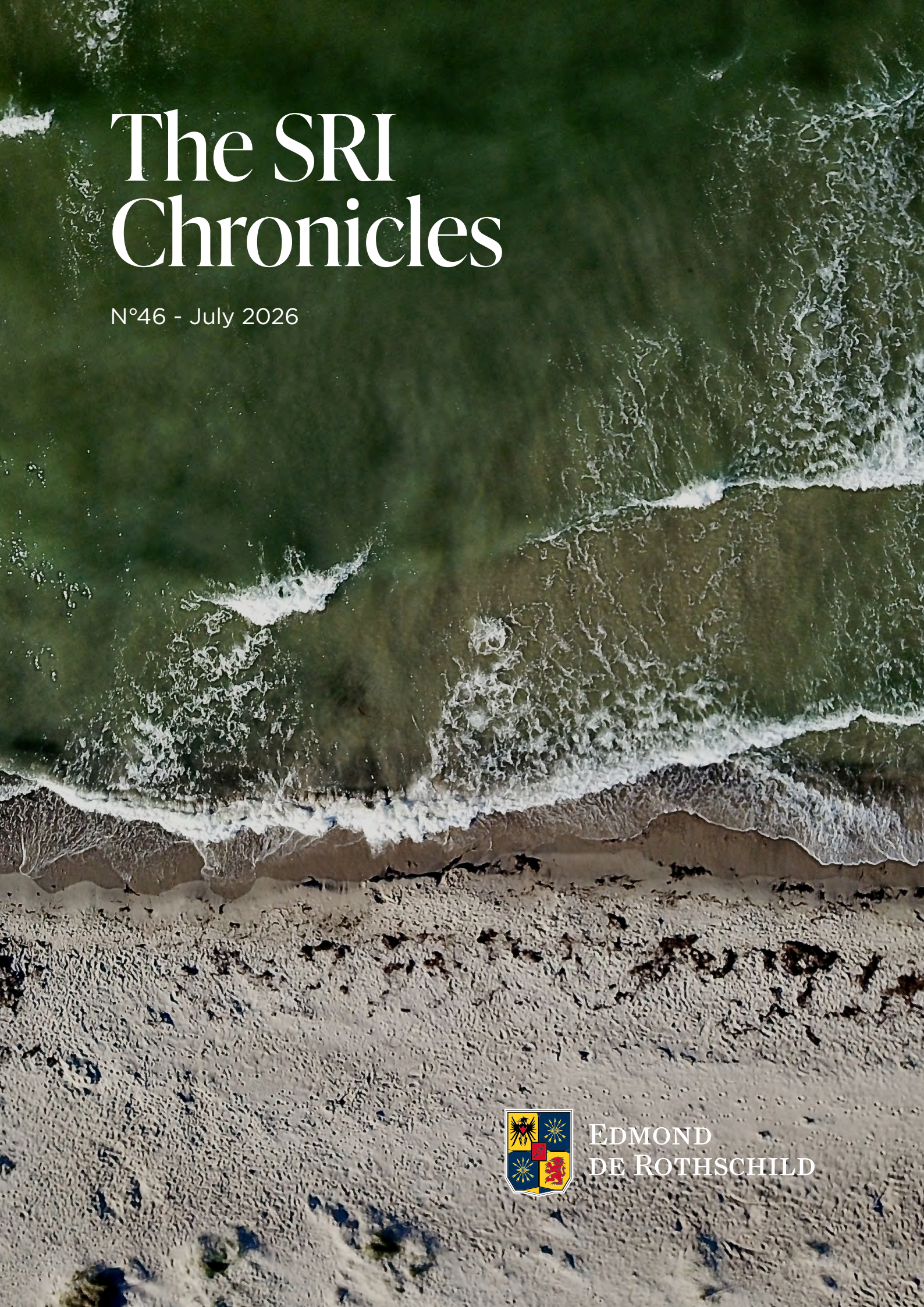
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Edmond de Rothschild

Editorial 4

Long live the VOICE method! by Jean-Philippe Desmartin

News 6

European sovereignty and sustainability: allies in reducing critical dependencies

From an academic point of view 8

Biodiversity finance by Flammer C., Giroux T., Heal G.M.

Company meetings 12

Focus on ASML

Recommended reading 13

The righteous mind

The responsible investment team in action 14

Why do investors take human capital into account?

Long live the VOICE[1] method!



Jean-Philippe Desmartin
Head of the Responsible
Investment Team

Engagement – whether financial or ESG-related, individual or collective – concerns all investors, whether active or passive. It is one of the three pillars of stewardship policies, alongside dialogue and voting policy. On 8 June, ten investors, including Edmond de Rothschild Asset Management, published a report entitled "***The VOICE Method for measuring the effectiveness and influence of engagement***"[2] under the leadership of the Forum for Responsible Investment (FIR) and with the support of academics and the PRI.

Comprising active but non-activist investors, this working group spent 15 months developing concrete tools designed to become common standards for both institutional investors and asset management firms. It was established in late 2024 in response to the need to clarify numerous issues (definition, accounting, reporting, resources) and to provide a framework for measuring effectiveness and influence. Whilst many 'committed' companies complain about the proliferation of investor engagement initiatives, which are sometimes poorly structured or irrelevant, this report puts quality back at the centre, moving beyond purely quantitative publicity stunts. It also emphasises the need to focus on results, and not just on the means.

1. Valuation of Influence of Corporate Engagement.
2. https://www.frenchsif.org/isr_esg/wp-content/uploads/FIR_Methode-Voice-GB_Interactif_08-06.pdf

The practical tools proposed cover the needs of individual as well as collective engagement. They are also relevant for engagement by both equity and bond holders. Originating in the Paris financial centre, this report has a European scope and will be the subject of extensive discussion in the coming months, particularly in countries where pension funds play a key role (the Netherlands, Sweden or Switzerland, for example). This work is all the more encouraging given that Europe is struggling to come to terms with 10 years of a regulatory framework that is both dense and unstable.

" This working group has formalised practical tools for ESG engagement that are intended to become standard practice for both institutional investors and asset management firms. "

This type of initiative, driven by practitioners and rooted in real-world experience, provides a concrete response to the need to share best practices in order to advance engagement. In this context, Edmond de Rothschild Asset Management has decided to align its own engagement practices with the VOICE method by 1 January 2027.

Enjoy your reading!

Sustainable Finance and Responsible Investment Chair

FIR FORUM POUR L'INVESTISSEMENT RESPONSABLE

PRI Principles for Responsible Investment

Edmond de Rothschild Asset Management is a co-sponsor of the Sustainable Finance and Responsible Investment Chair which is co-managed by Ecole Polytechnique and the Toulouse School of Economics, and is a co-sponsor of the FIR - PRI european research awards.

European sovereignty and sustainability: allies in reducing critical dependencies

The geopolitical events of the last 18 months have brought the issues of sovereignty and reducing critical dependencies back to the forefront, particularly in Europe. Mario Draghi's report on European competitiveness, published in September 2024, remains highly topical, even though only a fraction of its recommendations have been implemented to date. Rather than fuelling a pessimistic narrative about the predicted demise of the 'old continent', it is worth highlighting how sovereignty and sustainability, on the contrary, offer numerous areas of convergence, both today and in the future. We propose to illustrate these through three key pillars: i**nnovation, transition and security**.

" Sovereignty and sustainability offer numerous areas of convergence, both today and in the futur. "

Innovation

The recent Nobel laureate in economics, Philippe Aghion, consistently highlights one priority: Europe must above all defend, and above all strengthen, its technological competitiveness. The Chinese government has just announced, as part of its 15th Five-Year Plan (2026–2030), major investments in green hydrogen and energy storage technologies, two essential levers for accelerating the energy and environmental transition. In contrast to the situation 25 years ago, Europe will likely have to negotiate technology transfers with China in the field of energy storage. It does, however, possess significant strengths in the hydrogen/electrolysers sector, notably thanks to two industrial gas giants: Air Liquide (France) and Linde (Germany).

Transition

The rise of renewable energy is emerging as a win-win approach in the face of Europe's glaring dependence on fossil fuels (Russia, the Near and Middle East, the United States, etc.). In terms of sustainable mobility, the transition hinges on the electrification of land transport. If electricity is low-carbon (hydro, wind, solar, nuclear) – which is increasingly the case in Europe (France, the Nordic countries, the Iberian Peninsula, etc.) – it contributes directly to the decarbonisation of human activities, with one imperative challenge: joining the ranks of Asian players (China, South Korea and Japan) who currently dominate the electric battery industry. In the building sector, which accounts for around 35% of greenhouse gas emissions, Europe can rely on a competitive heat pump industry, where sales have been on the rise since the start of the conflict in Iran (March 2026) and the surge in oil and natural gas prices.

Security

When it comes to energy security, the choice is clear, with the successful example of China, where electricity already accounts for nearly a third of energy consumption. For its part, Europe is aiming for 50% electricity in its energy mix by 2040 and 32% by 2030, compared to around 24% today. New low-carbon electricity generation capacity, which is now economically competitive, is also a key driver for accommodating the additional data centre capacity essential for artificial intelligence and digital autonomy (such as the cloud), whilst limiting their environmental impact. Like other regions of the world, Europe will need to reduce its dependence on rare earths and critical materials, some of which are essential for batteries, wind turbines and solar panels. This will notably involve the widespread adoption of recycling and circular economy schemes. Finally, security can also encompass social issues, as was evident during the Covid-19 pandemic in 2020–2021. On that occasion, European citizens and politicians observed, as supply chains broke down, that 80% of the basic components or active pharmaceutical ingredients (APIs) used to manufacture medicines came from China and India. In this regard, progress has been limited, as imports remain as high as ever, with only a shift towards sourcing more from India.

Biodiversity finance

Biodiversity loss is now among the greatest challenges facing our societies. According to numerous international studies, populations of mammals, birds, fish, reptiles, and amphibians are rapidly declining worldwide. This erosion is not only a threat to ecosystems: it also represents a major economic risk. A considerable share of human activity depends directly on the services provided by nature, whether crop pollination, climate regulation, protection against natural disasters, or the supply of food resources.

Traditionally, biodiversity preservation relies on public funding, international organizations, and philanthropic foundations, even though the needs in terms of protection and restoration of ecosystems far exceed the resources available. It is in this context that biodiversity finance has emerged: the idea of mobilizing private capital to finance conservation projects and the restoration of natural capital.

This article explores this new form of financing. The authors seek to understand how biodiversity can become an investable asset, as well as the conditions that foster the engagement of private investors in such projects.

Protecting biodiversity as an investment opportunity

At first glance, the idea may seem paradoxical. Biodiversity is often viewed as a public good: its benefits are enjoyed by all, without anyone being able to claim ownership. How, then, could a private investor generate a financial return by protecting a forest, a mangrove, or a coral reef?

The authors explain that the key lies in the ability to "monetize" biodiversity. Numerous examples illustrate this principle:

— the preservation of pollinators can improve agricultural yields;

— forest restoration promotes carbon sequestration and generates carbon credits tradable on markets;

— the protection of mangroves reduces coastal flooding risks while preserving the value of nearby real estate;

— coral reefs, natural parks, and marine protected areas can support the development of sustainable tourism and generate income for local communities.

From this perspective, biodiversity no longer appears solely as a resource to be preserved for ethical reasons, but as a form of capital that generates economic value. Investors can thus benefit from various returns:

— direct financial revenues, arising from the economic activities enabled by ecosystem preservation;
— indirect revenues, such as carbon credits or biodiversity credits;
— and, for some impact investors, a non-financial return linked to the environmental benefits themselves.

“ Biodiversity no longer appears solely as a resource to be preserved for ethical reasons, but as a form of capital that generates economic value. ”

The role of blended finance

Biodiversity projects often have a risk–return profile that is less attractive than conventional investments: uncertain revenues, long payback periods, still-emerging markets, and limited historical data.

In this context, blended finance plays a key role, and the authors place it at the heart of their analytical framework. They distinguish between: (i) “traditional” private capital, which aims to maximize risk-adjusted returns; and (ii) blended finance, which combines private capital with concessional capital (from governments, development banks, or foundations) that accepts less favorable conditions. These public or philanthropic actors can intervene in several ways:

— by accepting subordination (junior tranches);
— by providing guarantees or absorbing part of the losses;
— by offering financing on preferential terms;
— by funding technical assistance and preparatory studies.

Blended finance plays a crucial role in the market learning phase: part of the concessional funds is devoted to pilot projects, impact-monitoring mechanisms, and validation projects. This information-gathering process, designed to reduce ambiguity caused by the lack of track record, is essential for demonstrating the viability of these new business models. The authors thus emphasize that blended finance acts as a catalyst: it does not replace private capital, but seeks to unlock it by making certain projects more attractive.

Lessons from early market data

To analyze how biodiversity finance actually works, the authors use the confidential database from an investment manager specialized in sustainable investment, which they refer to as Biodiversity Investment Manager (BIM), for confidentiality reasons. The sample covers 33 transactions carried out between 2020 and 2022 in various countries and sectors linked to natural capital (sustainable agriculture, forest management, fisheries, coastal ecosystems, and oceans). Most projects are located in Latin America, Asia, and Africa, regions where conservation challenges are particularly significant.

The analysis shows that nearly 60% of the transactions are financed exclusively by private capital, while 40% use blended finance mechanisms. This duality reflects the diversity of needs present in the market. The results highlight a trade-off between financial performance and environmental impact:

— projects financed exclusively by private investors offer, on average, higher financial returns, but their size and ecological impact are often more limited;

— conversely, projects benefiting from blended finance tend to be more ambitious environmentally. They cover larger areas, reduce greenhouse gas emissions more significantly, and benefit a greater number of people. Their financial profitability is generally lower, but this is partially offset by "de-risking" mechanisms provided by public or philanthropic partners.

The authors thus propose a new way of viewing investment in biodiversity. Unlike traditional finance, which focuses on the return–risk trade-off, they highlight a third dimension: biodiversity impact, which investors must now reconcile with return and risk.

Conclusion: a complementary lever to public action

The study offers one of the first detailed analyses of a still nascent but rapidly growing market. It shows that finance dedicated to biodiversity can help bridge part of the conservation funding gap by turning certain nature-protection projects into investment opportunities. The main takeaway is the importance of blended finance. By improving the risk–return profile of the most environmentally ambitious projects, it encourages the inflow of private capital that would probably not have been invested otherwise. However, an analysis of rejected projects shows that not all biodiversity projects manage to attract investors: to mobilize private capital, a project must meet a double threshold of minimum profitability and sufficient biodiversity impact.

In other words, private finance, even supported by innovative structures, cannot solve the biodiversity crisis on its own. Public policies, regulation, and international commitments remain essential to ensure the long-term protection of natural capital. Biodiversity finance thus appears not as a substitute for public action, but as an additional lever to mobilize new resources commensurate with the scale of today's environmental challenges.

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Flammer C., Giroux T., Heal G.M. (2025). "Biodiversity Finance", Journal of Financial Economics, vol. 164, art. 103987
Article available online: https://www.sciencedirect.com/science/article/abs/pii/S0304405X24002101

Focus on ASML

ASML remains relatively unknown to the general public, despite playing a major role in the current race for artificial intelligence. Originally a *spin-off* from the Philips Group and founded in 1984 in the Netherlands, ASML is a key equipment supplier in the semiconductor industry. It enjoys a virtual monopoly (90% market share) in its lithography products, serving customers mainly based in Asia (TSMC, Samsung, etc.). Its products are durable: 95% of ASML machines sold over the last 30 years are still in operation. ASML's 1.5°C climate targets were once again validated by the SBTi in July 2025. The company is thus contributing to the drive for energy efficiency, a key challenge in maintaining Moore's Law for its customers.

With 16,000 employees in its R&D teams, ASML is at the forefront of innovation in an industry driving the technological divide. It relies on an ecosystem of leading partners such as the German company Carl Zeiss, a benchmark in the field of optics.

In the war for talent, ASML manages to keep staff turnover at around 4–5%, thanks to attractive remuneration, a significant training programme that promotes mobility and internal promotions, as well as a strong commitment to diversity.

Finally, its governance stands out for its quality: a board of directors composed entirely of independent members, the ability to develop its own senior leaders internally, and remuneration schemes for top management that incorporate relevant sustainability targets.

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

The World Cup's carbon footprint: 7.8 million tonnes of CO_2

The 2026 World Cup is expected to generate 7.8 million tonnes of CO_2, more than double the emissions from the 2022 tournament in Qatar. This figure illustrates the growing environmental cost of major sporting events.

Source: Reuters

Social

Over 1.3 billion people live with a disability

(16% of the global population)

People with disabilities remain more vulnerable to poverty, unemployment and unequal access to healthcare.

Source: WHO, World Report on Disability, 2025
https://www.who.int/health-topics/disability#tab=tab_1

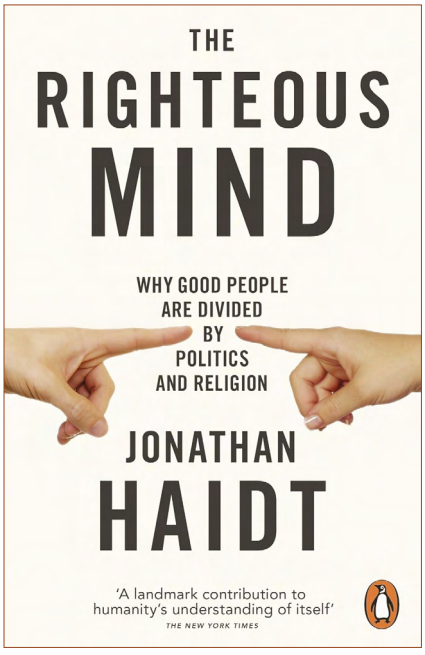
The righteous mind

Jonathan Haidt teaches at New York University. He has been a recognised figure in the fields of sociology and psychology for many years. Influenced by the works of Durkheim and Spinoza, his book "*The Righteous Mind*" on morality, first published in 2012, was finally released in French in 2026.

His message is thought-provoking. Broadly speaking, morality, which is based on respect and kindness towards others, makes a positive contribution to our societies. However, much like a rider perched on an elephant, with little control, moral judgement is thought to be rooted primarily in the unconscious before being rationally validated after the fact.

To explain why politics and religion can be divisive, the most concrete insight lies in the diversity of moral approaches presented by the researcher, based on six fundamental values: care for others, fairness, freedom, loyalty, authority and a sense of the sacred.

This typology helps us to better understand the moral differences between a Democratic and a Republican voter in the United States, or between a believer and an atheist. Finally, it is worth noting that his work on morality led the author to subsequently focus on business ethics.



The Righteous Mind: Why Good People are Divided by Politics and Religion by Jonathan Haidt

Why do investors take human capital into account?

At a time when all eyes are on artificial intelligence, the issue of human capital deserves investors' attention more than ever. This is the subject of the contribution by the Responsible Investment team at Edmond de Rothschild AM in the latest issue (April 2026) of *Handbook*, dedicated to the innovative theme of intangible assets.

In a 19-page chapter, we demonstrate that the rise of intangible assets makes human capital central to value creation and corporate financial performance, alongside two other pillars: organisational capital (data, IT, intellectual property, corporate culture, etc.) and relational capital (brands, customers, supply chains, quality, etc.).

In many sectors, the wage bill accounts for a large proportion of costs, service quality depends directly on employees, talent shortages are structural, and any deterioration in the working environment can weigh on profitability. Both academic and financial research show that effective human capital management (training, working conditions, engagement, corporate culture) is linked to sustainable stock market performance, including – and especially – during times of crisis. Companies that invest in their employees' skills, health and safety gain in productivity, team stability and innovation capacity.

" Companies that invest in their employees' skills, health and safety gain in productivity, team stability and innovation capacity. "

At the same time, growing demand from clients – particularly institutional investors – regarding ESG, the rise of megatrends (education, lifelong learning, workplace safety) and the UN SDGs framework reinforce the strategic importance of human capital. New regulations (CSRD in Europe, HR reporting requirements in Japan, etc.) are gradually introducing standardised indicators on employment, training, diversity, and health and safety, which facilitates analysis and comparison by investors.

Edmond de Rothschild AM has incorporated these issues into a proprietary model since 2011, combining quantitative indicators with qualitative assessment. Particular attention is paid to training and skills development, complemented by an analysis of opportunities (job creation and quality, engagement, diversity, etc.) and risks (staff turnover, accidents, workplace relations, etc.). This framework is supplemented by monitoring of sensitive events (restructuring, mergers and acquisitions, crises) and by an active policy of dialogue and engagement.

Recent corporate controversies and performance gaps observed in certain sectors confirm the material impact of human capital on stock market performance. Companies have an interest in measuring and disclosing this more effectively, whilst investors can, through their models and engagement, accelerate this integration into the heart of investment decisions.

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