FLEXSTONE PARTNERS 20 YEARS

AN AFFILIATE OF NATIXIS INVESTMENT MANAGERS

SUSTAINABILITY

NEWSLETTER – NOVEMBER 2025

CONTENT

SUSTAINABILITY REGULATION
NOVEMBER UPDATE

01

SFDR 2.0: The EU's Overhaul of Sustainable Finance Disclosure

On November 20, 2025, the European Commission unveiled a major proposal to revise the SFDR, aiming to simplify ESG disclosures, combat greenwashing, and restore investor trust in sustainable finance.

Why the Update?

- The original SFDR, in force since 2021, was designed to increase transparency and comparability of ESG products but quickly became a de facto labeling regime (Articles 8 & 9) criticized for complexity, inconsistent definitions, and high compliance costs.
- The review responds to need for simpler, more meaningful disclosures that help investors make informed choices.

What Does This Mean for Investors and the Market?

- **For investors:** Easier comparison of ESG products, better protection against greenwashing, and more decision-relevant information.
- **For the market:** Lower compliance costs, especially for smaller firms, and a more competitive, integrated EU sustainable finance market.
- **For the EU's green transition:** A clearer, more credible framework to channel private capital toward sustainability goals.

What's Changing?

1. Four Product Categories

- **Sustainable:** Products investing in assets that are already sustainable or have a clear sustainability objective.
- **Transition:** Products supporting companies or activities credibly moving toward sustainability (e.g., with science-based targets or transition plans).
- **ESG Basics:** Products integrating ESG factors beyond risk management, but without a specific sustainability or transition objective.
- **Mixed Objective:** Products containing a mix of the three categories.
- **Each category requires at least 70% alignment** of investments with its stated sustainability ambition, raising the bar from previous practices.

2. Simpler, More Comparable Disclosures

- Entity-level disclosure requirements (e.g., principal adverse impacts) are reduced, aleviating administrative burden, especially for SMEs.
- Product-level disclosures are streamlined, focusing on what matters most to investors: objectives, strategies, exclusions, and measurable outcomes.
- New rules clarify the use of sustainability-related terms in fund names and marketing, reserving them for products that meet the new criteria.

Go to the SFDR 2.0 publication

SUSTAINABILITY REGULATION
NOVEMBER UPDATE – EUROPE

01 SFDR 2.0: The EU's Overhaul of Sustainable Finance Disclosure [Continued]

What's Changing?

3. Stronger Anti-Greenwashing Measures

- Clearer definitions and harmonized criteria across the EU to prevent misleading ESG claims.
- Minimum exclusions for harmful activities are standardized for all categories.

4. Alignment with Other EU Regulations

- The revised SFDR is closely linked to the EU Taxonomy, CSRD, CSDDD, and ESMA guidelines, ensuring consistency across the sustainable finance framework.

Next Steps

- The proposal will now be debated by the European Parliament and Council. If adopted, the new rules are expected to apply 18 months after entry into force.

Need for clarification

- While the SFDR review aims to bring more pragmatism and clarity, financial institutions have highlighted key points for which further information would be required.
- The articulation of the transition from SFDR 1.0 to SFDR 2.0 needs clarification, especially concerning the new classification requirements.
- The methodology to compute the 70% thresholds for each categories needs precision (e.g., the use of PAI in the transition and sustainable categories). Questions also remain regarding the existence of conditions for the remaining 30% of the portfolio in each category.
- The composition of article 9 funds with mixed objectives and its scope need clarity.
- Specific private asset questions are still unanswered such as aligning with a Net Zero by 2050 for SMEs for the article 7 category, outperforming ESG benchmarks for the article 8 category.

Go to the SFDR 2.0 publication

ESG MARKET INSIGHTS(1/2)
BCG 2025: STAYING SUSTAINABLE IN PRIVATE MARKETS

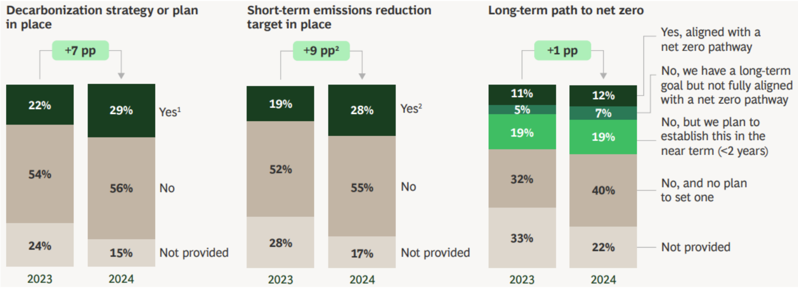
01 BCG's latest report makes the case for sustainable finance in the private markets

Boston Consulting Group's 2025 report, **"Sustainability in Private Markets: How Staying the Course Creates Value"** provides fresh evidence that sustainability is not just a moral imperative but a driver of financial performance in private equity and private markets.

Key Insights

- **Sustainability Drives EBITDA Growth:** Private equity general partners (GPs) estimate that sustainability initiatives have contributed to a 4–7% increase in realized EBITDA over the holding period of their portfolio companies. These gains are attributed to cost savings, revenue growth, and risk reduction.
- **Short-Term Targets, Tangible Results:** The proportion of companies with decarbonization strategies and short-term emissions reduction targets each increased by 7 to 9 percentage points, above the 1 1 percentage point improvement in long-term net zero commitments.
- **Employee Experience and Value Creation:** Efforts to improve the employee experience, such as engagement, retention, and workplace well-being, are now recognized as key levers for both sustainability and financial value.

Private companies continue to make more progress in establishing decarbonization strategies than in committing to long-term net zero paths



[Go to the BCG Report]

ESG MARKET INSIGHTS(2/2)
BCG 2025: STAYING SUSTAINABLE IN PRIVATE MARKETS

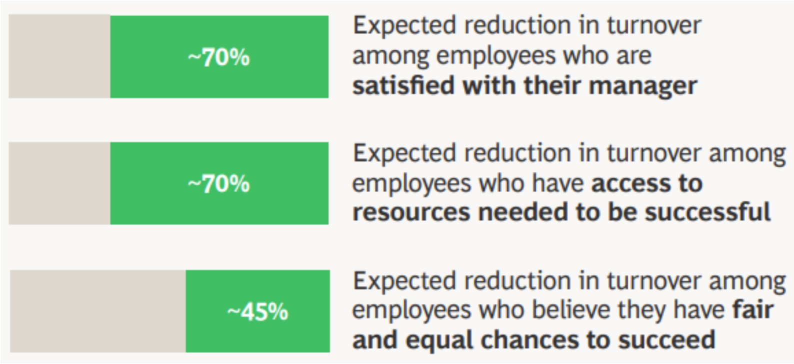
01 BCG's latest report makes the case for sustainable finance in the private markets

- **Private Markets Outpace Public Peers:** Despite economic headwinds, private companies continue to outpace their public counterparts in job creation and sustainability-linked value creation.
- **Data-Driven Progress:** The ESG Data Convergence Initiative (EDCI) now aggregates data from over 9,000 private companies, providing unprecedented transparency and benchmarking for sustainability performance in private markets.

Strategic Takeaways for Investors

- **Decarbonization and Value Creation Go Hand-in-Hand:** Leading GPs are integrating science-based targets, operational efficiency, and supply chain collaboration to drive both climate impact and business results.
- **Sustainability as a Competitive Advantage:** Firms that embed sustainability into their investment strategy are better positioned to attract capital, manage risks, and deliver superior returns.

Private equity is increasingly focused on the employee value proposition, with key linkage identified between injuries and employee satisfaction.



Go to the BCG Report

FLEXSTONE PARTNERS

ESG MARKET INSIGHTS(1/2)
MORGAN STANLEY: SUSTAINABLE SIGNALS 2025

02 What Individual Investors Want Now

Morgan Stanley's latest Sustainable Signals survey of 1,765 individual investors across North America, Europe, and APAC shows robust interest in sustainable investing, especially among younger generations, and a clear tilt toward climate-aligned strategies and real-world outcomes

Key Insights

- **Interest remains high, driven by younger investors:** 88% of global investors are interested in sustainable investing (92% APAC; 88% Europe; 84% North America). Interest peaks at 99% for Gen Z and 97% for Millennials, with younger cohorts far more likely to be "very interested."
- **Allocations are steady but poised to rise:** Most investors say under 50% of their portfolios are currently in sustainable assets; however, over half plan to increase allocations in the next 12 months—87% of Gen Z and 76% of Millennials signal an intent to add.
- **Returns confidence is the #1 motivator:** The top reason to boost allocations is growing confidence that sustainable options offer comparable or better returns (24% globally), closely followed by investors' desire to reflect real-world climate impacts in portfolios.
- **Barriers persist on trust & performance:** Concerns about greenwashing (68%) and data transparency (67%) remain the most significant hurdles, with performance close behind (64%). Millennials and Gen Z also report limited knowledge, product availability, and advice as material barriers.
- **Clean energy leads investment themes:** Across regions, renewable energy and energy efficiency rank in the top priorities. Europe and APAC show stronger interest in energy storage and regenerative agriculture, while North America elevates healthcare affordability/innovation and plastic alternatives.
- **Climate strategy is non-negotiable:** 60% would invest in traditional energy only with robust transition plans; 67% say climate goals should outweigh energy security when irreconcilable; 84% agree there is money to be made in the clean energy transition. Carbon offset purchase interest reaches 60% globally.

Go to the Morgan Stanley Report

02 What Individual Investors Want Now [continued]

Why This Matters for Private Markets & Advisors

- **Demand signals align with your deal pipeline:** Clean energy efficiency, storage, and nature-positive solutions track closely with investors' top outcomes, such as reducing pollution/waste and GHG emissions, creating durable LP appetite for climate-aligned theses
- **Distribution edge with youth & APAC:** Younger investors and APAC respondents are significantly more likely to choose advisors/platforms based on sustainable offerings (96% Gen Z; 92% Millennials; 83% APAC), underscoring the commercial value of credible ESG product shelves.
- **Trust architecture is critical:** Clear impact measurement, transparent data sources, and anti-greenwashing guardrails remain differentiators, aligning with evolving EU rules (e.g., SFDR 2.0) and investor expectations for decision-relevant disclosures.

Investors prioritize environmental outcomes, with a strong focus on reducing pollution and waste

"Investors prioritize environmental outcomes, with a strong focus on reducing pollution and waste"

Select up to three outcomes that you would most like to achieve through your investments (% rank in top 3 outcomes).

Environmental Solution | Social Solution | Environmental & Social Solution

#	NORTH AMERICA		#	EUROPE		#	APAC	
1	Reducing pollution and waste	28%	1	Reducing pollution and waste	33%	1	Reducing pollution and waste	35%
2	Improving access to healthcare	23%	2	Ocean conservation	25%	2	Reducing greenhouse gas emissions	32%
3	Improving food security and access	20%	3	Reducing greenhouse gas emissions	25%	3	Improving food security and access	23%
4	Reducing greenhouse gas emissions	20%	4	Protecting wildlife on land and in water	24%	4	Preventing deforestation	22%
5	Protecting wildlife on land and in water	18%	5	Preventing deforestation	23%	5	Improving access to healthcare	22%
6	Supporting military veterans	17%	6	Improving access to healthcare	21%	6	A fair and inclusive transition to a low-carbon economy	18%
7	Preventing deforestation	17%	7	Improving food security and access	18%	7	Ocean conservation	17%
8	Ocean conservation	17%	8	A fair and inclusive transition to a low-carbon economy	16%	8	Protecting wildlife on land and in water	14%
9	Mental health support and treatment	15%	9	Improving access to affordable housing	12%	9	Improving access to affordable housing	13%
10	Improving access to affordable housing	13%	10	Mental health support and treatment	11%	10	Reducing income inequality	11%

[Go to the Morgan Stanley Report]

NEW IN RESEARCH
SBTI'S CORPORATE NET ZERO

01 SBTi Simplifies Corporate Net Zero Standard: Greater Flexibility, Clearer Pathways

The Science Based Targets initiative (SBTi) has released a draft update (V2) of its Corporate Net-Zero Standard, aiming to make climate target-setting more accessible, flexible, and aligned with the latest science.

What's New in the Draft Standard?

- **Increased Flexibility for Companies:** The updated draft introduces more options for companies to set and achieve net zero targets, including sector-specific pathways and a broader range of eligible mitigation actions.
- **Streamlined Criteria and Guidance:** SBTi has simplified the language and requirements, making it easier for companies of all sizes and sectors to understand and implement the standard.
- **Enhanced Focus on Near-Term Action:** The new draft emphasizes the importance of ambitious near-term targets (for 2030 and 2035), ensuring that companies prioritize immediate emissions reductions alongside long-term net zero goals.
- **Recognition of High-Quality Carbon Removals:** The standard clarifies the role of carbon removals, allowing companies to use high-quality removals to address residual emissions after deep decarbonization.
- **Sector-Specific Guidance:** Tailored pathways and benchmarks are provided for high-impact sectors, such as energy, transport, and heavy industry, reflecting the unique challenges and opportunities in each area.

Why Does This Matter?

- **Clarity and Credibility:** The revised standard aims to address confusion and criticism around net zero claims, providing a robust, science-based framework that investors, regulators, and stakeholders can trust.
- **Broader Adoption:** By lowering barriers and increasing flexibility, SBTi hopes to accelerate the adoption of credible net zero targets across the global corporate landscape.
- **Public Consultation:** The draft standard is open for public feedback until July 2025, with a final version expected later in the year.

Go to SBTi's Corporate Net Zero Standard Update Summary

NEW IN RESEARCH
OXFORD CLIMATE POLICY MONITOR 2025

02 Global Climate Policy: Progress, Gaps, and New Leaders

The 2025 Oxford Climate Policy Monitor offers a comprehensive assessments of climate policy worldwide, tracking over 600 policies across 37 jurisdictions that together account for more than 85% of global emissions and GDP.

Key Insights

- **Climate Policy Strengthens Despite Political Headwinds:** Since 2020, most major economies have increased the ambition, stringency, implementation, and comprehensiveness of their climate policies, except for the USA. This resilience is notable given the political and economic turbulence of 2025.
- **The Global South and East Are Setting the Pace:** Three-quarters of new climate policies since 2024 have been adopted outside Europe and North America. Latin America, Africa, and Asia Pacific are now leading in policy ambition in several domains, especially climate-related disclosure and carbon crediting. For example, African countries have adopted some of the world's most ambitious carbon crediting rules.
- **Implementation Gap Remains a Critical Challenge:** While the direction of travel is positive, the Monitor finds that only 16 instances (across all domains and jurisdictions) are more than 75% aligned with best-practice benchmarks for ambition. Roughly half the time, governments are off track to meet even basic benchmarks. The gap between targets and real-world action persists, especially in methane abatement, public procurement, and transition planning.
- **Disclosure and Prudential Policy Are Maturing:** The greatest progress has been in climate-related disclosure, with 52 new policies since 2024—most outside Europe and North America. The adoption of ISSB standards (IFRS S1 and S2) in countries like Australia, China, Japan, Korea, and Rwanda is driving global convergence. Green prudential regulation is also expanding, with two-thirds of all documented policies adopted in the last five years.
- **Carbon Markets and Social Integrity:** Nearly half of all jurisdictions now have policies covering the full carbon credit supply chain, but only a minority ensure high-integrity credits or robust social safeguards. African countries are again highlighted for best practices in benefit-sharing and community consultation.

Go to Oxford Climate Policy Monitor 2025

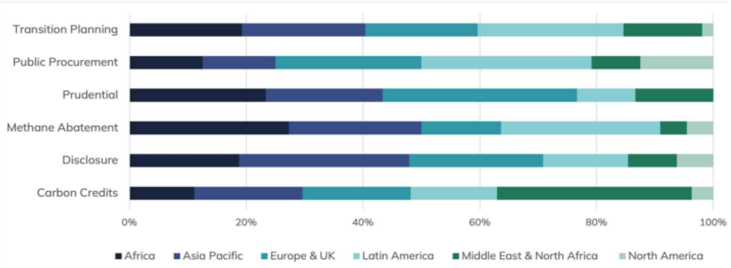
NEW IN RESEARCH
OXFORD CLIMATE POLICY MONITOR 2025

02 Global Climate Policy: Progress, Gaps, and New Leaders

Why It Matters

- The Monitor's "bASIC Framework" (Ambition, Stringency, Implementation, Comprehensiveness) provides a nuanced, data-driven lens for comparing policy quality across regions and domains.
- For investors, corporates, and policymakers, the 2025 review signals that regulatory leadership is increasingly global, and that competitive advantage may come from tracking and anticipating policy innovation beyond traditional centers.
- The main takeaway: Climate policy is resilient and expanding, but the world must accelerate implementation to close the gap between ambition and action.

Regional share of new policies by policy domain
Oxford Climate Policy Monitor 2025, p21



Go to Oxford Climate Policy Monitor 2025

IN FOCUS: COP 30

COP 30 OUTCOMES: A CLIMATE ACTION TURNING POINT

01

COP 30 marked a pivotal moment in international climate negotiations to accelerate progress toward the Paris Agreement's 1.5°C goal.

Key Outcomes:

- **No Phasing Out Fossil Fuels:** While 88 countries threw their support behind developing a roadmap to transition away from fossil fuels, the final text did not reflect this call to action containing no language on a roadmap for transitioning away from fossil fuels.
- **Enhanced Climate Finance Commitments:** Developed nations pledged to scale up climate finance, with a new climate finance program to implement the Baku commitment and mobilize $1.3 trillion per year by 2035 to help developing nations. In comparison, the Loss and Damage Fund received less attention, and concerns remain about the adequacy and accessibility of funding for vulnerable countries.
- **Nature and Indigenous Rights at the Forefront:** COP 30's Amazonian setting brought unprecedented attention to nature-based solutions, biodiversity, and the rights of Indigenous peoples. A handful of countries pledged a total of $6.7 billion to the Tropical Forests Forever Facility to provide long-term, predictable finance to countries that protect their tropical.
- **Strengthened National Climate Plans (NDCs):** By the end of COP30, 119 countries representing 74% of global emissions had submitted new national commitments in NDCs. These commitments showed some progress on reducing emissions and mobilizing sectoral action, but they collectively deliver less than 15% of the emissions reductions required by 2035 to hold global temperature rise to 1.5 degrees Celsius.
- **Just Transition and Social Equity:** The final text emphasizes a "just transition," ensuring that climate action supports workers, communities, and social inclusion, particularly in emerging economies.

What's Next?

- Countries must now translate COP 30 commitments into concrete policies, investments, and regulatory frameworks. The next two years will be critical for tracking progress on fossil fuel phase-out, finance delivery, and NDC implementation.

Go to article 1 and article 2 summarizing the COP 30 outcomes

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