

# THE SRI CHRONICLES

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EDMOND  
DE ROTHSCHILD

# EUROPEAN SOVEREIGNTY NEEDS SUSTAINABILITY



**JEAN-PHILIPPE DESMARTIN**  
Head of the Responsible  
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We don't know when the Trump & Co. whirlwind will end. No one knows, and neither does he. Perhaps with the next US midterm elections in November 2026. In the meantime, the set of decisions taken has the immense merit of waking up Europe, and first and foremost, the European Union. Without waiting for Donald Trump to return to the White House, the old continent has been offered the roadmap for its economic revival set out in the Draghi report published in September 2024.

The challenge for Ursula Von der Leyen, President of the European Commission, who commissioned this report as a guiding framework for her 2nd five-year term, is to ensure its active application and implementation rather than mere acceptance. The Draghi report lays out a coherent triptych for revitalizing the EU's economic competitiveness: Innovation, Decarbonization, Security. This report, or at least its summary, is a must-read. As in many other current debates, misunderstanding and even "fake news" are the order of the day. Although there is legitimate criticism of the red tape involved in the green deal strategy launched in 2017, sustainability remains a key issue for European economic competitiveness. The report effectively emphasizes decarbonization (the environmental pillar) and training and development for individuals (the social pillar), both crucial elements in restoring competitiveness.

It's also worth noting that the 3 themes of Innovation, Decarbonization and Security should not be approached in silos, but as part of a virtuous cycle. Let's take a concrete example. The Schneider Electric industrial group, world leader in electrical equipment, smart grid solutions, datacenters and automation, invests heavily in R&D (1.3 billion euros in 2024, or 3.4% of its sales) to stay at the cutting edge of technology. This innovation serves our customers and supports the structural shift towards electrification, a key driver of decarbonization. Moreover, the increasing electrification in Europe plays a pivotal role in enhancing the continent's energy independence and security.

In short, long-term investors should consult this report to identify key economic segments for the coming years, such as the technological frontier, electrification and access to resources.

Enjoy your reading!

# THE CLEAN INDUSTRIAL ACT: STEERING TOWARDS INDUSTRY DECARBONIZATION

*Published on the same day as the European “Omnibus” bill, the Clean Industrial Act went unnoticed. Based on the recommendations of the Draghi report, the Clean Industrial Deal marks a commitment to decarbonization and innovation.*

It aims to maintain Europe’s decarbonization trajectory, boosting its industry and innovation by strengthening resilience and making a strong case for climate-neutral investments in energy-intensive industries and clean technologies. It also reaffirms the region’s “Net Zero” goal by 2050, as well as the 2040 target of reducing net greenhouse gas emissions by 90% compared to 1990.

The Clean Industry Del will mobilize over €100 billion from the Innovation Fund to support the manufacture of clean products in the EU. It should be backed by a review of financing mechanisms, in particular public aid, and the creation of an “Industrial Decarbonization Bank”.

This deal explicitly aims to stimulate local industries, through overt protectionism, for example through public procurement mechanisms.

One of the priorities is the provision of affordable energy, via new rules and tax cuts, but the Commission also emphasizes the impact of energy efficiency, which saved around 120 billion euros on energy bills in 2023, and could reach around 162 billion euros by 2030. The Commission also estimates that 10% (or over 10 billion euros) is still lost each year through the sale of non-compliant products. This goes hand in hand with electrification, the aim being to increase the electrification rate of the entire economy from 21.3% today to 32% in 2030.

In addition, the agreement underlines the importance of circularity and aims to make the EU a world leader in the circular economy by 2030, starting with critical raw materials. The objective is to achieve a circular materials utilization rate of 24% by 2030. Interestingly, the plan also includes a focus on education and ensuring a just transition, with the creation of a European Just Transition Observatory and the aim of reducing shortages of professionals useful to the transition.

Details of the plans will be announced as the initiatives are adopted, with those for the automotive sector already presented on March 5, followed by steel, chemicals and clean technologies.



**« We need to do somethig different,  
but in the same way as usual. »**

# INTERNATIONAL MIGRATION ECONOMICS CHAIR ACTIVITY REPORT 2023-24

*Among the many issues raised by immigration for our societies in the 21st century, some are more pressing. Understanding the relationship between climate change and international migration, for example, or the effects of immigration on employment, wages, inequality and economic growth, are clear priorities.*



## **Hillel Rapoport**

is Professor of Economics at the Paris School of Economics, University Paris 1 Panthéon-Sorbonne, where he holds the Chair of International Migration Economics.

He is a Senior Member of the Institut Universitaire de France (IUF), a scientific adviser at CEPII and a research fellow at IZA, CESifo, Harvard CID, LISER, EUDN and CEPR.

A member of Bar-Ilan University until 2013, he held visiting positions at Stanford University (in 2001-03) and at Harvard University (in 2009-11).

Since 2008 he is the scientific coordinator of the "Migration and Development" annual conferences jointly organized by the World Bank and the French Development Agency.

His research focuses on the growth and developmental impact of migration and on the economics of immigration, diversity, and refugees' integration.

In order to promote research activities that improve our knowledge and understanding of international migration, the Paris School of Economics (PSE) and the Edmond de Rothschild Group have partnered in March 2022, creating the The International Migration Economics Chair. The objective of this Chair is to produce scientific research and disseminate its findings to engage with social scientists, policymakers and the general public on this major societal issue. The Chair is held by Hillel Rapoport, professor at the University Paris Paris 1 Panthéon-Sorbonne.

## **PRESENTATION OF THE CHAIR**

The PSE International Migration Economics Chair, now in its third year of existence, aims to support academic research on migration at PSE and initiate new research relevant to international macroeconomics and public policies. It conducts rigorous research based on historical and contemporary data to better understand the determinants and economic consequences of international migration for the global economy and for host and home countries.

Recognizing that migration touches upon almost any global issue from climate change to populism, it seeks to analyze international migration dynamics, whether economic, humanitarian, or environmental, and assess its impacts on the economy and on society.

To achieve its objective, the Chair supports research projects and encourages scientific activities, fostering public debate through high-level, evidence-based analyses. It provides support for PSE researchers, professors and students alike and positions itself as a hub for academic exchanges in economics, other social sciences and data sciences.

The Chair comprises eight PSE associate members with diverse backgrounds and expertise across various research topics, such as political economy, public, welfare and environmental economics, migration and trade, evaluation of public policies or urban diversity analysis etc. Eleven PSE PhD students and postdoctoral fellows are engaged in research alongside the associate members.

In addition to its research activities, the International Migration Economics Chair organizes a number of events related to migration and publishes regularly policy briefs to clarify specific research topics related to its research.

# From an academic point of view

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## ANNUAL REPORT 2023

The activity report reviews the activities of the Migration Chair and, more than anything else, the research produced by its researchers over the past year.

### Research highlights

This year, the report highlights a fourth-year PhD candidate, Lucile Dehouck, who's main PhD project investigates the effects of access to drinking water on migration in Ethiopia. It also sheds a light on Simone Bertoli, an external associate researcher and Professor of Economics at the Centre for International Development Studies and Research (CERDI) from the University Clermont Auvergne who's current work focuses on the theoretical and empirical analysis of the factors driving international migration and the economic impacts of migration on countries of origin.

In its second year, the Chair supported research across seven priority areas. In fact, the associated researchers are engaged in dozens of research projects on various aspects of international migration. The activity report 2023 presents a selection of projects, categorized according to the research axis to which they belong.

As an example, the report presents a research project from the research axis: The economic effects of immigration on the labour market, public spending, inequality and growth. The project, "Do immigrants take the jobs of natives? Migration and employment dynamics across European regions" by Anthony Edo and Cem Özgüzel, examines the impact of immigration on native employment across various regions in Western Europe. It highlights the heterogeneous nature of these impacts and aims to provide empirical evidence on the regional effects of immigration on native workers' employment.

Another example lies within the research axis : Evaluating public policies promoting the economic and social integration of immigrants, refugees and their descendants. The project, "Minority Political Representation and Immigrant Integration" by Apurav Bhatira, Hillel Rapoport and Sarah Schneider examines the impact of ethnic minority representation in local governments on immigrant naturalization rates in England. With increasing immigration across Europe, integration and naturalization are top policy priorities. The study uses a regression discontinuity design (RDD) to assess the effect of minority councilors on naturalization, analyzing data from over 67,000 local elections in England between 2002 and 2019.

### Events

The International Migration Economics Chair, along with a number of partners, organized in December

2023 the 13th Annual International Conference on "Immigration in OECD countries". The conference examined the economic aspects of international migration in OECD countries by mapping the migratory flows and analyzing their socio-economic drivers and impacts. The event featured 33 presentations from international researchers in migration economics.

In June 2024, the Chair hosted the "1st European Workshop on the Macroeconomic Implications of Migration." The goal of the workshop was to promote discussion and dissemination of innovative theoretical and empirical research on the macroeconomic implications of migration. The workshop welcomed more than 20 international researchers to discuss their work for two days.

The bimonthly "Paris Migration Economics Seminar" features one-hour presentations by external researchers, providing a forum for high-quality empirical and theoretical discussions on migration economics. From March 2023 to June 2024, over 20 leading researchers presented their work on various themes within this seminar series.

### Policy briefs

During 2023-24 seven policy briefs were published. Among them, we can cite for instance "Adapting to Climate Change: Moving Goods or Moving People?" by Klaus Desmet, which shows that liberalizing trade stems the flow of climate migrants, but also keeps more people trapped in vulnerable places. Another policy brief "The labor market effects of immigration in developing countries: It matters not only who you are but also in which firm you work" by Lukas Delgado-Prieto synthesizes the findings in insights of the author's job market paper on this topic. The paper was presented at the 13th Conference on Immigration in OECD Countries in December 2023 and was awarded the first "Prize for the Best Immigration Economics Paper by a Junior Researcher", awarded by the PSE International Migration Chair.

### Publications

The activity reports finally provides an overview of the research carried out during the year. In 2023-24, the Chair's researchers published a large number of works, in the form of articles in peer-reviewed journals and working papers and the report points to over 30 recent publications.

<https://www.parisschoolofeconomics.eu/en/news/the-international-migration-economics-chair-publishes-2023-2024-annual-report/>

## Company meetings

# ALSTOM

Alstom is a leading French industrial company in the rail transport sector. Founded in 1928, the company is now refocused on high-speed trains, metros and tramways. Since the sale of its energy division to General Electric in 2015, Alstom offers a “pure player” profile in sustainable mobility with a global presence and production sites in Europe, Asia, the Americas, Africa and the Middle East.

On the environmental front, Alstom has seen its climate objectives validated by the SBTi initiative in 2023. The Group is investing in innovations such as hydrogen-powered trains, a key long-term offering for non-electrified lines. On the social front, Alstom is striving to increase diversity, with a target of 25% women in management positions by 2025. The company is present in the territories, devoting around 5% of its annual profits to social initiatives aimed at local communities. Its health and safety record is good, with a low accident rate.

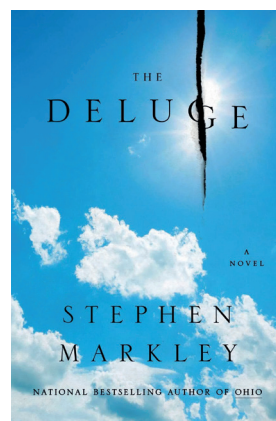
Last but not least, Alstom is improving its corporate governance, even if some controversies remain, such as frequent cartel investigations and exposure to the risk of corruption in major public tenders, particularly in emerging countries.

The information about the companies cannot be assimilated to an opinion of Edmond de Rothschild Asset Management (France) on the expected evolution of the securities and on the foreseeable evolution of the price of the financial instruments they issue. This information cannot be interpreted as a recommendation to buy or sell such securities.

## Recommended reading

# AFTER US, THE DELUGE?

Through a captivating ensemble of characters—scientists, environmental activists, advertisers, and more—Stephen Markley paints a portrait of an America facing the crises of climate change. From 2013 to 2040, the narrative unfolds as floods, droughts, sandstorms, rising sea levels, species extinction, famine, inequality, and insecurity intensify, resulting in profound political, economic, and social upheaval. Realistic and terrifying, combining thriller atmosphere and political mechanics, this novel dissects the flaws of American democracy, political inertia, and the moral dilemmas of ecological protest. Don't let the novel's 1,000 pages intimidate you—once you begin, you'll never let go!



**The deluge**  
by Stephen Markley



### Environment: 38.7%

The mass of glaciers in Central Europe has decreased by 38.7% between 2000 and 2023. Globally, the overall loss is estimated at 5.4%.

Source: GlMBIE (Glacier Mass Balance Intercomparison Exercise): Community estimate of global glacier mass changes from 2000 to 2023, February 19, 2025.



### Social: 86%

Significant progress has been made in the field of literacy, with the latest data (UNESCO Institute for Statistics) showing that over 86% of the world's population can read and write, compared to 68% in 1979.

Source: UNESCO What You Need to Know About Literacy, February 11, 2025, <https://www.unesco.org/fr/literacy/need-know>

# THE COMMITMENT REMAINS RELEVANT AMIDST THE WITHDRAWAL OF US INVESTORS

*The atmosphere of ESG bashing in the United States, the risk of adjacent litigation and loss of business in certain Republican states, as well as new constraints formalized by the SEC, are leading to a de facto disengagement from stewardship on the part of American investors, primarily passive managers. This is reflected in voting policies, investor-initiated resolutions, dialogue and commitment.*

At this stage, European investors are little or not at all affected by this negative dynamic. This is all to the good, as it is ultimately the interests of clients and the reputation of financial players that are at stake. Against this backdrop, Edmond de Rothschild AM is moving forward. We announced at the end of 2023 that from now on we would vote on 100% of our positions, whatever the size of our investment and whatever the country.

As engagement consumes resources, we focus on the quality of our initiatives rather than quantity, with patience as our leitmotiv. While we have over 200 ESG dialogues a year with companies in which we are invested or likely to be invested in equity or debt, the number of structured engagements is limited to 12-15 cases a year. To support progress and in line with our working approach, in early 2025 we joined a working group of 10 asset owners and asset managers under the aegis of the Forum pour l'Investissement Responsable (FIR) dedicated to measuring the effectiveness of engagement.

We attach great importance to efficiency in the prior targeting of companies and factual objectives to be addressed as a priority. We modestly assess and communicate the effectiveness of our commitments

(objective achieved, objective partially achieved, objective not achieved). Several years ago, we set up a dialogue and engagement committee that meets regularly to make decisions and ensure follow-up (agenda, metrics, cascading if necessary, etc.). At the start of this year, the creation of a Controversies Committee, which meets prior to the Dialogue and Engagement Committee, provides useful input for discussions.

It is important to remember that the purpose of engagement, whether undertaken individually or collectively with other investors, goes beyond merely gathering information. The goal is to positively influence the resolution of a financial or non-financial issue identified beforehand, which may pertain to transparency (spanning 18 to 24 months), operational matters (lasting 24 to 36 months), or strategic challenges (typically extending beyond 3 years).

At Edmond de Rothschild AM, while many of our commitments focus on governance issues –the cornerstone of our efforts– we have also put in place initiatives dedicated to climate change, biodiversity and human resources issues. We report on these initiatives publicly and encourage you to take a closer, informed look!

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