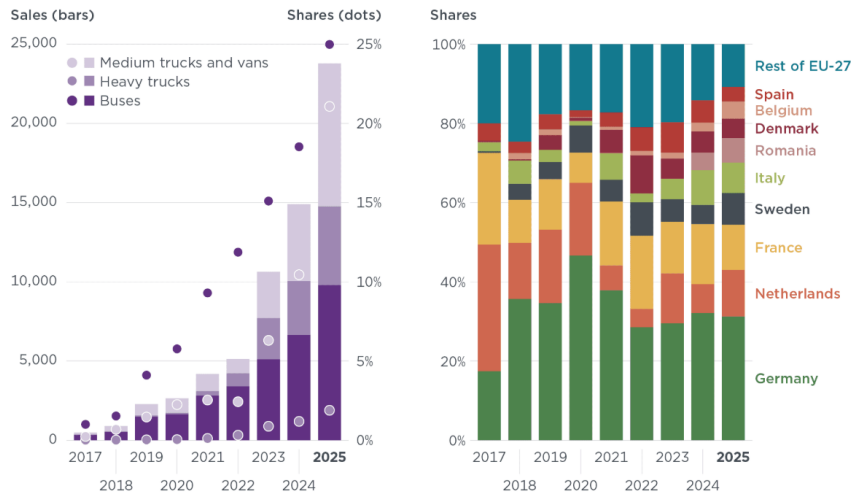
01 Race to zero: European heavy-duty vehicle market development

This month, the International Council on Clean Transportation (ICCT) published a report on Europe's heavy-duty vehicle market showing that **zero emission heavy-duty vehicles (ZE HDVs) are taking off**. Here are the key numbers:

- Zero Emissions heavy truck (12+ tons) reach a market share of 1.9% in 2025 (up from 1.2% in 2024).
- Zero Emissions medium truck and van sector (3.5–12 tons) **more than doubled its market share from 10.4% in 2024 to 21.0% in 2025**.
- Zero Emissions buses and coaches (predominantly Zero Emissions city buses) are also strong: **the sales share of Zero Emissions city buses grew from 45% to 58% between 2024 and 2025** (Zero Emissions interurban buses and coaches remained stagnant at a 4% Zero Emissions share across both years).

The European Clean Vehicles Directive sets procurement quotas for zero-emission city buses, up to 22.5% in 2021-2025 and 32.5% in 2026-2030 supporting the growth of the zero-emission bus market.

Europe's zero-emission heavy-duty vehicle sales by vehicle type (left) and EU Member State (right)



THE INTERNATIONAL COUNCIL ON CLEAN TRANSPORTATION THEICCT.ORG

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ESG MARKET INSIGHTS

02 EIB to Deploy €75B to Accelerate the EU's Clean Energy Transition

The European Investment Bank (EIB) Group will deploy **over €75 billion** in energy-transition financing over the **next three years**, as part of the European Commission's new **Clean Energy Investment Strategy**. The plan aims to better connect abundant private capital with Europe's pipeline of clean-energy projects, against investment needs of **€660 billion per year to 2030**, rising to **€695 billion annually between 2031–2040**. The Commission and the EIB position this push as a catalyst for **lower energy bills, job creation, and greater energy sovereignty**.

€240 billion
average investments
2011- 2021

€660 billion
Needed annually 2026 –
2030

€695 billion
Needed annually 2031 –
2040

Execution will focus on unlocking finance for **electricity grids** and **innovation**.

EIB actions:

- Launch a strategic infrastructure equity fund for grid operators.
- Expand banks' capacity to lend through securitization and intermediated loans (including for smaller operators).
- De-risk investments in clean technologies and energy efficiency, including research on small modular reactors (SMRs).

An **Energy Transition Investment** will convene investors to align policy tools with market needs, aiming to crowd in capital, accelerate deployment, and strengthen the EU's competitiveness and **energy security while advancing decarbonization**

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ESG MARKET INSIGHTS

02 Net-Zero Asset Owner Alliance (NZAOA) : New protocol: focusing on "transition targets"

The NZAOA publishes V5 of its target-setting protocol and introduces **"transition targets"** to direct capital towards high-emitting companies with credible transition plans, beyond the sole objective of reducing their portfolio footprint. The alliance now brings together 87 signatories from 19 countries, representing over \$9 trillion in assets under management.

- A new category of "transition targets" **measuring the share of portfolio emissions linked to "transitioning assets"** (companies in carbon-intensive sectors but on a credible net-zero trajectory).
- Architecture of targets (**4 components**): commitment (mandatory), sectoral or transition targets, "climate solutions" investments, emissions targets by sub-portfolio, signatories must set targets in ≥3 areas.
- **Credibility of transition plans**: criteria covering Paris alignment, scientific and dated objectives, integration into internal policies, action plans, advocacy alignment, reporting to qualify a "transition" asset.
- **Role of carbon sinks**: better integration of "carbon removals" (support for financing and a regulated market), while prioritizing decarbonization and prohibiting counting removals to achieve portfolio targets before 2030.

The 4 target categories



Engagement



Sectoral or
Transition



Climate Solutions
Investments



Sub-portfolio
emissions

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NEW IN RESEARCH






01 Investment in “Nature Positive” ?

The World Economic Forum, with Oliver Wyman, maps **50+ “nature-positive” opportunities** at the heart of value chains **across 13 sectors, classified into four archetypes** (operational improvements, scalable solutions, emerging innovations, ecosystem opportunities).

The observation is twofold: capital allocation remains massively misaligned (**in 2023: \$7.3 trillion towards activities harmful to nature, versus \$220 billion towards nature-based solutions**, the private sector accounts for \$4.9 trillion in “negative” flows compared to only \$23 billion in “positive” ones), even as the risk-return thesis strengthens: the listed “green economy” is worth approximately \$8 trillion and has outperformed global equities by about 59% since 2008.

Key figures :

- **\$10.1 trillion by 2030:** the size of the "nature-positive" opportunities if industrial and circular models are financed within value chains.
- **\$7.3 trillion vs. \$220 billion (2023):** an allocation gap that creates a clear trade-off for redeploying private capital.
- **~\$8 trillion | +59%:** the outperformance of the listed green economy validates the financial viability of nature-positive solutions.

Impact drivers in scope		Number of oportunities with positive impact ¹
	Land-use change	38
	Ocean-use change	5
	Freshwater use	29
	Resource use	36
	Pollution	46

Note: 1. Some opportunities require further validation of nature impacts.

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NEW IN RESEARCH

02 Decoding Asia's Transition Taxonomies: Why 1.5°C remains an elusive goal

- **Asian countries define “transition” power generation very differently**, creating confusion and risks for global investors. Some frameworks (Indonesia, Japan, Malaysia, China) label coal optimization, ammonia co-firing, or gas expansion as “transition,” which can mask high-emitting activities. Others, like Singapore and Thailand, apply stricter, science-based criteria.
- These inconsistencies **weaken Asia's credibility** and **affect its ability to attract high-quality capital**. Investors want real emissions reductions, not flexible labels. Countries with clearer, science-aligned standards (e.g., Singapore, Thailand, Australia) are better positioned.
- **Energy-security concerns explain why some nations remain soft on fossil fuels**, but this increases stranded-asset risk and misalignment with global climate finance. Policymakers must balance constraints with credible emissions cuts.

Figure : Where Asia's Transition Finance Frameworks Diverge From 1.5°C Alignment



Divergence risk = Misalignment between transition taxonomies and internationally recognized decarbonization benchmarks.

These gaps create misclassification, misalignment and reputational risks to cross-border investors, issuers and governments

Source : ESI Analysis

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IN FOCUS

01

As part of the digital cleanup: the pollution of the technology sector

This March 18th is Digital Cleanup Day, formerly known as Cyber World Cleanup Day. During this event, organizers and partners emphasize **two behaviors to adopt for a more responsible approach to technology: cleaning up your data** and **giving your digital devices a second life**.

Digital pollution refers to all the environmental impacts of the IT sector: greenhouse gas emissions, chemical contamination, biodiversity loss, and electronic waste. **Most of this pollution occurs during the manufacturing of equipment**. As a result, **we need to buy fewer devices and make them last longer**.

The **"dematerialization"** masks a **high consumption of materials and energy** (multiple metals: tantalum, lithium, gold, rare earth elements) whose extraction is very damaging to the environment and local communities. This pollution is largely "imported". For example, a television requires 2.5 tons of raw materials and generates approximately 350 kg of CO₂ before its first use, the larger/more complex the equipment (e.g., a 60" 4K screen), the greater the carbon footprint. A large portion of electronic waste escapes legal recycling and ends up in open dumps (e.g., Agbogbloshie, Ghana). Even when recycling occurs, product design often hinders material recovery.

Once a week, do the sorting



Cloud : Email Inbox - Social Networks - Drive



Local : Email Inbox - Social Networks - Drive

To extend the lifespan of devices



Keep/repair rather than replace, buy refurbished if needed



Drop off used equipment at an authorized channel

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