SUSTAINABILITY

NEWSLETTER – SEPTEMBER 2025

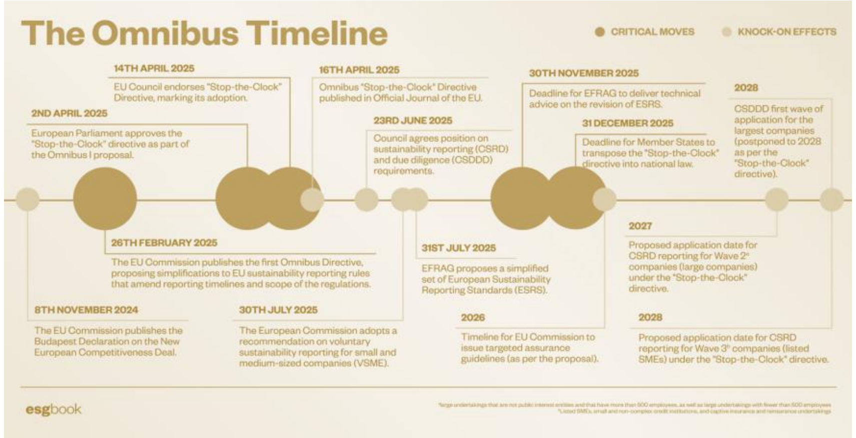
CONTENT

SUSTAINABILITY REGULATION
SEPTEMBER UPDATE – EUROPE

01 The Omnibus Timeline

The EU's Omnibus Directive is transforming sustainability reporting by prioritizing simplification, transparency, and a phased rollout.

- **Feb–Apr 2025:** The Omnibus Directive is introduced, and the **"Stop-the-Clock"** measure is approved and adopted — effectively delaying CSRD deadlines to give companies more preparation time.
- **Jun–Jul 2025:** Key agreements are reached on CSRD and CSDDD, alongside EFRAG's proposal for simplified sustainability reporting standards (ESRS).
- **Nov–Dec 2025:** Technical guidance is finalized, and Member States begin integrating the directive into national legislation.
- **2026–2028:** New reporting requirements take effect in stages — starting with **large companies in 2027** and **listed SMEs in 2028**.



Source: esgbook

Go to the full article

SUSTAINABILITY REGULATION
SEPTEMBER UPDATE – EUROPE

02 La loi Duplomb: a gift for the French agro-industrial complex?

The Loi Duplomb, passed in July 2025, was introduced by conservative senator Laurent Duplomb to reduce regulatory burdens on farmers. It quickly became a political flashpoint, sparking mass protests in over 60 cities and a record-breaking petition with over 2 million verified signatures, making it the second-largest in French history.

The law was criticized for:

- Reintroducing **acetamiprid**, a banned insecticide considered carcinogenic (later ruled unconstitutional by the Conseil Constitutionnel).
- Granting "major public interest" status to megabasins, large irrigation reservoirs used by intensive farms, raising concerns about water privatization and biodiversity loss.
- Raising livestock thresholds before environmental regulation applies—from 40,000 to 85,000 chickens, and 2,000 to 3,000 pigs—which critics say promotes **industrial farming** and increases **zoonotic disease risk**.

Go to the full article

03 Plastic pollution treaty stalled as Geneva talks end without deal

GENEVA, Aug 15 - Efforts to finalize a global treaty to curb plastic pollution hit a major roadblock as UN-led negotiations in Geneva ended without consensus. Delegates failed to agree on key provisions, leaving the path forward uncertain.

Key Points:

- **Oil-producing nations** opposed ambitious measures like plastic production caps, favoring waste management approaches instead.
- Environmental groups criticized the influence of industry lobbyists and the lack of transparency in negotiations.
- The treaty, aimed at reducing plastic waste globally, was scheduled for completion by end of 2025, but delays now threaten that timeline.
- The next round of talks is expected to take place in Busan, South Korea, though the agenda remains unclear.

Go to the full article

FLEXSTONE PARTNERS

SUSTAINABILITY REGULATION
SEPTEMBER UPDATE – EUROPE

04 Spain mandates companies to report and reduce carbon emissions

Spain has just made carbon emissions reporting and 5-year decarbonization plans mandatory for:

- Companies with **>250 employees**, **>€20M** in assets, or **>€40M** turnover (stricter than the EU's CSRD 2-out-of-3 rule)
- **All public entities**
- Event organizers with **>1,500 attendees** to report carbon emissions and submit **five-year decarbonization plans**.

This move comes as the EU considers easing climate reporting rules, while Spain pushes forward, linking compliance to public procurement eligibility. The law, effective since June 2025, transposes the EU's CSRD into Spanish law, expanding mandatory compliance to ~4,000 organizations. It follows €32 billion in climate-related damages from floods and wildfires over the past five years.

Prime Minister **Pedro Sánchez** emphasized the urgency:
"If we don't want to bequeath our children a Spain that's grey from fire and flames, or brown from floods, then we need a greener Spain."

Go to the full article

05 FCA proposed minor amendments to SDRs

In Chapter 5 of its latest consultation on 10 September 2025, the FCA proposes making **minor amendments** to the ESG Sourcebook of the FCA Handbook:

Key amendments are as follows:

- **Index-tracking funds**: adding guidance to clarify how managers of sustainability products that are index-tracking can meet SDR rules.
- **Reporting flexibility:** Firms may now align Part B of sustainability product reports with other disclosures (e.g. TCFD, financial statements), allowing reporting periods of **less than 12 months** under ESG 5.4.3R(1A).
- **Deletion of ESG 5.4.8R:** This rule is now redundant due to the new flexibility and existing requirements for up-to-date data.
- Update to ESG 5.5.15R: Clarifies that firms aren't required to produce on-demand reports until **16 months** after first using a label or sustainability terms.

CP25/24 is open for public consultation until 15 October 2025.

Go to the full article

06 California Releases Guidance for Companies Preparing First Reports Under New Climate Risk Disclosure Law

On September 2, 2025, the California Air Resources Board ("CARB") released draft guidance on SB 261 (the Climate-related Financial Risk Act) called a **"Draft Checklist"** that entities can use in preparing their **climate-related financial risk reports** that are due by January 1, 2026 (the "Guidance").

The Guidance outlines minimum disclosure requirements in line with the Task Force on Climate-related Financial Disclosures framework ("**TCFD**"). Many of the matters discussed by CARB in the Guidance are consistent with what has been communicated in CARB's previous workshops.

Minimum CARB requirement for disclosure:

Reporting Framework: Companies must choose one of the following frameworks:

- TCFD (Task Force on Climate-related Financial Disclosures)
- IFRS S2 (International Sustainability Standards Board)
- Other government or regulated exchange frameworks, including U.S. federal regulations

Governance:

- Describe the organization’s governance structure for managing climate-related financial risks.
- Include: Management oversight, Board oversight (if applicable).

Strategy:

- Discuss the actual and potential impacts of climate-related risks on business strategy.
- Include a qualitative discussion of strategy resilience under future climate scenarios (quantitative scenario analysis is optional).

Risk Management:

- Explain how climate-related financial risks are identified, assessed, and managed.
- Describe integration into overall risk management processes.

Metrics and Targets:

- Disclose metrics used to assess climate-related risks and opportunities.
- Include targets for managing these risks, if applicable.

Go to The Guidance of CARB

SUSTAINABILITY REGULATION
SEPTEMBER UPDATE – APAC

07 China Releases New Green Finance Taxonomy

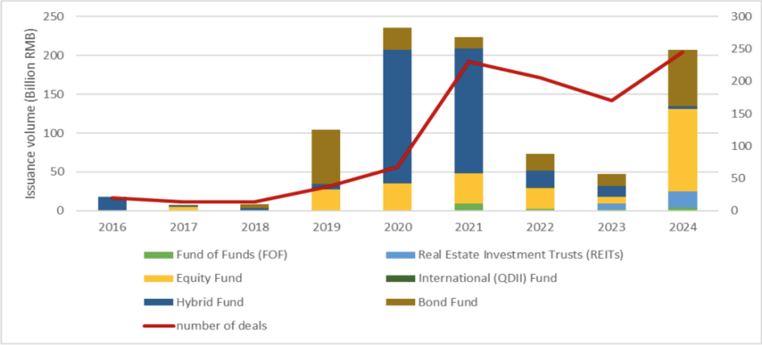
On 14 July, China's financial regulators released the Green Finance Taxonomy , which unifies standards for green loans and green bonds.

The document defines the economic activities or investments that qualify as environmentally sustainable, or "green", to help investors, banks and companies find projects that align with climate and environmental goals.

The taxonomy responds to concerns from financial institutions and regulators about inconsistent green-project classification. Until now, the separation between green loans and green bond standards has been widely viewed as a cause of confusion, operational burden and oversight challenges.

The new taxonomy also expands the scope of green finance to include **"green trade"** and **"green consumption"**. Green trade refers to financing for producers of goods considered green, such as electric vehicles or high-efficiency solar panels. While green consumption covers the purchase by end users of such goods, which could include loans for energy-efficiency building upgrades.

China's green funds issuance in 2024



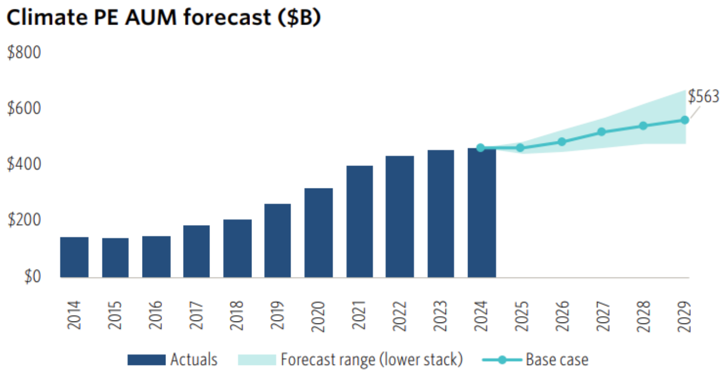
Source: GRIFFITH ASIA INSTITUTE. China Green Finance Status and Trends 2024-2025

Go to the full article

FLEXSTONE PARTNERS

ESG MARKET INSIGHTS
CLIMATE PE

01 Climate PE Funds: Heating Up or Cooling Down? (1/2)



Source: PitchBook • Geography: Global • As of May 15, 2025

- **Climate PE specialist funds** have become more popular over the past five years as fund managers have seen the value in developing more concentrated expertise in the space given its expansion and growing technological sophistication, combined with increased allocator interest. As a result, specialist funds raised **$62.6 billion** from **2020 to Q1 2025**.
- Although **early climate PE funds** broadly underperformed, more recent vintages have **had an improved return profile**, performing roughly on par with the greater PE universe. This is largely due to improved technology, shifts in fossil fuel supply, more stringent environmental regulation, and consumer preferences shifting toward sustainability.
- Despite political, macroeconomic, and market headwinds, the long-term case for climate PE remains intact, with enduring structural demand, maturing technologies, and generational shifts in consumer and investor behavior poised to bring AUM from **$463 billion** at the **end of 2024** to a projected **$563 billion** by **2029**.

Go to the Report from PitchBook Analyst Note

01 Climate PE Funds: Heating Up or Cooling Down? (2/2)

Climate PE segments

Carbon technology
- Carbon capture, utilization & storage (CCUS) & carbon removal
- Carbon markets & related services
- Carbon or environmental impact accounting

Sustainability in industry
- Green chemicals or materials
- Recycling of metals, polymers & batteries
- Sustainable manufacturing & industrial processes Sustainable textiles

Sustainable consumer products
- Sustainable fashion
- Sustainable home products
- Sustainable personal products
- Sustainable packaging

Sustainable food & agriculture
- Sustainable animal food products & substitutes
- Sustainable animal feed Sustainable & efficient agricultural technology
- Sustainable or regenerative farming
- Food waste reduction & utilization technology

Sustainable mobility
- Low-carbon automobiles
- Low-carbon water vehicles Low-carbon air vehicles
- Low-carbon public transit, ride-sharing & micromobility
- Electric vehicle (EV) charging infrastructure

Sustainable built environment
- Sustainable construction materials
- Building energy efficiency

Sustainable land use
- Ecosystem health & monitoring hardware & software
- Reforestation & biodiversity projects

Renewable & low-carbon energy & fuels
- Renewable & low-carbon energy
- Clean & renewable fuels
- Grid infrastructure & energy management

Go to the Report from PitchBook Analyst Note

ESG MARKET INSIGHTS
DECARBONIZATION-FIVE KEY ACTIONS IN PRIVATE EQUITY

02 Scope 1 and 2 emissions-reduction leaders focus on both decarbonization and value creation

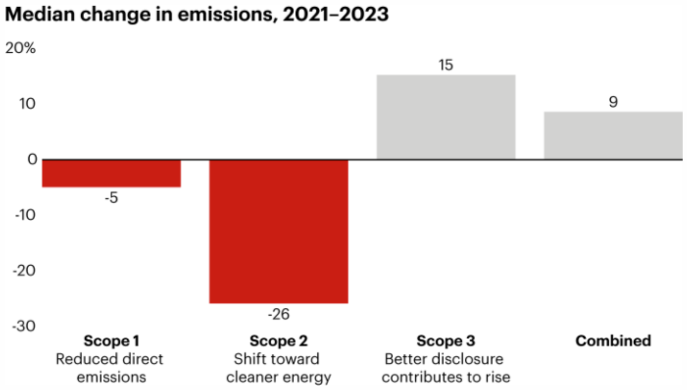
Key Insights from the report:
- The number of PE-owned companies disclosing their climate impact has jumped 55%, according to research from Bain and CDP.
- Scope 1 and 2 emissions are down—a median 26% for Scope 2—and many companies are seeing clear business benefits.
- Decarbonization leaders have engaged in five common practices to generate business results.

The five practices of decarbonization leaders:

I. Focus on both business value and climate impact
II. Set science-based, absolute targets
III. Assign explicit decarbonization goals to operational leaders and ensure senior-level sponsorship
IV. Collaborate across supply chains on Scope 3 emissions
V. Integrate climate-related risk into a holistic risk management process

Next steps for PE firms and PortCo:
- Assess current performance
- Map a decarbonization pathway
- Communicate with one another and with external stakeholders

Portfolio companies have made significant progress on reducing Scope 1 and 2 emissions, but work continues on Scope 3



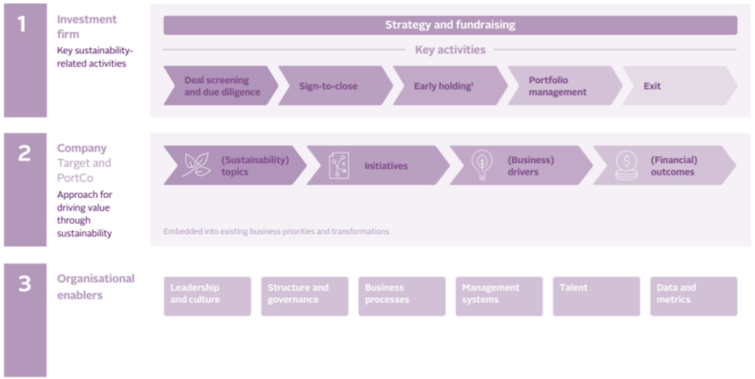
Notes: Median change, controlling for revenue; n=824 companies
Sources: CDP; Bain & Company analysis

Go to the The Visionary CEO's Guide to Sustainability 2025 from Bain

NEW IN RESEARCH
SUSTAINABILITY VALUE CREATION FRAMEWORK (1/2)

01 A framework for driving financial value through sustainability in private markets

The **Sustainability Value Creation (SVC)** framework – a holistic approach for driving financial value through sustainability



In late 2024, **the PRI, Bain & Company, and NYU Stern** launched a global study on sustainability-driven value creation, engaging over **400 investors**. On **July 23, 2025**, the PRI published the Sustainability Value Creation guide — a framework for generating **financial value through sustainability in private markets.**

- **Firm-Level Activities**

Sustainability strategies vary by firm size, sector, location, and asset class. Aligning these strategies with overall goals and integrating them across the investment lifecycle helps unlock value.

- **Portfolio Company Approach**

At the company level, sustainability efforts depend on the business and industry. Focusing on material topics and initiatives that drive financial results is key to maximizing value.

- **Organizational Enablers**

Success requires strong leadership, committed deal teams, and reliable data tracking — both for sustainability and financial performance.

Go to the full report from PRI

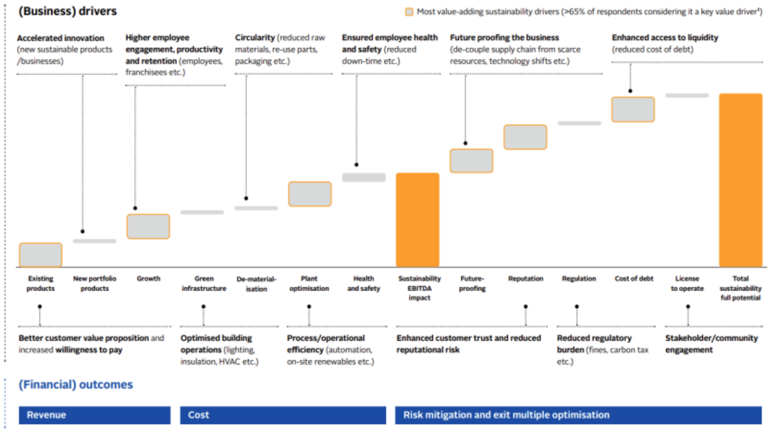
NEW IN RESEARCH
SUSTAINABILITY VALUE CREATION FRAMEWORK (2/2)

01 A framework for driving financial value through sustainability in private markets

These are **key drivers** where sustainability unlocks value for PortCo, such as:

- Better customer value proposition and increased willingness to pay
- Higher employee engagement, productivity and retention (employees, franchisees etc.)
- Process/operational efficiency (automation, on-site renewables etc.)
- Future proofing the business (de-couple supply chain from scarce resources, technology shifts etc.)
- Enhanced customer trust and reduced reputational risk
- Enhanced access to liquidity (reduced cost of debt)

Sustainability unlocks value for PortCos across multiple drivers, with better customer value proposition and enhanced customer trust seen as key drivers



Source: SVC

Go to the full report from PRI

NEW IN RESEARCH
UNLOCKING THE CSRD’S POTENTIAL

02 Early Lessons Across 8 Key Sectors for Turning Compliance into Competitive Advantage

Six key takeaways based from the Wave 1 CSRD reports:

1. Current CSRD requirements spread companies too thin and crowd out meaningful business value
2. Primary focus remains on negative impacts and risks, presenting an opportunity to shift more attention to value-creating opportunities
3. Reporting is primarily focused on companies’ own operations
4. Service-oriented sectors tend to identify fewer material topics than production-oriented companies
5. Climate Change and Own Workforce are seen as far more material than Biodiversity and Workers in the Value Chain
6. Reporting leaders use stepped-up assurance to distinguish themselves

Conclusion: The impending simplification of the CSRD will result in a more focused, decision-relevant approach to sustainability reporting. Companies now have the opportunity to apply lessons from the first year to sharpen their materiality process, improve data relevance, and better integrate sustainability into their strategy. Taking a more strategic approach to reporting can help uncover hidden risks, identify opportunities for growth or efficiency, and build greater resilience across the value chain for business advantage.

Go to the full report from ERM sustainability Institute

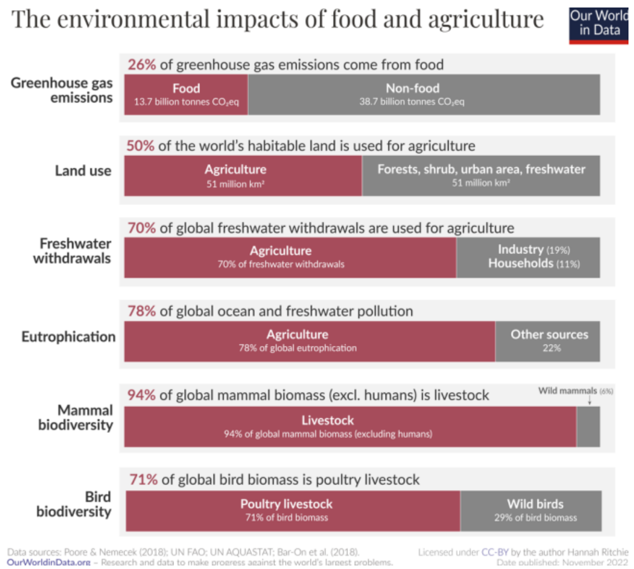
IN FOCUS: AGRICULTURE
CHALLENGES FOR THE 21ST CENTURY

01 Agriculture and climate challenges

Agriculture and climate change are deeply intertwined. As both a victim and a contributor to climate change, agriculture sits at the heart of global mitigation discussions. According to the IPCC, agriculture accounts for approximately 30% of global greenhouse gas emissions, primarily through livestock production, nitrogen fertilizer use, and deforestation, while contributing only 4% to global GDP in 2024. However, in emerging economies, agriculture's share of GDP can reach up to 30%.

Regenerative agriculture has emerged as a sustainable solution. It is a holistic farming approach that seeks to restore and enhance ecosystem health while producing food. Its goals include minimizing physical and chemical disturbances to the soil and maximizing the benefits of ecosystem services such as pollination, pest control, soil productivity, nutrient cycling, and water retention. Regenerative practices have the potential to sequester up to 23 $GtCO_2e$ by 2050.

Technological innovations are also driving progress and creating investment opportunities. Precision farming, in particular, is gaining traction as a method to optimize input use and reduce environmental impacts. These technologies not only improve agricultural efficiency but also represent a significant opportunity for sustainable investment.



Read more about the environmental impacts of agriculture

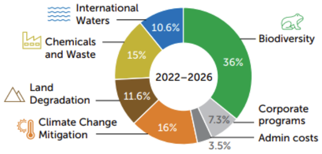
IN FOCUS: AGRICULTURE
INITIATIVES AND SOLUTIONS FOR A GLOBAL CHALLENGE

02 Funding and policy solutions at the global and local levels

Climate-Smart Agriculture (CSA) emerged as a holistic approach to address food security challenges and promote sustainable development while tackling climate change. More recently, regenerative agriculture has gained attention thanks to its focus on ecosystem restoration and improved land management. To support the goals of regenerative agriculture and align with the Paris Agreement goals, the World Bank increased its investments around the globe to USD 3 billion annually.

Additional regenerative agriculture funding initiatives have emerged including the Global Environment Facility (GEF) which regroups six international conventions. Over its three decades of activity, it unlocked **USD 26 billion in financing and a total of USD 149 billion when accounting for co-financing**. The fund focuses on biodiversity, land degradation, chemicals and waste, least developed countries, climate adaptation, and transparency building.

GEF fund 8 resource allocation



Through its Green Deal, the European Union has outlined a strategy to achieve climate neutrality by 2050, with agriculture playing a key role in the transition. One of the main objectives is to increase carbon sinks within the agricultural sector.

The Farm to Fork Strategy aims to make food systems fair, healthy, and environmentally friendly by reducing pesticide use and nutrient losses by 50%, increasing the share of organic farming to 25% of agriculture land, and reducing food waste.

The Common Agricultural Policy 2023-2027 on aligning national subsidies with climate and environmental goals. It introduced the eco-schemes, representing 25% of CAP financing, to reward farmers going beyond legal requirements and promoting climate mitigation, biodiversity protection, soil and water management, and animal welfare.

The EU Biodiversity Strategy for 2030 sets out a plan to restore biodiversity across Europe. A key target is to place at least 30% of EU land and sea areas under strict protection, focusing on regions with high biodiversity and climate value.

Read more about the EU's initiatives to green agriculture

NEWSLETTER DISCLAIMER

This document is issued by Flexstone Partners SAS, an asset management company regulated by the Autorité des marchés financiers (“AMF”) 1. It is a simplified stock corporation under French law with a share capital of 2,727,600 euros. Building number 5/7, rue de Monttessuy, 75007 Paris, France is the address of its registered office.

This document is not a marketing document and is meant only to provide a broad overview for discussion purposes. All information provided here is subject to change. This document is for informational purposes only and does not constitute an offer to sell, a solicitation to buy, or a recommendation for any security, or as an offer to provide advisory or other services by Flexstone Partners SAS or its affiliates (collectively, "Flexstone Partners") in any jurisdiction in which such offer, solicitation, purchase or sale would be unlawful under the securities laws of such jurisdiction. The information contained in this document should not be construed as financial or investment advice on any subject matter. Flexstone Partners expressly disclaims all liability in respect to actions taken based on any or all of the information in this document. While some information used in the presentation has been obtained from various published and unpublished sources considered to be reliable, Flexstone Partners does not guarantee its accuracy or completeness and accepts no liability for any direct or consequential losses arising from its use. Thus, all such information is subject to independent verification by prospective investors.

1 Under n° GP-07000028 –Trade register n°494 738 750 RCS Paris – VAT: FR 56 494 738 750