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"Veritas" - Science and research, present and future allies of sustainable development



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"Fortis est Veritas". "Strong is truth" is Oxford's motto, which you will read on many a pediment as you stroll through this magical place of knowledge and learning.

"Veritas" is the motto of Harvard University.

In both cases, these prestigious universities are reminding us of their centuries-long contribution to human progress in a wide range of disciplines, with one overriding imperative: truth. This editorial is intended as a reminder of the essential role played by science and research in supporting the progress of our societies in terms of sustainable development, first and foremost for private players, whether companies or investors.

As recently as 30 years ago, there was virtually no teaching or academic work in or outside Europe in areas such as sustainable development or responsible investment. Things have changed, and a large number of students and researchers are now contributing both qualitatively and quantitatively to the progress made by practitioners in the many areas covered by the three pillars of Environment, Social and Governance. Researchers and scientists bring their time, knowledge, methodologies, intellectual rigor and honesty, as well as their capacity for innovation. They contribute not only to technical progress, but also to the rational legitimization of emerging and complex issues such as climate change, biodiversity, just transition and the economic role of international migration.

We are delighted to celebrate the 20th anniversary of the European FIR-PRI "Finance & Sustainable Development" Awards on October 1 at the highly symbolic Sorbonne University in Paris. On this occasion, students and researchers will once again be rewarded for the quality of their work in master's theses, doctoral dissertations, educational initiatives and published research articles. Exceptionally, we will also be celebrating two major European universities that have made the greatest contribution to progress in sustainable finance over the past two decades.

Finally, for the readers of these chronicles, you may have noted our commitment, since their creation 12 years ago, to the quarterly promotion of research work. This time, we have summarized an article on governance, resulting from the collaboration of three researchers from universities/business schools in London (UK), Rotterdam (Netherlands), and Northeastern (USA).

Enjoy your reading!

Heatwave and economy: a delicate equation

While scientists have been warning of rising temperatures and heat peaks for years, many European countries, such as France, are already experiencing unprecedented heatwaves at the start of summer, revealing social inequalities as well as health and economic risks.

Above 32 degrees Celsius, labor productivity falls by an average of 40%, and this drop exceeds 70% when temperatures exceed 38 degrees Celsius¹. Some sectors, such as construction, healthcare and manufacturing, are particularly exposed, and must rethink their facilities and operating methods to offer better working conditions and continuity in the quality of services provided. These adjustments and adaptations entail considerable costs.

Other sectors, such as agriculture, suffer unavoidable yield losses due to extreme harvesting conditions, heat-burnt crops or dry land. In 2024, for example, French cereal growers saw their production fall by 22%. The situation for livestock farmers is equally critical: during heatwaves, a cow can consume up to 120 liters of water a day.

According to a study conducted by Allianz, the summer heatwave could reduce GDP by 0.5 points in Europe by 2025, and by 0.3 points in France, representing a loss of nearly 9 billion euros for the French economy alone. The potential recovery from this lower wealth creation cannot exceed 30-50% of the losses already generated. In France, for example, 16 departments were placed under red alert on July 1, 2025, bringing certain activities to a halt and closing some 2,000 schools, forcing parents to adjust their work schedules. Outdoor work, as well as various festive and sporting events, also suffered slowdowns, demonstrating the economic impact of excessive heat².

Finally, this phenomenon has major repercussions on public health. In France, the health costs related to sick leave, emergency room visits and premature deaths are estimated between 22 and 37 billion euros for the period 2015-2020. Still in France, between 2017 and 2024, summer heat caused a rise in mortality, with around 34,000 deaths attributed to heat during the summer season. The summer of 2024, which was 0.7°C above average, resulted in 17,000 emergency room visits for heat-related health problems, and 3,700 deaths³. With heatwaves expected to double by 2030, investments in adaptation, urban greening, the fight against greenhouse gas emissions and air pollution by fine particles are becoming more essential than ever.

1. <https://www.novethic.fr/>

2. www.lesechos.fr

3. <https://www.santepubliquefrance.fr/>



Chains of influence: Global differences in ESG shareholder engagement and how active owners can leverage them

With the rapid rise of ESG, the involvement of active owners in the engagement process has become more relevant. However, engagement practices often differ from one country to another: interactions between companies, asset managers and asset owners are defined by specific power dynamics found in their country.

Funded by the Laudes Foundation, the paper “Chains of influence: Global differences in ESG shareholder engagement and how active owners can leverage them” analyses environmental and social issues to understand how power relations between shareholders and companies work in different countries.

Methodology and Empirical Approach

The authors conducted 93 interviews with professionals involved in ESG shareholder engagement in 12 different countries, in which they asked detailed questions about how they relate to each other and to companies. In addition, they lead an extensive review of past literature from both academics and practitioners. Combining these sources of information Marti et al. realized that ESG shareholder engagement approaches used by active owners depend on the context, which they refer to as a “**chain of influence**”.

A chain of influence describes the power relations between asset owners, asset managers, and companies, and focuses on the degree of influence that these actors have on each other. Two key characteristics of chains of influence, in particular, shape the ESG shareholder engagement process:

- The pressure asset owners exert on asset managers and companies
- The companies’ dependence on institutional investors (i.e., asset owners and asset managers).

All 12 countries were ranked, for each dimension, as either High, Moderate or Low. Two models emerged from the results:

- When pressure from asset owners is low or moderate, and companies’ dependence on institutional investors is low or moderate, ESG shareholder engagement happens within a **company-centric chain of influence** (Brazil, China, India, and South Africa).
- When pressure from asset owners is moderate or high and companies’ dependence on institutional investors is moderate or high; ESG shareholder engagement happens within an



owner-centric chain of influence (Australia, France, Japan, Singapore, Netherlands, United Kingdom, Switzerland, and the United States).

Steps in the Shareholder Engagement Process

The paper presents a 5-step process for engagement (structure, goal settings, company interactions, pressuring, reporting) and shows how each of these steps is shaped by the chain of influence within which the engagement process takes place. For each step, the authors identified two polar opposites depending on whether engagers operate in company-centric or owner-centric chains of influence.

In the first step of the process, the engagement capabilities differ depending on whether the active owners set up a small, decentralized team of engagement coordinators (in company-centric regions) or instead set up a centralized and fully dedicated team of specialists conducting all engagements (in owner-centric regions).

When setting the engagement goal, some active owners hope to gain new ESG insights and improve their portfolio allocation (in owner-centric regions), while others focus on influencing companies (in company-centric regions).

In the third step, both processes differ in their approach to company interaction: active owners in company-centric regions will tend to interact at a relatively superficial level ('at scale'), while those in owner-centric regions focus on in-depth interactions with fewer companies.

Asset owners in company-centric regions will look for de-escalation when faced with resistance to ESG demands, while owner-centric regions allow them to pursue more confrontational approaches (shareholder resolution, public announcements, quarterly calls hijacking).

In the fifth step of the engagement process, asset owners, asset managers and engagement facilitators can report on their ESG engagement. Figures show that "basic or no reporting is more likely in countries with company-centric chains of influence, while detailed reporting is the norm in countries with owner-centric chains of influence".

Opportunities for Active Owners

Based on its interview material, the report's authors estimate that there are 10 times more engagement specialists working within owner-centric chains of influence compared to those in a company-centric chains of influence. This imbalance suggests that "many companies in company-centric chains of influence remain under-engaged". By recognizing these opportunities, active owners can adapt their approaches to enable more effective ESG shareholder engagement on a global basis.

Five key opportunities emerge from this imbalance:

- **(1)** Asset owners from company-centric countries can import pressure from asset managers in owner-centric countries. Since their investments are not as critical to their overall portfolios, they can take more risks without harming their relationships with significant companies in foreign countries.
- **(2)** Asset owners from owner-centric countries can fund asset managers in company-centric countries to tackle systemic issues, since they are more willing to fund impactful solutions.
- **(3)** Asset managers from company-centric countries can benefit from the expertise of their counterparts in owner-centric countries. With bigger teams of engagement specialists, they can better address emerging environmental, social, and governance (ESG) issues.
- **(4)** Asset managers from owner-centric countries can use the access that company-centric managers have. One challenge for these managers is gaining access to foreign companies, which makes the engagement process more complicated.
- **(5)** The internationalization of supply chains can help asset managers in owner-centric countries apply pressure to foreign companies who would otherwise be out of their sphere of influence.

Contribution and Recommendations for Future Research

This report underscores the rich opportunities available for ESG shareholder engagement. By drawing on the unique resources available within each of the two chains of influence, active owners can increase pressure on those companies that are the hardest to influence, located in company-centric countries.

Alongside these opportunities, the authors noted two clear limitations that could influence future research on the subject:

First, ESG shareholder engagement is unlikely to influence companies that are ESG laggards, and this holds for all types of engagements, including engagements across the two chains of influence. This is an important limitation because ESG laggards are where the most significant potential for ESG improvements lies. Second, ESG engagements are highly dependent on regulatory interventions, both within one and across the two chains of influence. The potential for engagements across the two chains of influence thus depends on how regulation evolves.



Authors



Emilio Marti is an Associate Professor at the Rotterdam School of Management (RSM). His research focuses on how pressure from shareholders affects companies' sustainability efforts, and his work has been featured by media outlets such as the *Financial Times*, *Forbes*, *Harvard Business Review*, *Financieele Dagblad* and *Institutional Investor*.



Kevin Chuah is an Assistant Professor of International Business & Strategy at Northeastern University's D'Amore-McKim School of Business and a Research Fellow at the Wharton ESG Initiative. Kevin's research examines how shareholder activism influences firms' strategies in relation to environmental, social, and governance (ESG) issues.



Jean-Pascal Gond is a Chair Professor of Corporate Social Responsibility at Bayes Business School (formerly Cass), City St George's, University of London. His research focused on ESG rating agencies, ESG regulations, and shareholder activism, has been published in leading academic journals and has received several practitioner awards.

Iberdrola

Based in Spain, Iberdrola now has over 44,000 megawatts (MW) of installed renewable capacity worldwide, and 84% of its electricity production is emission-free, with a target of zero net emissions by 2040, combined with a goal of having a positive net impact on biodiversity.



Photo taken during a site visit by our team

One of the levers of this transition is offshore wind power, with a target of 6,500 MW installed by the end of 2030 (2,400 MW installed in 2025).

The company's decarbonization trajectory is rapid, having gone from 250gCO₂/MW in 2010 to 65 in 2024, placing it among the leaders within European utilities. Employees have not been forgotten in the transition, with the aim of devoting 50% of training hours to green skills, to keep their staff "up to date".

In June, we had the opportunity to visit this offshore wind farm off the coast of Saint Brieuc. Comprising 628 GW wind turbines, it has been the subject of constant dialogue between stakeholders to limit its impact on the environment, as well as on fishermen and pleasure boaters.

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.

Environment:

69%

Populations of wild vertebrate animal species have been declining by an average of 69% over the past 50 years. This decline in biodiversity is largely caused by the unsustainable use and exploitation of natural resources.

Source: World Wildlife Fund

Social:

4.8 points

Between May 2014 and May 2024, the unemployment rate in the European Union as a whole (working population aged 15-74) fell from 10.7% to 5.9%, a remarkable drop of 4.8 points. This decrease reflects a strong recovery in the European labor market, particularly post-Covid, where economic recovery and policies to safeguard employment have played a key role.

Source: Eurostat

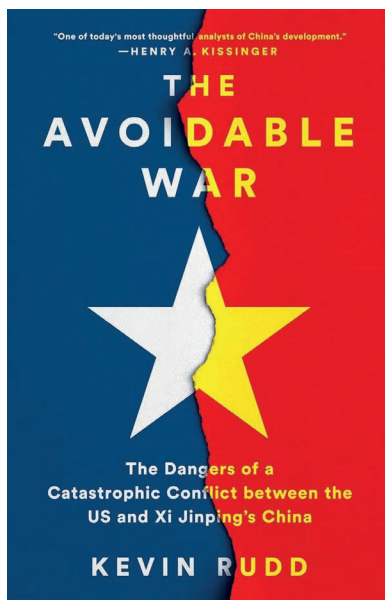


China - USA, the avoidable war

Kevin Rudd, former Australian Prime Minister and sinologist, has a unique profile and experience for analyzing the major challenges that will shape Sino-American relations in the decade of all dangers, the 2020s.

His book equips the non-expert Western reader with insights by presenting the 10 concentric circles of vital interests for China. The first is to keep the Communist Party in power, and the fourth concerns the environment. The author warns of the well-known spiral of unavoidable war according to the logic of Thucydides. Nevertheless, he offers a glimmer of hope, arguing in favor of a managed strategic competition that would make it possible to prevent military escalation.

This book is therefore essential for understanding the deep-seated aspects of China's strategy, at a time when Beijing is drawing lessons from the war in Ukraine and reaffirming its desire to see Taiwan join the fold of the Middle Kingdom in order to guarantee national unity, an ambition embedded in its 2nd concentric circle of interest.



The avoidable war.
by Kevin Rudd

2025 General meetings in troubled waters!

The 2025 season of General Meetings for companies in which Edmond de Rothschild Asset Management is invested has just come to a close. These meetings have been undeniably marked by the rather tumultuous geopolitical, commercial, and financial context. In Europe, the first half of 2025 was highlighted by the publication of the first sustainability reports aligned with the European directive, theoretically ensuring greater transparency.

Could this be linked to a significant drop in the number of resolutions dealing with sustainability issues, and in particular the decline in “Say on Climate” reports, despite the fact that these are a major focus of attention? Could this be linked to enhanced dialogue, prior to the meetings, between investors and companies on the credibility of their transition plans? In France, within the SBF 120, only Amundi, Engie, Icade and OVH Cloud have formally submitted their transition plans to the General Meetings, and 7 items have been included on the agenda.

In the United States, the abandonment of diversity and inclusion policies by companies has accelerated since the start of 2025. In particular, they have given up a range of quantitative diversity targets for recruitment and promotion, and the evaluation of managers according to their diversity performance. Some companies (BlackRock, IBM, etc.) have changed or even abolished their diversity policies, while others (Costco, Microsoft) have maintained them. Shareholders have overwhelmingly rejected resolutions concerning any discontinuation of diversity programs (97% rejection at Apple). In France, the American Embassy sent a letter to French companies informing them that the ban on diversity programs applied “to all suppliers and contractors to the US government, regardless of nationality or country in which they operate”. This has significant consequences for non-American companies doing business with or in the US. Few non-American companies have yet adjusted their policies. One example is Bouygues, which has replaced its gender diversity criterion with an international diversity criterion in its executive compensation policy.

Finally, the General Meetings season has once again focused on executive compensation, which remains a recurring point of concern. The level of opposition to resolutions on this subject highlights these tensions. Examples from both sides of the Atlantic include Stellantis, Vivendi, EssilorLuxottica, Sanofi, BlackRock, Warner Bros, Goldman Sachs, as well as BP, Nestlé and Temenos in Switzerland.

Against this backdrop, as a responsible investor, we are reaffirming our shareholder responsibility, as illustrated by our GM attendance



rate of 98% in 2024. Voting at GMs is an essential opportunity to participate in corporate decision-making. That is why we vote on all the securities held in our portfolios. It is also why we take great care to ensure that GMs are held exclusively in virtual form. In Italy, no GM has been held physically since Covid, without this option being put to the vote. Similarly, in Germany, the number of GMs held virtually is high, but this option must be submitted to a vote.

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