FLEXSTONE PARTNERS 20 YEARS
AN AFFILIATE OF NATIXIS INVESTMENT MANAGERS

SUSTAINABILITY

NEWSLETTER – OCTOBER 2025

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SUSTAINABILITY REGULATION
OCTOBER UPDATE – EUROPE

01 EU Parliament Rejects Omnibus Compromise – What's Next?

The European Parliament narrowly **rejected the current negotiating mandate for the Omnibus I package** on October 22, so MEPs (Member of the European Parliaments) will vote on a revised position at the **plenary session on November 13, 2025.**

Key Vote Outcome:
- **Vote tally:** 309 in favor, 318 against, 34 abstentions
- **Impact:** The initiative returns to internal negotiations, delaying talks with the Council and creating uncertainty for businesses.

The rejected compromise deal was led by the European People's Party (EPP), which proposed keeping the CSRD threshold at 1,000 employees but adding a €450 million revenue requirement, while raising the CSDDD scope dramatically to 5,000 employees and €1.5 billion in revenue. This compromise emerged after the EPP hinted at supporting a far-right alternative that sought an even higher CSRD threshold (1,750 employees) and scrapping climate transition plan requirements under the CSDDD.

Go to the full article

02 UK Launches Clean Energy Jobs Plan – 400,000 New Roles by 2030

The UK Government published on **19th October** its first ever national plan to recruit workers needed for the clean energy mission, with over 400,000 extra jobs by 2030.

Insights from the plan:
- 31 priority occupations such as plumbers, electricians, and welders are particularly in demand
- 5 new clean energy Technical Excellence Colleges to train the next generation of workers, as part of government's drive for two-thirds of young people to be in higher-level learning
- Energy Secretary to set out measures ensuring companies receiving public grants and contracts needed to deliver good jobs across the clean energy sector
- A generation of young people across Britain will benefit from the good jobs and high wages that the booming clean energy economy can bring, under new plans announced by the government today as part of the clean energy superpower mission

Go to the full article

SUSTAINABILITY REGULATION
OCTOBER UPDATE – EUROPE

03 NZAM: Ready for its next chapter

The **Net Zero Asset Managers (NZAM)** initiative, launched in 2020 amid the COVID-19 pandemic and rising climate risks, allows asset managers to commit to aligning their portfolios with carbon-neutral targets.

Five years later, NZAM has updated its Statement of Commitment following **an international review** involving hundreds of stakeholders. The revised text emphasizes **ambition, inclusivity, and practicality**, and **removes any reference to 2050,** reflecting the diversity of jurisdictions.

- **Signatories** will continue to set individual targets, implement responsible governance strategies, and publish **an annual report**.
- NZAM emphasizes that climate change represents both a financial risk and a major investment opportunity, with opportunities related to the transition expected to increase from **$2 trillion** today to **$60 trillion by 2050**.
- The updated statement has been communicated to the signatories and support activities will resume in January 2026, marking the start of a new phase for NZAM.

Go to the full article

04 Review of Regulation (EU) 2019/2088 on sustainability-related disclosures in financial services

The **EU's sustainable finance framework**, aligned with the European Green Deal, Paris Agreement, and UN 2030 Agenda, aims to direct capital toward a low-carbon, resource-efficient economy.

- As part of this, the **Sustainable Finance Disclosure Regulation (SFDR)** was introduced in **2019** to improve transparency and prevent greenwashing.
- A 2023 European Commission review found strong support for SFDR but highlighted issues such as legal ambiguity, irrelevant disclosures, inconsistencies with other regulations (CSRD, Taxonomy), and poor data quality.
- In response, **the Commission** plans to **revise SFDR** in **Q4 2025**, with a proposal expected on **19 November**.
- The revision will clarify **key concepts**, improve coherence across EU **sustainable finance rules**, and address **product categorization**.

Go to the full article

SUSTAINABILITY REGULATION
OCTOBER UPDATE – US & APAC

05 SEC Chief Asks Commission to Reconsider Rules Allowing Shareholder ESG Proposals

SEC Chair **Paul Atkins** announced plans to reconsider rules that allow shareholders to submit **ESG-related proposals** for company votes. Speaking at the University of Delaware, Atkins argued that such proposals often address issues **not material to a company's business**, consume management resources and politicize shareholder meetings.

- The initiative, called **"Shareholder Proposal Modernization,"** aims to refocus meetings on core corporate matters like director elections.
- Atkins specifically targeted **Rule 14a-8**, a mechanism from 1942 enabling shareholders to include proposals in proxy statements, questioning its relevance today.
- He suggested companies could use **Delaware law** to exclude proposals deemed improper, with SEC staff likely to support this stance.
- **Ceres**, a sustainable investing group, criticized the move as undermining investor protection and long-standing governance practices, urging the SEC to seek **public comment** before making major changes.

Go to the full article

06 Singapore Releases Anti-Greenwashing Guidance for Companies

Singapore's Ministry of Trade and Industry's Competition and Consumer Commission of Singapore (CCS) released a new guide to help businesses make clear and accurate claims about the qualities, uses, or benefits of their products and services.

Published on **October 6th 2025**, the guide responds to growing concerns about greenwashing and recent enforcement actions against misleading statements. It introduces five key principles and a practical checklist designed to ensure that all quality-related claims are truthful, substantiated, and transparent.

- Principle 1: Claims should be true and accurate
- Principle 2: Claims should be clear and easily understood
- Principle 3: Claims should be meaningful
- Principle 4: Claims should be accompanied by material information
- Principle 5: Claims should be supportable by evidence

Go to the full article

ESG MARKET INSIGHTS
NEW YORK CLIMATE WEEK | 21–28 SEPTEMBER 2025

01 New York Climate Week is a World-leading Global Climate Event, the Biggest of its Kind

Held **September 21–28**, Climate Week NYC is the **world's largest global climate event**, bringing together leaders from business, technology, politics, academia, and civil society to drive bold climate action.

This year was the **biggest yet**, with **over 1,000 events** aimed at influencing corporate and political decisions and accelerating system-wide change.

The theme of this year's event is "**Power On for Climate Action**." Some Key insights include:

- **AI's Double-Edged Role:** Accelerates decarbonization but increases energy demand and data center emissions.
- **Adaptation & Resilience:** Now core to strategy alongside carbon reduction.
- **Climate Risks Outpace Readiness:** Urgent need for funded resilience measures.
- **Private Capital Leads:** ESG-linked investments drive transition.
- **Carbon Markets Mature:** Integrity and global standards are critical.
- **Regulatory Fragmentation:** Harmonization needed for efficiency.
- **Supply Chain Stress:** Climate-resilient logistics and traceability are priorities.
- **ESG as Competitive Advantage:** From compliance to value creation.
- **Local Action Matters:** Cities and communities lead innovation.
- **From Pledges to Proof:** Transparency and verification dominate expectations.

Upcoming events:

- ❑ Global States and Regions Summit, November 4, 2025, in Rio de Janeiro.
- ❑ COP 30 Brasil Amazonia, November 10–21, 2025.
- ❑ US Leader's Forum, April, 2026 in Washington, D.C.
- ❑ Climate Group Asia Action Summit, May, 2026 in Singapore.

Go to the NYC climate week 2025 report

02 The Paris Climate & Nature Week is the new European event dedicated to the Ecological transition

From **27–31 October**, Paris hosts **Paris Climate & Nature Week**, marking 10 years since the Paris Agreement. This global event brings together leaders, scientists, businesses, and citizens to:

- Review a decade of **climate action**
- Assess current **trajectories**
- Co-design bold, inclusive **solutions** for the future

Highlights:

- **Over 60 conferences** and **workshops** at Sciences Po and across Paris
- Key themes: **climate governance, biodiversity, corporate accountability**
- Speakers include Laurent Fabius, Laurence Tubiana, Teresa Ribera, and COP29 & COP30 presidents
- Cultural programming: art, film, and youth-led initiatives

Expected Outcomes

- Policy recommendations for COP30
- Corporate climate accountability frameworks
- Commitments on biodiversity and nature-based solutions
- Stronger youth and civil society engagement

Go to the Home Page of Paris Climate Week

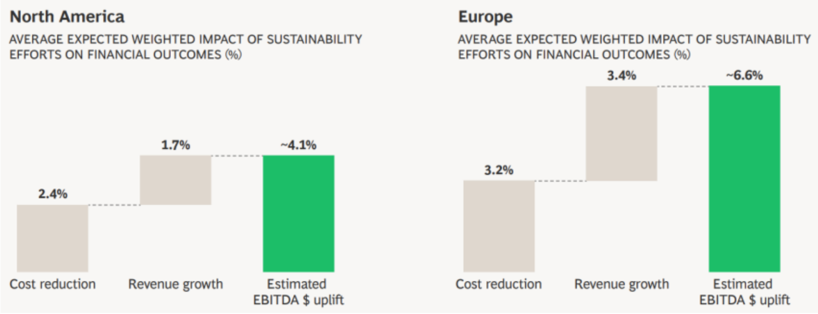
03 How Staying the Course Creates Value

On **October 9th**, **BCG** shared the 2025 edition of their Sustainability in Private Markets report, combining the latest ESG Data Convergence Initiative (EDCI) analysis (now including a remarkable 230,000 data points from more than 9,000 private companies). The third annual report outlines how privately held companies continue to make progress across key sustainability metrics and are creating value as they do so.

Key Takeaways:

- Private equity general partners (GPs) report **EBITDA increases of 4% to 7%** from their sustainability-linked initiatives over the lifetime of an investment.
    - Key areas of sustainability-linked value creation include decarbonization and strengthening the employee experience, where efforts are driving cost savings, strengthening revenues, and reducing risks.
- Private companies are prioritizing **short-term emissions reduction targets** over long-term decarbonization goals.
- In job creation, private companies continue to **outpace their public peers** despite economic headwinds.

GPs estimate that sustainability drives 4% to 7% in realized EBITDA growth over the hold period of their portfolio companies



Sources: EDCI 2025 annual member survey (n = 153); BCG analysis.
Note: EBITDA $ uplift is an inferred estimate based on additive impact of revenue growth and cost reductions. Assumes revenue growth is on average margin-neutral with cost savings fully flowing through to EBITDA (will vary by portfolio company based off margin structure and actions taken).

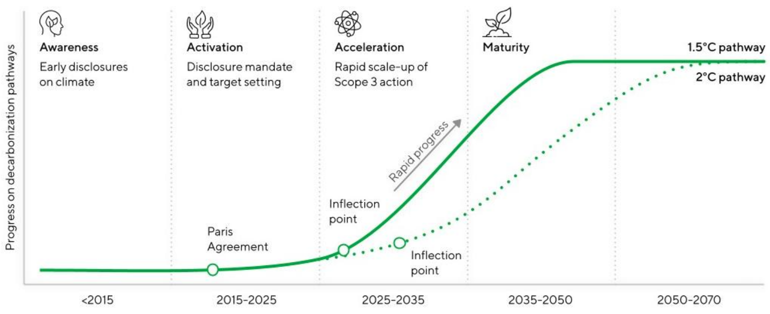
Go to the Report from BCG

NEW IN RESEARCH
SCOPE 3 EMISSIONS

01 From Unmanaged Risk to Untapped Opportunity

Despite the disproportionate impact of supply chain emissions, corporate action is behind the curve. Today, 90% of firms lack upstream targets and only one in four track Scope 3 supply chain emissions – driving significant risk exposure

Illustrative overview of Scope 3 action and the upcoming inflection point



Sources: Ecovadis, BCG

EcoVadis and **BCG** revealed why Scope 3 emissions are critical for business stability. Supply chain emissions are **21 times** higher than direct emissions yet remain largely unmanaged.

Key stats:

- Potential $500B annual liabilities by 2030 if companies don't take action to decarbonize their upstream emissions
- Only 25% measure supply chain emissions
- Just 4% have science-based Scope 3 targets
- Opportunity: Up to 50% supplier emissions can be cut cost-effectively, with 3–6x ROI. One-third can be reduced for under $12/ton.

Five impactful Scope 3 actions

✓ Engage suppliers (9x more likely to hit targets)
✓ Measure emissions comprehensively
✓ Appoint climate-aligned leadership
✓ Develop a transition plan
✓ Allocate dedicated budget

Go to the full report from ecovadis + BCG

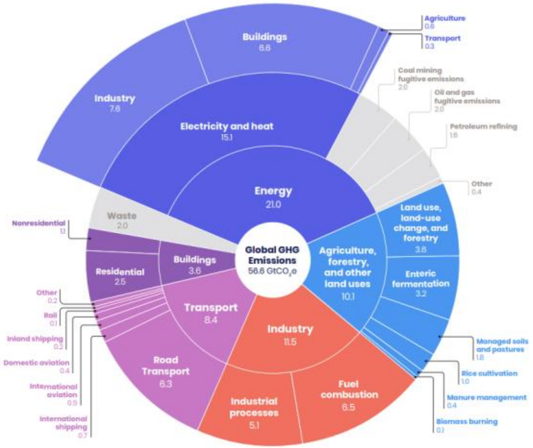
NEW IN RESEARCH
STATE OF CLIMATE ACTION 2025

02 Global Efforts across the Highest-emitting Sectors Fall Far Short of What's Needed to Limit Warming to 1.5 Degrees Celsius (°C)

Published ahead of **COP30**, the State of Climate Action 2025 assesses global progress toward the Paris Agreement's 1.5°C goal. Findings show that **climate action** is **far too slow and uneven** across sectors.

- None of 45 indicators are on track for 2030 targets.
- 29 indicators well off track; most need 2–4x faster acceleration.
- Critical gaps: Coal phase-out, deforestation, and climate finance.
- Bright spots: **Private climate finance hit $1.3T**; EV sales growing but slowing.
- **Urgent actions:**
  - Retire 360 coal-fired power plants/year.
  - Reduce deforestation 9x faster.
  - Scale carbon removal 10x faster.
  - Mobilize $1T more climate finance annually.

Global net anthropogenic GHG emissions by sector in 2023

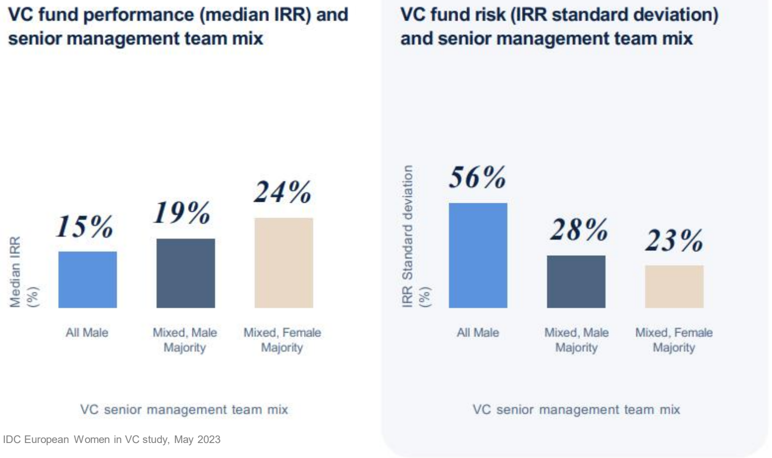


Source: State of climate action 2025

Go to the full report from Systems Change Lab

03 The Quiet Power Shift Reshaping Global Finance

The presence of women improves IRR fund performance and lowers volatility of fund returns



Source: IDC European Women in VC study, May 2023

Venture capital, once dominated by men, is undergoing a profound transformation. Driven by the Great Wealth Transfer, proven performance advantages, and generational change, women are emerging as decisive players, as limited partners (LPs), general partners (GPs), and entrepreneurs.

- **Wealth Transfer:** By 2048, $124 trillion will change hands; 70% will go to women. By 2030, two-thirds of U.S. private wealth will be controlled by women.
- **LP Influence:** Female investors prioritize sustainability and security. Europe leads with gender diversity mandates (EIF requires 25% diversity in InvestEU).
- **GP Performance:** Women remain underrepresented (16% of GPs in Europe, managing 9% of AUM), but mixed-gender teams outperform all-male teams by **9.3 percentage points in IRR**.
- **Entrepreneur Paradox:** Women-led startups generate **twice revenue per dollar invested**, yet receive only **2–2.5% of VC funding**.
- **Economic Logic:** Gender-diverse funds deliver higher returns and lower risk; diversity is now a **performance strategy**, not just a moral argument.

Go to the full article

IN FOCUS: AI
ARTIFICIAL INTELLIGENCE AND DATA CENTERS

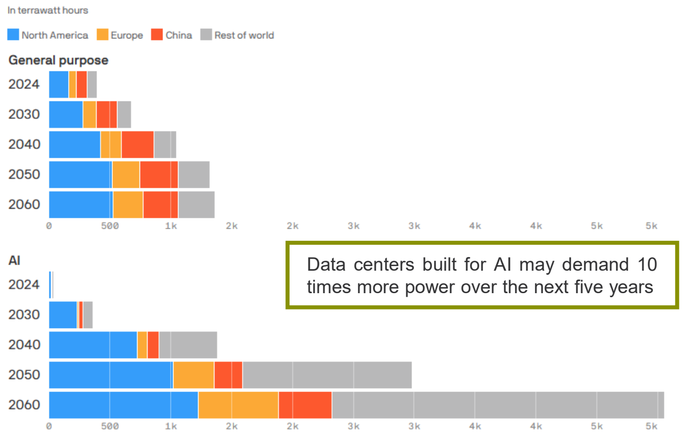
01 The Shift Project Warns of an Unsustainable Energy Trajectory

The **Shift Project's** 2025 report delivers a powerful message: AI's rapid growth is fueling an unsustainable surge in energy consumption and CO_2 emissions, largely driven by **data centers**.

Key Findings:

- **Carbon Footprint Explosion:** Data center emissions could quadruple by 2030, reaching 920 $MtCO_2e$/year, twice France's total emissions.
- **Electricity Demand Spike:** Global consumption may hit 1,500 TWh by 2030, up from 400 TWh in 2020, with generative AI as a major driver.
- **AI's Growing Share:** Generative AI already accounts for 15% of data center electricity use, projected to reach 45% by 2035.
- **Fossil Fuel Dependency:** Over 50% of data center electricity still comes from fossil sources.
- **Infrastructure Strain:** Ireland's case shows how data center growth can overwhelm national grids, 20% of Ireland's electricity now goes to data centers.

Projected data center energy demand, by type



Source: Adapted from DNV; Chart: Axios Visuals

Go to the full article

The Report is available in French

FLEXSTONE PARTNERS

02 AI Data Centers: Why Are They So Energy Hungry?

What are AI data centers?

AI data centers are advanced computing facilities designed to support generative AI, which creates new content like text, images, and video.

- Core Components:
  - **Compute**: High-performance servers and GPUs
  - **Storage**: Systems for massive datasets
  - **Network**: Infrastructure to connect and deliver data
- Traditional vs. AI Data Centers:
  - Traditional data centers support general digital services and earlier AI (e.g., Siri, Netflix recommendations).
  - AI data centers handle complex, resource-intensive tasks like training deep learning models and real-time inference.

❖ With the rise of generative AI, these centers require more power, cooling, and specialized hardware, driving rapid growth and **raising sustainability concerns**.

Why are they Energy Hungry?

- **Two Key Features**:
- Generative AI consumes **10–30× more energy** than task-specific AI.
- Requires **advanced liquid cooling** due to high heat generation.
- **Electricity Demand Surge**:
- Share of U.S. electricity use by AI data centers projected to rise from **4.4% in 2023** to **6.7–12% by 2028**, with continued rapid growth as AI adoption expands.

What needs to change:

- **Energy- efficient AI:** Smarter algorithms and optimized hardware.
- **Green infrastructure**: Liquid cooling, renewable energy, and transparent carbon reporting.
- **Policy action**: Efficiency standards, incentives for renewables, and critical evaluation of AI use cases.

Go to the full article

IN FOCUS: AI
ARTIFICIAL INTELLIGENCE AND DATA CENTERS

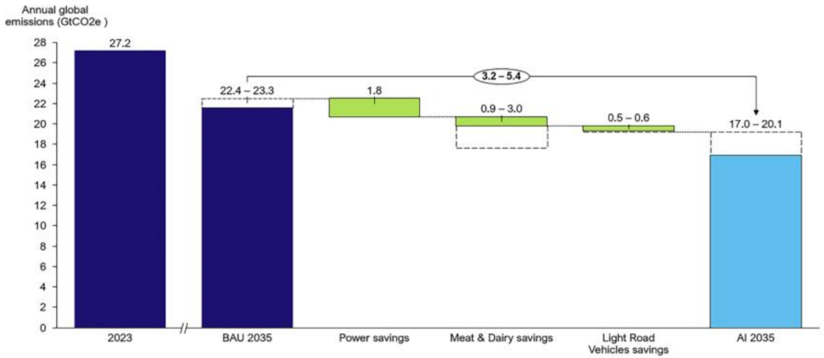
03 AI Could Reduce Global Emissions Annually by 3.2 to 5.4 Billion Tonnes of Carbon-dioxide-equivalent by 2035

Advancements in artificial intelligence (AI) in power, transport and food consumption could reduce global emissions of greenhouse gases by 3.2 to 5.4 billion tonnes of carbon-dioxide-equivalent annually by 2035, according to new research by the Grantham Research Institute on Climate Change and the Environment and Systemiq published on 23th June in the Nature journal 'npj Climate Action'.

Key Findings:

- **AI in Power**: Enhances grid management and boosts solar and wind efficiency by up to **20%**.
- **AI in Food**: Accelerates adoption of **alternative proteins**, potentially reaching **50%** uptake in ambitious scenarios.
- **AI in Finance**: Improves investment decisions in emerging markets by reducing information asymmetry.
- **AI in Policy & Resilience**: Enables smarter climate policy design and strengthens early warning systems for disasters like floods and wildfires.

Total emissions and emissions savings from AI in 2035 for the sectors in scope (Power, Meat and Dairy, Light Road Vehicles).



Note, the 2023 bar is the total 2023 $GtCO_2e$ emissions of power (15.3 $GtCO_2e$), meat and dairy (8.7 $GtCO_2e$), and light road vehicles (3.2 $GtCO_2e$) sectors.

Source: npj Climate Action

Go to the full article

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