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AN AFFILIATE OF NATIXIS INVESTMENT MANAGERS

SUSTAINABILITY

NEWSLETTER – APRIL 2025

CONTENT

SUSTAINABILITY REGULATION
APRIL UPDATE – EUROPE

01 The European Council approves the 'Stop-the-clock' directive

On April 14th, 2025, **the European Council approved the Commission's 'Stock-the-clock' directive** to postpone the implementation of the CSRD and the CSDDD. The proposal is a part of the 'Omnibus I' package which seeks to simplify sustainability disclosure requirements to boost EU competitiveness and provide legal certainty to companies. The 'Stop-the-clock' directive will:

- **Delay the application of CSRD requirements by two years** for large private companies and listed SMEs, which were due to come into scope in 2025 and 2026, to 2027 and 2028 respectively;
- **Delay the application of the first phase of the CSDDD by one year,** from 2027 to 2028; and,
- **Delay the deadline for EU member states to implement CSDDD in national law by one year** from 2026 to 2027.

The directive will provide the co-legislators time to agree on substantive changes to the CSRD and CSDD as proposed by the 'Omnibus I' package on sustainability.

The European Council has called on co-legislators to adopt the 'Stop-the-clock' mechanism by June 2025.

Go to the full press release

02 The European Council reaches deal with Parliament on a new soil monitoring law

On the 10th of April, the European Council reached a provisional deal with the European Parliament on **a directive establishing a framework for soil monitoring.** The objective of the framework is to **improve resilience, manage risks of contaminated sites, and set out land-take mitigation principles** with a focus on soil sealing and soil removal.

- The new law aims to address key soil threats in the EU by providing a legal framework for achieving healthy soils by 2050.
- **95% of our food is directly or indirectly produced on our soils** and healthy soils host **over 25% of global biodiversity** and are the largest terrestrial carbon sinks.
- Currently, **over 60% of European soils are unhealthy** as a result of unsustainable land management, sealing, contamination, and overexploitation, exacerbated by the impact of climate change and extreme weather events.
- We **depend on soils for vital ecosystem services** such as food, feed, timbre, nutrient cycling, carbon sequestration, pest control, and water regulation; the loss of these ecosystem services costs the EU at least EUR 50 billion per year.

Go to the full press release

SUSTAINABILITY REGULATION
APRIL UPDATE - US

03

SEC approves Green Impact Exchange's Form 1 application

The Securities and Exchange Commission gave final approval for Green Impact Exchange (GIX) to **open the first green securities exchange market in the US.** GIX is targeting to launch in 2026.

- GIX was founded in 2022 by former NYSE executives, with the objective of being the first national securities exchange in the US **dedicated to the emerging global green economy.**
- Public companies will be able to list themselves on the GIX if they make **binding commitments to set, implement, and monitor sustainability objectives**, and to report on their progress **transparently.**
- GIX has defined a set of guiding principles for companies that want to be listed on the exchange, which include having a public commitment to long-term sustainability from the company and its board, defining a short-, medium-, and long-term plan, adopting a standard sustainability framework, and reporting sustainability metrics on a regular basis.
- GIX will initially be a dual listing venue but plans to offer companies the option to use GIX as their primary listing venue in the future.

Go to the full article

04

NYC pension funds to require asset managers to submit net zero plans by the end of June 2025

New York City Comptroller Brad Lander announced increasing demands on asset managers for NYC pension funds – representing over $280 billion in assets – **to align their investments with the city's climate objectives.** The new expectations are being set to address the impact of moves by the Trump administration to roll back climate progress and cut back funding for climate infrastructure and adaptation.

- The new expectations will **require fund managers to submit net zero plans by the end of June 2025** to align with the Net Zero Implementation Plan launched by the NYC pension boards in 2022, with the objective of achieving net zero emissions by 2040.
- Asset managers' net zero plans will be evaluated based on requirements to **drive real economy decarbonization through engagement with portfolio companies**, as well as their approach to integrating material climate change-related risks and opportunities in investment decision-making and stewardship strategies.
- In a letter addressed to the NYC pension funds' fund managers, Lander said that managers that fail to submit net zero plans or submit plans that do not meet the requirements will be dropped.

Go to the full article

SUSTAINABILITY REGULATION
APRIL UPDATE – GLOBAL

05

India's Ministry of Finance publishes a draft framework for its Climate Finance Taxonomy

India has defined a net zero target for 2070, which includes interim targets such as **reducing its economy's carbon-intensity by 45% by 2030** and transitioning to **~50% electric power from non-fossil-based sources by 2030.**

- The draft framework outlines the approach, objectives, and principles that will guide the taxonomy, as well as the methodology for classifying activities that contribute to India's climate objectives. It will also be used to define sector specific guidelines to classify green activities and projects in different industries.
- **The taxonomy has two approaches: qualitative and quantitative**. The qualitative elements define the core principles for guiding green activities and alignment with India's NDCs and SDGs while quantitative elements, such as GHG emissions intensity and sustainability KPIs will be used for transparency and accountability.
- The taxonomy's principles are aligned with those of global taxonomies, including the do no significant harm principle, supporting transitional activities, and ensuring that targets are science-based and transparent.
- In comparison to other frameworks, India's principles also highlight the importance of **enhancing investments in indigenous technologies** by incentivizing the adoption of such technologies and R&D on a preferred basis.

Consistency with Global Taxonomies	
India's Principles	***Global Taxonomies reflecting consistency with India's principles***
Consistency with stated position on Climate Action and development priorities	EU, China, South Africa, ASEAN, Indonesia, Singapore, Egypt, Latin America, Malaysia, Sri Lanka, Brazil, EU-China Common Ground Taxonomy, IPSF-UNDESA G20 Sustainable Finance Working Group
Do no significant harm to other objectives of the climate finance taxonomy	EU, South Africa, ASEAN, Indonesia, Latin America, Malaysia, Sri Lanka, IPSF-UNDESA G20 Sustainable Finance Working Group
Focusing on pathways and trajectories in country context	EU, South Africa, ASEAN, Indonesia, Latin America, Malaysia, Sri Lanka, IPSF-UNDESA G20 Sustainable Finance Working Group
Interoperability and consistency	EU, ASEAN, Singapore, Indonesia, EU-China Common Ground Taxonomy
Support Transitional Activities	EU, ASEAN, Latin America, Malaysia, Singapore, Brazil
Promoting the use of Indigenous technologies	China, Brazil, Malaysia
Be science-based and transparent	EU, ASEAN, Indonesia, Malaysia, Sri Lanka, Brazil, IPSF-UNDESA G20 Sustainable Finance Working Group
Proportionality -Support for MSMEs	ASEAN, Indonesia, Malaysia, Brazil

Source: Framework of India's Climate Finance Taxonomy (Draft)

Go to the full press release

ESG MARKET INSIGHTS
NEW B CORP STANDARDS & ISSB SCOPE 3 PROPOSAL

01

B Lab issues new, strengthened B Corp Certification standards

B Lab's new B Corp Certification framework introduces requirements that all B Corps must meet across seven 'Impact Topics':

- **Purpose & Stakeholder Governance:** Act in accordance with a defined purpose and create governance structures to monitor purpose, social, and environmental performance.
- **Climate Action:** Develop an action plan to support limiting global warming to 1.5°C (GHG emissions & SBTs for larger companies).
- **Human Rights:** Understand impact of operations and value chain on human rights and prevent and mitigate negative impacts.
- **Fair Work:** Good quality jobs, positive workplace cultures, fair wage practices, and including workers in decision making.
- **Environmental Stewardship & Circularity:** minimize environmental impacts in operations and value chain.
- **Justice, Equity, Diversity & Inclusion:** foster inclusive & diverse workplace and contribute meaningfully to just and equitable communities.
- **Government Affairs & Collective Action:** Engage in collective efforts to drive systemic change, advocate for policies with positive ESG outcomes, and, for the largest companies, publicly share country-by-country tax reports.

Go to B Lab's new Standards

02

The ISSB proposes changes to climate disclosure standards to ease scope 3 reporting requirements

The IFRS Foundation's International Sustainability Standards Board (ISSB) announced a series of changes to its climate-related disclosure standard, allowing entities to exclude Scope 3 GHG emissions reporting associated with derivatives, facilitated emissions, or insurance-associated emissions.

- The new proposed changes to IFRS S2 seek to address specific application challenges, with **the objective of making it easier for companies to apply the standards** while providing investors with information that is **useful to their decision making.**
- Under the proposed changes, entities would still need to disclose financed emissions (scope 3, category 15). The ISSB also proposed adding a requirement for companies to disclose the amount of derivatives and other financial activity being excluded from Scope 3 disclosures to provide transparency on the magnitude of emissions being excluded.
- Other proposed changes to support entities with the application of the standards include clarifications on the jurisdictional relief to use a measurement method other than the GHG Protocol and for using jurisdictional-required GWP values.

Go to the full article

ESG MARKET INSIGHTS
Q1 2025 SUSTAINABILITY TRENDS (1/2)

03 ERM's quarterly outlook highlights the need for companies to adapt to a changing sustainability landscape amid global trade disputes and US climate policy rollbacks

Companies respond to supply chain risk as trade disputes escalate globally:

- The Trump administration first imposed new tariffs on Chinese imports in February 2025, followed by tariffs on Canadian and Mexican imports as well as all steel and aluminum imports. Many target countries have responded with their own trade measures: Canada imposed tariffs on $30 billion of US imports on March, including a 25% tariff on US steel and aluminum. China has also responded with a 15% tariff on US agricultural imports in March followed by a reciprocal tariff of 84% on US goods starting April 10th.
- **The trade tensions are leading to significant uncertainty.** Companies are trying to strengthen their supply chains and manage potential impacts of future changes to trade policy including shifting production out of China and expanding domestic production to offset tariff impacts.
- **The US clean energy sector will likely be adversely impacted by the ongoing trade disputes.** The high tariffs on China will likely translate to significantly higher costs for the clean energy industry with battery storage chains being one of the most vulnerable supply chains (~90% of lithium-ion energy storage cells were imported from China in 2024).

Although the sustainable investing landscape is facing political and economic disruptions, surveys show that companies are still committed to sustainability:

- Surveys of CFOs across the U.S., UK, UAE, and India show that **92% plan to increase sustainability investments, and 94% integrate sustainability into investment decisions**. Additionally, **69% expect higher returns from sustainability efforts** compared to traditional investments.
- A U.S. survey of Chief Sustainability Officers revealed that **90% are not changing their sustainability approach despite political shifts**. Moreover, leadership alignment on sustainability increased by 42% from 2023 to 2024, signaling **stronger top-down support for long-term sustainability strategies.**
- Businesses are adapting their sustainability approaches to focus more on initiatives that deliver both environmental and financial value. Examples include **Walmart's composting program, which reduced food waste by 12%, and KIND's shift to subsurface irrigation**, which saved water, fuel, and reduced crop disease.

Go to the full report from ERM

ESG MARKET INSIGHTS
Q1 2025 SUSTAINABILITY TRENDS (2/2)

03 The start of 2025 also saw multiple influential corporations and financial institutions abandoning or delaying their climate commitments and leaving net zero alliances

Q1 of 2025 has also seen multiple Influential financial institutions backing out of net zero alliances:

- Between December and January, large U.S. banks, along with some from Australia, Canada, and Japan, **exited the Net-Zero Banking Alliance (NZBA).** The Texas Attorney General ended an investigation into these banks shortly after their exits, and New Zealand launched a probe into whether NZBA membership could violate anti-cartel laws.
- In response to these exits, **the NZBA dropped its requirement for members to align with the 1.5°C global warming goal** and refocused on financing the energy transition. The Net-Zero Asset Managers Initiative (NZAM) also suspended its operations to reassess its mission in the current global context.
- However, institutional investors are continuing to push for climate action and risk management. A coalition of **27 institutional investors with $1.5 trillion in assets urged stronger climate alignment from asset managers**. In the UK, The People's Pension **withdrew £28 billion from State Street** after the latter left Climate Action 100+.

Companies are also reassessing and adjusting their targets, with some are quietly abandoning their targets:

- Wells Fargo dropped both its net-zero 2050 and 2030 interim financed emissions targets. HSBC extended its net-zero operations and supply chain goal from 2030 to 2050, and IKEA delayed its emissions-free delivery target from 2025 to 2028.
- While some changes are publicly announced, others are more discreet. For example, in New Zealand, multiple **companies have quietly exited the Science Based Targets initiative (SBTi)** after failing to make adequate progress, reflecting a trend of silent withdrawal from ambitious climate goals.
- **However, not all companies are retreating**. Archer Daniels Midland and Rio Tinto reaffirmed their climate commitments, citing economic rationale and long-term necessity.
- Although backing out of climate targets can deflect short-term political scrutiny in the US, **companies may face backlash from investors**. 48 institutional investors demanded a shareholder vote on BP's climate strategy rollback, which BP ignored, leading to a vote against its chairman.

Go to the full report from ERM

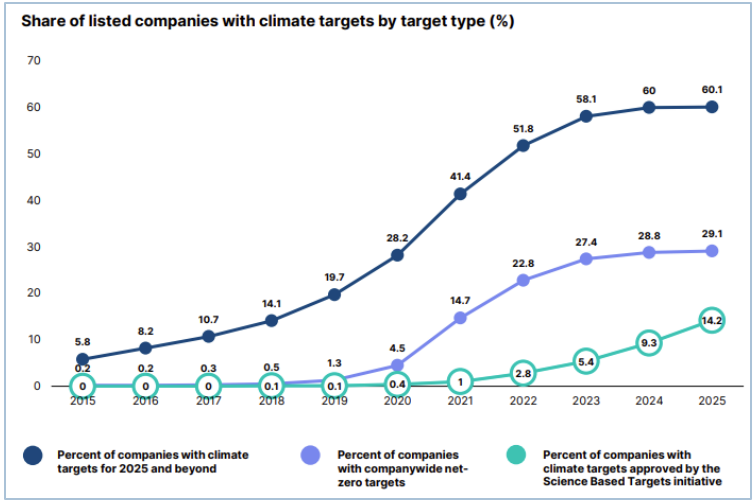
NEW IN RESEARCH
TRANSITION FINANCE STATUS (1/3)

03

MSCI's latest Transition Finance Tracker finds that companies are continuing to increase climate ambitions, including SBTs, despite regulatory rollbacks in the US

MSCI's Transition Finance Tracker (re-named from Net-Zero Tracker), which is based on the climate change progress of companies within the MSCI ACWII IMI, found that:

- While the number of listed companies with public climate commitments for 2025 and beyond has increased to 61% in 2025 compared to 28% in 2020, **only 14.2% of companies have targets approved by the SBTi.** Moreover, only 12% of listed companies align with limiting average global temperature rise to 1.5°C (2.7°F) based on MSCI's Implied Temperature Rise metric.
- **The Industrials sector had the highest share of companies with SBTi-validated climate objectives** as of March 2025 (21.5%) followed by Consumer Discretionary (15.5%) and Information Technology (13.9%).
- Climate transition funds have a carbon intensity (tons of emissions per USD million in sales) almost 5 times higher than that of Paris-aligned funds, reflecting their mission to invest in transitioning emissions-intensive sectors.
- Assets under management in publicly traded climate **funds have grown almost 20-fold over the past seven years**, reaching US$ 560 billion in December 2024.



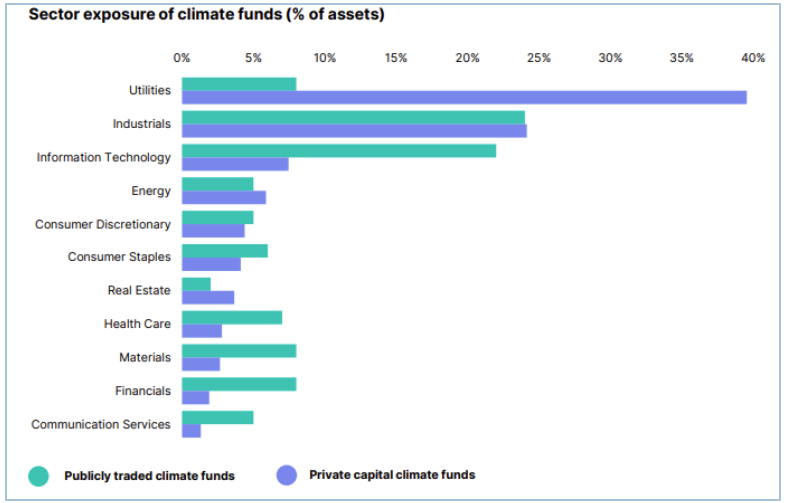
Source: MSCI Transition Finance Tracker

Go to the full report from MSCI

NEW IN RESEARCH
TRANSITION FINANCE STATUS (2/3)

03

While public-funds tend to focus on transition-enabling sectors, 40% of investments in private capital funds are allocated to the utilities sector



Source: MSCI Transition Finance Tracker

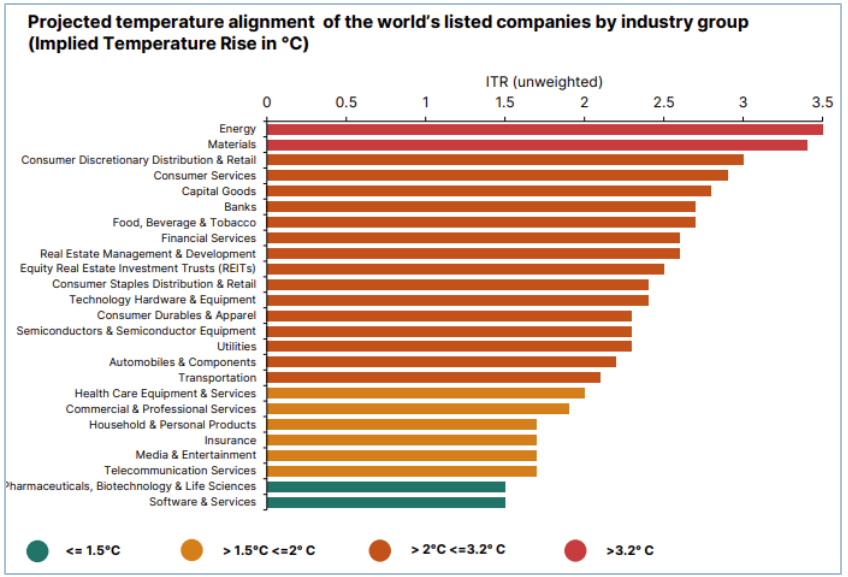
- **22% of public climate funds are invested in the information technology sector and 8% in materials**, both of which are vital to scaling low-carbon technologies. In contrast, private climate capital funds allocate only 7% and 3%, respectively, to these industries.
- Both public and private climate-focused funds are **primarily investing in US listed or domiciled companies**, which make up 71% of investments in publicly traded climate funds and 68% of private funds.
- Across clean tech investments, **China continues to lead with six of the top 10 companies in clean-tech innovation**, based on their pace and growth in the number of high-quality patents over the past five years (as of December 2023). In general, MSCI found that the majority of clean tech leaders are domiciled in the Asia-Pacific region, including Waree Renewable Tech (India), KPI Green Energy (India), Shinfox Energy (Taiwan), and Century Iron & Steel (Taiwan).
- **Transition leaders in Europe include Solaria**, a Spanish manufacturer of solar photovoltaic panels, **Energiekontor,** a German wind power company, and **Polestar** Automotive, a Swedish electric car manufacturer.

Go to the full report from MSCI

NEW IN RESEARCH
TRANSITION FINANCE STATUS (3/3)

03 New coal capacity continues to outpace the phasing out of coal-fired power plants

- Coal-fired power generation is the largest contributor to global GHG emissions (~44% of GHG emissions) with 35% of electricity in the world generated from coal. Despite its significant contribution to climate change, **new coal capacity continues to increase each year** rising to 19 gigawatts globally in 2024, despite national and corporate climate commitments, cost pressures, policies, and available alternative sources of energy.
- Although the share of renewable energy in global energy consumption has increased, **overall consumption of all forms of primary energy, including carbon-intensive fuels, has continued to rise.**
- Notably, the amount of electricity produced from non-renewable energy sources rose by 1.4% in 2024 **due to a surge in demand from heat waves** (without demand driven by extreme weather events, fossil-based electricity generation would have only risen by 0.2%).



Source: MSCI Transition Finance Tracker

Go to the full report from MSCI

IN FOCUS: METHANE
IEA-2025 GLOBAL METHANE TRACKER (1/3)

01

Understanding methane emissions – where does methane come from and what is the impact of methane emissions on climate change?

Methane and climate change

- Methane(CH_4) is responsible for **around 30% of global warming** since the Industrial Revolution.
- **Over a 100-year period**, one tonne of methane has a global warming potential (GWP) of **about 30 times that of CO_2**. Over a 20-year period, this potential increase to 82-87 times.
- Methane has a much **shorter atmospheric lifetime than CO_2** – around 12 years, but it **absorbs much more energy while it remains in the atmosphere**. Methane also affects air quality because it can lead to ground-level (tropospheric) ozone, a dangerous pollutant.
- The latest Global Methane Budget estimates **annual global methane emissions to be around 610 Mt,** with human activity **responsible for almost two thirds** of the total and natural sources accounting for the rest.

What are the main sources of anthropogenic methane emissions?

Energy-related methane emissions have still not reached a definitive peak. The fossil fuel sector accounts for 1/ 3 of methane emissions from human activities. The agriculture and waste are also major sources, but fossil fuel supply offers the greatest potential for immediate reductions in methane emissions

- **Fossil fuel upstream operations** – In the oil and gas industry, upstream operations account for **nearly 85%** of methane emissions.
- **Coal production** – Methane emissions from coal production vary depending on mine characteristics.
- **Bioenergy** – Methane emissions from bioenergy are mainly linked to the incomplete combustion of biomass
- **Abandoned facilities** – Methane emissions from abandoned facilities can be significant but are often overlooked in policies and regulations; abandoned coal mines and oil and gas wells account for 5% of energy-related methane emissions.

Go to the IEA Global Methane Tracker for 2025

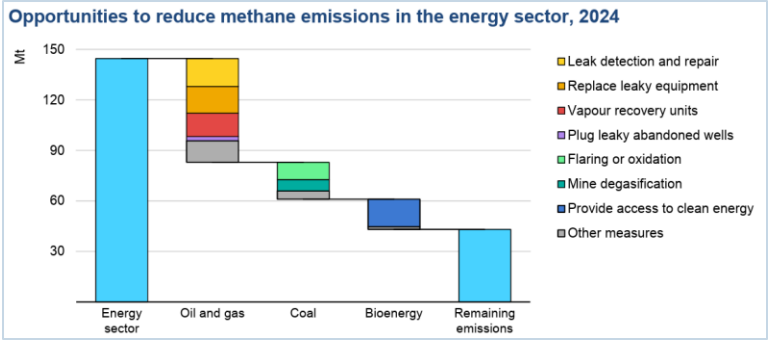
IN FOCUS: METHANE
IEA-2025 GLOBAL METHANE TRACKER (2/3)

01 Opportunities for methane abatement in the oil & gas sector can deliver very high rates of return but implementation is limited

Around 70% of methane emissions from the fossil fuel sector could be avoided with existing technologies, often at a low cost.

Rapid and sustained reductions in methane emissions are essential for limiting global warming:

- Methane abatement options in oil and gas can deliver very high rates of return of more than 25% - well above the usual returns. Despite its high returns, methane abatement is not deployed widely due to a mix of financial, informational, organizational, and structural barriers that limit companies' ability or willingness to act.
- Methane data continues to improve, but progress on methane abatement is possible even with an imperfect data set.
- Investors and financiers should incorporate information on methane in their activities and engage with portfolio companies.
- Key methane abatement measures include leak detection and repair (LDAR), replacing pumps and other methane-emitting equipment, using vapor recovery units to capture vented gas, and employing gas utilization techniques such as microturbines for power generation.



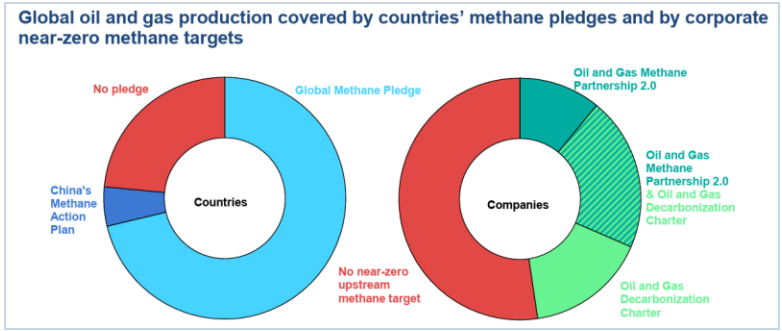
Source: IEA, Global Methane Tracker Report for 2025.
Note: "Other measures" includes efficiency improvements, installing plungers, blowdown capture, installing methane reducing catalysts, reduced-emission completions and capturing methane emissions from waste streams.

Go to the IEA Global Methane Tracker for 2025

IN FOCUS: METHANE
IEA-2025 GLOBAL METHANE TRACKER (3/3)

01 Global methane pledges & policies – Nearly 100 countries have engaged on national methane action plans, and additional methane policies were announced in 2024

Methane pledges cover around 80% of global oil and gas production, but implementation remains weak.



Source: IEA, Global Methane Tracker Report for 2025.
Note: Considers global equity production by company. Oil and Gas Methane Partnership 2.0 is the share of production under reduction targets.

Recent changes in methane policies and regulations:

- China: China established a new air pollution standard for coalbed methane, requiring coal mine operators to capture gas that has a methane concentration of 8% or higher and a flow rate of 10 m³/min or more. This gas must be utilized or stored in gas tanks. If the gas cannot be utilized or stored, it must be destroyed.
- Europe: The European Union adopted its Methane Regulation on emissions reduction in the energy sector, which includes mandatory measurement, monitoring, reporting and verification (MMRV) requirements for emissions at the source level, both for operated assets as well as non-operated assets.
- USA: In the United States, a reconsideration of methane rules issued under the previous administration has been announced. Congress has also overturned a rule issued by the Environmental Protection Agency (EPA) that implemented the "Waste Emissions Charge" mandated by the Inflation Reduction Act.

Go to the IEA Global Methane Tracker for 2025

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